UTTAR PRADESH ELECTRICITY REGULATORY COMMISSION

LUCKNOW

Petition No. 1541/ 2019

APPROVAL OF AGGREGATE REVENUE REQUIREMENT (ARR) AND TARIFF FOR FY 2020-21

AND

TRUE-UP OF ARR AND REVENUE FOR FY 2018-19

FOR

Noida Power Company Limited., (NPCL) – (Petition No. – 1541/2019)

ORDER UNDER SECTION 62 & 64 OF

THE ELECTRICITY ACT, 2003

December 04th, 2020

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UTTAR PRADESH ELECTRICITY REGULATORY COMMISSION

Petition No. 1541 / 2019

IN THE MATTER OF:

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And

IN THE MATTER OF:

Noida Power Company Ltd., Gr. Noida (NPCL) – (Petition No. –1541 / 2019)

ORDER

The Commission having deliberated upon the above Petition and the subsequent filings by the Petitioner, thereafter being admitted on June 05, 2020 and having considered the views / comments / suggestions / objections / representations received from the stakeholders during the course of the above proceedings and also in the public hearing held, in exercise of power vested under Sections 61, 62, 64 and 86 of the Electricity Act, 2003 (hereinafter referred to as 'the Act'), hereby passes this Order signed, dated and issued on December 04th, 2020.

The Licensee, in accordance with Regulation 5.10 of the Uttar Pradesh Electricity Regulatory Commission (Multi Year Tariff for Distribution and Transmission) Regulations, 2019, shall publish the Tariffs approved by the Commission in at least two (2) English and two (2) Hindi daily newspapers having wide circulation in the area of supply and shall put up the approved Tariff on its internet website.

The tariff so published shall be in force after seven days from the date of such publication of the tariff and shall, unless amended or revised, continue to be in force for such period as may be stipulated therein. The Commission may issue clarification / corrigendum / addendum to this Order as it deems fit from time to time with the reasons to be recorded in writing.

1 BACKGROUND AND PROCEDURAL HISTORY

1.1 BACKGROUND

1.1.1 M/s Noida Power Company Limited (hereinafter referred to as 'Petitioner', 'Licensee' or 'NPCL') was granted a 30 year supply license on August 31, 1993 by the State Government under Section 3(1) of the Indian Electricity Act, 1910, which authorized it to supply electricity in the licensed area. It is noted that the NPCL License is upto August 30, 2023 and the License of NPCL will expire within the Control period.

1.2 DISTRIBUTION TARIFF REGULATION

1.2.1 The Uttar Pradesh Electricity Regulatory Commission (Multi Year Distribution Tariff) Regulations, 2014 (herein after referred to as "Distribution MYT Regulations, 2014") were notified on May 12, 2014. These Regulations are applicable for determination of ARR and Tariff from FY 2017-18 to FY 2019-20. Embarking upon the MYT framework, the Commission has divided the period of five years (i.e. April 1, 2015 to March 31, 2020) into two periods namely –

- Transition period (April 1, 2015 to March 31, 2017)
- Control Period (April 1, 2017 to March 31, 2020)

1.2.2 The transition period of two years ended in FY 2016-17. The Distribution Tariff Regulations, 2006 were made applicable for the Truing Up of ARR for the transition period (FY 2015-16 to FY 2016-17), whereas the first Control Period of the MYT Period (FY 2017-18 to FY 2019-20), was governed in accordance with the Distribution MYT Regulations, 2014.

1.2.3 Subsequently, the Commission notified the Uttar Pradesh Electricity Regulatory Commission (Multi Year Tariff for Distribution and Transmission) Regulations, 2019 (hereinafter referred to as "MYT Regulations 2019") applicable for determination of tariff from April 1, 2020 onwards up to FY 2024-25 [i.e., till March 31, 2025] unless extended by the Commission. These Regulations were finalized by the Commission on 23rd September 2019 and were finally uploaded on the Commission's website on 22nd November 2019, after gazette notification. These Regulations are applicable for the purpose of submission of Multi Year Tariff Petition for Business Plan, True-up, Annual Performance Review (APR), determination of Annual Revenue Requirement (ARR) and Tariff of all the distribution and transmission licensees within the State of Uttar Pradesh for the Control Period FY 2020-21 to FY 2024-25.

PROCEDURAL HISTORY

1.3 BUSINESS PLAN, MULTI YEAR ARR & TARIFF AND TRUE UP PETITION BY THE LICENSEE

1.3.1 The Commission, vide its Tariff Order dated November 30, 2017, approved the Business Plan for MYT Control Period (FY 2017-18, FY 2018-19 and FY 2019-20) for NPCL along with the ARR / Tariff for FY 2017-18. In the said Order, the Commission also approved the True Up for FY 2015-16.

1.4 TRUE UP FOR FY 2016-17, ANNUAL PERFORMANCE REVIEW (APR) FOR FY 2017-18, AND AGGREGATE REVENUE REQUIREMENT (ARR) FOR FY 2018-19 FILED BY THE PETITIONER

1.4.1 The Commission, vide its Tariff Order dated January 22, 2019, approved the ARR / Tariff for FY 2018-19, Annual Performance Review (APR) for FY 2017-18 and True-Up for FY 2016-17.

1.5 DETERMINATION OF TARIFF, ANNUAL PERFORMANCE REVIEW (APR) AND TRUING UP OF TARIFF

1.5.1 As per the provisions of the Distribution MYT Regulations, 2014 the Distribution Licensee were required to file their ARR / Tariff Filings before the Commission latest by November 30th each year so that the tariff can be determined and be made applicable for the subsequent financial year.

1.5.2 The Regulation 4 of MYT Regulation, 2019 stipulates the timelines for filing of Business Plan, ARR / Tariff, APR & True-Up Petitions under these Regulations. The relevant extract of the same is reproduced below:

Quote

4. Petitions to be filed in the Control Period

4.1 The Petitions to be filed in the Control Period under these Regulations will comprise of the following:

Filing date	***True- Up***	***APR***	***ARR / Tariff***
15.10.2019	***Business Plan for FY 2020-21 to FY 2024-25***		
30.11.2019	*FY 2018-19 (as per MYT Regulations, 2014)**	*FY 2019-20 (as per MYT Regulations, 2014)**	*FY 2020-21*
30.11.2020	*FY 2019-20 (as per MYT Regulations, 2014)**	*FY 2020-21*	*FY 2021-22*

Filing date	***True- Up***	***APR***	***ARR / Tariff***
30.11.2021	*FY 2020-21*	*FY 2021-22*	*FY 2022-23*
30.11.2022	*FY 2021-22*	*FY 2022-23*	*FY 2023-24*
30.11.2023	*FY 2022-23*	*FY 2023-24*	*FY 2024-25*

**The filings shall be as per Multi-Year Distribution Tariff Regulations, 2014 and Multi-Year Transmission Tariff Regulations, 2014, however, filings have to be made on 30th November of the respective year as per these Regulations.*

4.2 The Licensee shall submit the data regarding the above as per Guidelines and Format prescribed and added/ amended from time to time by the Commission.

Unquote

1.5.3 The Commission vide its Letter UPERC/Secy/D (Tariff)/19-1238 dated September 24, 2019 conveyed the Petitioner to immediately initiate the process of filling of Petition for Business Plan and determination of ARR / Tariff in order to adhere with the timelines as stipulated under the Regulations. The Petitioner thereafter submitted their Petitions in the matter of Truing Up for FY 2018-19, Annual Performance Review (APR) FY 2019-20 and determination of ARR / Tariff for FY 2020-21 before the Commission, after a delay of approx. a month on December 27, 2019.

1.5.4 The Petition should have been filed latest by November 30, 2019 and the Petitioner submitted that the process of filing of the Business Plan and the ARR & Tariff Petition for FY 2020-21 was slightly delayed on account of delay in preparation of data as per the new tariff formats prescribed in the MYT Regulations, 2019. The Petitioner assured that in future it will submit the Petition as per the prescribed time lines.

1.5.5 The Commission would like to caution the Petitioner that such delays in future in filing of True-Up, APR and ARR Petitions during this control period would be dealt strictly considering the directions contained under Hon'ble APTEL's Judgement dated 11.11.2011 in OP No. 1/2011 referred above. Additionally, this would be treated as non-compliance of relevant provisions of various Regulations and appropriate punitive action against the Petitioner may be taken by the Commission.

1.6 PRELIMINARY SCRUTINY OF THE PETITIONS

1.6.1 The Petitioner, in its Business Plan Petition, has submitted the Category / Sub-category wise number of consumers, connected load. Load factor, sales projections, Power Procurement Plan (Renewable Energy and Non- Renewable Energy) and Forecasting, Renewable Purchase Obligation (RPO) Planning and Forecasting, Distribution Loss trajectory, Capital Investment Plan, Financing Plan and Physical targets, Equity, Grants, etc.

1.6.2 After the detailed scrutiny of the Petition by the Commission, a deficiency note was issued to the Licensee vide letter dated February 27, 2020 directing it to provide the required information within 10 days from the date of issuance of the Deficiency Note. The Commission further issued a set of deficiency note vide its letter dated May 13, 2020. The Petitioner submitted its replies on May 27, 2020.

1.6.3 Further, several other deficiencies were raised by the Commission. The Petitioner submitted its most of the critical data for the acceptance / admission of the Petition.

1.6.4 The Commission issued the Business Plan Order of the Petitioner in Petition No. 1526 of 2019 vide Order dated November 26, 2020.

1.7 ADMITTANCE OF THE TRUE-UP, APR AND ARR / TARIFF FILINGS

1.7.1 The Commission, vide its Admittance Order dated June 05, 2020, directed the Petitioner to publish a Public Notice consisting of the summary and highlights of the proposed Aggregate Revenue Requirement and Tariff for FY 2020-21, Annual Performance Review for FY 2019-20 and True-Up for FY 2018-19 in at least two (2) English and two (2) Hindi daily newspapers having wide circulation in its license area, inviting suggestions and objections within 15 days from the date of publication of the Public Notice(s) from the stakeholders and public at large. The Petitioner shall also upload on its website the Public Notice, Petitions filed before the Commission along with all regulatory filings, information, particulars and related documents.

1.7.2 The Commission also directed that the Public Notice(s) should also contain the details of ARR, proposed Tariff, True-Up, details of actual Distribution Loss for FY 2018-19, FY 2019-20 & proposed Distribution Loss and Distribution Tariff for FY 2020-21 and such other matters, if any.

1.8 PUBLICITY OF THE LICENSEE FILINGS

- The Public Notice detailing the salient features of the Filings were published by the Licensees in daily newspapers as detailed below, inviting objections from the public at large and all stakeholders. This information appeared in Hindi Newspapers (Dainik Jagran, Navbharat Times) and English Newspapers (The Statesman, Times of India) on June 09, 2020.

2 PUBLIC HEARING PROCESS

2.1 PUBLIC HEARING:

2.1.1 To provide an opportunity to all sections of the population in the Licensee's supply area to express their views and to also obtain feedback from them, virtual public hearing through Video Conference was held by the Commission on July 08, 2020.

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

2.1.3 The State Advisory Committee meeting was held on November 06, 2020 in which Tariff related issues were discussed. The same have also been taken into consideration while finalising and determining the tariff.

2.1.4 The views / suggestions / comments / objections / representations on the True-up / APR/ ARR / Tariff submissions received from the public were forwarded to the Licensee for its 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 / APR / ARR / Tariff.

2.1.5 Shri Ramashankar Awasthi requested the Commission to provide the Petitioner's reply on his comments / objections raised in the public hearing. The Commission has provided the Petitioner's reply vide emails dated October 01, 2020. Shri. Awasthi has submitted his comments / objections on the above reply of the Petitioner and also has made later an additional submission by hand. All of these have been taken into consideration and have been appropriately dealt with in the subsequent sections of this Order.

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

2.1.7 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.

2.2 VIEWS / COMMENTS / SUGGESTION / OBJECTIONS / REPRESENTATION ON TRUE-UP, APRD AND ARR / TARIFF FILLINGS.

2.2.1 The Commission has taken note of the various views/ comments / suggestions / objections / representations made by the stakeholders.

2.2.2 The Commission has attempted to capture the summary of comments / suggestions / observations in this section. However, in case any comment / suggestion / observation is not specifically elaborated, it does not mean that the same has not been considered.

The Commission has considered all the issues raised by the stakeholders and Licensee response on these issues while carrying out the detailed analysis of the True Up for FY 2018-19, APR for FY 2019-20 and Tariff for FY 2020-21.

2.2.3 The list of the persons who have submitted their views / comments / suggestions / objections / representations, is appended to this Order. The major issues raised therein, the replies given by the Licensees and the views of the Commission have been summarised as detailed below:

TARIFF

A. Comments / Suggestions of the Public

2.2.4 Shri Avadhesh Kumar Verma, Chairman, M/s U.P Rajya Vidyut Upbhokta Parishad requested the Commission to reduce the tariff of the Petitioner by 15% so that the consumers will be benefitted.

2.2.5 Shri Vishnu Bhagwan Agarwal, Chairman, ASSOCHAMUP submitted that Tariff should be reduced for industries in line with the other States. He added that the Tariff needs a reconsideration and reduced to give a boost to manufacturing activities.

2.2.6 Shri Vipin Kumar Malhan, President, Noida Entrepreneurs Association submitted that due to lockdown, huge losses were incurred by the Industrial and Commercial Institutions and therefore, proposed tariff hike is strongly opposed.

2.2.7 Shri Sunil Kumar Pandey submitted that Fixed charges per KVA should be reduced if there is no infrastructure by Electricity Boards/ UPPCL/ NPCL, as the infrastructure setup is provided by the Builder. It is also submitted that all infrastructure responsibility must be on Distribution companies if they are going to charge fixed charges per KVA. It is also submitted that infrastructure cost must be nominal if any changes required in Basic Infrastructure. Even if there is no need to do any changes, it is an excuse used by all Power Supply Companies. Electricity Unit rate must be as per Individual connections.

B. Petitioner's Response

2.2.8 As regards to the objection of Shri Avadhesh Kumar Verma, the Petitioner has not submitted any reply.

2.2.9 As regards to the objection of Shri Vishnu Bhagwan Agarwal, the Petitioner submitted that the Commission may decide the tariff based on the Petitions filed by the Petitioner.

2.2.10 As regards to the objection of Shri Vipin Kumar Malhan, the Petitioner submitted that it has desired not to consider any proposal with regard to tariff increase submitted by

UPPCL, hence, does not relate to the Petitioner. The Commission may kindly decide suitably.

2.2.11 As regards to objection of Shri Sunil Kumar Pandey, it is submitted that the Petitioner is charging Tariffs as per the Rate Schedule approved by the Commission vide its Tariff Order September 03, 2019.

C. Commission's View

2.2.12 The Commission has taken note of the objections/suggestions made by the stakeholders in this regard.

TARIFF RATIONALISATION

A. Comments/ Suggestions of the Public

2.2.13 Shri Chakresh Jain submitted that there is a mass scale violation of tariff orders and total non-compliance of CGRF orders which leads to excess collection in electricity through prepaid meters. He requested to visit the tariff orders since FY 2014-15 till FY 2019-20. It is submitted that the monthly statement of electricity collection under 4 heads not been given to the residents and half or full year audits are also not being done by any builder or association, which results in money laundering and non-refund of excess collected amount. Further, it is submitted that huge excess collection is due to high declared tariff of Rs. 7 & Rs. 100 and should be reduced based on actuals Rs. 6.62 & Rs. 26.5 which is due to wrong power factor of 0.9 instead of actual PF of 0.98. He then submitted that energy and grid fixed charges needs to be rationalized as suggested below:

- **Energy rate** = supply rate+ 5% duty (6.30+ 5% =6.62)
- **Grid fixed charges** = actual billed by PVVNL divided by total load in society (approx. 26.50)
- **Common Area Electricity**= shortfall in collection from 1& 2 above to be divided by no of flats (varies between 250 to 550)
  Note: monthly PVVNL bill must be balanced in above 3 heads of collections.
- **DG fixed charge** is only depreciation fund amount hence must be put in blank FD every month positively. (If collected and not put in FD shall attract criminal proceedings against builder/AOA)

B. Petitioner's Response

2.2.14 As regards to the objection of Shri Chakresh Jain, the Petitioner submitted that the Complainant has already filed cases in CGRF, Meerut (Case no 21/2019 & 26/2020), hence, relating to PVVNL. It is pertinent to mention that the Petitioner takes necessary action as and when any complaint received by it.

C. Commission's View

2.2.15 The Commission has taken note of the objections/suggestions made by the stakeholders in this regard.

REVENUE VS EXPENDITURE

A. Comments/ Suggestions of the Public

2.2.16 Shri Avadhesh Kumar Verma, submitted an analysis between revenue and expenditure, as shown in the table below:

Table 2-1: Details regarding analysis between revenue and expenditure

Particulars per unit	UOM	FY 2014-15	FY 2015-16	FY 2016-17	FY 2017-18	FY 2018-19	FY 2019-20
Net Expenditure	Rs / kWh	6.50	6.63	6.05	7.05	7.52	7.38
Total Revenue	Rs / kWh	5.98	6.43	6.66	6.86	6.99	7.28

2.2.17 He submitted that:

- The Net Expenditure in Rs. /kWh was 6.05 but it was increased by 16% in FY 2017-18. The year on year increase in FY 2018-19 is further increased by 7% and such huge increase in expenditure are doubtful.
- CAGR of 5 years of Revenue is only 4% whereas tariff hike in the same period was much more by the Commission.

B. Petitioner's Response

2.2.18 The Petitioner submitted that it has been filing Tariff Petitions in accordance with applicable UPERC (Terms & Conditions for Determination of Distribution Tariff) Regulations, 2006, UPERC MYT Regulations, 2014 and UPERC MYT Regulations, 2019 with all requisite details, which were further clarified and explained as desired by the Commission through various deficiency notes issued from time to time.

2.2.19 Further, the Petitioner resubmitted that the queries/ comments / suggestions have been invited by the Commission on NPCL's Petition no. 1541 of 2019 for True-up for FY 2018-19, APR for FY 2019-20 and ARR for FY 2020-21, therefore, comments on tariffs / ARR prior to FY 2018-19 cannot be the subject matter of the present proceedings. The Petitioner further submitted that the Objector is wrongly comparing CAGR in ABR over 6 years vis-à-vis year on year increase in costs. The Petitioner added that on a correct analysis, the Commission would observe that while ABR has increased at the rate of 4% CAGR, the costs have increased at the rate of 2.5% CAGR over the same period.

C. Commission's View

2.2.20 The Commission has taken note of the objections/suggestions made by the stakeholders in this regard.

DISTRIBUTION LOSSES

A. Comments/ Suggestions of the Public

2.2.21 Shri Rama Shanker Awasthi submitted that when the Commission has asked the Petitioner to explain the reason for the increase in the losses from the 8% level, the Petitioner has smartly explained the reason as COVID-19, whereas the impact of COVID-19 commenced during the last week of March 2020. He also submitted that the Petitioner has provided many more reasons and compared their own utility to utilities which have 30% of losses.

Table 2-2: Objectors response to NPCL's Reply

NPCL Reply	Objector Response
The Commission is kindly aware that the entire country in under lockdown, till 31st May 2020 (as notified till the date of this letter), due to COVID-19. Malls, work places (both private & Government), industries have been ordered to remain shut and advisory has been issued to private sector organizations to allow their employees and officers to work from home.	COVID 19 related locked down started 24th March 2020 only and NPCL is hiding its inefficiency for the entire year in a week period.
The above has affected the operations of the Petitioner significantly. The revenue, power purchase and consumer mix has changed all together. The drawl by industries has come to a standstill while that of Urban and Rural Areas is drawing power unrestrictedly resulting into higher LT Sales, Lower HT Sales and Higher T & D losses. The situation becomes all the grimmer because of restrained movement of Petitioner's personnel and effectively no Loss	The objector has field reports providing that village supply is less than 10 hrs per day. Further, with Petitioner there is a huge load in domestic single point connection, the consumption from such consumers could have increased. It is important to see that a week of lockdown in FY 2019-20, will not impact overall performance

NPCL Reply	Objector Response
Control Activities in the fields due to lock-down.	
Further, the Petitioner has time and again submitted to the Commission that it has been striving to implement/emulate efficient, resilient, robust, inclusive, tailor-made initiatives to tackle the ever-rising menace i.e. commercial loss, which all distribution utilities are struggling hard to chain. While many initiatives tendered significant results but sometimes most worthy models failed due to the volatile environment, which are beyond the control of the distribution licensee.	It is submitted that the Petitioner for so many years have not been able to bring down the loss levels. However, during the same time Torrent has reduced losses in Agra from 55% to 14-15% but the Petitioner losses are unchanged from 8%. It is surprising how electricity theft is calibrated to the same level for so many years. It appears that data is manipulated for loss computation. Further, if Greater Noida industrial city with huge domestic load at HT is volatile environment, it appears that the Petitioner is incompetent to serve the area.
Local Authority restraining the Petitioner from providing electricity connection in unplanned and un-authorized colonies leading to unauthorized tapping of energy. The menace has been quite high in Doob area of Greater Noida which is witnessing rapid build-up of colonies considering with growing urbanization and all-round development. Greater Noida being a developing city with many vacant residential premises, has attracted unauthorized occupants in urban areas who also indulge in hooking and tapping of electricity.	The Petitioner has purchased so many vehicles and is charging crores of rupees in professional fees. Additionally, most of the network is in HT, then how theft is happening is beyond understanding of a common man. At the ground level, thousands of people are harassed by them who purchase property. Just after they take possession and seek electricity connection, their raid teams present them a bill in Lakhs of rupees for the period prior to purchase of property. It is submitted that the Petitioner must look, if their own employees are involved in corrupt practices, otherwise power theft is not possible. The Commission must scrutinise the role of management in malpractices with consumers and providing of ‘illegal’ and fake bills in the name of Supplementary bills which are not computer generated.
In villages and unauthorised colonies, due to lack of planned development and no authority for approving “Naksha”, at many places, the electrical network is being exploited to such a level where	The objector is surprised to read the argument provided by the Petitioner as if their management is able to work only in European countries. Similar conditions do prevails in UPPCL’s Discom area.

NPCL Reply	Objector Response
even the electrical poles / transformers are being covered within the boundary / four wall of the houses leading to theft/ pilferage. Due to widespread land acquisition in Greater Noida, allocation of certain percentage of land to farmers and development of private colonies and allocation, the above practice is quite frequent and wide spread in Greater Noida Area.	It is very common practice across all the state If this would not happen, the Petitioner losses cannot be more than 3%.
Increased hours of supply in rural areas i.e. from 12-16 hours to at least 18-22 hours in accordance with the State Government directions. In this regard, the Petitioner would like to bring to the attention of the Commission to a letter no. 1686/24-P- 3-2018 dated August 3, 2018 written by the Principal Secretary (Energy), Govt. of UP wherein the Petitioner has been directed to provide 18 hours' power supply in villages failing which action will be taken against the Petitioner in accordance with the conditions of license of the Petitioner. Therefore, the Petitioner had to further increased power supply in villages. However, it'll result into higher T&D losses and bad debts due to non-payment of bills.	It is submitted that the Petitioner is not providing electricity supply to villagers as per government directives.
Earlier, the Petitioner was able to contain T & D loss at 8% by curtailing load in the loss prone areas but with the strict direction to increase power supply in rural areas for at-least 18 hours irrespective of high losses and non-payment of bills, the T&D Loss cannot be contained at 8% level. Further, these villagers are adding many of the electrical/electronic items such as air	It is submitted that the Petitioner must be directed to provide village wise and DT wise monthly energy audit reports to substantiate their claims. Further, an independent consumer survey should be conducted in villages to know the actual facts.

NPCL Reply	Objector Response
conditioners, large TVs, washing machines, mobile phone, Laptops etc., without paying their electricity dues. This has seriously strained the Petitioner's efforts to contain its losses at 8%.	
Lowering of the HT: LT ratio.	It is submitted that all the data is provided in such a format which is not properly readable, cannot be copied. To help the Commission to understand the game of providing wrong information, an analysis of Petitioner data has been done and the sales ratio at 33kV is increased, 11 kV is increased and LT is decreased. **This is the reason that T&D losses should be reduced by 1.8% to 6.2% in FY 2018-19 and FY 2019-20**

	FY 2014-15	FY 2015-16	FY 2016-17	FY 2017-18	FY 2018-19	FY 2019-20
	(n-2)	(n-1)	(n)	(n+1)	(n+2)	(n+3)
LT	25.1%	23.7%	24.5%	24.4%	23.2%	23.1%
HT	24.7%	24.8%	26.2%	26.5%	25.8%	25.8%
EHT	50.2%	51.4%	49.3%	49.1%	51.0%	51.1%
Total Sales	1,309.89	1,377.16	1,500.40	1,667.60	1,850.07	2,080.65

Further, the sales data was also analysed and it was found total sales in HV-1, HV-2 and LMV-1 bulk supply which are HT consumers is increasing every year as following:

	FY 17-18	FY 18-19	FY 19-20
HT Sales	1211.54	1371.74	1554.73
% of HT Sales	**72.7%**	**74.1%**	**74.7%**

NPCL Reply	Objector Response
	It shows that LT sales ratio is decreasing, accordingly T&D losses can be decreased by 2%
	It is submitted that over the years, the Petitioner's management has presented the data in the wrong manner. Since, Consumer is harassed and State Government directives also not implemented by the Petitioner. T&D losses should be reduced by 2%, the analysis has been shown below: Compared to FY 2014-15, T&D losses at 33kV have been shown to increase by 0.03%, at 11kV by 0.15% and at LT by 1.52%, this makes the total to be 1.70% i.e. in overall 0.43%. So, T&D losses should not be allowed to increase and reduce by 0.61%. (0.03+0.15+0.43) The capex done in FY 2014-15 to FY 2019-20 in augmenting 33/11kV substations, 11kV feeders, DT and LT feeders clearly indicates technical losses have decreased by more than 2% However, it appears that the Petitioner has smartly increased power theft corresponding to decrease of technical losses, which is not possible without manipulative and corrupt practices, where involvement of any level cannot be ruled out. **It is pertinent to mention, that loss reduction can be worked out, provided all the data is submitted by the Petitioner. If the Commission is really interested in reducing the losses in the Petitioner's area of operation, <u>the objector with his "Expert's" team can provide solutions even at their own cost. Provided,</u> the Commission ensures easy access to full data.**
The Commission is aware that the T&D losses vary widely from utility to utility and are over 20% on an average in India against 6-12% in advance countries like US, UK, Germany, France etc. Some of	The Commission knows it very well that Surat is having T&D losses at less than 5%. And the Petitioner has exhibited its manipulative skills by comparing its high T&D losses with average losses of state Discoms.

NPCL Reply	Objector Response
the utilities in India have over 30% T&D losses.	The CESC which is its parent company is having much higher LT consumption has shown losses at 9%. It appears that the Petitioner's management will bring all the arguments to increase its losses to 20% but no single argument to show that losses can be decreased by even 0.1%.

2.2.22 He submitted that if the Petitioner is not able to maintain 6% losses, it would be better to transfer this area to UPPCL which is able to maintain losses at 6% in Noida and Ghaziabad area. The losses under the Regulations are controllable parameters and the same needs to be reduced for maintaining the efficient system and supply. Further, he added that since losses are controllable parameters, and the Commission as per Section 61 of the Electricity Act, 2003 and National Tariff Policy, 2016, is bound by the factors which would encourage competition, efficiency, economical use of resources, good performance and optimum investments.

2.2.23 He also submitted that the Petitioner has claimed distribution loss of 8.23% for FY 2019-20, which is more than the approved target of 8.00% by the Commission in its Tariff and Revised ARR Orders. He has submitted the distribution losses for the past years:

Table 2-3: NPCL Distribution losses for the past years

Name of Discom	FY 2012-13		FY 2013-14		FY 2014-15		FY 2015-16	
	Tariff Order	Trued-up	Tariff Order	Trued – up	Tariff Order	Trued-up	Tariff Order	Trued – up
NPCL	7.61%	7.61%	7.94%	7.94%	8.00%	8.00%	8.00%	8.00%

Name of Discom	FY 2016-17		FY 2017-18		FY 2018-19		FY 2019-20	
	Tariff Order	Trued – up	MYT Order	Trued-up	MYT Tariff Order	Claimed in True- up Petition	MYT Tariff Order	Claimed in APR
NPCL	8.22%	8.00%	8.00%	7.99%	8.00%	8.15%	8.00%	8.23%

2.2.24 He added that till FY 2017-18, the Petitioner have continuously shown losses at the rate of 8% with a tolerance of +/- 0.02%. However, in FY 2018-19 and FY 2019-20, losses are projected to increase at 8.15% and 8.23% respectively. Further, all private companies in India are able to reduce losses, while the Petitioner has claimed an increase in losses. It is further submitted that HV1 and HV2 sales (energy intensive-high voltage consumer) of the Petitioner contribute to more than 70% of total sales, where losses are 1.3% as per their cost audit statements. Also, the agriculture sale is approximately 1.5%, which implies there should be low loss in overall system. However, in the LT system, the Petitioner have losses of more than 20%, worse than any Government Discom. Even though the Petitioner has provided separate transformers to most of LT transformers, losses are still high in LT system. Further, it was submitted that the CAPEX done by the Petitioner on the 33kV and 11kV is increasing each year, with GIS based substation in place and also, the losses at 33kV and 11kV level should be reduced to 1% and 1.75% respectively. He further enquired that, why the Petitioner is not able to reduce the distribution losses beyond the 8% level, whereas Discoms in other states (Gujarat -Surat, West Bengal - Asansol) have brought down losses to 6%. He requested the Commission to direct the Petitioner to submit detailed justification on why the Petitioner is not able to reduce their losses beyond 8% level. Further, he mentioned that the AT&C losses of Petitioner should not be allowed more than 5-5.5% considering high HT sales.

2.2.25 He further submitted that the Petitioner has claimed higher distribution loss in all the previous years. He requested the Commission to disallow any losses more than 6% for FY 2020-21.

2.2.26 Based on the reply of the Licensee, he further submitted that for last 15 years, the Petitioner is continuing with 8% losses. It appears that no efforts are made to reduce losses inspite of high capex. While losses at 33 kV and 11 kV are reduced over last 5 years as Petitioner has provided, however to keep bracket of 8% the losses are stated to increase at LT which cannot happen without involvement of corrupt and inefficient practices. The Petitioner has not responded to data research provided by Objector on reduced distribution losses. As requisitioned by Petitioner, there is no need to carry out big capex for reducing of distribution losses as already 75% power consumption is at 33 kV and 11 kV voltage levels. It is to be stated that it is not an empty statement of objector that losses of NPCL can be reduced by 2% very easily.

2.2.27 He also added that India Power with such consumer mix is having distribution losses @ 2.5-3 % as approved by WBSERC. The data research as provided in our comments suggest that while losses at 33 & 11 kV are decreasing, to obtain 8% losses they are suitably increasing LT losses. The data research suggest losses should not be more than 6%. Accordingly, it needs to be approved at reduced level. Overall impact is approx. Rs. 25 Cr.

2.2.28 Shri Avadhesh Kumar Verma submitted that the power sales are 55% at 33kV where losses are only 1.2% whereas the consumption at 11kV is 25% where losses are 2.25%. He submitted that the losses at LT cannot be more than 10%, as it is evident in many private utilities and many city areas of UPPCL. He added that the total losses cannot be more than 5%, as is the case in Noida area. He submitted that in view of high capital expenditure and 75-80% sales at 33kV and 11kV, AT&C losses of the Petitioner cannot be more than 5%. He requested the Commission to maintain losses of the Petitioner at 5% in interest of consumers. He also added that the Commission may renew license of PVVNL in Greater Noida area so that there is competition and losses can be maintained at 5%.

2.2.29 He submitted that the Petitioner has sought 9.03% T&D losses for FY 2020-21. However, the 70-75% of sales of the Petitioner are in HV-2 and HV-1 and LMV-1 at 11kV & 33kV. Hence on component of 75% sales, T&D losses cannot be more than 2.25%. On the balance LT sales, most of category are provided connection by HVDS with so many Distribution Transformers. LMV-3 (on main roads) LMV-4, LMV-5, LMV-6, LMV-7, LMC-8, LMV-9 are provided connections to consumers with separate transformers effectively making it HT connections with 0.5% extra losses of transformation. Accordingly, on LT, not more than 8% losses should be allowed which makes LT losses in perspective of total losses to be 2.00%. For LT distribution, 2.25% of HT loss component has been added, also i.e. 33kV and 11kV energy flow. Therefore, maximum T&D losses of the Petitioner should be allowed at 5% only. It is submitted that agricultural sales are less than 1.5% only and most of villages have turned into urban area due to many big companies coming in Greater Noida. He added that from last 15 years, the Commission is allowing 8.00% losses. He requested the Commission that it should investigate the technicalities of energy flow and huge capital expenditure made by the Petitioner which has reduced energy losses heavily. He submitted that Crores of rupees are invested by the Petitioner into metering and IT projects which makes it necessary to avail T&D losses at much lower levels.

2.2.30 He further submitted that by allowing 5% T&D losses, 80 Mus will be saved on energy requirement i.e. against 1867.12 MU claimed for FY 2018-19, for only 1787 MU will be required by the Petitioner.

2.2.31 He also submitted that as per Form F2, energy purchase cost taken as Rs 5.79 per unit. The energy purchase cost of Rs. 45.91 Crore can be saved for consumers.

2.2.32 Further, he submitted that as per Format F3, maximum power requirement is in HT category and further in LMV-1 category, there is almost 50% energy sales at 11kV and 33kV. He submitted that LMV-1 sales as per Format F9 are shown in the below table and it can be seen that rural sales are only 8% whereas LMV-1 bulk sales at 11kV and 33kV is at 52%.

Table 2-4: Energy sale of LMV-1 Category

Particular	Sales	%
Rural Metered LMV-1	46.30	8.00%
Unmetered LMV-1	-	

Particular	Sales	%
LMV-1M Other	237.43	40.00%
LMV-1 Bulk	310.35	52.00%
Total Category	**594.08**	

2.2.33 He further added that the agricultural sales are around 1.35% of total sales. Out of agricultural sales, 82.18% sales are metered in rural and 1.18% in urban.

Table 2-5: Energy sale of LMV-5 Category

Rural Unmetered	-1.05	4.86	3.82	16.64%
Rural Metered	18.86		18.86	82.18%
Urban Metered	0.27		0.27	1.18%
Total Category	**18.08**	**4.86**	**22.95**	1.35%
Total Energy Sales			1698.49	

2.2.34 He submitted that the Petitioner may be selling some of the energy in cash to some big consumers or something is wrong on booking of power purchase side. He requested the Commission to go into depth of T&D losses of the Petitioner. Further, in the Table below, the objector has shown where it is more skewed on the HT side:

Table 2-6: Detail submitted average coincident peak demand and allocation of amount

S. No.	Particulars	Control Period		
		FY 2020-21		
		Projected		
		Avg Coincident Peak Demand (MW)	Ratio%	Allocation of Amount
1	Domestic (LMV-1)	439.62	36.71%	122.09
2	Non-Domestic Light Fan and Power (LMV-2)	29.24	2.44%	8.12
3	Public Lamps (LMV-3)	10.27	0.86%	2.85
4	Light Fan and Power for Public Institutions and Private institutions (LMV-4)	7.05	0.59%	1.96
5	Private Tube Wells (LMV-5)	5.95	0.50%	1.65
6	Small and Medium Power (LMV-6)	80.07	6.69%	22.24
7	Public Water Works (LMV-7)	8.02	0.67%	2.23
8	State Tube Wells (LMV-8)	0.12	0.01%	0.03
9	Temporary Supply (LMV-9)	22.97	1.92%	6.38
10	Electric Vehicle Charging (LMV-11)	8.23	0.69%	2.28

S. No.	Particulars	Control Period FY 2020-21 Projected		
		Avg Coincident Peak Demand (MW)	Ratio%	Allocation of Amount
11	Non-Industrial Bulk Load (HV-1)	119.58	9.98%	33.21
12	Large and Heavy Power (HV-2)	466.5	38.95%	129.55
	Total	**1,197.62**	**100%**	**332.59**

2.2.35 He submitted that as per Form 10-A, the LMV-1 shows only 151 MU and is below 150 units. It clearly indicates that there is majority of sales in urban areas. Only 2 MU sales are for the lifeline consumers and therefore losses of the Petitioner should be much lower. Further, he submitted that, like in DPCL in Asansol WB, or Torrrent-Surat, losses of the Petitioner should be analyzed. He has submitted the relevant data as shown in the table below:

Table 2-7: Detail of the sales as submitted by the Objector

S.No.	Particulars		Projected No. of consumers	Consumption Slabwise (MU)	Contract Demand/ Connected Load (KW /KVA /HP)
1	**Domestic (LMV-1)**				
A (I)	Rural Metered		22,854	46	54
A (II)	Un Metered Load upto 2 KW		-	3	-
B	Other Metered		79,177		237
	Lifeline 1KW 0-50kWh/Month			2	-
	Lifeline 1KW 51-150kWh/Month				
	Upto	0-150 kWh/Month		100	
	From	151-300 kWh/Month		50	
	From	301-500 kWh/Month		32	
	Above 500 kWh/Month			54	

		Projected		
S.No.	Particulars	No. of consumers	Consumption Slabwise (MU)	Contract Demand/ Connected Load (KW /KVA /HP)
C	Registered Societies	154	310	148
	Total Category	**1,02,185**	**597**	**440**

2.2.36 He submitted that for FY 2020-21, the Petitioner has shown T&D losses at 23.63% at LT which is sufficient to identify the inefficient management of the Petitioner. He requested the Commission to revoke license of the Petitioner and give the area to PVVNL which can provide T&D losses at 4-5%; instead of imposing high tariff on consumer. He requested that the LT losses of the Petitioner shall not be allowed more than 8% and similarly, losses at 33kV be at 1.13% and 11kV losses between 2.25-2.50 %.

2.2.37 He submitted that the Petitioner has shown collection efficiency of 90% in FY 2020-21 which is 100% in previous years. Even with 70-75% HT sales, if the Petitioner cannot collect 100-110% of revenue i.e. including arrears, it is suggested to kindly revoke the license of the Petitioner.

*B. **Petitioner's Response***

2.2.38 As regards to the objections of Shri Rama Shanker Awasthi, the Petitioner submitted that the Objector has stated that the Petitioner is providing less than 10 hours per day power supply in villages and filled reports in support of the same, however, the Objector has neither shared such reports nor disclosed the source of such incorrect information.

2.2.39 The Petitioner submitted that it has been submitting monthly reports to the Principal Secretary (Energy), Govt. of UP, copies of which were also marked to the Commission, reporting actual hours of power supply in villages, urban and industrial areas. Further, the Uttar Pradesh Govt. vide letter no. (Uttar Pradesh Shashan Aadesh Urja Anubhag-2)/2555/24-P-3-2019 dated October 31, 2019 directed CE UPPCL Lucknow and Dy. Director Electricity Safety Ghaziabad to visit the Petitioner and verify the supply hours especially in Rural Areas reported by the Petitioner to UPSLDC. On November 12, 2019, the officials visited the Petitioner area to verify the power supply hours in villages as per the monthly reports submitted by the Petitioner and observed that the data are correctly reported. The Petitioner further submitted that the Report dated

November 23, 2019 confirms 17-18 hours power supply in rural area. The Petitioner submitted that the Objector's claim of supplying power for less than 10 hours is false.

2.2.40 The Petitioner submitted that the monthly reports has also been regularly highlighting its serious concerns about high T&D losses and accumulated outstanding dues recoverable from villages which are adversely impacting the overall performance of the Petitioner including its overall T&D losses. It submitted that due to lack of Anti Power Theft Police Station in Greater Noida as well as non-disposal of thousands of theft cases lying pending for years with the Special Court, the concerted efforts made by the Petitioner in containing T&D losses are not yielding the desired results. It is mainly due to the higher T&D losses in villages, the overall T&D losses increased from 8.00% to 8.15% in FY 2018-19 and to 8.23% in FY 2019-20. Also, due to complete lockdown from March 23rd, 2020 till May 31, 2020 and thereafter partial lockdowns including total restrictions in containment zones, the Loss control activities were stalled leading to higher T&D losses. The Petitioner also submitted that the objector's claim regarding his expert team providing the solutions for reduction of T&D losses at their own cost is merely an empty statement with no basis. If the objector is really having such capabilities, he may submit a proposal to the Commission which may first be deployed and tested in such areas where T&D losses are much higher than the T&D losses of the Petitioner.

2.2.41 As regards to the objections of Shri. Rama Shankar Awasthi and Shri. Avadhesh Kumar Verma, the Petitioner submitted that it has submitted that the detailed justification on T&D Losses in Chapter No. 2 Energy Balance and Distribution Losses of the Petitioner's Petition No. 1541 of 2019 dated December 27, 2019 as well as in the Petitioner's reply vide letter no. P-77A/ 2020/001 dated May 27, 2020 and Email dated June 22, 2020 respectively in response to the deficiency notes raised by the Commission vide letter no. UPERC/ Secy / D (Tariff) 20-087 dated May 13, 2020 and letter no. UPERC/Secy/D(Tariff) 20-241 dated June 16, 2020. It is submitted that due to the higher T&D losses in villages, the overall T&D losses of the Petitioner increased from 8% to 8.15% in FY 2018-19 and to 8.23% in FY 2019-20. In this regard, the Petitioner mentioned that the Objector has considered the quantum of energy billed by the Petitioner in the village areas but has not considered the quantum of energy which was supplied and could not be billed due to higher T & D Losses. Also, due to nationwide lockdown from March 25th, 2020 till May 31, 2020 and thereafter partial lockdowns including total restrictions in containment zones, the Loss Control Activities were stalled leading to higher T&D losses. Further, with regard to the reduction in T&D Losses, the Petitioner submitted that the Commission from time to time has appointed independent professional agencies for carrying out study for determination of Technical Loss in the distribution network of the Petitioner and also the requisite

Capital Expenditure for reducing the T & D losses further. The finding of PricewaterhouseCoopers Pvt. Ltd is given below:

> *"The proposed investments and energy savings on account of proposed capital expenditure has discussed in details in the above sections. It has been observed that the investment in the loss reduction schemes is to the tune of Rs 193 Crore and this will result in to saving of merely Rs 13.21 Crore per year. The payback period for the proposed investments is coming out to be more than 14 years.*
>
> *It may be inferred from cost benefit analysis and impact 1% loss reduction that any investment on the existing network for further reduction of losses shall not be a viable option. Also, the proposed capital expenditure plan, at present, does not include the operation and maintenance of proposed network to be created under the capital expenditure plan. This will further add up in the overall capital expenditure costs. In addition, NPCL have to take specific measures to sustain the loss levels achieved by implementation of schemes identified under capital expenditure plan. This shall also add on to the cost of this network created with an ambition of technical loss reduction from the existing levels."*

C. *Commission's View*

2.2.42 The Commission has taken note of the objections/suggestions made by the stakeholders in this regard. The Commission has dealt with the issue of Distribution losses for True Up of FY 2018-19, APR for FY 2019-20 and ARR for FY 2020-21 in the relevant Chapters of this Order.

2.2.43 The Commission would like to inform that irrespective of the Licensee's submissions in respect of distribution losses, normative losses (as set by the Commission) are allowed by the Commission as per the provisions of applicable Regulations.

POWER PROCUREMENT

A. *Comments/ Suggestions of the Public*

2.2.44 Shri Avadhesh Kumar Verma submitted while power cost is coming down, power cost of the Petitioner is increasing and the increase of transmission charges from 48 paisa/unit to 92 paisa/ unit in FY 2018-19 is not understandable.

Table 2-8: Power purchase cost as submitted by the objector

Particulars per unit	UOM	FY 2014-15	FY 2015-16	FY 2016-17	FY 2017-18	FY 2018-19	FY 2019-20
IEX Power Cost	Rs / kWh	3.23	2.76	2.57	3.25	3.88	3.01
Power Purchase Cost	Rs / kWh	3.97	4.00	3.97	4.14	4.8	4.99
Transmission	Rs / kWh	0.33	0.37	0.07	0.48	0.92	0.67

Particulars per unit	UOM	FY 2014-15	FY 2015-16	FY 2016-17	FY 2017-18	FY 2018-19	FY 2019-20
Total Power Purchase Cost	Rs / kWh	4.3	4.38	4.04	4.62	5.72	5.65

2.2.45 He submitted that Power under drawl in UI should be disallowed. He submitted that high tripping and breakdown shows that, the Petitioner have constructed poor T&D network due to which power is underdrawn by the Petitioner. He also submitted that at one hand consumer is not getting power and on other hand the consumer has to pay for such under drawl. Further, he added that the consumer is also paying for high Capital Expenditure and R&M. He submitted that the purchase of 80 MU from ST should also be disallowed. He further added that the Petitioner should schedule full 85% from LT and MT, else fixed charge liability be compensated from their Return on Equity.

2.2.46 He submitted that as per Form 13 B, the Petitioner mentioned only 1174.30 MU as receivable at 85% from LT sources which is a complete fraud. Their PPA is 170 MW after auxiliary consumption. Thus 1269.3 MU (170 x 24 x 366 x 0.85) is the energy sent from generator as against 1198.23 MU, as stated by the Petitioner. He submitted that the Petitioner should be asked explanation for underreporting the LT schedule of power for FY 2020-21 and also, any under drawl of LT power should be penalized to the Petitioner.

2.2.47 He submitted that as per Form 13 B, from April to July 20, LT power is scheduled only 61-65 MU per month which shows that the Petitioner will not be able to achieve 85% scheduling at year end whereas in Form 13 C, they have shown 1174 MU in FY 2020-21. He also submitted that as per Form 13 H, short term power for FY 2020-21, 716.68 MU should not be allowed fully. The first 80 MU should be disallowed on T&D losses and then LT scheduling should be achieved first. Further, he enquired that why the Petitioner is not taking full LT power in all months and instead asking for purchase of ST power. He also added that the Petitioner must first consume 170 MW LT power.

2.2.48 Shri Rama Shanker Awasthi submitted that the power purchase from M/s DIL is 170 MW for 365 days, RTC power, and the total units turn out to be 1490 MU. However, the offtake from M/s DIL for FY 2018-19 and FY 2019-20 are 1175.37 MU and 1130.46 MU respectively which translates to an offtake of 79% and 75% for corresponding years and is less than 85% committed offtake. He added that as per the Commission’s Order, the approved levelized Tariff for M/s DIL is Rs. 4.79/kWh at State periphery, even if the State Transmission charges at Rs. 0.23/kWh is included, additional coal charge at the rate of Rs. 0.25/kWh on account of additional coal requirement. The procurement from M/s DIL should be at Rs. 5.27/kWh added with State Transmission

Losses. He also requested the Commission to disallow any claim above Rs. 5.27/kWh. Further, he enquired whether DIL has been paid fixed charges at 85% or are there any deduction. With regards to power procurement for FY 2019-20, he submitted that the purchase of 95 MUs from Short-term must be disallowed by the Commission or capacity charges for 95 MUs for FY 2019-20 shall be disallowed. He also submitted that the power cost of M/s DIL should not be more than Rs. 4.79 (plus intra state charges, losses and additional coal requirement claim). Further, it is important to question whether DIL has been paid fixed charges at 100% or are there any deduction. Provided, if there are no deduction, then all the under scheduling done by the Petitioner and the fixed charges paid against that should be deducted from the Petitioner profit. Further, he submitted that all UI under-drawl should be dis-allowed and Loss of fixed charge of 6-8% paid to DIL should be recovered from profit of the Petitioner and not from consumers. Further, he requested the Commission, that in light of increased APPC, proper scrutiny of such claims shall be done. He also requested that necessary cost adjustment shall be made in True up of FY 2018-19 and APR for FY 2019-20.

2.2.49 Shri Rama Shanker Awasthi submitted that quantum of 336.89 MUs at the rate of Rs. 5.02/kWh has been transacted in FY 2018-19 through short power purchase from Shree cements ltd. However, it is unclear whether this transaction was approved by the Commission, and also whether this was done through a competitive tendering process or through DEEP Portal or some other route was followed. Further, he submitted that the rate of power purchase in FY 2017-18 was Rs. 3.92/kWh, however, for FY 2018-19, it was increased to Rs. 5.02/kWh, which is a matter of scrutiny for the Commission. He further submitted that other cheaper alternative options at Rs. 3/kWh are available in the market. He requested the Commission that the purchase price from Shree Cements Ltd above the exchanges rate /market rates shall be disallowed. They submitted the prevailing rates of DAM (Day Ahead Market) on IEX platform for the period from FY 2017-18 to FY 2020-21, as provided below:

Table 2-9: N2 Region Price on IEX

N2 Region Price on IEX (Rs. / MWh)				
Financial Year	**FY 2017 – 18**	**FY 2018 – 19**	**FY 2019 – 20**	**FY 2020 - 21**
Average MCP	**3258.31**	**3886.5**	**3011.56**	**2445.08**
Average (RTC)	3258.31	3886.5	3011.56	2445.08
Peak	**3918.86**	**4678.59**	**3562.08**	**2503.39**
Non-Peak	3038.12	3622.47	2828.06	2425.64
Day	3260.18	3776.84	2833.38	2347.63

N2 Region Price on IEX (Rs. / MWh)				
Financial Year	**FY 2017 – 18**	**FY 2018 – 19**	**FY 2019 – 20**	**FY 2020 - 21**
Night	2733.95	3340.77	2774.62	2523.71
Morning	3181.81	3845.3	2912.26	2390.53

2.2.50 He also requested the Commission to direct the Petitioner to explain whether permission for this power purchase from Shree cement ltd was sought from the Commission and also the details of the procurement process being followed. He further requested the Commission to direct the Petitioner to explain the approach for power procurement across each month, including the breakup of LT, MT and short-term power banking.

2.2.51 Shri Avadhesh Kumar Verma, Chairman, M/s U.P Rajya Vidyut Upbhokta Parishad also enquired whether an approval for purchase of power from Shree cement limited was taken from UPERC.

2.2.52 With regards to scrutiny of long term, Short-term, Power banking withdrawal, Shri Rama Shankar Awasthi submitted that for FY 2018-19, under the long-term procurement, maximum MW were drawn in April was 146 MW, whereas during the high demand period July, only 122 MW were drawn from the long-term arrangement. He also submitted that from November to March period, there is low off take from Long term, whereas there is an increased uptake from medium term and short-term power. He requested the Commission to direct the Petitioner to explain the approach for power procurement during various months and also, whether short term power was banked during any of the months. He further submitted that a quantum of 189.75 MUs at the rate of Rs. 4.25/kWh has been banked in FY 2018-19. He requested the Commission to direct the Petitioner to explain whether permission for this power banking was sought from the Commission and also to provide the details of such banking. Further, he requested the Commission to direct the Petitioner to submit the final cost of this banked power at STU periphery and also to submit the month wise details of power banking.

2.2.53 Shri Avadhesh Kumar Verma, Chairman, M/s U.P Rajya Vidyut Upbhokta Parishad enquired why banking of 189.75 MU is done and whether any approval from commission is taken.

2.2.54 He further enquired why 336.89 MU was purchased in ST without using LT fully in FY 2018-19.

2.2.55 With regards to Power Banking, Shri Rama Shanker Awasthi submitted that a quantum of 163.02 MUs at the rate of Rs. 5.17/kWh is being transacted in FY 2019-20 through withdrawal of banking power that was done in FY 2018-19 and it appears that this quantum of 163.02 MUs at the rate of Rs. 5.17/kWh was an excess purchase in FY 2018-19, and thereby banked. Further, he submitted that it is important to question the Petitioner regarding the bearing of double transmission charges and losses on this power banking transaction. Therefore, he requested the Commission to direct the Petitioner to explain whether permission for this power banking was sought from the Commission and also the details of source/generator. Further, he submitted that the price of Rs. 5.17/kWh appears to be high, which is again a matter of close scrutiny for the Commission and requested the Commission, that in light of increased APPC, proper scrutiny of such claim has to be carried out. It is further requested to the Commission to direct the Petitioner to explain whether permission for this power banking was sought from the Commission and also the details of source/generator. He further submitted that, the price of Rs. 5.17/kWh appears to be high, which is again a matter of close scrutiny for the Commission. It is requested to Commission, that in light of increased APPC, proper scrutiny of such claims shall be done.

2.2.56 With regards to power procurement for FY 2020-21, Shri Rama Shanker Awasthi submitted that the rate claimed for Long term power procurement from M/s DIL at the rate of 6.18/kWh without change in law is exorbitantly high. He submitted that as per Commission's Order in previous year Petitioner Order, the approved levelized tariff for M/s DIL is Rs. 4.79/kWh at State periphery, even if the state transmission charges at Rs. 0.23/kWh, additional coal charge at Rs. 0.25/kWh on account of additional coal requirement are included. He also submitted that the procurement from M/s DIL should be at Rs. 5.27/kWh plus state transmission losses. He requested the Commission to disallow any claim above Rs. 5.27/kWh. Further, he submitted that the Commission has in the previous Petitioner order, has approved the power purchase from M/s DIL at state periphery and however, the licensee is claiming the procurement at Rs. 6.18/kWh without change in law. Therefore, he requested the Commission to look into this serious matter, and disallow the excess claim.

2.2.57 Based on the reply of the Licensee, he it is submitted that 85 % power is not scheduled even though huge banking is done by the Petitioner which shows their inefficient scheduling process. For 6 % under scheduling, impact is approx. Rs. 15 Cr. is need to be disallowed.

2.2.58 With regards to procurement of Short-term and Renewable Power, Shri Rama Shanker Awasthi submitted that the cost per unit of some sources is abnormally high as compared to the available market rates, as shown in the table below:

Table 2-10: Sources of Power Procurement

Source of Power Procurement	Quantum (MW)	Type	Period from	Period to	Rate (Rs. /unit)
Short Term Power procurement					
APPCPL (19-24 hours)	100	Peak	01-Apr-20	31-Oct-20	**4.89**
Interstate power - from trader/ generator	100		01-Apr-20	31-Mar-21	**4.62**
Power procured from Renewable Sources					
Renewable Power (GNIDA solar)	1	RTC	01-Apr-20	31-Mar-21	**7.06**

2.2.59 Based on the reply of the Licensee, he added that Power purchase from Shree Cement Ltd is not approved by Commission. There is surplus purchase from them and then banked simultaneously. It can be observed that a quantum of 336.89 MUs @ Rs. 5.02 /kWh) has been transacted in FY 2018-19 though short power purchase from Shree cements ltd. The disallowances impact is Rs 169 Cr.

2.2.60 He submitted that the cost of power procurement from short term (APPCPL and Interstate power) and RE sources is comparatively much higher than the prevailing market rates of Rs.3/kWh. He requested the Commission to disallow the power purchase from Interstate power as other cheaper alternative options at Rs. 3/kWh are available in the market. Further, he requested the Commission that power from Renewable sources should also be disallowed on account of same cheaper alternative options at Rs. 3/kWh are available in the market, plus REC at Rs 1/kWh can be purchased by the Petitioner to fulfill their RPO obligations as this would result in a reduction in end consumer Tariffs. He further submitted that in case RE power is booked by the Petitioner in long term contract then, the Petitioner should provide details of LT contract, i.e. date of contract and period of contract.

2.2.61 Based on the reply of the Licensee, he submitted that the Petitioner has even bothered to clarify or engage with the concerns raised by the Objector. He added that it is not clear whether DIL has been paid any fixed charges at 85% or there are any deductions on account of under- drawal. This is important in light of the facts that the purchase from DIL is 170 MW and for 365 days, RTC power, total units turn out to be 1490 MU. However, the offtake from M/s DIL for FY 2018-19 and FY 2019-20 are 1175.37 MU and 1130.46 MU. This translates an offtake of around 79% and 75% for corresponding years, which is less than the minimum committed scheduling of 85%.It is further submitted that in the case of purchase of power on short term basis from Shree Cements Limited, it appears he data on record that the purchase has been made on the rates that are above the rates at which power was available on the exchange. The Petitioner has not put forward any details on quantum of monthly banking of power. It is not clear how much was the surplus in each month specially during the October 2018 to March 2019 when Discoms in north have surplus power from LT purchases. Whether any power is purchased from Shree cements during this period.

B. Petitioner's Response

2.2.62 The Petitioner submitted that it has already submitted the complete and detailed justification for all the power purchase from Long term, Medium Term, Short term and Power banking etc. in FY 2018-19, to the Commission in Chapter No. 3- Power Purchase of the Petition No. 1541 of 2019 dated December 27, 2019 as well as vide its letter no. P-77A/ 2020/001 dated May 27, 2020 , email dated June 2, 2020 and Email dated June 22, 2020 in response to the Commission deficiency notes and various queries raised during Technical Validation session included inter-alia at serial no. 22 to 29 and 55 to 57 of letter no. UPERC/Secy/D(Tariff) 20-087 dated May 13, 2020, at serial no. 3 to 6 of additional queries sent vide email dated May 28, 2020 and in letter no. UPERC/Secy/D(Tariff) 20-241 dated June 16, 2020.

2.2.63 As regards to the objection of Shri Avadhesh Kumar Verma related to transmission charges, the Petitioner resubmitted that the details of the transmission charges have been already provided vide Petitioner's email dated June 2, 2020 in response to query no. 1 of the Commission's Additional Queries dated 28th May, 2020. Further, the Petitioner has also submitted the detailed reply. The Petitioner also submitted that the entire Country was into Lockdown since March 25, 2020 due to unprecedented COVID-19 pandemic resulting into complete standstill of Industrial and Commercial activities till May 20 and substantially thereafter till June 20. Accordingly, power schedule from DIL was lower during April-July 20. Further, it is submitted that the detailed reply/justification/clarification with regard to the purchase of short term / long term / UI for FY 2020-21 have already been provided in Chapter 8 of the Petition No. 1541 of 2019 and as various data gaps reply.

2.2.64 Further, the Petitioner submitted that the detailed reply/justification/clarification with regard to the power purchase on short term / long term / banking basis during FY 2018-19 have already been provided as various data gap reply. Also, it was submitted that the detailed reply/justification/clarification with regard to the purchase of short term / long term / UI for FY 2020-21 have also been provided as various data gap reply.

C. Commission's View

2.2.65 The Commission has taken note of the objections/suggestions made by the stakeholder in this regard. The Commission has dealt with the issue of Power Purchase Cost for FY 2018-19 and FY 2020-21 in the relevant Chapters of this Order.

TREND IN SALES, POWER PURCHASE COST, ANNUAL EXPENDITURE AND REVENUE

A. Comments/ Suggestions of the Public

2.2.66 Shri Rama Shankar Awasthi submitted a year on year (YoY) comparison regarding overall changes in sales, power purchase cost, annual expenditure and revenue from period FY 2014-15 to FY 2019-20, as shown in the table below:

Table 2-11: Year on year comparison of sales, power purchase annual expenditure and revenue

Particulars	UOM	FY 2014-15	FY 2015-16	FY 2016-17	FY 2017-18	FY 2018-19	FY 2019-20
Net Expenditure	Rs. Crore	926.28	993.48	986.43	1277.78	1514.31	1672.45
YOY Variance	%	-	7%	-1%	30%	19%	10%
Total Revenue	Rs. Crore	851.99	963.59	1086.83	1243.67	1407.38	1649.96
YOY Variance	%	-	13%	13%	14%	13%	17%
Revenue Gap	Rs. Crore	74.29	29.89	-100.4	34.11	106.93	22.49
Total Sales	Mus	1309.89	1377.16	1500.4	1667.6	1850.07	2080.65
YOY Variance	%	-	5%	9%	11%	11%	12%
Total Power Purchase	Mus	1425.3	1497.53	1630.92	1812.47	2014.17	2267.28
YOY Variance	%	-	5%	9%	11%	11%	13%
Power Purchase Cost	Rs. Crore	565.23	599.42	647.51	751	967.46	1130.89
Transmission	Rs. Crore	47.17	55.92	10.78	86.83	184.31	150.83
Total Power Purchase Cost	Rs. Crore	612.4	655.34	658.29	837.83	1151.77	1281.72
YOY Variance	%	-	7%	0%	27%	37%	11%

2.2.67 He further submitted that something spurious is happening after FY 2016-17 as the expenditure of the Petitioner has increased exorbitantly high and requested the Commission to look into the matter if these expenses are prudent, legal, reasonable, and necessary to be incurred only allow it after prudent verification.

B. Petitioner's Response

2.2.68 The Petitioner submitted that the Tariff Petitions has been filed in accordance with applicable UPERC (Terms & Conditions for Determination of Distribution Tariff) Regulations, 2006, UPERC MYT Regulations, 2014 and UPERC (MYT for Distribution and Transmission) Regulations, 2019 with all requisite details, which were further clarified and explained as desired by the Commission through various deficiency notes issued from time to time. The Petitioner also submitted that there is nothing spurious as alleged by the Objector.

C. Commission's View

2.2.69 The Commission has taken note of the objections/suggestions made by the stakeholder in this regard.

CAPITAL EXPENDITURE

A. Comments/ Suggestions of the Public

2.2.70 Shri Rama Shankar Awasthi submitted that in form F19B, capex done on IT Projects and process automaton for FY 2018-19, FY 2019-20 and FY 2020-21 is approximately 11 Crore, 14 Crore and 27 Crore respectively. The table below provides the level of increase in expense over the years.

Table 2-12: Expenses over the years for IT projects and Process system automation

Project Details	UOM	FY 2018-19	FY 2019-20	FY 2020-21
Process System Automation	Rs. Crore	6.43	7.44	11.06
Increase Y-O-Y	%	-	**16%**	**49%**
IT Projects	Rs. Crore	4.34	7.05	15.18
Increase Y-O-Y	%	-	**62%**	**115%**

2.2.71 He submitted that approximately 51 Crore will be spent in 3 years' time frame, which itself is a huge expenditure. He requested the Commission to direct the Petitioner to submit the cost benefit analysis of such expenditure and the benefits which have been provided to the consumers. Further, he submitted that the true up, APR and ARR/Tariff for FY 2018-19, FY 2019-20 and FY 2020-21 shall be decided based on the cost benefit analysis.

2.2.72 He also submitted that capex done on civil works for FY 2019-20 and FY 2020-21 has increased by more than 30% as compared to FY 2018-19, as shown in the Table below:

Table 2-13: Capex on civil works and office infrastructure facility

Project Details	UOM	FY 2018-19	FY 2019-20	FY 2020-21
Civil Works and Office Infrastructure Facility	Rs. Crore	12.03	15.65	21.33
Increase Y-O-Y	%	**-**	**30%**	**36%**

2.2.73 He submitted that approximately Rs. 49 Crore has been spent in 3 years' time frame, which is a huge expenditure. He requested the Commission to direct the Petitioner to submit the detailed break up of work done under "civil works and office infrastructure facility" for FY 2018-19 and FY 2019-20, and the proposed work plan for FY 2020-21.

2.2.74 Based on the reply of the Licensee, he submitted that in the comments, its researched and data 18 provided that:

I. Gold plating is done in terms of specifications of almost every item. The items of specifications are purchased which are not approved by Commission.

II. Substations and Transformers are highly under loaded leading to higher GFA

III. Cost of items is much higher than approved rates in Cost data book

IV. In order to avoid disallowances of salary, high proportion of salary is capitalised which is almost 40-50 % of labour cost.

2.2.75 Even with such high specifications are approved, then depreciation rate has to be decreased and life of asset is to be increased by 10-15 years. Additionally, for such high specifications, O & M should be lowered and distribution losses also need to be reduced due to high HT sales & under loaded network. Overall impact is estimated to be Rs 100 - 125 Cr.

2.2.76 He also added that during the site survey, it is observed that 2 big buildings i.e. at Knowledge Park - 4 and Knowledge Park - 1 are constructed by NPCL which should cost more than Rs 50 Cr each. In research regarding past years ARR, it is found that NPCL has not taken any approval. To avoid scrutiny of Commission, in every year, expenses are distributed in multiple activities like electrical works, furniture, air conditioning, firefighting etc, however, these being single project at single location, no single approval is taken.

2.2.77 Shri Avadhesh Kumar Verma submitted that most of the projects are more than Rs. 10

Crore and the Commission shall ask the Petitioner to seek individual approval of each project. He submitted that in distribution, even 10Km line cost Rs. 2 Crore and each project need to be considered as a single unit where implementation can be at 100 locations at Greater Noida. Similarly, for IT and Automations project, entire capex needs to be considered as a single unit which becomes more than Rs. 10 Crore. He added that unless the Petitioner obtain approval of Commission, capex should not be allowed. He has also submitted the project details, as shown in the table below:

Table 2-14: Detail of the projects undertaken as submitted by the Objector

Project Details	True- Up	APR	Control Period	
	FY 2018-19	FY 2019-20	FY 2020-21	
Name of Project	Claimed	Revised Estimates	Projected	Total 3 yrs
New Connection	17.75	18.89	35.1	71.74
Replacement Stock	5.18	4.46	4.8	14.44
Metering	0.26	0.73	5.11	6.1
33/11 kV Substation	13.94	72.94	18.1	104.98
33 kV Network Development	14.01	12.23	13.23	39.47
11 kV Network Development	18.05	18.23	20.92	57.2
LT Network Development	10.29	14.63	14.64	39.56
Network at Villages	7.34	6.16	8.3	21.8
Network Renovation	0.56	2.28	3.7	6.54
Process System Automation	6.43	7.44	11.06	24.93
Civil Works & Office Infrastructure Facility	12.03	15.65	21.33	49.01
IT Projects	4.34	7.05	15.18	26.57
Tools & Testing Equipment and Vehicles	2.38	1.98	5.41	9.77
Demand Side Management	-	-	3	3
Land	6.2	25.99	6.33	38.52

Project Details	True- Up	APR	Control Period	
	FY 2018-19	FY 2019-20	FY 2020-21	
Name of Project	**Claimed**	**Revised Estimates**	**Projected**	**Total 3 yrs**
Misc/Contingent Works	6.62	-	-	6.62
Interest / Expense Capitalisation	-	-	-	0
Salary Capitalisation	-	-	9	9
Total	**125.38**	**208.66**	**195.2**	

2.2.78 He further submitted that the Capex of the Petitioner is highly inflated on the basis of GFA for FY 2018-19. Also, high level study and investigation is needed for Capex of Rs 100-150 Crore.

2.2.79 He submitted that the technical load flow study by Commission appointed consultant is needed to justify whether capex done or proposed by the Petitioner is required at all. The Objector have analysed and found T&D asset is loaded to 25-35% only and is possible that some substation is loaded to only 10% capacity. Therefore, he submitted that the Petitioner has inflated GFA and obtained benefit of ROE. He also submitted that if some expenses are required on Capex in FY 2024-25, that cannot be done in FY 2020-21, it will add undue tariff pressure on today's consumer. Further, he submitted that, if proper investigations will be done, the Petitioner's GFA will be reduced by Rs. 350 Crore in FY 2020-21 which will reduce tariff of consumers by large extent.

B. Petitioner's Response

2.2.80 As regards to objections of Shri Rama Shankar Awasthi and Shri Avadhesh Kumar Verma, it is submitted that the Petitioner has already provided detailed justification for all Capital Expenditure in Petition No. 1541 of 2019 dated December 27, 2019 as well as in the Petitioner's reply vide letter no. P-77A/ 2020/001 dated May 27, 2020 and Email dated June 22 , 2020 respectively in response to the deficiency notes raised by the Commission vide letter no. UPERC/Secy/D(Tariff) 20-087 dated May 13, 2020 and letter no. UPERC/Secy/D(Tariff) 20-241 dated June 16, 2020.

2.2.81 The Petitioner further submitted that it has already provided its response concerning capital expenditure above Rs. 10 Crore in its reply to the 2nd Deficiency Note dated 13th May, 2020.

2.2.82 Further, the Petitioner submitted with regards to the objection of Shri Avadhesh Kumar Verma that, it has provided the detailed justification on T&D Losses in Chapter No. 2 Energy Balance and Distribution Losses of the Petitioner's Petition No. 1541 of

2019 dated December 27, 2019 as well as in the Petitioner's reply vide letter no. P-77A/ 2020/001 dated May 27, 2020 and Email dated June 22, 2020 respectively in response to the deficiency notes raised by the Commission vide letter no. UPERC/ Secy / D (Tariff) 20-087 dated May 13, 2020 and letter no. UPERC/Secy/D(Tariff) 20-241 dated June 16, 2020.

2.2.83 Further, with regard to the reduction in T&D Losses, it is submitted that the Commission from time to time has appointed independent professional agencies for carrying out study for determination of Technical Loss in the distribution network of the Petitioner and also the requisite Capital Expenditure for reducing the T & D losses further. The finding of PricewaterhouseCoopers Pvt. Ltd in this regard is given below:

> *"The proposed investments and energy savings on account of proposed capital expenditure has discussed in details in the above sections. It has been observed that the investment in the loss reduction schemes is to the tune of Rs 193 Cr and this will result in to saving of merely Rs 13.21 Crore per year. The payback period for the proposed investments is coming out to be more than 14 years.*
>
> *It may be inferred from cost benefit analysis and impact 1% loss reduction that any investment on the existing network for further reduction of losses shall not be a viable option. Also, the proposed capital expenditure plan, at present, does not include the operation and maintenance of proposed network to be created under the capital expenditure plan. This will further add up in the overall capital expenditure costs. In addition, NPCL have to take specific measures to sustain the loss levels achieved by implementation of schemes identified under capital expenditure plan. This shall also add on to the cost of this network created with an ambition of technical loss reduction from the existing levels."*

2.2.84 The Petitioner resubmitted that it is duty bound under the provisions of the Electricity Act, 2003 to provide electricity supply to its consumers on demand. The Petitioner's licensed area is spread over 335 sq. kms. and sparsely inhabited barring some areas.

2.2.85 Further, the Petitioner quoted clause 4.2 (b) of the ESC 2005, as follows: -

> *" (b) The Licensee shall meet the cost for strengthening / up gradation of the system to meet the enhanced demand of the existing consumers as well as future growth in demand. Such expenditure shall be allowed to be recovered from the consumers through tariff subject to financial prudence check by the Commission."*

2.2.86 Also, it was submitted that the ESC 2005 mandates the distribution licensee to strengthen and upgrade its system to meet the enhanced demand of not only the existing and prospective consumers but also for future growth in demand. Accordingly, the Petitioner is required to establish an efficient distribution system to meet the demand of its existing and prospective consumers as well as growth in demand every year.

2.2.87 The construction of 33/11 kV Substations are done based on the area development plan of the GNIDA and also to cater the increase in localized demand. Lands for 33 kV Substations are allotted by the GNIDA based on its Master Plan for the development of the identified area. It is mentioned that the Petitioner constructs 33/11 kV Substation initially with one 12.5 MVA Power Transformer with the provision of second Transformer in future as per the standard design with N – 1 reliability. Since the initial load of the newly developed Sectors / area is comparatively less, the MVA capacity as reflected would be more for some time.

2.2.88 Further, it is submitted that the peak demands of the different consumer categories are not concurrent and accordingly, it is observed that the peak load of LT consumers (mainly domestic & commercial, street lights, tube wells etc.) used to be around 230 – 250 MW resulting 50% to 80% loading on the transformers.

2.2.89 The Petitioner added that the report of "Load Forecasting and Network Planning" carried out in FY 2016-17 by M/s Feedback Infra in compliance to the directions of the Commission that has already been submitted to the Commission, comprises not only the load forecasting for Petitioner's licensed area from FY 2017-18 to FY 2026-27, but also the Network Planning to meet such forecasted load over the same period. Accordingly, for the purpose preparing Capital Expenditure Plan for the Control Period, the Petitioner has relied on both the sales projections of the Petitioner and the study report conducted by M/s Feedback Infra. The details justification for Capital Expenditure Plan has already been provided in the Business Plan for MYT Control Period FY 2020-21 to FY 2024-25.

2.2.90 Further, the Petitioner resubmitted that the detailed reply/justification/clarification with regard to the Capex has already been provided as various data gap replies.

2.2.91 Regarding the objections, the Petitioner did not submit any reply.

C. Commission's View

2.2.92 The Commission has taken note of the objections/suggestions made by the stakeholders and the reply of the Licensee in this regard. The Commission has dealt the issue appropriately in the relevant Chapters of this Order.

33/11 KV SUBSTATIONS

A. Comments/ Suggestions of the Public

2.2.93 Shri Rama Shankar Awasthi mentioned that the Petitioner in form P3, submitted that no substation has been added in FY 2018-19 whereas in form F19, an amount of Rs.13.94 Crore is shown spent on 33/11KV substation. He submitted that as per the statement in the Petition, there are no projects above Rs. 10 Crore whereas in Format P3, three 33/11 kV Substations are added which are to the tune of Rs. 24.23 Crore per Substations. He also submitted that regards to projects/schemes such as 33/11 kV substation, 33 kV Network development, 11 kV Network Development and civil works, new connection and other infrastructure facilities together has been incurring a capex of more than Rs. 10 Crore. He further added that the Petitioner is carrying out item wise capitalisation in which an electric substation is divided into more than 10 part and each part is marked as "Capital Asset" whereas it should have been a single unit of 33/11kV Substation. It is also requested to the Commission that Petitioner's 33/11 kV substation capex should be studied in details whether it is as per requirement or not. Further, the objector is requesting to the Commission to carry out a technical study on requirement of so many 33/11kV substations, even when their 51-60% power consumption is at 33kV.Therefore, he submitted that that there are serious lapses in CAPEX/GFA claimed by the Petitioner and money is being spent on some other project. He mentioned that deficiencies in the investment and capitalisation done by the Petitioner has been repeatedly pointed out and also has submitted the objection submitted during proceedings for FY 2018-19. He has also submitted the cost of different capacity substation as provided in the cost data book 2016, as shown below:

Table 2-15: Cost of substation with double pole of ST Pole

S. No.	Capacity	Cost of substation (Rs.)
1	25 kVA	131800
2	63 kVA	194290
3	100 kVA	226310
4	250 kVA	562744
Total	438 kVA	1115144
Cost per kVA		**2546**

Table 2-16: Cost of secondary substation

S. No	Capacity	Cost of substation (Rs. Lacs)
1	3 MVA	108.09
2	5 MVA	134.94
3	8 MVA	161.3

S. No	Capacity	Cost of substation (Rs. Lacs)
4	10 MVA	166.48
Total	26 MVA	570.81
Cost per kVA		**2200**

2.2.94 He further submitted that the Petitioner in Form No. F 19B and Form No. P3, for FY 2019-20, a total of Rs 72.94 Crore is shown for construction of 33/11kV Substation. In format p3, it is shown that three 33/11kV Substation are added and it works out to be Rs 24.23 Crore per substation which is clearly more than Rs. 10 Crore. However, as per their statement in the filings no project is more than Rs. 10 Crore and it points to an evasive and manipulative functioning of the Petitioner. It points out to the fact that either the Petitioner is spending money on projects which they don't want to bring to scrutiny of Commission or on projects of its group company in some other States and booking that amount in ARR of the Petitioner, as they will be able to get it passed through Commission. Therefore, he requested the Commission to do a detailed scrutiny of all such capex claims w.r.t to 33/11 kV substations and allow such capex claims only after the Commission is satisfied.

2.2.95 Shri Avadhesh Kumar Verma, Chairman, M/s U.P Rajya Vidyut Upbhokta Parishad submitted that Rs. 13.49 Crore was spent on 33/11 kV substation in FY 2018-19 whereas in format P3, no 33/11kV substation is increased in FY 2018-19. He also submitted that in FY 2019-20, Rs. 72.94 Crore for construction of 33/11kV Substation in F19 for 3 nos. In format P3, it comes to the tune of Rs. 24.23 Crore. per Substation which is more than Rs. 10 Crore. Further, he submitted that in FY 2017-18, the Petitioner have claimed Rs 53.33 Crore for only one 33/11kV Substation and is doubtful expenses. He requested the Commission to look into sanctity of such expenses and in case funds are diverted to some other projects, it should be mentioned and approval from the Commission should have taken. He also submitted that in GFA statement provided by the Petitioner, all equipment has been separately capitalised which shows the intentions to avoid to take approvals from Commission.

2.2.96 Shri Rama Shanker Awasthi submitted that in form F19B, the capex done on development of 33/11 kV Substation from FY 2018-19 to FY 2020-21 will be to the tune of approximately Rs. 105 Crore. He has submitted the surge in expenditure for FY 2019-20, as shown in the table below:

Table 2-17: Details of Capex done on 33/11kV Substation

Project Details	UOM	FY 2018-19	FY 2019-20	FY 2020-21
33/11kV Substation	Rs. Crore	13.94	72.84	18.1
Increase Y-O-Y	%	-	**423%**	**-75%**

2.2.97 He submitted that in form no. F9, the Petitioner provides that no new power transfer has been added from FY 2017-18 to FY 2018-19 and is further submitted that in form no F8, the number of tripping on 11 kV feeder has increased by 60% over the preceding years, which indicates poor R&M practices. Therefore, he requested the Commission to direct the Petitioner to submit the cost benefit analysis of expenditure on Substation vis a vis reduction in losses, based on which the true up, APR and ARR/Tariff for FY 2018-19, FY 2019-20 and FY 2020-21 shall be decided. Further he submitted that asset audit must be done in the Petitioner service area, to certain, actual expenditure has been done.

B. Petitioner's Response

2.2.98 As regards to objections of Shri Rama Shanker Awasthi & Shri Avadhesh Kumar Verma, the Petitioner submitted the details of 13.94 Crore on 33/11kv Substations during FY 2018-19 are as provided in Table below:

Table 2-18: Details of Capex on 33/11 kV S/s during FY 2018-19

Details of Capex on 33/11 kV S/s during FY 2018-19		
S. No	**Particulars**	**Amount in Rs. Cr**
1	Conversion of 33/11 kv ZETA - 1 S/s to 33kV Switching Station cum 33/11 kV S/s along-with 33kV Feeder Creation	3.59
2	Upgradation of 33/11 kV at Beta -2 S/s along with incoming and outgoing feeder lines	2.74
3	Construction of 33kV Switching Station at Delta-2	4.07
4	Construction of 33kV Switching Station at Delta-3	3.35
5	Other ancillary works	0.18
	Total	**13.94**

2.2.99 The Petitioner further submitted that the details of 72.94 Crore is estimated to be incurred on 33/11 kV Substations during FY 2019-20, as provided in the Table Below:

Table 2-19: Details of Capex on 33/11 kV S/s during FY 2019-20

Details of Capex on 33/11 kV S/s during FY 2019-20 (Estimated)		
S. No.	**Substation Detail**	**Amount in Rs. Cr.**
1	Construction of 33/11KV KP-5 S/s.	5.16

Details of Capex on 33/11 kV S/s during FY 2019-20 (Estimated)		
S. No.	**Substation Detail**	**Amount in Rs. Cr.**
2	Construction of 33/11KV XU-3 S/s.	5.66
3	Construction of 33/11KV Omega-1 S/s.	7.72
4	Augmentation of 33/11KV Chi-IV S/s.	1.21
5	Augmentation of 33/11KV ESS-10 KP-5 S/s.	1.13
6	Augmentation of 33/11KV ESS-2 KP-5 S/s.	1.15
7	Augmentation of 33/11KV Delta - 2 S/s.	1.1
8	Augmentation of 33/11KV Delta - 3 S/s.	1.62
9	Augmentation of 33/11KV Hathewa S/s.	1.2
10	Augmentation of 33/11KV IT City S/s.	1.15
11	Augmentation of 33/11KV Zeta-1 S/s.	1.22
12	Construction of 33KV SMART Switching Station at KP-2	2.28
13	Construction of 33KV SMART Switching Station at KP-3	2.29
14	Other ancillary works	0.42
15	Cost of 5 nos. 33 kV bays at 220/33 kV Substation at Sec-148, Noida paid to UPPTCL	20.48
16	Construction of LILO from 220kV Substation Sec-148 Noida to 220 kV RC Green Substation paid to UPPTCL through GNIDA	14.59
17	Cost of 2 nos. 220kV bays at RC Green Substation paid to UPPTCL through GNIDA	4.53
	Total	**72.94**

2.2.100 The Petitioner also submitted that it has already clarified the matter regarding capital expenditure of above Rs. 10 Core in its reply to 2nd Deficiency Note dated May 13, 2020. Further, the Petitioner submitted that the wild allegations of serious lapses/spurious expenditure on 33/11 kV Substation are therefore factually incorrect.

2.2.101 As regards to the submission of Shri Rama Shanker Awasthi, it is submitted that the Petitioner has already provided detailed justification for all Capital Expenditure in Petition No. 1541 of 2019 dated December 27, 2019 as well as in the Petitioner's reply vide letter no. P-77A/ 2020/001 dated May 27, 2020 and Email dated June 22, 2020 respectively in response to the deficiency notes raised by the Commission vide letter no. UPERC/Secy/D(Tariff) 20-087 dated May 13, 2020 and letter no. UPERC/Secy/D(Tariff) 20-241 dated June 16, 2020.

2.2.102 As regards to the objection of Shri Avadhesh Kumar Verma related to 33/11 kV substation, the Petitioner resubmitted that the queries/ comments / suggestions have been invited by the Commission on Petitioner's Petition no. 1541 of 2019 for True-up for FY 2018-19, APR for FY 2019-20 and ARR for FY 2020-21, therefore, comments on tariffs / ARR prior to FY 2018-19 cannot be the subject matter of the present proceedings. Further, the Petitioner submitted that all desired information for FY 2017-18 was provided to the Commission at the time of approval of Business Plan & ARR for

FY 2017-18, Annual Performance Review and Truing-up thereof and the same was duly approved by the Commission.

2.2.103 Further, it is mentioned that the Petitioner has already clarified regarding capital expenditure of above Rs. 10 Cr. in its reply to query no.59 of the 2nd Deficiency Note dated May 13, 2020 vide email dated June 22, 2020.

C. Commission's View

2.2.104 The Commission has taken the note of the objection / suggestions made by the stakeholders in this regard and also noted reply by the Petitioner. The Commission has appropriately dealt the above matter in the True Up of FY 2018-19, APR for FY 2019-20, ARR for FY 2020-21 and directions issued for the Licensee in the subsequent chapters of these Orders.

220 kV SUBSTATIONS

A. Comments/ Suggestions of the Public

2.2.105 Shri Rama Shanker Awasthi submitted that the Petitioner is continuously carrying out capex works at 220kV substations and alongside claiming the same. He mentioned that the Petitioner is doing non-compliance of the Commission Order while claiming capex for 220kV substation. He has provided the details of capex claimed on 220kV substation, as per the Petitioner's filings, as shown in the Table below:

Table 2-20: Details of capex claimed on 220kV substation

Asset	GL No	Asset Category	Asset Description	Capitalized Date	Capex	Quantity	Additions
13000401	21203	Building & Structures	Mild Steel Works at 220KV IT City S/Stn.	31-03-2019	NPCL Assets	425	79,295
14001512	21301	Transmission & Distribution	160 MVA Transformer 220/132 KV	31-03-2019	NPCL Assets	1	5,75,62,761
14001513	21301	Transmission & Distribution	132 KV Current Transformer (1000/800/500/1AMP)	31-03-2019	NPCL Assets	3	3,95,239

2.2.106 He has submitted that the Commission in the Petition No. 987/ 2014 - order dated 31.10.2018 and Petition No. 1020/ 2015 - order dated 31.10.2018, has opined that all investment in this matter shall be trued up again after adjusting the refund. He also added that the issue regarding the 220 kV RC green and Gharbara substation in FY 2018-19 & FY 2019-20 has been raised continuously before the Commission and the relevant extract from the Tariff Order dated September 03, 2019 has also been provided. He requested the Commission to take strict action and impose penalty under Section 142 of Electricity Act for non-compliance of Commission's Order. It was submitted that in review Petition No. 1512/2019 order dated June 04, 2020, the Commission has opined that such assets have become part of UPPTCL balance sheet and GFA as consumer contribution/deposit works. Therefore, the Petitioner cannot be allowed to claim CWIP and GFA. Further, he submitted that 160 MVA, 220kV transformer and 132kV current transformer are capitalised by UPPTCL as well as by the Petitioner. Therefore, he requested the Commission to direct the Petitioner to clearly disclose the details of all its investment in 132kV or 220 kV substations and related assets such as RC Green, Gharbara, Knowledge Park-5 and BZP sector, T&D assets etc. Further, it is requested to the Commission, that in the true up for FY 2018-19, all capex, & depreciation, interest on capex etc. already claimed in previous years by the Petitioner in RC Green, Gharbara, Knowledge Park-5 and BZP Sector must be disallowed and carrying cost at the rate of interest of working capital shall be adjusted in the True up for FY 2018-19.

2.2.107 Based on the reply of the Licensee, he submitted that the Licensee has taken non-compliance of the Order dated January 22, 2019 while claiming capex for 220 kV substation. The Commission is requested to take strict action against it. He requested the Commission to disallow all capex & depreciation, operation and maintenance expenses, interest on capex etc. which has been claimed in previous years in respect of these assets namely RC Green, Gharbhara, Knowledge Park 5 and BZP sector by the Petitioner from the date of capitalizing of these assets, and carrying cost at the rate of interest of working capital ought to be adjusted in the True Up for FY 2018-19. Accordingly, it would be incumbent upon this Commission to recompute the income tax component after taking into account of these disallowances.

2.2.108 He also added that in spite of Orders of Commission, investment of approx. Rs 170 Cr in 220 kV assets of RC Green and Gharbara is not decapitalised stating appeal in Hon'ble Tribunal which is never 'Stayed' and compliance to Orders of Commission is to be ensured in True up for FY 2018-19. Further, all along UPPTCL was doing R & M thus disallowance of depreciation, RoE, interest, Taxes and O & M from FY 2009-10 are to be ensured.

2.2.109 Further, it is submitted that the Petitioner has invested approx. Rs 20 Cr in purchase of land and boundary wall for construction of 220kv substation and thermal power plant at BZP, KP - 5 and Jaun Samana which are never fructified till now. For such a capital expenditure which is not in use, consumer cannot be burdened and need to be disallowed along with consequential gains on depreciation, ROE, Tax, Interest and O & M from the date of capitalisation.

2.2.110 Shri Avadhesh Kumar Verma, Chairman, M/s U.P Rajya Vidyut Upbhokta Parishad submitted that in spite of orders of Commission on 220kV Substation to be in purview of UPPTCL, the Petitioner is continuously spending and availing Return on Equity, depreciation, interest and O&M on assets of 220kV Substation. Commission in its order in Petition No. 987/ 2014- Order dated 31.10.2018 and Petition No. 1020/ 2015- Order dated 31.10.2018, the Petitioner is to claim refund of the amount from GNIDA.

2.2.111 He also submitted the details of capital expenditure claimed on 220kV substation in FY 2018-19, as provided below:

Table 2-21: Details of capital expenditure claimed on 220kV substation in FY 2018-19

Asset	Asset Description	Quantity	Additions
13000401	Mild Steel Works at 220KV IT City S/Stn.	425	79,295
14001512	160 MVA Transformer 220/132 KV	1	5,75,62,761
14001513	132 KV Current Transformer	3	3,95,239

2.2.112 He also submitted that UPPTCL is claiming all O&M on RC Green and Gharbara Substation from FY 2009-10 onwards and it will be a double charging to consumers of the Petitioner. The Commission is requested to recover all O&M from FY 2009-10 along with ROE, Depreciation and interest towards RC Green, Gharbara from the Petitioner in true-up.

2.2.113 Further, he submitted that the investment in 220kV land at BZP and KP-5 which is capitalised should be decapitalized by Commission as there is no advantage to consumers from this land. The Petitioner should transfer this land back to Greater Noida Authority and UPPTCL should take over it to construct 220 kV substation. A total of approximately Rs 300 Crore of capital expenditure on 220kV, 132 kV and 400 kV substations are to be decapitalized from the books of the Petitioner. Further, he requested the Commission to recover back the O&M, depreciation, RoE and interest allowed to the Petitioner in last 12-15 years on account of capital expenditures on 220kV, 132kV and 400 kV substations or Intra-State Transmission charges be made free.

2.2.114 He submitted that the T&D network of the Petitioner comprises of 220KV RC Green and Gharbara substation, assets at 132kV Surajpur substation and 400kV Greater Noida substation. Approximately, Rs 200-210 Crore of such transmission assets in last 15 years added by the Petitioner must be decapitalized and entire depreciation, ROE and O&M and interest should be recovered in FY 2020-21.

2.2.115 Further, he submitted that how the Petitioner can show 220kV Substations and 220kV or 132kV Transformers. Further, he submitted that all such assets should be disallowed.

B. Petitioner's Response

2.2.116 The Petitioner submitted the details of capital expenditure in the Table below:

Table 2-22: Summary of Capital expenditure

Summary of Capex					
Asset Category	**Asset Description**	**Capitalized Date**	**Qty.**	**Addition in Rs. Cr.**	**Remarks**
Building & Structures	Mild Steel Works at Land for 220KV IT City S/s.	31-03-2019	425 Kg	0.01	The land is for 33/11kV S/s and associated office facilities, inadvertently mentioned as 220kV S/s. The cost incurred is for metal signboard to safeguard the above land from illegal encroachment.
Transmission & Distribution	160 MVA Transformer 220/132 KV	31-03-2019	1 no.	5.76	Cost of new 160 MVA transformers for increasing distribution capacity at R C Green Substation paid to UPPTCL through GNIDA
Transmission & Distribution	132 KV Current Transformer (1000/800/500/1AMP)	31-03-2019	3 no.	0.04	

2.2.117 The Petitioner submitted that the detailed justification for the Capital Expenditure on 160 MVA transformer at RC Green Substation which was required for increasing distribution capacity for meeting the growing demand of the consumers and has already been provided in Petitions no. 1349 of 2018 and 1382 of 2018. Further, as informed, the Petitioner has filed appeals before the Hon'ble APTEL against the orders dated October 30, 2018 in Petition No. 987 of 2014 and 1020 of 2015 wherein the Commission is also the relevant party. Also, with regard to order dated June 04, 2020 of the Commission, the Petitioner has filed an appeal before Hon'ble APTEL.

2.2.118 Therefore, the Petitioner submitted that, all the aforesaid matters are sub-judice before the Hon'ble APTEL and therefore, any action, which may impinge on such judicial process is not warranted in the matter. Hence, there is no illegitimate assets creation with respect to 220 kV Substations as falsely alleged by the Objector.

2.2.119 As regards to the objections, the Petitioner did not submit any reply.

C. Commission's View

2.2.120 The Commission has appropriately dealt with the issues of all 132kV and above assets in the subsequent chapters of this Order.

REFUND OF 220 KV LILO AND TWO 220 KV BAYS

A. Comments/ Suggestions of the Public

2.2.121 Shri Rama Shanker Awasthi submitted that Commission in its order dated June 06, 2020 in Review Petition No. 1512/2019 has ordered the Petitioner to claim refund of amount deposited with GNIDA towards the cost of 220kV LILO amounting to Rs. 14.59 crore, the cost of Rs. 4.53 Crore for two 220 kV bays at RC green substation. He requested the Commission to adjust this amount of Rs 14.50 Crore and Rs. 4.53 Crore in the current true up for FY 2018-19 along with carrying cost.

B. Petitioner's Response

2.2.122 The Petitioner submitted that it has filed appeals before the Hon'ble APTEL against the orders dated October 30, 2018 in Petition No. 987 of 2014 and 1020 of 2015 wherein Commission is also a relevant party. Also, with regard to Order dated June 04, 2020, the Petitioner has filed an appeal against the same before Hon'ble Appellate Tribunal for Electricity.

2.2.123 Thus, the Petitioner submitted that, all the aforesaid matters are sub-judice before Hon'ble APTEL and therefore, any action, which may impinge on such judicial process is not warranted in the matter.

C. Commission's View

2.2.124 The cost of 220kV LILO amounting to Rs. 14.59 crore and the cost of Rs. 4.53 Crore for two 220 kV bays at RC green substation has been deducted from the closing CWIP of FY 2017-18 in the True Up Order of FY 2017-18 and the capitalisation of the same has also been dealt in the APR of FY 2019-20 as the asset has been capitalised in FY 2019-20 as submitted by the Petitioner.

INVESTMENT PLAN

A. Comments/ Suggestions of the Public

2.2.125 Shri Rama Shanker Awasthi submitted that under the investment plan submitted by the Petitioner for FY 2018-19, the project starts and project completion date is being provided as April 1, 2017 to March 31, 2018, similar to FY 2017-18, which appears to be dubious. Therefore, he requested the Commission to prudently check the investment plan for FY 2018-19 and FY 2019-20, and check whether the same projects of FY 2017-

18 are claimed again in FY 2018-19 and FY 2019-20. The Commission shall disallow the investments for such double accounting of projects.

B. Petitioner's Response

2.2.126 The Petitioner submitted that, in Form 19, the start date as 01.04.2017 and end date as 31.03.2018 has inadvertently been mentioned for FY 2018-19 and FY 2019-20. The start and end date for FY 2018-19 may please be read as 01.04.2018 and 31.03.2019 and for FY 2019-20 as 01.04.2019 and 31.03.2020. The Petitioner also submitted that it sincerely regrets the inadvertent error.

C. Commission's View

2.2.127 The Commission has taken note of the objections/suggestions made by the stakeholder and the response of the Licensee in this regard.

COST OF TRANSFORMER

A. Comments/ Suggestions of the Public

2.2.128 Shri Rama Shanker Awasthi based on the reply of the Licensee, has submitted that the Licensee has procured various capacity of transformer such as 25KVA, 100 kVA, 250 kVA at a higher range from the cost approved by the Commission in the cost data book. He added that the Petitioner has provided the details of 5 nos of 25 kVA transformers and each of these assets have a varying cost. The Licensee has also included the cost of erection / installation and supervision in the cost of the asset. The Petitioner has provided details of 5 no. of 25 kVA transformer under the Asset No. 14001495. Each of these assets have a varying cost, that varies from 100728 to Rs. 109697. The Petitioner has included the cost of erection / installation and supervision in the cost of the Asset No. 14001495 as capex.

B. Petitioner's Response

2.2.129 The Licensee did not submit any reply.

C. Commission's View

2.2.130 The allegations of the objector will need investigation, however such investigation cannot be part of the present proceedings of determination of ARR and Tariff for FY 2020-21 and may be dealt vide a separate Petition in this matter.

O&M EXPENSES

A. Comments/ Suggestions of the Public

2.2.131 Shri Avadhesh Kumar Verma, Chairman, M/s U.P Rajya Vidyut Upbhokta Parishad submitted that the asset of the Petitioner is loaded to only 20% and thus their O&M expenses should be allowed at a maximum of Rs 30 Crore. He also mentioned that in case the Petitioner find it difficult, the area shall be given to PVVNL which can easily operate in Rs 30 Crore of O&M for almost entire HT load distribution system. The Petitioner has mentioned that its 33/11Kv substation are Scada controlled, then how private agency is put into place. Further, he mentioned that in employee cost and R&M cost the Petitioner have already taken expenses for substation maintenance and the details of work and expenses for each substation shall be sought. The details of work and expenses for each substation must be sought. He also enquired how vehicle expenses and transportation expenses are differentiated.

2.2.132 He submitted that the Petitioner has already considered substation maintenance in employee expense and then again considered huge money in R&M towards substation maintenance. He submitted that saving of Rs 10 Crore in R&M expenses will save 6 paisa per unit for consumers. He also submitted that the Petitioner may also provide reason for so many consumers when all capital and R&M activities are outsourced.

2.2.133 Shri Rama Shanker Awasthi submitted that the Petitioner have stated it is not possible to carry out business operations at a net O&M Expense of Rs. 60.49 Crore for FY 2020-21, as shown below:

Table-11 : Summary of O&M Expenses

Rs. Cr.

Sl. No.	Financial Year	Nature	Employee Expenses	A&G Expenses	R & M Expenses	Gross O&M Expenses	Expenses Capitalised	Net O&M Expenses
1	FY 2015-16	Trued-up	18.16	8.30	27.88	**54.33**	(6.90)	**47.43**
2	FY 2016-17	Trued-up	22.37	10.22	34.34	**66.93**	(12.32)	**54.61**
3	FY 2017-18	Trued-up	25.37	12.05	40.48	**78.91**	(10.34)	**68.57**
4	FY 2015-16	Normative	19.06	8.71	29.27	**57.04**	(6.90)	**50.14**
5	FY 2016-17	Normative	19.75	9.03	30.32	**59.10**	(12.32)	**46.78**
6	FY 2017-18	Normative	20.35	9.30	31.24	**60.90**	(10.34)	**50.55**
7	FY 2018-19	Normative	21.41	9.78	32.87	**64.07**	(8.99)	**55.08**
8	FY 2019-20	Normative	22.44	10.26	34.45	**67.15**	(9.00)	**58.15**
9	FY 2020-21	Normative	23.51	10.55	35.43	**69.49**	(9.00)	**60.49**

2.2.134 He strongly recommends that the Petitioner should hand over the license area to UPPCL or to any other company. Even the objector, can run these operations easily in Rs 50.00 Crore for FY 2020-21.

2.2.135 Based on the reply of the Licensee, he submitted that the Petitioner has claimed GST on O&M Expenses. It is a settled principle of law that no GST can be claimed on O&M expenses. In this regard, the law has been settled by the CERC vide its various Orders.

2.2.136 He also added that the Petitioner has stated mostly substation to be GIS and also highly under loaded too. This expense is highly doubtful and need scrutiny in details.

B. Petitioner's Response

2.2.137 The Petitioner submitted that the O&M expenses are prudently incurred to run the business efficiently. Accordingly, the Petitioner claims O & M Expenses incurred by it, however, the Commission allows the same as per MYT Regulations only. The disallowances in the O & M Expenses, effectively reduce RoE of the Petitioner.

2.2.138 The Petitioner submitted that the O&M expenses is mainly the function of GFA and Revenue, hence, should be compared with reference to the GFA and Revenue only. The percentage increase in O&M Expenses with reference to GFA and Sales is given in the Table below:

Table 2-23: Comparison of O&M Expenses

Comparison of O&M Expenses						
S. No.	Fin. Year	O&M Exp.	Avg. GFA	O&M/GFA	Revenue	O&M / Revenue
		Rs. Cr.	Rs. Cr.	%	Rs. Cr.	%
1	2014-15	48	846	5.60%	919	5.20%
2	2015-16	60	1,061	5.70%	1,039	5.80%
3	2016-17	70	1,204	5.80%	1,172	6.00%
4	2017-18	89	1,378	6.50%	1,334	6.70%
5	2018-19	100	1,559	6.40%	1,490	6.70%
6	2019-20	115	1,684	6.80%	1,699	6.80%

2.2.139 The Petitioner also submitted that the O&M Cost of the Petitioner is amongst the lowest in the country. A comparison of the O&M Cost of the Petitioner vis-à-vis UP Discoms and Delhi Discoms is given in the below Tables:

Table 2-24: Comparison of O&M Expenses with Delhi Discoms

O&M Expense comparison with Delhi Discoms									
Particulars	UOM	NPCL		KESCO	DVVNL	MVVNL	PVVNL	PuVVNL	Avg. UP Discoms
		Actual	Normative						
Sales	MU	1,850	1,850	3,174	19,035	16,698	28,393	20,795	17,619
Revenue	Rs. Cr.	1,407	1,407	2,450	12,440	12,730	18,062	14,413	12,019
Average GFA	Rs. Cr.	1,622	1,622	1,047	10,089	9,243	13,253	11,532	9,033
Emp. Exp.	**Rs. Cr.**	**40**	**21**	**67**	**150**	**1,359**	**873**	**1,283**	**746**
Emp. Exp.	Rs./kWh	0.22	0.11	0.21	0.08	0.81	0.31	0.62	0.42
Emp. Exp./Sales	%	2.80%	1.50%	2.70%	1.20%	10.70%	4.80%	8.90%	6.20%

O&M Expense comparison with Delhi Discoms									
Particulars	**UOM**	**NPCL**		**KESCO**	**DVVNL**	**MVVNL**	**PVVNL**	**PuVVNL**	**Avg. UP Discoms**
		Actual	**Normative**						
R&M Exp.	**Rs. Cr.**	**47**	**47**	**69**	**375**	**484**	**874**	**744**	**509**
R&M Exp.	Rs./kWh	0.25	0.25	0.22	0.2	0.29	0.31	0.36	0.29
R&M Exp. / GFA	%	2.90%	2.90%	6.60%	3.70%	5.20%	6.60%	6.50%	5.60%
A&G Exp.	**Rs. Cr.**	**14**	**14**	**21**	**163**	**303**	**106**	**157**	**150**
A&G Exp.	Rs./kWh	0.07	0.07	0.07	0.09	0.18	0.04	0.08	0.09
A&G Exp. / Sales	%	1.00%	1.00%	0.90%	1.30%	2.40%	0.60%	1.10%	1.20%
Net O&M	**Rs. Cr.**	**100**	**82**	**157**	**688**	**2,146**	**1,853**	**2,184**	**1,406**
Net O&M	Rs./kWh	0.54	0.44	0.49	0.36	1.29	0.65	1.05	0.8
Net O&M / Sales	%	7.10%	5.80%	6.40%	5.50%	16.90%	10.30%	15.20%	11.70%

Table 2-25: Comparison of O&M expenses with Delhi Discoms for FY 2018-19

O&M Expense comparison with Delhi Discoms (FY 2018-19)							
Particulars	**UOM**	**NPCL**		**BRPL**	**BYPL**	**TPDDL**	**NDMC**
		Normative	**Actual**				
Sales	MU	1,850	1,850	12,194	6,514	8,867	1,357
Revenue	Rs. Cr.	1,407	1,407	9,168	4,929	6,891	1,335
Average GFA	Rs. Cr.	1,622	1,622	6,803	3,586	NA	930
O&M Exp./Sale	Rs. Cr.	82	100	1,130	792	814	282
O&M Exp./Sale	Rs./kWh	0.44	0.54	0.93	1.22	0.92	2.08
O&M Exp. / Revenue	%	5.83%	7.13%	12.32%	16.06%	11.81%	21.12%
O&M Exp./GFA	%	5.06%	6.19%	16.61%	22.08%	NA	30.34%

2.2.140 Therefore, the Petitioner submitted that it reiterates its earlier submissions in Chapter 9 of the Petition No. 1541 of 2019.

2.2.141 It is also submitted that the O&M Expenses in the Audited Annual Accounts of the Petitioner are classified as per the Schedules prescribed under the Companies Act, 2013. However, in order to submit the information in the pre-defined formats / heads prescribed by the Commission, the Petitioner has segregated expenses accordingly like Vehicle Expenses under "Vehicle" and "Transportation" based on expenses incurred on movement of manpower and material respectively. Further, it was mentioned that the O&M expenses are claimed as being incurred, however, the Commission allows the same on normative basis only. Such disallowances, therefore effectively reduce RoE of the Petitioner.

2.2.142 Therefore, the Petitioner submitted that the findings of the Objector are false, baseless and wild allegations to mislead the Commission.

2.2.143 As regards to the submission of Shri Rama Shanker Awasthi, the Petitioner submitted that the O&M expenses of the UPPCL Discoms are much higher than the Petitioner's O&M expenses. Even O&M expenses of privatized Discoms of Delhi and NDMC are higher. Therefore, the comments of the Objector are preposterous and again reinforce his grave bias and ill designs against the Petitioner and its officials to show them in very poor light. It is also mentioned that while the Central Government is vigorously promoting increased private participation in the distribution business for improving the overall performance, which the Petitioner has successfully demonstrated and also acknowledged in the Power Industry.

2.2.144 Further regarding the objection, the Petitioner did not submit any reply.

2.2.145 With regards to the objection of Shri Avadhesh Kumar Verma regarding the number of employees, the Petitioner submitted that it has provided complete details, deployment of employees and justifications.

C. Commission's View

2.2.146 The Commission has taken the note of the objection / suggestions made by the stakeholders in this regard and also noted response by the Petitioner. The treatment has been done by the Commission in the relevant chapters of this Order.

EMPLOYEE EXPENSES CAPITALISATION

A. Comments/ Suggestions of the Public

2.2.147 Shri Avadhesh Kumar Verma, Chairman, M/s U.P Rajya Vidyut Upbhokta Parishad submitted that 8% of project cost is employee expenses at Rs 9.00 Crore in FY 2018-19 and is simply an attempt to inflate and gold plate GFA. He requested that the Commission shall fix it at 0.5% to 0.75% as there is already Gold plating of equipment cost.

2.2.148 Shri Rama Shankar Awasthi submitted that the Petitioner's reply to Commission's query regarding the employee expenses capitalized as Rs. 9.00 Crore for FY 2019-20 is extremely vague. He also submitted that the Petitioner management is naive in project management and is unaware of basics of manpower deployment on the project. He requested that the Commission may get verified the various projects on the basis of:

- Whether at the time of creation of project details of identified employees on the project & their estimated hours or days on the project are mentioned.
- On the progressive basis, generally in weekly basis, employees fill the time sheets and on completion details of each person & their time are computed.
- The Petitioner has not confirmed whether the same person say "X" is assigned multiple capex projects or they also carry out O&M works too. If the same employees carry out Capital project and O&M works on daily basis, what is the methodology for approval of time-sheets.
- The Petitioner must also provide the details for each GFA item as follows:

S. No	Asset No.	Asset Details	Asset Location	Value of Asset Rs.	Supply part of Asset Rs.	Labour Part of Asset Value Rs	Employee Cost Capitalised Rs.	Ratio of Employee to Labour Value %
	1	2	3	4=5+6+7	5	6	7	8=7/6
1								
2								
3								
..								
N								

- It further submitted that the Petitioner in order to claim full employee expenses, seems to be increasing the salary capitalisation every year. The objector has done analysis on the data available for FY 2019-20, the observation are as follows:
- Salary cannot be capitalized for Land purchase and purchase of tools & vehicles.
- For IT and Process Automation, 5% of project value as employee expense can be considered and for other T&D projects, 0.5% of project value as employee expenses may be considered as generally there are high cost materials like GIS panels, RMU, underground and AB cables etc.
- It is observed that not more than Rs. 1.5 Crore should be allowed in Salary Capitalisation.
- It is doubtful whether they have capitalised salary on land, vehicles, tools & tackles.

2.2.149 Further, it was submitted that high level of employee salaries is capitalised every year to save on disallowances. When all works are carried out by contractors, the supervision cannot be so high. Additionally, he submitted that it appears to be their diversion tactics to save on R&M expenses.

Table 2-26: Details of employee cost

Particulars	PY 2	PY 1	CY	Control Period		
	FY 2014-15	FY 2015-16	FY 2016-17	FY 2017-18	FY 2018-19	FY 2019-20
	(n-2)	(n-1)	(n)	(n+1)	(n+2)	(n+3)
Total Employee Costs	22.18	27.96	38.26	43.91	48.81	56.86
Less: Employee expenses capitalised	5.13	6.9	12.32	10.34	8.99	10.32
Net Employee expenses	17.05	21.05	25.94	33.56	39.82	46.54
Ratio of Salary capitalised to total Salary	**23%**	**25%**	**32%**	**24%**	**18%**	**18%**

2.2.150 Further, the detailed item wise capitalisation sheet was analysed, wherein it was observed that even meter seals in lacs of quantity are capitalised. Probably, the Petitioner would have capitalised salary also on these seals. Everyone knows these seals cannot be capitalised as used on monthly basis for meter readings, meter change, meter checking etc. But the Petitioner will take shelter of Auditor. It is requested to the Commission that such manipulations shall be tested in full details by deploying some quality professionals.

2.2.151 Further, the objectors analysed the issue of high employee expenses being taken by the Petitioner for capital projects, as shown in the table below:

Table 2-27: Details of analysis of analysis of employee expense of the Petitioner as submitted by the Objector

S. No	Particulars	FY 2014-15	FY 2015-16	FY 2016-17	FY 2017-18	FY 2018-19	FY 2019-20
A	Net Capital Expenditure F26A Rs Cr	145.33	123.77	142.7	133.35	109.05	140.18
B	Less: Employee expenses capitalized	5.13	6.9	12.32	10.34	8.99	10.32

S. No	Particulars	FY 2014-15	FY 2015-16	FY 2016-17	FY 2017-18	FY 2018-19	FY 2019-20
C	Net Capital Expenditure without Employee expense (a-b)	140.2	116.87	130.38	123.01	100.06	129.86
D	Land, Tools & Vehicles	-	-	-	0.29	8.58	26.97
E	Actual Capital expenditure requiring supervision by employees (c-d)	-	-	-	122.72	91.48	102.89
F	Ratio of employee supervision on Capex (b/e)	-	-	-	8%	10%	10%

2.2.152 It was submitted that during the FY 2014-15, employee expenses capitalised was only 3.5% whereas in FY 2018-19 it has jumped to 8.2% and he requested the Commission to fix it at 1-2% only which is generally the value of PMC services charged by many companies. He also added that it is malicious way to inflate value of Assets and then charge high depreciation and O&M including RoE.

2.2.153 Further, it was submitted that employee expenses capitalisation is without any logic and it is on much higher side. It is to be mentioned that in capex projects, value of labour component is 5-10%. The Objector has provided certain examples in the below table:

Table 2-28: Details of erection cost and supply cost

S. No.	Item	Supply cost	Erection cost by Contractor	% of Supply cost
1	Power Transformer 5 MVA to 16 MVA	Rs 45 lac to Rs 1.20 lac	Rs 1.00 Lac to Rs 2.5 Lac	2.5% to 2%
2	33kV GIS Panels	Rs 15-18 Lac	Rs 25000	2%
3	11kV panel board 1 I/C + 3 O/G	Rs 15-18 Lac	Rs 35000-50000	3-4%
4	33kV Cable (1kM) with all joints, bricks etc	Rs 25 lacs	Rs 2.0 Lac	8%

S. No.	Item	Supply cost	Erection cost by Contractor	% of Supply cost
5	11kV Cable (1kM) with all joints, bricks etc	Rs 15 Lac	Rs 1.50 Lac	10%

2.2.154 It is further submitted that the Employee expenses cannot be more than Labour Contractor expenses. Even if 15% is considered over the labour expenses, it works out to be less than 2% on the overall project value. Further, in Cost Data book most of the items for Labour Charges & Overhead, rates are considered at 25-35% which indicates charges are included for employee expenses. For the sake of benefit of Discom, the 15% of such high labour expenses may be considered for supervision by employee which is 3-3.5% only. He added that the Petitioner has not provided data in such a manner that excel analysis of each table is not possible, it is requested to the Commission to carry out similar analysis for other years to get the true picture. Accordingly, the Petitioner shall not be allowed to be provided such high Salary Capitalisation and also inflate the Gross Fixed Asset which becomes basis to get higher amount of RoE, normative loan interest, depreciation etc.

B. Petitioner's Response

2.2.155 It is submitted that from time to time, the Petitioner has been submitting before the Commission the method of capitalization of salary expenses on projects only, which is based on the actual man-hours deployed on the concerned projects. Salary expense cannot be capitalized on capital items such as land, vehicles, office equipment etc. As regards capitalization of meter seals, these are capitalized when fixed with new meter installation. Thereafter, replacement of meter seals become part of R&M expenses. Since salary expenses are not allowed as incurred but on normative basis only from which salary capitalized is further deducted thereby reducing the normative salary expenses approved for tariff determination. Hence, the Petitioner submitted that there is no impact whatsoever on determination of tariff approved due to capitalization of salary. Therefore, the Petitioner submitted that the contentions of the Objector are incorrect, baseless and misleading.

C. Commission's View

2.2.156 The Commission has taken the note of the objection / suggestions made by the stakeholders in this regard and also noted reply by the Petitioner. As per the general principle the audited values are considered in this respect while Truing Up. The treatment has been done by the Commission in the relevant chapters of this Order.

A&G EXPENSES

A. Comments/ Suggestions of the Public

2.2.157 Shri Avadhesh Kumar Verma submitted that the Petitioner is increasing its A&G expenses since it can play with norms and obtain approval of the Commission very easily. The Responsible management apply the sincere efforts to reducing cost but the Petitioner management is splurging consumer money even when it is not required. He has placed recommendations for reduction of expenses by the Petitioner. Further, it is submitted that he is forced to state that if the Petitioner is providing Salary to KMP at Rs 6.00 Cr per annum with other facilities like Mercedes Benz, who will like to reduce operating costs. The Recommendations from the Objector is as shown, in the below table:

Table 2-29: Recommendations for reduction of expenses

S.No.	Particulars	FY 2020-21		Reason
		Projected	Recommended	
1	Telephone, Postage, Telegram & Telex Charges	0.26	0.03	Use Emails/ Whatsapp etc.
2	Other Professional Charges	8.55	1.5	NPCL should explain purpose of services in details. Till then Rs 12.50 Lac per month be allowed.
3	Vehicle Expenses	1.52	1	Vehicle expenses can be reduced to 50%. Also, in covid it is already 4 months and movements is only 10-15%
4	Fee And Subscriptions Books And Periodicals	0.12	0.06	Although it should be zero as free subscription are available for many periodicals. Still not more than Rs 50000 per month be allowed. They should rely more on digital subscription and provide details for each subscription
5	Printing And Stationery	0.2	0.06	To prevent environment, they must reduce it. Rs 50,000 per month means 50,000 pages per month which itself is very huge. They must promote digital reading and digital reporting

S.No.	Particulars	FY 2020-21		Reason
		Projected	Recommended	
6	Advertisement Expenses	0.29	0.06	They provide bills. Now a days agency agency provide free paper, free printing and also some space for advertisement. Since NPCL management is not modern minded, they might not know this facility. They should adopt it in consumer interest.
7	Miscellaneous Expenses	2.84	1	Misc expenses means they can not declare to Commission are certainly those expenses which NPCL management want to hide. A limit of Rs 1.0 Cr in a year be restricted. In first four months when offices are closed, such expenses are already reduced to 5%
8	Legal Charges	2	1	Since they are not work in a legal fashion they hire costliest advocates in Delhi. These expenses must be done from their own RoE. A maximum limit of Rs 1.0 Cr in a year be restricted. It is already 4 months and there are no such cases so it is easily achievable
	Total	15.78	4.71	The Commission can easily reduce Rs 11. 07 Cr of A&G expenses which works out to be 6.27 paisa per unit of reduction in APR

2.2.158 He submitted that Lacs of people have lost their jobs and even in Government DA, the increments are stopped. He submitted that the Petitioner is proposing to provide Rs 6.26 Crore in Bonus which simply state that management of the Petitioner has no fraternity attitude with fellow citizens of country. He also stated that the Petitioner shall be instructed to freeze salary increments and bonus payouts to safeguard interest of consumers. Further, he submitted that the KMP salary of Rs 6.0 Crore as per FY 2018-19 balance sheet is reduced by 50%, then also at an individual level, loss is only Rs 1.8 Cr after adjusting on taxes etc. At Rs 3.0 Crore of salary, if someone in India's electricity Discom is still much higher salary specially when volume is only under 2000 Mus. A saving of Rs 12.0 Crore in salary and bonus expenses will save consumers by 6.50 paisa per unit.

B. Petitioner's Response

2.2.159 The Petitioner submitted that the O&M expenses are prudently incurred to run the business efficiently. Accordingly, the Petitioner claims O & M Expenses incurred by it, however, the Commission allows the same as per MYT Regulations only. The disallowances in the O & M Expenses, effectively reduce RoE of the Petitioner.

2.2.160 The Petitioner further submitted that the O&M expenses is mainly the function of GFA and Revenue, hence, should be compared with reference to the GFA and Revenue only. The percentage increase in O&M Expenses with reference to GFA and Sales is given in the Table below:

Table 2-30: Comparison of O&M Expenses

Comparison of O&M Expenses						
S. No.	Fin. Year	O&M Exp.	Avg. GFA	O&M/GFA	Revenue	O&M / Revenue
		Rs. Cr.	Rs. Cr.	%	Rs. Cr.	%
1	2014-15	48	846	5.60%	919	5.20%
2	2015-16	60	1,061	5.70%	1,039	5.80%
3	2016-17	70	1,204	5.80%	1,172	6.00%
4	2017-18	89	1,378	6.50%	1,334	6.70%
5	2018-19	100	1,559	6.40%	1,490	6.70%
6	2019-20	115	1,684	6.80%	1,699	6.80%

2.2.161 The Petitioner also submitted that the O & M Cost of the Petitioner is amongst the lowest in the country. A comparison of the O&M Cost of the Petitioner vis-à-vis UP

Discoms and Delhi Discoms is given in the below Tables:

Table 2-31: O&M expense comparison with Delhi Discoms

O&M Expense comparison with Delhi Discoms									
Particulars	UOM	NPCL		KeSCO	DVVNL	MVVNL	PVVNL	PuVVNL	Avg. UP Discoms
		Actual	Normative						
Sales	MU	1,850	1,850	3,174	19,035	16,698	28,393	20,795	17,619
Revenue	Rs. Cr.	1,407	1,407	2,450	12,440	12,730	18,062	14,413	12,019
Average GFA	Rs. Cr.	1,622	1,622	1,047	10,089	9,243	13,253	11,532	9,033
Emp. Exp.	**Rs. Cr.**	**40**	**21**	**67**	**150**	**1,359**	**873**	**1,283**	**746**
Emp. Exp.	Rs./kWh	0.22	0.11	0.21	0.08	0.81	0.31	0.62	0.42
Emp. Exp./Sales	%	2.80%	1.50%	2.70%	1.20%	10.70%	4.80%	8.90%	6.20%
R&M Exp.	**Rs. Cr.**	**47**	**47**	**69**	**375**	**484**	**874**	**744**	**509**
R&M Exp.	Rs./kWh	0.25	0.25	0.22	0.2	0.29	0.31	0.36	0.29
R&M Exp. / GFA	%	2.90%	2.90%	6.60%	3.70%	5.20%	6.60%	6.50%	5.60%
A&G Exp.	**Rs. Cr.**	**14**	**14**	**21**	**163**	**303**	**106**	**157**	**150**
A&G Exp.	Rs./kWh	0.07	0.07	0.07	0.09	0.18	0.04	0.08	0.09
A&G Exp. / Sales	%	1.00%	1.00%	0.90%	1.30%	2.40%	0.60%	1.10%	1.20%
Net O&M	**Rs. Cr.**	**100**	**82**	**157**	**688**	**2,146**	**1,853**	**2,184**	**1,406**
Net O&M	Rs./kWh	0.54	0.44	0.49	0.36	1.29	0.65	1.05	0.8
Net O&M / Sales	%	7.10%	5.80%	6.40%	5.50%	16.90%	10.30%	15.20%	11.70%

Table 2-32: Comparison of O&M expenses with Delhi Discoms for FY 2018-19

O&M Expense comparison with Delhi Discoms (FY 2018-19)							
Particulars	UOM	NPCL		BRPL	BYPL	TPDDL	NDMC
		Normative	Actual				
Sales	MU	1,850	1,850	12,194	6,514	8,867	1,357
Revenue	Rs. Cr.	1,407	1,407	9,168	4,929	6,891	1,335
Average GFA	Rs. Cr.	1,622	1,622	6,803	3,586	NA	930
O&M Exp./Sale	Rs. Cr.	82	100	1,130	792	814	282
O&M Exp./Sale	Rs./kWh	0.44	0.54	0.93	1.22	0.92	2.08
O&M Exp. / Revenue	%	5.83%	7.13%	12.32%	16.06%	11.81%	21.12%
O&M Exp./GFA	%	5.06%	6.19%	16.61%	22.08%	NA	30.34%

2.2.162 Therefore, the Petitioner submitted that it reiterates its earlier submissions in Chapter 9 of the Petition No. 1541 of 2019.

2.2.163 It is also submitted that the O&M Expenses in the Audited Annual Accounts of the Petitioner are classified as per the Schedules prescribed under the Companies Act, 2013. However, in order to submit the information in the pre-defined formats / heads prescribed by the Commission, the Petitioner has segregated expenses accordingly like Vehicle Expenses under "Vehicle" and "Transportation" based on expenses incurred on movement of manpower and material respectively. Further, it was mentioned that the O&M expenses are claimed as being incurred, however, the Commission allows the same on normative basis only. Such disallowances, therefore effectively reduce RoE of the Petitioner. Therefore, the Petitioner submitted that the findings of the Objector are false.

C. Commission's View

2.2.164 The Commission has taken the note of the objection / suggestions made by the stakeholders in this regard and also noted reply by the Petitioner. The treatment has been done by the Commission in the relevant chapters of this Order.

PROFESSIONAL CHARGES UNDER A&G EXPENSES

A. Comments/ Suggestions of the Public

2.2.165 Shri Rama Shanker Awasthi submitted that there has been a drastic increase in professional charges under the A&G expenses, over the years. In the last six years, there has been an increase of more than 650% which is a matter of serious concern, as shown in the table below.

Table 2-33: Details of Professional charges

A&G Expenses	UOM	FY 2015-16	FY 2016-17	FY 2017-18	FY 2018-19	FY 2019-20	FY 2020-21
Other Professional Charges	Rs. Crore	1.06	1.55	4.23	6.75	7.12	8.08
Increase Y-O-Y	%	-	46%	173%	60%	5%	13%

2.2.166 He also submitted that the Petitioner has incurred a huge amount of expenses under the head "other Professional Charges" prima facie which does not appear reasonable. Further, he mentioned that it needs to be checked whether the litigation charges are included under the head" Other professional Charges" because litigation charges are separately claimed by the Petitioner. Therefore, he requested the Commission to investigate the expenses claimed under 'Other Professional charges', and it shall only be allowed once the investigation is completed and the expenses are found to be legitimate.

2.2.167 Based on the reply of the Licensee, he submitted that the Petitioner over the years has incurred more professional expenses then the normal one. In spite of asking details, they have not provided. It is doubtful that these are sham expenses. Dis-allowance impact is Rs 5.00 Cr. It is a settled principle of law that no GST can be claimed on O & M expenses. In this regard, the law has been settled by the Ld. Central Electricity Regulatory Commission (CERC) vide its various orders. It also added that the licensee has claimed depreciation before COD.

2.2.168 Shri Avadhesh Kumar Verma, Chairman, M/s U.P Rajya Vidyut Upbhokta Parishad submitted that other professional charges have increased from Rs 1.06 Cr in FY 2015-16 to Rs 8.08 Cr in FY 2020-21. He submitted that these are doubtful expenses and need to be fully investigated by Commission before grant of approval.

B. Petitioner's Response

2.2.169 It is submitted that based on the business requirement, the Petitioner from time to time hire the services of the professionals. While in the books of accounts, the legal and professional charges are classified under one head, however, in the Tariff Formats, these are shown separately as required by the Commission. Further, the Petitioner has already provided detailed justification for all O&M Expenses in Petition No. 1541 of 2019 dated December 27, 2019 as well as in the Petitioner's reply vide letter no. P-77A/ 2020/001 dated May 27, 2020 and Email dated June 22 , 2020 respectively in response to the deficiency notes raised by the Commission vide letter no. UPERC/Secy/D(Tariff) 20-087 dated May 13, 2020 and letter no. UPERC/Secy/D(Tariff) 20-241 dated June 16, 2020.

C. Commission's View

2.2.170 The Commission has taken the note of the objection / suggestions made by the stakeholders in this regard and also noted reply by the Petitioner. The treatment has been done by the Commission in the relevant chapters of this Order.

R&M EXPENSES

A. Comments/ Suggestions of the Public

2.2.171 Shri Rama Shanker Awasthi has submitted the details regarding the R&M Expenses provided by the Petitioner under Form 34 A, as shown in the table below:

Table 2-34: Details regarding R&M Expenses

		PY 2	PY 1	CY	Control Period		
S. No	**Particulars**	**FY 2014-15 (n-2)**	**FY 2015-16 (n-1)**	**FY 2016-17 (n)**	**FY 2017-18 (n+1)**	**FY 2018-19 (n+2)**	**FY 2019-20 (n+3)**
1	Repair of Distribution System Networks, Machine, Building etc.	20.4	26.23	26.38	33.92	38.26	43.42
2	Vehicles	0.38	0.47	0.52	0.57	0.87	0.94
3	Furniture and Fixtures & IT	-	-	0.17	0.23	0.2	0.46
4	Office Equipments	-	-	-	-	0.03	0.04
5	Transportation	0.17	0.2	0.25	0.3	0.37	0.45
6	Substation maintenance by private Agencies	1.83	1.91	4.34	5.33	5.99	7.24
7	Any other items			0.91	1.12	1.23	0.87
	Subtotal	**22.77**	**28.8**	**32.57**	**41.48**	**46.95**	**53.43**
	Less: GST Claimed Separately					2.76	2.95

		PY 2	PY 1	CY	Control Period		
S. No	**Particulars**	**FY 2014-15 (n-2)**	**FY 2015-16 (n-1)**	**FY 2016-17 (n)**	**FY 2017-18 (n+1)**	**FY 2018-19 (n+2)**	**FY 2019-20 (n+3)**
	Total Repair & Maintenance Expenses	**22.77**	**28.8**	**32.57**	**41.48**	**44.19**	**50.48**

Based on the above Table, the Objector has made the following observations:

- **Repair of Distribution System Networks, Machine, building etc. -** R&M expenses approved for the Petitioner increased suddenly at the rate of 30% in FY 2017-18 and thereafter almost 15-16 % on yearly basis. It is requested to the Commission to look into the drastic increase over the years.
- **Furniture and Fixtures and IT** - It may be observed that till FY 2015-16, there was no R&M towards furniture and fixture & IT. However, one can see that it started from FY 2016-17 at Rs 0.17 Lac and reached almost 2.7 times in 3 years to 0.46 Lac in FY 2019-20. It may be observed that these expenses must be part of Repair of Distribution System Networks, Machine, Building etc. It appears that in order to grab more amount, the Petitioner has shown such expense separately.
- **Vehicle and Transportation** – It is important to question how vehicles R&M and transportation R&M are two different things. It is surprising that using synonyms, the Petitioner can actually double the claims for R&M.
- **Substation maintenance by private agencies:** The objector has repeatedly raised this objection in the past submissions. However, no response was received. This year, these are again pointed out.

  First of all, it is important to ask the Petitioner what all R&M work is carried out under Substation maintenance by private agencies. Further, how this R&M is different from the R&M work claimed under Repair of Distribution System Networks, Machine, building etc. Further, why there is an increase in substation maintenance by private agencies and the same has become four times in 5 years.

- **Any other items –** It is important to ask the Petitioner what all R&M work is carried out under "Any other items" and how it is different from other heads and further the Petitioner has claimed close to Rs. 1 crore average in the last few years.

2.2.172 He further submitted that if investigation is carried out using Lineman certificate, Aadhar Card & Bank Details of people engaged in R&M of the Petitioner, it is sure that many unwarranted things, which are under carpet till now, will come out. It is therefore that the demand for CAG audit of the Petitioner has been made for so many years. It is surprising to note that even an auditor appointed by the Commission found every transaction of the Petitioner in order.

2.2.173 Therefore, he requested the Commission that the Petitioner must be directed to provide reasons for drastic increase in expenses incurred against substation maintenance by private agencies. Also, if it is established that there is no basis for above claims, then it shall be dis-allowed for the current year and all the preceding years, as it will be a burden on the consumers in the form of Tariff.

2.2.174 Further, he requested the Commission to direct the Petitioner to submit a detailed response to all the above objections. Further, it is requested that such expenses shall only be allowed after proper scrutiny of True up of FY 2018-19, APR of FY 2019-20 and ARR/Tariff for FY 2020-21.

B. Petitioner's Response

2.2.175 The Petitioner submitted that the Objector has incorrectly and wrongly analyzed the increase in R&M Cost again to mislead the Commission. The R&M expenses are directly related to the GFA and therefore, should be compared with reference to the GFA only. The percentage increase in R&M Expenses with reference to GFA and Sales is given in the Table below:

Table 2-35: Details of percentage increase in R&M Expenses with reference to GFA & Sales

R&M Expenses						
S. No.	Fin. Year	R&M Exp.	Avg. GFA	R&M/GFA	Revenue	R&M / Revenue
		Rs. Cr.	Rs. Cr.	%	Rs. Cr.	%
1	2014-15	23	846	2.70%	919	2.50%
2	2015-16	29	1,061	2.70%	1,039	2.80%
3	2016-17	33	1,204	2.70%	1,172	2.80%
4	2017-18	41	1,378	3.00%	1,334	3.10%
5	2018-19	47	1,559	3.00%	1,490	3.10%
6	2019-20	53	1,684	3.20%	1,699	3.10%

2.2.176 The Petitioner also submitted that, not only the R&M Expenses but the total O & M Cost of the Petitioner is amongst the lowest in the country. A comparison of the O&M Cost of the Petitioner vis-à-vis UP Discoms and Delhi Discoms is given below in Tables below:

Table 2-36: Comparison of O&M Expenses with Delhi Discoms

O&M Expense comparison with Delhi Discoms									
Particulars	UOM	NPCL		KESCO	DVVNL	MVVNL	PVVNL	PuVVNL	Avg. UP Discoms
		Actual	Normative						
Sales	MU	1,850	1,850	3,174	19,035	16,698	28,393	20,795	17,619
Revenue	Rs. Cr.	1,407	1,407	2,450	12,440	12,730	18,062	14,413	12,019
Average GFA	Rs. Cr.	1,622	1,622	1,047	10,089	9,243	13,253	11,532	9,033
Emp. Exp.	**Rs. Cr.**	**40**	**21**	**67**	**150**	**1,359**	**873**	**1,283**	**746**
Emp. Exp.	Rs./kWh	0.22	0.11	0.21	0.08	0.81	0.31	0.62	0.42
Emp. Exp./Sales	%	2.80%	1.50%	2.70%	1.20%	10.70%	4.80%	8.90%	6.20%
R&M Exp.	**Rs. Cr.**	**47**	**47**	**69**	**375**	**484**	**874**	**744**	**509**
R&M Exp.	Rs./kWh	0.25	0.25	0.22	0.2	0.29	0.31	0.36	0.29
R&M Exp. / GFA	%	2.90%	2.90%	6.60%	3.70%	5.20%	6.60%	6.50%	5.60%
A&G Exp.	**Rs. Cr.**	**14**	**14**	**21**	**163**	**303**	**106**	**157**	**150**
A&G Exp.	Rs./kWh	0.07	0.07	0.07	0.09	0.18	0.04	0.08	0.09
A&G Exp. / Sales	%	1.00%	1.00%	0.90%	1.30%	2.40%	0.60%	1.10%	1.20%
Net O&M	**Rs. Cr.**	**100**	**82**	**157**	**688**	**2,146**	**1,853**	**2,184**	**1,406**
Net O&M	Rs./kWh	0.54	0.44	0.49	0.36	1.29	0.65	1.05	0.8
Net O&M / Sales	%	7.10%	5.80%	6.40%	5.50%	16.90%	10.30%	15.20%	11.70%

Table 2-37: Comparison of the O&M Expenses with Delhi Discoms for FY 2018-19

O&M Expense comparison with Delhi Discoms (FY 2018-19)							
Particulars	UOM	NPCL		BRPL	BYPL	TPDDL	NDMC
		Normative	Actual				
Sales	MU	1,850	1,850	12,194	6,514	8,867	1,357
Revenue	Rs. Cr.	1,407	1,407	9,168	4,929	6,891	1,335

O&M Expense comparison with Delhi Discoms (FY 2018-19)							
Particulars	UOM	NPCL		BRPL	BYPL	TPDDL	NDMC
		Normative	Actual				
Average GFA	Rs. Cr.	1,622	1,622	6,803	3,586	NA	930
O&M Exp./Sale	Rs. Cr.	82	100	1,130	792	814	282
O&M Exp./Sale	Rs./kWh	0.44	0.54	0.93	1.22	0.92	2.08
O&M Exp. / Revenue	%	5.83%	7.13%	12.32%	16.06%	11.81%	21.12%
O&M Exp./GFA	%	5.06%	6.19%	16.61%	22.08%	NA	30.34%

2.2.177 The Petitioner has submitted that the O&M Expenses in the Audited Annual Accounts of the Petitioner are classified as per the Schedules prescribed under the Companies Act, 2013. However, in order to submit the information in the pre-defined formats / heads prescribed by the Commission, the Petitioner has segregated Vehicle Expenses under "Vehicle" and "Transportation". The transportation expenses are relating to movement of Breakdown gangs and materials. Further, the Petitioner mentioned that the O&M expenses are claimed as being incurred, however, the Commission allows the same on normative basis only. Such disallowances, therefore, effectively reduce Return on Equity of the Petitioner. Thus, the Petitioner submitted that the Objector has made false allegations.

C. Commission's View

2.2.178 The Commission has taken the note of the objection / suggestions made by the stakeholders in this regard and also noted reply by the Petitioner. The treatment has been done by the Commission in the relevant chapters of this Order.

WHEELING CHARGE

A. Comments/ Suggestions of the Public

2.2.179 Shri Vedant Sonkhiya, Legal Officer, M/s Open Access Users Association, submitted that the allocation matrix used by the Petitioner for segregating wheeling and supply ARR seems incorrect as the Petitioner has considered 100% of the interest on finance charges as a part of the wheeling charges. He also mentioned that interest from working capital and interest from security deposit form a part of the retail business and not wheeling business, thereby the computation of the wheeling charge by the Petitioner is flawed. He also submitted that the allocation of Employee Cost and A&G Cost seems incorrect while computing the wheeling charge. He further submitted that the Petitioner has considered 97% of the carrying cost of the Regulatory Asset as part of the wheeling charge without any rationale and justification, whether the regulatory asset allowed by the Commission were on account of power purchase or O&M or interest or other charges. The Petitioner also submitted the details of allocation methodology of Gujarat and Kerala for the Commission to consider before finalizing the allocation of matrix for wheeling charge.

2.2.180 Shri Jogendra Behera, Vice President- Market Design & Economics, M/s Indian Energy Exchange Limited submitted that the allocation matrix used by the Petitioner for segregating wheeling and supply ARR seems incorrect, with excessive allocation of interest on security deposit, employee cost and A&G cost on the wheeling charges.

B. Petitioner's Response

2.2.181 The Petitioner submitted that for the purpose of computing the wheeling and retailing charges, the Petitioner prepares the cost allocation summary, based on cost records maintained under Section-148 of the Companies Act, 2013 and prepared in accordance with Rule 5 of the Companies (Cost Records and Audit) Rules, 2014 (as amended). The Cost Records prepared by the Petitioner are duly audited by qualified Cost Accountant and the report is submitted to the Commission along-with the Petitioner's Truing up Petition. The wheeling & retailing charges have been computed accordingly.

C. Commission's View

2.2.182 The Commission has taken note of the objections/suggestions made by the stakeholders and the reply of the Licensee in this regard.

CROSS SUBSIDY SURCHARGE (CSS)

A. Comments/ Suggestions of the Public

2.2.183 Shri Vedant Sonkhiya, Legal Officer, M/s Open Access Users Association, submitted that the Petitioner has considered high ABR and revenue from large industries despite the decrease in sales and no hike proposed in the existing tariff resulting in abruptly high CSS to be borne by the consumers opting to avail power through open access. He requested the Commission to consider lower ABR while computing CSS as the sales are low due to lockdown. Further, he submitted that for FY 2016-17 and FY 201-18, the ABR approved for in True-up Order is almost in line with the ABR vide ARR order, however, with no tariff hike, a sudden increase in the revenue and ABR is observed in FY 2018-19. Therefore, he requested the Commission to approve appropriate ABR for FY 2020-21 in line with the tariff fixated. He further requested the Commission to continue with the same methodology (as earlier) to work out the CSS so that industries can optimise their power purchase cost. Further, it was submitted that the Petitioner while computing the CSS has not followed the methodology specified by the Commission in UPERC (Terms and Conditions of Tariff), Regulation, 2019. He added that the Petitioner has not taken into account the transmission losses and also the cap of 20% of tariff applicable while determining the CSS. Therefore, he requested the Commission to approve the CSS as NIL or to a level that doesn't hinder industrial growth and activity in the state.

2.2.184 Shri Jogendra Behera, Vice President- Market Design & Economics, M/s Indian Energy Exchange Limited, requested the Commission to consider lower ABR while computing CSS as increase in CSS will have a direct bearing on the operations of industries which optimize power purchase costs through open access when economies for the same prevail and also suggested waivers in Open Access charges in a manner other SERCs have done in the past.

2.2.185 Shri Avadhesh Kumar Verma, Chairman, M/s U.P Rajya Vidyut Upbhokta Parishad submitted that in FY 2020-21, there is no requirement of CSS at the Petitioner and is pertinent to mention that unlike UPPCL, the Petitioner is obstructing grant of Open Access on flimsy grounds. He requested the Commission to instruct them to provide Open Access within 7 days to consumers. He also mentioned that the Petitioner has sought Rs 5.98 Crore of subsidy in HV-2 consumer category. Further, he submitted that the Petitioner is purchasing power at very high cost due to its inefficient management of system and also granting of Open Access to all consumers requiring more than 1 MW will be a win-win situation. He further submitted that, as per Block chain Orders of Commission, the Petitioner should also provide Open Access to smaller consumers specially in LMV-1 category.

Table 2-38: Details of the Cross Subsidy as submitted by the Objector

S.No.	Particulars	Control Period				
		FY 2020-21				
		Projected				
		Total Cost to Serve	Revenue	Total Subsidy	Govt Subsidy	Cross Subsidy
1	Domestic (LMV-1)	524.82	422.14	102.68	-	102.68
2	Non-Domestic Light Fan and Power (LMV-2)	28.57	36.85	-8.28	-	-8.28
3	Public Lamps (LMV-3)	25.06	30.76	-5.7	-	-5.7
4	Light and Power for Public Institutions and Private institutions (LMV-4)	10.28	10.63	-0.35	-	-0.35

S.No.	Particulars	Control Period				
		FY 2020-21				
		Projected				
		Total Cost to Serve	Revenue	Total Subsidy	Govt Subsidy	Cross Subsidy
5	Private Tube Wells (LMV-5)	17.12	4.63	12.49	-	12.49
6	Small and Medium Power (LMV-6)	68.96	77.03	-8.07	-	-8.07
7	Public Water Works (LMV-7)	17.21	22.08	-4.86	-	-4.86
8	State Tube Wells (LMV-8)	0.16	0.21	-0.06	-	-0.06
9	Temporary Supply (LMV-9)	31.77	48.21	-16.44	-	-16.44
10	Electric Vehicle Charging (LMV-11)	6.43	4.5	1.93	-	1.93
11	Non-Industrial Bulk Load (HV-1)	153.47	191.43	-37.96	-	-37.96
12	Large and Heavy Power (HV-2)	594.05	588.87	5.18	-	5.18
	Total	**1,477.91**	**1,437.34**	**40.57**	**-**	**40.57**

2.2.186 Shri Rama Shanker Awasthi submitted that for FY 2020-21, the gap between ACoS and ABR for HV-2 categories is almost nil, which implies that there is no need for allowing Cross Subsidy Surcharge. He submitted that by looking at the consumer mix of the Petitioner, it can be established that there is less requirement of cross subsidy. He requested the Commission to disallow any cross-subsidy surcharge and additional surcharge for FY 2020-21. Further, he submitted that, considering the high cost power procurement of the Petitioner, it is again a win-win situation for both HV-2 consumers and the Petitioner to allow open access.

B. Petitioner's Response

2.2.187 The Petitioner has submitted its petitions for True-up FY 2018-19, Annual Performance Review FY 2019-20 and Aggregate Revenue Requirement (ARR) FY 2020-21 to recover its ARR for approval of the Commission in accordance with the provisions of MYT Regulation 2014 and MYT Regulations 2019.

2.2.188 As regards to the objection of Shri Avadhesh Kumar Verma and Shri Rama Shanker Awasthi, the Petitioner resubmitted that the cross-subsidy surcharge has been computed in accordance with the provisions of Regulation 49 of Uttar Pradesh Electricity Regulatory Commission (Multi Year Tariff for Distribution and Transmission)

Regulations, 2019 and Regulation 40 of the Uttar Pradesh Electricity Regulatory Commission (Multi Year Distribution Tariff) Regulation 2014. The Petitioner further submitted that the detailed justification and calculation for cost allocation and cross subsidy surcharge has been provided.

2.2.189 As Regards to the objection of Shri Vedant Sonkhiya, the Petitioner has resubmitted that the Petitioner would state that revenue from large industries has been estimated as per projected volume and revenue based on the prevailing tariff. The Petitioner further submitted that the detailed justification and calculation for cost allocation and cross subsidy surcharge has been provided for ready reference.

C. Commission's View

2.2.190 The Commission has taken note of the objections/suggestions made by the stakeholders and the reply of the Licensee in this regard.

RENEWABLE PURCHASE OBLIGATION (RPO)

A. Comments/ Suggestions of the Public

2.2.191 Shri Jogendra Behra, Vice President- Market Design & Economics, M/s Indian Energy Exchange Limited has submitted that the Petitioner has computed the quantum of RPO for FY 2020-21 incorrectly by multiplying the RPO percentage with the difference of sale of power within state and power purchase from hydro.

B. Petitioner's Response

2.2.192 The Petitioner submitted that as per the Objector, computation of RPO quantum is required to be on the electricity consumption. However, according to the Objector, network losses also need to be considered as consumption, which is incorrect. If the methodology suggested by Objector is implemented, then transmission companies would also be required to fulfil RPO obligations. Thus, based on the aggregate consumption of the consumers of the Petitioner's licensed area, the Petitioner has been computing its RPO Obligations which is in accordance with UPERC RPO Regulations, 2010.

C. Commission's View

2.2.193 The Commission has taken note of the objections/suggestions made by the stakeholders and the reply of the Licensee in this regard and appropriately dealt in the relevant chapters of this Order.

EXPENSIVE VEHICLES

A. Comments/ Suggestions of the Public

2.2.194 Shri Rama Shanker Awasthi submitted that 14 vehicles amounting to Rs 1.92 Cr were purchased by the Petitioner and the same was capitalized in FY 2018-19, as shown in the table below:

Table 2-39: Details of the vehicles purchased and capitalised by NPCL as submitted by the Objector

Asset	GL No	Asset Category	Asset Description	Capitalized Date	Quantity	Additions
30000087	21701	Vehicles	S Cross (Zeta) 1.3 D REGN.NO.UP16BW4208	11-06-2018	1	9,90,522
30000088	21701	Vehicles	New Dzire Zxi (+) REGN.NO.UP16BW3101	05-06-2018	1	7,69,463
30000089	21701	Vehicles	Vento Highline (P) MT (UP16BZ2208)	20-10-2018	-	10,78,876
30000090	21701	Vehicles	MARUTI CIAZ ALPHA MT (P) REGN.NO.UP16BZ3622	25-10-2018	1	11,06,260
30000091	21701	Vehicles	Hyundai Creta SX (P) UP16BZ9659	17-11-2018	1	11,58,685
30000092	21701	Vehicles	Ciaz Alpha MT(P) 1.5 (UP16BZ6453)	06-11-2018	1	10,97,757
30000093	21701	Vehicles	Innova Crysta 2.4 MT (D) (UP16CA8107)	17-12-2018	1	22,66,768
30000094	21701	Vehicles	Honda City VMT (P) UP16BZ9426	16-11-2018	1	10,92,438
30000095	21701	Vehicles	Corolla Altis VL CVT(P) (UP16CA4091)	30-11-2018	1	17,40,967
30000096	21701	Vehicles	Corolla Altis VL CVT(P) (UP16CB1329)	02-01-2019	1	21,76,105
30000097	21701	Vehicles	Marrazo M6 (D) 7STR (UP16CA070)	19-11-2018	1	13,98,016
30000098	21701	Vehicles	Ciaz Alpha MT(P) 1.5 (UP16CA4022)	29-11-2018	1	11,00,860
30000099	21701	Vehicles	Marazzo M4 (D) 7STR (UP16CA0062)	19-11-2018	1	11,32,654
30000100	21701	Vehicles	Skoda Superb Style 1.8 (MT) (P) UP16CA6737	10-12-2018	1	21,56,070
		Total			**1,92,65,441**	

2.2.195 He also submitted that more than 10 high-end vehicles such as Mercedes Benz were capitalized in FY 2017-18. He further submitted that the Petitioner has various group company offices in Delhi-NCR therefore it is possible that the Petitioner has purchased these four-wheeler vehicles on its own accounts and claimed in the annual revenue requirement and the same are used in their other sister concern offices. He requested the Commission to check all records including GFAs for the last 10 years on this serious issue and check if any such vehicles are sold to their own employee or any other person before expiry of the 13 years from the date of Purchase of four-wheeler vehicle. Therefore, he requested the Commission to disallow the depreciation and A&G expenses on these assets for all the respective year, if found true. Further, he requested the Commission to direct the Petitioner to submit the following details:

- How many employees, and at what levels (designation) are entitled to get a four-wheeler vehicle? And how many entitled employees are provided?
- Details of date of purchase, age, existing locations of these four wheelers?
- Provide all the details of four-wheeler vehicles for the last 10 years in the specified format mentioned below:

Sl. No.	Vehicle details	Date of purchase	Cost of purchase	Date of Retirement	Party to whom retired vehicle were sold	Cost recovered at the time of retiring the vehicle
1						
2						
3						
4						
5						

2.2.196 Based on the reply of the Licensee, he submitted that the Licensee has purchased high end vehicles such as Mercedes benz which are being capitalised in FAR. He added that in terms of the Depreciation schedule as per UPERC (Multi Year Distribution Tariff) Regulations, 2014 the life of a vehicle is considered to be 15 years and is entitled to a depreciation of 33.4% year on year depreciation. Therefore, any vehicle so procured is retired after an approximation time period of 15 years from service. He further submitted that there are certain vehicles vehicle which are being transferred in the name of the employees and thereafter retired from the Licensee FAR. He submitted that the Licensee is replacing the vehicles every 5 years. He submitted that the

Petitioner is receiving depreciation on more than 80% of the cost of the Petitioner in 5 years and then admittedly they sell / provide the vehicles apparently to their own employees.

2.2.197 He also added that NPCL has provided luxury cars Honda Amaze, Creta, Toyota to Mercedes Benz which are sold to employees on or before completion of 5 years, though some are sold in 6 months. While it is to be used for 15 years, this way almost 2.5 times depreciation is claimed. These cars to be booked in employee expenses (and to be decapitalised) as it is part of their remuneration. It is double whammy for consumer that an expense which would have been disallowed, they are forced to pay for capital expenditures and also for corresponding depreciation, tax, RoE and O & M. Almost Rs 5-7 Cr is to be decapitalised and booked in employee expenses.

2.2.198 Shri Avadhesh Kumar Verma, Chairman, M/s U.P Rajya Vidyut Upbhokta Parishad submitted that Petitioner is the only DISCOM in entire Uttar Pradesh where expensive cars, over the years, are allowed to be part of GFA by the Commission in tariff orders for which depreciation, ROE, interest and O&M is also paid by consumers. Instead these expensive cars should be part of O&M and not GFA. He also submitted that all expenses like car cost, driver, maintenance and insurance, petrol/ diesel should make part of employee expenses. In FY 2018-19, only 14 expensive cars are purchased for Rs. 1.92 Cr. Similarly, in earlier years high end cars including Mercedes Benz, Innova etc. are purchased at cost of crores of rupees and the same is planned in FY 2019-20 and FY 2020-21. He also mentioned that it is highly objectionable that the Petitioner is enjoying high level of luxury at cost of consumers. Also, he added that the Petitioner shall provide details of purchases, retiring of cars, party who has purchased, when it is sold etc.

2.2.199 He also submitted that luxury cars of Rs 7.98 Cr are mentioned after Depreciation. The Petitioner may provide details of all luxury cars purchased in last 13 years. A vehicle is having life of 13 years and therefore the Petitioner must provide details of purchase date, retiring date etc. of each vehicle. These expenses must be recovered for last 10 years including depreciation, ROE and O&M and interest. These are part of employee expenses. The consumer cannot be harassed by allowing luxury cars to the Petitioner employees who are working with so much inefficiency.

B. Petitioner's Response

2.2.200 The Petitioner submitted that the company vehicles are provided to the Senior Officers for discharging their official duties efficiently including travelling within NCR and destinations within 300 Kms. The Petitioner mentioned that the licensed area of the Petitioner is spread over 335 Sq. Kms. and vehicles are required for smooth movement of these officers for discharging their duties. The Petitioner also mentioned that such vehicles are also necessary for 24x7 availability as well as safety of the employees and the vehicles provided to the officers varies as per their seniority/designation. The Petitioner also submitted that, as per the policy, these vehicles are generally replaced after 5 years period. Further, the Petitioner submitted that the field duties and shift-based duties in call center, control room etc. pooled vehicles are provided to the officers/staff. Also, it is submitted that, Greater Noida city lacks adequate public transport facility for local movement.

C. Commission's View

2.2.201 The Commission has taken note of the objections/suggestions made by the stakeholders and the reply of the Licensee in this regard. The Commission has dealt the issue appropriately in the relevant Chapters of this Order.

HIGH VALUED CAPITALISED ASSETS

A. Comments/ Suggestions of the Public

2.2.202 Shri Rama Shanker Awasthi submitted a comparison between Fixed Asset Register for FY 2018-19 with Cost Data Book, 2016, as shown in the table below:

Table 2-40: Comparison of Fixed Asset Register of FY 2018-19 with Cost Data Book, 2016 as submitted by the Petitioner

All Capitalised dated 31-03-2019							
Asset	**GL No**	**Asset Description**	**Capex**	**Qty**	**Additions Rs**	**Per Unit Cost**	**Cost as per Cost data book 2016 (Annexure-29)**
14001490	21302	25 kVA Transformer	Consumer Contribution	5	5,40,472	1,08,094	63175
14001477	21302	25 kVA Transformer	Consumer Contribution	1	1,03,221	1,03,221	
14001493	21302	25 kVA Transformer	Consumer Contribution	2	1,67,823	83,912	
14001494	21303	25 kVA Transformer	Consumer Contribution	15	16,78,385	1,11,892	
14001495	21303	25 kVA Transformer	Consumer Contribution	5	5,52,903	1,10,581	

All Capitalised dated 31-03-2019							
Asset	**GL No**	**Asset Description**	**Capex**	**Qty**	**Additions Rs**	**Per Unit Cost**	**Cost as per Cost data book 2016 (Annexure-29)**
14001496	21302	25 kVA Transformer	Consumer Contribution	8	20,47,998	2,56,000	
14001511	21302	25 kVA Transformer	Consumer Contribution	21	20,17,550	96,074	
14001505	21303	25 kVA Transformer	Consumer Contribution	13	14,74,010	1,13,385	
14001501	21303	25 kVA Transformer	Consumer Contribution	21	24,05,772	1,14,561	
14001471	21303	25 kVA Transformer	Consumer Contribution	19	16,57,564	87,240	
14001074	21303	100 kVA Transformer	Consumer Contribution	1	57,820	57,820	145308
14001472	21303	100 kVA Transformer	Consumer Contribution	1	1,70,066	1,70,066	
14001476	21302	100 kVA Transformer	Consumer Contribution	1	11,25,882	11,25,882	
14001480	21302	100 kVA Transformer	Consumer Contribution	34	66,24,475	1,94,838	
14001482	21302	100 kVA Transformer	Consumer Contribution	6	1,02,38,118	17,06,353	
14001483	21303	100 kVA Transformer	Consumer Contribution	10	19,50,086	1,95,009	
14001485	21302	100 kVA Transformer	Consumer Contribution	1	1,65,357	1,65,357	

All Capitalised dated 31-03-2019							
Asset	**GL No**	**Asset Description**	**Capex**	**Qty**	**Additions Rs**	**Per Unit Cost**	**Cost as per Cost data book 2016 (Annexure-29)**
14001487	21303	100 kVA Transformer	Consumer Contribution	13	29,89,406	2,29,954	
14001489	21303	100 kVA Transformer	Consumer Contribution	1	1,66,247	1,66,247	
14001492	21303	100 kVA Transformer	Consumer Contribution	16	15,60,024	97,502	
14001502	21303	100 kVA Transformer	Consumer Contribution	14	31,27,788	2,23,413	
14001510	21302	100 kVA Transformer	Consumer Contribution	43	83,11,959	1,93,301	
14001514	21303	100 kVA Transformer	Consumer Contribution	1	15,64,188	15,64,188	
14001506	21303	100 kVA Transformer	Consumer Contribution	8	17,66,419	2,20,802	
14001481	21302	250 kVA Transformer	Consumer Contribution	10	51,78,465	5,17,847	
14001475	21302	250 kVA Transformer	Consumer Contribution	1	17,61,027	17,61,027	
14001469	21302	250 kVA, 11/0.433 kV Trf	Consumer Contribution	1	83,328	83,328	596591
14001484	21303	250 kVA Transformer	Consumer Contribution	1	5,64,932	5,64,932	
14001488	21302	250 kVA Transformer	Consumer Contribution	9	67,34,165	7,48,241	

All Capitalised dated 31-03-2019							
Asset	**GL No**	**Asset Description**	**Capex**	**Qty**	**Additions Rs**	**Per Unit Cost**	**Cost as per Cost data book 2016 (Annexure-29)**
14001509	21302	250 kVA Transformer	NPCL Assets	22	1,10,45,548	5,02,070	
14001473	21303	400 kVA Transformer	Consumer Contribution	1	41,017	41,017	752531
14001474	21302	400 kVA Transformer	Consumer Contribution	1	25,144	25,144	
14001497	21302	400 kVA Transformer	Consumer Contribution	6	46,41,161	7,73,527	
14001504	21303	400 kVA Transformer	Consumer Contribution	1	12,721	12,721	
14001507	21303	400 kVA Transformer	Consumer Contribution	1	1,524	1,524	
14001508	21302	400 kVA Transformer	Consumer Contribution	12	94,47,155	7,87,263	
14001491	21302	11/0.433 kV, 400 kVA Trf	NPCL Assets	1	10,08,824	10,08,824	
14001498	21302	11/0.433 kV, 400 kVA Trf	NPCL Assets	1	9,95,670	9,95,670	
Total				328	9,40,04,214	2,86,598	

2.2.203 He also submitted the variance for each transformer, as provided in the table below:

Table 2-41: Transformer Cost variance as submitted by the Objector

Transformer	**Minimum per unit cost**	**Maximum per unit cost**	**Variance**
25 kVA	83,912	2,56,000	205%

Transformer	Minimum per unit cost	Maximum per unit cost	Variance
100 kVA	57,820	17,06,353	2851%
250 kVA	83,328	17,61,027	2013%
400 kVA	1,524	10,08,824	66096%

2.2.204 He submitted that the out of 328 distribution transformers, 24 are shown of the Petitioner assets and the balance as consumer contribution. He also submitted that, consumer contribution transformer means those transformers which are either paid by consumers and purchased by the Petitioner or it might be provided by Consumer/GNIDA. More than 92% of these assets are part of the consumer contribution, which implies that either consumer has been hugely over charged (and there is non- compliance of commission orders (based on cost provided in the Cost data book 2016)) or these expenses are completely forged, claimed on account of other expenses. He further submitted that no data is available on installed location of these assets, pointing to whether these assets were actually installed and put to use. Therefore, he requested the Commission that this is a matter of serious concern, as huge lapses are being highlighted and it is important to point out that previous years true ups need to be re-opened and are again scrutinized for such lapses, and all such amounts shall be recovered from the Petitioner.

2.2.205 Shri Rama Shanker Awasthi submitted the following information regarding the 11kV, 3C x 300Sqmm Cable, as shown below:

Table 2-42: Details of 11kV, 3C X 300 Sqmm Cable as submitted by the Objector

Asset	GL No	Quantity	Additions	Per Unit Cost	Cost as per Cost Data book 2016 (Annexure 13)
21004454	21408	78	1,09,90,981	140910	1644 (considered cost for 33kV cable for comparison)
21004526	21408	15	93,69,299	624620	
21004533	21408	18	61,17,983	339888	
21004640	21408	347	4,35,935	1256	
21004709	21408	6,744	84,50,262	1253	
21004753	21408	530	12,22,369	2306	
Total		**7732**	**3,65,86,829**	**4731**	

2.2.206 He submitted the following observations:

- As per “Cost Data Book, 2016”, the Commission’s approved XLPE cable for 11 KV are 3X70 Sqmm, 3X120 Sqmm and 3X185 Sqmm and rates are prescribed as Rs.406/meter, Rs.614/meter and Rs. 794/meter respectively, however the Petitioner never used prescribed cable and instead use 3CX300 Sqmm Cable which are normally used for load above 3 MW (as per “Distribution Code”, 3 MW load can be released only to 33 KV consumers).
- Further, the Petitioner purchased 3CX300 Sqmm Cable in the price range of Rs.1253 per unit to Rs. 62462 per unit. Although as per Annexure 25 of “Cost Data Book,2016”, cost of 33KV XLPE cable 3X300 Sqmm is only Rs. 1644/meter.

2.2.207 He submitted that the Petitioner has recovered a huge amount on account of cable installation either from the consumer or a higher capex is being created by the Petitioner and is a clear-cut violation of “Cost Data Book, 2016”. Also, he added that the cost should only be allowed after the prudence check as per rate defined under the cost data book

2.2.208 Therefore, he requested the Commission that this is a matter of serious concern, as variation in rate is much higher in comparison to the rate provided in “Cost Data Book, 2016” and a detailed investigation is required. Also, he submitted that it is important to point out that previous years' true ups need to be re-opened and are again scrutinized for such rate variation and all such amounts shall be recovered from the Petitioner.

2.2.209 Shri Rama Shanker Awasthi submitted the following information regarding the 11kV, 3Cx150 Sqmm Cable, as provided below:

Table 2-43: Details of 11kV, 3C X 150 Sqmm Cable as submitted by the Objector

Asset	GL No	Asset Description	Qty	Additions	Per Unit Cost	Cost as per Cost data book 2016
21004453	21408	11 KV 3C x 150 Sqmm Cable	200	27,06,276	13531	794 (Cost considered for 11kV 3 C x 185 sqmm XLPE cable
21004499	21408	11 KV 3C x 150 Sqmm Cable	90	31,42,191	34913	
21004534	21408	11 KV 3C x 150 Sqmm Cable	97	13,54,396	13963	
21004707	21408	11 KV 3C x 150 Sqmm Cable	525	17,17,645	3272	

2.2.210 He submitted the following observations:

- As per "Cost Data Book, 2016" Commission never approved 3CX150 Sqmm Cable for 11 KV. However, the Petitioner has used 150 Sqmm Cable which is a clear-cut violation of provision provided in the Cost data Book, 2016.
- It observed that a 11 KV, 3CX150 Sqmm cable is in the price range of Rs. 3272/unit to Rs.34913/unit, whereas commission has approved the cost of 11 KV XLPE cable 3X185 Sqmm is only at Rs.794/meter, this is comparatively a rated cable as purchased by the Petitioner.

2.2.211 Further, he submitted that as per the Cost data book 2016, the Petitioner have no right to use 3CX150 Sqmm Cable, and also, cannot book an extra amount in GFA. Therefore, he requested the Commission that this is a matter of serious concern, as huge lapses are being highlighted. Also, he submitted that It is important to point out that previous years true ups need to be re-opened and are again scrutinized for such lapses and all such amounts shall be recovered from the Petitioner.

2.2.212 Shri Rama Shanker Awasthi submitted the following information regarding the 3C x 300 Sqmm 33 KV Grade Cable and 3C x 400 Sqmm 33 kV Grade Cable, as provided below:

Table 2-44: Details of 33 kV, 3C X 300 Sqmm and 3C x 400 Sqmm Cable as submitted by the Objector

Asset	GL No	Asset Description	Quantity	Additions	Per Unit Cost	Cost as per Cost data book 2016
21004531	21407	3C x 300 Sqmm 33 KV Grade Cable	80	11,52,499	14406	1644
21004582	21407	3C x 400 Sqmm 33 kV Grade Cable	191	2,12,26,923	111136	-
21004491	21407	3C X 400 sqmm, 33 kV Grade Cable	149	98,60,196	66176	-
21004494	21407	3C X 400 sqmm, 33 kV Grade Cable	1	1,38,43,345	1,38,43,345	-

2.2.213 He submitted the following observations:

- The Petitioner has purchased 3Cx300 Sqmm 33 KV Grade cable at the price range between Rs. 14406/unit to Rs. 13843345/unit. However, the cost as per UPERC's cost data book, and for the same cable is only Rs.1644/meter and variance on a similar item is not possible.

- Further, the Commission never allowed 3CX400 Sqmm 33 KV Grade cable in the cost data book 2016. The commission only allowed 33KV XLPE cable 3CX120 Sqmm and 3CX300 Sqmm Cable as per Cost Data Book, 2016, so again it's a clear-cut violation.
- The Petitioner purchased 3CX400 Sqmm cable in the price range of Rs. 66176 per unit to Rs. 1,38,43,345 per unit. However, actual cost in the market could be very low. Such a high cost of 3CX400 Sqmm, 33 KV Grade Cable is not possible. It may be possible that this huge amount is the part of transmission substation which was disallowed by the Commission.

2.2.214 Therefore, he requested the Commission that this is a matter of serious concern, as huge lapses are being highlighted above. Also, he submitted that it is important to point out that previous years true ups need to be re-opened and are again scrutinized for such lapses and all such amounts shall be recovered from the Petitioner.

2.2.215 Further, regarding the Cost of 33 kV 3CX300 sq. mm Cables, based on the reply of the Licensee, he submitted that the Petitioner has stated that it has procured 80 units of 3CX300 sq. mm. at the per unit cost of Rs. 14406 as against the approved cost of Rs. 1644 which has been approved by the Commission vide the Cost data Book. He added that when the query was asked about the same, the Licensee did not provide any details.

2.2.216 Regarding the Cost of 11 kV, 3Cx300 sqmm and 33kV 3C X400 sq. mm cable, it is submitted that the Petitioner has attempted to bill multiple cables under one asset no. which ought not to be permitted and raises several doubts with respect to the Genuity of the claims of the Petitioner for capex. The Petitioner appears to have installed 300 sq. mm cables at 11 kV capacity. This is completely in teeth of what has been permitted by the Commission, who has only permitted the installation of 3C X 185 sq. mm cables at 11 kV capacity. It is because the 11 kV capacity is for a load of about 3 MW only which can in and of itself be handled by the 185 sq. mm cables. Similarly, the Petitioner appears to have used 400 sq. mm cables at 33 kV. It is submitted that 400 sq. mm cables have not been permitted to be installed at 33 kV capacity as they are meant for heavier loads and are deployed for load more than 10 MW capacity.

2.2.217 Shri Rama Shanker Awasthi submitted the following information regarding the 12-meter-Long ST Pole, as provided below:

Table 2-45: Details of 12-meter-Long ST Pole as submitted by the Objector

Asset	GL No	Asset Description	Quantity	Additions	Per Unit Cost	Cost as per Cost data book 2016
19004623	21403	12 Mtr Long STPole	2	42,16,817	2108409	
19004624	21403	12 Mtr Long ST Pole	3	91,63,025	3054342	13620

2.2.218 He submitted the following observations:

- As per Cost data book 2016, the Commission allowed 11Mtr long ST Pole, however, the Petitioner has shown 12-meter-Long STP Pole which is contradictory to cost data book and also a non-compliance.
- Commission's approved cost of 11-meter-Long ST Pole is Rs.13620/unit as Annexure-22 of cost data Book but the Petitioner purchase price of 12-meter-Long ST Pole is the range of Rs.2108409 /unit to Rs.3054342/unit and such variation on a similar item is not possible.
- It may be possible that the amount mentioned by the Petitioner belongs to some other assets which were disallowed by the Commission or may be because of a forged entry.

2.2.219 Therefore, he requested the Commission that this is a matter of serious concern, as huge lapses are being highlighted. It is important to point out that previous years true ups need to be re-opened and are again scrutinized for such lapses and all such amounts shall be recovered from the Petitioner.

2.2.220 Based on the reply of the Licensee, he submitted that the Licensee has installed 12meter poles however the Commission has not approved 12meter poles. Also, the Licensee has not installed galvanized poles which are cheaper than the usual ones. He added that the O&M cost towards galvanized poles has to be much lower than normal poles as it has high life.

2.2.221 Shri Rama Shanker Awasthi further based on the reply of the Licensee has submitted that it appears from a detailed perusal of the Petitioner's filing that each of the capitalised expenses, the Petitioner has capitalised at extremely high value. However, when the Objector sought justification of such high costs, the Petitioner has neither provided the correct referencing of these assets, nor has it provided the correct base figures as approved by the Commission. The Commission has approved the cost data book from which the licensees need to take the cost whenever capex is done. However, the Licensee in its latest filing has not justified or explained any differences on asset procured vis a vis prices approved.

2.2.222 Shri Rama Shanker Awasthi submitted the following information regarding the ACSR Dog Conductor, as provided below:

Table 2-46: Details of ACSR Dog Conductor as submitted by the Objector

Asset	GL No	Asset Description	Quantity	Additions	Per Unit Cost	Cost as per Cost data book 2016 (Annexure-13)
20002063	21404	ACSR Dog Conductor	30	9,54,703	31823	68.76
20002067	21404	ACSR Dog Conductor	90	19,74,749	21942	
20002125	21404	ACSR DFog Conductor	30	5,59,746	18658	

2.2.223 He submitted the following observations:

- Commission's approved cost of ACSR DOG Conductor is Rs.68.76/unit as per Annexure-13 of cost data Book. However, the Petitioner purchased ACSR Dog Conductor in the price range of Rs.18,658 per unit to Rs.31,823 per unit and such variation on a similar item is not possible.

2.2.224 Based on the reply of the Licensee, he submitted that the Petitioner vide the asset register has submitted that in respect of the Asset No. 20002063, there are 30 units of Dog Conductors. However, from the perusal of table for Asset No. 20002063 as provided by the Petitioner at Annexure 11 of its response, there are a total of more than 8414 units of Conductors 135 Rabbit conductors that are being capitalised under the Asset No. 20002063. Therefore, there is a clear discrepancy in this regard and one of the figures provided by the Petitioner is wrong. The Licensee has utilized insulated & PVC shethed Dog conductor 11kV of 1372 mtr which is not an item approved by the Commission and hence the same shall be disallowed. He added that WDV on the inflated cost of the assets as claimed by the Licensee after the expiry of the useful life of the asset would naturally be much higher as compared to the WDV on the approved cost of the assets that has been prescribed by the Commission vide its Cost data book. This difference is also significant and needs to be accounted for by the Commission.

2.2.225 Shri Rama Shanker Awasthi submitted that some assets were capitalised at zero value. It is submitted that If the value is zero, there is no need to capitalise the asset. He also mentioned that GFA preparation is shady and even statutory audit is a complete sham at the Petitioner. He has submitted the assets capitalised at zero value in the table below:

Table 2-47: Details of Assets capitalised at zero value

Asset	GL No	Asset Category	Asset Description	Capitalized Date	Capex	Quantity	Additions
19004406	21403	Transmission & Distribution	Insulator and Hardware for HT	31-03-2018	NPCL Assets	10	0
19004408	21405	Transmission & Distribution	8.5 m long PCC Pole for LT	31-03-2018	NPCL Assets	62	0

2.2.226 Further, he submitted that the Petitioner has stated SAP as shield to show transparency, however, in light of the above observation, it seems to be a complete "inefficient & malicious system" for consumers. This is a matter of serious concern and requested the Commission to investigate this matter by an internal committee of the Commission.

2.2.227 Altogether, he requested the Commission to set up an internal investigating committee to look into all the malpractices. It is submitted that the investigating committee should also examine whether the Work Orders issued for all the work to the various Firms / Companies are in place or not. The required certification / approvals of the Firms / Companies from various Govt. departments such as Labour Dept., Electricity Safety Inspector, among others should also be scrutinized. The actual verification of the work done shall also be done by the Committee. If any discrepancies are found, forensic audit shall be done for all the expenses made by the Petitioner.

2.2.228 Further, he requested the Commission that this is a matter of serious concern, as huge lapses are being highlighted. It is important to point out that previous years true ups need to be re-opened and are again scrutinized for such lapses and all such amounts shall be recovered from the Petitioner and his prayers are follows:

- The Petitioner has created surplus capex in an illegal manner and based on this increased capex, the Petitioner have claimed ROE at the rate of 15.50%, depreciation, O&M and A&G Expenses on the surplus capex.
- In the light of the above-mentioned deficiencies, serious illegalities & non compliances, a high-level investigation is required on all previous years' GFA.
- The Petitioner has been doing non- compliance of Cost Data Book, and is overcharging the amount on all the assets, which attracts action and penalty under section 142 of

The Electricity Act, 2003 without prejudice of disallowance of the capitalisation/ capex.

- The Commission may seek clarification from the Petitioner on the technical requirement of using higher side cables.
- It requested to the Commission to direct the Petitioner to provide Objector the data for the last 10 years of fixed asset register. The objector will carry out similar analysis on Assets Capitalization by the Petitioner and submit the finding before the Commission.

2.2.229 Based on the reply of the Licensee, he submitted that the Licensee has installed several cables of higher capacity at lower voltage profile. This is done to increase GFA to obtain higher depreciation, ROE, and O&M. He added that the Licensee has over and above the cost of the cable included the cost of pipes, clamps, jolting kits, nuts bolts, earthing rods etc and all the paraphernalia that is required for construction of a line or a substation along with the cost of asset as capex. The Petitioner has included the costs of 5 transformers of erection which is Rs. 9629 and the cost of supervision which is around Rs. 5413 in the cost of the Asset No. 14001495 as capex. It can be observed that Supervision Cost towards capitalisation of employee salary is added at 56% of installation cost which is done to avoid disallowance of 'Employee Expenses' under Operation and Maintenance expenses. It is case of double incidence of recovery from the consumers as for an expense which should have been disallowed, Petitioner has very cleverly diverted it to capital expenditure so as it can continue to claim for years depreciation, RoE & tax and O&M on such sham capital expenses.

2.2.230 Shri Avadhesh Kumar Verma, Chairman, M/s U.P Rajya Vidyut Upbhokta Parishad submitted the following observations regarding the capitalisation of assets at higher cost, as provided below:

- 90% of transformers are consumer funded and at a much higher cost
- All items are capitalised at much higher cost than market value.
- The asset no 14001496, eight 25 kVa transformers are capitalised at Rs 20.48 lac i.e. each transformer at Rs 2.56 Lac
- The asset no 14001482, six 100 kVa transformer are capitalised at Rs. 1.02 Crore i.e. Rs 17.06 lac each.
- The asset no- 21004533, 18 meters of 3c x 300 Sqmm cable is capitalised at Rs 61.18 Lac i.e. Rs 3.4 lac per meter which is almost 500 times of market value

2.2.231 Accordingly, Capital Expenditure should be allowed only 10% of GFA provided by the Petitioner. The Commission should appoint an independent consultant to study Capital Expenditure of the Petitioner on following account:

- Whether Capital expenditure was technically required.

- For a peak demand of 475 MW, 33kV consumption is 55%. Thus, Capital expenditure for T&D network for 33/11kV Substation, 11kV, 11/0.4kV and LT is required only for 225 MW. Against this 33/11kV substation capacity is 693 MVA. For 11kV, demand is 25% i.e. 120 MW. Thus, LT demand is only 100-110 MW, but 11/0.4kV capacity is 643 MVA. The technical aspect needs to be studied before approval of Capital Expenditure of the Petitioner.
- More than Rs. 55 Crore in IT project and Automation project is much higher. It needs to be deeply analysed including any advantage it is providing before approval by the Commission.

B. Petitioner's Response

2.2.232 As regards to the objection of Shri Rama Shanker Awasthi, the Petitioner submitted that it is required to establish an efficient distribution network for providing 24x7 power supply to its consumers as per their demand and cost of each and every asset is capitalized in the Fixed Assets Register (FAR). This activity is totally different than the recovery of cost from consumers as "Consumer Contribution" for providing new service connections as per the Cost Data Book, hence not comparable. The Petitioner also submitted that the Fixed Asset Register is created in accordance with the actual work executed as per the Work Orders issued and material consumed from time to time for the purpose of providing service which may be to one single consumer or many consumers altogether. Hence, the cost so capitalized against one Asset No. comprises of a number of materials and labour cost which cannot be compared with "Line Charges" as per Cost Data Book being recovered from the consumers. Further, it was submitted that the Objector has chosen certain fixed assets from the entire Fixed Asset Register and computed per unit cost from the total cost of such asset (which inter-alia includes the value of other assets as well) and compared the same with the cost prescribed under the Cost Data Book. The Petitioner further added that it has submitted the details of various items capitalised against the cost of one such fixed asset, which clearly depicts that a number of items are included in the cost of one such fixed asset and thus, the per unit cost so computed is completely misplaced when compared with the actual cost incurred with respect to such LT Substations, HT Substations, Cables, Conductors and Poles vis-à-vis the charges prescribed in the Cost Data Book. The Petitioner has submitted the comparison of costs incurred during FY 2018-19 on LT Substations, HT Substations, Cables, Conductors and Poles by the Petitioner vis-à-vis charges prescribed in the Cost Data Book for the kind perusal of the Commission. It is further mentioned that the costs contained in the Cost Data Book are based on cost incurred by UPPCL during FY 2014-15 / 2015-16 which is almost 3 years prior to FY 2018-19:

Table 2-48: Comparison of cost of LT Substations

Comparison of Cost of LT Substations			
S. No.	LT Substation Capacity	Cost as per Cost Data Book-2016 in Rs.	NPCL Cost of Procurement during FY 2018-19 in Rs.
1	25 kVA	1,31,800	1,03,451
2	63 kVA	1,94,290	Not Procured
3	100 kVA	2,26,310	2,12,077
4	250 kVA	5,62,744	5,80,432
5	400 kVA	Not Provided	10,12,740

Table 2-49: Comparison of Cost of HT Substations

Comparison of Cost of HT Substations			
S. No.	HT Substation Capacity	Cost as per Cost Data Book-2016 in Rs. Lakh	NPCL Cost of Procurement during FY 2018-19 in Rs. Lakh
1	3 MVA	108.09	Not Procured
2	5 MVA	134.94	Not Procured
3	8 MVA	161.3	Not Procured
4	10 MVA	166.48	Not Procured
5	12.5 MVA	Not Provided	101.74

Table 2-50: Comparison of Cost of cables and Conductors

Comparison of Cables and Conductors				
S. No.	Item Description	Cost Per meter as per Cost Data Book-2016 in Rs.	NPCL Cost of Procurement Per meter during FY 2018-19 in Rs.	Remarks
1	11kV 3C x 150 sq.mm. Cable	Not Provided	807	

Comparison of Cables and Conductors				
S. No.	**Item Description**	**Cost Per meter as per Cost Data Book-2016 in Rs.**	**NPCL Cost of Procurement Per meter during FY 2018-19 in Rs.**	**Remarks**
2	11kV 3C x 300 sq.mm. Cable	1,644	1,266	
3	33kV 3C x 300 sq.mm. Cable	1,644	1,733	
4	33kV 3C x 400 sq.mm. Cable	Not Provided	2,083	
5	ACSR Dog Conductor without insulation	69	72	
6	ACSR Dog Conductor with insulation	Not Provided	127	Insulated Cable to prevent transient tripping due to Vegetation
7	11 Mtr. STP Pole	13,620	Not Procured	Non-Galvanized
8	12 Mtr. STP Pole#	Not Provided	20,366	60-micron Galvanized Poles
9	13 Mtr. STP Pole#	Not Provided	29,177	60-micron Galvanized Poles
# To maintain height of at-least 8 meter. from ground level in city area				

2.2.233 Further, the Petitioner mentioned about the report of Benchmark Study carried out in FY 2016-17 by M/s Feedback Infra in compliance to the directions of the Commission. The report, which has already been submitted to the Commission, not only benchmarks the operational performance and quality of power supply with national and international Discoms, but also compares the financial and capital cost parameters. From the report, it can be seen that the Capital Cost of the Petitioner are least when compared with other UP State Discoms. Also, for compliance of Regulation 21.4 of MYT Regulation, 2014 and Accounting Standards, the value equivalent to Consumer Contribution is allocated to the assets relating to new service connection like Meters, Service Lines, Poles etc. Further, the Petitioner does not claim any depreciation, interest and Return on Equity on such assets for the purpose of determination of ARR. It is mentioned that the cost of transformers is not recovered from the Consumers as mentioned by the Objector, however, since the transformer cost is also capitalized in FAR along-with other assets relating to new service connection like Meters, Service Lines, Poles etc., the Objector has made an erroneous and misleading interpretation that the transformer cost are also recovered from the consumers. Therefore, the Petitioner submitted that there are no serious lapses as alleged by the Objector.

2.2.234 As regards to the objection regarding the zero valued capitalised asset, the Petitioner submitted that the Objector has incorrectly and wrongly stated that the Petitioner has capitalized some assets at zero value. The Objector deliberately omitted the values shown under opening balances of these assets, against which no additions were made during the year, hence shown as zero. Thus, sweeping allegations levelled by the Objector against the Petitioner such as "inefficient and malicious system", "huge lapses" and "set-up an internal investigating committee to looking into all the malpractices" are completely false.

2.2.235 Further, the Petitioner reproduced the correct table with all relevant details for the perusal of the Commission, as shown in the Table below:

Table 2-51: Extract of FAR or FY 2018-19

Extract of FAR for FY 2018-19							
Amount in Rs.							
Asset Number	**Asset Category**	**Asset Description**	**Quantity**	**Gross Block (Opening)**	**Addition**	**Retirement**	**Gross Block (Closing)**
19004406	Transmission & Distribution System	Insulator and Hardware for HT	10	2,69,382	0	0	2,69,382
19004408	Transmission & Distribution System	8.5 m long PCC Pole for LT	62	22,82,766	0	0	22,82,767

2.2.236 As regards to the objection of Shri Avadhesh Kumar Verma, the Petitioner submitted that the construction of 33/11 kV Substations are done based on the area development plan of the GNIDA and also to cater the increase in localized demand. Lands for 33 kV Substations are allotted by the GNIDA based on its Master Plan for the development of the identified area. It is mentioned that the Petitioner constructs 33/11 kV Substation initially with one 12.5 MVA Power Transformer with the provision of second

Transformer in future as per the standard design with N – 1 reliability. Since the initial load of the newly developed Sectors / area is comparatively less, the MVA capacity as reflected would be more for some time. It is also to be noted that the peak demands of the different consumer categories are not concurrent and accordingly, it is observed that the peak load of LT consumers, mainly domestic & commercial, street lights, tube wells etc., used to be around 230 – 250 MW resulting 50% to 80% loading on the transformers. Further, it was submitted that the Petitioner has already provided detailed justification for all Capital Expenditure in Petition No. 1541 of 2019 dated December 27, 2019 as well as in the Petitioner's reply vide letter no. P-77A/ 2020/001 dated May 27, 2020 and Email dated June 22, 2020 respectively in response to the deficiency notes raised by the Commission vide letter no. UPERC/Secy/D(Tariff) 20-087 dated May 13, 2020 and letter no. UPERC/Secy/D(Tariff) 20-241 dated June 16, 2020.

2.2.237 As regards to the objections, the Petitioner did not submit any reply.

C. Commission's View

2.2.238 The Commission has taken note of the objections/suggestions made by the stakeholders and the reply of the Licensee in this regard.

DEPRECIATION

A. Comments/ Suggestions of the Public

2.2.239 Shri Rama Shanker Awasthi submitted that the cost of the retired assets for FY 2018-19 are booked at an inflated price, and is shown in the Table below:

Table 2-52: Cost of the retired assets for FY 2018-19

S. No	Asset No	GL No	Asset	Asset Value	Depreciation value	WDV Rs.
1	14000641	21303	25kVA Transformer	70239	63215	7024
2	14000734	21303	25kVA Transformer	46845	41689	5156
3	14000576	21303	100kVA Transformer	72609	65348	7261
4	14000649	21303	100kVA Transformer	157018	141316	15702

2.2.240 He submitted that capitalization of assets at an inflated price would result in a higher amount of depreciation claimed and it's also possible that higher depreciation will reduce the profit on sale/ retirement of assets. Further, the Petitioner has stated SAP as a shield to show transparency, however, it seems to be a complete "inefficient & malicious system" for consumers. Therefore, he requested the Commission to allow depreciation only after proper scrutiny of all assets entered into "Fixed Assets Register" prepared by the Petitioner. The depreciation should only be allowed after deducting the refund amount of 220 KV, 132 KV substations and excess amount charged in all assets other than approved by commission in different cost data book from time to time. He further requested the Commission to analyse all such manipulative practices in the creation of GFA and claiming of depreciation. Further, the True up, APR and ARR in the present petition should only be allowed after analysing every aspect of the submission.

2.2.241 Based on the reply of the Licensee, he submitted that the Petitioner while claiming deprecation in respect of its assets has not been able to disclose when did which of its assets were declared to have achieved the COD and became part of its distribution network. In the absence of these details, it is not possible for the Petitioner to give an accurate figure of the depreciation that it is entitled to with justification for the same. In the absence of such justifications, the Hon'ble Commission ought not to allow any claims for depreciation as the claims are vitiated due to complete and utter lack of evidence that supports such claims.

B. Petitioner's Response

2.2.242 The Petitioner submitted that it has provided Depreciation in accordance with applicable UPERC (Terms & Conditions for Determination of Distribution Tariff) Regulations 2006, MYT Regulations 2014 and MYT Regulations, 2019 and has already submitted all requisite details to the Commission.

C. Commission's View

2.2.243 The allegations of the objector will need investigation, however such investigation cannot be part of the present proceedings of determination of ARR and Tariff for FY 2020-21 and may be dealt vide a separate Petition in this matter.

BAD AND DOUBTFUL DEBTS

A. Comments/ Suggestions of the Public

2.2.244 Shri Rama Shanker Awasthi submitted that the Petitioner has shown collection efficiency at 100% for FY 2018-19 and in the same year the Petitioner has claimed Bad and Doubtful debts as Rs. 13.29 Crore, which in itself contradicts with each other. Therefore, he requested the Commission to disallow the claim for Bad & Doubtful debt in the true up for FY 2018-19. He further requested that in the previous years, the Petitioner has shown 100% collection efficiency and has got approved Bad & Doubtful debts to the tune of Rs. 15.64 Crore and 15.60 Crore for FY 2016-17 & FY 2017-18 respectively from the Commission. It is requested that previous years' true -up must be re-opened, and refund shall be adjusted in the true up for FY 2018-19.

2.2.245 Based on the reply of the Licensee, he submitted that while on hand the Petitioner has claimed its collection efficiency to be at the level of around 99.8%, it has quite contrary to its own tall claims of recovery has asked for an allowance of a complete 2% of revenue as bad and doubtful debt. In view of the above it is clear that 2% is the ceiling limit upto which the part of revenue receivable can be allowed to the Petitioner as bad and doubtful debt. However, for that the Petitioner has to justify the same by providing the details of those debts that the Petitioner had to write off due to its inability to recover the same despite its best efforts. Therefore, to that extent the bad and doubtful debts are intended to be given on actuals with a ceiling limit on the same of 2%. The Petitioner has although claimed the complete 2% as bad and doubtful debt, it has conveniently glossed over the requirement of providing the details to justify such a claim, which is a necessary prerequisite in terms of this Commission own regulations.

B. Petitioner's Response

2.2.246 The Petitioner submitted that for the purpose of computing the collection efficiency, the revenue billed is adjusted with the opening and closing balance of debtors. Since, as per Accounting Standards and Schedule-III of the Companies Act, 2013, the value of debtors is being reported after reducing the provision for bad and doubtful debts, hence, the collection efficiency so computed at 99.64% is inclusive of provision for bad and doubtful debts for FY 2018-19. The Petitioner also submitted that it has been able to contain bad debts around 1% of the revenue as against 2% allowed as per Regulation 29 of MYT Regulation, 2014. However, the Objector fails to appreciate the same which further shows his gross bias against the Petitioner for the reasons best known to him.

C. Commission's View

2.2.247 The Commission has taken note of the objections/suggestions made by the stakeholders and the reply of the Licensee in this regard.

MANAGEMENT AND OPERATION PERFORMANCE

a) Increase in Momentary Average Interruption Frequency Index

A. Comments/ Suggestions of the Public

2.2.248 Shri Rama Shankar Awasthi submitted that in form P 14 submitted by the Petitioner, the average interruption index has increased for the period FY 2016-17 to FY 2018-19 from 0.38 to 0.56. On the contrary, huge expenditures are claimed under O&M expenses and Capex head, promising increased network efficiency and availability. He requested the Commission to look into the matter and direct the Petitioner to submit the cost benefit analysis of all capex that has been done to improve network efficiency and availability.

2.2.249 Shri Avadhesh Kumar Verma, Chairman, M/s U.P Rajya Vidyut Upbhokta Parishad submitted that as per Form P 14, average interruption index is gone up from FY 2016-17 to FY 2018-19 from 0.38 to 0.56 in spite of huge expenditures under O&M expenses and GFA. He requested the commission to disallow capital expenditures and O&M expenses for increasing MAIFI. He also mentioned that the Management of the Petitioner should be instructed to take training from institute like NPTI for learning proper maintenance of T&D network. Further, he submitted that the Petitioner has recruited unprofessional employees and they are showing high salary to them for such third-class performance.

B. Petitioner's Response

2.2.250 The Petitioner submitted that increment in transient tripping on overall system level that affecting MAIFI is due to improper Relay Setting Co-ordination between EHV Grid Substations, i.e. 220 kV RC Green & 132 kV Surajpur Substations, and 33 kV Substations of the Petitioner. Since relay settings of emanating 33 kV feeders from both the Substations (RC Green & Surajpur) have been done by UPPTCL at minimum level, i.e. I>> 1600 A with 0 sec delay & 1400 A with delay of 0.08 sec (in case of some feeders at RC Green), relays for downstream feeders in Petitioner's distribution network need to be set at a lower fault current, i.e. 1000 A with 0 sec delay, to restrict the fault at downstream only, leading to increase in tripping in case of transient fault.

2.2.251 The Petitioner also mentioned that whenever fault is occurring with fault current more than 4.8 KA at 11 kV level, 33 kV feeders emanating from 132 kV Surajpur / 220 kV RC Green are tripping along with the linked downstream 11 kV outgoing feeders at 33/11 kV Substation of the Petitioner or in case of 33 kV fault, it trips along with 33 kV outgoing feeders at 33 kV Switching Station of the Petitioner. Such tripping due to improper relay settings at EHV level has resulted in increase in MAIFI.

2.2.252 It was further submitted that, technically, any Circuit Breaker takes minimum 0.08 sec. (Relay Operating Time 0.02s + Lock out Relay 0.01s + Master Relay 0.01s + Circuit Breaker Opening Time 0.04s) to operate and isolate the fault. Since setting of DMT relay is done in time coordination, it is recommended to provide the time delay for both DMT I>> & DMT Ie>> more than 0.08 sec so that the nuisance tripping can be avoided at 33 kV feeders emanating from 220 kV RC Green and 132 kV Surajpur Substations and fault can be isolated with tripping of 11 kV or 33 kV downstream feeders of the Petitioner.

2.2.253 Further, the Petitioner regularly communicate with UPPTCL to amend the Relay setting accordingly for all 33kV emanating feeder from 220 kV RC Green & 132 kV Surajpur Substation, so that fault can be cleared at Petitioner's substation level only & frequent nuisance tripping of upstream breakers (33 kV Surajpur & RC Green) can be avoided. Relay settings of some of the feeders have been amended by UPPTCL and the Petitioner is confident that MAIFI will be improved once all the relays are suitably set as mentioned above.

C. Commission's View

2.2.254 The Commission has taken note of the objections/suggestions made by the stakeholders and the reply of the Licensee in this regard.

b) Increase in no. of consumer complaint

A. Comments/ Suggestions of the Public

2.2.255 Shri Rama Shanker Awasthi submitted that the Petitioner in form P 14, shows that percent of consumer complaints has increased from 23.6% to 30.6% for the period FY 2016-17 to FY 2018-19. On the contrary, huge expenditures are claimed under R&M expenses and Capex head, promising improved consumer services and efficient billing practices. Therefore, he requested the Commission to look into the matter and direct the Petitioner to explain the reason for such an increase in consumer complaints.

2.2.256 Shri Avadhesh Kumar Verma, Chairman, M/s U.P Rajya Vidyut Upbhokta Parishad submitted that Form P 14 shows increased consumer complaint for FY 2016-17 to FY 2018-19 i.e. from 23.6% to 30.6%. He also enquired why huge expenditures are done on R&M expenses and new T&D network when they cannot provide better consumer services.

2.2.257 It was further submitted that number of complaints received per year to total number of consumers reached to 30.60%. It is recommended that Commission restrict Salary to KMP at Rs 1.0 Cr and Cars allotted to them. Similarly, salaries of other employees be brought at 30% without any luxury car. It will act as fighting factor to provide best of services and they will perform better. With salaries in crores and luxury car, the Petitioner's employees have no motivation to perform or to bring any results. Also, all employees beyond 60 years of age should be disallowed at full salary.

B. Petitioner's Response

2.2.258 It is submitted that in June 2018, the Petitioner substantially revamped its existing 24x7 Call Center facility increasing number of communication channels of IVRS and call center executives etc. Due to above, more numbers of calls have been logged and attended in the system, therefore reflecting higher numbers. However, at the same time, complaints have been resolved with-in the timeline mentioned in the SOP of Electricity Supply Code 2005 by Commission.

2.2.259 As regards to the objection of Shri Rama Shanker Awasthi, the Petitioner further resubmitted that in the prescribed RTF viz. P-14, the ratios from FY 2014-15 to FY 2017-18 has been computed based on the revenue and costs trued-up by the Commission vide various Tariff Orders from time to time while the same for FY 2018-19 are based on audited annual accounts which is yet to be trued-up. Similarly, the ratios for FY 2019-20 and FY 2020-21 are provided as per the latest estimated / projection for the respective years. Hence, the ratios from FY 2014-15 to FY 2017-18(based on trued-up numbers) cannot be compared with the ratios for FY 2018-19, FY 2019-20 and FY 2020-21 (based on actual/ projected numbers). Nevertheless, detailed justification of employee expenses has already been provided in Chapter 9 petition.

C. Commission's View

2.2.260 The Commission has taken note of the objections/suggestions made by the stakeholders and the reply of the Licensee in this regard.

c) Meter capex and Meter defective ratios

A. Comments/ Suggestions of the Public

2.2.261 Shri Rama Shanker Awasthi submitted that the Petitioner in form P 14, shows that meter defective and damage ratio has improved over the years, which is an improvement. However, contrary to this, in the capitalization plan, the meter capex has increased, which points to a genuine question of whether meter replacement is being done, irrespective of whether it is defective meters or not. Therefore, he requested the Commission to look into the matter and direct the Petitioner to explain the reason for such an anomaly.

B. Petitioner's Response

2.2.262 The Petitioner submitted that the Capex on metering as referred to by Objector is towards the installation of meter for new connection, replacement of post-paid meter with prepaid meter, main/check meters at distribution transformers, Group Meters etc. Further, the Petitioner submitted that the detailed justification for capital expenditure has been provided in Petition No. 1541 of 2019 dated December 27, 2019 as well as in the Petitioner's reply vide letter no. P-77A/ 2020/001 dated May 13, 2020 and Email dated June 22, 2020 respectively in response to the deficiency notes raised by the Commission vide letter no. UPERC/Secy/D(Tariff) 20-087 dated May 13, 2020 and letter no. UPERC/Secy/D(Tariff) 20-241 dated June 16, 2020.

C. Commission's View

2.2.263 The Commission has taken note of the objections/suggestions made by the stakeholders and the reply of the Licensee in this regard.

d) Employee cost per unit of retails sales

A. Comments/ Suggestions of the Public

2.2.264 Shri Avadhesh Kumar Verma, Chairman, M/s U.P Rajya Vidyut Upbhokta Parishad submitted that the employee cost per unit of retails sales has increased by 214% from FY 2016-17 to FY 2018-19. He submitted that employee cost as a percentage of total cost increased from 1% in FY 2017-18 to 3% in FY 2018-19. He also submitted that this happens when either salaries are increased multifold to same people or recruitment of many people at one go and, in any case, for the parameters of operational performance, the ratio should have decreased from 1 to 0.9 and not increased to 3%. He further submitted that the Petitioner should optimize salary disbursal, must review its manpower requirement, so that employees who have become redundant should be transferred to other group companies. The Petitioner should provide details of employees directly or indirectly who have superannuated but still kept on Job as such employees should be paid a consultant fee at maximum 50% of their salary when they attained 60 years age, should be applicable to all cadres. He submitted that the Petitioner should take consultant services from HR experts to shed the flab and also, they should carry out Activity Based Costing Analysis (ABC analysis) so that if a Job position Requirement can be achieved at a cost of Rs. 1.0 Cr per annum, then paying Rs 6.0 Cr from Consumer account is not justifiable.

2.2.265 He submitted that the employee cost per unit of retail sales has increased from 7 paisa to 22 paisa from FY 2016-17 to FY 2018-19 i.e. 3 times, and is evident to the fact that the Petitioner management is splurging money to provide unreliable supply and unprofessional consumer services. He further submitted that they have increased contractual engagement of professional services at high cost too. It all indicates high level of mismanagement and diversion of funds.

B. Petitioner's Response

2.2.266 The Petitioner submitted that the observation of the objector is incorrect and misleading as may be seen from the following Table showing Employee Cost per unit of Sales over last six years: -

Table 2-53: Comparison of Employee Expenses

Comparison of Employee Expenses					
S. No.	FY	Actual Emp Exp. (Net)	Sales	Emp Exp./Sales	YoY Increase
		Rs. Cr.	MU	Rs. / Unit	Rs. / Unit
1	2014-15	17	1,310	0.13	
2	2015-16	21	1,377	0.15	17%
3	2016-17	26	1,500	0.17	13%
4	2017-18	34	1,668	0.2	16%
5	2018-19	40	1,850	0.22	7%
6	2019-20	47	2,081	0.22	4%

2.2.267 Therefore, the Petitioner submitted that the findings of the Objector are incorrect and false.

2.2.268 The Petitioner further resubmitted that in the prescribed RTF viz. P-14, the ratios from FY 2014-15 to FY 2017-18 has been computed based on the revenue and costs trued-up by the Commission vide various Tariff Orders from time to time while the same for FY 2018-19 are based on audited annual accounts which is yet to be trued-up. Similarly, the ratios for FY 2019-20 and FY 2020-21 are provided as per the latest estimated /

projection for the respective years. Hence, the ratios from FY 2014-15 to FY 2017-18(based on trued-up numbers) cannot be compared with the ratios for FY 2018-19, FY 2019-20 and FY 2020-21 (based on actual/ projected numbers). Nevertheless, detailed justification of employee expenses has already been provided in Chapter 9 of the Petition.

C. Commission's View

2.2.269 The Commission has taken note of the objections/suggestions made by the stakeholders and the reply of the Licensee in this regard.

e) Drastic increase in interruption due to problem in LT supply

A. Comments/ Suggestions of the Public

2.2.270 Shri Rama Shanker Awasthi submitted that the Petitioner in form p6, interruption due to problems in LT supply in FY 2018-19 has increased over the preceding years. This implies a poor level of service being provided by the Petitioner in its area of operation where the Petitioner creates huge capex/investment in T&D network, IT projects and Process Automation system. He requested the Commission to direct the Petitioner to submit clarification in this regard because it is a matter of great concern and needs scrutiny and due to deteriorating performance requires deduction of amount and to compensate consumers of the Petitioner. He requested to the Commission to direct the Petitioner to submit clarification in this regard.

2.2.271 Shri Avadhesh Kumar Verma, Chairman, M/s U.P Rajya Vidyut Upbhokta Parishad submitted that the increase in interruption shows poor workmanship of the Petitioner and the Petitioner's management should be instructed to appoint professional employees and terminate services of employees who are providing poor services to consumers. Further, he submitted that the Petitioner should also pay compensation as per Performance of Standards to consumers.

B. Petitioner's Response

2.2.272 The Petitioner submitted that data's regarding Consumer Complaints, interruption due to problem in LT supply is shown in P5 format and not in P6. It is submitted that the volume of complaints increased by merely 14% in FY 2018-19 over FY 2017-18. Further, it is submitted that the reliability index remained more than 98% both at feeder and consumer level.

C. Commission's View

2.2.273 The Commission has taken note of the objections/suggestions made by the stakeholders and the reply of the Licensee in this regard.

f) Electrical Accidents

A. Comments/ Suggestions of the Public

2.2.274 Shri Avadhesh Kumar Verma, Chairman, M/s U.P Rajya Vidyut Upbhokta Parishad submitted that in P 12 there are 3 fatal accidents and Management of the Petitioner must provide details of accident; how it happened, who was responsible department head, what punishment is sanctioned to department head, what compensation has been awarded to deceased family. He requested the Commission that the Petitioner should not be allowed to include such compensation in O&M and in fact it should be from their RoE. He also submitted that the Petitioner must provide explanation regarding how it is reducing accidents when they have done shabby installations.

B. Petitioner's Response

2.2.275 The Petitioner submitted that the referred unfortunate incident occurred in March, 2019 which was duly reported to Directorate of Electrical Safety (DoES) and also, the corrective measures taken by the Petitioner are already provided in Format-P-12 of MYT Formats for APR of FY 2019-20 and reproduced here-in-below for reference: -

- Safety Audit has been made a mandatory / routine activity along with propagation of safety awareness at every Consumer Meet.
- 15 telephone lines with IVR Facility have been provided at our call center, where any distress call can be logged automatically. Further, separate number has been provided to report emergencies, fire events etc.
- Patrolling of the feeders /lines are being done on weekly basis to arrest discrepancies, if any in the system.
- Installation of locks on all feeder pillar boxes.
- Erection of boundary wall of suitable height along with fencing of all pocket sub-stations handed over by GNIDA.

2.2.276 The Petitioner further submitted that compensations were paid to the family of the deceased in accordance with the UPPCL's official circular no. 4095/ 2016 – 19 dated October 13, 2016. (Compensation Claims due to electrical accidents to Humans). The compensation amount has not been claimed under O&M expenses.

C. Commission's View

2.2.277 The Commission has taken note of the objections/suggestions made by the stakeholders and the reply of the Licensee in this regard.

g) Operating expenses / Revenue from Sale of power

A. Comments/ Suggestions of the Public

2.2.278 Shri Avadhesh Kumar Verma, Chairman, M/s U.P Rajya Vidyut Upbhokta Parishad submitted that ratio of operating expense to revenue from sale of power should not be allowed to increase from 5% to 7%. He further submitted that the Petitioner is highly inefficient & unprofessional and if Commission allow this to continue, the Petitioner will surely become Indian Railways or Indian Airlines in few years. It is suspected that a lot of money is utilised by management to become inefficient at consumer expenses.

B. Petitioner's Response

2.2.279 The Petitioner further resubmitted that in the prescribed RTF viz. P-14, the ratios from FY 2014-15 to FY 2017-18 has been computed based on the revenue and costs trued-up by the Commission vide various Tariff Orders from time to time while the same for FY 2018-19 are based on audited annual accounts which is yet to be trued-up. Similarly, the ratios for FY 2019-20 and FY 2020-21 are provided as per the latest estimated / projection for the respective years. Hence, the ratios from FY 2014-15 to FY 2017-18(based on trued-up numbers) cannot be compared with the ratios for FY 2018-19, FY 2019-20 and FY 2020-21 (based on actual/ projected numbers). Nevertheless, detailed justification of employee expenses has already been provided in Chapter 9 of the petition.

C. Commission's View

2.2.280 The Commission has taken note of the objections/suggestions made by the stakeholders and the reply of the Licensee in this regard.

h) Store's Inventory/1000 Km of distribution lines

A. Comments/ Suggestions of the Public

2.2.281 Shri Avadhesh Kumar Verma, Chairman, M/s U.P Rajya Vidyut Upbhokta Parishad submitted that in 2 years, Store's Inventory/1000 Km of distribution lines is increased by 20%. He submitted that when network is so highly underloaded, then where is the need of stores inventory. Therefore, the Petitioner shall reduce it by 20% from FY 2016-17 levels.

B. Petitioner's Response

2.2.282 The Petitioner submitted that it maintains reasonable level of inventory to provide 24x7 reliable power supply as well as energizing new service connections, load augmentation, timely repairs & maintenance etc. The consumption pattern and lead time of procurement are also guiding factors for maintaining inventory.

C. Commission's View

2.2.283 The Commission has taken note of the objections/suggestions made by the stakeholders and the reply of the Licensee in this regard.

i) Energy Sales (MU) per Employee

A. Comments/ Suggestions of the Public

2.2.284 Shri Avadhesh Kumar Verma, Chairman, M/s U.P Rajya Vidyut Upbhokta Parishad submitted that with heavy investment in network, IT and Automation, Energy sales in MU per employee should be increased at least by 30% and keeping it same indicates increasing inefficiency in the Petitioner employees.

B. Petitioner's Response

2.2.285 The Petitioner further resubmitted that in the prescribed RTF viz. P-14, the ratios from FY 2014-15 to FY 2017-18 has been computed based on the revenue and costs trued-up by the Commission vide various Tariff Orders from time to time while the same for FY 2018-19 are based on audited annual accounts which is yet to be trued-up. Similarly, the ratios for FY 2019-20 and FY 2020-21 are provided as per the latest estimated / projection for the respective years. Hence, the ratios from FY 2014-15 to FY 2017-18(based on trued-up numbers) cannot be compared with the ratios for FY 2018-19, FY 2019-20 and FY 2020-21 (based on actual/ projected numbers). Nevertheless, detailed justification of employee expenses has already been provided in Chapter 9 of the petition.

C. Commission's View

2.2.286 The Commission has taken note of the objections/suggestions made by the stakeholders and the reply of the Licensee in this regard.

NEW SERVICE CONNECTION

A. Comments/ Suggestions of the Public

2.2.287 Shri Rama Shanker Awasthi submitted that as per data submitted by the Petitioner in form p 16, it shows no new service connections were released for a 6-month period in FY 2019-20 i.e. October 19 to March 20. He also mentioned that it appears that incorrect reporting is being done, and is a matter of serious concern. Therefore, he requested the Commission to direct the Petitioner to explain the above deficiency. Further, he mentioned that the Petitioner must provide the list of pending connections as on date for analysis. He also requested the Commission to have scrutiny by engaging a consumer survey in their area. He further submitted that the Petitioner ask for many documents for providing electricity connections and is requested to the Commission to kindly direct the Petitioner to provide domestic connection on application form and first page of property document only. For industry and commercial connections also, paper documents requirements should be minimized.

B. Petitioner's Response

2.2.288 The Petitioner filed its petition on December 27, 2019 accordingly the data provided in Form P 16 for FY 2019-20 was for new connections up-to September 30, 2019. This does not mean that the new connections were not given from October-2019 to March-2020 as alleged by the Objector again with malicious intention.

C. Commission's View

2.2.289 The Commission has taken note of the objections/suggestions made by the stakeholders and the reply of the Licensee in this regard.

INCOME TAX PROVISIONS

A. Comments/ Suggestions of the Public

2.2.290 Shri Avadhesh Kumar Verma, Chairman, M/s U.P Rajya Vidyut Upbhokta Parishad submitted that a total of Rs 176.39 are allowed in excess on tax provisions. He submitted that as per MYT Regulations, ROE post tax does not allow tax liability of company by income tax department which can be due to many reasons. He also submitted that for FY 2020-21, Rs 69.69 Crore is the RoE and Rs 24.35 Crore is the tax liability whereas the Petitioner has shown Rs 37.44 Crore as taxes which means Rs 13.09 Crore is sought in excess. He mentioned that the Petitioner should also provide for previous years whether the Petitioner has actually paid this much amount as taxes to Income Tax department. He has also submitted the details of tax provision provided by the Petitioner, as shown in the table below:

Table 2-54: Details of tax provision as submitted by the Objector

		Past years			APR	Control Period
		FY 2016-17	FY 2017-18	FY 18-19	FY 2019-20	FY 2020-21
S.No.	Particulars	Trued- Up	Trued- Up	Claimed	Revised Estimates	Projected
A	**Income of FY**	97.41	100.16	91.78	88.26	107.13
	Less:					
	Income exempt from taxation					
	Credits for carry forward of losses	-6.42				
	Income from Incentives					
	Net Taxable Income	**90.99**	**100.16**	**91.78**	**88.26**	**107.13**
	Tax Rate	34.61%	34.61%	34.94%	25.17%	34.94%
	Tax Amount	31.49	82.25	32.07	22.21	37.44
	Tax Demand	-	80.1	-	-	-
	Total Tax	**31.49**	**162.35**	**32.07**	**22.21**	**37.44**
	Depoist by Challan1					
	Depoist by Challan2					
	Sub-total					
B	**Return on Equity**	**48.07**	**54.64**	**59.71**	**66.05**	**69.69**
	Tax Rate	34.61%	34.61%	34.94%	25.17%	34.94%
	Tax Amount	25.44	28.92	32.07	22.21	37.44
	Tax Demand	6.05	121.65	-	-	-

		Past years			APR	Control Period
		FY 2016-17	FY 2017-18	FY 18-19	FY 2019-20	FY 2020-21
S.No.	Particulars	Trued- Up	Trued- Up	Claimed	Revised Estimates	Projected
	Total Tax	**31.49**	**150.57**	**32.07**	**22.21**	**37.44**
	Tax Recoverable from Consumers (Lower of A or B)	**31.49**	**150.57**	**32.07**	**22.21**	**37.44**
	Taxes as per MYT Regulations	16.64	18.91	20.86	16.62	24.35
	Excess Taxes Allowed	14.85	131.66	11.21	5.59	13.09
						176.39

B. Petitioner's Response

2.2.291 The Petitioner submitted that the challans in respect of income tax paid by the Petitioner are submitted to the Commission for verification based on which the same is approved. For FY 2020-21, the Petitioner will submit the challans for the income tax paid for verification and approval.

C. Commission's View

2.2.292 The Commission has taken note of the objections/suggestions made by the stakeholders and the reply of the Licensee in this regard.

IMPACT OF COVID

A. Comments/ Suggestions of the Public

2.2.293 Shri Rama Shankar Awasthi submitted that in times of such economic distress, precipitated by the pandemic and other factors, the need for bringing down power purchase expenditures is even more critical. The impacts of the ongoing COVID-19 pandemic are likely to linger for the financial year ahead and will continue to affect demand recovery and the consumer's ability to pay. Therefore, he requested the Commission, to factor in the above factors while deciding the ARR and Tariff for FY 2020-21.

B. Petitioner's Response

2.2.294 The submitted that it has already revised its ARR for FY 2020-21 wherein the overall projected demand has been downwardly revised to 1867 MU as against 2499 MU originally projected and submitted on December 27, 2019. Thus, the revised demand projections are lower by 25% approximately.

C. Commission's View

2.2.295 The Commission has taken note of the objections/suggestions made by the stakeholders and the reply of the Licensee in this regard.

SUPPLY HOURS

A. Comments/ Suggestions of the Public

2.2.296 Shri Avadhesh Kumar Verma, Chairman, M/s U.P Rajya Vidyut Upbhokta Parishad submitted that the Petitioner has provided 18-24 hours supply to LMV-5 and LMV-8 consumers against directive of 10 hours. He submitted that for revenue computation, LMV-5 and 8 consumption should be prorated for 10 hours for subsidy tariff and balance should be considered at cost of service as deemed revenue.

B. Petitioner's Response

2.2.297 The Petitioner submitted that the Principal Secretary (Energy), Govt. of UP vide letter no. 1686/24-P-3-2018 dated 3rd Aug'18 directed the Petitioner to provide 18 hours power supply in villages failing which action will be taken against the Petitioner in accordance with the conditions of license of the Petitioner. Accordingly, the Petitioner is complying the above direction of the Govt. of UP. and submitting the monthly report on power supply position in Greater Noida to the office of the Principal Secretary (Energy), the Copy of such monthly reports are also marked to the Commission. It is clarified that the directives are for minimum supply hours and not for supplying power for more hours.

C. Commission's View

2.2.298 The Commission has taken note of the objections/suggestions made by the stakeholders and the reply of the Licensee in this regard.

ADDITION OF NEW TRANSFORMERS

A. Comments/ Suggestions of the Public

2.2.299 Shri Rama Shanker Awasthi has submitted the details of numbers and MVA capacity of power transformers and distribution transformers over the years, as shown in the table below:

Table 2-55: Details of power transformers and distribution transformers

Particulars	FY 2017-18	FY 2018-19	FY 2020-21
Power Transformers			
Numbers	70	70	84
MVA capacity	693	693	880

Particulars	FY 2017-18	FY 2018-19	FY 2020-21
Distribution Transformers			
Numbers	6211	6526	7056
MVA capacity	610	643	688

2.2.300 He has submitted that the MVA ratio of power transformer and distribution transformer in FY 2017-18 and FY 2018-19 was almost 1:1 which is proposed to be increased to 1:2 in a year's time. He submitted that the peak demand is provided only 475 MW and whereas 33kV load as per energy shown and connected consumer load shown is almost 50% and therefore for 240 MW of 11kV & LT load the Petitioner already have 693 MVA capacity. He further submitted that the Petitioner do not require even a single power transformer in FY 2020-21 or FY 2021-22 but a sudden surge has been observed in proposed power transformer MVA capacity addition for FY 2020-21, which is not commensurate with the Distribution transformers MVA capacity. Therefore, he requested the Commission to disallow the proposed excess expenditure on power transformers as this excess expenditure results in increased capex, and Return on Equity for the Petitioner, which further translates to increased tariff for end consumers. He further requested to direct the Petitioner to explain the basis for such excess power transformer capacity addition.

B. Petitioner's Response

2.2.301 The Petitioner submitted that the MVA Ratio of the Power Transformers and Distribution Transformers in FY 2017-18 was 1.14 which became 1.24 in FY 2019-20 and projected to be 1.26 in FY 2020-21, as given in the Table below:

Table 2-56: Details of transformers

Details of Transformers				
Particulars	**FY 2017-18**	**FY 2018-19**	**FY 2019-20**	**FY 2020-21**
Power Transformers				
Numbers	70	70	80	84
MVA capacity (A)	693	693	818	868
Distribution Transformers				
Numbers	6211	6526	6753	7056
MVA capacity (B)	610	643	658	688

Details of Transformers				
Particulars	**FY 2017-18**	**FY 2018-19**	**FY 2019-20**	**FY 2020-21**
MVA Ratio (A / B)	1.14	1.08	1.24	1.26

2.2.302 Thus, the MVA ratio of the power transformers vis-à-vis distribution transformers is not 1:2 as incorrectly and wrongly stated by the Objector. The construction of 33/11 kV Substations are done based on the area development plan of the GNIDA and also to cater the increase in localized demand. Lands for 33 kV Substations are allotted by the GNIDA based on its Master Plan for the development of the identified area. The Petitioner submitted that it constructs 33/11 kV Substation initially with one 12.5 MVA Power Transformer with the provision of second Transformer in future as per the standard design with N – 1 reliability. Since the initial load of the newly developed Sectors / area is comparatively less, the MVA capacity as reflected would be more for some time.

2.2.303 It is also submitted that the Petitioner adopts High Voltage Distribution System (HVDS) in case of LT Industries and PTW connections. The Petitioner has also standardized distribution transformer ratings, for e.g. 100 kVA transformer is installed for LT consumers having up to 50 kW load and 10 kVA & 25 kVA transformers are installed for PTW connections having 5 / 7.5 HP & 10 HP load respectively. Also, it was submitted that since GNIDA establishes basic electrical network in the newly developed sectors/areas with the standard transformer capacity of 400 kVA for Urban, which is subsequently handed over to the Petitioner for O&M, the Petitioner adopted the same network design while further upgrading the network due to increase in the load.

2.2.304 Further, the Petitioner submitted that the peak demand of the different consumer categories is not concurrent and accordingly, it is observed that the peak load of LT consumers, mainly domestic & commercial, street lights, tube wells etc. recorded around 230 – 250 MW resulting 50% to 80% loading on the transformers. The Petitioner submitted that the Objector is deft at creating sensation by misrepresenting the data without properly understanding and analyzing the information to mislead the Hon'ble Commission.

C. Commission's View

2.2.305 The Commission has taken note of the objections/suggestions made by the stakeholders and the reply of the Licensee in this regard.

TRIPPING DETAILS

A. Comments/ Suggestions of the Public

2.2.306 Shri Avadhesh Kumar Verma, Chairman, M/s U.P Rajya Vidyut Upbhokta Parishad submitted that 1170 tripping on 24 feeders are shown in Format P8, i.e. 4 tripping per feeder per month at 33KV, which for LT consumer add in excess to tripping of 11kV feeder and tripping of distribution transformer. He also submitted that there is no one to monitor such operational performance and consumers in industry are forced to invest heavily in storage capacity despite of paying for gold-plated inflated T&D network.

B. Petitioner's Response

2.2.307 The Petitioner submitted that increment in transient tripping on overall system level that affecting MAIFI is due to improper Relay Setting Co-ordination between EHV Grid Substations, i.e. 220 kV RC Green & 132 kV Surajpur Substations, and 33 kV Substations of the Petitioner. Since relay settings of emanating 33 kV feeders from both the Substations (RC Green & Surajpur) have been done by UPPTCL at minimum level, i.e. I>> 1600 A with 0 sec delay & 1400 A with delay of 0.08 sec (in case of some feeders at RC Green), relays for downstream feeders in Petitioner's distribution network need to be set at a lower fault current, i.e. 1000 A with 0 sec delay, to restrict the fault at downstream only, leading to increase in tripping in case of transient fault.

2.2.308 The Petitioner also mentioned that whenever fault is occurring with fault current more than 4.8 KA at 11 kV level, 33 kV feeders emanating from 132 kV Surajpur / 220 kV RC Green are tripping along with the linked downstream 11 kV outgoing feeders at 33/11 kV Substation of the Petitioner or in case of 33 kV fault, it trips along with 33 kV outgoing feeders at 33 kV Switching Station of the Petitioner. Such tripping due to improper relay settings at EHV level has resulted in increase in MAIFI.

2.2.309 It was further submitted that, technically, any Circuit Breaker takes minimum 0.08 sec. (Relay Operating Time 0.02s + Lock out Relay 0.01s + Master Relay 0.01s + Circuit Breaker Opening Time 0.04s) to operate and isolate the fault. Since setting of DMT relay is done in time coordination, it is recommended to provide the time delay for both DMT I>> & DMT Ie>> more than 0.08 sec so that the nuisance tripping can be avoided at 33 kV feeders emanating from 220 kV RC Green and 132 kV Surajpur Substations and fault can be isolated with tripping of 11 kV or 33 kV downstream feeders of the Petitioner.

2.2.310 Further, the Petitioner regularly communicate with UPPTCL to amend the Relay setting accordingly for all 33kV emanating feeder from 220 kV RC Green & 132 kV Surajpur Substation, so that fault can be cleared at Petitioner's substation level only & frequent nuisance tripping of upstream breakers (33 kV Surajpur & RC Green) can be avoided. Relay settings of some of the feeders have been amended by UPPTCL and the Petitioner is confident that MAIFI will be improved once all the relays are suitably set as mentioned above.

C. Commission's View

2.2.311 The Commission has taken note of the objections/suggestions made by the stakeholders and the reply of the Licensee in this regard.

TRANSFORMER FAILURE

A. Comments/ Suggestions of the Public

2.2.312 Shri Avadhesh Kumar Verma, Chairman, M/s U.P Rajya Vidyut Upbhokta Parishad submitted that in addition to failure of 93 transformers in FY 2018-19, they have not included the figure of retiring transformers which are more than 30 in numbers. He also submitted that Transformer failure only happens when there is no R&M, but they have taken 500 employees and Crores of rupees in R&M by private agency to maintain substations.

B. Petitioner's Response

2.2.313 The Petitioner submitted that the Objectors has hypothetically assumed the loading of DT's capacity and is attempting to mislead the Commission. The loading of transformers cannot be seen by comparing the number of transformers with peak load of the Discom. The load utilization of each transformer depends on the load of the consumers being serviced through such transformer which is affected by the type of area, consumer density and load diversity etc. It is submitted that during FY 2018-19, 93 transformers were damaged which is only 1.43% of the total transformers. However, out of 93 damaged transformers, 76 were damaged in villages mainly due to bypassing / damaging of the LT protection system and only 17 transformers failed in urban & industrial areas.

C. Commission's View

2.2.314 The Commission has taken note of the objections/suggestions made by the stakeholders and the reply of the Licensee in this regard.

LOOPHOLE IN ELECTRICITY BILLING SYSTEM

A. Comments/ Suggestions of the Public

2.2.315 Shri Pramod Kumar Vishwakarma submitted that in the existing system in bill generation, the demand violation is monitored automatically and if the demand is violated for three continuous months, then the system will automatically increase the load of that particular domestic connection. He submitted that this clause of three continuous months normally does not meet or fulfill in North India as heavy loads are being used continuously for only two months; either in summer or in winters and thus the load of the houses is not increased automatically. He also submitted that as a result of this loophole, the distribution infrastructure is not upgraded to cater the increased load of the summers and winters. He further submitted that this results in causing low voltages and breakdown of cables, insulators & transformer and also cause loss of money for the electricity department and the government. Therefore, he proposed that if demand is violated in any household in any day, then the load should be increased automatically and heavy fine should be instituted or the bill should be charged with new upgraded load fixed demand charges for upcoming months. Further, he submitted that this increased demand should be noted by the concerned electricity department and accordingly the distribution system should be charged with new upgraded to raised demand immediately. He also added that if the demand of any particular household is less than the fixed demand, charges to be reduced accordingly for that particular month.

B. Petitioner's Response

2.2.316 The Petitioner submitted that it is pertinent to mention that the summer season in fact starts from March and continues till June at least. Thereafter, due to high humidity, high consumption continues intermittently till September / October. Further, it is submitted that the Petitioner carries out load assessment of all LT consumers based on their actual load utilisation during April to June. A notice is issued to the defaulting consumers to apply for enhancement of load along with payment of necessary charges as per cost data book. Also, it was submitted that once the consumers apply, the load is enhanced immediately. However, in case if no reply is received, the load is increased by charging the applicable amount in their monthly bills.

C. Commission's View

2.2.317 The Commission has taken note of the objections/suggestions made by the stakeholders and the reply of the Licensee in this regard.

POWER FACTOR DROP

A. Comments/ Suggestions of the Public

2.2.318 Shri Harish Joneja, Sr. Vice President & Chairman Electricity Committee, NOIDA Entrepreneurs Association, submitted that they could not set things right at their factories due to the sudden announcement of lockdown. He submitted that even the Capacitors were not switched off, which leads to high electricity bill without even consuming the electricity. He further submitted that only light and fan were used by the guard during this period. Therefore, he requested the Commission to consider this situation sympathetically and help the Industry which is already suffering heavy financial losses due to lockdown by allowing the billing for the lockdown on actual basis and also disregard the Power Factor drop.

2.2.319 He also submitted that due to the lockdown 11,000 industrial entities are getting affected. In this regard, there is no guide lines from electricity department in directing the industries. Due to lockdown, industries were closed and are facing acute financial crisis and industrialist are not able to bear the load of electricity bills. Therefore, he is requesting that during lockdown period, electricity bill should be considered as per kWh reading and direct the electricity department to do so.

B. Petitioner's Response

2.2.320 The Petitioner kindly submitted that billing on kVAH based Tariff is being done as per Rate Schedule approved by the Commission vide its Tariff Orders latest being September 03, 2019. In case, any relief / relaxation is granted by the Commission, the Petitioner will implement the same accordingly. Also, the Petitioner submitted that Commission may kindly decide suitably.

C. Commission's View

2.2.321 The Commission has taken note of the objections/suggestions made by the stakeholders and the reply of the Licensee in this regard.

CHARGING DEMAND CHARGES AND ELECTRICITY DUTY ONLY ON ACTUAL RECORDED DEMAND

A. Comments/ Suggestions of the Public

2.2.322 Shri Sanjay Kumar Sapra, DGM -Administration & Facilities, M/s Inter Globe Education Service Limited, requested the Commission to salvage their struggling business by charging the demand charges and electricity duty only on the actual recorded demand instead of Billable demand.

B. Petitioner's Response

2.2.323 The Petitioner kindly submitted that Demand Charges are being billed as per Rate Schedule approved by the Commission in its Tariff Orders latest being September 03, 2019. Further, Electricity Duty is being levied and collected based on directions provided by Government of Uttar Pradesh latest being notification no. 1845/XXIV-P-3-2012 dated September 13, 2012. In case, any relief / relaxation is granted by the Commission, the Petitioner will implement the same accordingly.

C. Commission's View

2.2.324 The Commission has taken note of the objections/suggestions made by the stakeholders and the reply of the Licensee in this regard.

FIXED CHARGES RELIEF

A. Comments/ Suggestions of the Public

2.2.325 Shri Harsh Shrotriya, requested the Commission to share the order of the electricity fixed charge relief to the consumers for one month who paid their dues by June 30, 2020 with the Petitioner as the Petitioner is unaware of the same.

B. Petitioner's Response

2.2.326 The Petitioner kindly submitted that Fixed Charges are being billed as per Rate Schedule approved by the Commission in its Tariff Orders latest being September 03, 2019. In case, any relief / relaxation is granted by the Commission, the Petitioner will implement the same accordingly.

C. Commission's View

2.2.327 The Commission has taken note of the objections/suggestions made by the stakeholders and the reply of the Licensee in this regard.

REMMISSION IN FIXED CHARGE

A. Comments/ Suggestions of the Public

2.2.328 Srimati Pramila Agrawal, M/s Arvind Academy, requested the Commission to charge demand charge on actual load consumption instead of minimum charge from March 20 till lockdown of the educational institutions. She also submitted that the LMV-4 categories are not given the relaxations which were given to the Commercial and Industrial consumers.

2.2.329 Shri Vishnu Bhagwan Agarwal, Chairman, M/s ASSOCHAMUP requested the Commission to charge the electricity bill for the actual units consumed without any minimum charges.

2.2.330 Industrial Consumers (Indian Industries Association, Udyog Bandhu and Laghu Udyog Baharti) have given a representation to NPCL for waiving off the fixed charges similar to the waiver being granted by UPPCL (for LMV-2, LMV-6, HV-1 and HV-2 categories), billed during the lockdown period.

B. Petitioner's Response

2.2.331 As regards to the submission of Srimati Pramila Agarwal, the Petitioner kindly submitted that Demand Charges are being billed as per Rate Schedule approved by the Commission in its Tariff Orders latest being September 03, 2019. In case, any relief / relaxation is granted by the Commission, the Petitioner will implement the same accordingly.

2.2.332 As regards to the submission of Shri Vishnu Bhagwan Agarwal, the Petitioner kindly submitted that Fixed Charges are being billed and recovered as per Rate Schedule approved by the Commission in its Tariff Orders latest being September 03, 2019. Further, Electricity Duty is being levied and collected based on directions provided by Government of Uttar Pradesh latest being notification no. 1845/XXIV-P-3-2012 dated September 13, 2012. The consumers of the Petitioner as well as Industry Associations are also requesting for waiver of fixed charges and increased kVAh consumption against kWh consumption due to low power factor. In case, any relief / relaxation is granted by the Commission, the Petitioner will implement the same accordingly.

2.2.333 As regards to the representation made by the Industrial Consumers, the petitioner has submitted that the bills have been raised as per the Tariff approved by the Commission and any relaxation / waiver therein can be given only if approved and directed by the Commission.

C. Commission's View

2.2.334 The Commission has taken note of the objections/suggestions made by the stakeholders and the reply of the Licensee in this regard.

PREPAID METERS

A. Comments/ Suggestions of the Public

2.2.335 Shri Vishnu Bhagwan Agarwal, Chairman, ASSOCHAMUP, submitted that despite legal provisions, the Petitioner is not installing prepaid meters nor allowing the consumers to install the same which leads to very heavy loss to Consumers and Industrial Production.

2.2.336 Shri Sunil Pandey submitted that prepaid meter cost must be reduced below Rs. 5000.

B. Petitioner's Response

2.2.337 As regards to the objection of Shri Vishnu Bhagwan Agarwal, the Petitioner submitted that based on the request of the consumers the prepaid meters are installed by the Petitioner.

2.2.338 As regards to the objection of Shri Sunil Kumar Pandey The Consumer is requesting that the Company should charge below Rs. 5,000/- for metering (for conversion from Single Point to Multi Point connection) as against Rs. 15,000/- plus GST approved by the Commission.

C. Commission's View

2.2.339 The Commission has taken note of the objections/suggestions made by the stakeholders and the reply of the Licensee in this regard.

ELECTRICITY DUTY

A. Comments/ Suggestions of the Public

2.2.340 Shri Vishnu Bhagwan Agarwal, Chairman, ASSOCHAMUP requested the Commission to waive electricity duty when GST has come into force and also to refund the excess deposited.

B. Petitioner's Response

2.2.341 The Petitioner submitted that Fixed Charges are being billed and recovered as per Rate Schedule approved by the Commission in its Tariff Orders latest being September 03, 2019. Further, Electricity Duty is being levied and collected based on directions provided by Government of Uttar Pradesh latest being notification no. 1845/XXIV-P-3-2012 dated September 13, 2012. The consumers of the Petitioner as well as Industry Associations are also requesting for waiver of fixed charges and increased kVAh consumption against kWh consumption due to low power factor. In case, any relief / relaxation is granted by the Commission, the Petitioner will implement the same accordingly.

C. Commission's View

2.2.342 The Commission has taken note of the objections/suggestions made by the stakeholders and the reply of the Licensee in this regard. As submitted by the Petitioner, the Electricity Duty is solely in the purview of GoUP.

FIXED CHARGES

A. Comments/ Suggestions of the Public

2.2.343 Shri Vishnu Bhagwan Agarwal, Chairman, ASSOCHAMUP, requested the Commission to waive fixed charges for 6 months till the Pandemic situation normalizes.

B. Petitioner's Response

2.2.344 The Petitioner kindly submitted that Fixed Charges are being billed and recovered as per Rate Schedule approved by the Commission in its Tariff Orders latest being September 03, 2019. Further, Electricity Duty is being levied and collected based on directions provided by Government of Uttar Pradesh latest being notification no. 1845/XXIV-P-3-2012 dated September 13, 2012. The consumers of the Petitioner as well as Industry Associations are also requesting for waiver of fixed charges and increased kVAh consumption against kWh consumption due to low power factor. In case, any relief / relaxation is granted by the Commission, the Petitioner will implement the same accordingly.

C. Commission's View

2.2.345 The Commission has taken note of the objections/suggestions made by the stakeholders and the reply of the Licensee in this regard.

DEDUCTION OF OTHER CHARGES

A. Comments/ Suggestions of the Public

2.2.346 Shri Ghananand Shukla, Mahagun Mywoods enquired about the status of NPCL Order dated August 20, 2020 pertaining to deduction of Charges other than Prepaid Electricity from Energy Meter by the Builder. He submitted that apart from Electricity, Builder cannot deduct any charges other charges i.e. common area maintenance charges, vending charges, etc. from the prepaid meters installed permanently installed for measuring electricity supply. Further, he submitted that the Builder didn’t separated the electricity charges even after the NPCL order and keep on continuing the scam and requested to share the status.

2.2.347 Victoryone Central Residents submitted that Intellect Project did not remove/delink CAM charges even after issuing the notice regarding the same.

B. Petitioner’s Response

2.2.348 As regards to the objection of Shri Ghananand Shukla, the Petitioner submitted that, through its letter dated August 20, 2019 referred by the objector, vide its letters no. COMM/ FY 19-20/TARIFF/103 dated 13th Sep’19 and COMM/ FY 19-20/GH/100 dated 11th Dec’19 asked the Builder / RWA/ AOA to strictly comply with the Tariff Orders and Guidelines issued by the Commission. Due to non-response from the Builder / RWA/ AOA, the Company vide its letter dated 9th Jul’20 again directed as follows:

- To ensure electricity is distributed at no profit no loss basis;
- To delink CAM charges, Water Charges, Club Charges etc. from the Pre-paid Meters;
- To get their accounts audited by Charted Accountants and to make available the same to the end Consumers/Residents;
- Provide information concerning Total No. of Flats, Load sanctioned to each flat, Rate of Fixed Charges being charged to Flat Owners, Rate of Energy Charges being charged to Flat Owners, Total Fixed Charges received from Apr to Jun 2020, Total Energy Charges received from April to June 2020 and status of Audited Accounts for FY 2018-19 and FY 2019-20.
- The Builder vide its letter dated September 22, 2020 submitted its reply addressing the complaint of Mr. Shukla.

2.2.349 As regards to the objection by Victory one Central Residents , the Petitioner submitted that with respect to complaints received from Residents, the Company vide its letter dated 27th Aug’20 had directed M/s Intellect Projects Limited to delink/ decouple CAM charges from Electricity Meter which has been confirmed by them vide their letter dated 11th Sep'20.

C. Commission's View

2.2.350 The Commission has taken note of the Comments of the Stakeholder and reply of the Petitioner.

DOCUMENTS IN SECURED PDF

A. Comments/ Suggestions of the Public

2.2.351 Shri Rama Shanker Awasthi submitted that the Petitioner has provided details in a secured PDF, which is not readable as it contains the details in a very small font size and therefore, conducting analysis was a tedious task, which is actually favorable to the Petitioner. However, he has reproduced some pdf (of FY 2018-19) into excel formats in order to bring out the serious issue for the consideration of the Commission. He also submitted that if the Petitioner transactions were transparent, they would not adopt such serpentine practice. He further submitted that the excel sheet can be provided for further analysis to the Commission. He also requested the Commission to direct the Petitioner to provide the documents in workable excel formats in future.

2.2.352 Based on the reply of the Licensee, he submitted that the tariff filing forms and the data placed on record by the Petitioner has been provided in pdf format which is barely legible and not searchable or readable as well. This causes a lot of issues in terms of securitising the various details provided. From whatever data that could be scrutinised by the Objector from the data that has been provided in the pdf format, the issues herein above have been identified by the Objector. It would not be farfetched to suggest that if the data is provided in the form of excel sheets, as it is prepared and retained by the Petitioner, it would not only help the Commission and the consumers in scrutinising this data, but shall also help in identifying the issues in a more expeditious and efficient manner.

B. Petitioner's Response

2.2.353 The Petitioner submitted that the complete information was uploaded on the website of the Petitioner in downloadable format as per the directions of the Commission.

C. Commission's View

2.2.354 The Commission has taken note of the objections/suggestions made by the stakeholders and the reply of the Licensee in this regard. The Commission directs the Petitioner that while filing ARR/ Tariff Petition, it shall upload on its website the Petitions filed before the Commission along with all regulatory filings, information, particulars and related documents, which shall be signed digitally and in searchable pdf formats along with all excel files.

2.2.355 **DIVERSION OF NPCL RESOURCES**

A. Comments/ Suggestions of the Public

2.2.356 Shri Rama Shanker Awasthi submitted that it has come to the knowledge from the market sources that CESC owned franchisee in Rajasthan are managed by the Petitioner management and is required to be investigated whether same works to same contractors are being given both at Greater Noida and at Rajasthan. He submitted that, it is doubtful that Contractors who are working both at the Petitioner and Rajasthan are paid some amount in the Petitioner's work orders to compensate their losses on work orders in Rajasthan. Further, he submitted that the resources at NPCL greater Noida are doubted being diverted to Rajasthan, thereby their GFA/capex claims appear to be shady and dubious. Therefore, he requested the Commission to direct the Managing Director of the Petitioner to give an affidavit to this statement to the Commission and for any such illegal act he must be personally responsible.

B. Petitioner's Response

2.2.357 The Petitioner submitted that the CESC, CESC Rajasthan (Distribution Franchisee) and the Petitioner engaged in power generation and distribution business are RPSG Group companies. For sharing of knowledge and best practices, these Companies not only interact with each other but also with other leading companies like Tata Power, BSES etc. There is no question of diversion of resources from any one company to the other company as alleged. Like legal and professional firms, suppliers of materials, the Contractors are also working simultaneously in many companies. It is their prerogative and decision to work with any company on their respective mutually agreed terms. For example, the contractors which are working with Tata Power, BSES distribution business may also be working with Torrent Power, CESC, NPCL etc.

C. Commission's View

2.2.358 The Commission has taken note of the objections/suggestions made by the stakeholders and the reply of the Licensee in this regard.

STATISTICS OF NETWORK

A. Comments/ Suggestions of the Public

2.2.359 Shri Avadhesh Kumar Verma, Chairman, M/s U.P Rajya Vidyut Upbhokta Parishad submitted that the Petitioner has shown coincident demand i.e. connected load of 800 MW and supply at 33kV is 52-55% which is fed by UPPTCL's substation. He submitted that this Coincident demand at 11kV and LT is 400 MW and peak demand at the rate of 60% LF is 240 MW. He enquired how the Petitioner is allowed to have 33/11kV Station capacity at 818 MVA i.e. 770 MW including 95% Power factor and is more than 3 times of required peak demand. He submitted that the Distribution transformer capacity is stated at 688 MVA (654 MW at 95% PF) in FY 2020-21. At LT, demand of the Petitioner cannot be more than 100-110 MW and is almost 6 times. He submitted that the Petitioner should optimize capacity of distribution transformer. He also submitted that even for 10 kW of new connection, the Petitioner charge full DP structure making estimate in lacs whereas it should be provided maximum at Rs 22000 in Industry / institute area. He also submitted that for any consumer asking load 30 kW, estimate goes in lacs as they charge 100 kVA transformer as they don't have 63 kVA transformers as shown in GFA of FY 2018-19.Therefore, he requested the Commission to not allow any capex on DTs for next 10 years and also to save new consumers or other LT consumers from such high estimates by the Petitioner.

B. Petitioner's Response

2.2.360 The Petitioner is duty bound under the provisions of the Electricity Act, 2003 to provide electricity supply to its consumers on demand. The Petitioner's licensed area is spread over 335 sq. kms. and sparsely inhabited barring some areas.

Further, the Petitioner quoted clause 4.2 (b) of the ESC 2005 states as follows: -

> " (b) The Licensee shall meet the cost for strengthening / up gradation of the system to meet the enhanced demand of the existing consumers as well as future growth in demand. Such expenditure shall be allowed to be recovered from the consumers through tariff subject to financial prudence check by the Commission."

2.2.361 Also, it was submitted that the ESC 2005 mandates the distribution licensee to strengthen and upgrade its system to meet the enhanced demand of not only the existing and prospective consumers but also for future growth in demand. Accordingly, the Petitioner is required to establish an efficient distribution system to meet the demand of its existing and prospective consumers as well as growth in demand every year.

2.2.362 The Petitioner also submitted that the construction of 33/11 kV Substations are done based on the area development plan of the GNIDA and also to cater the increase in localized demand. Lands for 33 kV Substations are allotted by the GNIDA based on its Master Plan for the development of the identified area. It is mentioned that the Petitioner constructs 33/11 kV Substation initially with one 12.5 MVA Power Transformer with the provision of second Transformer in future as per the standard design with N – 1 reliability. Since the initial load of the newly developed Sectors / area is comparatively less, the MVA capacity as reflected would be more for some time.

2.2.363 Further, it is to be noted that the peak demands of the different consumer categories are not concurrent and accordingly, it is observed that the peak load of LT consumers (mainly domestic & commercial, street lights, tube wells etc.) used to be around 230 – 250 MW resulting 50% to 80% loading on the transformers.

2.2.364 The Petitioner added that the report of "Load Forecasting and Network Planning" carried out in FY 2016-17 by M/s Feedback Infra in compliance to the directions of the Commission that has already been submitted to the Commission, comprises not only the load forecasting for Petitioner's licensed area from FY 2017-18 to FY 2026-27, but also the Network Planning to meet such forecasted load over the same period. Accordingly, for the purpose preparing Capital Expenditure Plan for the Control Period, the Petitioner has relied on both the sales projections of the Petitioner and the study report conducted by M/s Feedback Infra. The detailed justification for Capital Expenditure Plan has already been provided in the Business Plan for MYT Control Period FY 2020-21 to FY 2024-25.

C. Commission's View

2.2.365 The Commission has taken note of the objections/suggestions made by the stakeholders and the reply of the Licensee in this regard.

DUE DATE EXTENSION

A. Comments/ Suggestions of the Public

2.2.366 Shri Vishnu Bhagwan Agarwal, Chairman, ASSOCHAMUP requested the Commission to extend the due date for payment in pending bills up to 30-6-2020.

B. Petitioner's Response

2.2.367 The Petitioner kindly submitted that Fixed Charges are being billed and recovered as per Rate Schedule approved by the Commission in its Tariff Orders latest being September 03, 2019. Further, Electricity Duty is being levied and collected based on directions provided by Government of Uttar Pradesh latest being notification no. 1845/XXIV-P-3-2012 dated September 13, 2012. The consumers of the Petitioner as well as Industry Associations are also requesting for waiver of fixed charges and increased kVAh consumption against kWh consumption due to low power factor. In case, any relief / relaxation is granted by the Commission, the Petitioner will implement the same accordingly.

C. Commission's View

2.2.368 The Commission has taken note of the objections/suggestions made by the stakeholders and the reply of the Licensee in this regard.

NEXUS WITH BUILDERS

A. Comments/ Suggestions of the Public

2.2.369 Shri Avadhesh Kumar Verma submitted that there is a nexus between the Petitioner and the builders as the Petitioner is providing connection at low voltage to the consumers whereas the builders are providing connection to the consumers at high voltage and both are earning from the consumers.

B. Petitioner's Response

2.2.370 The Petitioner submitted that the comment by the objector that the Petitioner has a nexus with the Builders is false and baseless. Also, the Petitioner added that if there is any specific complaint, the same may be brought to the knowledge of the Petitioner for appropriate action, as may be required.

C. Commission's View

2.2.371 The Commission has taken note of the objections/suggestions made by the stakeholders and the reply of the Licensee in this regard.

NPCL SUPPLYING POWER IN PVVNL'S AREA AND PVVNL SUPPLYING POWER IN NPCL'S AREA

A. Comments/ Suggestions of the Public

2.2.372 Shri Avadhesh Kumar Verma submitted that the Petitioner is providing power supply to two institutions in PVVNL'S area whereas PVVNL is providing power supply to the areas of the Petitioner.

B. Petitioner's Response

2.2.373 The Petitioner mentioned that the connections to M/s Supertech Up-country, M/s Galgotia University and M/s Noida International University were energised long back as PVVNL did not have its network in the said area, whereas, PVVNL has been granting electricity connections in Petitioner's area despite availability of Petitioner's network from the beginning. It was submitted that as per information available to the Petitioner, a list of details of such connections has been provided. The Petitioner from time to time has requested PVVNL to hand-over Petitioner's Consumers and 33/11 kV Ithera Substation to the Petitioner as well as take-over their above-mentioned consumers from a mutually agreed cut-off date. The Petitioner further submitted that it has not received any appropriate response from PVVNL, therefore, this matter has been brought to the kind attention of Chairman, UPPCL, Managing Director, Director (Commercial), Chief Engineer (Commercial), Chief Engineer (Distribution) Noida, Superintending Engineer (EUDC-2 Noida) of PVVNL and the Commission through various correspondence resting with letter no. E-9/86 dated 10.08.2020. The Petitioner has also submitted a copy of the same for the reference of the Commission.

C. Commission's View

2.2.374 The Commission has taken note of the objections/suggestions made by the stakeholders and the reply of the Licensee in this regard.

OTS SCHEME

A. Comments/ Suggestions of the Public

2.2.375 Shri Avadhesh Kumar Verma, submitted that government is providing OTS Scheme to domestic rural and agriculture consumers where 100 % interest is waived off by the DISCOMs for the past several years. He further submitted that it will be unfair to the consumers who are paying bills on time. He added that, an arrangement shall be done for the domestic (urban and rural) and agriculture consumers, those who are paying regularly, that if any consumer is not able to pay for any four months out of 12 months, then that consumer shall not be charged late payment surcharge for those four months. And this arrangement will be applicable to only those consumers who have paid regularly for 8 months in that financial year. The consumers who are regularly paying for 12 months, they shall be given rebate of 10 to 15% in the last month of the financial year.

B. Petitioner's Response

2.2.376 The Petitioner submitted that in case, any relief / relaxation is granted by the Commission, the Petitioner will implement the same accordingly.

C. Commission's View

2.2.377 The Commission has taken note of the objections/suggestions made by the stakeholders and the reply of the Licensee in this regard.

IMPROPER REPLIES

A. Comments/ Suggestions of the Public

2.2.378 Shri Rama Shanker Awasthi submitted that the Petitioner has not been providing complete replies to the objections provided every year. He requested the Commission to provide a time bound window opportunity to the public at large and objectors to submit counter replies to reply to the objections in order to make the public consultation meaningful and effective.

B. Petitioner's Response

2.2.379 The Petitioner has not submitted the reply for the Petitioner Objection.

C. Commission's View

2.2.380 The Commission has taken note of the objections/suggestions made by the stakeholders and the reply of the Licensee in this regard.

CONVERSION TO MULTI POINT CONNECTION

A. Comments/ Suggestions of the Public

2.2.381 Shri Sunil Kumar Pandey submitted that why there is not an easy mechanism to give Multi point connection at Builder Apartment & Gated societies where single point connection are running as of now.

B. Petitioner's Response

2.2.382 The Petitioner submitted that it is following the procedure for conversion from Single Point to Multi- Point as prescribed by the Hon'ble Commission vide 13th amendment to the Electricity Supply Code 2005. The said procedure has been further explained / clarified to the Consumers.

C. Commission's View

2.2.383 The Commission has taken note of the objections/suggestions made by the stakeholders and the reply of the Licensee in this regard.

MISCELLENEOUS

A. Comments/ Suggestions of the Public

2.2.384 IRWO Palm Court Flat Owners Association, Rail Vihar submitted that it does not deal with Electricity Distribution for individual flats and it is dealt by NPCL. It is submitted that the details pertaining to individual flats must be with NPCL as Electricity supply is provided by NPCL under their individual contract. Further, it is submitted that collection of amounts from all flat is being taken by NPCL.

B. Petitioner's Response

2.2.385 As regards to the objection of IRWO Palm Court Flat Owners Association, the Petitioner submitted that it was in receipt of various complaints from several societies regarding non-compliance of the Commission's Tariff Order dated 3rd Sep'19. Hence, the Company vide General Notice dated 11th Dec'19 directed all the societies of Greater Noida for strict compliance of the aforesaid Tariff Order. Indian Railway Welfare Organisation ("IRWO") vide its letter dated 26th Dec'19 replied to the aforesaid notice confirming that it is complying with aforesaid Tariff Order of the Commission, a copy of which was also marked to the Commission.

C. Commission's View

2.2.386 The Commission has taken note of the objections/suggestions made by the stakeholders and the reply of the Licensee in this regard.

3 TRUE UP FOR FY 2018-19

3.1 BACKGROUND

3.1.1 NPCL have sought the final truing up of expenditure and revenue for FY 2018-19 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 2018-19 and has undertaken the truing up of expenses and revenue after prudence check of the data made available by the Petitioner.

3.2 INDEPENDENT AUDIT FOR FY 2018-19

3.2.1 The Independent auditor has submitted the details for True-Up of FY 2018-19. The observations made by the auditor have been taken into consideration while determining the True-Up of FY 2018-19.

3.3 NUMBER OF CONSUMERS AND CONNECTED LOAD

3.3.1 The Petitioner has submitted that the Commission in its Tariff Order for FY 2018-19 dated 22nd January, 2019 approved the No. of Consumers and Connected Load for FY 2018-19 at 87,806 and 986.22 MW respectively, based on the submissions made by the Petitioner, while, as per Audited Accounts, the actual number of Consumers and Connected Load are 91,234 and 934.60 MW, respectively, as shown in the Table below:

Table 3-1: No. of consumers and connected load for FY 2018-19 as submitted by the Petitioner

Sl. No.	Category	No. of Consumers	Connected Load (MW)
1	LMV-1: Domestic Light, Fan & Power	81,390	355.18
2	LMV-2: Non-Domestic Light, Fan & Power	2,922	24.12
3	LMV-3: Public Lamps	206	10.41
4	LMV-4: Institution	675	6.61
5	LMV-5: Private Tube Wells	1,191	5.65
6	LMV 6: Small and Medium Power	2,933	66.82
7	LMV-7: Public Water Works	198	7.36
8	LMV-8: STW and Pumped Canals	10	-
9	LMV-9: Temporary Supply	810	22.22
10	HV-1: Non-Industrial Bulk Power	178	99.86
11	HV-2: Large and Heavy Power	721	336.38
	Total	**91,234**	**934.60**
	For FY 2017-18	82,231	832.37
	Growth over previous year	**10.95%**	**12.28%**

3.3.2 The Petitioner has submitted that the projection of number of consumers and connected load was based on certain assumptions regarding various factors such as forthcoming development in area, Master Plan of Greater Noida Industrial Development Authority, Central / State Govt. schemes like "Saubhagya" scheme etc., however, the actual number of consumers and connected load has varied because of variations in the aforesaid parameters.

3.4 ENERGY SALES

3.4.1 The Petitioner has submitted that in FY 2018-19, it recorded unrestricted peak demand of 374 MW against which it was able to supply 355 MW power due to restrictions imposed by UPPTCL/UPSLDC on transmission of power to Greater Noida area. In effect, the Petitioner was hindered from achieving higher sales levels it would otherwise have achieved.

3.4.2 The Petitioner has submitted that the approved sales of 1853.81 MU were computed based on various assumptions regarding various factors like free and uninterrupted import of power, supply hours, load shedding hours, power factor, consumption under various time blocks etc., however, the actual sales and revenue vary because of variations in the parameters, based on actual consumption and supply conditions.

3.4.3 The Petitioner has submitted that during FY 2018-19, it has recorded sales of 1850.07 MU reflecting growth of 11.17% over FY 2017-18. The actual category-wise sales for FY 2018-19 is shown in the Table below:

Table 3-2: Category-wise Energy Sales for FY 2018-19 submitted by the Petitioner (MU)

Sl. No.	Category	Approved in Order dated 22 Jan, 2019	True Up Petition
1	LMV-1: Domestic Light, Fan & Power	494.68	452.36
2	LMV-2: Non-Domestic Light, Fan & Power	36.39	34.17
3	LMV-3: Public Lamps	32.50	35.65
4	LMV-4: Institutions	17.41	14.08
5	LMV-5: Private Tube Wells	31.7	25.83
6	LMV 6: Small and Medium Power	78.18	81.00
7	LMV-7: Public Water Works	20.39	19.20
8	LMV-8: STW and Pumped Canals	0.75	0.47
9	LMV-9: Temporary Supply	45.16	49.03
10	HV-1: Non-Industrial Bulk Power	205.06	217.65
11	HV-2: Large and Heavy Power	891.58	920.65
	Sub Total	**1853.80**	**1850.07**
	For FY 2017-18		**1667.60**
	Growth over previous year		**10.94%**

Commission's Analysis:

3.4.4 The Commission observed the Petitioner for LMV-3 has submitted the actual no. of consumers were 206 while as approved in the True Up of FY 2017-18, the actual no. of consumers were 20. Similarly, for LMV-8 in FY 2017-18 the actual No. of consumer was 1, while in the True Up Petition for FY 2018-19 it has submitted the no. of consumers as 10. The same was enquired from the Petitioner which further submitted that LMV 3 category belongs to consumers of Public Lighting. Due to internal reallocation of responsibilities, GNIDA has segregated one connection for multiple sectors into multiple connection based on respective Sector In-charge. Hence, there are increase in number of consumers. Similarly, the category of LMV 8 belongs to consumers of State Tube Wells, Panchayat Raj Tube Wells and Pumped Canals, who have also reconfigured their connections based on the physical assessment carried out in the field. Hence, there is an increase in the number of connections.

3.4.5 The Commission observed that the actual energy sales for FY 2018-19 is lower by 3.73 MUs than the energy sales approved for FY 2018-19 by the Commission vide Tariff Order dated January 22, 2019. The energy sales in FY 2018-19 represents a growth of 10.94 % over the energy sales in FY 2017-18. The Commission approves the actual energy sales at 1850.07 MU.

3.4.6 The category-wise energy sales approved for FY 2018-19 is shown in the Table below:

Table 3-3: Category wise Sales for FY 2018-19 as approved by the Commission (in MU)

Sl. No.	Category	Approved In T.O Dated 22.01.2019	True Up Petition	Approved upon Truing up
1	LMV-1: Domestic Light, Fan & Power	494.68	452.36	452.36
2	LMV-2: Non-Domestic Light, Fan & Power	36.39	34.17	34.17
3	LMV-3: Public Lamps	32.50	35.65	35.65
4	LMV-4: Institutions	17.41	14.08	14.08
5	LMV-5: Private Tube Wells	31.7	25.83	25.83
6	LMV 6: Small and Medium Power	78.18	81	81
7	LMV-7: Public Water Works	20.39	19.2	19.2
8	LMV-8: STW and Pumped Canals	0.75	0.47	0.47
9	LMV-9: Temporary Supply	45.16	49.03	49.03
10	HV-1: Non-Industrial Bulk Power	205.06	217.65	217.65
11	HV-2: Large and Heavy Power	891.58	920.65	920.65
	Sub Total	**1853.80**	**1850.07**	**1850.07**

3.4.7 The category-wise number of consumers, connected load and energy sales approved / Trued- Up for FY 2018-19 are shown in the Table below:

Table 3-4: Category wise No. of Consumers, Connected Load & Energy Sales as approved for FY 2018-19

Sl. No.	Category	No. of consumers	Connected Load (MW)	Sales (MU)
1	LMV-1: Domestic Light, Fan & Power	81,390.00	355.18	452.36
2	LMV-2: Non-Domestic Light, Fan & Power	2,922.00	24.12	34.17
3	LMV-3: Public Lamps	206.00	10.41	35.65
4	LMV-4: Institutions	675.00	6.61	14.08
5	LMV-5: Private Tube Wells	1,191.00	5.65	25.83
6	LMV 6: Small and Medium Power	2,933.00	66.82	81
7	LMV-7: Public Water Works	198.00	7.36	19.2
8	LMV-8: STW and Pumped Canals	10.00	-	0.47
9	LMV-9: Temporary Supply	810.00	22.22	49.03
10	HV-1: Non-Industrial Bulk Power	178.00	99.86	217.65
11	HV-2: Large and Heavy Power	721.00	336.38	920.65
	Sub Total	**91,234.00**	**934.60**	**1850.07**

3.4.8 The external auditor pointed in its report that there were 2527 unmetered consumers in LMV-1 category, 706 in LMV-5 category and 10 in LMV-8 category. However, the Petitioner vide email dated November 18, 2020 submitted that there were 2527 unmetered consumers under LMV-1 category as at March 2018 and the auditors might have mistakenly taken the number as the number of consumers as at Mar-19 as against actual number of consumers at 2426. Hence, the actual number of unmetered consumers as at Mar-19 were 2426. Further, the Petitioner submitted that for LMV-8 category during FY 2018-19, all the connections of State Tubewells were converted into metered connections and hence, the earlier 1 no. unmetered connection in LMV-8 category was converted into 10 metered connections. The esteemed auditors might have mistakenly mentioned 10 consumers under unmetered category as against metered category.

3.4.9 The Commission observed that the Petitioner have overbooked Sales in the unmetered categories with respect to the norms of sales approved by the Commission for the unmetered categories vide Order dated 09th December, 2016 in suo-moto proceedings in the matter of "*Revision of consumption norms for unmetered category of consumers*". As per this Order the consumption norms were applicable for 5 State Discoms which cover almost the whole State irrespective of regional and demographic variations and other variable parameters and as NPCL is also part of the State (NPCL) and shares boundaries with Discoms, hence it is assumed that the same norms can be safely applied for NPCL also. The Commission has computed the excess sales booked by Petitioner, based on the above discussed normative consumption norms as under:

Table 3-5: Norms for NPCL for Sales

Category	NPCL	No. of consumers	Connected load/ contracted demand (MW)	Total Energy Sales (MU)	kWh Per kW per month consumers	Norm kWh Per kW per month consumers (approved vide order dated 9.12.16)	Sales as per Norms approved	Excess Sales booked/ Sales under booked
LMV 1	Dom: Rural Schedule (unmetered)	2426	5.39	16.27	251.50	144	9.32	6.95
LMV 5	PTW: Rural Schedule (unmetered)	706	3.33	20.28	507.25	137.49	5.50	14.78
	Total							**21.73**

3.4.10 For the purpose of truing up, the Commission is not allowing the excess sales of 21.73 MUs booked under the unmetered categories and the corresponding treatment of the same has been done in the power purchase section. **Accordingly, the Commission has approved the actual Sales of 1828.33 (1850.07-21.73) MUs and billing determinants i.e. No. of consumers and connected load (kW) as actuals, for FY 2018-19.**

3.5 ENERGY BALANCE AND DISTRIBUTION LOSS

3.5.1 The Petitioner has submitted that the demand of electricity is growing steadily, unfortunately, the power sector is badly affected by “Apollo Syndrome” facing huge commercial losses, representing inefficient utilization of natural resources and consequently, casts unwanted burden on end-use of electricity. The T&D losses vary widely from utility to utility and are over 20% on an average in India against 6-12% in developed countries like US, UK, Germany, France etc. Some of the utilities in India have over 30% T&D losses.

3.5.2 The Petitioner has submitted that it has been striving to implement / emulate efficient, resilient, robust, inclusive, tailor-made initiatives to tackle the ever-rising menace i.e. commercial loss, which all distribution utilities are struggling hard to chain. While many initiatives tendered significant results but sometimes most worthy models failed due to the volatile environment, which are beyond the control of the distribution licensee. Some of these issues significantly giving rise to pilferage in Greater Noida area are as follows-

i) Local Authority restraining the Petitioner from providing electricity connection in unplanned and un-authorized colonies leading to unauthorized tapping of energy. The menace has been quite high in “Doob” area of Greater Noida which is witnessing rapid build-up of colonies considering with growing urbanization and all-round development. On one side GNIDA is accepting registration of plots while on the other side the NGT is not allowing the Petitioner to lay its network and provide legal connection against the rapidly growing dwelling, resulting into huge T&D losses. Greater Noida being a developing city with many vacant residential premises, has attracted unauthorized occupants in urban areas who also indulge in hooking and tapping of electricity.

ii) The Petitioner submitted that in villages and unauthorized colonies, due to lack of planned development and no authority for approving "Naksha", at many places, the electrical network is being exploited to such a level where even the electrical poles / transformers are being covered within the boundary / four wall of the houses leading to theft / pilferage. Due to widespread land acquisition in Greater Noida, allocation of certain percentage of land to farmers and development of private colonies, the above practice is quite frequent and wide spread in Greater Noida Area.

iii) The Petitioner submitted that hours of supply in rural areas has been increased i.e. from 12-16 hours to at least 18-22 Hrs in accordance with the State Government directions. In this regard, it submitted that it has been directed to provide 18 hours power supply in villages failing which action will be taken against it in accordance with the conditions of license of the Petitioner. Therefore, it had to further increase power supply in villages. However, it'll result into higher T&D losses and bad debts due to non-payment of bills.

iv) Lowering of HT: LT ratio due to rise in LT consumers.

v) Farmers' agitation, poor law & order situation and lack of support from police and administration which are beyond the control of the Petitioner.

vi) Not even a single power theft case has been decided on merit by Special Court since its inception in the year 2004. As on March 2019, as many as 6118 cases were lying undecided at the Special Court while 329 FIRs and 5790 Complaint Cases were pending with the local police owing to their inaction. Further, due to such inaction of judicial / administrative bodies, as explained above, the enforcement drives conducted by the Petitioner also becomes ineffective and toothless.

3.5.3 The Petitioner has submitted that earlier it was able to contain T&D loss at 8% by curtailing load in the loss prone areas but with the strict direction to increase power supply in rural areas for at-least 18 hours irrespective of high losses and non-payment of bills, the T&D Loss cannot be contained at 8% level. Further, these villagers are adding many of the electrical / electronic items such as air conditioners, large TVs, washing machines, mobile phone, Laptops etc., without paying their electricity dues. This has seriously strained the Petitioner's efforts to contain its losses at 8%.

3.5.4 The Petitioner has submitted that in view of facts and reasons explained as above in respect of increase in losses and considering the high losses being witnessed in the State of Uttar Pradesh, the Commission may consider and allow the marginal increase in losses as claimed by the Petitioner.

3.5.5 Notwithstanding the above, the Petitioner has submitted that it is trying its best through regular enforcement drives as well as social intermediation and has been able to contain T&D losses at 8.15% for FY 2018-19. Accordingly, the Distribution Losses as per Audited Accounts for FY 2018-19 are shown in the table below:

Table 3-6: Energy balance and distribution losses for FY 2018-19 as submitted by the Petitioner

Particulars	Approved in T.O. dated 22.01.2019	Actual
Energy Sales (MU's)	1853.81	1850.07
Distribution Loss %	8.00%	8.15%
Distribution Loss (MU's)	161.20	164.10
Energy Purchase (MU's)	2015.01	2014.17

3.5.6 The Petitioner has requested that in view of facts and reasons explained as above in respect of increase in losses and considering the high losses being witnessed in the State of Uttar Pradesh, the Commission may consider and allow the marginal increase in losses as claimed by the Petitioner and approve the actual quantum of power purchase of 2014.17 MU during FY 2018-19 in full.

Commission's Analysis:

3.5.7 The Commission observed that the Petitioner has mentioned energy purchase at distribution periphery as 2014.17 MU, however the monthly energy account (T-D interface points) issued by the SLDC for the Month of March 2019 dated 22/05/2019 mentions the same as 2010.92 MU. The Commission also noticed that the UPPTCL in its True Up filing for FY 2018-19 has mentioned the Energy handled at NPCL periphery as 2010.92 MU. The Commission in this regard sought the reasons for such variance for the same. The Petitioner in this regard submitted that energy balance mentioned in the Petition is inclusive of energy procurement from consumers through Net Metering, Captive Solar Plant installed at the roof-top of the Petitioner as well as the energy procured from the PPA entered with GNIDA for supply of 1 MW Solar power duly approved by the Commission which is not included in the energy account issued by SLDC.

3.5.8 The Commission further sought the detailed energy balance table including the Intra and Inter-State Transmission losses which the Petitioner provided as shown in the Table below:

Table 3-7: Energy Balance as submitted by the Petitioner for FY 2018-19

Particulars	Formulae	Actual (Mus)
Energy purchased from outside the State at Gen ex- Bus (MU)	A	1,762.74
Inter- State losses (%)	B	3.46%
Total Energy from outside the state at State Periphery (MU)	C=A-(A*B)	**1,701.71**
Intra- State losses (%)	D	3.75%
Energy at Discom periphery (MU)	E=C-(C*D)	**1,637.84**
Energy purchased directly at Discom periphery (MU)*	F	376.33
Total Energy at Discom periphery (MU)	G=E+F	**2,014.17**
**Includes energy having delivery point at NPCL Bus*		

3.5.9 It can be observed from the above Table that total Energy purchased by the Petitioner at ex-bus is 1762.74 MU. Intra-State transmission losses have been computed as 3.75% while, Inter-State transmission losses (PGCIL losses) are considered as 3.46%. After grossing off all the losses the energy required at Discom periphery by the Petitioner is 2010.92 MU and corresponding to the Total Sales is 1850.07 MU.

3.5.10 The Commission in Tariff Order dated January 22, 2019 approved the Distribution Losses of 8.00% for FY 2018-19. The actual Distribution Losses claimed by the Petitioner for FY 2018-19 comes to 8.15%, which is higher than the losses approved by the Commission. Considering the submissions made by the Petitioner, the Commission for the purpose of Truing Up for FY 2018-19 approves the same Distribution Losses as approved by the Commission in its Tariff Order dated January 22, 2019 as shown in the Table below:

Table 3-8: Approved Energy Balance for FY 2018-19

Particulars	Approved vide T.O. 22/01/2019	True Up Petition	Approved upon Truing up
Energy Sales (MU)	1,853.81	1,850.07	1,850.07
Distribution Loss %	8.00%	8.15%	8.00%
Distribution Loss including EHV losses (MU)	161.20	164.10	160.88
Energy Purchase at Discom Periphery (MU)	**2,015.01**	**2,014.17**	**2,010.92**

3.5.11 The actual Loss of FY 2018-19 as submitted by the Petitioner are as under:

Name of Discom	Energy at Discom Periphery	Sales	Actual Distribution Loss	Distribution Losses as Approved in Tariff Order dt.22.01.2019	Distribution Losses Claimed
	(MU)	(MU)	(%)	(%)	(%)
NPCL	2014.17	1850.07	8.15%	8.00%	8.15%

3.5.12 As computed in previous section, it is observed that by increasing the sales of Unmetered categories (LMV-1, LMV-5), the Petitioner has, not only claimed excess power purchase cost, but also, suppressed the actual distribution losses for the year. Taking into consideration the same, the loss computation comes out to be as follows:

Particulars	Energy at Discom Periphery (MU)	Sales (MU) approved after reducing excess sales booked under unmetered categories	Actual Distribution Loss computed (%)
NPCL	2014.17	1828.33	9.23%

3.5.13 From the above, it has been observed that the Petitioner have suppressed the actual distribution losses for the year FY 2018-19 by 1.08%.

3.6 POWER PURCHASE

3.6.1 The Petitioner has submitted that Commission in its Tariff Order dated January 22, 2019 has approved Power Purchase quantum and cost at 2015.01 MU and Rs. 1,020.01 Crore respectively.

3.6.2 The Petitioner submitted that in FY 2018-19 it recorded unrestricted peak demand of up-to 374 MW however it was able to draw power only up-to 355 MW due to the restrictions imposed by UPPTCL/UPSLDC on transmission of power to Greater Noida area. Although UPPTCL upgraded Bulk Transmission Agreement (BPTA) to 400 MW on 17th January, 2018, yet it signed Connection Agreement for 355 MW only and thereby limited the drawl of power by the Petitioner up to 355 MW.

3.6.3 The Petitioner has submitted that the total quantum of energy procured during FY 2018-19 was 2,014.17 MUs which includes power procured from Renewable Sources and Captive generation.

3.6.4 As regards the power procurement from LTPPA, the petitioner has submitted that on 26th September, 2014, the Petitioner signed a Power Purchase Agreement ("PPA") with of M/s Dhariwal Infrastructure Limited (hereinafter referred to as "DIL") for supply of 187 MW Power from Unit II of the plant. The said PPA has been approved by the Commission, vide its Order dated April 20, 2016, read with Order dated January 15, 2016.Thereafter, M/s DIL, on 6th September, 2017, filed Multi Year Tariff (MYT)

Petition No. 1235 for the control period FY 2016-17 to FY 2018-19, to determine Generation Tariff in accordance with the provisions of the approved PPA. The Commission after holding various hearings and considering the submissions of M/s DIL vide its Order dated 5th February 2019 approved the generation tariff for the period of FY 2016-17 to FY 2018-19 of M/s DIL.

3.6.5 The Petitioner has submitted that during FY 2018-19 it has met majority of the load of the consumers through LTPPA with M/s DIL which supplied 187 MW (Net 170 MW at DIL Plant Bus after 9% Auxiliary Consumption) RTC power. The Petitioner procured 1,086.15 MU power from M/s DIL during FY 2018-19.

3.6.6 The Petitioner has submitted that the Commission while approving the tariff of power from M/s DIL in its Tariff Order for FY 2016-17 to FY 2018-19 dated 5th February, 2019 observed as follows:

On scrutiny of the computation of levelized tariff it was observed that the levelized tariff has been computed based on the projected values of Energy Charges, PGCIL Charges, PGCIL Losses and Discounting Factor etc. The levelized tariff submitted by DIL at UP Periphery is as follows:-

Table-1: COMPARISON OF LEVELIZED TARIFF SUBMITIED BY DIL

Capital Cost (Rs. Crore)	*Levelized Fixed Charges*	*Levelized Energy Charges*	*POC Charges*	*POC Losses*	*Total Levelized*
1941	*Rs. 1.93/kWh*	*Rs.2.21/kWh*	*Rs. 0.49/kWh*	*Rs. 0.16/kWh*	*Rs. 4.79/kWh*
1927.65	*Rs. 1.88/kWh*	*Rs.2.21/kWh*	*Rs. 0.49/kWh*	*Rs. 0.16/kWh*	*Rs. 4.74/kWh*
1903.58	*Rs. 1.86/kWh*	*Rs.2.21/kWh*	*Rs. 0.49/kWh*	*Rs. 0.16/kWh*	*Rs. 4.73/kWh*

3.6.7 The Petitioner has further submitted that the Commission in Tariff Order dated 5th February, 2019, also observed that any claim on account of change in law and additional procurement of coal shall be dealt separately and decided the Fixed Charges and Energy Charges in the following manner:

"4.2.7 The Comparison of levelized tariff has been done based on the capital cost as on cut of date and additional capitalization proposed by the petitioner beyond the cutoff date. The effect of variations allowed by the Commission over and above the levelized tariff as per Order dated 15.01.2016 and 20.04.2016 viz. CERC Index, change in law and actual variation in interstate transmission charges have accordingly been excluded in above comparison.

4.2.8 From above, it can be observed that the levelized tariff submitted by the petitioner is within the value of levelized tariff of Rs. 4.79/kWh at UP Periphery.

4.2.9 The tariff at UP periphery shall have following components:-

Fixed Charges

Energy Charges

Inter State transmission Losses

Inter State transmission Charges

4.2.10 From above, it can be observed that the PGCIL charges and losses are beyond the control of the Petitioner, hence are to be reimbursed to the Petitioner as per actuals. The only fixed component is the fixed charges (treatment of energy charge is discussed subsequently). Therefore, the fixed charges shall be approved as follows:-

If levelized Fixed Charge claimed by Petitioner <= Rs. 1.93/kWh then the fixed charges as claimed by the Petitioner shall be approved

If levelized Fixed Charge claimed by Petitioner >Rs. 1.93/kWh, then the fixed charges shall be limited so that the levelized fixed charges does not exceed Rs 1.93/kWh.

4.2.11 It is observed from the petitioner's submission on computation of levelized tariff considering the capital expenditure of Rs. 1903.58 Crore (as on cut-off date) and the actual interest on loan for FY 2016-17 to FY 2018-19, that the levelized fixed charge is less than Rs 1.93/kWh (i.e. Rs. 1.86/kWh).

Therefore, the Commission has approved the fixed charges as submitted by the Petitioner considering the capital cost of Rs. 1903.58 crore.

4.2.12 A Comparison of the Fixed charges approved by the Commission with the PPA vis-à-vis claimed by the Petitioner and approved by the Commission in this Order is as follows:-

TABLE-2: COMPARISON OF FIXED CHARGES AS APPROVED IN PPA VS CLAIMED BY THE PETITIONER (RS./KWH)

Particulars	***As per Fixed Charges approved in PPA***	***As Claimed in the MYT Petition***	***Revised submission as per capital cost as on Cut off date***	***Fixed Charges considering Refinancing Cost claimed in FY 2017-18***	***Fixed Charges approved by the Commission***
FY 2016-17	2.11	2.08	2.05	2.05	2.05
FY 2017-18	2.06	2.02	1.94	1.99	1.99
FY 2018-19	2.02	1.95	1.9	1.9	1.9
Levelized Fixed Tariff (25 years)	**1.93**	**1.93**	**1.86**	**1.87**	**1.87**

Note:

1. *Revised submission is considered based on the capital cost of Rs. 1903.58 crore.*

2. *The levelized fixed charges has been computed based on CERC issued discounting rate of 13.10% applicable till 31.03.2014 (CERC stopped giving*

discounting factor for computation of levelised tariff after change in bidding documents), and financial principles (i.e. Escalation in O&M Expense, Interest on Working Capital, Depreciation, Return on Equity and Interest on Loan) as per UPERC Tariff Regulations, 2014.

3. The Petitioner has vide its response to the queries raised by the Commission in Deficiency Note 2 dated 2-5-2018 stated that it has incurred one-time cost towards the fees and charges of Rs.9.67 Crore. associated with refinancing of domestic loan relating to the Unit 2 (300 MW). The Petitioner in terms of Regulation 25 (i) (e) has claimed to recover Rs. 6.03 Crore. in FY 2017-18 apportioned to the contracted capacity of 187 MW (Gross) from Unit 2 of the project. Since the 2/3rd of the benefit of reduction in rate of interest arising out of refinancing has been passed on to the Procurer, the one-time refinancing cost has been approved as claimed in FY 2017-18.

4. During approval of the PPA, estimated capital cost of Rs.1941 Crore. was considered. However, the Petitioner has vide its response to the queries raised by the Commission in Deficiency Note 2 dated 02.05.2018, submitted a total capital expenditure of Rs. 1927.65 Crore. with Rs. 1903.58 Crore. incurred on cash basis as on cut-off date of the project i.e. 31-3-2017 with further additional capitalisation of Rs. 10.50 Crore. and Rs. 13.57 Crore. (projected) on cash basis during FY 2017-18 and 2018-19 respectively. The Petitioner is directed to submit such claim for additional capital expenditure during truing up in terms of the Regulations.

5. The Petitioner has vide its response to the queries raised by the Commission in Deficiency Note 2 dated 02.05.2018 proposed to recover income tax in terms of Regulation 9 from the Beneficiary as and when such liability is incurred subject to the ceiling limit as prescribed therein. The Petitioner is directed to make such claim with the Procurer as and when such liability is incurred with evidence of payment.

6. The aforesaid approved rates for recovery of fixed charges are computed on the basis of NAPAF of 85%, subject to adjustments if any, in terms of Regulation 27 of UPERC Generation Tariff, 2014.

4.2.13 Further, with regard to approval of energy charge, it is observed that he Petitioner has claimed energy charge based on quality of coal as per third party test analysis at plant. Energy charge on account of change in law and additional coal procured other than FSA Coal, will be dealt by the Commission separately vide Commission's Order 19.02.2018. On the FSA Grade coal, the Commission had already taken a view in the order dated 20.04.2016 read with Order dated 15.01.2016 while approving the PPA. Accordingly, the commission approves the energy charge same as approved in PPA considering allowable variation in CERC escalation rates and as per Tariff Regulations 2014. Any claim with regard to *additional energy charge on account of change in law and additional procurement of coal shall be dealt separately. ………*

4.2.14 The tariff approved above shall be subject to true up provisions based on the Tariff Regulations 2014. DIL will be required to submit all relevant details including actual figures on coal quality (GCV as received basis tested at plant) corresponding to each FY in the entire control period certified by an independent agency of repute for scrutiny of the Commission while truing up."

3.6.8 The Petitioner has submitted that the cost of power from LTPPA for FY 2018-19 has been provided on the basis of bills received by the Petitioner from M/s DIL in accordance with the aforesaid order in Audited Accounts for FY 2018-19. Thus, the total cost of power provided in Audited Accounts is Rs. 515.61 Crore (for 1086.15 Mus) as against Rs. 516.97 Crore (for 1170.54 Mus) approved by the Commission vide Tariff Order dated January 22, 2019.

3.6.9 The Petitioner has further stated that as per the directions of the Commission, M/s DIL has filed its True-up Petition for FY 2016-17 to FY 2018-19 before the Commission on 14th August, 2019, thus the cost of power provided in the Audited Accounts for FY 2018-19 is subject to the True-up Order of the Commission and the same will be adjusted in the year in which the True-up Order is received.

3.6.10 The Petitioner mentioned here that the above cost of power purchased from M/s DIL does not include the impact of such cost on account of the followings –

i. **Petition No. 1319 of 2018** - Petition towards cost of Additional Coal for FY 2017-18 submitted on 23-04-2018;

ii. **Petition No. 1318 of 2018** - Petition towards cost of Additional Coal for FY 2018-19 submitted on 23-04-2018;

iii. **Petition No. 1440 of 2019** – Petition towards Cost on account of Change in Law for FY 2016-19 submitted on 29-03-2019;

3.6.11 The Petitioner has submitted that it also procured 250.09 MU power under Medium Term Power Purchase Agreement (MTPPA) entered into with PTC India Ltd duly approved by the Commission vide Order dated 31st July, 2018. In accordance with the provisions of approved PPA, the cost of power procured during FY 2018-19 under MTPPA comes at Rs. 3.55/kWh as against approved Rs. 3.57/kWh.

3.6.12 Further, the Petitioner has submitted that in order to meet its RPO Obligation till FY 2018-19 as well as considering the availability of Renewable power at reasonable cost, the Petitioner has in aggregate procured 310.37 MU non-solar renewable power through open access.

3.6.13 The Petitioner further submitted that, during FY 2018-19, it has procured 1.26 MU solar power from GNIDA and generated 0.35 MU solar power from the solar generation plants at the rooftops of its office buildings. Apart from the above, the Petitioner has also granted several connections under the net-metering policy approved by the Commission in its Roof-top Solar PV Regulation 2015 which have generated 26.42 MU power during FY 2018-19 including 4.10 MU procured by the Petitioner from such net metering consumers.

3.6.14 Consequent to above-mentioned Renewable Power purchase, the cumulative RPO position at end of FY 2018-19 is provided in the following table:

Table 3-9:RPO Status for FY 2018-19 as submitted by the Petitioner

RE Power	Opening Unfulfilled Obligation	Obligation for the year	Obligation met during the year	Closing Unfulfilled Obligation
Solar	43.76	12.77	28.04	28.49
Non-Solar	231.95	63.83	310.37	-14.59
Total	**275.71**	**76.59**	**338.4**	**13.9**

3.6.15 Apart from the Long-Term and Medium-Term Power, the Petitioner has also procured 551.69 MU power in short term from Open Access at a weighted average cost of Rs. 4.54/ kWh during FY 2018-19, which is well within the rate of Rs. 4.76/ kWh approved by the Commission for FY 2018-19 in its Tariff Order dated 22nd January'2019.

3.6.16 The Petitioner submitted that during FY 2018-19, in order to optimise the power purchase during off-peak hours / seasons and also to avail the benefit of surplus power via-a-vis demand during certain hours / days, the Petitioner leveraged the Power Banking arrangements to optimise its over-all power purchase cost. Some of the power banked during FY 2017-18 was availed during FY 2018-19 while some of the surplus power tied-up for FY 2018-19 was banked to be availed during summers of FY 2019-20 wherein the prices may be higher considering impending General Assembly elections and State Assembly elections. Accordingly, out of above-mentioned 551.69 MU power procured from short-term sources; the Petitioner utilised 204.91 MU towards Power Banking.

3.6.17 The Petitioner has further submitted that it is not possible to exactly estimate the day-ahead power requirement as the demand is highly volatile, uncertain and dependent on a number of factors which are beyond the control of the Petitioner e.g. volatile weather conditions, long intermittent holidays on account of various festivals, Govt. holidays etc., the power tied-up during such time if remained unused, may need to be sold through power exchange / bilateral contracts either by Petitioner directly or through power trading companies to optimize its power purchase cost. During FY

2018-19, the Petitioner had to sell 22.40 MU at Power Exchange out of the total procured short-term power of 551.69 MU.

3.6.18 The Petitioner further submitted that during FY 2018-19 the net over-drawl in Deviation Settlement Mechanism (DSM) was 37.46 MU against which an amount of Rs. 30.72 Crore has been determined as payable with respect to sign change deviation as per the provisions of 4th Amendment to CERC's DSM Regulation, 2014.

3.6.19 The Petitioner said that, in respect of the Power Banking and DSM over-drawl/under-drawl, the Commission in its Tariff Order dated 22nd January, 2019 has observed as follows:-

" 5.4.7. As regards unscheduled Interchange transactions amounting to Rs. 4.34 Crore and Power Banking charges amounting to Rs. 3.51 Crore as claimed by the Petitioner, the Commission is of the view that these charges cannot be projected while approving the ARR and need to be considered based on actuals at the time of truing up. Hence the Commission has not approved these charges and the same shall be considered at the time of Truing Up based on actuals subject to prudence check."

3.6.20 In addition to above, the Petitioner has also incurred transmission charges of Inter-State and Intra-State Transmission network aggregating to Rs. 184.31 Crore during FY 2018-19 as against Rs. 129.71 Crore approved by the Commission.

3.6.21 Based on the Audited Accounts for FY 2018-19, the actual Power Purchase Cost for FY 2018-19 vis-à-vis provisionally approved by the Commission vide Tariff Order for FY dated 22nd January, 2019, is given in Table below for approval of the Commission: -

Table 3-10: Power Purchase Cost for FY 2018-19 as submitted by Petitioner

Sl. No.	Item	Approved Vide T.O. dated 22 January 2019.			Actual		
1	Retail Sales (MU's)		1853.81			1850.07	
2	Losses		8.00%			8.15%	
3	Power Purchase (MU's)		2,015.01			2014.17	
	Source of Power Purchase	**MU's**	**Rs./kWh**	**Rs. Crore.**	**MU's**	**Rs./kWh**	**Rs. Crore.**
4	Power Purchase from LT	1,170.54	4.42	516.97	1,086.15	4.75	515.61
5	Power Purchase from MT	246.84	3.57	88	250.09	3.55	88.74
6	Power Purchase from Short term Sources:	315.71	4.76	150.28	324.39	5.04	163.62
i	*Open Access Power*				*551.69*	*4.54*	*250.22*
ii	*Power Banking*				*-204.91*	*3.94*	*-80.73*
iii	*Sale of surplus off-peak power at IEX*				*-22.4*	*2.62*	*-5.87*

Sl. No.	Item	Approved Vide T.O. dated 22 January 2019.			Actual		
7	Power Purchase from RE	281.44	4.80	135.04	316.08	5.34	168.76
8	DSM	-	-	-	37.46	-	30.72
	Total	**2,015.01**	**4.42**	**890.30**	**2,014.17**	**4.8**	**967.44**
9	PGCIL Charges			88.06			141.94
10	UPPTCL Charges			41.65			42.36
11	**Total Power Purchase Cost**	**2,015.01**	**5.06**	**1,020.01**	**2,014.17**	**5.72**	**1,151.75**

3.6.22 Accordingly, the Petitioner submitted that the total Power Purchase Cost considered for True-up is Rs. 1,151.75 Crore including transmission charges. The Petitioner requested the Commission to approve the actual Power Purchase Cost of Rs. 1,151.75 Crore in full for FY 2018-19 as per the Audited Accounts.

Commission's Analysis:

3.6.23 Based on the above Trued-Up Energy Balance for FY 2018-19, the power purchase requirement as worked out by the Commission is 2010.92 MU.

3.6.24 The Commission observed that the Petitioner has claimed total power purchase cost of Rs. 1151.79 Crore, which includes the Transmission Charges of Rs. 184.31 Crore (as provided in Appendix-2 Tariff formats APR 20). However, Note 28 of the Audited Accounts provides the details as Rs. 980.60 Crore for Energy Charges and Rs. 171.19 Crore as Transmission Charges. Justification was sought from the Petitioner for the difference and reconciliation of the same. The Petitioner submitted that:

> *"This is to clarify that the Company has entered into the medium term PPA with M/s PTC for supply of 100 MW from 1st Dec 2018 to 31st March 2020 based on the L1 Tariff landed at NPCL-bus. The aforesaid agreement was duly approved by the Commission vide order dated 31st July, 2018. From the above, it may be seen that the tariff for power supplied by M/s PTC is inclusive of Inter-state and Intra State Transmission charges for which payment was being made to M/s PTC and UPSLDC respectively. Thus, in the audited accounts, the Power purchase cost is inclusive of Inter-state Transmission charges paid to M/s PTC India Limited.*
>
> *While, in the Tariff formats, for the purpose of better understanding and comparison amongst the various sources of power, the inter-state Transmission charges of Rs. 13.13 Cr are segregated from energy cost and included under the inter-state transmission charges separately. It may be seen that in both the documents, the total power purchase cost including*

Transmission charges are same. Hence, it is only a matter of presentation of information and there is no difference in the total power purchase cost."

Power procurement from Long-term sources

3.6.25 The Petitioner for FY 2018-19 has submitted that it has procured 1086.15 MU from DIL during FY 2018-19 for which the total cost claimed is Rs. 641.13 (including Transmission) Crore. The details of power purchase approved for FY 2018-19 vis-à-vis claimed by NPCL for FY 2018-19 is shown in the Table below:

Table 3-11: Power Purchase from Long Term Source (DIL) as submitted by the Petitioner

Source	MU at Ex-bus	Inter State Loss (%)	Intra State Loss (%)	MU at NPCL bus	Fixed Charges (in Rs. Crs)	Per Unit Fixed cost (NPCL Bus)	Energy Charges (in Rs. Crs)	Per Unit Energy cost (NPCL Bus)	Power Purchase Cost (in Rs. Crs)	Total Trasmission Charges (Rs. Crs)	Total Power Purchase Cost (Rs. Crs)	Total Per Unit Cost
DIL	1,175.37	3.99%	3.75%	1,086.15	251.90	2.31	263.71	2.42	515.61	125.53	641.13	5.90

3.6.26 The Commission in the matter of "Fixation of Tariff for supply of 187 MW from 300 MW Unit 2 of Dhariwal Infrastructure Limited to Noida Power Company Limited for the Tariff Period FY 2016-17 to FY 2018-19" in its Order dated February 05, 2019 in Petition No. 1235 of 2017 provided that:

Quote

4.2.1 The Commission approved the PPA vide Order dated 20.04.2016 read with Order dated 15.01.2016. In the said Order the Commission approved the fixed charges based on the estimated capital cost of Rs. 1941 Crore with a levelized tariff of Rs. 4.79/kWh at U.P Periphery.

4.2.9 The tariff at UP periphery shall have following components:

(i) Fixed Charges

(ii) Energy Charges

(iii) Inter State transmission Losses

(iv) Inter State transmission Charges

4.2.10 From above, it can be observed that the PGCIL charges and losses are beyond the control of the Petitioner, hence are to be reimbursed to the Petitioner as per actuals. The only fixed component is the fixed charges (treatment of energy *charge is discussed subsequently). Therefore, the fixed charges shall be approved as follows:*

- *If levelized Fixed charges claimed by Petitioner <=Rs. 1.93/kWh then the fixed charges as claimed by the Petitioner shall be approved.*
- *If levelized Fixed charges claimed by the Petitioner > Rs. 1.93/kWh, then the fixed charges shall be limited so that the levelized fixed charges does not exceed Rs. 1.93/kWh.*

Unquote

3.6.27 The Commission vide a data gap query sought the details:

"Accordingly, the cost of power from LTPPA for FY 2018-19 has been provided on the basis of bills received by the Company from DIL in accordance with the aforesaid order in Audited Accounts for FY 2018-19. Thus, the total cost of power provided in Audited Accounts as per the bills raised by M/s DIL is Rs. 515.61 Cr as against Rs. 516.97 approved by the Hon'ble Commission vide Tariff Order dated 22nd January 2019.

In this regard, NPCL should provide the monthly bills for procurement of power from DIL in FY 2018-19."

3.6.28 The Petitioner in response to the query submitted the summary of bills and copies of sample bills of DIL.

3.6.29 The Commission observed sudden variations in FY 2018-19 power purchase from DIL wherein sudden very high / low values have been noticed which seem to be abnormal. The Petitioner in this regard submitted that:

"a) In Sep'18, DIL took shutdown for annual maintenance from 17.09.2018 to 30.09.2018 due to which the power off-take was lesser during the month, though in accordance with the terms of the PPA, the Company paid the capacity charge at Normative Availability and full transmission charges to PGCIL as per Transmission Service Agreement. It is pertinent to mention that the Long-Term Transmission charges are paid to PGCIL at 100% LTOA capacity i.e. 170 MW, irrespective of the actual off-take by the beneficiaries.

b) ***Subsequent to the MYT Order dated 05.02.2019, M/s DIL raised bills for arrears towards the differential tariff amounting to Rs. 60.76 Cr for FY'2016-17 to FY'2018-19. The above amount was included in the power purchase cost in the month of Mar'19.***

c) Further, as already submitted vide reply dated 29th May 2020, as per LTPPA with M/s DIL for supply of 170 MW power, LTA has been granted by PGCIL (CTU) in two parts, viz., 58 MW in existing system and the balance 112 MW in Champa-Kurukshetra Pole-1. Accordingly, the PoC bills for applicable transmission charges were raised by PGCIL to DIL (being the long-term applicant) on monthly basis. The monthly amount, so billed, is being reimbursed by NPCL as per the terms of the LTPPA.

From November 2018 onwards, PGCIL also started raising monthly PoC bills for 170 MW LTA from Existing line in addition to 112 MW from Champa-Kurukshetra line which resulted into higher PoC bill than the previous average monthly bill in accordance with CERC Order dated 22.02.2018 in Petition No. 13/TT/2017 determining HVDC charges pertaining to Champa-Kurukshetra Pole-1 line. As per the aforesaid Order, Hon'ble CERC approved sharing of HVDC charges for Champa-Kurukshetra Pole-1 line as per Regulation 11 (4)(3) (iii) instead of 11 (4)(3)(i) of the Sharing Regulations 2010. Consequently, transmission charges for the period Nov'18 to Mar'19 increased by Rs. 23.80 Cr.

Subsequently, on the Review Petition filed by PGCIL & Other beneficiaries on the above erroneous treatment of sharing of HVDC transmission charges under Regulation 11(4)(3)(iii) instead of 11(4)(3)(i) of Sharing Regulations 2010, the Hon'ble CERC vide its Order dated 31.07.2019 allowed the above Review Petition and directed PGCIL to refund the excess LTA charges to the beneficiaries in FY 2019-20."

3.6.30 The Commission has taken the note of the same, but the Petitioner did not submit the bills of Arrear. The Commission for the True Up for FY 2018-19 has not considered the said amount and will take into consideration after the True Up of DIL.

3.6.31 The Petitioner further vide mail dated September 24, 2020 submitted the details of Long Term Power Purchase from DIL as shown in the Table below:

Table 3-12: Computation of Charges for DIL at rates approved in T.O dated February 05, 2019 as submitted by the Petitioner

Sl. No.	Particulars	Ref.	U.o.M.	FY 19	FY 20	FY 21
1	Tied-up Capacity	A	MW	187	187	187
2	Less: Auxiliary Consumption @9%	b= a x 9%	MW	16.83	16.83	16.83
3	Total Capacity Availability	c=a-b	MW	170.17	170.17	170.17
4	Normative Capacity Availability @ 85%	d=c x 85%	MW	144.64	144.64	144.64
5	Energy Generation from 1 MW per year	E	MU	8.76	8.78	8.76
6	**Normative Energy Availability**	**f= d x e**	**MU**	**1,267.09**	**1,270.56**	**1,267.09**

Sl. No.	Particulars	Ref.	U.o.M.	FY 19	FY 20	FY 21
7	Capacity Charges per Unit	G	Rs./kWh	1.90	1.90	1.90
8	**Capacity Charges Payable on Normative Availability**	**h= f x g**	**Rs. Cr.**	**240.75**	**241.41**	**240.75**
9	Actual Energy Available at Ex-Bus	I	MU	1,175.37	1,130.46	1,198.23
10	Less: Inter State Loss	J	MU	49.01	43.40	46.73
11	**Actual Energy Available at NR**	**k=i-j**	**MU**	**1,126.36**	**1,087.06**	**1,151.50**
12	**Capacity Charge corresponding to Actual Energy available at NR**	**l=k x g**	**Rs. Cr.**	**214.01**	**206.54**	**218.79**

3.6.32 It can be seen that the per unit cost of power for DIL at NPCL bus has increased vis-à-vis approved in Tariff Order dated January 22, 2019 for FY 2018-19. Further, since the True-Up of DIL Petition has not yet been finalized, the fixed and energy charges of Rs.1.90/kWh and Rs. 1.80/kWh respectively as approved in Order dated February 05, 2019 in Petition No. 1235 of 2017 has been considered for FY 2018-19 in this Order. The effect of True-up shall be considered as and when it happens.

3.6.33 For True Up for FY 2018-19, the Commission has considered the quantum at UP periphery for computation of fixed and energy charges of DIL by considering the same Inter-State transmission losses as submitted by the Petitioner. The Intra-State Transmission Losses are considered same as approved in True Up of FY 2018-19 for UPPTCL vide Order dated November 10, 2020. The effect of True-up shall be considered as and when it happens. The Transmission charges are approved as per actuals. Accordingly, the Long-Term power from DIL (including Transmission cost) for FY 2018-19 approved as shown in the Table below:

Table 3-13: Power purchase from Long Term source as approved for True Up of FY 2018-19

Source	MU at Ex-bus	Inter State Loss (%)	Intra State Loss (%)	Quantum at UP Periphery (MU)	MU at NPCL bus	Fixed Charges (Rs. Crore)	Energy Charges (Rs. Crore)	Amount (Rs. Crore)	Transmission charges of PGCIL (Rs. Crore)	Transmission Charges of UPPTCL (Rs. Crore)	Total (Rs. Crore)	Per Unit Rate
	A	B	C	D	E	F=D*1.9/10	G=D*1.8/10	H=G+F	I	J	L=J+I+H	M=L/D*10
DIL	1,175.37	4.17%	3.57%	1126.34	1,086.15	214.01	202.74	416.74	104.15	21.38	542.27	4.81

Power procurement from Medium Term source:

3.6.34 The Petitioner vide its Petition No. 1325 of 2018 sought the adoption of tariff and approval of agreement for procurement of 100 MW Power through DEEP Portal. The Commission vide its Order dated July 31, 2018 in the Petition No. 1325 / 2018 has approved the same as shown in the Table below:

Source	Thermal Power Project (Unit II) of SKS Power Generation (Chhattisgarh) Limited located at Raigarh, Chhattisgarh	
Quantum at NPCL Periphery (MW)		100
Cost of Generation (Rs./kWh)	A	1.64
Cost of Transmission charges (Rs./kWh)	B	0.65
Cost of Transmission Losses	C	0.32
Total Tariff at NPCL periphery (Rs./kWh)*	**D=(A*2) + B+C**	**4.25**

3.6.35 The details of Medium-term Power purchase with Transmission as submitted by NPCL is shown in the Table below:

Table 3-14: Power procurement for Medium Term for FY 2018-19 as submitted by the Petitioner

Source	MU at Ex-bus	Inter State Loss (%)	Intra State Loss (%)	MU at NPCL bus	Fixed Charges (in Rs. Cr)	Energy Charges (in Rs. Cr)	Amount (in Rs. Cr)	PGCIL Charges (Rs. Cr)	UPPTCL charges (Rs. Cr)	Total Transmission (Rs. Cr)	Total (in Rs. Cr)	Per Unit Cost
MTPPA- (PTC India Ltd.)	250.09	0.00%	0.00%	250.09	37.21	51.52	88.74	13.13	4.84	17.97	106.71	4.27

3.6.36 The Commission vide it Order dated July 31, 2018 in the Petition No. 1325/2018 has provided that:

> *"6. Petitioner has justified the aforesaid medium term power of 100 MW for the period mentioned herein above. Since the rates have been discovered through electronic portal of the agency designated by Govt. of India, the Commission adopts the **all inclusive rate of Rs. 4.25 per /kWh at NPCL Periphery for the aforesaid power**."*

3.6.37 The Commission observed that the Petitioner has claimed the power purchase of 250.09 MU for Medium Term at the rate of Rs. 4.27/kWh. The Commission in additional data gap sought the details related to Medium term power purchase for which the detail was provided by the Licensee as shown in the table below:

Table 3-15: Power procured from M/s SKS power Generation through PTC during True Up for FY 2018-19

Source	**Thermal Power Project (Unit II) of SKS Power Generation (Chhattisgarh) Limited located at Raigarh, Chhattisgarh**		**Claimed by NPCL in True UP for FY 2018-19**
Quantum at NPCL Periphery (MW)		100	250.09

Source	**Thermal Power Project (Unit II) of SKS Power Generation (Chhattisgarh) Limited located at Raigarh, Chhattisgarh**		**Claimed by NPCL in True UP for FY 2018-19**
Cost of Generation (Rs./kWh)	A	3.28	3.23
Cost of Transmission charges (Rs./kWh)	B	0.65	0.69
Cost of Transmission Losses	C	0.32	0.32
Total Tariff at NPCL periphery (Rs./kWh)*	D= A+B+C	4.25	4.24
**Note: 1) Availability from SKS during FY'2019-20 was 79.38%.*			
2) Transmission charges are to be paid as per actual in terms of the PPA dated 06.04.2018, hence the variation.			

3.6.38 The Petitioner also submitted that in the reply that:

> *"Apart from the above, SKS Generation has claimed an amount of Rs. 20.68 Cr towards transmission charges and reimbursement of electricity duty, taxes etc. for the term of MTPPA i.e. Dec 2018 to Mar 2020 which has been included in the cost of power procured from SKS Generation. In this regard, M/s SKS has also filed a petition before the Hon'ble CERC on 18.02.2020 pressing its aforesaid claim. The petition is yet to be admitted. "*

3.6.39 The Petitioner further vide email dated September 15, 2020 submitted the details of duty charges for FY 2018-19 and FY 2019-20 as shown in the Table below:

Table 3-16: Details of Charges for Medium Term Source as submitted by the Petitioner

Particulars	**Ref**	**FY 2018-19**		**FY 2019-20**	
Energy Imported in MU at NPCL Bus (as per Tariff Formats)		250.0851		653.0521	
		Rs. Cr.	**Rs./kWh**	**Rs. Cr.**	**Rs./kWh**
Energy & Capacity Charges	a	80.73	3.2283	219.18	3.3563
Cost of Energy Lost in transmission	b	8.00	0.32	20.98	0.32
Energy Cost	**C=a+b**	**88.73**	**3.5483**	**240.16**	**3.6775**
PGCIL Charges	d	12.41	0.4963	47.34	0.7249
UPPTCL Charges	e	4.84	0.1935	11.61	0.1778
Landed Cost (before additional Claims)	**f=c+d-e**	**105.99**	**4.2381**	**299.11**	**4.5802**
Add: Additional Claim for:-					
Energy Charges (FY 2018-19)	g	-	-	5.42	
Energy Charges (FY 2019-20)	h	-	-	11.09	
Subtotal	**i=g+h**	-	-	**16.51**	**0.25**
Transmission charges	j	0.72	0.0288	3.46	0.0529
Total Additional Claim	**k=i+j**	**0.72**	**0.0288**	**19.97**	**0.3057**
Landed Cost (As per Tariff Formats)	**l=f+k**	**106.71**	**4.2669**	**319.07**	**4.8859**

3.6.40 The Commission is of the view that any charges over and above the approved tariff of Rs. 4.25/kWh cannot be allowed to be passed on to the consumers. Further, since the claim of the Petitioner with respect to Duty charges is still in dispute, the same is not being considered in this True Up Order for FY 2018-19.

3.6.41 Further, the Commission has considered lower of the two i.e. claimed vs approved for each components of tariff for approval of procurement of power from Medium Term source. The medium-term power procurement from SKS power generation for FY 2018-19 is approved as shown in the Table below:

Table 3-17: Approved Medium-term purchase for FY 2018-19

Supplier's Name	MU Imported at NPCL	Fixed Charges (Rs. Crs)	Energy Charges (Rs. Crs)	Amount (Rs. Crs)	Transmission charges of PGCIL (Rs. Crore)	Transmission Charges of UPPTCL (Rs. Crore)	Total Trans. Chgs (Rs. Crs)	Total (Rs. Crore)	Per Unit Cost (Rs. /kWh)
	A	B=1.615*A/10	C=1.615*A/10	D=B+C	E=0.65*A/10	F=0.32*A/10	G=E+F	H=G+D	I=H/A*10
MTPPA-(PTC India Ltd.)	250.09	40.39	40.39	80.78	16.26	8.00	24.26	105.04	4.20

Power procurement from Renewable sources:

3.6.42 The Commission in its UPERC (Promotion of Green Energy through Renewable Purchase Obligation) (First Amendment) Regulations, 2019 provided the RPO Obligation to be met by the Licensee as shown in the Table below:

Year	Minimum quantum of purchase from renewable energy sources as % of total energy consumed (in kWh)		
	Non-Solar	Solar	Total
	1	2	3=1+2
2018-19	5.00	1.00	6.00

Table 3-18: RPO details as submitted by NPCL for FY 2018-19

RE Power	Opening Unfulfilled Obligation	Obligation for the year	Obligation met during the year	Closing Unfulfilled Obligation
Solar	43.76	12.77	28.04	28.49
Non-Solar	231.95	63.83	310.37	(14.59)
Total	**275.71**	**76.59**	**338.40**	**13.90**

3.6.43 The Commission vide its Order dated November 15, 2018 approved the RPO Target as shown in the Table below:

Table 3-19: RPO Target approved by the Commission vide its Order dated November 15, 2018

S. No.	Particulars	Expected RE Power Procurement by 31.03.2019
1	Non-Solar Power RE Obligation to be completed till 31.03.2019	301.74
a	Achieved till 31.8.2018	147.38
b	planned as per available contracts during 1.9.2018 to 31.3.2019	141.72
c	Planned to procure on day-ahead basis according to demand during 1.9.2018 to 31.3.2019	12.64
2	Solar	57.72
a.	Solar Power-GNIDA during FY 18-19	1.24
b	Solar Power-GNIDA during FY 18-19	23.90
c	Solar Power- Captive Plants during FY 18-19	0.40
d.	Solar Power-STOA from Inter-State sources (From Oct18 to Mar 19 during 09-18 hrs)	32.18
3	**Total**	**359.46**

3.6.44 The Commission subsequently amended the UPERC (Promotion of Green Energy through Renewable Purchase Obligation), 2010 vide notification No. UPERC/Secy/Regulation/10-787 dated August 16, 2019. The Commission through this Regulation introduced Hydro Power Obligation which provides that:

> *"Provided that from FY 2016-17, the Renewable Purchase Obligations shall be on total consumption of electricity by an obligated entity, excluding consumption met from hydro sources of power (not covered under HPO)"*

3.6.45 The Commission observed that the Petitioner for MPPL (Non-Solar) has claimed 0.07% as Inter State Transmission Loss. The Ministry of Power vide its Order No. 23/12/2016-R&R dated February 13, 2018, the inter-State transmission charges losses and charges are waived off for Solar and wind sources of Energy. In this regard the Commission sought the reasons for consideration of transmission losses for the same. The Petitioner in this regard submitted that:

> *"This is to clarify that as per MoP Order No. 23/12/2016 – R&R, the non-solar power procured from MPPL was exempt from inter-state transmission charges and losses and accordingly, the Company has not claimed any transmission charges or losses with respect to the aforesaid power. The Hon'ble Commission may kindly refer to RTF "PPC FY 19" which shows 0.07 MU as transmission loss against the total procurement of 97.78 MU equivalent to 0.0% of the total power procured. The aforesaid difference of*

0.07 MU is because of rounding off differences in the REA accounting and has been shown under transmission losses."

3.6.46 The Petitioner through an Affidavit dated June 21, 2019 submitted the details of RPO as shown in the Table below:

Table 3-20: RPO accrued & fulfilled upto FY 2017-18 and balance carried forward as at FY 2017-18 as submitted by the Petitioner

Description	Reference	MU
Total sales from FY 10-11 till FY 17-18	a	9,627.30
Non RE and RE Hydro Power Procured		
Non RE Hydro Procured	b	1221.42
RE Hydro Power Procured	c	165.41
Total Hydro (RE and Non RE Power)	**d=b+c**	1386.83
Solar Power Procured		
Renewable Power Solar & Net Metering	e	8.96
Total Solar (RE and Net metering)	**f=e**	**8.96**
Net Power Sale for RPO computation	**g=a-d-f**	**8231.51**
Total Obligation upto FY 2017-18		
Solar	h	72.03
Non Solar	i	397.36
Total Obligation upto FY 2017-18	**j=h+i**	**469.39**
Total Obligation fulfilled upto FY 2017-18		
Solar	k	28.28
Non Solar	l	165.41
Total Obligation fulfilled upto FY 2017-18	**m=k+l**	**193.69**
Balance RPO upto FY 2017-18		
Solar (plus Shortfall) (minus Surplus)	n=h-k	43.76
Non Solar (plus Shortfall) (minus Surplus)	0=i-l	231.95
Net Balance RPO upto FY 2017-18 c/f	**p=n+o**	**275.71**

Table 3-21: RPO accrued & fulfilled in FY 2018-19 and balance carried forward as at FY 2018-19 as submitted by the Petitioner

Description	Reference	MU
Projected Sales	**A**	**1850.07**
Non RE and RE Hydro Power Procured		
Non RE Hydro Power Procured	B	257.48
RE Hydro Power Procured	C	310.37
Total Hydro (RE and Non RE Power)	**d=b+c**	**567.85**
Solar Power Procured		
Renewable Power Solar & Net Metering	E	5.72
Total Solar (RE and Net Metering)	**f=e**	**5.72**
Net Power Sale for RPO computation	**g=a-d-f**	**1,276.50**
Total Obligation (%) for the Year		
Solar	H	1.00%

Description	Reference	MU
Non Solar	I	5.00%
Total Obligation (MU) for the Year		
Solar	j=g*h	12.77
Non Solar	k=g*h	63.83
Total Existing /Proposed Obligation for the Year	**L=j+k**	**76.60**
Obligations to be fulfilled in the current year for previous years		
Solar	M	43.76
Non Solar	n	231.95
Net Balance RPO	o=m+n	275.71
Total Obligation met as per present arrangements		
Solar	P	28.04
Non Solar	Q	310.37
Total RPO to be met as per Current PPAs	**r=p+q**	**338.41**
Balance Obligation to be met for the year / previous years from future PPAs/ REC		
Solar Shortfall /(Surplus)	s=j+m-p	28.49
Non Solar Shortfall /(Surplus)	t=k+n-q	-14.59
Total RPO to be met from future PPAs/ REC	u=s+t	13.90

3.6.47 The Commission asked the Petitioner to provide the monthly bills and agreements for power purchase made through MPPL (Solar). In this regard the Petitioner submitted the details as shown in the Table below:

Table 3-22: Summary of Power Purchase made through MPPL (Solar) as submitted by the Petitioner for FY 2018-19

Sl. No.	PPA Source Location	Delivery Point	Energy at Delivery Point	Transmission Losses	Energy at NPCL Bus	Energy Charges	Transmission Charges	Total Cost
			MU	MU	MU	Rs. Cr.	Rs. Cr.	Rs. Cr.
1	Manipur	NR	1.20	0.07	1.13	0.58	0.06	0.64
2	Mizoram	NPCL	25.61	0.00	25.61	14.09	0.10	14.19
3	Himachal	NPCL	71.04	0.00	71.04	37.58	0.00	37.58
Total			**97.85**	**0.07**	**97.78**	**52.24**	**0.16**	**52.41**

3.6.48 Further the Commission sought the details of Hydro power purchase from FY 2010-11 to FY 2017-18 which the Petitioner duly submitted. In this regard, the Commission considering the hydro power purchase from FY 2016-17 and FY 2017-18, has computed the RPO obligation met for FY 2017-18. The balance left at FY 2017-18 is considered for FY 2018-19 and simultaneously derived the obligation to be met in FY 2020-21 as shown in the Table below:

Table 3-23: RPO computed for FY 2017-18

Description	Reference	MU
Total sales from FY 10-11 till FY 17-18	A	9,627.30
Hydro Purchase of FY 2016-17 and FY 2017-18	B	338.08
Net Power Sale for RPO computation	**C=A-B**	**9,289.22**
Total Obligation for the year (%)		
Solar (%)	D	1.00%
Non Solar (%)	E	5.00%
Total Obligation for year		
Solar (MU)	F=D*C	92.89
Non Solar (MU)	G=E*C	464.46
Total Obligation till FY 2017-18(MU)	**H=F+G**	**557.35**
Total RPO Fulfilled till FY 2017-18		
Solar (including net metering)	I	37.24
Non Solar	J	165.41
Total RPO Fulfilled till FY 2017-18	**K=I+J**	**202.65**
Balance Obligation to be fulfilled in FY 18-19	**L=M+N**	**354.70**
Solar	M=F-I	55.65
Non Solar	N=G-J	299.05

Table 3-24: RPO computed for FY 2018-19

S. No	Particular	Reference	Quantum (MU)
1	Total Sales for FY 2018-19	**A**	1850.07
2	Hydro Purchase during the year (AD Hydro)	B	132.77
	Net Power Sale for RPO computation	C=A-B	1717.30
3	**Total Obligation for the year (%)**		
4	Solar (%)	D	1%
5	Non Solar (%)	E	5%
6	**Total Obligation for year**		
7	Solar (MU)	F=D*C	17.17
8	Non Solar (MU)	G=E*C	85.86
9	**Total Obligation for the year(MU)**	**H=F+G**	**103.04**
10	**Total RPO Fulfilled during the year**		
11	Solar	I	5.72
12	Non Solar	J	310.37
13	**Total RPO Fulfilled**	K=I+J	**316.08**

Table 3-25: RPO details computed by the Commission for FY 2018-19 (MU)

RE Power	Opening Unfulfilled Obligation	Obligation for the year	Obligation met during the year	Closing Unfulfilled Obligation (for FY 2018-19)
Solar	55.65	17.17	5.72	67.11

RE Power	Opening Unfulfilled Obligation	Obligation for the year	Obligation met during the year	Closing Unfulfilled Obligation (for FY 2018-19)
Non-Solar	299.05	85.86	310.37	74.55
Total	**354.70**	**103.04**	**316.08**	**141.66**

3.6.49 The Commission vide its Order dated July 14, 2015 in Petition No. 1012 of 2015 approved power purchase agreement between NPCL and Greater Noida Industrial Development Authority (GNIDA) for purchase of 1 MWp Solar power. The details of Renewable Power purchase as submitted by the Petitioner is shown in the Table below:

Table 3-26: Details of Renewable purchase as submitted by the Petitioner for FY 2018-19

Supplier's Name	MU Imported at NPCL bus	Total (in Rs. Crs)	Per Unit Cost
GNIDA (Solar)	1.26	0.87	6.92
Captive (Solar)	0.00	0.00	-
APPCPL (Solar)	0.35	0.19	5.38
Net Metering (Solar)	4.10	3.00	7.31
MPPL (Non-Solar)	97.78	52.41	5.36
APPCPL (Non-Solar)	212.58	112.44	5.29
Subtotal	**316.08**	**168.91**	**5.34**

3.6.50 The Petitioner purchased Renewable power from short term sources (not approved by the Commission). The Commission also through its Tariff Order dated January 22, 2019 approved 281.44 MUs for procurement of power through Renewable Energy.

3.6.51 Since Renewable energy is required for fulfilment of RPO obligation, the same seems justified and is being approved subject to any further Orders of the Commission in matters related to RPO in future. Also, the Commission has analysed the landed price from exchange at NPCL periphery which arrives at Rs. 4.88/kWh (Rs. 3.88/kWh Average RTC Price+ Rs. 1.00/kWh Transmission charges and losses) and added the forbearance price of Rs. 1000/MWh for Solar and Non-Solar REC which comes to Rs. 5.88/kWh. Hence, the power purchase cost from renewable seems reasonable. However, in future the Petitioner should strictly follow the Central Government Guidelines for Procurement of power for short term (i.e. for a period more than one day to one year) by Distribution Licensees through Tariff based bidding process using National e-bidding portal-reg dated March 30, 2016.The link for the same is provided below: **REC Price (Both solar and Non Solar)** (https://www.mstcecommerce.com/auctionhome/RenderFileGeneralAuctions.jsp?file=PPA-Revised-Guidelines-Short-Term.pdf) (Last accessed on - 21.11.2020)

Power Procurement from Short Term Sources:

3.6.52 The Petitioner has claimed the net-short term power for FY 2018-19 as shown below:

Table 3-27: Power purchase from Short-Term sources as claimed by the Petitioner

Particulars	Approved in Tariff Order for FY 2018-19 dated 22 Jan 2018			True Up Petition		
Sources of Power Purchase	**Energy (MU)**	**Avg. cost (Rs. /kWh)**	**Cost (Rs. Crore)**	**Energy (MU)**	**Avg. cost (Rs. /kWh)**	**Cost (Rs. Crore)**
Net Short Term Power	315.71	4.76	150.28	346.78	4.88	169.49
Open Access Power				*551.69*	*4.54*	*250.22*
Power banking				*(204.91)*	*3.94*	*(80.73)*

3.6.53 The Petitioner filed a Petition No. 1324/2018 for adoption of tariff under Section 63 of the Electricity Act, 2003 for procurement of 60 MW short Term power round the clock and also within the selected time slots. The Commission vide its Order dated August 06, 2018 approved the Short-Term source of Power for FY 2018-19 as shown in the Table below:

Table 3-28: Power purchase from Short-Term as approved by the Commission vide Order dated August 06, 2018

S. No.	Trader	Period	Duration	Quantum (MW)	Rate at NR (Rs./kWh)	Rate at NPCL bus (Rs./kWh)
1	M/s PTC India Limited (RTC Power)	May 2018 to July 2018	00.00 to 24.00	10	3.84	4.62
		August 2018 to September 2018		35	4.03	4.82
2	M/s Arunanchal Pradesh Power Corporation (P) Limited (Non RTC)	May 2018 to September 2018	00.00 to 03.00	25	4.66	5.50
		April, 2018 to September 2018	11.00 to 24.00	45		

3.6.54 From the above table the total MU to be procured by NPCL should have been 191.85 MU approx. However, NPCL has submitted short term procurement for FY 2018-19 as under:

Table 3-29: Source wise power purchase as claimed by the Petitioner including Transmission cost

Supplier's Name	MU Imported at NPCL bus	Total (in Rs. Cr)	Per Unit Cost
Arunachal Power Corporation (P) Ltd. (APPCPL)	82.82	44.15	5.33
Shree Cements Ltd	315.42	158.27	5.02

Supplier's Name	MU Imported at NPCL bus	Total (in Rs. Cr)	Per Unit Cost
Mittal Processors Private Limited (MPPL)	9.45	4.44	4.70
AD Hydro Power Ltd	58.27	27.17	4.66
Power Exchanges	**84.27**	**40.10**	**4.76**
Others	1.45	0.79	5.42
Subtotal	**551.69**	**274.92**	**4.98**

3.6.55 It can be seen from the above table that the Petitioner has procured short term power for FY 2018-19 as 551.69 MU from which only two sources were approved by the Commission. The Commission in this regard sought the query for True Up of FY 2018-19 in the data gap as shown below:

"3. The Licensee to provide source-wise (long term, medium term, short term, banking, sale of power and other) month-wise power purchase bills and compiled transaction detail (in excel) for FY 2018-19.

The source wise details of Power Purchase have already been provided in MYT Formats Form "PPC FY 2018-19" With respect to details of monthwise, bill-wise power purchase, the same has been reviewed and audited by the Statutory auditors as well the auditors empanelled by the Hon'ble Commission."

3.6.56 After continuous follow up, the Petitioner has provided the month wise detail for procurement for Short Term power. From the submission of the Petitioner it was observed that the Petitioner bought 141.09 MU at the rate of Rs. 4.52 /kWh amounting to Rs. 63.79 Crore form the two approved sources i.e. APPCL and PTC (AD Hydro). Hence the same is approved by the Commission.

3.6.57 Further, it is observed that the Petitioner bought short term power of 326.33 MUs at the rate of 4.65/kWh amounting to Rs. 151.96 Crore from unapproved sources and did not even inform the Commission.

3.6.58 Further, the excess quantum of 326.33 MU bought by the Petitioner, it engaged in Banking of power also, as discussed hereunder.

Power Banking:

3.6.59 The Petitioner has submitted that, some of the power banked during FY 2017-18 was availed during FY 2018-19 while some of the surplus power tied-up for FY 2018-19 was banked to be availed during summers of FY 2019-20 wherein the prices were anticipated to be higher considering impending General Assembly elections and State Assembly elections. Accordingly, out of 551.69 MU power procured from short-term sources, the Petitioner utilised 204.91 MU towards Power Banking. In respect to above, on Commission`s enquiry, the Petitioner submitted the details of power banking as shown in the Table below:

Table 3-30: Details of Power banking as submitted by the Petitioner for FY 2018-19

Type of Contract	Energy Purchase at NPCL Bus	Energy Charges	PGCIL Charges	UPPTCL Charges	Transmission Charges	Total Cost
	(MU)	(Rs. Cr.)	(Rs. Cr.)	(Rs. Cr.)	(Rs. Cr.)	(Rs. Cr.)
Power Procured in FY 2017-18 through Banking to be returned in FY 2018-19	14.01	6.60	0.32	0.35	0.67	7.27
Total FY 2017-18	**14.01**	**6.60**	**0.32**	**0.35**	**0.67**	**7.27**
Return of Power Procured through Banking in FY 2017- 18	**(16.39)**	**(6.54)**	0.37	0.23	**0.59**	**(5.95)**
Power Procured through Banking to be returned within FY 2018-19	124.71	0.53	3.25	3.32	6.57	7.1
Return of Power Procured through Banking within FY 2018-19	(137.88)	-	2.73	1.68	4.41	4.41
Power supplied under Banking to be procured in FY 2019-20	(175.34)	-74.71	4.8	3.01	7.81	-66.91
Power Banking FY 2018-19	**(204.91)**	**-80.73**	**11.14**	**8.23**	**19.38**	**-61.35**

3.6.60 The Commission further enquired about the month-wise details of banking of power and variation of UPPTCL charges during of power (137.88 MU) in FY 2018-19. Further, on Commission`s enquiry NPCL submitted as under:

"Company decided to procure power through Power Banking by participating in the tender floated by HPSEB through a licensed power trader. As per the terms of contract, the Company was required to procure 50 MW RTC power during Apr'18-Sep'18 which is the peak summer season and demand is at its peak in the Greater Noida Area and is obligated to return the power during 09-18 Hrs. from Oct'18-Mar'19, being the winter season. The further advantages of the aforesaid power banking arrangement were as follows -

a) Power source was from Northern Region and therefore, there was no issue with respect to transmission congestion;
b) Since the power was supplied by hydro rich state, it was immune from coal shortages which was prevalent at that time;
c) Being Hydro Power, it also helped the Company to fulfill its Renewable purchase obligation within 31st March 2019 as per the directions of the Hon'ble Commission;
d) As per the banking arrangement, the Company will get power during summer season when it has maximum demand while the return was proposed in winters which is a lean period.
e) Further, due to various reasons, including coal shortage, the IEX rates at NPCL bus were also remained on the higher side. The IEX rates are tabulated below for your ready reference:

Month	***Rate (Rs. / kWh)***
Apr-18	*4.76*
May-18	*5.91*
Jun-18	*4.76*
Jul-18	*4.27*
Aug-18	*4.09*
Sep-18	*5.54*

Apart from the above, For FY 2018-19, the Company was having two major contracts for procurement of power, first LTPPA with DIL for supply of 170 MW power and MTPPA with M/s PTC for supply of 100 MW RTC power. During the lean season of winters, there was some additional surplus power during Nov'18 to Mar'19 during off-peak hours. In order to balance its load and avoid penalty under CERC's DSM regulations, the Company at best could have sold such power on exchange, but the trends of the rate on exchange during RTC and Off-peak hours were not very lucrative. A summary of IEX rates (RTC) during Nov'18-Mar'19 at NPCL bus for the sale of power is tabulated below for the ready reference of the Hon'ble Commission:

Month	***Rate (Rs. / kWh)***
Nov-18	*2.81*
Dec-18	*2.55*
Jan-19	*2.57*
Feb-19	*2.31*
Mar-19	*2.32*

From the aforesaid rates, it can be seen that the rates were not very lucrative. Hence, it was considered appropriate to export the power under Power Banking during Nov'18-Mar'19 and import the same during the peak season of Summers of FY 2019-20. Accordingly, The Company sold such surplus power through Power Banking to be returned in the summers of FY 2019-20. Banking of surplus power was done to avoid sale on IEX at unviable rates. Further, the return of above power during summer of FY'19-20 helped the Company in optimizing power purchase cost for FY 2019-20."

3.6.61 Also, the Petitioner in additional reply submitted the month wise detail of power banking in which the power procured from the source was thermal rather Hydro as submitted in earlier reply.

3.6.62 The Petitioner further vide its mail dated September 02, 2019 submitted that:

1. *"The Company had submitted its power procurement plan for FY'2018-19 vide Petition No. 1146/2016 (MYT Petition for FY'2017-18 to FY'2019-20), Petition No. 1349/2018 (ARR for FY'2018-19) and Petition No. 1382/2018 (APR for FY'2018-19).*

2. *The Commission approved the following quantum and cost for short term power:*

Tariff Order Date	Energy (MUs)	Costs (Rs. Cr.)	Rate excluding Transmission Charges (Rs./kWh)	Transmission Charges (Rs./kWh)	Rate at NPCL (Rs./kWh)	Petition
30.11.2017	915.74	375.05	4.10	0.71	4.81	Petition No. 1146/2016 (MYT Petition for FY'2017-18 to FY'2019-20)
22.01.2019	315.70	150.28	4.76	0.64	5.40	Petition No. 1349/2018 (ARR for FY'2018-19)
03.09.2019	376.36	179.17	4.76	0.79	5.55	Petition No. 1382/2018 (APR for FY'2018-19)

3. *The actual cost of short-term power including from SCL stood at Rs. 4.54/kWh against the above approved rate of Rs. 4.76/kWh in the Tariff Order dated 22.01.2019. The short-term power comprises of power procured from DEEP Portal, Banking, SCL, Power Exchange and contingency arrangements.*
4. *In reply to deficiency note issued by the Hon'ble Commission vide its letter dated 23.08.2018, the Company in its submission vide letter dated 24.09.2018 informed the Hon'ble Commission about power procured/to be procured under short term which included power from SCL during FY'2018-19 and accordingly, submitted its power procurement cost for the year at Rs. 4.76/kWh (excluding transmission charges) which was duly approved by the Hon'ble Commission. The Petitioner enclosed the para-4.5.2 of the Tariff Order dated 03.09.2019.*
5. *Regarding power procurement under contingency is concerned, the same has also been approved by the Hon'ble Commission in the various Tariff Orders given for UPPCL/the Company provided it is within the approved rates. The contingency power purchased by the Company is also within the rate approved by the Hon'ble Commission for short term power. Such contingency arrangements were primarily made due to outage of generating plants/emergency requirement. The Petitioner enclosed the relevant para-7.10.2 of UPPCL's Tariff Order dated 22.01.2019.*
6. *The distribution licensees are allowed to sale/banking of power as a tool to optimize their power purchase cost and therefore, many Discoms do the same including the Discoms of State of U.P. It is pertinent to mention here*

that Hon'ble Commission in its MYT Regulations has acknowledged banking arrangements. Further, UPPCL has been procuring power through banking since very long time and the same has been approved by Commission at the time of truing-up from time to time.

7. *Banking being cashless transaction (since settled in unit terms and not in amount) doesn't carry any rate/amount. It is for this reason the banking transactions have been specifically kept beyond the purview of DEEP Portal. Since, there is no rate/amount involved in the banking of power, therefore, there is no occasion for adoption of tariff for the same. The Petitioner enclosed the relevant para of short-term Guidelines for reference.*
8. *It is pertinent to mention that the Commission in Para-5.4.7 of the Tariff Order dated 22.01.2019 of the Petitioner has stated that banking transactions cannot be projected in advance at the time of ARR and the same will be considered at actuals at the time of true-up. The relevant Para-5.4.7 is quoted as under for ready reference:*

   "5.4.7 As regards unscheduled Interchange transactions amounting to Rs 4.34 Cr and Power Banking charges amounting to Rs 3.51 Cr as claimed by the Petitioner, the Commission is of the view that these charges cannot be projected while approving the ARR and need to be considered based on actuals at the time of truing up. Hence the Commission has not approved these charges and the same shall be considered at the time of Truing Up based on actuals subject to prudence check."

   It is pertinent to mention here that Commission while truing-up of FY'2017-18 had approved the banking of power done during the year. The Petitioner enclosed the relevant Para-3.6.20 of Tariff Order dated 03.09.2019 of its Order."

3.6.63 Further with regards to power banking the Petitioner submitted that:

1. *"Subsequent to the withdrawal of 45 MVA power by UPPCL in Feb'14, UPSLDC stopped giving firm approvals to the Company and therefore, entire power for the licensed area was scheduled on day-ahead basis. The matter first went to Hon'ble Commission and thereafter, to Hon'ble APTEL.*
2. *Hon'ble Commission vide its Order dated 21.07.2015 allowed firm capacity of 237 MW only which was later on upheld by Hon'ble APTEL as*

well vide its Order dated 28.07.2016. In view of the above, UPPTCL did not processed any application beyond 237 MW on advance basis and continued to allow Open Access on day-ahead basis.

3. *Apart from the above, with respect to permission for drawing power from IEX, USPLDC didn't allow the Company to participate on IEX despite the fact that other State Discoms were drawing sizable power from Power Exchange. It submitted the various applications submitted to UPSLDC for grant of NoC for participation on IEX. The Company has been informing the Commission regarding the same in all its correspondences, ARR Petitions, additional information / clarifications. (NoC for purchase of power was first given in Mar'18 for Apr'18 for 30 MW only and thereafter, the NoC was given on month-on-month basis at the sole discretion of UPSLDC, thus there was no certainty of such approvals as well as quantity thereof)*

   Under the above circumstances majority of power of the Company during FY'2017-18 was scheduled on day-ahead basis.
4. *In addition to the above, there were frequent curtailment of power being scheduled from outside Northern Region. Details of multiple curtailed approvals from inter-regional power sourced by the Company and other Discoms during Apr'18-Sep'18 was provided.*

   Therefore, ensuring adequate and reliable power supply for the consumers of Greater Noida was the biggest challenge for the Company especially, in view of the directions of State Government to ensure at least 18/24 Hrs. supply in rural/other than rural area during FY 2018-19.

   As stated above, due to restricted availability of firm transmission capacity up to 237 MW from UPSLDC and also to avoid curtailment of power due to transmission congestion, the Company planned its power procurement for FY'2018-19 in such a manner that most of its short-term power is procured from Northern Region sources as it will be immune from curtailment due to inter-regional congestion. Further, Northern Region sources are most reliable considering the day-ahead scheduling imposed by UPSLDC. The fact was also mentioned in its various ARR and Business Plan Submissions.
5. *Therefore, the Company participated in the tender invited by other utilities of Northern Region for banking of power (taking power in summers and returning the same in winters) in addition to procuring power from SCL on day-ahead basis like during FY 2017-18 mainly because of following reasons:*

a. The plant is situated in Northern Region and connected with CTU;

b. Unlike other Generators in NR, Shree Cements was agreeable to schedule power on day-ahead basis allowing more flexibility to manage peaks and lows;

c. Shree Cement also agreed to supply addl. power up to 20% of the total arrangement during peak hours at the same rate;

d. The rates on exchange for RTC power were very high (~Rs.5.16/kWh at NPCL bus including IEX fee) while the same from SCL was Rs. 5.07/kWh at NPCL bus.

e. The overall cost of the power supplied was within the rates submitted with Hon'ble Commission for approval in the petitions for Business Plan, ARR for FY 2018-19 and APR for FY 2018-19;

f. It is pertinent to mention that the Company procured power from SCL on day-ahead basis in FY'2017-18 also and since the cost was within the overall provisional PPC approved by the Hon'ble Commission, the same was allowed while truing-up the ARR for FY 2017-18.

The details of power procured from SCL and power banking with other utilities during the year is shown in the Table below:

Month	SCL (MU)	Other than SCL Purchase (MU)	Total Purchase (MU)	IEX Sale Units (MU)	Banking-In Unit (MU)	Banking Return for Mar'18 (MU) - Old Obligation	Banking Return (MU) - Current Year Obligation	Forward Banking Units (MU)	Net Purchase (MU)	Forward Banking as % of Purchase
Apr-18	13.40	133.04	146.44	-	17.28	-	-	-	163.72	0%
May-18	21.85	151.87	173.73	-	24.54	-	(2.16)	-	196.11	0%
Jun-18	26.99	147.35	174.34	-	30.58	-	-	-	204.92	0%
Jul-18	33.62	152.61	186.23	-	25.00	-	(10.10)	(1.58)	199.55	-1%
Aug-18	35.92	182.20	218.11	-	5.84	(14.85)	(2.68)	-	206.42	0%
Sep-18	35.00	131.66	166.66	-	21.47	-	(3.32)	-	184.81	0%
Oct-18	11.96	163.47	175.44	-	-	-	(8.56)	-	166.88	0%
Nov-18	25.62	117.48	143.10	-	-	-	(7.57)	(10.31)	125.22	-7%
Dec-18	28.71	198.34	227.06	(5.15)	-	-	(33.20)	(50.71)	138.00	-22%
Jan-19	33.15	189.42	222.57	(3.00)	-	-	(31.02)	(39.88)	148.67	-18%
Feb-19	21.23	174.12	195.35	(3.94)	-	-	(25.38)	(30.51)	135.51	-16%
Mar-19	27.97	184.49	212.46	(10.30)	-	-	(15.43)	(42.36)	144.37	-20%
Total	**315.42**	**1,926.05**	**2,241.47**	**(22.40)**	**124.71**	**(14.85)**	**(139.42)**	**(175.34)**	**2,014.17**	**-7%**

6. *From the above, it can be seen that the Company was significantly benefitted from procurement of power from SCL and banking not only in terms of rates with IEX (though the Company was not allowed to procure the quantum from IEX) but also in terms of load management during Summers and festival months of October and November'18.*

7. It is also pertinent to mention that during FY 2018-19, the acute coal shortage in the Country fuelled the rates on IEX as well as in the bilateral *market. Further, the above trend was expected to continue in winters as well as no improvement was expected in coal supply.*

8. *Further, the above rate of SCL can also be benchmarked with the rates prevalent on DEEP Portal during Apr'18-Sep'18. It is noteworthy that rates discovered on DEEP Portal even during Oct'18-Mar'19 continued to remain higher than the rates of SCL. Therefore, considering the trend in bilateral market, the arrangement with SCL was continued in winters as well. Details of various bids held during this period was provided by the Petitioner.*
9. *Further, the Company informed the Commission about the updated status of power procured during FY 2018-19 through its submission vide letter dated 24.09.2018 against the Hon'ble Commissions' query dated 23.08.2018.*
10. *As the Commission is aware that the Company tied-up 100 MW power from M/s PTC (Source: SKS Plant, Chattisgarh) wherein the power was scheduled to commence from 1st Dec'18. However, subsequently SKS faced bankruptcy issues, therefore, it became uncertain whether it will be in a position to supply power from scheduled date of 01.12.2018.*

    It is pertinent to mention that during the above uncertainties, PTC/SKS also failed to submit the application for scheduling power from 01.12.2018 by 30.06.2020 being the last date for applying MTOA, making the situation all the more doubtful and uncertain.

11. *Hence, in aforesaid scenario of high rates of power in both IEX and DEEP Portal, power was procured from SCL to ensure adequate and reliable power supply within the overall approved cost.*
12. *Further, Parliamentary Elections were to take place sometime during March'19-April'19 due to which it was envisaged that both the demand of power and prices thereof would be higher.*
13. *From the statement, the Commission would kindly observe that power taken from SCL from April-November'18 was fully utilized to meet the demand of the consumers ensuring reliable power supply to them as well as return banking obligations.*
14. *As regards purchase and banking of power during Dec'18-Mar'19, the following is submitted for the kind consideration of the Commission:*

a) *Due to persistent shortage of coal, DIL vide e-mail dated 22.12.2018 informed that its plant availability is likely to remain around 60% during Jan'19-Feb'19.*

b) *Though SKS power was not expected as mentioned herein above, the power supply was started in Dec'18. However, there were lot of interruptions since Dec'18 itself.*

c) *The banking of power was done due to continued ban in multiple phases on construction/industrial activities in NCR by NGT/CPCB for controlling pollution unexpectedly lowered the demand.*

15. *The Commission from time to time in its Tariff Orders has been stating that UI and Banking power would be approved at actuals at the time of truing-up only despite the submissions of the licensee. Accordingly, approvals for UI and Banking power is accorded by the Hon'ble Commission at the time of truing-up only.*

16. *The distribution licensees are allowed power banking to manage their load and optimize power purchase cost. The Commission has approved banking of power by the Company in previous years also. It is pertinent to mention that the main thrust has been to ensure reliable power supply for the consumers and also optimize the overall power procurement cost.*

    Therefore, to ensure uninterrupted power supply in any of the eventualities, a back-up source from Northern Region was kept in hand. Since, SCL has its own generating plant connected with CTU and supplied power in earlier years also as well as in emergency at short notice, power was procured from SCL during FY'2018-19 also."

3.6.64 Further on Prudence check, the Commission found that neither the Petitioner took any prior approval of the Commission for Banking of Power, nor informed the Commission about it. Further, Commission refers to Regulation 19 (d) of the UPERC MYT Regulation, 2014 provide as under:

Quote

19 (d) If there is a short term requirement of power by the Distribution Licensee over and above the quantum as approved by the Commission and such requirement is on account of any factor beyond the control of the Licensee (shortage / non availability of fuel, snow capping of hydro resources inhibiting power generation in sources stipulated in the plan, unplanned / forced outages of power generating units or acts of God), then the cost shall be directly passed on to the customer without prior approval of the Commission.

Provided that the cost of the additional power shall be capped by the lower of the weighted average price of power exchange rates or bilateral market purchases for the same quarter.

Provided further that in such a case, the Distribution Licensee shall inform the Commission about the purchase of power over and above approved quantum with all the details. In case the Commission is not satisfied by the quantum and/or rates, the Commission may disallow the same in the True Up."

Unquote

3.6.65 In terms of the above Regulations, the Commission is of the view that the Petitioner indulged in excess purchase of short-term power and Banking therein without any prior approval of the Commission. Also, neither it took consent about the Banking of Power and neither did it inform the Commission about the same. Accordingly, in terms of Regulation 19 of UPERC (Multi Year Distribution Tariff) Regulations, 2014, the Commission disallows additional short-term power bought and Banking of Power done in FY 2018-19 except for the approved portion of Banking of power which was allowed in FY 2017-18.

3.6.66 The Commission also the analysed the average IEX price rate for FY 2017-18, FY 2018-19 and FY 2019-20 as shown in the Table below:

Table 3-31: Average RTC prices at IEX

Particular	FY 2017-18	FY 2018-19	FY 2019-20
Average RTC	4.02	3.88	3.01
Average Peak	4.70	4.67	3.56
Average Non- Peak	3.79	3.62	2.83
Average Day	3.95	3.77	2.84
Average Night	3.38	3.34	2.77
Average Morning	4.26	3.84	2.92

Source: https://www.iexindia.com/marketdata/areaprice.aspx

3.6.67 The Commission for the True Up of FY 2018-19, approves the short-term power which was approved by the Commission i.e. power procured from APPCL and A.D Hydro. The Commission has also approved the contingency power procured by the Petitioner i.e. MPPL and the power procured from exchanges.

3.6.68 Further, the Commission observed that the Petitioner had purchased extra quantum from short-term sources and indulged in banking the power. The power procured by the Petitioner from unapproved sources is being disallowed, the Commission directs the Petitioner to take prior approval of Commission for short-term procurement (other than from exchanges) and for banking of power in future. The Commission, for approval of power procured from Short-Term other than APPCL, AD hydro and MPPL, has considered the remaining requirement to be fulfilled through power exchanges. The Commission has approved the same rate of power purchase from exchanges as claimed by the Petitioner i.e. Rs. 3.85/kWh, which translates to Rs 4.08/kWh at NPCL bus, since it is lower than the average rate of RTC power for FY 2018-19 i.e. Rs. 3.88/kWh. The Commission directs the Petitioner that in future it should strictly follow the Central Government Guidelines for Procurement of power for short term (i.e. for a period more than one day to one year) by Distribution Licensees through tariff-based bidding process using National e-bidding portal-reg dated March 30, 2016.The link for the same is provided below: (https://www.mstcecommerce.com/auctionhome/RenderFileGeneralAuctions.jsp?file=PPA-Revised-Guidelines-Short-Term.pdf) (Last accessed on - 21.11.2020)

3.6.69 Accordingly, the Commission for FY 2018-19 for procurement of power from Short-term allows the power as shown in the Table below:

Table 3-32: Power procurement for Short-Term for FY 2018-19 (excluding Transmission)

Supplier's Name	True Up Petition (FY 2018-19)			Approved (FY 2018-19)		
	MU Imported at NPCL bus	Per Unit Cost	Total (in Rs. Cr)	MU Imported at NPCL bus	Per Unit Cost	Total (in Rs. Cr)
Arunachal Power Corporation (P) Ltd. (APPCPL)	82.82	4.81	39.84	82.82	4.81	39.84
Shree Cements Ltd	315.42	4.67	147.25			
Mittal Processors Private Limited (MPPL)	9.45	4.23	4.00	9.45	4.11	3.89
AD Hydro Power Ltd	58.27	4.12	24.01	58.27	4.12	24.01
Power Exchange (actual)	84.27	4.08	34.40	84.27	4.08	34.40
Power Exchange (Deemed)				99.72	4.08	40.71
Others	1.45	4.88	0.71	1.45	4.11	0.60
Subtotal	**551.69**	**4.54**	**250.22**	**336.01**	**4.27**	**143.45**

3.6.70 As regards banking of power, the Commission is of the view that only the banking of power purchase approved in FY 2017-18, is allowed without transmission charges. All other excess and unapproved short-term power purchased and banked in FY 2018-19 are disallowed and the Petitioner is directed to take prior approval of Commission for short-term procurement (other than from exchanges) and for banking of power in future. Banking of power in approved is as under:

Table 3-33: Power banking approved for FY 2018-19

Type of Contract	Energy Purchase at NPCL Bus	Energy Charges	PGCIL Charges	UPPTCL Charges	Transmission Charges	Total Cost
	(MU)	(Rs. Cr.)	(Rs. Cr.)	(Rs. Cr.)	(Rs. Cr.)	(Rs. Cr.)
Return of Power Procured through Banking in FY 18	**(16.39)**	**(6.54)**				**(6.54)**

Sale of Power:

3.6.71 The Petitioner submitted that it has sold (22.40) MU at the rate of Rs. 2.62/kWh amounting to Rs. 5.86 Crore. The Commission sought the details of power sold by the Petitioner is shown in the Table below:

Table 3-34: Power Sold by the Petitioner in FY 2018-19

Beneficiary	Units Sold (MU)	Sale (Rs. Cr.)
Sale of Power to DNH (Through APPCL)	5.15	1.14
Sale of Power to UPCL (Through APPCL)	17.25	4.72
Total	**22.40**	**5.86**
The above sale of power has been benchmarked with rate discovered at IEX.		

3.6.72 Since the Commission in power purchase from short term has already disallowed any excess and unapproved short-term power purchased and banked in FY 2018-19, accordingly, there would not be any scenario of sale of excess power. Hence, the Commission for the True Up of FY 2018-19 is disallowing the sale of power.

Unscheduled Interchange:

3.6.73 The Petitioner submitted that it has overdrawn 37.46 MU in FY 2018-19 amounting to the cost of Rs. 30.72 Crore. The Commission in this regard asked the Petitioner provide the data on actual energy input at T <> D boundary of NPCL for FY 2018-19, duly certified by SLDC and also to provide the DSM account for FY 2018-19.

3.6.74 The Petitioner in this regard submitted that it duly reconciles its power purchased with REA published by NRLDC on monthly basis. Further, with respect to the actual energy input at T<>D boundary of NPCL, duly certified by SLDC, the energy accounting provided by SLDC carries a number of mistakes which are being pursued regularly for correction. The Commission will be surprised to know that UPSLDC revised the energy accounting statement for the period from FY 2015-16 to FY 2018-19 more than 40 times which included revisions for multiple weeks of preceding periods and still the same is not in sync with the REA published by NRLDC. Hence, the Petitioner finalises its statutory accounts based on the energy certified by NRLDC being further reduced by the Intra-State transmission losses as approved by the Commission. The aforesaid Statement is duly vetted by the Statutory Auditors as well as the Auditors recommended by the Commission every year. Accordingly, the same is approved. However, the Petitioner is directed to limit its UI and indulge in real time markets.

Transmission Charges:

3.6.75 Further with regards to the Transmission charges, the Commission asked the Petitioner to provide a detailed justification and reasons for increase in transmission charges (approx. Rs. 50 Crore) with respect to approved transmission charges in Tariff Order for FY 2018-19 dated January 22, 2019.

3.6.76 In this regards the Petitioner submitted that:

"The Commission vide Tariff Order dated 22nd January'2019 had approved the transmission charges for FY 2018-19 at Rs. 129.71 Cr. vis-à-vis the actual Transmission charges for FY 2018-19 at Rs. 184.30 Cr. From the above, it can be seen that there is an increase in Transmission charges of Rs. 54.59 Cr in approved vis-à-vis actual transmission charges for FY 2018-19. The aforesaid increase is on account of reasons as stated below: -

(a) There are two major components of Transmission charges for FY 2018-19 i.e. Inter-state Transmission charges paid to PGCIL and Intra-state Transmission charges paid to UPPTCL. From MYT Formats Form "PPC FY 19" of the ARR petition no. 1541/2019 dt. 27th December, 2019. It can be seen that while inter-state transmission charges have increased from Rs. 88.06 Cr as per Tariff Order to Rs. 141.93 Cr as per actual audited accounts (Refer MYT Formats Form "PPC FY 19"), the intra-state transmission charges were approved at Rs. 41.65 Cr vis-à-vis Actual Intra-State Transmission charges for Rs. 42.36 Cr. From the above, it can be seen that the major difference is in inter-state transmission charges paid to PGCIL.

(b) The Commission in its Tariff Order dated 22nd January, 2019 had approved the Long-Term transmission charges @ Rs. 9821/MW and Short-Term transmission charges @ Rs. 212/MW from PGCIL. However, during FY 2018-19, CERC vide its various orders had approved the PGCIL rates for long term and short-term open access as follows:

Short Term Charges	***Long Term Charges***	***CERC Order date***	***Reference***
Rs. 212.00/MW	*Rs. 9,958 /MW Per Day*	*16th Feb'18*	***Annexure-1***
Rs. 292.00/MW	*Rs. 12,489/MW Per Day*	*5th Jun'18*	***Annexure-2***
Rs. 274.10/MW	*Rs. 12,919/ MW Per Day*	*30th Aug'18 & 19th Sep'18*	***Annexure-3** & **Annexure-4***
Rs. 234.50/MW	*Rs. 10,256/ MW Per Day*	*15th Nov'18*	***Annexure-5***
Rs. 235.60/MW	*Rs. 9,971/ MW Per Day*	*6th Feb'19*	***Annexure-6***

From the above, it can be seen that the transmission charges for PGCIL are higher than the Transmission charges approved by the Hon'ble Commission in its Tariff Order dated 22nd January, 2019 by as much as 37%. This has resulted into increase in transmission charges for FY 2018-19 by at-least 30% say approsx. Rs 27 Cr.

(c) As per LTPPA with M/s DIL for supply of 170 MW power, LTA has been granted by PGCIL (CTU) in two parts, viz., 58 MW in existing system and the balance 112 MW in Champa-Kurukshetra Pole-1. Accordingly, the PoC bills for applicable transmission charges were raised by PGCIL to DIL (being the long-term applicant) on monthly basis. The monthly amount, so billed, is being reimbursed by NPCL as per the terms of the LTPPA.

From November 2018 onwards, PGCIL also started raising monthly PoC bills for 170 MW LTA from Existing line in addition to 112 MW from Champa-Kurukshetra line which resulted into higher PoC bill than the previous average monthly bill in accordance with CERC Order dated 22.02.2018 in Petition No. 13/TT/2017 determining HVDC charges pertaining to Champa-Kurukshetra Pole-1 line. As per the aforesaid Order, Hon'ble CERC approved sharing of HVDC charges for Champa-Kurukshetra Pole-1 line as per Regulation 11 (4)(3) (iii) instead of 11 (4)(3)(i) of the Sharing Regulations 2010. Consequently, transmission charges in FY 2018-19 got increased by an amount of Rs. 23.80 Cr. raised by PGCIL for the period Nov'18 to Mar'19 which was not provided earlier in the ARR / corresponding Tariff Order dated 22nd January, 2019.

Subsequently, on the Review Petition filed by PGCIL & Other beneficiaries on the above erroneous treatment of sharing of HVDC transmission charges under Regulation 11(4)(3)(iii) instead of 11(4)(3)(i) of Sharing Regulations 2010, the Hon'ble CERC vide its Order dated 31.07.2019 allowed the above Review Petition and directed PGCIL to refund the excess LTA charges to the beneficiaries.

Accordingly, in pursuance to the CERC's order dated 31.07.2019, during FY 2019-20, PGCIL reversed the additional LTA charges of Rs. 23.80 Cr incurred in FY 2018-19 which has been credited in the ARR for FY 2019-20 by the Company after receiving the credit of the same from M/s DIL.

Thus, from the above, it can be seen that the transmission charges for FY 2018-19 has increased by approx. Rs. 24 Cr as against the same approved vide Tariff order dated 22nd January,2019.

(d) As explained earlier, during FY 2018-19, the Company had incurred additional transmission charges towards power procured through Power Banking in FY 2017-18 and returned in FY 2018-19. Similarly, during summers of FY 2018-19, the Company had procured some power through power banking which was returned in the same year during winters itself. Also, certain power, being surplus during off-peak hours in winters of FY 2018-19 had also been exported under power banking, to be procured during peak hours in the Summers of FY 2019-20 which has resulted into additional transmission charges during FY 2018-19."

3.6.77 The Petitioner with regards to power purchase claimed as 'others' submitted that:

"It received a refund of Rs. 3.54 Cr from UPPTCL against the excess transmission charges levied by it during the period starting from Oct'09 till Nov'11. The aforesaid transmission charges were claimed in the ARR of the respective years on the basis of actual payment made and accordingly, the Company has reduced the power purchase cost for FY 2018-19 when it has received the refund of such transmission charges. The aforesaid refund has been shown under the sub-head "Other" in the Power Purchase Cost details for FY 2018-19 in the MYT Formats "PPC FY 2018-19".

Apart from above, it is clarified that UPSLDC charges Rs. 5000/- as concurrence charges against each application for Open Access through UPPTCL network. For the purpose, the Company provided 10 – 20 Demand Drafts/NEFT Remittance of Rs. 5,000 each simultaneously with UPPTCL who in turn utilises them against each application for Open Access. In absence of reconciliation, it is not feasible to attribute every Demand Draft/ NEFT Remittance with respective source of power and therefore, the *amount so paid is expensed out on the payment basis collectively under Transmission Charges. The amount so paid has been included under the sub-head "Other" in Power Purchase Cost details for FY 2018-19 in MYT Formats Form "PPC FY 2018-19.*

Inadvertently, the amount has been shown under the column of PGCIL while it is being paid to UPPTCL hence, should be classified under STU Charges."

3.6.78 Accordingly, the Total power purchase approved for FY 2018-19 is shown in the Table below:

Table 3-35: Power Purchase Cost and quantum as approved by the Commission for FY 2018-19

Particular	Claimed in True Up Petition			Approved for FY 2018-19 (True Up)						
	Energy at NPCL Periphery (MU)	Rate at NPCL Periphery (excluding transmission) (Rs. /kWh)	Total Cost excluding Transmission (Rs. Crore)	Energy at NPCL Periphery (MU)	Rate at NPCL Periphery (excluding transmission) (Rs. /kWh)	Total Cost excluding Transmission (Rs. Crore)	PGCIL Cost (Rs. Crore)	UPPTCL (Rs. Crore)	Total Cost including Transmission (Rs. Crore)	Rate at NPCL Periphery (including transmission) (Rs. /kWh)
	A	**B=C/A*10**	**C**	**D**	**E**	**F=E/D*10**	**G**	**H**	**I**	**J=I/D*10**
Long Term Power (from DIL)	1086.15	4.75	515.61	1,086.15	3.84	416.74	104.15	21.38	542.27	4.99
Medium Term MTPPA (PTC India Ltd)	250.09	3.55	88.74	250.09	3.23	80.78	16.26	8.00	105.04	4.20
Power Purchase from Short-Term	**551.69**	**4.54**	**250.22**	**336.01**	4.27	**143.45**	**11.31**	**9.35**	**164.11**	**4.88**
Power Purchase from Traders (RTC)										
Power Purchase from Traders (Peak)										
Arunachal Power Corporation (P) Ltd. (APPCPL)	82.82	4.81	39.84	82.82	4.81	39.84	2.22	2.09	44.15	5.33
Shree Cements Ltd	315.42	4.67	147.25							
Mittal Processors Private Limited (MPPL)	9.45	4.23	4.00	9.45	4.11	3.89	0.36	0.28	4.53	4.79
AD Hydro Power Ltd	58.27	4.12	24.01	58.27	4.12	24.01	1.60	1.56	27.17	4.66
Power Exchanges (Actual)	84.27	4.08	34.40	84.27	4.08	34.40	3.24	2.46	40.10	4.76
Power exchange (Deemed)				99.74	4.08	40.71	3.83	2.91	47.46	4.76
Others	1.45	4.88	0.71	1.45	4.11	0.60	0.06	0.04	0.69	4.79
Power Purchase from RE	**316.08**	**5.34**	**168.76**	**316.08**	5.34	**168.76**	**0.10**	**0.05**	168.91	5.34
GNIDA (Solar)	1.26	6.92	0.87	1.26	6.92	0.87	0.00	0.00	0.87	6.92
APPCPL (Solar)	0.35	5.38	0.19	0.35	5.38	0.19	0.00	0.00	0.19	5.38
Net Metering (Solar)	4.10	7.31	3.00	4.10	7.31	3.00	0.00	0.00	3.00	7.31
MPPL (Non-Solar)	97.78	5.34	52.24	97.78	5.34	52.24	0.12	0.04	52.41	5.36
APPCPL (Non-Solar)	212.58	5.29	112.45	212.58	5.29	112.45	-0.02	0.01	112.44	5.29
Subtotal	**2,204.01**	**4.64**	**1,023.32**	**1988.33**	**4.07**	**809.73**	**131.81**	**38.78**	**980.32**	4.93
Power Banking	-204.91	3.94	-80.73	(14.85)	4.40	(6.54)				-
Sale of Energy	**-22.40**	**2.62**	**-5.87**							
UI	**37.46**	**8.20**	**30.72**	**37.46**	8.20	**30.72**				-
Total Power Purchase Cost (excluding transmission charges)	**2,014.17**	**4.80**	**967.44**	**2,010.94**	4.15	**833.91**	**131.81**	**38.78**	**1004.50**	**5.00**

Particular	Claimed in True Up Petition			Approved for FY 2018-19 (True Up)						
	Energy at NPCL Periphery (MU)	Rate at NPCL Periphery (excluding transmission) (Rs. /kWh)	Total Cost excluding Transmission (Rs. Crore)	Energy at NPCL Periphery (MU)	Rate at NPCL Periphery (excluding transmission) (Rs. /kWh)	Total Cost excluding Transmission (Rs. Crore)	PGCIL Cost (Rs. Crore)	UPPTCL (Rs. Crore)	Total Cost including Transmission (Rs. Crore)	Rate at NPCL Periphery (including transmission) (Rs. /kWh)
Total Transmission Charges			**184.31**			**171.59**				
Transmission Charges of PGCIL			141.94			131.81				
Transmission Charges of UPPTCL			42.36			38.78				
Total Power Purchase Cost (including transmission charges)	**2014.17**	**5.72**	**1151.75**	**2010.94**	**4.15**	**1004.50**			**1004.50**	**5.00**

3.6.79 Further, as mentioned earlier, the Petitioner have overbooked the sales of 21.73 MU under the unmetered categories of the consumers against the norms approved for those categories. The same has been disallowed and the corresponding excess power purchase cost claimed by the Petitioner is also being disallowed as depicted below:

Table 3-36: Disallowance in PPC for FY 2018-19 (Rs. Crore)

S.NO.	Particulars	Approved
1	Excess Sales booked under unmetered categories (MU)	21.73
2	Distribution Loss (%)	8.00%
3	Excess energy at Discom periphery (MU)	23.62
4	Total excess Power Purchased (MU)	23.62
5	Rate considered of short-Term power purchase at NPCL Bus (Rs/kWh)	4.08
6	**Disallowance in PPC due to excess sales booking in unmetered categories (Rs. Crore)**	**9.64**

Table 3-37: Net Power Purchase Cost as approved by the Commission for FY 2018-19

Particular	Cost (Rs. Crore)
Total Power Purchase Cost	1004.50
Adjustment of Extra Sales	9.64
Net Power Purchase	**994.87**

3.7 OPERATION AND MAINTENANCE EXPENSE

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

3.7.2 The Petitioner has submitted that according to Regulation 25 of the MYT Regulations, 2014 deals with the O & M Expenses which is reproduced below: -

"25 Operation & Maintenance Expenses

(a) The Commission shall stipulate a separate trajectory of norms for each of the components of O&M expenses viz., Employee cost, Repairs and maintenance (R&M) expense and Administrative and General Expense (A&G) expense. Provided that such norms may be specified for a specific Distribution Licensee or a class of Distribution Licensees.
(b) Norms shall be defined in terms of combination of number of personnel per 1000 consumers and number of personnel per substation along with annual expenses per personnel for Employee cost; combination of A&G expense per personnel and A&G expense per 1000 consumers for A&G expenses and R&M expense as percentage of gross fixed assets for estimation of R&M expenses:
(c) One-time expenses such as expense due to change in accounting policy, arrears paid due to ***pay commissions*** *etc., shall be excluded from the norms in the trajectory.*
(d) The ***expenses beyond the control of the Distribution Licensee*** *such as dearness allowance, terminal benefits etc. in Employee cost etc., shall be excluded from the norms in the trajectory.*
(e) The One-time expenses and the ***expenses beyond the control of the Distribution Licensee shall be allowed by the Commission over and above normative Operation & Maintenance Expenses*** *after prudence check.*
(f) The norms in the trajectory shall be specified over the control period with due consideration to productivity improvements.
(g) The norms shall be determined at constant prices of base year and escalation on account of inflation shall be over and above the baseline.
(h) The Distribution Licensee specific trajectory of norms shall be identified by the Commission on the basis of simple average of previous five years audited figures, duly normalized for any abnormal variation.
(i) For new Distribution Licensee whose date of commercial operation is within the tariff period (i.e. April 1, 2015 to March 31, 2020), detailed project report shall be used by the Commission to estimate values of norms.

25.1 Employee Cost

Employee cost shall be computed as per the approved norm escalated by consumer price index (CPI), adjusted by provisions for expenses beyond the control of the Licensee and one time expected expenses, such as recovery/adjustment of terminal benefits, implications of pay commission, arrears, Interim Relief etc., governed by the following formula:
*EMPn= (EMPb * CPI inflation) + Provision*
Where:
EMPn: Employee expense for the year n.

EMPb: Employee expense as per the norm CPI inflation: is the average increase in the Consumer Price Index (CPI) for immediately preceding three financial years.
Provision: Provision for expenses beyond control of the Distribution Licensee and expected one-time expenses as specified above.

25.2 Repairs and Maintenance Expense

Repairs and Maintenance expense shall be calculated as percentage (as per the norm defined) of Average Gross Fixed Assets for the year governed by following formula:
$R\&M_n = K_b * GFA_n$
Where:
$R\&M_n$: Repairs & Maintenance expense for n^{th} year
GFA_n: Average Gross Fixed Assets for n^{th} year
K_b: Percentage point as per the norm.

25.3 Administrative and General Expense

A&G expense shall be computed as per the norm escalated by wholesale price index (WPI) and adjusted by provisions for confirmed initiatives (IT etc. initiatives as proposed by the Distribution Licensee and validated by the Commission) or other expected one-time expenses, and shall be governed by following formula:
$A\&G_n = (A\&G_b * \text{WPI inflation}) + \text{Provision}$

Where:
$A\&G_n$: A&G expense for the year n
$A\&G_b$: A&G expense as per the norm
WPI inflation: is the average increase in the Wholesale Price Index (WPI) for immediately preceding three financial years
Provision: Cost for initiatives or other one-time expenses as proposed by the Distribution Licensee and validated by the Commission."

3.7.3 The Petitioner submitted that the Commission vide Tariff Order for FY 2018-19 dated 22nd January, 2019 has approved the O & M expenses at Rs.82.58 Crore (net of employee cost capitalised). As per Audited Accounts, the actual O & M Expenses for FY 2018-19 are at Rs. 96.78 Crore (net of employee cost capitalised) and excluding GST component. The actual O&M Expenses for FY 2018-19 is provided in Table below along-with amount provisionally approved by the Commission in tariff order dated 22nd January, 2019.

Table 3-38: O & M expenses (Rs. Cr) for FY 2018-19 as submitted by Petitioner

Sl. No.	Particulars	Approved Vide T.O. dated 22 January 2019.	Actual
1	Repair & Maintenance Expenses	45.4	44.19

Sl. No.	Particulars	Approved Vide T.O. dated 22 January 2019.	Actual
2	Employees Expenses	29.89	48.81
3	Administrative & General Expenses	13.24	12.78
4	**Total O&M Expenses**	**88.53**	**105.77**
5	Employee Cost Capitalised	-5.95	-8.99
6	**Net O&M Expenses excluding GST component**	**82.58**	96.78
7	Add: GST Component	-	3.56
8	**Total O&M Expenses**	**82.58**	**100.34**
Total may not tally due to rounding offs			

3.7.4 The Petitioner has further submitted that from the above table, Commission will observe that there is huge gap between the amount approved by the Commission and the actual expenses with respect to Employee Expenses. owing to following factors listed below, being beyond the control of the Petitioner: -

Increase in Minimum wages:

a. All enterprise, associations, partnership, body corporates etc. are bound by the provisions of Minimum Wages Act 1948 and Govt. of Uttar Pradesh under the provisions of the Minimum Wages Act, 1948 revises minimum wages twice in a year (i.e. with effect from April and October). The comparative revised minimum wages of U.P. during FY 2018-19 were as provided in Table below:

Table 3-39: Minimum Wages in State of U.P.

Class of labour	As on 1st Apr'13	w.e.f. 1st Apr'18	w.e.f. 1st Oct'18	% increase in C over A
	A	B	C	D
Unskilled	4,975.86	7,613.00	7,675.45	54.25%
Semi-skilled	5,672.48	8,375.00	8,443.00	48.84%
Skilled	6,296.38	9,381.00	9,457.49	50.21%

b. The Petitioner submitted that, from the above table, it may be seen that the wages applicable from 1st April, 2018 was higher by 48-54% as compared to wages prevailing on April 2013 (i.e. mean financial year considered for determination of norms). Thus, the wages applicable for full FY 2018-19 has been significantly higher as compared to the norms.

c. The Petitioner further stated that its license area is situated in National Capital Region (i.e. NCR) and the cost of living in this area is equivalent to the cost of living in National Capital Territory (i.e. Delhi). Thus, the impact of changes in minimum wages and other labour welfare schemes are echoed in NCR region as well.

Accordingly, the changes in minimum wage rate of NCT Delhi also affect the cost at which labour is available in Delhi-NCR. The following Table-8 shows that minimum wages prevailing during FY 2018-19 in NCT-Delhi were higher by 80%-83% as compared to State of UP:-

Table 3-40: Comparative Minimum Wages in State of U.P. and NCT-Delhi

Period	Particulars	Ref.	Unskilled Labour	Semi-skilled	Skilled
Apr-18 to Sep-18	NCT-Delhi	a	13,896	15,296	16,858
	State of U.P.	b	7,613	8,375	9,381
	Variation	c=a-b	6,283	6,921	7,477
	Variation (%)	d=c/b	83%	83%	80%
Oct-18 to Mar-19	NCT-Delhi	e	14,000	15,400	16,962
	State of U.P.	f	7,675	8,443	9,457
	Variation	g=e-f	6,325	6,957	7,505
	Variation (%)	h=g/e	82%	82%	79%
					Wages in Rupees

d. The Petitioner submitted that the minimum wages has a direct and substantial impact on most of the components of O & M expenses e.g. Breakdown gang, security charges, job costing of various repair assignments. Further, as lower cadre staff are governed by the provisions of the Minimum Wages Act-1948, increase in minimum wages also leads to consequent cascading effect on the remuneration of entire staff including senior level employees as well. Further, all enterprise, associations, partnership, body corporates, companies etc. are bound by the provisions of Minimum Wages Act 1948 and Petitioner has no option but to comply with the same. Therefore, impact of the changes in minimum wages is beyond the control of the Petitioner and cannot be subsumed within normative employee cost.

e. The Petitioner further submitted that it is very difficult for a private organization to quantify the impact of wage revision in its overall O&M Expenses. However, these revisions increase the overall cost where man power is involved much more than the increase in CPI being allowed through normative Employee Cost. Thus, the amount of escalation allowed by the Commission is not taking into account the revisions in wages.

f. The Petitioner has submitted that the MYT Regulation, 2014 provides for escalation of normative Employee Cost on the basis of Consumer Price Index (i.e. CPI), however, the resultant escalation is quite insufficient and more important is that the increase in minimum wages are not covered in CPI. Hence, the impact of increase in minimum wages do not get compensated through incremental CPI.

g. The Petitioner further submitted that the Regulation 29 of MYT Regulation, 2014 which provides admissibility of Bad and Doubtful Debts as a legitimate business expense with the ceiling limit of 2% of the revenue receivables in the Tariff. However, it has been able to contain the same to 0.84% during the FY 2018-19. This has resulted in huge saving in the Bad and Doubtful Debts which will ultimately pass on to the Consumers. The saving is depicted in the following Table:

Table 3-41: Savings in Provisions for Bad Debts for FY 2018-19 as submitted by Petitioner

Sl. No.	Particulars	U.o.M.	Reference	Actual
1	Revenue billed for the year	Rs. Cr.	a	1557.6
2	Actual Provision for Bad & Doubtful debts	Rs. Cr.	b	13.29
3	Provision as % of Revenue billed	%	c= b/a	0.84%
4	Normative Provision for Bad & Doubtful Debt @2%	Rs. Cr.	d=a x 2%	31.51
5	**Saving in provision for Bad & Doubtful debts**	**Rs. Cr.**	**e=d-b**	**18.22**

h. The Petitioner has submitted that it is able to limit Bad & Doubtful Debts at 0.84% against 2% on account of the fact that the Petitioner has deployed additional manpower for recovery of dues from the consumers, prompt billing, aggressive actions against theft, timely action against the defaulters etc. In case, it opts to reduce its manpower to align actual employee cost with the normative employee cost as per MYT Regulations, 2014, it may lead to higher bad debts which will ultimately burden the diligent Consumers. The Petitioner has therefore requested that it should be allowed to recover its employee cost at actuals.

Recommendation of Sixth / Seventh Pay Commission:

a. The Petitioner has submitted that with implementation of the Seventh Pay Commission, the average pay of government employees has gone up more than 25% approx. including that of State Governments' employees. This will lead to considerable raise in salary package at entry level as well as higher level of employees in private sector also. In this backdrop, the Petitioner has been facing an uphill task to retain talented and motivated workforce and minimize attrition in the increasingly competitive market with more and more participation of private sector in the utility segment including electricity distribution. Hence, it is necessary that the compensation structure on one hand meets the expectations of the employees and on the other hand motivates them to strive for superior performance through congruence of individual and organization goals. Therefore, any increase in emoluments given by the Central Pay Commission, will have a direct bearing on the salary and emoluments of the Petitioner's employees so as to retain and motivate them appropriately.

b. The Petitioner has further submitted that the Commission has been approving the impact of change in pay scales as recommended and approved by various pay Commissions to all State Discoms, on actual basis. Also, the Regulation-25 of MYT Regulations 2014 provides for separate approval of such expenses over and above normative employee costs as reproduced herein below:-

"25. …….

(c) One-time expenses such as expenses due to change in accounting policy, arrears paid due to pay commission etc., shall be excluded from the norms in the trajectory.

(d) The expenses beyond the control of the Distribution Licensee such as dearness allowance, terminal benefits etc. in Employee costs etc. shall be excluded from norms in the trajectory.

(e) The One-time expenses and the expenses beyond the control of the Distribution Licensee shall be allowed by the Commission over and above normative Operation & Maintenance Expenses after prudence check.

……."

c. Accordingly, the Petitioner has requested the Commission to approve the O & M expenses on actuals considering the significant increase in salaries and minimum wages.

Other Cost Drivers:

a. The Petitioner has submitted that it has been striving hard to control and optimize its O & M Expense primarily keeping the consumers interest in view. However, due to weak and deficient manpower with local administration the law and order situation is very poor in the Greater Noida area with frequent and violent incidence occurring in the area. The administration or police personnel seldom finds time for attending to the complaints of pilferages/manhandling of the equipment's like transformer, cable etc. of the Petitioner. This in turn pressurize the expenditure on frequent breakdown and repair, resulting into more Repair and Maintenance expenses.

b. The Commission in its Tariff Order dated 14th October, 2010 has mentioned that:

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

c. The Petitioner further submitted that based on the above, Commission in its Tariff Order dated 14th October, 2010 has directed the Petitioner to conduct a study to benchmark its O&M Cost and accordingly ICRA Management Consultancy Services Private Limited was appointed to conduct the study through process of competitive bidding and prior approval of the Commission.

d. The Petitioner submitted that based on the study conducted, it is no more feasible for the Petitioner to sustain the existing low-cost operation without compromising with service and safety standards. Therefore, the denial of justified expenses allowance to the Petitioner would jeopardise the operational efficiency achieved by the Petitioner over past 26 years.

e. The Petitioner further submitted that, all these expenses have been duly audited by Statutory Auditors and approved by the Board of Directors of the Petitioner. These expenses are allowed in full not only in the Companies Act, 2013 but also in the Income Tax Act, 1961. Hence, these expenses are genuinely and appropriately incurred towards the operations of the Petitioner, and therefore, should be allowed in full.

Capitalization of Employee Cost:

a. The Petitioner has submitted that it has capitalized an amount of Rs. 8.99 Crore out of the total employee cost of Rs. 48.81 Crore incurred during FY 2018-19, as per past practice duly approved by the Commission. For the purpose of capitalization of employee costs, the Petitioner at the time of execution of project, records actual man hours spent by each engineer/ executive into the system / SAP Software. These hours are then matched with the cost per hour of that employee by the software itself and actual employee cost so incurred, is capitalized along with the specific project. Further, the entire process of its project/financial accounting is through SAP, and there is least manual intervention in computation of expenses to be capitalized.

b. The Petitioner further submitted that these man-hours and cost is duly verified by the Statutory Auditors of the Petitioner in detail and is approved by the Board of Directors of the Petitioner subsequently. Accordingly, the Petitioner has requested the Commission to approve the capitalization of employee cost at Rs. 8.99 Crore during F Y 2018-19 and the net O & M expenses excluding GST component at Rs. 96.78 Crore for FY 2018-19 based on its audited accounts.

Commission's Analysis:

3.7.5 As regards to the O&M expenses, the Commission vide its deficiency dated May 13, 2020 sought a detailed computation of O&M expenses based on normative parameters and also asked the Petitioner to reconcile the same with the Audited Accounts for each head of O&M i.e. Employee expenses, Administrative and General expenses and R&M Expenses.

Table 3-42: Reconciliation of O&M Expenses as submitted by the Petitioner

Sl. No.	Description	Amount (Rs. Cr.)	Remark
1	Employee cost as shown in Audited Accounts for FY 2018-19	48.73	Please refer to Note-34 of Audited Accounts
2	Re-measurement of post-employment benefit obligations (as per Ind AS requirement)	0.08	Please refer to Statement of Profit & Loss in Audited Accounts
3	Other Expense as shown in Audited Accounts for FY 2018-19	79.20	Please refer to Note-37 of Audited Accounts
4	**Total Operating Expenses as per Audited Accounts**	**128.01**	
	Less: Items dealt with separately in ARR as per UPERC (MYT Distribution Tariff) Regulations, 2014:		
5	Bad debts written off & provision for doubtful debts	(13.95)	Please refer to Note-37 of Audited Accounts
6	Loss on sale of Fixed Assets	(0.74)	Please refer to Note-37 of Audited Accounts
7	CSR Expenses	(3.97)	Please refer to Note-37 of Audited Accounts
8	GST Impact	(3.56)	Included under "Miscellaneous expenses" shown under Note-37 of Audited Accounts and claimed separately in Form F-51 of True-up Petition
9	Loss on fair valuation of investments (not considered for ARR Determination)	(0.02)	Please refer to Note-37 of Audited Accounts
10	**Gross O&M Expenses for True-up**	**105.77**	
	Total may not tally due to rounding offs		

3.7.6 Further, Regulation 25 of UPERC (Multi Year Distribution Tariff) Regulations, 2014 is as reproduced below:

Quote

25. Operation & Maintenance Expenses

The Commission shall stipulate a separate trajectory of norms for each of the components of O&M expenses viz., Employee cost, Repairs and maintenance (R&M) expense and Administrative and General Expense (A&G) expense. Provided *that such norms may be specified for a specific Distribution Licensee or a class of Distribution Licensees.*

(b) Norms shall be defined in terms of combination of number of personnel per 1000 consumers and number of personnel per substation along with annual expenses per personnel for Employee cost; combination of A&G expense per personnel and A&G expense per 1000 consumers for A&G expenses and R&M expense as percentage of gross fixed assets for estimation of R&M expenses:

(c) One-time expenses such as expense due to change in accounting policy, arrears paid due to pay commissions etc., shall be excluded from the norms in the trajectory.

(d) The expenses beyond the control of the Distribution Licensee such as dearness allowance, terminal benefits etc. in Employee cost etc., shall be excluded from the norms in the trajectory.

Unquote

3.7.7 As per the provisions of the aforesaid Regulations, the Commission in MYT Order dated November 30, 2017 has computed the norms for Employee expenses, R&M expenses and A&G expenses. The relevant extract of the Order is as follows:

Quote

Computation of Employee Cost:

5.3.11 Step-4: Then year wise i.e. FY 2017-18, FY 2018-19 and FY 2019-20 Employee

Expense (Consumers) and Employee Expense (Substation) is calculated considering norms per 1000 consumers and norms per substation (calculated above) using following formulae:

*Employee Expense (Consumers)= (Norms per 1000 consumers * Number of consumers) / 1000*

*Employee Expense (Substation)= (Norms per substation * Number of consumers)*

Particulars	***Base Value***	***FY 2016-17***	***FY 2017-18***	***FY 2018-19***	***FY 2019-20***
CPI Inflation		*4.12%*	*7.21%*	*7.21%*	*7.21%*
Norms per 1000 consumers*(RsCrore)*	***0.269***	*0.314**	*0.337*	*0.361*	*0.387*
No of consumers		*77672*	*84016*	*91602*	*99328*
Employee Expense (F)*(RsCrore)*		***24.41***	***28.31***	***33.09***	***38.46***
Norms per substation*(RsCrore)*	***0.003***	*0.004**	*0.004*	*0.004*	*0.005*
No of sub-stations		*5967*	*6211*	*6453*	*6641*
Employee Expense (G)*(RsCrore)*		***22.58***	***25.20***	***28.07***	***30.97***

**Note- 0.314 and 0.004 is arrived after escalating the base values by applying CPI inflation for FY 2014-15, FY 2015-16 and FY 2016-17.*

………

Computation of Repair & Maintenance (R&M) Cost:

5.3.17 Step-4: Kb for control period has been computed by considering the audited figures of the preceding five years (i.e FY 2011-12 to FY 2015-16) with the formulae as follows:

Kb = % of (R&M Expenses / Average GFA)

Particulars	***FY 2015-16***	***FY 2016-17***	***FY 2017-18***	***FY 2018-19***	***FY 2019-20***
WPI Inflation		*1.73%*	***0.94%***	***0.94%***	***0.94%***
Kb	***2.57%*** *= Avg. of previous 5 years*	*2.62%* *= 2.57% *(1+ 1.73%)*	***2.64%*** *=2.62*(1+ 0.94%)*	***2.67%*** *=2.72%*(1+ 0.94%)*	***2.69%*** *=2.77%*(1+ 0.94%)*

…………

Computation of Administrative & General (A&G) Cost:

5.3.23 Step-4: Then the year wise i.e. FY 2017-18, FY 2018-19 and FY 2019-20 total A&G Expenses are calculated considering A&G Expense (Consumers) and A&G Expense (Employee) per 1000 consumers as shown below:

*A&G Expense (Consumers)= (Norms per 1000 consumers * Number of consumers) / 1000*

*A&G Expense (Employee)= (Norms per employee * Number of employee)*

Particulars	***Base Value***	***FY 2016-17***	***FY 2017-18***	***FY 2018-19***	***FY 2019-20***
Norms per 1000 consumers (Rs Crore)	***0.120***	*0.119*	*0.120*	*0.121*	*0.122*
No of consumers (nos.)		*77672*	*84016*	*91602*	*99328*
A&G Expense (F) (Rs Crore)		***9.24***	***10.09***	***11.10***	***12.15***
Norms per substation (Rs Crore)	***0.0314***	*0.0311*	*0.0314*	*0.0317*	*0.0320*
No of employees (nos.)		*362*	*440*	*500*	*574*
A&G Expense (G) (Rs Crore)		***11.25***	***13.81***	***15.84***	***18.35***

*Note- *0.120 & 0.0314 is arrived after escalating the base values by applying WPI inflation for FY 2014-15, FY 2015-16 and FY 2016-17.*

Unquote

3.7.8 In the True Up of the previous year, of the same Control Period, the Commission allowed the O&M expenses as per the UPERC (Multi Year Distribution Tariff) Regulations, 2014. The Commission is of the view that if the O&M expenses are allowed on the basis of actual O&M expenses as suggested by the Petitioner, there will be no sanctity of fixation of norms for Employee expenses, R&M expenses and A&G expenses in Tariff Regulations and hence each of them have to be dealt individually & appropriately. As per the UPERC (Multi Year Distribution Tariff) Regulations, 2014, some of the elements of ARR are considered on normative basis and the actual expenses under some elements may be higher as compared to approved expenses, while the actual expenses under some elements may be lower as compared to approved expenses.

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

Quote

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

Unquote

3.7.10 Therefore, the Commission for the purpose of True-Up of Employee expenses, R&M expenses and A&G expenses has taken the same norms as computed in the aforementioned MYT Order dated November 30, 2017 as shown below:

Table 3-43: Normative Employee Expenses for FY 2018-19 (Rs. Cr)

S. No	Particulars	FY 2018-19
A	Norms per 1000 consumers	0.361
B	Number of consumers	91,234.00
C	Employee Expenses (consumers) (a)	32.94
D	Norms per substation	0.0040
E	Number of substations	6,573.00
F	Employee Expenses (substation) (b)	26.29
G	Total Employee Expenses {c=(a+b)/2}	29.61

Table 3-44: Normative R&M expenses for FY 2018-19 (Rs Cr)

Sl No.	Parameters	Reference	FY 2018-19
1	Opening GFA	A	1445.60
2	Additions	B	101.14

Sl No.	Parameters	Reference	FY 2018-19
3	Deletions	C	4.30
4	Closing GFA	D=A+B-C	1542.43
5	Average GFA considered for R&M	E=(A+D)/2	1494.01
6	k_b	F	2.67%
7	**Normative R&M expenses (Rs Cr)**	**G=E×F**	**39.89**

* The opening GFA is not matching with last year closing GFA due to disallowances as discussed in Capex section.

Table 3-45: Normative A&G Expenses for FY 2018-19 (Rs. Crore)

S. No	Particulars	FY 2018-19
A	Norms per 1000 consumers	0.1210
B	Number of consumers	91,234
C	A&G Expenses (consumers)	11.04
D	Norms per Employee	0.0317
E	Number of Employee	429
F	A&G Expenses (Employees)	13.60
G	**Total A&G Expenses (C+F)/2**	**12.32**

3.7.11 The Commission while allowing the O&M expenses, has considered the "lower of normative or actual for each element of O&M, i.e. Employee Expense, R&M & A&G" otherwise the purpose of having individual norms of Employee Expenses, A&G Expenses, and R&M Expenses will be affected.

3.7.12 Based on the above, the computation of Trued- Up O&M expenses for FY 2018-19 as per the norms specified in the UPERC (Multi Year Distribution Tariff) Regulations, 2014, is as shown in the Table below:

Table 3-46: O&M Expenses as approved by the Commission for FY 2018-19 (Rs. Crore)

Particulars	Approved vide T.O. 22/01/2019	Audited Accounts	True Up Petition	Normative	Approved upon Truing up
Employee Expenses	29.89	48.81	48.81	29.61	29.61
Repair & Maintenance Expenses	45.40	44.19	44.19	39.89	39.89
Administrative and General Expenses	13.24	12.78	12.78	12.32	12.32
Gross O&M Expenses	**88.53**	**105.78**	**105.78**	**81.82**	**81.82**
Less:					
Employee Expenses Capitalized	5.95	8.99	8.99	8.99	8.99
Net O&M Expenses	**82.58**	**96.79**	**96.79**	**72.83**	**72.83**

3.8 EXPENSES INCURRED DUE TO CHANGE IN LAW- GST

3.8.1 The Petitioner has submitted that the Central Government has made new Goods & Service Tax (GST) effective from 1st July, 2017 which covers almost all goods and service within its ambit. The new GST has stipulated tax rate of 18% and 28% for most of the goods and services as against Service Tax of 15% and VAT of 14.5%. Apart from above it has also brought in new service under Reverse Charge Mechanism which leads to higher indirect tax burden on service users.

3.8.2 The Petitioner has further submitted that as per Regulation 25(d) and Regulation 9.1 of MYT Regulations 2014, Change in Law and introduction of new taxes such as GST shall be excluded from the normative expenses and accordingly need to be considered separately in addition to normal O&M expenses in determination of the ARR of the distribution licensee.

3.8.3 The Petitioner has further submitted that it has got the impact analysis of the GST done from M/s Lakshmikumaran & Sridharan, Attorney which summarized and brought forth the impact of GST Act as well as rules, notifications, etc., made thereunder, on the distribution of electricity done by the Petitioner, with emphasis on cost of various expenses incurred by the Petitioner pre and post implementation of GST. This Report provided an insight into the indirect taxation system of the country post GST and contained an analysis of the cost increase/decrease to Petitioner after the implementation of GST. Petitioner has submitted that the Commission in its Tariff Order dated 3rd September, 2019 approved average incremental rate of GST as 5.88% while approving the True-up of ARR for FY 2017-18.

3.8.4 Accordingly, considering, the approved incremental rate of GST at 5.88%, the net impact of GST for FY 2018-19 would be computed as provided in Table below: -

Table 3-47: Impact of GST for FY 2018-19 as submitted by Petitioner (Rs. Crore.)

Sl. No.	GST Item	Reference	Actual
1	Repair & Maintenance Expenses including GST	A	46.95
2	Administrative and General Expenses including GST	B	13.57
3	Net expenses affected by GST	c=a+b	60.52
4	Approved incremental rate of GST	D	5.88%
5	**Net impact of GST**	**e=c x d**	**3.56**

3.8.5 The Petitioner has requested the Commission to approve such additional GST Expenses on account of the above change in GST in full, over and above the O & M expenses as claimed by it.

3.8.6 The Petitioner has submitted the CBEC vide Circular No. 34/8/2018-GST dated 1st March, 2018 has clarified that the services as stated below when provided by DISCOMS to consumer are taxable.

i. Application fee for releasing connection of electricity
ii. Rental Charges against metering equipment
iii. Charges for duplicate bill
iv. Testing fee for meter/transformer, capacitors etc.
v. Labour charges from customer for shifting of service lines

3.8.7 The Petitioner has submitted that the Directorate General of GST Intelligence (DGGSTI), New Delhi issued a summon u/s 70 of CGST Act on 29th May'18, requesting the Petitioner to produce information on the amounts collected by the Petitioner from 1st July, 2017 to 30th April, 2018 towards abovementioned five services or any other charges collected from the customers over and above the electricity charges for the period. The Petitioner filed the detailed reply in response to summon and also filed a writ petition before Hon'ble Allahabad High Court on 24th July, 2018 and challenged above Circular issued by Department of Revenue and summon issued by DGGSTI. Since, the matter before Hon'ble Allahabad High Court is still pending, the Petitioner in the meantime has filed an intervention petition on 13th November, 2019 in respect of the same matter already pending before the Hon'ble Supreme Court in the case of Torrent Power Ltd. wherein the Department has filed an appeal against the judgement of Hon'ble Gujrat High Court being given in favour of Torrent Power Ltd. Further, the Petitioner has started to levy GST on above services from October, 2018 onwards.

3.8.8 Therefore, depending on the outcome of the above-mentioned writ and intervention petitions, the Petitioner in future may become liable to pay GST on above services in respect of the duration when GST on such service was not levied and recovered from consumers under its bona fide intention of non-applicability of circular. However, pending final adjudication of the matter, the amount payable cannot be ascertained at this stage, therefore, the Petitioner has submitted that it has not claimed the same in this True up Petition and it shall claim the same on actual basis at an appropriate time in subsequent years.

Commission's Analysis

3.8.9 With regards to GST claimed of Rs. 3.56 Crore in True Up of FY 2018-19, a query vide email dated May 13, 2020 was sought from the Petitioner to provide computation of GST and documentary evidence of the same to substantiate the claim.The Petitioner in regards to the above query submitted the details as:

"As submitted earlier, the Central Government has made new GST effective from July 01, 2017, which covers almost all goods and service within its ambit. The new GST has stipulated tax rate of 18% and 28% for most of the goods and services as against Service Tax of 15% and VAT of 14.5%. Apart from above, it has also brought

in new service under Reverse Charge Mechanism which leads to higher indirect tax burden on service users.

In order to determine the impact of GST on its expenses, the Company had further submitted that it has got the impact analysis of GST done from M/s Lakshmikumaran & Sridharan, Attorney. The report summarizes and bring forth the impact of GST Act as well as rules, notifications, etc., made thereunder, on the distribution of electricity done by the Company, with emphasis on cost of various expenses incurred by the Company pre and post implementation of GST. This Report provides an insight into the indirect taxation system of the country post GST and contains an analysis of the cost increase/decrease to Petitioner after the implementation of GST.

Based on the above submission, the Hon'ble Commission in its Tariff Order dated 3rd September 2019 has approved the differential impact of GST @ 5.88% of the expenses.

Accordingly, for the purpose of claiming the impact of additional cost on account of GST, the Company has computed the amount as follows -

Table:-3 Computation of GST Impact				
Sl. No.	***Expenses***	***Amount (Rs. Cr.)***	***GST Impact (%)***	***GST Impact (Rs. Cr.)***
1	*R&M Expenses*	*46.95*	*5.88%*	*2.76*
2	*A&G Expenses*	*13.57*	*5.88%*	*0.80*
	Total	***60.52***	***5.88%***	***3.56***

It is further submitted that the CBEC vide Circular No. 34/8/2018-GST dated 1st March' 2018 has clarified that the services as stated below when provided by DISCOMS to consumer are taxable:

1. *i. Application fee for releasing connection of electricity*
2. *ii. Rental Charges against metering equipment*
3. *iii. Rental Charges against metering equipment*
4. *iv. Testing fee for meter/transformer, capacitors etc.*
5. *v. Labour charges from customer for shifting of service lines*

The Company has challenged the aforesaid circular through Writ no. 1045 of 2018 at Allahabad High Court which is still pending. Therefore, has not considered the impact of the aforesaid Circular in the above estimated GST impact."

3.8.10 Further a query was sought from the Petitioner providing the details of GST claimed for FY 2018-19. In this regard the Petitioner submitted the details as shown in the Table below:

Table 3-48: Details of GST as submitted by the Petitioner

S. No.	GST Item	Service Tax Rate (%)	GST Rate (%)	Variance (%)
1	Services (e.g. security, contractor etc.)	15.00	18.00	3.00
2	Material/ service (e.g. vehicle spares)	14.00	28.00	14.00
3	Lawyers fee (reverse charge)	15.00	18.00	3.00
4	Material (others)	14.50	18.00	3.50
	Average	**14.63**	**20.50**	**5.88**

3.8.11 With regards to R&M expenses, neither does the Regulation provide any escalation with respect to indices (CPI WPI) for R&M Expenses nor any provision for adjustment of one time expenses. Further, R&M is computed as %age (Kb * GFAn) of GFA, and in True-Up GFA is taken as actuals which already includes the impact of GST in itself. Hence additional impact of GST is not allowed in R&M Expenses.

3.8.12 Further the Commission has observed that the issue of GST was also appraised in other State Commission's as well. In this regard MERC in AEML-D Order 325 of 2019 dated 30 March, 2020 in the True Up for FY 2017-18 and FY 2018-19 provided that:

Quote

> ***Impact of GST****: The Commission is of the view that the change in Tax regime from Service Tax to GST is merely change in name. The taxes levied under Service Tax are of same nature of the taxes levied under GST and therefore, there is no New tax that is being levied on account of GST.* ***Further, O&M expenses have been linked to escalation index arrived based on WPI and CPI published by the Govt. of India. Both WPI and CPI include the impact of all taxes and duties applicable at that point of time. Therefore, as escalation factor arrived as above already includes impact of all taxes, no separate impact on O&M expenses on account of GST needs to be allowed****.* ***Therefore, the Commission does not consider the contentions of AEML-D to separately allow impact of GST as an uncontrollable expenditure under 'Change in Law'****.*

Unquote

3.8.13 The Commission is of the view that even though it has allowed the same in the True Up Order dated September 03, 2019 for FY 2017-18, however, trued up Order for FY 2017-18 is not being disturbed and taking into consideration all the above, impact of GST claimed by the Petitioner is being disallowed for FY 2018-19.

3.9 CAPITAL EXPENDITURE

3.9.1 The Petitioner has submitted that the, Commission vide its Tariff Order dated 22nd January, 2019 had approved the capital expenditure for FY 2018-19 at Rs. 172.49 Crore including interest and expenses capitalisation. However, as per audited accounts, for FY 2018-19, the actual capital expenditure by the Petitioner stands at Rs. 125.38 Crore (excluding assets of Rs. 10.13 Crore handed over by GNIDA for distribution of electricity to its consumers and maintenance thereof). The details of the same are given in the Table below: -

Table 3-49: Capital Expenditure for FY 2018-19 as submitted by Petitioner (Rs. Crore.)

Sl. No.	Nature of Works	Actual
1	New Connection	17.75
2	Replacement Stock	5.18
3	Metering	0.26
4	33/11 kV Substation	13.94
5	33 kV Network Development	14.01
6	11 kV Network Development	18.05
7	LT Network Development	10.29
8	Network at Villages	7.34
9	Network Renovation	0.56
10	Process System Automation	6.43
11	Civil Works & Office Infrastructure Facility	12.03
12	IT Projects	4.34
13	Tools / Testing Equipment, Vehicles etc.	2.38
14	Demand Side Management	0
15	Land	6.2
16	Misc./Contingent Works	6.62
17	**Sub-Total**	**125.38**
18	Interest Capitalisation	Nil
19	Salary Capitalisation	Included above
20	**Total Capex incurred**	**125.38**
21	Add: Assets taken over from GNIDA	10.13
	Grand Total	**135.51**

3.9.2 The Petitioner submitted that GNIDA is the local development authority responsible for the development and upkeep of Greater Noida area. Every year the basic electric network developed by GNIDA is handed over to the Petitioner for facilitation of distribution of power to the consumers of Greater Noida and proper maintenance thereof. The ownership of the assets is not transferred to the Petitioner. Hence, for the purpose of accounting, upkeep and insurance, the Petitioner considers these assets at the value declared by GNIDA which is accordingly considered for the purpose of determination of tariff. Since the ownership of these assets is not transferred to the Petitioner, they are not considered in addition to fixed assets. Hence, there is no impact on computation of ROE, interest on Term Loans and depreciation with respect to these assets.

3.9.3 The details of assets taken over from GNIDA amounting to Rs. 10.13 Crore during FY 2018-19 is provided in Table below: -

Table 3-50: GNIDA Assets as submitted by the Petitioner (Rs. Crore.)

Asset Description	Amount
Extra High-Tension Switchgears	2.40
Extra High-Tension Tower, Poles, Fixtures & Devices	1.31
High-Tension Conductors & Devices	0.01
Extra High-Tension Underground Cable & Ducts	6.41
Total	**10.13**

Note: Total may not tally due to rounding-off

3.9.4 The Petitioner had submitted its capital expenditure plan for the Control Period based on the forecast of maximum system demand and anticipated developments in its license area i.e. Greater Noida relating to new load, replacement of existing assets, strengthening and modernization in response to new load which, inter-alia, included construction of 220/33kV Substation as shown in Table below:

Table 3-51: Proposed 220/33 kV Substation as submitted by the Petitioner

Sl. No.	Location	Type	Capacity in MVA
1	BZP- Sector, Greater Noida	GIS	200
2	KP-V- Sector, Greater Noida	GIS	200
	Total		**400**

3.9.5 However, in view of the Commission's Order dated 30th October, 2018 with regard to 220/33 kV RC Green and Gharbara sub-stations, the Petitioner has for the time being not incurred the cost on the above substations and will take necessary action in the matter as per the outcome of the Appeals filed in APTEL.

3.9.6 The Petitioner in its MYT petition for the control period, had also sought approval of the Commission for below mentioned augmentation works for efficient and reliable power supply to the consumers of Greater Noida:-

a. Construction of 220 kV LILO connecting 400 kV Substations at Pali, Greater Noida and Sector-148 to 220/132/33kV RC Green substation for enhancement of upstream capacity & reliability to evacuate upto 400 MW power of R C Green Substation

b. Cost of addition of 5 nos. 33kV bays (GIS) at 400 kV Substation at Sector-148, Noida under ETD-1 for the purpose of distribution of electricity in Greater Noida area.

3.9.7 The Petitioner submitted that accordingly, as demanded by UPPTCL, the Petitioner paid Rs. 19.12 Crore for construction of 220kV LILO lines during FY 2017-18 under deposit scheme. Since the work was under progress even as on 31st March, 2019, the Petitioner has included the above amount in CWIP of FY 2017-18 as well as closing CWIP of FY 2018-19.

3.9.8 The Petitioner said however, the Commission vide its Tariff Order dated 3rd September, 2019 has disallowed the above mentioned CWIP of Rs. 19.12 Crore in Truing-up of ARR for FY 2017-18 vide Tariff Order dated 3rd September, 2019 on the sole premise that the aforementioned cost of Rs.19.12 Crores were towards the construction of 220 kV RC Green Substation and its associated 220kV lines subject to the final decision of the Hon'ble Appellate Tribunal in the Appeal filed by the Petitioner which is still under *sub-judice.*

3.9.9 The Petitioner has produced the relevant extract of the aforementioned Order dated 3rd September, 2019 is reproduced herein below for reference:

"3.8.17 The Commission observed that the Petitioner has claimed Rs.19.12 Cr for construction of 220KV sub-station at RC Green and associated 220 kV line to NPCL which is against the Commission's aforesaid decision. Since the work is yet to be completed by UPPTCL, the same has been included in closing CWIP of FY 2017-18 by the Petitioner.

3.8.18 Although, the mater is sub-judice in APTEL, the Commission finds its appropriate to disallow this amount from the closing CWIP subject to final decision of APTEL in this matter. The Petitioner is directed to apprise the Commission about the matter during True-Up of FY 2018-19."

3.9.10 The Petitioner in its submission submitted that it has paid the abovementioned amount of Rs. 19.12 Crore for the purpose of "Construction of 220 kV LILO connecting 400 kV Substations at Pali, Greater Noida and Sector-148 (changed from earlier Sector-129) to 220/132/33kV RC Green substation for enhancement of upstream capacity & reliability to evacuate upto 400 MW power of R C Green Substation" as against " Construction of 220 kV sub-station at RC Green and associated 220 kV line to NPCL" being inadvertently considered by the Commission.

3.9.11 Therefore, the Petitioner has filed a Review Petition No. 1512/2019 on 3rd October, 2019 before the Commission to for rectification of ex-facie error apparent in its Tariff Order dated 3rd September, 2019 which has since been admitted vide Order dated 2nd December, 2019.

3.9.12 Since, the aforesaid review petition is still pending to be decided, the Petitioner in line with its submissions in the review petition, has considered the above mentioned CWIP of Rs. 19.12 Crore as forming part of the Capital Expenditure for FY 2017-18 for the purpose of preparation of this True-up Petition. Accordingly, the Petitioner has considered the impact of such CWIP of Rs. 19.12 Crore on the opening balances of Normative Term Loan, Equity Base and Regulatory Asset etc. for FY 2018-19.

3.9.13 The Petitioned said that apart from the above, during FY 2018-19, as demanded by UPPTCL, the Petitioner paid Rs. 20.11 Crore towards the cost of addition of 5 nos. 33kV bays (GIS) at 400 kV Substation at Sector-148, Noida under ETD-1 for the purpose of distribution of electricity in Greater Noida area under deposit scheme. Since the work was under progress as on 31st March, 2019, the same has been included in the closing CWIP of FY 2018-19.

3.9.14 The Petitioner mentioned that as per Regulation 21.1 of the MYT Regulations, 2014, the capital expenditure is required to be funded in the Debt-Equity ratio of 70:30. Accordingly, based on capex for FY 2018-19, the details of the funding of the aforesaid capital expenditure is given in the Table below:-

Table 3-52: Capital Expenditure Funding for FY 2018-19 as Submitted by Petitioner (Rs. Crore.)

Particulars	Ref.	Approved Vide T.O. dated 22 January, 2019	Actual
Total Additions to Assets	a	172.49	125.38
Add: Closing CWIP	b	42.3	58.88
Less: Opening CWIP	c	33.58	33.58
Capital Expenditure	**d=a+b-c**	**181.22**	**150.68**
Less: Assets Retired	e	4.85	4.3
Net Capex	**f=d-e**	**176.37**	**146.39**
Consumer Contribution	g	33.73	37.34
Net Capex	**h=f-g**	**142.64**	**109.05**
Debt - 70%	i=h x 70%	99.85	76.33
Equity- 30%	j=h x 30%	42.79	32.71

* *Note: Total may not tally due to rounding-off*

3.9.15 As detailed above, the Petitioner has requested the Commission to kindly approve the capital expenditure of Rs. 150.68 Crore for FY 2018-19 as well as funding thereof as submitted above.

Commission's Analysis

3.9.16 In this regard, the UPERC MYT Regulations, 2014 specifies as follows:

Quote

21 Capital Cost of the Project

21.1 The capital cost of the project shall include the following:

a) Expenditure incurred or projected to be incurred on original scope of work, including the interest during construction and financing charges, any gain or loss on account of foreign exchange risk variation, during construction, on the loan – (i) being equal to 70% of the funds deployed, in the event of the actual equity in excess of 30% of the funds deployed, by treating the excess equity as normative loan, or (ii) being equal to the actual amount of loan in the event of the actual equity less than 30% of the funds deployed, - up to the date of commercial operation of the project, as admitted by the Commission, after prudence check shall form the basis for determination of Tariff;

……….

23. Debt-Equity Ratio

a. For all capital expenditure incurred after April 1, 2015, debt equity ratio shall be 70:30. Where equity employed is more than 30%, the amount of equity for the purpose of tariff shall be limited to 30% and the balance amount shall be considered as loan.

Provided that in case actual equity employed is less than 30%, the actual debt and equity shall be considered for determination of tariff.

Provided that in case of existing projects, the actual debt equity shall be used for tariff determination. However, any additional capital expenditure shall be in the abovementioned ratio.

b. The debt and equity amounts arrived at in accordance with clause (a) above shall be used for calculating interest on loan and return on equity.

Unquote

3.9.17 Further the Regulation 23A of UPERC MYT Regulations, 2014 provides that:

Quote

Capital Expenditure

a. Capital expenditure shall be considered on scheme wise basis.

b. For capital expenditure greater than INR 10 Crore, the Distribution Licensee shall seek prior approval of the Commission.

c. The Distribution Licensee shall submit detailed supporting documents while seeking approval from the Commission.

Provided that supporting documents shall include but not limited to purpose of investment, capital structure, capitalization schedule, financing plan and cost-benefit analysis:

d. The approval of the capital expenditure by the Commission for the ensuing year shall be in accordance with load growth, system extension, rural electrification, distribution loss reduction or quality improvement as proposed in the Distribution Licensee's supporting documents.

e. The Commission may also undertake a detailed review of the actual works compared with the works approved in the previous Tariff Order while approving the capital expenditure for the ensuing year.

f. In case the capital expenditure is required for emergency work, the licensee shall submit an application, containing all relevant information along with reasons justifying the emergent nature of the proposed work, seeking post facto approval by the Commission.

g. The Distribution Licensee shall take up the work prior to receiving the approval from the Commission provided that the emergent nature of the scheme has been certified by its Board of Directors.

h. If capital expenditure is less than INR 10 Crore, the Distribution Licensee shall undertake the execution of the plan with simultaneous notification to the Commission with all of the relevant supporting documents.

i. During the true-up exercise, the Commission shall take appropriate action as is mentioned in Regulation 19.1 of these regulations.

j. Consumer's contribution towards cost of capital asset shall be treated as capital receipt and credited in current liabilities until transferred to a separate account on commissioning of the assets.

Unquote

3.9.18 As regards to capital expenditure, the Commission noticed that for some schemes the Petitioner incurred capex for more than Rs. 10 Crore. The Regulation 23A of the UPERC (MYT for Distribution Tariff) Regulations, 2014 provides that:

a. "Capital expenditure shall be considered on scheme wise basis.

b. For capital expenditure greater than INR 10 Crore, the Distribution Licensee shall seek prior approval of the Commission.

c. The Distribution Licensee shall submit detailed supporting documents while seeking approval from the Commission.
Provided that supporting documents shall include but not limited to purpose of investment, capital structure, capitalization schedule, financing plan and cost-benefit analysis: "

3.9.19 The Commission sought the clarification whether the licensee has taken approval for the same. The Petitioner submitted that that the expenditure incurred on the projects /schemes such as 33/11 kV substation, 33 kV Network development, 11 kV Network Development and civil works, new connection and other infrastructure facility have been implemented at different time frames and at different locations, making them totally different projects and none of the above single projects/schemes have cost more than the threshold of Rs. 10 Cr. It further submitted that vide letter no. P-77A/2019/003 dated 16th April'2019, as per the procurement policy of the Petitioner, procurement of material is done through competitive bidding on the SAP-ERP Platform.

3.9.20 The Petitioner submitted that it has been maintaining all its processes whether relating to accounts or operations or maintenance in the renowned and most dependable ERP software viz. SAP-ERP. Further, the has been also maintaining its procurement function through the standard module of SAP-ERP viz. Supplier Relationship Management (SRM). Through this module, all major procurements are made through the transparent process of competitive bidding. The prices so discovered through competitive bidding are further subjected to reverse auction, a process similar to the one followed at DEEP portal for procurement of power. Accordingly, the orders are placed with the successful bidder providing the lowest quote for best quality or most suited to Petitioner's specification. It further added that it follows transparent process of e-bidding including reverse auction for procurement of material and services through relevant SAP-ERP module viz. Supplier Relationship Management (SRM) to assure best possible prices vis-à-vis quality.

3.9.21 The Commission noticed that the Petitioner claimed Rs. 125.38 Crore towards capital expenditure for FY 2018-19 and the detailed breakup project / scheme wise capex approved in the MYT Order vis-à-vis capitalisation for each project / scheme and also whether the project / scheme is completed in the control period or are they spilling over to the next. In this regard the Petitioner submitted that all the projects / schemes envisaged at the time of filing the ARR were as per the schedule and there is no spill over of any project other than already planned and considered in the CWIP for the respective FY. Apart from the above, the projects / schemes executed by UPPTCL has spilled over the next ARR period and therefore included in the CWIP for FY 2017-18 as well as FY 2018-19.

3.9.22 With regards to retirement of asset of Rs. 4.30 Crore for FY 2018-19, the Commission sought the following details from the Petitioner:

i. The useful life of the Asset.
ii. Whether it has simultaneously reduced the depreciation for such assets.
iii. Whether the asset was in warranty / guarantee period.
iv. Whether the asset was insured and provide the details of insurance cost recovered from it.
v. The depreciation charged till date.
vi. Date of put to use & its cost.

In this regard the Petitioner submitted the Fixed asset Register for FY 2018-19.

3.9.23 Further a query was sought from the Petitioner to provide the details of actual scheme wise breakup of capex and capitalisation claimed for FY 2018-19 vis a vis scheme / projects approved in MYT Order dated November 30, 2017 and Tariff Order dated January 22,2019 and also provide the justification for variance if any.

3.9.24 In response of the above query, the Petitioner submitted that:

The scheme wise breakup of Capex for FY 2018-19 as compared to approved Capex is provided here-in-below: -

Table 3-53: Capital expenditure details as submitted by the Petitioner for FY 2018-19

Sl. No.	Nature of Works	Approved	Actual
1	New Connection, Metering & Replacement jobs	22.23	23.19
2	Substation & Network Development	70.21	64.19
3	Process System Automation	18.21	6.43
4	Civil Works & Office Infrastructure Facility	17.98	12.03
5	IT Projects	9.00	4.34
6	Tools / Testing Equipment, Vehicles etc.	5.91	2.38
7	Demand Side Management	1.00	0.00
8	Land & Other	13.25	12.82
9	**Sub-Total**	**157.78**	**125.38**
10	Interest Capitalisation	3.76	Included above
11	Salary Capitalisation	10.95	
12	**Total Capex incurred**	**172.49**	**125.38**
13	Add: Assets taken over from GNIDA	1.00	10.13
	Grand Total	**173.49**	**135.51**
Note: Total may not tally due to rounding-off			

3.9.25 With regards to the capital advances of Rs. 40.63 Crore mentioned in the Audited accounts of FY 2018-19, a query was sought from the Petitioner to provide the breakup of the same. In this regard the Petitioner submitted that details as shown in the Table below:

Table 3-54: Details of Capital Advances as submitted by the Petitioner for FY 2018-19

Sl. No.	Particulars	Amount in Rs. Cr.
1	Advance for 5 nos. 33 kV bays at 220/33 kV Substation at Sec-148, Noida	20.48
2	Advance for construction of LILO from 220kV Substation Sec-148 Noida to 220 kV RC Green Substation paid to UPPTCL through GNIDA	14.59
3	Advance for construction of 2 nos. 220kV bays at RC Green Substation paid to UPPTCL through GNIDA	4.53
4	Advance for Power Transformer	0.17
5	Other Capital Advances	0.87
	Total	**40.63**

3.9.26 The Commission vide its Order dated January 22, 2019 in Petition No. 1349 of 2018 ruled that:

Quote

5.5.1 Clause 21 of the Distribution MYT Regulations, 2014, provides as follows:

Quote

21. Capital Cost of the Project

21.1 The capital cost of the project shall include the following:

a) Expenditure incurred or projected to be incurred on original scope of work, including the interest during construction and financing charges, any gain or loss on account of foreign exchange risk variation, during construction, on the loan – (i) being equal to 70% of the funds deployed, in the event of the actual equity in excess of 30% of the funds deployed, by treating the excess equity as normative loan, or (ii) being equal to the actual amount of loan in the event of the actual equity less than 30% of the funds deployed, - up to the date of commercial operation of the project, as admitted by the Commission, after prudence check shall form the basis for determination of Tariff;

Unquote

5.5.2 *Further, Clause 23 of Distribution MYT Regulations, 2014, provides as follows:*

Quote

23. Debt-Equity Ratio

For all capital expenditure incurred after April 1, 2015, debt equity ratio shall be 70:30. Where equity employed is more than 30%, the amount of equity for the purpose of tariff shall be limited to 30% and the balance amount shall be considered as loan.

Provided that in case actual equity employed is less than 30%, the actual debt and equity shall be considered for determination of tariff.

Provided that in case of existing projects, the actual debt equity shall be used for tariff determination. However, any additional capital expenditure shall be in the abovementioned ratio.

The debt and equity amounts arrived at in accordance with clause (a) above shall be used for calculating interest on loan and return on equity.

Unquote

5.5.3 *The capital expenditure for FY 2018-19 has been considered as per the Petitioner's submission after deducting the assets transferred from UPSIDC and considering the employee capitalisation as computed by the Commission and interest capitalisation as submitted by the Petitioner. The opening CWIP for FY 2018-19 is Rs. 33.58 Crore. As Greater Noida area has been developing at a very fast rate, resulting in the higher electricity requirement and network coverage in the area, and considering that the Petitioner in past has been able to capitalise the allowed capital expenditure, the Commission has allowed total capitalization, i.e., transfers to GFA for the Control Period as proposed by the Petitioner after making the appropriation as mentioned above.*

5.5.4 The Commission vide Order dated October 31, 2018 in Petition No. 987 of 2014 in the matter of Denial /Delay by UPPTCL in handing over the physical possession of the 220 kV R.C. Green Substation at Greater Noida to NPCL has stated that:

Quote

86. Keeping in view the overall efficiency, economical and integrated operations of state transmission sector, interest of consumers of Greater Noida area coupled with the obligation of GNIDA to provide free land and bear the cost of substation up to 220 kV, the Commission decides that

(i). NPCL petition for owning, operating and maintaining 220 kV sub-station as distribution licensee is dismissed.

(ii). NPCL shall claim refund of the amount deposited with Greater Noida Authority towards costs of land and construction of 220 KV sub-station at RC Green and associated 220 kV line to NPCL.

(iii). The investment allowed by this Commission to NPCL in the distribution tariff shall be trued up again after deducting this refund.

(iv). UPPTCL as STU and transmission licensee, shall own, operate and maintain 220 kV Sub-Station at RC Green.

Unquote

5.5.5 Also, the Commission in Order dated October 31, 2018 in Petition No. 1020 of 2015 in the matter of Denial / Delay by UPPTCL in granting connectivity to the 220 kV Gharbara Substation at NPCL at 400 kV Greater Noida (Pali) Substation of UPPTCL has stated that:

Quote

49. Keeping in view the overall efficiency, economical and integrated operations of state transmission sector, interest of consumers of Greater Noida area coupled with the obligation of GNIDA to provide free land and bear the cost of substation up to 220 kV, the Commission decides that *a. NPCL petition for direction to UPPTCL to grant connectivity of Gharbara Substation from 400 kV Greater Noida (Pali) sub-station is dismissed.*

b. NPCL shall claim refund of the amount deposited with Greater Noida Authority towards cost of land and construction of 220 kV Gharbara sub station and associated 220 kV line from GNIDA.

c. Since the Petitioner did not comply with the provisions of U.P. Electricity Regulatory Commission (Terms and Conditions for Determination of Distribution Tariff) Regulation-2006, before making investment in the 220 kV Gharabara sub-station, this expenditure cannot be allowed in distribution ARR. The Commission shall review this investment in the True-up of ARR filed by the Petitioner.

d. UPPTCL as STU and transmission licensee, shall own, operate and maintain 200 kV Sub-Station at village Gharbara.

e. UPPTCL shall arrange adequate transmission capacity for NPCL as per their power distribution plan without creating any obstacle.

f. NPCL shall be granted connectivity from Gharbara sub-station through 33 kV feeders.

Unquote

5.5.6 In line with the above directions of the Commission in the aforementioned Orders, the Commission has directed the Licensee the following:

1) *To apprise the Commission about the compliance of the above Orders in the next ARR / Tariff and True- Up filing.*

2) *Submit the impact on the allowed year wise ARRs (including True- Up ARRs) in regard to the investments made in the 220 kV Gharbara Sub-Station and RC Green Substation along with the next ARR/Tariff and True- Up filing.*

5.5.7 Also, the Commission on the basis of aforementioned Orders dated October 31, 2018 in regard to 220 kV Gharbara and RC Green Substation has considered it appropriate to disallow the Capital expenditure of Rs 24.00 Crs as submitted by the Petitioner for BZP and KP-V 220 kV Substation and shown in the Table above, for FY 2018-19. The Commission will carry out the detailed prudence check of Capital *expenditure for FY 2018-19 while carrying out the truing up for FY 2018-19.*

5.5.8 The Commission while working out debt and equity has considered 70% of the capital expenditure financed through loan and 30% of capital expenditure financed through equity after deducting Consumer Contribution from the total capital expenditure in accordance with Clause 23 of the Distribution MYT Regulations, 2014. The details of the capital expenditure allowed by the Commission are as follows:

TABLE-5-22- CAPEX DETAILS FOR FY 2018-19 APPROVED BY THE COMMISSION (Rs. Crore)

Particulars	***Approved in T.O dtd. 30.11.2017***	***Petition***	***Approved***
Total Additions to Assets (excluding interest Capitalisation)	*225.63*	*192.73*	*168.73*
Add: Closing CWIP	*2.00*	*42.3*	*42.3*
Less: Opening CWIP	*2.00*	*33.58*	*33.58*
Total Capex (excluding interest Capitalisation)	***225.63***	***201.46***	***177.46***
Add: Interest Capitalisation	*5.86*	*3.76*	*3.76*
Total Capex	***231.49***	***200.37****	***181.22***
Consumer Contribution	*16.9*	*33.73*	*33.73*
Net Capex	***214.58***	***166.64***	***147.49***
Debt @ 70%	*150.21*	*116.65*	*103.24*
Equity @ 30%	*64.37*	*49.99*	*44.25*

**After deducting Rs 4.85 Crs for Assets retired.*

Unquote

3.9.27 Also the Commission in its True Up of FY 2017-18 in its Order dated September 03, 2019 ruled that:

Quote

3.7.1 In the Order dated October 31, 2018 in Petition No. 987 of 2014 in the matter of Denial / Delay by UPPTCL in granting connectivity to the 220 kV RC Green Substation at NPCL at Greater Noida, the Commission has stated the following:

Quote

50. *Keeping in view the overall efficiency, economical and integrated operations of state transmission sector, interest of consumers of Greater Noida area coupled with the obligation of GNIDA to provide free land and bear the cost of substation up to 220 kV, the Commission decides that:*

    a. *NPCL petition for owning, operating and maintaining 220 kV sub-station as distribution licensee is dismissed.*

    b. *NPCL shall claim refund of the amount deposited with Greater Noida Authority towards* ***costs of land and construction of 220 KV sub-station at RC Green and associated 220 kV line to NPCL****.*

    c. *The investment allowed by this Commission to NPCL in the distribution tariff shall be trued up again after deducting this refund.*

    d. *UPPTCL as STU and transmission licensee, shall own, operate and maintain 220 kV Sub-Station at RC Green.*

Unquote

3.7.2 *The Commission observed that the Petitioner has claimed Rs 19.12 Cr for construction of 220 KV sub-station at RC Green and associated 220 kV line to NPCL which is against the Commission's aforesaid decision. Since the work is yet to be completed by UPPTCL, the same has been included in closing CWIP of FY 2017-18 by the Petitioner.*

3.7.3 *Although, the matter is sub-judice in APTEL, the Commission finds it appropriate to disallow this amount from the closing CWIP subject to final decision of APTEL in this matter.* ***The Petitioner is directed to apprise the Commission about the matter during the True- Up of FY 2018-19.***

3.9.28 Further the Commission vide its Order dated June 04, 2020 in the Petition No. 1512 of 2019 in the matter of review Petition filed by NPCL under Section 94 (1)(f) of the Electricity Act, 2003 read with Regulations 150 of the UPERC (Conduct of Business) Regulations, 2004 seeking partial Review of the Order dated September 03, 2019 passed by the Commission in Petition No. 1382 of 2018 said that:

Quote

25. Keeping in view of interest of consumers of Greater Noida area coupled with the obligation of GNIDA to take care of the development, the Commission decides that:

(i) NPCL shall refund of amount deposited with GNIDA towards the cost of 220 kV LILO amounting to Rs. 14.59 Crore.

(ii) The remaining claim refund to Rs. 4.53 Crore for 2 no.(s) 220 kV bays at R.C Green Substation will be subject to final decision of Hon'ble APTEL in Appeal No. 336 of 2018.

Unquote

3.9.29 It has been observed that the Petitioner, over the years has accumulated various 132 kV and above assets and the same was verified from its FAR submitted for FY 2017-18 and FY 2018-19. However, the Commission in its various above said rulings, has ruled that a distribution Licensee cannot own, operate 132 kV and above assets. The Commission sought deficiency from the Petitioner vide mail dated September 08, 2020 details related to 132kV and above assets which have been capitalized and part of FAR and Financials. Also, it was asked from the Petitioner that if any asset is left to be included in list, the same has to be provided with the details of the same. The query was also asked whether these assets will be transferred to UPPTCL / GNIDA as shown in the Table below:

Table 3-55: Assets details till FY 2017-18 (As per FAR of FY 2017-18)

Asset Category	Asset description	Capitalisation Date	Capex	Quantity	Opening Balance (Rs.)	Addition (Rs.)	Retirement (Rs.)	Gross closing balance (Rs.)
Leasehold Land	220 KV S.STN - BZP AREA	06-02-2015	NPCL	16,807	10,92,64,246.00	-	-	10,92,64,246.00
Transmission & Distribution System	100 MVA Transformer 220/132 KV	31-01-2013	NPCL	1	8,06,43,750.00	-	-	8,06,43,750.00
Transmission & Distribution System	60 MVA Transformer, 220/33 KV	31-01-2013	NPCL	1	12,20,72,500.00	-	-	12,20,72,500.00
Transmission & Distribution System	220/33 kV, 100 MVA power transformer	31-03-2015	NPCL	1	7,72,63,787.52	-	-	7,72,63,787.52
Transmission & Distribution System	160 MVA, 220/132 KV T/F	31-03-2018	NPCL	1	-	6,47,40,650.00	-	6,47,40,650.00
Transmission & Distribution System	Current Transformers (220 KV)	31-03-2018	NPCL	3	-	8,28,529.00	-	8,28,529.00
Transmission & Distribution System	220 KV Circuit Breakers	31-01-2013	NPCL	4	1,94,81,000.00	-	-	1,94,81,000.00
Transmission & Distribution System	220 KV Tendom Isolator	31-01-2013	NPCL	6	19,92,375.00	-	-	19,92,375.00
Transmission & Distribution System	220 KV Standard with Bus Isolator 1 E/S	31-01-2013	NPCL	6	20,87,250.00	-	-	20,87,250.00
Transmission & Distribution System	220 KV Standard with Line Isolator 2 E/S	31-01-2013	NPCL	1	4,04,800.00	-	-	4,04,800.00
Transmission & Distribution System	220 kV 3150 Amps. SF6 Circuit Breakers	31-03-2015	NPCL	1	1,23,93,714.58	-	-	1,23,93,714.58
Transmission & Distribution System	220 KV 1600A Isolator with Double EarthSwitch	31-03-2015	NPCL	1	3,74,595.26	-	-	3,74,595.26
Transmission & Distribution System	220 KV 2000A Isolator with Single EarthSwitch	31-03-2015	NPCL	1	8,05,783.85	-	-	8,05,783.85
Transmission & Distribution System	220 KV 1600A Isolator with Single EarthSwitch	31-03-2015	NPCL	3	34,52,822.18	-	-	34,52,822.18
Transmission & Distribution System	220 KV 1600A Isolator w/o EarthSwitch	31-03-2015	NPCL	1	12,61,832.89	-	-	12,61,832.89
Transmission & Distribution System	Circuit Breaker (220 KV)	31-03-2018	NPCL	1	-	20,83,000.00	-	20,83,000.00

Asset Category	Asset description	Capitalisation Date	Capex	Quantity	Opening Balance (Rs.)	Addition (Rs.)	Retirement (Rs.)	Gross closing balance (Rs.)
Transmission & Distribution System	Isolator without E/S (Motorised) (220 KV)	31-03-2018	NPCL	2	-	3,98,463.00	-	3,98,463.00
Transmission & Distribution System	Tantem Isolators (Motorised) (220 KV)	31-03-2018	NPCL	2	-	4,12,203.00	-	4,12,203.00
Transmission & Distribution System	220 KV CT 1000/800/300/I Amp	31-01-2013	NPCL	11	94,63,781.25	-	-	94,63,781.25
Transmission & Distribution System	220 KV PT/CVT	31-01-2013	NPCL	6	64,13,550.00	-	-	64,13,550.00
Transmission & Distribution System	220 KV Poly Con Insulators	31-01-2013	NPCL	95	60,08,750.00	-	-	60,08,750.00
Transmission & Distribution System	220 KV Double feeder Control Panel	31-01-2013	NPCL	1	3,33,643.75	-	-	3,33,643.75
Transmission & Distribution System	220 KV Transformer Control Panel	31-01-2013	NPCL	2	7,68,487.50	-	-	7,68,487.50
Transmission & Distribution System	220 KV Bus Coupler Control Panel	31-01-2013	NPCL	1	1,62,868.75	-	-	1,62,868.75
Transmission & Distribution System	220 KV Transformer Bus Coupler Control Panel	31-01-2013	NPCL	1	2,37,187.50	-	-	2,37,187.50
Transmission & Distribution System	220 KV Transfer Protection Panel	31-01-2013	NPCL	1	7,96,950.00	-	-	7,96,950.00
Transmission & Distribution System	220 KV Distance protection Panel	31-01-2013	NPCL	1	13,28,250.00	-	-	13,28,250.00
Transmission & Distribution System	220 kV Lightning Arrestor	31-03-2015	NPCL	2	6,70,329.59	-	-	6,70,329.59
Transmission & Distribution System	220 KV CT 800-400A	31-03-2015	NPCL	3	48,39,741.11	-	-	48,39,741.11
Transmission & Distribution System	220 KV CVT 800-400A	31-03-2015	NPCL	4	68,02,203.15	-	-	68,02,203.15
Transmission & Distribution System	220 kV Circuits Control panel	31-03-2015	NPCL	1	5,64,618.00	-	-	5,64,618.00
Transmission & Distribution System	220 KV Transformer Protection Panel	31-03-2015	NPCL	1	48,08,756.00	-	-	48,08,756.00
Transmission & Distribution System	220 KV bus coupler breaker Control Panel	31-03-2015	NPCL	1	17,08,719.00	-	-	17,08,719.00

Asset Category	Asset description	Capitalisation Date	Capex	Quantity	Opening Balance (Rs.)	Addition (Rs.)	Retirement (Rs.)	Gross closing balance (Rs.)
Transmission & Distribution System	220kV Transfer bus breaker Control Panel	31-03-2015	NPCL	1	7,45,327.00	-	-	7,45,327.00
Transmission & Distribution System	220 kV busbar Protection panel	31-03-2015	NPCL	1	47,27,680.00	-	-	47,27,680.00
Building & Structures	Boundary Wall partly at 220KV KP-5 ESS01	30-11-2015	NPCL	50	7,82,920.63	-	-	7,82,920.63
Transmission & Distribution System	220KV Isolator Contacts	31-03-2015	NPCL	75	14,91,865.80	-	-	14,91,865.80
Transmission & Distribution System	220KV Bay Marshalling kiosk	31-03-2015	NPCL	1	3,53,700.00	-	-	3,53,700.00
Transmission & Distribution System	220V Battery Tubular	31-03-2015	NPCL	1	4,81,056.52	-	-	4,81,056.52
Transmission & Distribution System	220V Battery Charger	31-03-2015	NPCL	1	12,66,094.14	-	-	12,66,094.14
Transmission & Distribution System	220KV Bus Post Insulator	31-03-2015	NPCL	705	5,97,066.18	-	-	5,97,066.18
Transmission & Distribution System	220KV Insulator String Hardware	31-03-2015	NPCL	5,226	87,47,694.80	-	-	87,47,694.80
Meters	220KV Outdoor CT	31-03-2015	NPCL	100	46,93,350.00	-	-	46,93,350.00
Transmission & Distribution System	220 KV Breaker Spare Parts	31-03-2016	NPCL	3	92,447.86	-	-	92,447.86
Building & Structures	Boundary Wall 220 KV Sub-Station	31-03-2015	NPCL	256	49,45,099.79	-	-	49,45,099.79
Building & Structures	Guard Room at 220KV Gharbara Sub/Stn.	31-03-2017	NPCL	1	8,47,857.65	-	-	8,47,857.65
Building & Structures	LED Light at KP5 220KV SS	31-03-2018	NPCL	25	-	1,78,360.00	-	1,78,360.00
Building & Structures	Const. of Boundary Wall at KP5 220KV SS	31-03-2018	NPCL	1	-	3,98,19,837.65	-	3,98,19,837.65
Transmission & Distribution System	40 MVA TRANSFORMER 132/33KV	31-01-2013	NPCL	1	7,90,62,500.00	0.00	0.00	7,90,62,500.00
Transmission & Distribution System	40 MVA 132/33KV T/F-II	31-01-2013	NPCL	1	3,95,31,250.00	0.00	0.00	3,95,31,250.00

Asset Category	Asset description	Capitalisation Date	Capex	Quantity	Opening Balance (Rs.)	Addition (Rs.)	Retirement (Rs.)	Gross closing balance (Rs.)
Transmission & Distribution System	132/33 KV 63 MVA Transformer	31-01-2013	NPCL	1	5,23,39,375.00	0.00	0.00	5,23,39,375.00
Transmission & Distribution System	132 KV Current Transformer 400/200/1A	31-01-2013	NPCL	2	4,50,656.25	0.00	0.00	4,50,656.25
Transmission & Distribution System	Current Transformers (132 KV)	31-03-2018	NPCL	3	0.00	4,12,203.00	0.00	4,12,203.00
Transmission & Distribution System	132 KV Line Isolator	31-01-2013	NPCL	1	1,58,125.00	0.00	0.00	1,58,125.00
Transmission & Distribution System	132 KV Bus Isolator	31-01-2013	NPCL	3	5,39,062.50	0.00	0.00	5,39,062.50
Transmission & Distribution System	132 KV Tandem Isolator	31-01-2013	NPCL	2	3,45,000.00	0.00	0.00	3,45,000.00
Transmission & Distribution System	132 KV CB	31-01-2013	NPCL	1	13,65,625.00	0.00	0.00	13,65,625.00
Transmission & Distribution System	132 KV CVT	31-01-2013	NPCL	2	10,65,187.50	0.00	0.00	10,65,187.50
Transmission & Distribution System	132 KV Line Isolator	31-01-2013	NPCL	1	1,58,125.00	0.00	0.00	1,58,125.00
Transmission & Distribution System	132 KV Bus Isolator	31-01-2013	NPCL	1	1,07,812.50	0.00	0.00	1,07,812.50
Transmission & Distribution System	132 KV Tandem Isolator	31-01-2013	NPCL	1	1,15,000.00	0.00	0.00	1,15,000.00
Transmission & Distribution System	132/KV Circuit Breaker	31-01-2013	NPCL	1	13,10,856.25	0.00	0.00	13,10,856.25
Transmission & Distribution System	132 KV Bus Isolator	31-01-2013	NPCL	1	2,24,537.50	0.00	0.00	2,24,537.50
Transmission & Distribution System	132 KV Tandom Isolator	31-01-2013	NPCL	1	1,13,850.00	0.00	0.00	1,13,850.00
Transmission & Distribution System	132 KV Circuit Breakers	31-01-2013	NPCL	1	11,92,262.50	0.00	0.00	11,92,262.50
Transmission & Distribution System	132 KV Tandem Isolator	31-01-2013	NPCL	1	98,037.50	0.00	0.00	98,037.50
Transmission & Distribution System	132 KV Bus Isolator	31-01-2013	NPCL	1	98,037.50	0.00	0.00	98,037.50

Asset Category	Asset description	Capitalisation Date	Capex	Quantity	Opening Balance (Rs.)	Addition (Rs.)	Retirement (Rs.)	Gross closing balance (Rs.)
Transmission & Distribution System	132 KV Line Isolator	31-01-2013	NPCL	1	1,34,406.25	0.00	0.00	1,34,406.25
Transmission & Distribution System	Isolator without E/S (Motorised) (132 KV)	31-03-2018	NPCL	2	0.00	3,24,267.00	0.00	3,24,267.00
Transmission & Distribution System	Circuit Breaker (132 KV)	31-03-2018	NPCL	1	0.00	7,90,056.00	0.00	7,90,056.00
Transmission & Distribution System	Tantem Isolators (Motorised) (132 KV)	31-03-2018	NPCL	1	0.00	1,62,133.00	0.00	1,62,133.00
Transmission & Distribution System	132 KV C.T.800/400/1 A	31-01-2013	NPCL	5	12,93,750.00	0.00	0.00	12,93,750.00
Transmission & Distribution System	132 KV C.V.T.	31-01-2013	NPCL	3	21,30,375.00	0.00	0.00	21,30,375.00
Transmission & Distribution System	132 KV Lighting Arrester	31-01-2013	NPCL	5	4,14,000.00	0.00	0.00	4,14,000.00
Transmission & Distribution System	132 KV Post Insulator	31-01-2013	NPCL	46	11,90,250.00	0.00	0.00	11,90,250.00
Transmission & Distribution System	Control Panel (2 No. T/F C and R, 1No.,132KV C/P 3	31-01-2013	NPCL	1	36,87,130.00	0.00	0.00	36,87,130.00
Transmission & Distribution System	132 KV CTs	31-01-2013	NPCL	2	4,31,250.00	0.00	0.00	4,31,250.00
Transmission & Distribution System	132 KV Lighting Arrestor	31-01-2013	NPCL	2	1,38,000.00	0.00	0.00	1,38,000.00
Transmission & Distribution System	132 KV Post Insulator	31-01-2013	NPCL	10	2,58,750.00	0.00	0.00	2,58,750.00
Transmission & Distribution System	132 KV Double Feeder Panel	31-01-2013	NPCL	1	7,18,750.00	0.00	0.00	7,18,750.00
Transmission & Distribution System	132 KV Relay Panel (D.P.P)	31-01-2013	NPCL	1	7,47,500.00	0.00	0.00	7,47,500.00
Transmission & Distribution System	132 KV Lighting Arrester	31-01-2013	NPCL	2	1,37,568.75	0.00	0.00	1,37,568.75
Transmission & Distribution System	132 KV Polycone Insulator	31-01-2013	NPCL	10	2,21,375.00	0.00	0.00	2,21,375.00
Transmission & Distribution System	132/33 KV T/F Control & Relay Panel	31-01-2013	NPCL	1	6,38,825.00	0.00	0.00	6,38,825.00

Asset Category	Asset description	Capitalisation Date	Capex	Quantity	Opening Balance (Rs.)	Addition (Rs.)	Retirement (Rs.)	Gross closing balance (Rs.)
Transmission & Distribution System	132 KV CT 1000/800/300/I Amp	31-01-2013	NPCL	2	4,74,375.00	0.00	0.00	4,74,375.00
Transmission & Distribution System	132 KV Poly Con Insulators	31-01-2013	NPCL	13	3,70,012.50	0.00	0.00	3,70,012.50
Transmission & Distribution System	132 KV Capacitor Bank with associated equipments	31-01-2013	NPCL	1	1,43,10,092.00	0.00	0.00	1,43,10,092.00
Meters	INSTALLATION OF ABT METERS AT SURAJPUR 132Kv SUB S	28-02-2007	NPCL	1	1,19,06,012.82	0.00	0.00	1,19,06,012.82
Office Equipment	CARRIER MAKE 2 TON SPLIT AC FOR 132 KV SUB-STATION	21-04-2010	NPCL	1	32,500.19	0.00	0.00	32,500.19

Table 3-56: Assets details for FY 2018-19

Asset Category	Asset description	Capex	Quantity	Depreciation Rate	Opening Balance	Addition (Rs.)	Retirement	Gross closing balance (Rs.)
Building & Structures	Mild Steel Works at 220KV IT City S/Stn.	NPCL Assets	425	W302	-	79,295	-	79,295
Transmission & Distribution System	160 MVA Transformer 220/132 KV	NPCL Assets	1	W781	-	5,75,62,761	-	5,75,62,761
Transmission & Distribution System	132 KV Current Transformer (1000/800/500/1AMP)	NPCL Assets	3	W781	-	3,95,239	-	3,95,239

3.9.30 In this regard the Petitioner submitted that the assets classified in the below list other than mentioned above cannot be classified as 220 kV /132 KV.

Asset Category	Asset Description	Capitalisation Date	Capex	Quantity	Gross Closing Balance (Rs.)	Remarks
Leasehold Land	220 KV S.STN - BZP AREA	06-02-2015	NPCL	16,807	10,92,64,246.00	This Land is for construction of Distribution Substation including 33kV / stores/ customer care office etc.
Building & Structures	Boundary Wall partly at 220KV KP-5 ESS01	30-11-2015	NPCL	50	7,82,920.63	
Building & Structures	Boundary Wall 220 KV Sub-Station	31-03-2015	NPCL	256	49,45,099.79	
Building & Structures	Const. of Boundary Wall at KP5 220KV SS	31-03-2018	NPCL	1	3,98,19,837.65	
Building & Structures	LED Light at KP5 220KV SS	31-03-2018	NPCL	25	1,78,360.00	
Meters	INSTALLATION OF ABT METERS AT SURAJPUR 132Kv SUB S	28-02-2007	NPCL	1	1,19,06,012.82	Cost of ABT Meters installed at 33kV feeders of 132/33 kV Surajpur Substation to comply with Open Access Regulations
Computers	Barcode scanners (SYMBOL LS2208AP)	09-07-2007	NPCL	6	32760	Bar Code Scanners provided at Collection Centre at Alpha II and has inadvertently been considered as 220 kV related Assets.
Office Equipments	BainMade(04Hot*02 Ambient) (2200*300)	28-02-2018	NPCL	2	1,48,680	The office equipment's has inadvertently been considered as 220 kV related Assets.
Office Equipments	Tray Slide for Bain Marie (2200x300)	28-02-2018	NPCL	2	20,178	
Office Equipments	CARRIER MAKE 2 TON SPLIT AC FOR FOR 132 KV SUBSTATION	21-04-2010	NPCL	1	32,500	Cost of ABT Meters installed at 33kV feeders of 132/33 kV Surajpur Substation to comply with Open Access Regulations

3.9.31 The Petitioner further submitted that it is pertinent to mention that the capital expenditure incurred by the Company on all the assets mentioned in the mail relate to strengthening / augmenting distribution system of the Petitioner to provide reliable power supply to the consumers as per their growing demand. These expenditures other than the asset details for FY 2018-19 given in your above mail had been incurred much prior to the Orders dated October 31, 2018 of the Commission in the matter of R C Green and Gharbara respectively and duly approved by the Commission.

3.9.32 The Petitioner further vide its mail dated September 14, 2020 submitted that:

"*The capital expenditure incurred by the Company on all the assets mentioned in your mail relates to strengthening / augmenting distribution system of the Company to provide reliable power supply to the consumers as per their growing demand. Further, all these assets have been created either at 220kV R.C. Green Substation & 220kV Gharbara Substation related to proposed 220kV Substations, which according to Company are Distribution assets and not transmission assets as stated above.*"

It is also relevant to note that all the assets mentioned herein are already trued-up till FY 2017-18.

As informed earlier, with respect to the question that whether the distribution licensee can establish, own, operate and maintain a distribution system over and above 33kV Voltage level, the same is pending adjudication before the Hon'ble APTEL in Appeal related to 220kV R.C. Green Substation (Appeal No. 336 of 2018) & 220kV Gharbara Substation (Appeal No. 4 of 2019). Since, the matters are sub-judice before the Hon'ble APTEL, any action, which may impinge on such judicial process, is, therefore, not warranted as of now."

3.9.33 The Commission with regards to asset Construction of LILO from 220 kV Substation Sec-148 Noida to 220 kV RC Green substation of Rs. 14.59 Crore, Cost of 2 no. 220 kV bays at RC Green Substation of Rs. 4.53 Crore and cost of 5 no. 33 bays at 220/33 kV Substation at Sec-148 Noida of Rs. 20.48 Crore sought the details to provide whether the above assets are capitalized or not. If yes, provide in which year these assets were capitalized and also, provide asset wise detail of CWIP for FY 2019-20 and FY 2020-21.

3.9.34 The Petitioner in this regard submitted that:

"With regards to asset Construction of LILO from 220 kV Substation Sec-148 Noida to 220 kV RC Green substation of Rs. 14.59 Crore, Cost of 2 no. 220 kV bays at RC Green Substation of Rs. 4.53 Crore and cost of 5 no. 33 bays at 220/33

kV Substation at Sec-148 Noida of Rs. 20.48 Crore, the Company hereby states that the said assets have been capitalized. The details of same are provided in Table below:"

Concerning Date of Capitalization of Assets		
S. No.	**Asset details**	**Date of Capitalization**
1	LILO from 220 kV Substation Sec-148 Noida to 220 kV RC Green substation of Rs. 14.59 Crore	31st December, 2019
2	Cost of 2 no. 220 kV bays at RC Green Substation of Rs. 4.53 Crore	31st December, 2019
3	Cost of 5 no. 33 bays at 220/33 kV Substation at Sec-148 Noida of Rs. 20.48 Crore	31st March, 2020

3.9.35 The Commission in its various Orders i.e. in Petition No. 987 of 2018, Petition No. 1020 of 2015 and Petition No. 1512 of 2019 has ruled that a distribution licensee cannot establish, own, operate, and maintain a distribution system of 132 and 220 kV assets, however the Petitioner still capitalised 132 kV and above assets in FY 2018-19. The Commission further sought the details of 132 kV and above assets capitalised in FY 2018-19. In this regard the Petitioner submitted the details of 132kV and above assets capitalized in FY 2018-19 as shown in the Table below:

Table 3-57: 220kV /132 kV assets capitalised in FY 2018-19 as submitted by the Petitioner

Asset Category	Asset Description	Capitalized Date	Qty.	Addition in Rs. Cr.	Remarks
Building & Structures	Mild Steel Works at Land for 220KV IT City S/s.	31-03-2019	425 Kg	0.01	The land is for 33/11kV S/s and associated office facilities, inadvertently mentioned as 220kV S/s. The cost incurred is for metal signboard to safeguard the above land from illegal encroachment.
Transmission & Distribution	160 MVA Transformer 220/132 KV	31-03-2019	1 no.	5.76	Cost of new 160 MVA transformers for increasing distribution capacity at R C Green Substation paid to UPPTCL through GNIDA
Transmission & Distribution	132 KV Current Transformer (1000/800/500/1AMP)	31-03-2019	3 no.	0.04	

3.9.36 The Petitioner submitted that the detailed justification for the Capital Expenditure on 160 MVA transformer at RC Green Substation which was required for increasing distribution capacity for meeting the growing demand of the consumers and has already been provided in Petitions No. 1349 of 2018 and 1382 of 2018. Further, as informed, the Petitioner has filed appeals before the Hon'ble APTEL against the orders dated October 30, 2018 in Petition No. 987 of 2014 and 1020 of 2015 wherein the Commission is also the relevant party. Also, with regard to Order dated June 04, 2020 of the Commission, the Petitioner has filed an appeal before Hon'ble APTEL. Therefore, the Petitioner submitted that, all the aforesaid matters are sub-judice before the Hon'ble APTEL and therefore, any action, which may impinge on such judicial process is not warranted in the matter.

3.9.37 Since the Petitioner is continuously capitalising the 132 kV and above assets in its FAR, the Commission is constraint to take an adverse decision. **The assets related to 132 kV and above assets (as per the list above) capitalised till FY 2017-18 and addition in FY 2018-19 are being deducted from GFA. Further 100% depreciation till FY 2017-18 for 132 kV assets and above in the FAR, is also being deducted from opening balance of Accumulated depreciation.**

3.9.38 Further during proceedings, in the public hearing several objections were raised issue regarding purchase of high number of vehicles every year by NPCL which includes many high end vehicles. In this regard, the Petitioner submitted that:

> *"The Petitioner submitted that the company vehicles are provided to the Senior Officers for discharging their official duties efficiently including travelling within NCR and destinations within 300 Kms. The Petitioner mentioned that the licensed area of the Company is spread over 335 Sq. Kms. and vehicles are required for smooth movement of these officers for discharging their duties. The Petitioner also mentioned that such vehicles are also necessary for 24x7 availability as well as safety of the employees and the vehicles provided to the officers varies as per their seniority/designation. The Petitioner also submitted that, as per the policy, these vehicles are generally replaced after 5 years period. Further, the Petitioner submitted that the field duties and shift-based duties in call center, control room etc. pooled vehicles are provided to the officers/staff. Also, it was submitted that, Greater Noida city lacks adequate public transport facility for local movement."*

3.9.39 The Commission analysed the FAR of FY 2018-19 submitted by the Petitioner as shown below:

Table 3-58: Details of Vehicles till FY 2018-19 as per Fixed Asset Register (FAR) submitted by the Petitioner

Asset Description	Quantity	Gross Block (Opening)	Addition	Retirement	Gross Block (Closing)	Accumulated Depreciation (Opening)	Depreciation for the year	Depreciation on Retired Assets	Accumulated Depreciation (Closing)
PURCHASE OF BIKE PASSION PRO (HERO HONDA MAKE)	1	50,700	-	-	50,700	45,630	-	-	45,630
HYUNDAI ACCENT 1.5 EXECUTIVE BS IV-(UP16AC1277)	-	-	-	-	-	-	-	-	-
YO STYLE ER BIKE	1	28,417	-	-	28,417	25,575	-	-	25,575
ACCESSORIES FOR VEHICLES- GPS SYSTEM	15	2,59,098	-	-	2,59,098	2,33,188	-	-	2,33,188
HONDA ACCORD M/T	1	21,09,534	-	-	21,09,534	18,98,581	-	-	18,98,581
HONDA CITY 1.5 VMT (AVN)	1	10,10,085	-	-	10,10,085	9,09,077	-	-	9,09,077
HONDA CITY VX MT PETROL (DL 13 CC 3323)	-	9,94,806	-	9,94,806	-	8,95,325	-	8,95,325	-
HONDA CITY VX(MT) UP16AW6863	-	10,93,705	-	10,93,705	-	9,55,854	28,480	9,84,335	-
HONDA AMAZE 1.2 REGN.NO.UP-16 AX 2536	-	7,43,732	-	7,43,732	-	6,37,301	20,160	6,57,461	-
HONDA ACTIVA 125 SCOOTER REGN.NO.UP-16 AY 3336	1	61,968	-	-	61,968	49,966	4,009	-	53,974
HONDA DREAM NEO BIKE REGN.NO.UP-16 AY 3376	1	60,482	-	-	60,482	48,767	3,913	-	52,680
HONDA DREAM NEO BIKE REGN.NO.UP-16 AY 3375	1	60,481	-	-	60,481	48,767	3,913	-	52,679
MARUTI ECCO FLEXI CAR (REGN.NO.UP-16 CT 6626)	1	4,59,971	-	-	4,59,971	3,74,244	28,633	-	4,02,877
MARUTI SWIFT DZIRE ZXI REGN.NO.UP16AY9416	1	7,42,974	-	-	7,42,974	5,80,958	54,114	-	6,35,071
HONDA CITY VXMT (DSL) METALIC REGN NP.UP16AY 9761	-	12,19,071	-	12,19,071	-	9,55,463	61,270	10,16,733	-

Asset Description	Quantity	Gross Block (Opening)	Addition	Retirement	Gross Block (Closing)	Accumulated Depreciation (Opening)	Depreciation for the year	Depreciation on Retired Assets	Accumulated Depreciation (Closing)
MAHINDRA SCORPIO S4 7 SEATER REGN.NO.UP16AY9925	1	10,14,130	-	-	10,14,130	7,89,894	74,895	-	8,64,789
Honda City 1.5 VX UP16-BA-6182	1	11,65,840	-	-	11,65,840	8,22,323	1,14,735	-	9,37,057
HYUNDAI CRETA 1.6CRDI SX+ POLAR WHITE	-	12,23,380	-	12,23,380	-	8,19,040	83,250	9,02,290	-
MARUTI CIAZ VDI+ UP16BB1148	1	9,34,387	-	-	9,34,387	6,44,870	96,699	-	7,41,569
Honda Amaze 1.2 VX(O) (UP16BC3399	1	7,80,438	-	-	7,80,438	4,95,933	95,025	-	5,90,957
Maruti Suzuki Ciaz Zxi (UP16BC2027)	1	7,62,429	-	-	7,62,429	4,86,342	92,213	-	5,78,555
Maruti Suzuki Ertiga Zdi+ (UP16BC2939)	1	7,70,444	-	-	7,70,444	4,90,518	93,495	-	5,84,014
Maruti S-Cross Alpha-SCRDCL2 UP16BF6556	1	10,13,120	-	-	10,13,120	5,07,558	1,68,858	-	6,76,416
Mahindra TUV300 (UP16BH6154)	1	7,58,726	-	-	7,58,726	3,47,281	1,37,423	-	4,84,703
Mahindra TUV300 (UP16BH6153)	1	7,58,726	-	-	7,58,726	3,47,281	1,37,423	-	4,84,703
Mahindra TUV300 (UP16BH6152)	1	7,58,726	-	-	7,58,726	3,47,281	1,37,423	-	4,84,703
Mahindra TUV300 (UP16BH6008)	1	7,58,726	-	-	7,58,726	3,47,281	1,37,423	-	4,84,703
Mahindra TUV300 (UP16BH6169)	1	7,58,726	-	-	7,58,726	3,47,281	1,37,423	-	4,84,703
XUV 500 W4 (UP1BH7831)	1	12,46,712	-	-	12,46,712	5,65,321	2,27,585	-	7,92,905
Maruti Suzuki Ertiga VDI Hybrid (UP16BJ0588)	1	7,88,802	-	-	7,88,802	3,48,067	1,47,205	-	4,95,273
Maruti Suzuki Ciaz Vxi + (AT)	1	7,85,409	-	-	7,85,409	3,50,399	1,45,293	-	4,95,693
Maruti Suzuki Ciaz Vxi + (UP16BJ0778)	1	7,88,468	-	-	7,88,468	3,47,920	1,47,143	-	4,95,063
Nissan Terrano XL D (O) (UP16BK3085)	1	10,27,549	-	-	10,27,549	4,10,207	2,06,192	-	6,16,400
Hyundai Creta 1.6 VTVT E+ (UP16BJ9241)	1	9,98,151	-	-	9,98,151	4,28,887	1,90,134	-	6,19,021
Ashok Leyland DOST-2350MM (UP16ET0905)	1	6,10,889	-	-	6,10,889	2,59,137	1,17,485	-	3,76,622

Asset Description	Quantity	Gross Block (Opening)	Addition	Retirement	Gross Block (Closing)	Accumulated Depreciation (Opening)	Depreciation for the year	Depreciation on Retired Assets	Accumulated Depreciation (Closing)
Maruti Suzuki Ciaz VXI+ (UP16BH9146)	1	7,87,683	-	-	7,87,683	3,51,414	1,45,714	-	4,97,128
Honda Jazz CVT	1	9,77,388	-	-	9,77,388	3,30,022	2,16,220	-	5,46,242
HONDA DREAM REGN NO.UP16BM8390	1	54,692	-	-	54,692	16,415	12,784	-	29,200
Mercedes Benz (DL2CAW8598)	1	69,02,516	-	-	69,02,516	21,79,115	15,77,616	-	37,56,731
Mahindra TUV300 T4 Silver (UP16BM9025)	1	7,85,676	-	-	7,85,676	2,27,187	1,86,535	-	4,13,723
Toyota Innova Crysta 2.8 ZX (AT)Regn.No.UP16BS 6488	1	24,16,781	-	-	24,16,781	1,43,749	7,59,193	-	9,02,942
TUV 300 T4	1	8,65,555	-	-	8,65,555	34,850	2,77,456	-	3,12,305
TUV 300 T4+mHAWK100	1	8,65,555	-	-	8,65,555	34,850	2,77,456	-	3,12,305
TUV 300 T4+mHAWK100	1	8,65,555	-	-	8,65,555	34,850	2,77,456	-	3,12,305
TUV 300 T4+mHAWK100	1	8,65,555	-	-	8,65,555	34,850	2,77,456	-	3,12,305
Maruti Wagon R Green LXI- REGN NO.UP16BU8204	1	4,93,088	-	-	4,93,088	7,900	1,61,979	(221)	1,70,100
S Cross (Zeta) 1.3 D REGN.NO.UP16BW42 08	1	-	9,90,522	-	9,90,522	-	2,66,480	-	2,66,480
New Dzire Zxi (+) REGN.NO.UP16BW31 01	1	-	7,69,463	-	7,69,463	-	2,11,233	-	2,11,233
Vento Highline (P) MT (UP16BZ2208)	-	-	10,78,876	10,78,876	-	-	1,55,985	1,55,985	-
MARUTI CIAZ ALPHA MT (P) REGN.NO.UP16BZ362 2	1	-	11,06,260	-	11,06,260	-	1,59,944	-	1,59,944
Hyundai Creta SX (P) UP16BZ9659	1	-	11,58,685	-	11,58,685	-	1,43,137	-	1,43,137
Ciaz Alpha MT(P) 1.5 (UP16BZ6453)	1	-	10,97,757	-	10,97,757	-	1,46,660	-	1,46,660
Innova Crysta 2.4 MT (D) (UP16CA8107)	1	-	22,66,768	-	22,66,768	-	2,17,796	-	2,17,796
Honda City VMT (P) UP16BZ9426	1	-	10,92,438	-	10,92,438	-	1,35,953	-	1,35,953
Corolla Altis VL CVT(P) (UP16CA4091)	1	-	17,40,967	-	17,40,967	-	1,94,359	-	1,94,359
Corolla Altis VL CVT(P) (UP16CB1329)	1	-	21,76,105	-	21,76,105	-	1,77,224	-	1,77,224

Asset Description	Quantity	Gross Block (Opening)	Addition	Retirement	Gross Block (Closing)	Accumulated Depreciation (Opening)	Depreciation for the year	Depreciation on Retired Assets	Accumulated Depreciation (Closing)
Marrazo M6 (D) 7STR (UP16CA070)	1	-	13,98,016	-	13,98,016	-	1,70,144	-	1,70,144
Ciaz Alpha MT(P) 1.5 (UP16CA4022)	1	-	11,00,860	-	11,00,860	-	1,23,906	-	1,23,906
Marazzo M4 (D) 7STR (UP16CA0062)	1	-	11,32,654	-	11,32,654	-	1,37,849	-	1,37,849
Skoda Superb Style 1.8 (MT) (P) UP16CA6737	1	-	21,56,070	-	21,56,070	-	2,20,971	-	2,20,971
Total	**67**	**4.25**	**1.93**	**0.64**	**5.54**	**2.06**	**0.95**	**0.46**	**2.55**

3.9.40 It was analysed that over the years, NPCL has accumulated large number of vehicles. The usual business of the Petitioner is of distribution of electricity to its consumers and purchasing high number of luxury vehicles is not in synchronisation with its core / usual business. Hence the Commission for True Up of FY 2018-19 has disallowed the vehicles accumulated by the Petitioner till FY 2018-19. A query vide mail dated October 07, 2020 related to number of vehicles accumulated by NPCL was sought. The Petitioner vide mail dated October 08, 2020 submitted the details as shown in the Table below:

Table 3-59: Details of Two-Wheelers as submitted by the Petitioner (Rs. Crore)

Year	Opening		Addition during the year		Retirement / deletion during the year		Closing balance	
	No.	Amount	No.	Amount	No.	Amount	No.	Amount
FY 2013-14	2	0.01	0	0	0	0	2	0.01
FY 2014-15	2	0.01	3	0.02	0	0	5	0.03
FY 2015-16	5	0.03	0	0	0	0	5	0.03
FY 2016-17	5	0.03	0	0	0	0	5	0.03
FY 2017-18	5	0.03	1	0.01	0	0	6	0.03
FY 2018-19	6	0.03	0	0	0	0	6	0.03

Table 3-60: Details of Four-Wheelers as submitted by the Petitioner (Rs. Crore)

Year	Opening		Addition during the year		Retirement / deletion during the year		Closing balance		No. of Consumer	Connected Load	Sales
	No.	Amount	No.	Amount	No.	Amount	No.	Amount		(MW)	(MU)
FY 2013-14	22	1.59	9	0.67	4	-0.2	27	2.05	60,484	561.14	1,128.67

Year	Opening		Addition during the year		Retirement / deletion during the year		Closing balance		No. of Consumer	Connected Load	Sales
	No.	Amount	No.	Amount	No.	Amount	No.	Amount		(MW)	(MU)
FY 2014-15	27	2.05	7	0.61	6	-0.36	28	2.3	64,981	645.34	1,309.89
FY 2015-16	28	2.3	9	0.84	5	-0.44	32	2.69	70,994	707.53	1,377.16
FY 2016-17	32	2.69	15	1.29	10	-0.76	37	3.22	75,918	600.78	1,500.40
FY 2017-18	37	3.22	8	1.41	7	-0.41	38	4.22	82,231	832.37	1,667.60
FY 2018-19	38	4.22	14	1.93	6	-0.64	46	5.51	91,234	934.6	1,850.07

3.9.41 It is noted that the Petitioner has not been able substantiate the base of high-end vehicles clearly. Further, such costs of high-end luxury vehicles cannot be passed on to the consumers. Further in the above tables it can be seen that the Petitioner has almost 50 vehicles. Therefore, the rise in number of vehicles is not in proportion to the increase in number of consumers, load and sales. **The vehicles added till FY 2017-18 are being disallowed and reduced from the opening GFA of FY 2018-19. Further vehicles added in FY 2018-19 are being reduced from the GFA addition during the year**. **Further 100% depreciation till FY 2017-18 for vehicles is also being deducted from the accumulated depreciation.**

3.9.42 Further the Commission observed that certain assets such as KP-I and KP-IV are of amount more than Rs. 10 Crore, however, the Petitioner did not take prior approval from the Commission for incurring capex more than Rs. 10 Crore**. Hence the Commission has reduced the 25% of the opening GFA from the net GFA and corresponding 25% depreciation till FY 2017-18 for opening balance of Accumulated depreciation of FAR is also being deducted**. The details of such assets as per FAR of FY 2018-19 is shown in the Table below:

Table 3-61: Details of KP-I substation as per Fixed Asset Register (FAR) submitted by the Petitioner for FY 2018-19

Asset Description	Quantity	Gross Block (Opening)	Addition	Retirement	Gross Block (Closing)	Accumulated Depreciation (Opening)	Depreciation for the year	Depreciation on Retired Assets	Accumulated Depreciation (Closing)
LAND AT PLOT NO. 37/A, KP-I	2,560	1,46,68,056	-	-	1,46,68,056	6,54,593	1,62,978	-	8,17,571
Aluminium Works Customer Care KP-1	273	60,96,074	-	-	60,96,074	1,84,591	1,78,527	-	3,63,117
Supply & Fixing of Lift Wall KP-1	418	61,03,321	-	-	61,03,321	1,84,810	1,78,739	-	3,63,549

Asset Description	Quantity	Gross Block (Opening)	Addition	Retirement	Gross Block (Closing)	Accumulated Depreciation (Opening)	Depreciation for the year	Depreciation on Retired Assets	Accumulated Depreciation (Closing)
Supply & Fixing of Sanitary Fittings KP1	1,550	26,42,351	-	-	26,42,351	80,011	77,383	-	1,57,394
Lighting & Fixing Works GF KP-1	275	25,20,463	-	-	25,20,463	76,320	73,813	-	1,50,133
Lighting & Fixing Works BM KP-1	234	22,63,206	-	-	22,63,206	68,530	66,279	-	1,34,810
Supply & Installation of ACDB Panels KP1	6	13,20,883	-	-	13,20,883	39,997	38,683	-	78,679
Supply of Raw & Sewage water Tank KP1	3	5,70,150	-	-	5,70,150	17,264	16,697	-	33,961
Insta.of Over-Deck Roof-Insulatio KP1	800	8,48,029	-	-	8,48,029	25,679	24,835	-	50,514
SS Railing & Granite Works at KP-1 Build	552	77,29,280	-	-	77,29,280	2,34,044	2,26,356	-	4,60,401
Green Building Certification KP-1	1	3,18,750	-	-	3,18,750	9,652	9,335	-	18,987
Civil Construction KP- 1 Office	5,575	6,00,27,000	-	-	6,00,27,000	4,139	15,10,815	-	15,14,955
Construction of STP System at KP-1	1	10,36,519	-	-	10,36,519	13,036	31,303	-	44,339
Construction of RO Plant at KP-1	1	4,32,450	-	-	4,32,450	5,439	13,060	-	18,499
Green Building Consultancy Service KP-1	4,006	4,90,555	-	-	4,90,555	41	14,814	-	14,854
Fire Hydrant Works at KP-1	2,805	74,41,738	-	-	74,41,738	616	2,24,722	-	2,25,338
Facade Works KP-1 Office	910	2,17,78,487	-	-	2,17,78,487	1,802	6,57,656	-	6,59,458
Civil Construction KP-1 Office	1	-	30,70,875	-	30,70,875	-	254	-	254
Green Building Consultancy Service KP-1	1	-	2,01,724	-	2,01,724	-	1,001	-	1,001
Boundary Wall at KP-1	364	15,14,256	-	-	15,14,256	1,78,900	40,328	-	2,19,228
Boundary Wall 33/11KV KP - 1 Sub/Stn	216	42,02,853	-	-	42,02,853	3,73,449	1,15,648	-	4,89,097
Building Structure Customer Care KP-1	2,500	6,78,12,942	-	-	6,78,12,942	40,39,480	19,25,959	-	59,65,439
Switch Yard Structure Customer Care KP-1	75	20,19,220	-	-	20,19,220	1,20,281	57,348	-	1,77,629
Control Room Building KP-1	190	87,05,440	-	-	87,05,440	5,18,566	2,47,244	-	7,65,809
Civil Switch Yard Structure KP-1	150	22,81,950	-	-	22,81,950	1,35,931	64,810	-	2,00,741
Boundary Wall at KP-1 11/0.4KV Txr.House	85	12,68,041	-	-	12,68,041	78,680	35,919	-	1,14,599
Bore Well Water Testing KP-1	1	8,350	-	-	8,350	253	245	-	497
Interior Architectural Service KP-1 Offi	1	3,41,796	-	-	3,41,796	10,350	10,010	-	20,359

Asset Description	Quantity	Gross Block (Opening)	Addition	Retirement	Gross Block (Closing)	Accumulated Depreciation (Opening)	Depreciation for the year	Depreciation on Retired Assets	Accumulated Depreciation (Closing)
Fire Hydrant System at KP-1 S/S	643	49,31,479	-	-	49,31,479	1,49,326	1,44,421	-	2,93,747
Civil Building Structure KP-1 S/S	2,127	2,72,96,781	-	-	2,72,96,781	8,26,553	7,99,401	-	16,25,954
Civil Switchyard Structure KP-1 S/S	2,657	96,83,386	-	-	96,83,386	2,93,215	2,83,583	-	5,76,798
Elevator KP-1 Office	1	56,85,112	-	-	56,85,112	470	1,71,676	-	1,72,147
11/0.433 kV, 250 KVA Trf. KP-1 Tugalpur	-	-	-	-	-	-	-	-	-
11/0.433 kV, 250 KVA Trf. KP-1 Tugalpur	1	5,86,479	-	-	5,86,479	88,146	38,920	-	1,27,066
Supply & Erection of DG Sets at KP-1	1	39,73,951	-	-	39,73,951	3,12,344	2,87,070	-	5,99,414
Generator KP - 1 Office	1	7,15,625	-	-	7,15,625	154	56,105	-	56,259
Woodwork KP- 1 Office	923	1,54,44,397	-	-	1,54,44,397	5,403	19,72,249	-	19,77,653
Table KP - 1 Office	52	29,37,416	-	-	29,37,416	1,028	3,75,108	-	3,76,136
Chair KP - 1 Office	254	28,68,419	-	-	28,68,419	1,004	3,66,297	-	3,67,301
Sofa Set KP - 1 Office	49	16,89,684	-	-	16,89,684	591	2,15,773	-	2,16,364
Electrical Wirings & Fittings KP - 1	1	1,70,38,621	-	-	1,70,38,621	5,961	21,75,832	-	21,81,793
Woodwork KP-1 Office	1	-	59,626	-	59,626	-	21	-	21
Table KP-1 Office	1	-	41,437	-	41,437	-	15	-	15
Electrical Wirings & Fittings KP-1 Offic	2	-	16,33,337	-	16,33,337	-	571	-	571
VRF Based Air-Condition BM KP-1 Office	114	37,11,809	-	-	37,11,809	12,42,006	8,24,914	-	20,66,921
VRF based AC & Toilet Ventila at KP-1 GF	80	36,83,364	-	-	36,83,364	12,32,488	8,18,592	-	20,51,081
VRF based AC & Toilet Ventila at KP-1 FF	28	28,16,618	-	-	28,16,618	9,42,467	6,25,966	-	15,68,433
Air Conditioners KP- 1 Office	76	1,73,65,911	-	-	1,73,65,911	15,891	58,00,214	-	58,16,105
Air Conditioners KP-1 Office	892	-	1,85,162	-	1,85,162	-	169	-	169
UPS for KP1 with Panel	1	15,63,193	-	-	15,63,193	1,36,833	2,13,954	-	3,50,787
Networking Equipment KP - 1 Office	1,505	8,48,385	-	-	8,48,385	349	1,27,205	-	1,27,554
Networking Equipment KP-1 Office	70	-	10,532	-	10,532	-	4	-	4
Upgrade of QMS implemented in KP-1	1	-	22,42,332	-	22,42,332	-	922	-	922
Total (Rs. Crore)		**34.73**	**0.74**	**-**	**35.47**	**1.23**	**2.13**	**-**	**3.36**

Table 3-62: Details of KP-IV substation as per Fixed Asset Register (FAR) submitted by the Petitioner for FY 2018-19

Asset Description	Quantity	Gross Block (Opening)	Addition	Retirement	Gross Block (Closing)	Accumulated Depreciation (Opening)	Depreciation for the year	Depreciation on Retired Assets	Accumulated Depreciation (Closing)
LAND AT PLOT NO. ESS, KP-IV	2,400	1,36,96,392	-	-	1,36,96,392	6,11,230	1,52,182	-	7,63,412
COST OF LAND FOR ELECTRIC SUB/STN AT KP-IV G.Noida	-	-	-	-	-	-	-	-	-
LAND FOR ELECTRIC SUB/STN AT KP-IV	1,640	1,84,18,681	-	-	1,84,18,681	4,31,782	1,84,187	-	6,15,969
Supply of Raw & Sewage water Tank KP4	3	5,70,150	-	-	5,70,150	17,264	16,697	-	33,961
Insta.of Over-Deck Roof-Insulation KP4	1,200	12,71,405	-	-	12,71,405	38,498	37,234	-	75,732
Supply & Fixing of Sanitary Fittings KP4	2,597	38,43,306	-	-	38,43,306	1,16,376	1,12,553	-	2,28,930
Supply & Installation Heat Recovery KP-4	1	13,50,029	-	-	13,50,029	40,879	39,536	-	80,416
Civil Construction Ground Floor KP-4	4,674	1,34,46,648	-	-	1,34,46,648	4,07,168	3,93,792	-	8,00,960
65 Watt LED Light at KP-4	20	79,000	-	-	79,000	2,392	2,314	-	4,706
Civil Construction KP- 4 Office	11,308	9,41,28,881	-	-	9,41,28,881	8,616	31,44,692	-	31,53,308
Construction of STP System at KP-4	1	11,37,793	-	-	11,37,793	14,309	34,361	-	48,671
Construction of RWH System at KP-4	1	11,08,136	-	-	11,08,136	13,936	33,466	-	47,402
Construction of RO Plant at KP-4	1	7,77,665	-	-	7,77,665	9,780	23,485	-	33,266
Elevator KP - 4 Office	3	8,13,69,078	-	-	8,13,69,078	6,732	24,57,346	-	24,64,079
Air Conditions Low Side 3rd Floor KP4	30	16,57,306	-	-	16,57,306	137	50,047	-	50,184
Green Building Consultancy Service KP-4	8,045	12,63,180	-	-	12,63,180	105	38,145	-	38,249
Fire Hydrant Works at KP-4	3,582	83,73,824	-	-	83,73,824	693	2,52,869	-	2,53,561
Civil Construction KP- 4 Office	1,192	-	1,19,68,470	-	1,19,68,470	-	990	-	990
Green Building Consultancy Service KP-4	1	-	2,25,144	-	2,25,144	-	1,118	-	1,118
Boundary Wall 33/11KV KP - 4 Sub/Stn	100	16,91,139	-	-	16,91,139	1,50,268	46,534	-	1,96,802
Control Room Building KP-4	3,282	8,45,59,504	-	-	8,45,59,504	50,37,039	24,01,578	-	74,38,617
Civil Switch Yard Structure KP-4	120	14,72,662	-	-	14,72,662	87,724	41,825	-	1,29,549

Asset Description	Quantity	Gross Block (Opening)	Addition	Retirement	Gross Block (Closing)	Accumulated Depreciation (Opening)	Depreciation for the year	Depreciation on Retired Assets	Accumulated Depreciation (Closing)
KP-4 Basement Building Structure	5,443	1,96,69,132	-	-	1,96,69,132	5,95,586	5,76,021	-	11,71,607
Civil Building Structure KP-4	3,257	3,72,71,894	-	-	3,72,71,894	11,28,602	10,91,527	-	22,20,129
Civil Work Basement KP-4	4,655	1,95,99,866	-	-	1,95,99,866	5,93,489	5,73,993	-	11,67,481
Mobile Toilet 33/11KV KP-4 S/Stn.	1	4,82,915	-	-	4,82,915	14,623	14,142	-	28,765
Additional Civil Works KP-4 Basement	1,839	89,64,405	-	-	89,64,405	2,71,444	2,62,527	-	5,33,972
Terrace Floor Roof Truss KP 4	11,247	23,28,927	-	-	23,28,927	70,520	68,204	-	1,38,724
Civil Structure KP 4 Basement	1,597	51,21,724	-	-	51,21,724	1,55,087	1,49,992	-	3,05,080
Aluminium Work KP-4 Office	571	1,01,64,771	-	-	1,01,64,771	3,07,792	2,97,681	-	6,05,472
Fire Hydrant System KP-4 Office	1,301	84,17,873	-	-	84,17,873	2,54,895	2,46,522	-	5,01,417
Architectual Service KP-4 Office	1	28,13,431	-	-	28,13,431	85,191	82,393	-	1,67,584
Elevator KP-4 Office	1	63,55,078	-	-	63,55,078	526	1,91,907	-	1,92,433
Sub-Station Earthing KP-4	13	4,03,230	-	-	4,03,230	31,693	29,129	-	60,822
Chemical Earthing Works at KP-4	171	51,50,091	-	-	51,50,091	4,04,787	3,72,032	-	7,76,819
Supply & Erection of DG Sets at KP-4	4	87,60,863	-	-	87,60,863	6,87,604	6,32,943	-	13,20,548
Generator KP - 4 Office	2	16,25,625	-	-	16,25,625	349	1,27,449	-	1,27,798
Medical Equipment KP- 4 Office	7	-	48,926	-	48,926	-	11	-	11
Wood work Basement KP-4	191	34,73,189	-	-	34,73,189	4,44,586	3,86,753	-	8,31,339
Table Basement KP-4	19	8,15,082	-	-	8,15,082	1,04,335	90,762	-	1,95,097
Chair Basement KP-4	64	7,73,849	-	-	7,73,849	99,057	86,171	-	1,85,228
Sofa Set Basement KP-4	6	1,82,129	-	-	1,82,129	23,313	20,281	-	43,594
Floor Distribution Panels KP-4	1	73,961	-	-	73,961	9,467	8,236	-	17,703
Wood work Ground Floor KP-4	832	1,28,26,167	-	-	1,28,26,167	16,41,816	14,28,242	-	30,70,057
Table Ground Floor KP-4	28	11,28,059	-	-	11,28,059	1,44,397	1,25,614	-	2,70,011
Chair Ground Floor KP-4	144	25,82,854	-	-	25,82,854	3,30,619	2,87,610	-	6,18,229
Sofa Set Ground Floor KP-4	8	2,42,024	-	-	2,42,024	30,980	26,950	-	57,931
Electrical Wirings & Fittings GF KP-4	1,224	76,57,782	-	-	76,57,782	9,80,236	8,52,723	-	18,32,959
Woodwork KP- 4 Office	3,223	4,90,38,759	-	-	4,90,38,759	17,157	62,62,250	-	62,79,406

Asset Description	Quantity	Gross Block (Opening)	Addition	Retirement	Gross Block (Closing)	Accumulated Depreciation (Opening)	Depreciation for the year	Depreciation on Retired Assets	Accumulated Depreciation (Closing)
Table KP - 4 Office	226	1,15,21,763	-	-	1,15,21,763	4,031	14,71,329	-	14,75,360
Chair KP - 4 Office	720	1,18,29,202	-	-	1,18,29,202	4,139	15,10,589	-	15,14,728
Sofa Set KP - 4 Office	86	39,25,988	-	-	39,25,988	1,374	5,01,349	-	5,02,722
Electrical Wirings & Fittings KP - 4	1	4,20,60,452	-	-	4,20,60,452	14,715	53,71,120	-	53,85,835
Woodwork KP- 4 Office	1	-	18,05,112	-	18,05,112	-	632	-	632
Table KP- 4 Office	2	-	40,964	-	40,964	-	14	-	14
Electrical Wirings & Fittings KP- 4 Offi	1	-	37,96,065	-	37,96,065	-	1,328	-	1,328
Air Conditions Low Side Equipment KP4	143	32,67,023	-	-	32,67,023	10,93,177	7,26,065	-	18,19,242
Air Conditions Low Side Equipment KP-4	207	61,76,473	-	-	61,76,473	20,66,706	13,72,662	-	34,39,368
VRF Based Air-Condition FF KP-4 Office	220	62,15,439	-	-	62,15,439	20,79,745	13,81,322	-	34,61,067
Air Conditions High Side Equipment KP-4	207	8,79,678	-	-	8,79,678	2,94,349	1,95,500	-	4,89,849
VRF based AC & Toilet Ventila at KP-4 SF	230	65,10,428	-	-	65,10,428	21,78,451	14,46,881	-	36,25,331
VRF Based Air-Condition BM KP-4 Office	277	64,16,273	-	-	64,16,273	21,46,945	14,25,955	-	35,72,901
Air Conditioners KP-4 Office	169	4,00,26,417	-	-	4,00,26,417	36,627	1,33,68,823	-	1,34,05,450
Air Conditioners KP-4 Office	1,152	-	7,62,447	-	7,62,447	-	698	-	698
UPS KP-4 Ground Floor	12	23,50,093	-	-	23,50,093	3,54,156	2,99,391	-	6,53,546
Networking Equipment KP - 4 Office	3,830	24,00,050	-	-	24,00,050	1,973	3,59,712	-	3,61,684
Computers, Servers, UPS Etc. KP - 4	1	16,24,494	-	-	16,24,494	668	2,43,574	-	2,44,242
Networking Equipment KP- 4 Office	430	-	1,24,026	-	1,24,026	-	51	-	51
Total (Rs. Crore)		**69.13**	**1.88**	**-**	**71.01**	**2.57**	**5.34**	**-**	**7.91**

3.9.43 The Commission also finds that, for FY 2018-19, the Petitioner have neither provided the Capital investment plan in terms of the Regulation 23A nor they have taken any prior approval of any scheme having capital expenditure greater than INR 10 Crore, from the Commission. On enquiry, the Petitioner submitted that the Commission has already approved the same, vide the Multi Year Tariff Order dated 29.11.2017. It seems the Petitioner breaks up its project / scheme into parts to avoid the approvals required as per the above Regulations.

3.9.44 Further, the Regulation 23A of UPERC MYT Regulations, 2014 states that:

Quote

23 A Capital Expenditure

a. Capital expenditure shall be considered on scheme wise basis.

b. For capital expenditure greater than INR 10 Crore, the Distribution Licensee shall seek prior approval of the Commission.

c. The Distribution Licensee shall submit detailed supporting documents while seeking approval from the Commission.

Provided that supporting documents shall include but not limited to purpose of investment, capital structure, capitalization schedule, financing plan and cost-benefit analysis:

d. The approval of the capital expenditure by the Commission for the ensuing year shall be in accordance with load growth, system extension, rural electrification, distribution loss reduction or quality improvement as proposed in the Distribution Licensee's supporting documents.

e. The Commission may also undertake a detailed review of the actual works compared with the works approved in the previous Tariff Order while approving the capital expenditure for the ensuing year.

f. In case the capital expenditure is required for emergency work, the licensee shall submit an application, containing all relevant information along with reasons justifying the emergent nature of the proposed work, seeking post facto approval by the Commission.

g. The Distribution Licensee shall take up the work prior to receiving the approval from the Commission provided that the emergent nature of the scheme has been certified by its Board of Directors.

h. If capital expenditure is less than INR 10 Crore, the Distribution Licensee shall undertake the execution of the plan with simultaneous notification to the Commission with all of the relevant supporting documents.

i. During the true-up exercise, the Commission shall take appropriate action as is mentioned in Regulation 19.1 of these regulations.

j. Consumer's contribution towards cost of capital asset shall be treated as capital receipt and credited in current liabilities until transferred to a separate account on commissioning of the assets.

Unquote

3.9.45 The Commission, from time to time, in its Tariff Orders has directed the Petitioner to submit the Capital investment plan and take prior approval of the schemes greater than INR 10 Crore as per Regulation 23A of the UPERC MYT Regulations, 2014. Further, the Petitioner has claimed an investment of Rs. 125.38 Crore (excluding GNIDA assets) in FY 2018-19, however, the Petitioner did not take prior approval from the Commission for any of the schemes with capital expenditure greater than INR 10 Crore. **Accordingly, the Commission has decided to disallow 25% of the Capital investment of NPCL Assets for FY 2018-19**.

Table 3-63: Net Impact of disallowance considered in GFA

Particular	Reference	Claimed in True Up of FY 2018-19 (Rs. Crore)	Amount (Rs. Crore)
Opening GFA	A	1,358.32	1,358.33
Addition / Capitalisation (during the year) as per audited accounts	B	125.38	125.38
Deduction / Retirement during the year as per audited accounts	C	4.30	4.30
Closing GFA	D=A+B-C	1479.40	1,479.40
Opening Balance of 132 kV and above assets as per FAR of FY 2018-19	E		83.38
Opening Balance of Vehicles as per FAR of FY 2018-19	F		4.25
Opening Balance of 25% of KP-I and KP-IV assets as per FAR of FY 2018-19	G =(Rs. 34.73 Crore+ Rs. 69.13 Crore)*25%		25.97

Particular	Reference	Claimed in True Up of FY 2018-19 (Rs. Crore)	Amount (Rs. Crore)
Total Opening Balance considered for Disallowance for FY 2018-19 as per FAR	**H=E+F+G**		**113.60**
Addition of 132 kV and above assets as per FAR of FY 2018-19	I		5.80
Addition of vehicles in FY 2018-19 as per FAR of FY 2018-19	J		1.93
Disallowance of 25% of additions after adjustments of item I and J for FY 2018-19	K= (B-(I+J))*25%		20.08
Total addition of GFA considered for Disallowance	**L=I+J+K**		**27.81**
Net Opening Balance of GFA	M=A-H		1,244.72
Addition during the year (after all disallowance)	N=B-L		97.57
Retirement during the year	C		4.30
Closing balance of GFA	P=M+N-C		1,337.99

3.9.46 The Gross Fixed Assets after the disallowance are shown in the Table below:

Table 3-64: Gross Fixed Asset after disallowance of 132kV / 220 kV assets and vehicles for FY 2017-18 and FY 2018-19 (Rs. Crore)

Particulars	Approved vide T.O. 22/01/2019	True Up Petition	Approved in True Up FY 2018-19
Opening Balance	1,435.72	1,358.32	1,244.72
Addition during the Year	172.50	125.38	97.57
Retirement during the Year	4.85	4.30	4.30
Closing Balance	1,603.37	1,479.40	1337.99

3.9.47 The Commission further observed that the Petitioner for FY 2018-19 has claimed an addition of 315 substation for FY 2018-19. In this regard the Commission sought the details of the same matching with the FAR. The Petitioner only submitted the list of 315 substations.

3.9.48 The Commission further observed that the Petitioner has estimated CWIP of FY 2019-20 in which it has included the amount of Rs. 1.28 crore for “*Consultancy Service for preparation of DPR and Tender Document for construction of 220KV Substation and Associated 220kV Lines at BZP and KP5, Greater Noida”.* In this regard the Commission sought the details of the same for which the Petitioner vide dated September 29, 2020 submitted that:

"It is humbly submitted that the CWIP for FY 2018-19 and FY 2019-20 includes Rs. 1.28 Cr towards "Consultancy Services for preparation of DPR and Tender Document for construction of 220 kV Substation and Associated 220 kV Lines at BZP and KP-5, Greater Noida".

In this regard, we humbly submit that the Work Order no. 4300011507 was issued to M/s Power Grid Corporation of India Ltd. (PGCIL) for the aforesaid work on 29th January, 2018 (i.eFY 2017-18), in line with its earlier submissions in Business plan and ARR petitions, which was much before the Hon'ble Commission's Orders dated 31st October 2018 in respect of RC. Green and Gharbara Substations. Thus, as per the terms of the aforesaid Work Order, an initial payment of Rs. 0.51 Cr. was made on 9th February, 2018 to PGCIL and was includedin CWIP for FY 2017-18. Further, on completion of the scope of work during FY 2018-19 as per the work order, the remaining expense of Rs. 0.77 Cr. was incurred during FY 2018-19and included in CWIP.

Pursuant to the directions of the Hon'ble Commission vide order dated 31st October 2018, the project has been kept in abeyance till the final adjudication of RC Green and Gharbaramatter and hence, the expenditure of Rs. 1.28 Cr continues to remain in CWIP in FY 2018-19 and FY 2019-20."

3.9.49 The Commission has already disallowed the 132kV and above assets, hence the same is been disallowed from the closing CWIP of FY 2018-19. The Commission further observed that the Petitioner in Note 8 of the Audited Accounts of FY 2018-19 has mentioned the capital advances of Rs. 40.63 Crore. In this regard the Petitioner was asked to provide the detail of such advances with respect to the asset for which such advances has been provided and details of the party to which such advances has been given. The Petitioner in this regard submitted the details of capital advances of Rs. 40.63 Crore as shown in the Table below:

Table 3-65: Details of Capital Advances for FY 2018-19 as submitted by the Petitioner

S. No.	Particular	Amount (Rs. Crore)
1	Advance for 5 nos. 33 kV bays at 220/33 kV Substation at Sec-148, Noida	20.48
2	Advance for construction of LILO from 220 kV Substation Sec-148 Noida to 220 kV RC Green Substation paid to UPPTCL through GNIDA	14.59
3	Advance for construction of 2nos. 220 kV bays at RC Green Substation paid to UPPTCL through GNIDA	4.53
4	Advance for Power Transformer	0.17
5	Other capital Advances	0.87
Total		**40.63**

3.9.50 The Commission has disallowed the amount of Rs. 20.48 Crore paid to UPPTCL from the closing CWIP of FY 2018-19. The details of CWIP is provided in the Table below:

Table 3-66: Details of CWIP computed for FY 2018-19

S. No.	Particular	Reference	Approved (Rs. Crore)
1	Opening CWIP	A	14.46
2	CWIP claimed for construction of LILO from 220 kV Substation Sec-148 Noida to 220 kV RC Green Substation paid to UPPTCL through GNIDA and construction of 2nos. 220 kV bays at RC Green Substation paid to UPPTCL through GNIDA	B	14.59
	Advance for construction of 2nos. 220 kV bays at RC Green Substation paid to UPPTCL through GNIDA	C	4.53
3	CWIP claimed for Consultancy Service for preparation of DPR and Tender Document for construction of 220KV Substation and Associated 220kV Lines at BZP and KP5, Greater Noida	D	1.28
4	CWIP claimed for 5 nos. 33 kV bays at 220/33 kV Substation at Sec-148, Noida	E	20.48
5	Closing CWIP claimed by the Petitioner	F	58.88
6	Closing CWIP approved for FY 2018-19	G=(F-B-C-D-E)	18.00

3.9.51 The Commission has also observed that the Petitioner has land parcels which are not utilised and has high market rates. The Petitioner is directed to submit the details regarding optimum utilisation of all the lands which remain unutilised failing which appropriate treatment may be done.

3.9.52 Based on the above, the details of Capital expenditure allowed by the Commission for FY 2018-19 as per the norms specified in UPERC MYT Regulations, 2014 are as shown in the Table below:

Table 3-67: Details of capex for FY 2018-19 as approved by the Commission (Rs. Crore)

Particulars	Reference	Approved vide T.O. 22/01/2019	True Up Petition	Approved in True Up FY 2018-19
Total Additions to Assets (excluding interest capitalisation)	A	168.74	125.38	97.57
Add: Closing CWIP	B	42.30	58.88	18.00
Less: Opening CWIP	C	33.58	33.58	14.46
Total Capex (excluding interest capitalisation)	D=A+B-C	177.46	150.68	101.11
Add: Interest Capitalisation	E	3.76	0.00	0.00
Total Capex	F=D+E	181.22	150.68	101.11
Less: Consumer Contribution & GNIDA	G	33.73	37.34	37.34
Net Capex	H=F-G	147.49	113.35	63.78
Debt	I=70%of H			44.64
Equity	J=30% of H			19.13

3.10 INTEREST AND FINANCE CHARGES

3.10.1 The Petitioner stated that interest and Finance Charges covers the following cost elements: -

a. Interest on Long Term Loans
b. Interest on Working Capital
c. Interest on Consumer Security Deposits
d. Finance Charges
e. Carrying Cost of Regulatory Asset.

Each of the above elements are discussed separately below:

3.11 INTEREST ON LONG TERM LOANS

3.11.1 The Petitioner has submitted that the Commission in Tariff Order dated 22nd January, 2019 approved the interest on term loan at Rs. 52.36 Crore based on additional debt requirement of Rs. 99.85 Crore for FY 2018-19, however, based on actual net capital expenditure of Rs. 146.39 Crore and consumer contribution of Rs. 37.34 Crore and stipulated debt equity of 70:30, normative debt is worked out is Rs. 76.33 Crore for FY 2018-19 and accordingly the Petitioner has claimed the Interest on Loan as Rs.45.96 Crore.

3.11.2 Based on the above Capex and Debt arrangement, the summary of interest on Term Loan (normative) for the purpose of funding the capital expenditure for FY 2018-19 is given in the Table below:

Table 3-68: Interest on Term Loan for FY 2018-19 as submitted by Petitioner (Rs. Crore.)

Sl. No.	Loan Computation	Ref.	Approved Vide T.O. dated 22 January 2019	Actual Based.
1	Gross Normative loan – Opening	a	878.91	834.57
2	Cumulative repayment of Normative Loan upto previous year	b	370.24	380.76
3	**Net Normative loan – Opening**	**c=a-b**	**508.67**	**453.81**
4	Increase/Decrease due to ACE during the Year	d	99.85	76.33
5	Repayments of Normative Loan during the year	e	60.74	56.6
6	**Net Normative loan – Closing**	**f=c+d-e**	**547.78**	**473.54**
7	Average Normative Loan*	g=(c+f)/2	528.22	463.68
8	Weighted average Rate of Interest on actual Loans	h	9.91	9.91%
9	**Interest on Normative loan**	**i=g x h**	**52.36**	**45.96**

Commission's Analysis:

3.11.3 The provisions for treatment of Interest on Loans as per UPERC (Multi Year Distribution Tariff) Regulations, 2014 are as follows:

Quote

27 Treatment of Interest on Loan:

……….

(d) The normative loan outstanding as of April 1 of transition period/control period shall be computed by deducting the cumulative repayment as approved by the

Commission (basis as mentioned below) up to March 31 of current period (year before transition period / control period as applicable) from the gross normative loan.

(e) The repayment for the transition / control period as applicable shall be deemed to be equal to the depreciation allowed for the year.

(f) Notwithstanding any moratorium period availed by the Distribution Licensee, the repayment of the loan shall be considered for the transition / control period, as applicable, as per annual depreciation allowed.

(g) The rate of interest shall be the weighted average rate of interest calculated on the basis of actual loan portfolio at the beginning of each year of the transition / control period, in accordance with terms and conditions of relevant loan agreements, or bonds or non-convertible debentures…

Unquote

3.11.4 The Commission has gone through the interest expenses claimed by the Petitioner for FY 2018-19. The Commission observed that the Opening of net normative loan as claimed by the Petitioner is not equal to the closing balance for FY 2017-18 as approved in the True Up. In this regard the Petitioner submitted that the Commission vide its Tariff Order dated 3rd September 2019, has disallowed the capital expenditure on the project of Construction of 220 kV LILO connecting 400 kV Substations at Pali, Greater Noida and Sector-148 (changed from earlier Sector-129) to 220/132/33kV RC Green substation amounting to Rs. 19.12 Crore. As the matter is under sub-judice and therefore, the Petitioner while submitting the Petition for truing-up for FY 2018-19, APR for FY 2019-20 and ARR for FY 2020-21 has included the aforesaid expenses for the purpose of computation of normative debts. Thus, the aforesaid difference of Rs. 13.28 Crore is equivalent to 70% of CWIP of Rs. 19.12 Crore pertaining to Construction of 220 kV LILO connecting 400 kV Substations at Pali, Greater Noida and Sector-148 (changed from earlier Sector-129) to 220/132/33kV RC Green substation for enhancement of upstream capacity & reliability to evacuate upto 400 MW power of R C Green Substation being considered by the Petitioner in its Petition.

3.11.5 The Commission observed that the Petitioner for does not have any loan for FY 2018-19. In this regard the Regulation 27(g) MYT Regulations, 2014 provides that:

Quote

The rate of interest shall be the weighted average rate of interest calculated on the basis of actual loan portfolio at the beginning of each year of the transition / control period, in accordance with terms and conditions of relevant loan agreements, or bonds or non-convertible debentures:

Provided that if no actual loan is outstanding but normative loan is still outstanding, the last available weighted average rate of interest shall be applicable.

Provided further that the interest on loan shall be calculated on the normative average loan of the year by applying the weighted average rate of interest.

Provided also that exception shall be made for the existing loans which may have different terms as per the agreements already executed if the Commission is satisfied that the loan has been contracted for and applied to identifiable and approved projects.

Unquote

3.11.6 Since there is no actual loan, the interest rate has been considered as allowed by the Commission in the True Up for FY 2017-18.

3.11.7 Interest on Loan computation for FY 2018-19 also takes into consideration the values from the True-Up for FY 2017-18. A linking error in the models for FY 2017-18 was found which has affected the opening value of cumulative loan repayment for FY 2018-19. The Commission further observed that the Petitioner in the data gap reply submitted the depreciation of asset created on consumer contribution in which the value of accumulated depreciation opening is considered as Rs. 66.76 Crore, however in FAR for FY 2018-19, the accumulated depreciation opening of FY 2018-19 is considered as Rs. 86.41 Crore. The amount of Rs. 86.41 Crore is considered for further computations. The linking in the model was corrected and the cumulative loan repayment opening (net of consumer contribution) for FY 2018-19 has been computed to be Rs. 304.24 Crore instead of Rs. 370.92 Crore (Rs. 322.40 + Rs. 48.52). The True Up Order dated September 03, 2019 for FY 2017-18 in not being disturbed and the values computed in this Order shall form the basis of True Up of FY 2018-19 and subsequent years.

3.11.8 The Interest on Loan as approved by the Commission for the True Up of FY 2017-18 vide Order dated September 03, 2019 is shown in the Table below:

Table 3-69: Interest on Loan as approved by the Commission for FY 2017-18 in Order dated September 03, 2019 (Rs. Crore)

Sl. No.	Loan Computation	Formulae	Approved vide TO dtd 30/11/2017	True- Up Petition	Approved upon Truing Up of FY 2017-18
1	Gross Normative loan – Opening	A	741.66	741.23	731.40
2	Cumulative repayment of Normative Loan upto previous year	B	319.88	332.24	322.40
3	**Net Normative loan – Opening**	**C= A-B**	**421.78**	**408.99**	**408.99**
4	Increase/Decrease due to ACE during the Year	D	144.33	93.34	79.96
5	Repayments of Normative Loan during the year	E	54.63	44.96	48.52
6	**Net Normative loan – Closing**	**F= C+D-E**	**511.48**	**457.37**	**440.43**
7	Average Normative Loan	G = (C+F)/2	466.63	433.18	424.71
8	Weighted average Rate of Interest on actual Loans	H	10.34%	9.91%	9.91%
9	**Interest on Normative loan**	**I= G x H**	**48.23**	**42.94**	**42.10**

3.11.9 Hence, the Interest on Long term loans are approved as per claimed loan portfolio for FY 2018-19 as shown in the Table below:

Table 3-70: Interest on Loan computation for FY 2018-19 (Rs. Crore)

Sl. No	Particular	Reference	FY 2017-18 (recomputed for arriving values of FY 2018-19)	Computation for FY 2018-19
1	Gross Normative Loan Opening	A	731.40	731.84
2	Cumulative repayment of Normative Loan upto previous year	B	283.02*	304.24**
3	Net Normative Loan-Opening	C	448.38	427.60
4	Loan addition during the year (70% of Net GFA Addition after deducting Consumer Contribution and asset deletion)	D=70% of C	79.06	44.64

Sl. No	Particular	Reference	FY 2017-18 (recomputed for arriving values of FY 2018-19)	Computation for FY 2018-19
5	Repayments of Normative Loan during the year	H	46.18	43.49
6	Net Normative loan – Closing	I=F+G-H	482.16	428.76
7	Average Normative Loan	J=(I+F)/2	465.27	428.76
8	Weighted average Rate of Interest on actual Loans	K	9.91%	9.91%
9	Interest on Normative loan	L=K*J	**46.12**	**42.44**

*(Rs. 360.25 crores gross accumulated depreciation – Rs. 77.23 Crore accumulated depreciation from consumer contribution)

**(Rs. 390.65 crores gross accumulated depreciation – Rs. 86.41 Crore accumulated depreciation from consumer contribution)

Table 3-71: Interest on Loan as approved by the Commission for FY 2018-19 (Rs. Crore)

Sl. No	Particular	Reference	Approved vide T.O. 22/01/2019	True Up Petition	Approved upon Truing up
1	Gross Normative Loan Opening	A	878.91	834.57	731.84
2	Cumulative repayment of Normative Loan upto previous year	B	370.24	380.76	304.24
3	Net Normative Loan-Opening	C	508.67	453.81	427.60
4	Loan addition during the year (70% of Net GFA Addition after deducting Consumer Contribution and asset deletion)	D=70% of C	99.85	76.33	44.64
5	Repayments of Normative Loan during the year	H	60.74	56.60	43.49
6	Net Normative loan – Closing	I=F+G-H	547.78	473.54	428.76
7	Average Normative Loan	J=(I+F)/2	528.22	463.68	428.18
8	Weighted average Rate of Interest on actual Loans	K	9.91%	9.91%	9.91%
9	Interest on Normative loan	L=K*J	**52.36**	**45.96**	**42.44**

3.12 INTEREST ON WORKING CAPITAL

3.12.1 The Petitioner submitted that as per MYT Regulations, 2014, it is allowed interest on Working Capital requirement on the basis of one month's O&M expenses, 60 days of Revenue after netting off Security Deposit received from the Consumers and 40% of the R&M Expenses for 2 months.

3.12.2 The Petitioner submitted that Commission in its Tariff Order dated 22nd January, 2019 has considered weighted average SBI-PLR at 13.68% p.a. for the purpose of allowing Interest on Working Capital for FY 2018-19. However, for the purpose true-up of ARR for FY 2017-18, the Commission in its latest Tariff Order dated 3rd September, 2019 has considered the SBI –PLR prevailing on date of filing of True-up Petition (viz. 26th October, 2018) i.e. 13.70% in line with Regulation 28 of MYT Regulations, 2014.

3.12.3 Accordingly, it has considered the SBI-PLR prevailing as on date of preparation of this True-up Petition for FY 2018-19 which is 13.70% for the purpose of computation of interest on working capital for FY 2018-19. Accordingly, the computation of interest on working capital for FY 2018-19 is presented in following Table for the kind perusal and approval of the Commission: -

Table 3-72: Interest on Working Capital for FY 2018-19 as submitted by Petitioner (Rs. Crore.)

Particulars	Approved Vide T.O. Dated 22 January 2019	Actual
O&M expenses for 1 month	6.88	8.07
Two months equivalent of expected revenue	243.81	262.60
Maintenance spares @ 40% of R&M expenses for two month	3.03	2.95
Gross Total	**253.72**	**273.61**
Total Security Deposits by the Consumers reduced by Security Deposits under section 47(1)(b) of the Electricity Act 2003:		
Opening Balance	208.88	223.47
Received during the year (Net of Refunds)	30	32.34
Closing Balance	**238.88**	**255.81**
Average Security Deposit	223.88	239.64
Less: Security Deposit with UPPCL	11.28	11.28
Total Security Deposits by the Consumers reduced by Security Deposits under section 47(1)(b) of the Electricity Act 2003	**212.6**	**228.36**
Net Working Capital	**41.13**	**45.25**
Rate of Interest for Working Capital (SBI - PLR)	13.68%	13.70%
Interest on Total Working Capital	**5.62**	**6.20**

3.12.4 The Petitioner said that it is pertinent to mention here that while approving the amount of receivables in its Tariff Order dated 22nd January, 2019, the Commission had not considered the Electricity Duty as part of the billed Revenue which ultimately forms part of receivables. However, the Petitioner in its computation has considered the amount of

Electricity Duty as part of the Revenue for computation of two months' receivables as per past practice followed by the Commission in its various Tariff Orders while approving the amount of receivables as part of working capital latest being the Tariff Order dated 3rd September 2019.

3.12.5 The Petitioner stated that as per the practice followed by the Commission in its various Tariff Orders, latest being dated 3rd September, 2019 in case of the Petitioner, the security deposit of Rs. 11.28 Crore passed on to UPPCL till FY 2005-06 in accordance with past arrangement, has been deducted from the total Security Deposit available with the Petitioner while computing working capital requirement as the same are not available at the disposal of the Petitioner for meeting its working capital requirements.

3.12.6 The above Table does not include the amount of Rs. 10.00 Crore. paid to UPPCL based on the Orders of Commission and Hon'ble Allahabad High Court in FY 2006-07 in the matter of providing 10 MVA additional supply of power by UPPCL.

Commission's Analysis:

3.12.7 As per the UPERC (Multi Year Distribution Tariff) Regulations, 2014, interest rate on the working capital loan shall be equal to the State Bank Advance Rate (SBAR) as on the date of acceptance of Petition for determination of tariff by the Commission. In this regard, the relevant provision of the Regulation 28 of the UPERC (Multi Year Distribution Tariff Regulations), 2014 is reproduced below:

Quote

The Distribution Licensee shall be allowed interest on estimated level of working capital for the financial year, computed as follows:

a) O&M expenses for one month.
b) Two months equivalent of expected revenue.
c) Maintenance spares @ 40% of R&M expenses for two months.

Less:
Security deposits from consumers, if any.

Provided that the interest on working capital shall be on normative basis and rate of interest shall be equal to the State Bank Advance Rate (SBAR) as of the *date on which petition for determination of tariff is accepted by the Commission.*

Provided further that interest shall be allowed on consumer security deposits as per the provisions of the Electricity Supply Code, 2005 and its subsequent amendments / addendums & the new regulations made after repeal of the same.

Unquote

3.12.8 As per the provisions of aforesaid Regulations, the Commission for the purpose of computing interest on working capital for FY 2018-19 has considered SBAR (SBI-PLR) as on October 31, 2018 (the date of admittance of Tariff Petition for determination of Tariff for FY 2018-19), i.e., 13.75%.

(Source: https://www.sbi.co.in/web/interest-rates/interest-rates/benchmark-prime-lending-rate-historical-data) last accessed on 19.11.2020.

3.12.9 In the Truing up Petition for FY 2018-19, the Petitioner has considered the security deposit passed to UPPCL amounting to Rs. 11.28 Crore. Such amount has been deducted while computing the total working capital requirement for FY 2018-19, as had been done in previous years.

3.12.10 The Commission noticed that the Petitioner while computing two months revenue for Interest on Working capital has considered the revenue as Rs. 1575.60 Crore while as per Note 26 of the Audited Accounts provides the revenue as Rs. 1490.50 Crore. In this the Petitioner submitted the reconciliation for the same as shown in the Table below:

Table 3-73: Reconciliation of Revenue from sale of Electricity as submitted by the Petitioner

Sl. No.	Description	Amount (Rs. Cr.)	Remark
1	Revenue from Sale of Electricity for FY 2018-19	1,575.61	Please refer to Note-26 of Audited Accounts
2	Less: Electricity Duty	85.11	Please refer to Note-26 of Audited Accounts
3	**Net Revenue from Sale of Electricity for FY 2018-19**	**1,490.50**	Please refer to Note-26 of Audited Accounts

3.12.11 The Commission is of the view that the UPERC (MYT for Distribution Tariff) Regulations, 2014 provides for only revenue for two months and not the electricity duty. The Commission allowed Electricity duty in IoWC for FY 2017-18 under the same regulation inadvertently. The Commission is not inclined to conduct the True Up of the True Up of FY 2017-18 and so for True-Up of FY 2018-19 wherein the Electricity duty would not be considered while determining revenue for two months. Also, Electricity Duty is the domain of GoUP and is not a part of the ARR or Revenue of the Petitioner in its regulatory accounts.

3.12.12 The Commission has worked out the working capital and interest on working capital for FY 2018-19 as given in Table below:

Table 3-74: Interest on working capital as approved by the Commission for FY 2018-19 (Rs. Crore)

Particulars	Approved vide T.O. 22/01/2019	True Up Petition	Approved upon Truing up
One Month's O&M Expenses	6.88	8.07	6.07
Maintenance spares @ 40% of R&M expenses for two months	3.03	2.95	2.66
Receivables equivalent to two months of expected revenue	243.81	262.60	248.42
Gross Total	253.72	273.61	257.15
Total Security Deposits by the Consumers reduced by Security Deposits under section 47(1)(b) of the Electricity Act 2003			
Opening Balance	208.88	223.47	223.47
Received during the year	30.00	32.34	32.34
Closing Balance	238.88	255.81	255.81
Less: Security Deposit with UPPCL	11.28	11.28	11.28
Net Security Deposits by the Consumers reduced by Security Deposits under section 47(1)(b) of the Electricity Act 2003	212.60	228.36	228.36
Net Working Capital	41.12	45.25	28.78
Rate of Interest for Working Capital	13.68%	13.70%	13.75%
Interest on Total Working Capital	**5.62**	**6.20**	**3.96**

3.13 INTEREST ON CONSUMER SECURITY DEPOSITS

3.13.1 The Petitioner mentioned that Regulation 21 of the MYT Regulation, 2014 provides that the Petitioner shall pay interest equivalent to the bank rate or more on the consumer security deposits, as may be specified by the Commission. The Commission vide its Tariff Order dated 22nd January'2019 has approved the Interest on Security Deposit @ 6.75% p.a. being RBI's Bank Rate prevailing on the 1st April'18. Accordingly, the amount of interest payable on security deposit considering RBI's Bank Rate at 6.75% p.a. prevailing on the 1st April, 2018 to consumers during FY 2018-19 is given below in Table for the kind perusal and approval of the Commission:

Table 3-75: Interest on Security Deposit for FY 2018-19 as submitted by Petitioner (Rs. Crore.)

Particulars	Ref.	Approved Vide T.O. dated 22 January 2019	Actual
Opening Balance of Security Deposit	a	208.88	223.47
Addition during the year net of	b	30	32.34
Closing Balance of Security Deposit	c=a+b	238.88	255.81
Average Balance of Security Deposit	**d=(a+c)/2**	**223.88**	**239.64**
Rate of Interest	e	6.75%	6.75%
Interest payable on Security Deposit	**f=dxe**	**15.11**	**15.09**

3.13.2 The Petitioner stated that it would like to inform that the interest on consumer security deposit is computed on outstanding balance of each individual customer for the period during which his security deposit was available with the Petitioner and such computation is done by the automated ERP System of the Petitioner (viz. SAP).

3.13.3 The Petitioner submitted that the total interest on consumer security deposit for FY 2018-19 on the basis of each individual customer's outstanding security deposit on daily balance basis and the tenure for which the same was outstanding works out to Rs. 15.09 Crore. Needless to mention that the aforesaid interest on security deposit has been duly audited by the Statutory Auditors of the Petitioner with respect to its provision and computation. It is pertinent to mention here that average rate of interest when reverse calculated from interest amount paid to the consumer and average of cumulative security deposit comes at 6.30%, however, the same is not in line with actual interest paid to consumers. Hence, the Commission is requested to kindly consider interest on security deposit actually paid to consumers @ 6.75% amounting to Rs. 15.09 Crore.

3.13.4 The Petitioner stated that the interest on security deposit has been paid in accordance with regulations and at the rate as approved by the Commission, it is requested that the actual expense of Rs. 15.09 Crore be allowed in full.

Commission's Analysis

3.13.5 In this regard, the relevant provision of the Regulation 28 of the UPERC (Multi Year Distribution Tariff Regulations), 2014 is reproduced below:

Quote

…………

Provided further that interest shall be allowed on consumer security deposits as per the provisions of the Electricity Supply Code, 2005 and its subsequent amendments / addendums & the new regulations made after repeal of the same.

Unquote

3.13.6 In the Order dated 22 January, 2019, the Commission based on the submission of the Petitioner approved the rate of interest to be paid on security deposits at 6.75% for FY 2018-19. However, as per the provisions of the UPERC (Multi Year Distribution Tariff Regulations), 2014 the applicable interest rate (Bank Rate as on 1st April, 2018) for security deposit is 6.25%. (last accessed on 19.11.2020) *(Source:*https://rbidocs.rbi.org.in/rdocs/Wss/PDFs/5T_0604186B20198AD49E4E78B242B234245E327E.PDF)

3.13.7 The Commission noticed that the Note 14 mentions net addition during the year in the security deposit as Rs. 30.77 Crore while the Petitioner has claimed Rs. 32.24 Crore. In this regard the Commission sought the detailed justification for the same and should provide the reconciliation with the Audited accounts. The Commission also directed the Petitioner to submit an undertaking that it has paid all the dues pertaining to interest on consumer security deposit for FY 2018-19. In this regard the Petitioner submitted that note 14 of the Audited Annual Accounts shows the details of "Other financial Current Assets" while note 30 of the Audited Annual Accounts reflects the amount of interest paid on Consumer Security Deposit for FY 2018-19 which is equivalent to Rs. 15.09 Cr. Further this is to confirm that it has duly paid interest at the rates approved by the Commission to all its consumers.

3.13.8 The Commission further vide mail dated September 21, 2020 asked the Petitioner that as per calculation the Interest on security arrives to Rs. 14.98 Crore, however the Petitioner has claimed Rs. 15.09 Crore. In this regard the Petitioner submitted that the its has paid interest equivalent to RBI Bank Rate prevailing as on 1st Apr 2018 i.e. 6.25% on outstanding balance of security deposit of each consumer during the period 1st Apr 18 to 31st Mar 19. It also submitted that it has been paying interest on security to all its consumers based on the number of days it is holding the security deposit with it. The Petitioner further submitted the details of interest paid as shown in the Table below:

Table 3-76: Details on interest on security deposit submitted by the Petitioner

Particulars	Opening	Net Addition	Closing	Average	Period (in Days)	Interest @6.25%
	a	B	c=a+b	d=(a+c)/2	e	f=d x 6.25% x e/365
Apr'18-Jun'18	223.47	15.87	239.34	231.41	91	3.61
Jul'18-Sep'18	239.34	2.31	241.65	240.5	92	3.79
Oct'18-Dec'18	241.65	5.75	247.4	244.53	92	3.85
Jan'19-Mar'19	247.4	8.41	255.81	251.61	90	3.88
Total	**237.97**	**32.34**	**246.05**	**242.01**	**365**	**15.12**

3.13.9 The details of the interest on security deposits Trued-up by Commission for FY 2018-19 are given in the Table below:

Table 3-77: Interest on security deposit as approved by the Commission (Rs. Crore)

Particulars	Approved vide T.O. 22/01/2019	True Up Petition	Approved upon Truing up
Interest payable on Security Deposit	15.11	15.09	15.09

3.13.10 The Petitioner in a data gap reply submitted that it has actually paid interest of security deposit amounting to Rs. 15.12 Crore, However it has claimed Rs. 15.09 Crore as per Audited Accounts. Hence the same Rs. 15.09 Crore is being allowed for FY 2018-19.

3.14 FINANCE CHARGES

3.14.1 The Petitioner stated that it has to incur various finance charges for availing of financial products and services for the purpose of meeting its financial and other business needs. These charges are genuine business expenditure and has been explained in details as under:

Loan Processing Charges:

3.14.2 The Petitioner stated that during, FY 2018-19, the Petitioner incurred expenses on renewal of the existing Working Capital Facilities including LC facilities for providing payment security under various Power Purchase Agreements in accordance with their respective PPAs in order to maintain liquidity to meet its short-term financial obligations.

3.14.3 The Petitioner further submitted that, based on the existing facilities and the facilities to be tied up for meeting the LC facilities and other Working Capital requirements for the ensuing year, the Petitioner has incurred processing fee during FY 2018-19 for renewal of working capital facilities as summarized in Table below:-

Table 3-78: Processing Charges for FY 2018-19 as submitted by Petitioner (Rs. Crore.)

Sl. No.	Financing Activity	Facility Amount	Charges Paid	Charges as % of Facility
1	Fund Based WCF Renewal and CP Issue	90	0.3	0.34%
2	Non- Fund Based WCF Renewal & CP Issue	150	0.51	0.34%
	Total	**240**	**0.81**	**0.34%**

3.14.4 Apart from the above the Petitioner has to incur other financing and ancillary charges which have been elaborated in detail in the subsequent paragraphs:

Credit Rating Charges:

3.14.5 The Petitioner submitted that credit rating of banking facilities (Fund / Non-Fund based) has become imperative under the Basel II Norms. As per these norms, unrated facilities will be financed at least 4.50% higher as per credit adequacy requirements in comparison with rated facilities. In order to comply with the above requirement of RBI and also to save additional 4.50% p.a. interest cost, the Petitioner has been getting its credit rating from India Rating & Research (P) Limited.

Collection facilitation charges:

3.14.6 Continuing its efforts to provide maximum possible facilities to the consumers, the Petitioner started various new initiatives for enabling consumers to make payment via Internet, Payment – kiosks, retail counters at their nearby grocery shop, through NEFT / RTGS etc. Commission has also vide its Order dated 29th May, 2015 directed the Petitioner to provide more avenues to the consumers for payment of electricity dues through Online Mode and has also directed it to bear charges for such service upto an amount of Rs. 4,000/- per transaction. Provisions of these facilities require some expenditure which has been included in Collection Facilitation Charges. Apart from being cost of new initiative these charges are directly related to revenue and with increase in tariff and revenue, there is an increase in these charges.

Other Finance Charges:

3.14.7 The Petitioner submitted that there are other bank charges as well like loan documentation charges, LC Issue Charges, banking charges and other miscellaneous charges etc.

3.14.8 The Commission has been allowing the processing fees on all facilities including working capital and other finance charges in its preceding Tariff orders. Thus, it is a well settled principle of allowing finance charges including processing fees on actual paid basis.

3.14.9 The summary of the Finance Charges as approved and actually incurred during FY 2018-19 is provided in Table below:-

Table 3-79: Finance Charges for FY 2018-19 as submitted by Petitioner (Rs. Crore.)

Sl. No.	Financing Activity	Approved Vide T.O. dated 22 January 2019	Actual
1	Processing Fee	1.8	0.81
2	Credit Rating Charges	0.15	0.13
3	Collection Facilitation Charges	0.75	0.61
4	SBLC & Other Finance Charges	1.35	0.03
	Total	**4.05**	**1.58**

3.14.10 The Petitioner further submitted that therefore, as explained above, all the charges have been incurred to meet the ongoing funding requirement of the Petitioner and are well within the approved limits. Hence, the Petitioner requested Commission to approve the same in full.

Commission's Analysis:

3.14.11 The Commission noticed that the Petitioner has claimed Rs. 1.58 Crore as Finance charges for FY 2018-19. The Commission verified the same from the audited accounts and hence approves the same as shown in the Table below:

Table 3-80: Finance charges as approved by the Commission for FY 2018-19 (Rs. Crore)

Particulars	Approved vide T.O. 22/01/2019	True Up Petition	Approved upon Truing up
Processing Fee	1.80	0.81	0.81
Credit Rating Charges	0.15	0.13	0.13
Collection Facilitation Charges	0.75	0.61	0.61
LC & Other Finance Charges	1.35	0.03	0.03
Total Finance Charges	**4.05**	**1.58**	**1.58**

3.15 TOTAL INTEREST & FINANCE COST.

3.15.1 The Petitioner has submitted the details of total interest and finance charges incurred during FY 2018-19 in the Table below:

Table 3-81: Total Interest and Finance Charges for FY 2018-19 as submitted by Petitioner (Rs. Crore.)

Sl. No.	Description	Approved Vide T.O. dated 22 January 2019	Actual
1	Interest on Long term loans	52.36	45.96
2	Interest on working capital facilities	5.62	6.20
3	Interest on security deposit	15.11	15.09
4	Finance Charges	4.05	1.58
5	**Subtotal**	**77.15**	**68.83**
6	Carrying Cost of Regulatory Assets	23.13	39.52
7	**Total Interest & Finance Charges**	**100.28**	**108.35**

* *Note: Total may not tally due to rounding-off*

3.15.2 The Petitioner stated that keeping the above in view and pressing needs of the business, the Commission is requested to approve the above interest and finance charges as claimed.

Commission's Analysis

3.15.3 The summary of Interest and Finance Charges trued-up by the Commission for FY 2018-19 is given in the Table below:

Table 3-82: Summary of Interest and Finance charges as approved by the Commission for FY 2018-19 (Rs. Crore)

Particulars	Approved vide T.O. 22/01/2019	True Up Petition	Approved upon Truing up
Interest on Long term loans	52.36	45.96	42.44
Interest on short term loans/working capital	5.62	6.20	3.96
Finance charges	4.05	1.58	1.58
Interest on security deposit	15.11	15.09	15.09
Total Interest & Finance charges	77.15	68.84	63.07
Less: Interest capitalization	3.76	0.00	0.00
Net Interest & Finance charges	73.38	68.84	63.07

3.16 EFFICIENCY GAIN ON LOAN SWAPING

3.16.1 The Petitioner stated that in its continuous endeavour to minimize the cost of borrowing, the Petitioner in preceding years renegotiated various loan facilities by swapping of these loan facilities with new facilities bearing lower cost. Such, swapping of loans resulted in accrual of saving in interest cost to be shared with its consumers.

3.16.2 The Petitioner has estimated the accrual of such efficiency gain while preparing MYT ARR Petition for Control Period and has submitted the details for the same and claimed part of the above efficiency gains pertaining to FY 2018-19 in its MYT ARR petition, which has since been approved by the Commission in its Tariff Order dated 22nd January, 2019.

3.16.3 The Petitioner stated that it has considered the efficiency gains accrued on swapping of loans for FY 2018-19 as already approved by the Commission and shown in Table below:

Table 3-83: **Efficiency Gain on Term Loan Swapping for FY 2018-19 as submitted by Petitioner (Rs. Crore.)**

Sl. No.	Bank	Loan Amount	Approved Vide T.O. dated 22 January 2019	Actual
1	ICICI Bank (FY 14)	125	0.03	0.03
2	ICICI Bank (FY 14)	40	0.05	0.05
3	Central Bank of India	75	0.06	0.06
4	ICICI Bank (FY 17)	125	0.01	0.01
5	ICICI Bank (FY 17)	40	0.03	0.03
6	ICICI Bank (FY 17)	100	0.3	0.3
7	**Total**		**0.48**	**0.48**
8	**50% Efficiency Gain claimed/approved**		**0.24**	**0.24**

3.16.4 The Petitioner requested the Commission to allow the above efficiency gains in true-up of ARR for FY 2018-19.

Commission's Analysis

3.15.1 The relevant provisions of the UPERC (Multi Year Distribution Tariff) Regulations, 2014 in this regard are reproduced below:

Quote

27 Treatment of Interest on loan

……..

The Distribution Licensee shall make every effort to refinance the loan as long as it results in net benefit to the consumers.

Provided that the cost associated with such refinancing shall be eligible to be passed through in tariffs and the benefit on account of refinancing of loan and interest on loan shall be shared in the ratio of 50:50 between the Distribution Licensee and the consumers.

Provided further that the Distribution Licensee shall submit the calculation of such benefit to the Commission for its approval.

Unquote

3.16.5 The Commission sought the detailed computation of saving claimed through loan swapping in Excel with all linkages and related supporting documents from the Petitioner which was submitted by the Petitioner in excel.

3.16.6 The Commission while determining the True Up for FY 2017-18 provided that:
Quote

3.15.2 The Commission enquired from the Petitioner regarding the break- up of Efficiency gains claimed for FY 2017-18 and directed it to submit the same. The Petitioner vide mail submitted the break- up of Efficiency gains claimed for FY 2017-18 as shown in the table below:

Table 3-45: Summary of Efficiency Gain for FY 2017-18 on Refinancing of loan

S.No.	Particulars	Interest Reset/ Loan Swap	Old Interest	Revised Interest	Annual Accrual of Efficiency Gains (Rs Cr)									
					FY 14	FY 15	FY 16	FY 17	FY 18	FY 19	FY 20	FY 21	FY 22	Total
1	ICICI Bank Limited-125 Cr	Interest Reset	13.90%	11.75%	0.30	0.60	0.45	0.31	0.16	0.03	-	-	-	1.85
2	ICICI Bank Limited-40 CR	Interest Reset	12.75%	11.75%	0.10	0.21	0.17	0.13	0.09	0.05	0.01	-	-	0.77
3	IDBI Bank Limited-75 Cr	Interest Reset	13.25%	11.85%	0.42	0.44	0.29	0.12	-	-	-	-	-	1.27
4	Bank of Maharashtra-55 Cr	Interest Reset	13.50%	12.25%	0.12	0.17	0.11	0.02	-	-	-	-	-	0.42
5	Central Bank of Inida-80 Cr	Loan Swap	12.00%	10.85%	-	-	0.51	0.36	0.21	0.06	-	-	-	1.14
6	ICICI Bank Limited-125 Cr	Interest Reset	11.10%	10.60%	-	-	-	0.02	0.04	0.01				0.06
7	ICICI Bank Limited-40 CR	Interest Reset	11.10%	10.60%	-	-	-	0.02	0.05	0.03	0.01			0.10
8	ICICI Bank Limited-100 CR	Interest Reset	11.20%	10.60%	-	-	-	0.15	0.40	0.30	0.21	0.11	0.01	1.18

S.No.	Particulars	Interest Reset/ Loan Swap	Old Interest	Revised Interest	Annual Accrual of Efficiency Gains (Rs Cr)									
					FY 14	FY 15	FY 16	FY 17	FY 18	FY 19	FY 20	FY 21	FY 22	Total
9	Yes Bank Ltd- 30 Cr	Loan Swap	12.50%	10.00%	0.14	0.03								
	Total				**1.08**	**1.46**	**1.54**	**1.12**	**0.95**	**0.48**	**0.23**	**0.11**	**0.01**	**6.79**

Unquote

3.16.7 The Commission observed that for True Up of FY 2018-19, there is no actual loan and the Petitioner has claimed Interest on normative loan (actual loan in FY 2018-19 is zero). Hence the Commission disallows the efficiency gain on loan swapping which will be an additional burden on the consumers.

3.17 GROSS FIXED ASSETS (GFA)

3.17.1 The Petitioner stated that based on the submissions under the head of Capital Expenditure in above, the movement of GFA is given in Table below for the approval of the Commission: -

Table 3-84: Gross Fixed Assets for FY 2018-19 as submitted by Petitioner (Rs. Crore.)

Sl. No.	Description	Approved Vide T.O. dated 22 January 2019	Actual
1	Opening Balance	1,435.72	1,358.32
2	Addition during the Year	172.5	125.38
3	Retirement during the Year	4.85	4.3
4	**Closing Balance**	**1,603.37**	**1,479.40**

* Excluding assets taken over from GNIDA & UPSIDC

3.17.2 It is pertinent to mention here that above additions to the GFA does not include the assets handed over by GNIDA and UPSIDC amounting to Rs. 10.13 Crore. for distribution of electricity to its consumers and maintenance thereof.

Commission's Analysis:

3.17.3 The Commission has approved the audited GFA based on disallowance of capex of 132kV / 220 kV assets and vehicles as discussed in capex section for truing-up and the same is shown in the Table below:

Table 3-85: Gross Fixed Assets as approved by the Commission for True Up of FY 2018-19 (Rs. Crore)

Particulars	Approved vide T.O. 22/01/2019	True Up Petition	Approved in True Up FY 2018-19
Opening Balance	1,435.72	1,358.32	1,244.72
Addition during the Year	172.50	125.38	97.57
Retirement during the Year	4.31	4.30	4.30
Closing Balance	1,603.91	1,479.40	1337.99

3.18 DEPRECIATION

3.18.1 The Petitioner stated that, depreciation on plants, equipment and installations has been computed under separate categories voltage-wise in accordance with the rates prescribed under the MYT Regulations, 2014. Further, the Depreciation corresponding to the consumer contribution has been reduced from depreciation on above GFA.

3.18.2 The Petitioner Submitted the summary of Depreciation in the following Table:

Table 3-86:Depreciation for FY 2018-19 as submitted by Petitioner (Rs. Crore.)

Sl. No.	Description	Approved Vide T.O. dated 22 January 2019	Actual
1	Depreciation on Gross Fixed Assets	69.59	67.16
2	Less: Depreciation on Consumer	8.85	10.55
3	**Net Depreciation**	**60.74**	**56.60**
4	Average GFA	1519.54	1418.86
5	Weighted Average Depreciation Rate	4.58%	4.73%

3.18.3 The Petitioner submitted that the above-mentioned depreciation of Rs. 56.60 Crore has been computed as per the methodology followed by the Commission in its latest tariff order dated 3rd September, 2019. Therefore, this amount may not tally with the depreciation amount as shown in audited accounts for FY 2018-19. The Petitioner has considered the depreciation at the rates as prescribed in Annexure-C of the MYT Tariff Regulation, 2014 on WDV method for finalization of its Audited Accounts for FY 2018-19. It is pertinent to mention here that the Commission in its Tariff Order dated 3rd September, 2019 while determining depreciation for truing up of ARR for FY 2017-18 has not considered any depreciation/amortization of land presumably considering the same as freehold land. However, since the Petitioner has acquired lands from GNIDA on leasehold basis, the same need to be amortized over the respective lease period of the leasehold land. Therefore, the Petitioner has considered amortization of leasehold land which determining depreciation for the purpose of truing up of ARR for FY 2018-19.

3.18.4 The Petitioner requested the Commission to approve the depreciation expenses as submitted.

Commission's Analysis

3.18.5 The Commission in UPERC MYT Regulations, 2014 has specified the rates to be utilized for the purposes of computing depreciation for different class of assets. The relevant provisions of the UPERC (Multi Year Distribution Tariff) Regulations, 2014 is shown below:

Quote

26 Treatment of Depreciation

a) Depreciation shall be calculated for each year of the control period on the written down value of the fixed assets of the corresponding year.

b) Depreciation shall not be allowed on assets funded by consumer contributions or subsidies / grants.

c) Depreciation shall be calculated annually on the basis of rates as detailed in Annexure – C or as may be notified by the Commission vide a separate order.

d) The residual value of assets shall be considered as 10% and depreciation shall be allowed to a maximum of 90% of the original cost of the asset.

Provided that Land shall not be treated as a depreciable asset and its cost shall be excluded while computing 90% of the original cost of the asset.
e) Depreciation shall be charged from the first year of operation of the asset.

Provided that in case the operation of the asset is for a part of the year, depreciation shall be charged on proportionate basis.
f) Provision of replacement of assets shall be made in the capital investment plan.

Unquote

3.18.6 As regards to depreciation, the Commission noticed that the Petitioner claimed Rs. 56.60 Crore which was hard punched in the Format. In this regard, the Commission sought the detailed computation for the same. In this regard the Petitioner submitted the same as shown in the Table below:

Table 3-87: Reconciliation of Depreciation as submitted by the Petitioner

Sl. No.	Description	Amount (Rs. Cr.)	Remark
1	Depreciation of property, plant and equipment	59.64	Please refer to Note-31 of Audited Accounts
2	Amortisation of intangible assets	3.05	Please refer to Note-31 of Audited Accounts
	Subtotal	**62.69**	
3	Less: Depreciation on assets acquired from consumer contribution	10.55	Please refer Fixed Asset Register for FY 2018-19
4	**Net Depreciation**	**52.14**	

3.18.7 The Commission also observed that the Petitioner has claimed depreciation on consumer contribution as Rs. 10.55 Crore and directed the Petitioner to reconcile the same with the Audited accounts which was submitted by the Petitioner.

3.18.8 The Commission also asked the Petitioner to submit the detailed computations of the depreciation on the assets added during the year considering the actual date of capitalisation and relevant depreciation rates as per the MYT Regulations, 2014. In this regard the Petitioner submitted that it maintains its Fixed Asset Register in renowned SAP –ERP system. The details of each fixed assets have been entered into the SAP-ERP and the applicable Depreciation Rate, Method & Extent as provided in UPERC Multi Year Tariff Regulations, 2014 has been defined as parameter in the SAP- ERP. Hence, the Depreciation is computed by the SAP-ERP system as per the rates defined in UPERC Multi Year Tariff Regulations, 2014 upto the maximum limit of 90%. The SAP-ERP generates the FAR comprising the Gross Block, Date of Acquisition, Rate of Depreciation, Addition to Gross Block, Assets Retired, Depreciation for the year, Accumulated Depreciation etc. The Petitioner submitted that it prepares its Audited Financial Statement on the basis of such system generated FAR only. The depreciation so arrived at, is being sample checked manually for accuracy. Since, Depreciation is computed by the SAP-ERP on the basis of defined parameters, the detailed computation of depreciation for each and every asset as such cannot be incorporated in MYT Format and a summary thereof is shown in the Revised MYT Formats. The Petitioner added that it has considered the depreciation at the rates as prescribed in Annexure-C of the UPERC MYT Tariff Regulation, 2014 except Solar power generation equipment being depreciated as per the rates and in the manner prescribed under Central Electricity Regulatory Commission (Terms and Conditions for Tariff Determination from Renewable Energy Sources) Regulations 2009 and Computer and Computer software are being depreciated at the rate of 30% approved vide the Commission's Tariff Order dated 1st September 2008 on WDV method for finalization of its Audited Accounts for FY 2017-18.

3.18.9 The Commission also asked the Petitioner to confirm that cumulative depreciation in FY 2018-19 is less than 90% of GFA for all assets, since assets cannot be depreciated beyond 90% of GFA in accordance with MYT Regulations, 2014. The Petitioner in this regard submitted that in no case depreciation has been claimed in excess of 90% value of the asset.

3.18.10 Computation of Depreciation for FY 2018-19 also takes into consideration the values from the True-Up for FY 2017-18. A linking error in the models for FY 2017-18 was found which has affected the opening value of accumulated depreciation for FY 2018-19. The linking in the model was corrected and the opening accumulated depreciation for FY 2018-19 has been computed to be Rs. 415.61 Crore instead of Rs. 380.10 Crore (Rs. 322.40 + Rs. 57.70). The True Up Order dated September 03, 2019 for FY 2017-18 in not being disturbed and the values computed in this Order shall form the basis of True Up of FY 2018-19 and subsequent years.

3.18.11 Further since the Commission as discussed earlier has disallowed the capex of all assets of 132 kV / 220 kV and vehicles for FY 2017-18 and FY 2018-19, the accumulated depreciation of Rs. 24.97 Crores as per FAR of FY 2018-19 is also reduced, accordingly the new cumulative opening for accumulated depreciation comes out to be Rs. 390.65 Crores (415.61-24.97). The details of cumulated Depreciation as per FAR considered for the disallowance is shown in the Table below:

Table 3-88: Depreciation of asset disallowed in FY 2018-19

Asset Description	Quantity	Gross Block (Opening)	Addition	Retirement	Gross Block (Closing)	Accumulated Depreciation (Opening)	Depreciation for the year	Depreciation on Retired Assets	Accumulated Depreciation (Closing)
132 kV and above assets	**A**	83.38	5.8	-	89.19	21.96	3.88	-	25.84
Vehicles	**B**	4.25	1.93	0.64	5.54	2.06	0.95	0.46	2.55
KP-I Asset	**C**	34.73	0.74	-	35.47	1.23	2.13	-	3.36
KP-IV Asset	D	69.13	1.88	-	71.01	2.57	5.34	-	7.91
Total	E	191.49	10.35	0.64	201.21	27.82	12.3	0.46	39.66
Depreciation to be disallowed	**F=A+B+(C+D)*25%**					**24.97**			

3.18.12 Considering the above, the depreciation expenses as approved by the Commission for FY 2018-19 are as provided in the Table below:

Table 3-89: Depreciation as approved by the Commission (Rs. Crore)

Particulars	FY 2015-16	FY 2016-17	FY 2017-18 (recomputed for arriving values of FY 2018-19)	FY 2018-19
Opening GFA	922.93	1,056.18	1,214.15	1,244.73
Cumulative Depreciation	239.19	295.53	360.25	390.65*
Written Down Opening	683.74	760.65	853.90	854.08
Additions to GFA	135.86	163.63	150.45	97.58
Deductions to GFA	2.62	5.66	6.23	4.31
Closing GFA	816.99	918.62	998.11	947.35
Rate of Depreciation (%)	-	-	-	-
Gross Allowable Depreciation	57.76	64.72	55.36	**54.04**
Less: Consumer Contribution	(8.20)	(9.41)	(9.18)	(10.55)
Net Allowable Depreciation	49.56	55.31	46.18	**43.49**

*(Rs. 415.62 Crore- Rs. 24.97 Crores)

3.19 RETURN ON EQUITY

3.19.1 The Petitioner stated that as per Regulation 31 of the MYT Regulations, 2014, return on equity shall be allowed @16% on the equity base determined in accordance with the MYT Regulations, 2014. Accordingly, the computation of equity base & Return on Equity for FY 2018-19 based on Audited Accounts is given in Table below:

Table 3-90: Computation of Return on Equity for FY 2018-19 as submitted by Petitioner (Rs. Crore.)

Sl. No.	Particulars	Ref.	Approved Vide T.O. dated 22	Actual
1	Regulatory Equity Base at the beginning of the year	a	382.73	357.18
2	Asset Capitalized during the year	b	172.5	125.38
3	Equity portion of Assets Capitalised during the year	c	43.36	28.99
4	**Regulatory Equity Base at the end of the year**	**d=a+c**	**426.09**	**386.18**
5	Return on Opening Regulatory Equity Base @ 16%	e=ax16%	61.24	57.15
6	Return on Addition to Equity Base during the year	f=cx16%/2	3.47	2.32
7	**Total Return on Equity**	**g=e+f**	**64.71**	**59.47**

3.19.2 The Petitioner requested the Commission to approve the above Return on Equity of Rs. 59.47 Crore for FY 2018-19.

Commission's Analysis

3.19.3 The Petitioner is entitled to earn Return on Equity (RoE) as per Regulation 31 of the UPERC MYT Regulations, 2014. In this regard, the relevant provisions of the Regulations are shown below:

Quote

31 Treatment of Return on equity

a) Return on equity shall be computed on 30% of the capital base or actual equity, whichever is lower:

b)

Provided that assets funded by consumer contribution, capital subsidies / grants and corresponding depreciation shall not form part of the capital base. Actual equity infused in the Distribution Licensee as per book value shall be considered as perpetual and shall be used for computation in these regulations.

b) 16% (sixteen) post-tax return on equity shall be considered irrespective of whether the Distribution Licensee has claimed return on equity in the ARR petition.

Unquote

3.19.4 The Commission observed that the Petitioner has not considered the opening equity as same as closing equity as approved in the True Up for FY 2017-18. In this regard the Commission sought the clarifications for the same. In this regard the Petitioner submitted that the difference in RoE is on account of the capital expenditure on Construction of 220 kV LILO connecting 400 kV Substations at Pali, Greater Noida and Sector-148 (changed from earlier Sector-129) to 220/132/33kV RC Green substation for enhancement of upstream capacity & reliability to evacuate upto 400 MW power of R C Green Substation.

3.19.5 Since the 132 kV and above asset, vehicles for FY 2017-18 and FY 2018-19 and 25% of capex claimed for FY 2018-19 is disallowed as discussed, the asset addition is also reduced. Thus, the RoE approved by the Commission for FY 2018-19 is as provided in the Table below:

Table 3-91: RoE as approved by the Commission for FY 2018-19 (Rs. Crore)

Particular	Reference	Approved vide T.O. 22/01/2019	True Up Petition	Approved upon Truing up
Closing Balance of GFA of True Up of FY 2017-18 as per Tariff Order dated September 03, 2019	A			1358.33

Particular	Reference	Approved vide T.O. 22/01/2019	True Up Petition	Approved upon Truing up
Opening Balance of GFA after disallowance as per Table 3-64	B			1244.72
Difference in GFA	C=A-B			113.60
30% of difference to be disallowed in opening Equity	C*30%			34.08
Closing Regulatory Equity of True Up of FY 2017-18 as per Tariff Order dated September 03, 2019	D			356.26
Regulatory Equity Base to be considered for FY 2018-19 at the beginning of the year	E=D-C	382.73	357.19	322.18*
Assets Capitalised during the year	F	172.50	125.38	97.57
Consumer Contribution during the year	G			37.34
Equity portion of Assets Capitalised during the year	H=30%of (F-G)	43.36	28.99	18.07
Regulatory Equity Base at the end of the year	I=E+H	426.09	386.18	340.25
Return on Opening Regulatory Equity Base @ 16%	J	61.24	57.15	51.55
Return on Addition to Equity Base during the year @ 16%	K	3.47	2.32	1.45
Total Return on Equity	L=J+K	**64.71**	**59.47**	**52.99**

**Opening is not the same as closing balance due to reduction of disallowances (Rs. 356.26 Crores – Rs.34.08 Crore i.e. 30% of Rs. 113.61 Crores)*

3.20 INCOME TAX

3.20.1 The Petitioner submitted that Regulation 32 of MYT Regulations provides for determination of Income Tax to be considered in ARR for Control period. The relevant extract of the regulation is reproduced below:-

*"32**. Income Tax***

a) Income Tax, if any, on the Licensed business of the Distribution Licensee shall be treated as expense and shall be recoverable from consumers through tariff. However, tax on any income other than that through its Licensed business shall not be a pass through, and it shall be payable by the Distribution Licensee itself.

b) The income tax actually payable or paid shall be included in the ARR. The actual assessment of income tax should take into account benefits of tax holiday, and the credit for carry forward losses applicable as per the provisions of the Income Tax Act 1961 shall be passed on to the consumers.

c) Tax on income, if any, liable to be paid shall be limited to tax on return on the equity component of capital employed. However, any tax liability on incentives due to improved performance shall not be considered."

3.20.2 The Petitioner mentioned that Income Tax is computed on Profit before taxes which is computed by aggregating Return on equity and tax expense for the year. Accordingly, the Income Tax expense for FY 2018-19 has been computed by grossing up aggregate of tax expense i.e. tax on Return on equity and tax expense for preceding years, at the current tax rate i.e. 34.94% and profit before tax is computed to determine the tax on profit for the year.

3.20.3 The Petitioner submitted that considering the above, the Petitioner requests the Commission to approve the income tax liability for FY 2018-19 as shown in Table below:

Table 3-92: **Income Tax for FY 2018-19 as submitted by Petitioner (Rs. Crore.)**

Sl. No.	Nature of Tax	Ref.	Approved Vide T.O. dated 22 January 2019	True Up Petition
1	Return on Equity	A	64.71	59.47
2	Efficiency Gains (consumers share)	B	-	0.24
3	Taxable Return	c=a+b	64.71	59.71
4	Income Tax Rate	D	34.94%	34.94%
5	**Total Tax Expense**	**e=c x d/(1-d)**	**34.76**	**32.07**

Commission's Analysis

3.15.3 The Commission verified the Income Tax expense for the year as per the audited Accounts for FY 2018-19, the same was found to be Rs. 68.24 Crores (Note 33 (b) of Audited Accounts). Further, the Petitioner had submitted the challans of Tax payments along with the Petition, the same were verified and the amount was ascertained to be Rs. 47.72 Crores.

3.15.4 The Commission verified the computations for Income Tax claimed for FY 2018-19 and observed that the Petitioner has claimed the normative income tax, based on the return on equity, which is lower than the actual Income tax vis-à-vis challans and audited accounts. Accordingly, the Commission has computed the normative income tax based on the return on equity approved for FY 2018-19 which comes out to be lower than the

Income Tax shown in the Audited accounts, as per challans and as per Petitioner submission. The same is shown in the Table below:

Table 3-93: Income Tax as approved for FY 2018-19 (Rs. Crore)

Particular	Ref.	Approved Vide T.O. dated 22 January 2019	As per Audited Accounts	As per Challans submitted	True Up Petition (claimed)	Approved upon Truing up
Return on Equity	a	64.71			59.47	52.99
Income Tax Rate	b	34.94%			34.94%	34.94%
Total Tax Expense	**c=a x b/(1-b)**	**34.76**	**68.24**	**47.72**	**32.07**	**28.46**

3.21 MISCELLANEOUS EXPENSES

3.21.1 The Petitioner submitted that Commission in its Tariff Order dated 22nd January'2019 has approved Miscellaneous Expenditure viz. loss on sale of fixed assets at Rs. 1.46 Crore for FY 2018-19 while the actual loss on sale / retirement of these Fixed Assets during FY 2018-19 is Rs. 0.74 Crore, which is claimed as Miscellaneous Expenditure.

3.21.2 The Petitioner in its submission stated that Commission has been approving such expenses on actual basis in its preceding Tariff Orders as evident from the following extract of its Tariff Order for FY 2018-19 dated 22nd January, 2019:-

"3.23.2 Considering that due to fast obsolescence and normal wear and tear, some of the assets are required to be scrapped before their useful life. Hence, the loss on sale of assets incurred due to disposal of such scrap assets is genuine and legitimate business expenditure ……. "

3.21.3 The Petitioner further stated that in view of the above, the Commission is requested to approve the miscellaneous expenditure of Rs. 0.74 Cr as per the Audited Accounts of the Petitioner for FY 2018-19.

Commission's Analysis

3.21.4 As regards to the Miscellaneous Expenses, the Commission noticed that the Petitioner has claimed Rs. 0.74 Crore as Loss on sale of Fixed Assets in Miscellaneous expenses. In this regard the Commission sought the following details:

i. Name of the Asset.

ii. Asset Installation date.

iii. Useful Life of the Asset.
iv. Depreciation claimed on the asset till date.
v. Whether depreciation claimed till 90%.

The Petitioner submitted the reconciliation for the same as shown in the Table below:

Table 3-94: Reconciliation of Loss on Sale of Asset as submitted by the Petitioner for FY 2018-19

Sl. No.	Description	Amount (Rs. Cr.)	Remark
1	Gross value of Assets disposed/retired	4.30	Please refer to Note-3 of Audited Accounts
2	Less: Accumulated Depreciation on Assets retired	3.23	Please refer to Note-31 of Audited Accounts
	WDV of Assets Retired	**1.07**	
2	Less: Sale Proceeds	0.33	
3	**Loss on Sale of Assets**	**0.74**	

3.21.5 The MYT Regulations, 2014 provides that:

Quote

33 Non-Tariff Income

*(a) All incomes being incidental to electricity business and derived by the Licensee from sources, including but not limited to **profit derived from disposal of assets,** rents, delayed payment surcharge, meter rent (if any), income from investments other than contingency reserves, miscellaneous receipts from the consumers and income to Licensed business from the Other Business of the Distribution Licensee shall constitute Non-Tariff Income of the Licensee.*

Unquote

3.21.6 The Regulation provides for consideration of profit derived from disposal of assets to be considered under Non Tarif Income. Hence the loss derived on disposal of asset is not the part of ARR effectively. Also whenever an asset is retired / scrapped before there useful life, the Commission approves the decapitalisation and also the additional capex for replacement of such asset in the GFA and the same is approved in the ARR. Hence the allowance of such loss on sale of fixed asset will be an additional burden on the consumers. The Commission allowed the said expenditure in True Up of FY 2017-18;

however, the Commission does not intend to disturb the True Up of FY 2017-18. Hence the Commission for the True Up of FY 2018-19 disallows the loss on sale of fixed asset.

3.22 PROVISION FOR DOUBTFUL DEBTS

3.22.1 The Petitioner submitted that expenses for Provision for Bad and doubtful debts actually incurred and provided for by the petitioner is provided in Table below:

Table 3-95: Provision for Bad & Doubtful Debts for FY 2018-19 as submitted by Petitioner (Rs. Crore.)

Sl. No.	Description	Approved Vide T.O. dated 22 January 2019	Actual
1	Receivable from Customers as at the beginning of the year	72.34	71.71
2	Revenue billed for the year	1462.89	1575.6
3	Collection for the year	1369.4	1569.89
4	Receivable from Customers as at the end of the year	165.83	77.43
5	**Provision for Bad & Doubtful debts**	**23.28**	**13.29**
6	Provision as % of Revenue billed	1.59%	0.84%

3.22.2 The Petitioner stated that aforesaid bad debts has been determined in accordance with the policy of the Petitioner for provision and write-off of receivable.

3.22.3 The Petitioner further stated that dues from consumers which are long outstanding but could not be disconnected because of political or some other reasons are being provided for in the audited books of accounts. These debtors are older than two - three years and recovery thereof has become costlier and uneconomical. Further, prolonged litigation process for the purpose of recovery culminate into very high legal costs and colossal waste of precious time of the officials of the Petitioner which otherwise could be used for productive purposes. Thus, after reviewing each and every debtor on case to case basis, these debtors are also provided for based on their chances of recovery, cost-benefit etc.

3.22.4 The Petitioner said that electricity distribution business is not only the most challenging segment among generation, transmission and distribution, but also exposed to maximum business risks, because on one hand the purchase of electricity is from few sources and that too through Letter of Credit (L/C) or Bank Guarantee (B/G), on the other hand the sales thereof is on credit to the thousands of customer in various segments from industry to rural and unmetered consumers. Therefore, while converting “electricity” into cash, it is the distribution Petitioner which bears the maximum brunt in terms of bad debts and problem of recovery further gets compounded in the prevailing socio-political and economic environment, law and order situation and power deficit scenario.

3.22.5 In view of the above, any recovery around 97-98%% of sales should undoubtedly be considered as efficient collection and, therefore, the remaining 2-3% should be provided as bad and doubtful debts. The provision for Bad Debts considered by the Petitioner is still lower.

3.22.6 The Petitioner stated that the Commission, in its Tariff Order dated 22nd January, 2019 has allowed provision for bad debt @ 1.59%. Thus, amount of Rs.13.29 Crore provided as bad debts in FY 2018-19 is well within the norms of 2% specified in Regulation 29 of the MYT Regulations, 2014 and the Commission has also followed the same while approving the bad debts for FY 2018-19. It requested the Commission to approve the bad debts of Rs. 13.29 Crore which is only 0.84% of the revenue for True-up of ARR for FY 2018-19.

3.22.7 The Petitioner further stated that keeping the above in view, the Commission is requested to allow provision for bad debts of Rs. 13.29 Crore as provided for by the Petitioner in full which is within the bad debts approved at Rs. 23.28 Crore vide Tariff Order dated 22nd January 2019.

3.22.8 The Petitioner submitted that as per the Hon'ble APTEL's judgment the amount of bad debts with respect to electricity duty i.e. Rs. 0.66 Crore has been excluded while claiming the above-mentioned amount towards provision for bad debts.

Commission's Analysis.

3.22.9 As per Clause 29 of the UPERC MYT Regulations, 2014:

Quote

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.

Unquote

3.22.10 The Commission noticed that the Petitioner for FY 2018-19 has claimed the Rs. 13.29 Crore as provision for bad debt while Note 32 of the Audited Accounts provides Rs. 8.06

Crore as provision for bad debt. In this regard the Commission asked the Petitioner to clarify for the same and reconcile the details with the Audited Accounts which was duly submitted by the Petitioner as shown in the Table below:

Table 3-96: Reconciliation of Bad Debts as submitted by the Petitioner for FY 2018-19

Sl. No.	Description	Amount (Rs. Cr.)	Remark
1	Bad Debts written off	5.90	Please refer to Note-32 of Audited Accounts
2	Provision for Doubtful Debts	8.06	Please refer to Note-32 of Audited Accounts
	Subtotal	**13.96**	
2	Less: Electricity Duty component not considered in ARR	0.67	Please refer Fixed Asset Register for FY 2018-19
3	**Net Bad & Doubtful Debts**	**13.29**	Please refer Form-51 in MYT Formats

3.22.11 Thus, bad debts subject to actual write off in the audited books shall be allowed upto 2% of the revenue for the year under consideration. The Petitioner has claimed provision for bad debts for FY 2018-19 at 0.84% of revenue billed during the year as per the transparent policy duly approved by the Commission.

3.22.12 The Commission has observed that the total amount for provision for bad debts shown in the books of accounts is Rs 13.96 Crore. The Petitioner has also excluded the amount of bad debts with respect to electricity duty, i.e., Rs. 0.67 Cr while claiming the abovementioned amount of Rs 13.29 Crore towards provision for bad debts.

3.22.13 The Commission considers it appropriate that since the Petitioner has made for provision for writing off bad debts on actual basis after taking its management's approval, the bad-debts may be trued-up at 0.84% level on revenue approved by Commission. The details of bad-debts trued-up by the Commission for 2018-19 are provided in the Table below:

Table 3-97: Provision for Bad debts as approved for FY 2018-19 (Rs. Crore)

Particulars	Approved vide T.O. 22/01/2019	True Up Petition	Approved upon Truing up
Receivable from Customers as at the beginning of the year	72.34	71.71	71.71
Revenue billed for the year	1,462.89	1,575.60	1,575.60*
Collection for the year	1,369.40	1,569.89	1,569.89

Particulars	Approved vide T.O. 22/01/2019	True Up Petition	Approved upon Truing up
Gross receivable from customer as at the end of the year	142.55	77.43	64.14
% of Provision	1.59%	0.84%	0.84%
Provision for Bad & Doubtful debts	23.28	13.29	13.29

**Includes Revenue for FY 2018-19 of Rs 1490.50 Cr and Electricity Duty on it of Rs 85.11 Cr.*

3.23 CONTINGENCY RESERVE

3.23.1 The Petitioner submitted that Regulation 30 of the MYT Regulations, 2014 provides for appropriation of Contingency Reserve upto 0.50% of opening GFA and the Petitioner accordingly had claimed contingency reserve in its MYT ARR Petitions. However, the Commission vide its Tariff Order dated 22nd January'2019 has not allowed the provision of contingency reserve to reduce extra burden on the consumers. Keeping, above in view the Petitioner has not made provision for contingency reserve in FY 2018-19 and accordingly not claiming any amount towards the same. The Petitioner submitted that contingency reserve is created to meet the eventualities in the nature of major calamities, act of god etc. and thereby, causing huge loss to the network. In any case, the amount so allocated, can be used with prior permission of the Commission only.

3.23.2 The Petitioner requested the Commission to consider the creation of contingency reserve for FY 2018-19.

Commission's Analysis

3.23.3 The Commission for the purpose of Truing Up has not considered any contribution to Contingency Reserve for FY 2018-19.

3.24 NON-TARIFF INCOME

3.24.1 The Petitioner stated that non-tariff income includes Income from Statutory Investments, Miscellaneous Receipts from Consumers, Delayed Payment Surcharge and various other Non-Tariff incomes generated by the Petitioner from other businesses. The details of the same for FY 2018-19 as per audited accounts are given in the Table below for kind approval of the Commission:

Table 3-98: **Non-Tariff Income for FY 2018-19 as submitted by Petitioner (Rs. Crore.)**

Sl. No.	Particulars	Approved Vide T.O. dated 22 January 2019	Actual
1	Income from Contingency Reserves Investments	3.46	0.17
2	Miscellaneous Receipts from Consumers		1.72
3	Miscellaneous Receipts from other sources		4.2
4	Delayed Payment Surcharge	5.53	5.72
5	**Total Non-Tariff Income**	**8.99**	**11.81**

3.24.2 The Petitioner Submitted that other income as shown above excludes income from treasury operations amounting to Rs. 6.40 Crore. as this Income is generated upon the funds accrued through internal resources and not utilised for the purpose of capital expenditure or other operational purposes. Since, this income has been generated out of the utilisation of internal funds of the Petitioner, the same has not been considered as part of ARR.

3.24.3 The Petitioner stated that Regulation 33 of the MYT Regulations, 2014 provides for deduction of expenditure incurred for generating/earning Non-tariff income may be reduced from such Income. The extract of the Regulation is provided below for reference of the Commission:

" 33 Non-Tariff Income

...

Provided further that any expenditure incurred for generating / earning Non-Tariff Income may be reduced from such income "

3.24.4 The Petitioner further stated that expenditure incurred for generating /earning Non-tariff income such as cost of borrowing need to be reduced from such income, since these expenses are not included in determination of borrowing costs and tax expenses as components of ARR.

3.24.5 The Petitioner mentioned that Delayed Payment Surcharge accrues when a consumer defaults in payment of bills as per due date which is generally 15 days from the date of billing which happens to be 2-7 days after the meter reading date which is generally taken after 30 /31 days interval. Hence, the total number of days after which the delayed payment surcharge accrues is almost 55 days which is approximately the number of days for which a distribution Petitioner is compensated by interest on working capital as per Distribution Tariff Regulations 2006 i.e. 60 days. Thus, it can be concluded that DPS belongs to the period beyond normative period of 60 days for which interest on working capital is not provided in the Distribution Tariff Regulations. Thus, to appropriately compensate for the cost incurred for financing that deferred payment beyond the normative period, the Commission has been approving, in its various Tariff Orders issued from time to time since FY 2009-10 onwards, the cost of borrowing of such deferred receivables in the form of interest cost equivalent to the interest rate applicable for Interest on Working Capital.

3.24.6 The Petitioner further stated that based on the principles laid by the Commission in its various Tariff Orders, Delayed Payment Surcharge has been considered after reducing the cost of funds borrowed for the purpose of funding the deferred receivables which are subsequently recovered along with Delayed Payment Surcharge. Thus, the cost of borrowing in respect of Delayed Payment Surcharge for FY 2018-19 has been computed as given in Table below:

Table 3-99: **Cost of Borrowing for DPS for FY 2018-19 as submitted by Petitioner (Rs. Crore.)**

Particulars	Reference	Approved Vide T.O. dated 22 January 2019	Actual
Delayed Payment Surcharge Received	a	5.53	5.72
Working Capital Amount Utilisation @ 24% p.a.	b= (a /24%)	30.7	23.83
Applicable Interest Rate for Working Capital Finance (Weighted average SBI - PLR)	c	13.68%	13.70%
Cost of Borrowing for DPS	**d=b x c**	**4.2**	**3.26**

3.24.7 The Petitioner submitted that the non-tariff income has been considered after reducing the cost of borrowing of deferred payment beyond normative period of 60 days for the purpose of ARR as summarized in Table below:

Table 3-100: Net Non-Tariff Income for FY 2018-19 as submitted by Petitioner (Rs. Crore.)

Sl. No.	Particulars	Ref.	Approved Vide T.O. dated 22 January 2019	Actual
1	Non-Tariff Income including DPS	**a**	8.99	11.81
2	Less: Cost of Borrowing for DPS	**b**	4.2	3.26
3	**Net Non-Tariff Income**	**c=a-b**	**4.79**	**8.55**

3.24.8 The Petitioner requested that Net Non-Tariff Income as per Audited Accounts for FY 2018-19 shall be approved by the Commission.

Commission's Analysis

3.24.9 The Commission observed that the Petitioner in its True Up Petition for FY 2018-19 has claimed Non-Tariff Income of Rs. 8.55 Crore excluding Rs. 3.26 Crore towards cost of borrowing of DPS. In this regard the Commission sought the reconciliation of Non-Tariff Income with respect to Audited Accounts from the Petitioner which was duly submitted by the Petitioner as shown in the Table below:

Table 3-101: Reconciliation of Non-Tariff Income as submitted by the Petitioner for FY 2019-20

Sl. No.	Description	Amount (Rs. Cr.)	Remark
1	Delayed payment charges	5.72	Please refer to Note-26 of Audited Accounts
2	Processing charges	0.32	Please refer to Note-26 of Audited Accounts
3	Disconnection and reconnection fees	1.28	Please refer to Note-26 of Audited Accounts
4	Meter testing charges	0.36	Please refer to Note-26 of Audited Accounts
5	Interest on investment & Dividend	0.16	Please refer to Note-27 of Audited Accounts
6	Interest on Refund of Transmission Charges	2.39	Please refer to Note-27 of Audited Accounts
7	Liquidated Damages	0.99	Please refer to Note-27 of Audited Accounts
8	Other Miscellaneous income	0.6	Please refer to Note-27 of Audited Accounts
9	**Non-Tariff Income**	**11.82**	
10	Less: Cost of Financing for DPS	3.26	
11	**Net Non-Tariff Income**	**8.55**	

3.24.10 The Commission with regards Miscellaneous receipt of Rs. 1.72 Crore sought the breakup of the same. The Petitioner in this regard submitted the breakup for the same as shown in the Table below:

Table 3-102: Breakup of Miscellaneous Receipt as submitted by the Petitioner

Sl. No.	Particulars	Amount
1	Meter testing charges	0.36

Sl. No.	Particulars	Amount
2	Liquidated damages recovery	0.99
3	Advertisement & Publicity	0.09
4	Sale of scrap (store)	0.24
5	Cash Discount	0.14
6	Interest on Refund from UPPTCL	2.39
	Total	**4.20**

<u>Financing of Delayed Payment Surcharge</u>

3.24.11 Working capital is the finance which is used to meet all of the short-term expenses of an organisation. These short-term expenses includes mainly purchase of raw material, discharging of short-term debt liability and other day-to-day operating expenses. It is very critical to run any business smoothly & to meet its financial obligations which are due within one year.

Further the working capital cycle is the length of time a business takes to convert the total net working capital into cash. This cycle starts with the purchase of raw materials then raw materials are converted into finished goods. These finished goods are sold to the customers and cash are collected from these customers. This cycle completes when this cash is used in creditors paid outs.

3.24.12 Similarly, every distribution company also needs working capital to meet its day to day operating expenses. Keeping in view the legitimacy of requirement of working capital, the UPERC made the norms in its MYT, 2019 & earlier Regulations that how much working capital will be needed by a distribution company to run its business and the interest on this working capital which will be allowed in the ARR. The relevant portion of MYT, 2014 & MYT, 2019 Regulations is reproduced below:

Quote

MYT, 2014

28 The Distribution Licensee shall be allowed interest on estimated level of working capital for the financial year, computed as follows:

(a) O & M expenses for one month.

(b) Two months equivalent of expected revenue.

(c) Maintenance spares @ 40% of the R&M expenses for two months.

Less

Security deposits from consumers, if any.

Provided that the interest on working capital shall be on normative basis and rate of interest shall be equal to the State Bank Advance Rate (SBAR) as of the date on which petition for determination of tariff is accepted by the Commission.

Provided further thar interest shall be allowed on consumer security deposits as per the provision on the Electricity Supply Code, 2005 and its subsequent amendments/ addendums and the new Regulations made after repeal of the same.

MYT, 2019

25.2 Distribution Business

(a) *The working capital requirement of the Distribution Business shall cover:*

(i) *Operation and maintenance expenses for one month;*

(ii) *Maintenance spares at 40% of the R&M expenses for two months ; and*

(iii) *One and half month equivalent of the expected revenue from charges for use of Distribution system at the prevailing Tariff (excluding Electricity Duty);*

minus

(iv) *Amount held as security deposits from Distribution System Users:*

Provided that for the purpose of Truing-Up for any year, the working capital requirement shall be re-computed on the basis of the values of components of working capital approved by the Commission in the Truing-Up;

(b) *Rate of interest on working capital shall be simple interest and shall be equal to the SBI MCLR (1 Year) on October 01, 2019 plus 250 basis points:*

Provided that for the purpose of Truing-Up for any year, simple interest on working capital shall be allowed at a rate equal to the weighted *average SBI MCLR (1 Year) prevailing during the concerned Year plus 250 basis points.*

(c) *Interest shall be allowed on consumer security deposits as per the provisions of the Electricity Supply Code, 2005 and its subsequent amendments/ addendums and the new Regulations made after repeal of the same.*

Unquote

3.24.13 In the above Regulations, two months equivalent of expected revenue in MYT, 2014 & one and half month equivalent of the expected revenue from charges for use of Distribution system at the prevailing Tariff (excluding Electricity Duty) in MYT, 2019 have been taken to calculate the working capital requirement, which means that it is presumed that within the said period, every consumer will pay its electricity bills.

3.24.14 However, despite of due date mentioned in the bills, it is seen that ample consumers pay their electricity bills beyond this due date which results the need for additional financing for Interest on Working Capital by the distribution companies and burden of interest on this additional fund. Further, the Delayed Payment Surcharge recovered from the consumers are being shown by the distribution licensee in their P & L Statement, to promote the consumers to pay their bills within the due date and strengthen of cash flow of the distribution companies, the following provisions (which are penal in nature) have been kept in the Rate Schedule of TO for the FY 2019-20 and earlier years':

Quote

7. SURCHARGE / PENALTY:

(i) DELAYED PAYMENT:

If a consumer fails to pay his electricity bill by the due date specified therein, a late payment surcharge shall be levied at 1.25% on the dues (excluding late payment surcharge) per month; up-to first three months of delay and subsequently at 2.00% on the dues (excluding late payment surcharge) per month of delay. Late payment surcharge shall be calculated proportionately for the number of days for which the payment is delayed beyond the due date specified in the bill and levied on the unpaid amount of the bill excluding delayed payment 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.

15. Rebate on Payment On or Before Due Date

A rebate at the rate of 1.00% on the RATE shall be given in case the payment is made on or before the due date. However, a rebate at the rate of 5.00% on the RATE shall be given to LMV-5 (Rural) (i.e. PTW Rural Category Agricultural Consumers) category of electricity consumers in case the payment is made on or before due date. The consumers having any arrears in the bill shall not be entitled for this rebate. The consumers who have made advance deposit against their future monthly energy bills shall also be eligible for the above rebate applicable on the RATE.

Unquote

3.24.15 Further, despite of recovering Delayed Payment Surcharge from consumers which is also allowed in the ARR, the Petitioner has also claimed the financing cost of this surcharge. On the various queries to prove the legitimacy of this claim the Petitioner replied the followings:

"NPCL in its Petition for True-Up for FY 2018-19 has submitted the following:

33 NON TARIFF INCOME

33.1 Non-tariff income includes Income from Statutory Investments, Miscellaneous Receipts from Consumers, Delayed Payment Surcharge and various other Non-Tariff incomes generated by the Company from other businesses. The details of the same for FY 2018-19 as per audited accounts are given in the Table-61 below for kind approval of the Hon'ble Commission:-

Table-61 : Non-Tariff Income for FY 2018-19			
			Rs. Cr.
Sl. No.	**Particulars**	**Approved**	**Actual**
1	Income from Contingency Reserves Investments	3.46	0.17
2	Miscellaneous Receipts from Consumers		1.72
3	Miscellaneous Receipts from other sources		4.20
4	Delayed Payment Surcharge	5.53	5.72
5	**Total Non-Tariff Income**	**8.99**	**11.81**

33.2 The other income as shown above excludes income from treasury operations amounting to Rs. 6.40 Cr. as this Income is generated upon the funds accrued through internal resources and not utilised for the purpose of capital expenditure or other operational purposes. Since, this income has been generated out of the utilisation of internal funds of the Company, the same has not been considered as part of ARR.

33.3 Regulation 33 of the MYT Regulations, 2014 provides for deduction of expenditure incurred for generating/earning Non-tariff income may be reduced from such Income. The extract of the Regulation is provided below for reference of the Hon'ble Commission:-

" ***33 Non-Tariff Income***

…

Provided further that any expenditure incurred for generating / earning Non-Tariff Income may be reduced from such income "

33.4 Thus the expenditure incurred for generating /earning Non-tariff income such as cost of borrowing need to be reduced from such income, since these expenses are not included in determination of borrowing costs and tax expenses as components of ARR.

33.5 In this respect, it is pertinent to mention here that Delayed Payment Surcharge accrues when a consumer defaults in payment of bills as per due date which is generally 15 days from the date of billing which happens to be 2-7 days after the meter reading date which is generally taken after 30 /31 days interval. Hence, the total number of days after which the delayed payment surcharge accrues is almost 55 days which is approximately the number of days for which a distribution licensee is compensated by interest on working capital as per Distribution Tariff Regulations 2006 i.e. 60 days. Thus, it can be concluded that DPS belongs to the period beyond normative period of 60 days for which interest on working capital is not provided in the Distribution Tariff Regulations. Thus, to appropriately compensate for the cost incurred for financing that deferred payment beyond the normative period, the Hon'ble Commission has been approving, in its various Tariff Orders issued from time to time since FY 2009-10 onwards, the cost of borrowing of such deferred receivables in the form of interest cost equivalent to the interest rate applicable for Interest on Working Capital.

33.6 Accordingly, based on the principles laid by the Hon'ble Commission in its various Tariff Orders, Delayed Payment Surcharge has been considered after reducing the cost of funds borrowed for the purpose of funding the deferred receivables which are subsequently recovered along with Delayed Payment Surcharge. Thus, the cost of borrowing in respect of Delayed Payment Surcharge for FY 2018-19 has been computed as given in Table-62 below:-

Table-62: Cost of Borrowing for DPS (FY 2018-19)

Rs. Cr.

Particulars	**Reference**	**Approved**	**Actual**
Delayed Payment Surcharge Received	a	5.53	5.72

Table-62: Cost of Borrowing for DPS (FY 2018-19) Rs. Cr.			
Particulars	**Reference**	**Approved**	**Actual**
Working Capital Amount Utilisation @ 24% p.a.	b= (a /24%)	30.70	23.83
Applicable Interest Rate for Working Capital Finance (Weighted average SBI - PLR)	c	13.68%	13.70%
Cost of Borrowing for DPS	**d=b x c**	**4.20**	**3.26**

33.7 Accordingly, the non-tariff income has been considered after reducing the cost of borrowing of deferred payment beyond normative period of 60 days for the purpose of ARR as summarized in Table-63 below:-

Table-63: Net Non-Tariff Income (FY 2018-19) Rs. Cr.				
Sl. No.	**Particulars**	**Ref.**	**Approved**	**Actual**
1	Non-Tariff Income including DPS	**a**	8.99	11.81
2	Less: Cost of Borrowing for DPS	**b**	4.20	3.26
3	**Net Non-Tariff Income**	**c=a-b**	**4.79**	**8.55**

3.24.16 The Commission in its deficiency dated May 13, 2020 has sought a query as:

"48. The Licensee in its True Up Petition for FY 2018-19 for FY 2018-19 has claimed Non-Tariff Income of Rs. 8.55 Crore excluding Rs. 3.26 Crore towards cost of borrowing of DPS. In this regard the Licensee should reconcile the Non-Tariff Income with Audited Accounts."

3.24.17 In this regard the Petitioner submitted that:

"The details of non-tariff income as per audited accounts and its reconciliation with petition is provided here-in-below:

Sl. No.	Description	Amount (Rs. Cr.)	Remark
1	Delayed payment charges	5.72	Please refer to Note-26 of Audited Accounts
2	Processing charges	0.32	Please refer to Note-26 of Audited Accounts
3	Disconnection and reconnection fees	1.28	Please refer to Note-26 of Audited Accounts
4	Meter testing charges	0.36	Please refer to Note-26 of Audited Accounts
5	Interest on investment & Dividend	0.16	Please refer to Note-27 of Audited Accounts
6	Interest on Refund of Transmission Charges	2.39	Please refer to Note-27 of Audited Accounts
7	Liquidated Damages	0.99	Please refer to Note-27 of Audited Accounts
8	Other Miscellaneous income	0.6	Please refer to Note-27 of Audited Accounts
9	**Net Depreciation**	**11.82**	
10	Less: Cost of Financing for DPS	3.26	
11	**Net Non-Tariff Income**	**8.55**	
Total may not tally due to rounding offs			

“”

3.24.18 The Commission in a data gap query dated June 16, 2020 sought the details as:

“In regard to the finance cost on DPS for FY 2018-19, the licensee is required to submit a month wise detailed explanation with illustration justifying the claim.”

3.24.19 In this regard the Petitioner submitted the details as:

“It is submitted, that the Petitioner has claimed the financing cost on DPS on normative basis as per the methodology followed hitherto by the Hon’ble Commission.

The Commission is requested to kindly refer to Para 6.15.5 on page no. 67 of its Tariff Order dated 19.10.2012 while approving the revised ARR for FY 2009-10 wherein it has quoted APTELS’s judgement w.r.t. cost of borrowing for DPS. The complete extract of the Commission’s observation in respect of Delayed Payment Surcharges (DPS) is *reproduced below for the ready reference: -*

Quote

The Commission has gone through the submissions of the Petitioner. It is to be noted that the delayed payment surcharge is received by the licensee for payment by the consumers beyond two months period while the Distribution Tariff Regulations provide for the working capital with respect to two months period. In connection to the above, reference may be made to judgment dated 30th July 2010, passed by the Hon'ble Appellate Tribunal for Electricity (APTEL) in Appeal no.153 of 2009, wherein it was observed as under:

"23. In the light of the aspects pointed out on behalf of the Appellant, the reply made on behalf of the State Commission may not be correct for the reasons given below:

(i) The normative working capital compensates the distribution company in delay for the 2 months credit period which is given to the consumers.

(ii) Admittedly, the late payment surcharge is charged only if the delay is more than normative credit period.

(iii) Thus, for the period of delay beyond the normative period, the Distribution company has to be compensated with the cost of such additional financing.

……………..

…………….

25………..While fixing the interest rate, the State Commission should have considered the prevalent SBI prime lending rate. Even in the said judgment, the Tribunal has laid down the principle that the rate of carrying cost must be derived from prevalent prime lending rates. As such, this principle has not been followed in this case. According to the Tariff Regulations, the cost of debt has to be determined considering Licensee's proposals, present cost of debt already contracted by the Licensee and other relevant factors viz. risk free returns, risk premium, prime lending rate, etc. Therefore, we deem it appropriate to direct the State Commission to rectify its computation of *financing cost relating to the late payment surcharge and consequently reduce the amount of non-tariff income considered by the State Commission as available for the tariff determination for the FY 2007 - 08 at the prevalent market lending rates."*

6.15.6 It is quite apparent that delayed payment surcharge belongs to the period beyond normative period for which the licensee is not compensated at the time of computation of interest on working capital. Thus, to appropriately compensate for the cost incurred for financing that deferred payment beyond the normative period, the Commission in this order approves to reduce the amount of non-tariff income by the financing costs of DPS.

6.15.7 The financing cost of delayed payment surcharge is computed by the Commission based on the actual DPS for the year. The DPS is grossed up conservatively based on the highest applicable surcharge rate which is 1.5% per month. Further, the financing cost is arrived at on the grossed-up amount and the weighted average SBI PLR rate applicable. The computation of the financing cost for DPS is provided below:

Table 6-22: COST OF BORROWING FOR DPS

Particulars	*FY 2009-10*
Delayed Payment Surcharge (Rs. Crore)	*0.64*
DPS grossed up at 1.50% per month or 18% per annum	*18%*
Amount (Rs. Crores)	*3.56*
Financing cost @SBI PLR	*11.87%*
Cost of Borrowing (Rs. Crores)	*0.42*

6.15.8 The Commission approves the non-tariff income net of financing cost for DPS at Rs. 0.89 Crores in the truing-up for FY 2009 - 10.

Unquote

From the above, it is apparent that the DPS accrues on receivables outstanding beyond the normative period of 60 days being considered for approving the *normative working capital fund. Accordingly, receivables for more than 60 days on which DPS accrues are funded by the licensee which has also been acknowledged by the Hon'ble Commission in its various previous orders.*

Further, it is pertinent to mention that the licensee needs to fund such overdue receivables either through borrowings or from its own sources and in either of cases, it is entitled to be compensated with the cost of financing the same.

The Company in its various submission has highlighted that the banks / non-banking financial institutions (NBFCs) provides funding only up-to 75% of 60 days of debtors and the licensee has to fund such delayed recovery of dues / receivables through Promoters' Equity. It is also pertinent to mention here that the Regulated Equity approved by the Hon'ble Commission till FY 2017-18 is only Rs. 357.18 Cr as compared to Rs 684.78 Cr (net of consumer contribution) in Audited Financial Statements of the Company. From the above, it can be observed that the surplus equity of approx. Rs. 328 Cr is being utilised for funding the business operations of the Company including financing of deferred receivables and in fact is eligible for return at the rate of 16% (post tax). However, the Hon'ble Commission treats such excess equity as debt only (for the purpose of Capex/Working Capital/deferred receivables etc.) and allows only normative interest thereon.

Therefore, existence / non-existence of loans or incurrence of interest cost against such income is not relevant for computation of compensatory normative allowance of cost of funding DPS as such receivables beyond 60 days are always funded through Promoter's equity.

Since the Hon'ble Commission has been approving interest on working capital on normative basis and similarly, the cost of financing DPS has also been approved on normative basis only being computed by grossing up actual DPS for the year on highest applicable surcharge rate i.e. 1.5% per month and applying the normative rate of interest considered for working capital loan i.e. weighted average SBI PLR on principle amount so computed.

We would like to draw the kind attention of the Hon'ble Commission towards the observation made by it in its various Tariff Orders latest being Tariff Order *dt. 22nd Jan'19 on Page no. 59. The same is reproduced below for the ready reference of the Hon'ble Commission:-*

"3.7.7 The Commission is of the view that if the O&M expenses are allowed on the basis of actual O&M expenses as suggested by the Petitioner, there will be no sanctity of fixation of norms in Tariff Regulations. As per the Distribution Tariff Regulations, 2006, some of the elements of ARR are considered on normative basis and the actual expenses under some elements may be higher as compared to approved expenses, ***while the actual expenses under some elements may be lower as compared to approved expenses****."*

Thus, the calculation of financing cost of DPS is being considered on normative basis irrespective of the actual interest / return on equity incurred thereon by the Distribution Licensee which may be higher or lower than the normative compensatory allowance. The Hon'ble Commission in all Tariff Orders hitherto has followed the same methodology and approved the financing cost of DPS on normative basis only.

Further, the Hon'ble Commission in its Tariff Order dt. 30th Nov'17 while provisionally approving the ARR for FY 2017-18 had also considered the financing cost of DPS on normative basis. Even in its latest tariff order dt. 22nd Jan'19 while approving the revised ARR for FY 2018-19, the financing cost of DPS has been considered on normative basis only. Thus, the Hon'ble Commission has already determined the principles of approving various components of ARR while approving MYT petition no. 1146/2016 vide order dated 30th Nov'17 and it will not be just and proper to deviate from the established principles at the time of truing-up.

The aforesaid principles have been upheld by APTEL in the matter of Company's appeal no. 174 of 2015 vide judgement dated 2nd June 2016, Page no. 52 of 72, as reproduced below –

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

It is pertinent to mention here that similar practices are in place in other states e.g. Delhi. DERC in its Distribution Tariff Regulations, December 2011 has notified as follows:

"Non-Tariff Income:

*5.35 All incomes being incidental to electricity business and derived by the licensee from sources, including but not limited to profit derived from disposal of assets, rent, **net late payment surcharge (late payment surcharge less financing cost of late payment surcharge)**, meter rent (if any), income from investments, income on investment of consumer security deposit and miscellaneous receipts from consumers shall constitute Non-Tariff income of the licensee:"*

However, aggrieved by the treatment of DERC in this respect, NDPL filed an appeal viz. Appeal no.153 of 2009 with Appellate Tribunal for Electricity (APTEL). APTEL in its judgement dated 30th July 2010, decided as follows:

"23. In the light of the aspects pointed out on behalf of the Appellant, the reply made on behalf of the State Commission may not be correct for the reasons given below:

(i) The normative working capital compensates the distribution company in delay for the 2 months credit period which is given to the consumers.

(ii) Admittedly, the late payment surcharge is charged only if the delay is more than normative credit period.

(iii) Thus, for the period of delay beyond the normative period, the Distribution company has to be compensated with the cost of such additional financing.

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25. ………..While fixing the interest rate, the State Commission should have considered the prevalent SBI prime lending rate. Even in the said judgment, the Tribunal has laid down the principle that the rate of carrying cost must be derived from prevalent prime lending rates. As such, this principle has not been followed in this case. According to the Tariff Regulations, the cost of debt has to be determined considering Licensee's proposals, present cost of debt already contracted by the Licensee and other relevant factors viz. risk free returns, risk premium, prime lending rate, etc. ***Therefore, we deem it appropriate to direct the State Commission to rectify its computation of financing cost relating to the late payment surcharge and consequently reduce the amount of non-tariff income considered by the State Commission as available for the tariff determination for the FY 2007-08 at the prevalent market lending rates****. Accordingly ordered. ”*

Also, in case of MPERC, the regulations provide that –

“ ***39. Late payment Surcharge***

39.1 Surcharge as may be prescribed will be payable if the bills are not paid up to due date. The part of a month will be reckoned as full month for the purpose of calculations of delayed payment surcharge. The delayed payment surcharge will not be levied for the period after supply to the consumer is permanently disconnected.

39.2 ***The delayed payment surcharge shall not be considered as income for the purpose of determination of revenue gap between annual revenue requirement and tariff & other income. ”***

In appeal no 223 of 2006, APTEL held as follows –

“Analysis and Decision:

13. On a consideration of contentions of all parties, we are inclined to agree with the decision of the Commission to not include delayed surcharge revenue in the ARR in view of the fact that the working capital amount has been reduced to the bare minimum, 100% collection is not happening as of now, and therefore, to meet its cash requirements, the Discoms will have to borrow from Banks to compensate for the outstanding payments from consumers. ”

I*t is also pertinent to refer to the another judgement of Hon’ble APTEL in the appeal no. 250 OF 2016 & IA NO. 899 OF 2017 in the matter of Adani*

Transmission (India) Limited Vs MERC which has dealt the matter in detail and concluded as follows –

"6.16 Also considering provisions of Section 61, it is incumbent on the Respondent Commission not to disregard the determination of tariff following the commercial principles. Considering DPC as Not-tariff Income is clearly against such principle. All the more when there is no explicit Regulation framed under MYT Regulations 2011.

6.17 In view of above, there is no doubt that such treatment to consider DPC as not tariff income is incorrect. Also, in such a situation a pragmatic way to ensure that Principle of Equity prevails would be Appeal No. 250 of 2016 & IA No. 899 of 2017 to not consider DPC as Non-Tariff Income. Accordingly, we decide that DPC shall not be considered as Non-Tariff Income"

Thus, in view of the above, the Commission is kindly requested to approve the financing cost of DPS on normative basis for FY 2018-19."

3.24.20 Taking into consideration, the Commission views are that:

- The UPERC MYT Regulations, 2014 do not provide any methodology / provision of computing the quantum of DPS & its financing cost, therefore it cannot be taken as normative.
- However, seeing the genuineness of the need of financing cost of the DPS if the Petitioner has actually incurred the financing of DPS and Petitioner can clearly demonstrate by the records, the same can be allowed to the Petitioner.
- If, the Petitioner has put in its equity in financing the DPS, it is to be noted that any excess equity (more than 30%) has already been considered as normative loan and interest has been given on it. Hence, Licensee has already received return of financing cost.

3.24.21 Hence, the Commission has disallowed the financing cost of DPS of Rs. 3.26 Crore claimed by the Petitioner for FY 2018-19.

3.24.22 Further the Commission observed that the Non-Tariff Income claimed by the Petitioner is

Rs. 11.82 Crore, however the Audited accounts provides the details of Non-Tariff Income of Rs. 18.22 Crore as shown below:

Table 3-103: Details of Non Tariff Income as per Audited Accounts

Sl. No.	Description	Amount (Rs. Cr.)	Remark
1	Delayed payment charges	5.72	Note-26 of Audited Accounts
2	Processing charges	0.32	Note-26 of Audited Accounts
3	Disconnection and reconnection fees	1.28	Note-26 of Audited Accounts
4	Meter testing charges	0.36	Note-26 of Audited Accounts
5	Interest on investment & Dividend	0.16	Note-27 of Audited Accounts
6	Interest on Refund of Transmission Charges	2.39	Note-27 of Audited Accounts
7	Liquidated Damages recovery	0.99	Note-27 of Audited Accounts
8	Other Miscellaneous income	0.60	Note-27 of Audited Accounts
9	Interest Income on bank deposits	5.64	Note-27 of Audited Accounts
10	Gain on Sale of Short-Term investments	0.76	Note-27 of Audited Accounts
11	**Total Non-Tariff Income**	**18.22**	

3.24.23 Hence, the Commission approves Non-Tariff Income of Rs 18.22 Crore for Truing-up for FY 2018-19, as shown in the Table below:

Table 3-104: Non- Tariff Income for FY 2018-19 approved by the Commission (Rs Cr)

Particular	Approved vide Order dated 22/01/2019	True Up Petition	Approved upon Truing up
Non-Tariff Income including DPS	8.99	11.81	18.22
Less: Cost of Borrowing for DPS	4.20	3.26	-
Net Non- Tariff Income	4.79	8.55	18.22

3.25 REVENUE FROM SALE OF POWER

3.25.1 The Petitioner submitted that Commission vide its Tariff Order dated 22nd January'19 had approved Sales at 1,853.81 MU and Revenue at Rs. 1,380.33 Crore for FY 2018-19 (excluding Regulatory Surcharge @ 6%) as per the tariffs approved in the Tariff Order dated 22nd January, 2019 which were unchanged as compared to earlier Tariff Order dated 30th November 2017.

3.25.2 The Petitioner during FY 2018-19 has recorded sales of 1850.07 MU reflecting growth of 11.17% over FY 2017-18. Similarly, the billed revenue excluding Regulatory Surcharge has increase to Rs. 1,407.39 Crore. from Rs. 1,243.67 Crore. in FY 2017-18 recording an increase of 13.16% over last year. The category-wise sales, revenue and average realization for FY 2018-19 are given in the Table below for the kind perusal of the Commission:-

Table 3-105: Category-wise Energy Sales & Revenue for FY 2018-19 as submitted by Petitioner (Rs. Crore.)

Sl. No.	Category	Sales (MU's)	Revenue (Rs. Crore.)	ABR (Rs./kWh)
1	LMV-1: Domestic Light, Fan & Power	452.36	271.2	6
2	LMV-2: Non Domestic Light, Fan & Power	34.17	36.47	10.67
3	LMV-3: Public Lamps	35.65	29.05	8.15
4	LMV-4: Institutions	14.08	12.08	8.58
5	LMV-5: Private Tube Wells	25.83	4.04	1.57
6	LMV 6: Small and Medium Power	81	79.4	9.8
7	LMV-7: Public Water Works	19.2	19.75	10.29
8	LMV-8: STW and Pumped Canals	0.47	0.46	9.88
9	LMV-9: Temporary Supply	49.03	56.27	11.48
10	HV-1: Non Industrial Bulk Power	217.65	215.31	9.89
11	HV-2: Large and Heavy Power	920.65	683.34	7.42
12	**Sub Total**	**1850.07**	**1407.39**	**7.61**
13	Regulatory Surcharge		**83.11**	**0.45**
14	**Total**	**1850.07**	**1490.50**	**8.06**

3.25.3 The Commission in its order dated 22nd January, 2019 had approved the ABR of Rs. 7.45 per unit against which the Petitioner achieved actual ABR of Rs. 7.61 per unit through rigorous control on meter reading and billing. The SAP-ERP generates the billing register for the purpose of preparation of bills, printing thereof, sales & consumers' ledgers and the Petitioner prepares its Audited Financial Statement on the basis of such system generated sales register only.

Commission's Analysis

3.25.4 The Commission observed that the Petitioner has claimed revenue of Rs. 1407.39 Crore while in the audited accounts the net revenue mentioned is Rs. 1490.50 Crore. In this regard the Commission asked the Petitioner to reconcile the revenue with the audited accounts which was duly submitted by the Petitioner as shown in the Table below:

Table 3-106: Reconciliation of Revenue as submitted by the Petitioner for FY 2018-19

Sl. No.	Description	Amount (Rs. Cr.)	Remark
1	Revenue from Sale of Electricity for FY 2018-19	1490.50	Please refer to Note-26 of Audited Accounts
2	Less: Regulatory Surcharge (shown separately)	83.11	Please refer to Note-41 of Audited Accounts
3	**Net Revenue from Sale of Electricity for FY 2018-19**	**1407.39**	

3.25.5 The category-wise approved revenue from sale of power for FY 2018-19 is provided in the Table below:

Table 3-107: Revenue as approved by the Commission for FY 2018-19

Particulars	Sales	Revenue	Average Realisation
	(MU)	**(Rs. Crs)**	**(Rs/kWh)**
LMV-1: Domestic Light, Fan & Power	452.36	271.20	6.00
LMV-2: Non Domestic Light, Fan & Power	34.17	36.47	10.67
LMV-3: Public Lamps	35.65	29.05	8.15
LMV-4: Institutions	14.08	12.08	8.58
LMV-5: Private Tube Wells	25.83	4.04	1.56
LMV 6: Small and Medium Power	81.00	79.40	9.80
LMV-7: Public Water Works	19.20	19.75	10.29
LMV-8: STW and Pumped Canals	0.47	0.46	9.79
LMV-9: Temporary Supply	49.03	56.27	11.48
HV-1: Non Industrial Bulk Power	217.65	215.31	9.89
HV-2: Large and Heavy Power	920.65	683.34	7.42
Subtotal	**1,850.07**	**1,407.39**	7.61
Regulatory Surcharge		**83.11**	
Total Sales and Revenue	**1,850.07**	**1,490.50**	**8.06**

3.26 ARR AND REVENUE GAP

3.26.1 Based on above mentioned Revenue, Expenditure and Return on Equity, the Aggregate Revenue Requirement for FY 2018-19 as computed on the basis of the MYT Regulations, 2014 and Commission's Tariff Orders is given in Table below:

Table 3-108: Summary of ARR for FY 2018-19 as submitted by Petitioner (Rs. Crore.)

Sl. No.	Particulars	Approved Vide T.O. dated 22 January 2019	Actual
1	Power Purchase Cost	890.3	967.44
2	Transmission Charges	129.71	184.31
3	Employee expenses	29.89	48.81
4	A&G expenses	13.24	12.78
5	R&M expenses	45.4	44.19
6	Interest Charges	77.15	68.83
7	Carrying Cost of Regulatory Asset	23.12	39.52
8	Depreciation	60.74	56.6
9	Taxes (Income Tax & Demand)	34.76	32.07
10	**Gross Expenditure**	**1,304.31**	**1,454.55**
11	Less: Interest & Employee Cost capitalized	9.71	8.99
12	**Net Expenditure**	**1,294.60**	**1,445.56**
13	Add: Provision for Bad & Doubtful Debts	23.28	13.29
14	Add: Miscellaneous Expenses	1.46	0.74
15	Add: Impact of GST	-	3.56
16	**Total Expenditure with Provisions**	**1,319.34**	**1,463.14**
17	Add: Return on Equity	64.71	59.47
18	Add: Efficiency Gains	0.24	0.24
19	Add: Contingency Reserve	-	-
20	**Aggregate Revenue Requirement**	**1,384.28**	**1,522.85**
21	Less: Revenue from Existing Tariff	1,380.33	1,407.39
22	Less: Non-Tariff Income	4.79	8.55
23	**Revenue Gap**	**-0.84**	**106.92**
24	Revenue Gap/ Surplus from Prev. Year	212.02	279.14
25	Less: Revenue from regulatory surcharge	-82.56	-83.11
27	**Unamortized Revenue Gap from Preceding years**	**129.46**	**196.04**
28	**Total Revenue Gap carried forward**	**128.61**	**302.96**

Commission's Analysis:

3.26.2 Based on the above approvals, the summary of the ARR approved for FY 2018-19 is provided in the Table below:

Table 3-109: Summary of ARR as approved by the Commission for FY 2018-19 (Rs. Crore)

Sr. No.	Particulars	Approved vide T.O. 22/01/2019	True Up Petition	Approved upon Truing up
1	Power Purchase Expenses	890.29	967.44	833.91
2	Less: Disallowance in PPC due to excess sales (in unmetered wrt Normative)			(9.64)
2	Transmission Charges (UPPTCL+PGCIL)	129.71	184.31	170.60
3	Employee cost	29.89	48.81	29.61
4	A&G expenses	13.24	12.78	12.32
5	R&M expenses	45.40	44.19	39.89
6	**Gross O&M Expenses**	**88.53**	**105.78**	**81.82**
7	Total Interest and Finance charges	77.15	68.84	63.07
8	Depreciation	60.74	56.61	43.49
9	Income Tax	34.76	32.07	28.46
10	**Gross Expenditure**	**1,281.17**	**1,415.04**	**1211.71**
11	Employee cost capitalized	5.95	8.99	8.99
12	Interest capitalized	3.76	-	**-**
13	A&G expenses capitalized	-	-	**-**
14	**Net Expenditure**	**1,271.46**	**1,406.05**	**1202.72**
15	Provision for Bad & Doubtful debts	23.28	13.29	13.29
16	Misc Expenses	1.46	0.74	
17	Impact of GST	-	3.56	
18	**Total net expenditure with provisions**	**1,296.20**	**1,423.64**	**1216.01**
19	Add: Return on Equity	64.71	59.47	52.99
20	Less: Non-Tariff Income	4.79	8.55	18.22
21	Add: Efficiency Gains	0.24	0.24	
22	**Annual Revenue Requirement (ARR)**	**1,356.35**	**1,474.80**	**1250.79**
23	Revenue from existing/ revised Tariff	1,462.89	1,407.39	1407.39
25	**Revenue Gap/(Surplus)**	**(106.54)**	**67.41**	**(156.60)**
26	Revenue Gap/ (Surplus) from Prev. Year	212.02	279.15	278.36
27	Revenue from Regulatory Surcharge		83.11	83.11
28	Carrying cost	23.13	39.53	23.09
29	**Net Revenue Gap**	**128.61**	**302.96**	**61.74**

3.26.3 Analysis on few parameters for percentage are depicted below:

Parameters	FY 2017-18 (Approved) A	FY 2018-19 (Approved) B	% change
Total Sales (MU)	1667.62	1,850.07	10.94%
Revenue from Tariff (Rs. Crore)	1334.36	1,490.50	11.70%
Total Power Purchase (MU)	1812.47	2,010.94	10.95%
Total Power Purchase (Rs. Crore)	837.83	1004.51	19.89%
ARR (Rs. Crore)	1235.31	1,250.79	1.25%
APPC (Rs./kWh) without Transmission (at NPCL Periphery)	4.14	4.15	0.24%
APPC including Transmission (Inter + Intra) (Rs./kWh) (at NPCL Periphery)	4.62	5.00	8.23%
ABR (Rs./kWh)	8.00	8.06	0.75%
ACoS (Rs./kWh)	7.41	6.76	-8.77%

4 ANNUAL PERFORMANCE REVIEW OF FY 2019-20

4.1 INTRODUCTION

4.1.1 In this Chapter the Commission has carried out the Annual Performance Review for FY 2019-20 in line with the provisions of the Uttar Pradesh Electricity Regulatory Commission (Multi Year Distribution Tariff) Regulations, 2014.The Petitioner vide email dated May 27, 2020 submitted the revised submission for APR of FY 2019-20.

4.1.2 Regulation 8.1 of the UPERC Distribution MYT Regulations, 2014 specifies that under the MYT framework, the performance of the Distribution Licensee shall be subject to Annual Performance Review (APR) as shown under:

Quote

8. Annual Review of Performance and True Up

8.1 Where the aggregate revenue requirement and expected revenue from tariff and charges of a Distribution Licensee are covered under a Multi-Year Tariff framework, such Distribution Licensee shall be subject to an annual review of performance and True Up during the Control Period in accordance with these regulations.

Provided that in case of an excruciating and extra-ordinary circumstance, at any time notwithstanding the Annual Review, the Distribution Licensee may file appropriate application before the Commission.

Unquote

4.1.3 The Commission in Tariff Order dated January 22, 2019 issued clarifications regarding the scope of APR as follows:

Quote

……..

II. Scope of APR?

In accordance with the provisions of UPERC MYT Regulations (both for DISCOMs and Transco), the scope of APR can be as follows:

The scope of Annual Performance Review shall be a comparison of the actual performance of the Applicant with the approved forecast of Aggregate Revenue

Requirement and expected revenue from tariff and charges and shall comprise of the following: -

a) A comparison of the audited performance of the applicant for the previous financial year with the approved forecast for such previous financial year and truing up of expenses and revenue subject to prudence check including pass through of impact of uncontrollable factors;

b) Categorization of variations in performance with reference to approved forecast into factors within the control of the applicant (controllable factors) and those caused by factors beyond the control of the applicant (un-controllable factors) in accordance with the provisions of Regulations 9 of UPERC MYT Regulations;

c) Revision of estimates for the ensuing financial year, if required, based on audited financial results for the previous financial year;

d) Computation of sharing of gains and losses on account of controllable factors for the previous year in accordance with the provisions of Regulations 10 of UPERC MYT Regulations;

e) Parameters/ target monitoring by Commission (for example UDAY scheme and Power for All 24×7, etc.)

Unquote

4.1.4 In accordance with the Distribution MYT Regulations, 2014 and Scope of APR as quoted above, the scope of Annual Performance Review is limited to the revision of estimates for FY 2019-20, if required, based on the audited financial results for the previous year and give effect on this account in the estimates of FY 2020-21.

4.1.5 The Commission has not carried out the detailed analysis of various components. The Commission under the provisions of Distribution MYT Regulations, 2014 has revised the APR for FY 2019-20 based on capitalisation approved in True Up of FY 2018-19. The Commission has computed certain expenses for FY 2019-20 based on the revised GFA for FY 2018-19 only to facilitate the computations for FY 2020-21. The Commission has carried out comparison of each component of APR as claimed by the Petitioner with that of the approved values of Tariff Order dated September 03, 2019 for FY 2019-20. The Commission will carry out the detailed prudence check of various components of APR for FY 2019-20 while carrying out the truing up for FY 2019-20.

4.2 NUMBER OF CONSUMERS AND CONNECTED LOAD

4.2.1 The Petitioner has estimated that the number of Consumers and Connected load for FY 2019-20 are 97,682 and 1071.11 MW, respectively, as given in the following Table:

Table 4-1: No. of Consumers and Connected Load submitted by the Petitioner for FY 2019-20 (APR)

Category	No. of Consumers (No.)	Connected Load (MW)
LMV-1: Domestic Light, Fan & Power	87,479	401.81
LMV-2: Non-Domestic Light, Fan & Power	3066	26.55
LMV-3: Public Lamps	295	10.59
LMV-4: Institutions	470	5.01
LMV-5: Private Tube Wells	1,221	5.83
LMV 6: Small and Medium Power	3157	72.12
LMV-7: Public Water Works	216	7.80
LMV-8: STW and Pumped Canals	10	0.12
LMV-9: Temporary Supply	764	22.06
HV-1: Non-Industrial Bulk Power	202	118.76
HV-2: Large and Heavy Power	802	400.47
Total	**97,682**	**1071.11**

4.2.2 The Petitioner has submitted that the projection of number of consumers and connected load was based on certain assumptions regarding various factors such as forthcoming development in area, Master Plan of Greater Noida Industrial Development Authority, consumer mix, etc., however, the actual number of consumers and connected load vary because of variations in the aforesaid parameters.

Commission's Analysis:

4.2.3 The Commission has made a comparison of number of consumers as submitted by the Petitioner in True-Up for FY 2018-19 with the number of consumers submitted for FY 2019-20 as shown in the Table below:

Table 4-2: Category-wise no. of consumers for FY 2019-20 as submitted by the Petitioner

Category	No. of Consumers for FY 2018-19	No. of Consumers for FY 2019-20	Percentage increase / decrease
LMV-1: Domestic Light, Fan & Power	81,390	87,479	7.48 %

Category	No. of Consumers for FY 2018-19	No. of Consumers for FY 2019-20	Percentage increase / decrease
LMV-2: Non-Domestic Light, Fan & Power	2,922	3066	4.93 %
LMV-3: Public Lamps	206	295	43.20 %
LMV-4: Institutions	675	470	-30.37 %
LMV-5: Private Tube Wells	1,191	1,221	2.52 %
LMV 6: Small and Medium Power	2,933	3157	7.64 %
LMV-7: Public Water Works	198	216	9.09 %
LMV-8: STW and Pumped Canals	10	10	0.00%
LMV-9: Temporary Supply	810	764	-5.68 %
HV-1: Non-Industrial Bulk Power	178	202	13.48 %
HV-2: Large and Heavy Power	721	802	11.23 %
Total	**91,234**	**97,682**	**7.07 %**

4.2.4 It can be observed from above that the number of consumers in LMV-3 category has increased abnormally, however there was decrease in estimation of connected load i.e. 10.26 MW. In this regard the Commission vide a data gap query asked the reasons for variation for the same. The Petitioner in this regard submitted that:

“GNIDA has segregated their single connection for multiple sectors into multiple connection based on respective Sector In-charge. Hence, there is an increase in number of consumers. Also, with the expansion of urbanisation / development of Sectors, the no. of points is increasing, thereby pushing the sales.

Simultaneously, they have also taken the initiative of conversion of sodium bulbs into LEDs resulting into lesser lighting load which in turn is pulling the connected load in totality.”

4.2.5 The Commission has also made a comparison of Energy demand (in MW) as submitted by the Petitioner in True- Up of FY 2018-19 along with the Energy demand as submitted by the Petitioner for FY 2019-20, as shown in the Table below:

Table 4-3: Category wise Connected Load (MW) as submitted by the Petitioner for FY 2019-20

Category	Connected Load for FY 2018-19	Connected Load for FY 2019-20	Percentage increase / decrease
LMV-1: Domestic Light, Fan & Power	355.18	401.81	13.13%
LMV-2: Non-Domestic Light, Fan & Power	24.12	26.55	10.07%
LMV-3: Public Lamps	10.41	10.59	1.73%
LMV-4: Institutions	6.61	5.01	-24.21%
LMV-5: Private Tube Wells	5.65	5.83	3.19%
LMV 6: Small and Medium Power	66.82	72.12	7.93%
LMV-7: Public Water Works	7.36	7.80	5.98%
LMV-8: STW and Pumped Canals	0.12	0.12	0.00%
LMV-9: Temporary Supply	22.22	22.06	-0.72%
HV-1: Non-Industrial Bulk Power	99.86	118.76	18.93%
HV-2: Large and Heavy Power	336.38	400.47	19.05%
Total	**934.72**	**1071.11**	**14.59%**

4.2.6 The Commission observed that for LMV-3 category, the Petitioner has estimated a decrease in the connected load i.e. 10.26 MW while the estimated number of consumers is on the rise. The Commission sought the justification for the same. In this regard the Petitioner submitted that GNIDA has segregated their single connection for multiple sectors into multiple connection based on respective Sector In-charge. Hence, there is an increase in number of consumers. Also, with the expansion of urbanisation / development of Sectors, the no. of points is increasing, thereby pushing the sales. Simultaneously, they have also taken the initiative of conversion of sodium bulbs into LEDs resulting into lesser lighting load which in turn is pulling the connected load in totality.

4.2.7 In this regard, the Petitioner submitted that the Hon'ble Allahabad High Court vide its Order dated February 22, 2019 appended and has observed to consider the electricity connection of Advocate Chambers under LMV I category. Accordingly, the Petitioner has converted the connections of Advocate Chambers in Surajpur District Court previously billed under LMV 4 consumers to LMV I category. Due to the above, the number of connections in LMV-4 category has reduced, however, since the load of such consumers is generally less than 5 kW, hence, the connected load and sales has not been impacted significantly during FY 2018-19.

4.2.8 The analysis of billing determinants for FY 2019-20 would be carried out during True-Up process subject to prudence check by the Commission.

4.3 ENERGY SALES

4.3.1 The Petitioner has submitted that during FY 2019-20, it has so far witnessed unrestricted peak demand of upto 436 MW and restricted peak demand of 421 MW The sales in industrial category has been lower than estimates owing to various factors like lower consumer demands, global recession etc. However, there has been positive variations in sale to domestic category (including societies) due to higher demand on account of rapidly increasing occupancy of residential dwelling in Greater Noida area.

Commission's Analysis:

4.3.2 The Commission has also made a comparison of Energy demand (in MW) as submitted by the Petitioner in True- Up of FY 2018-19 along with the Energy demand as submitted by the Petitioner for FY 2019-20, as shown in the Table below:

Table 4-4: Energy Sales as submitted by the Petitioner for FY 2019-20 (MU)

Category	Submitted for FY 2018-19	Submitted for FY 2019-20	Percentage increase/ decrease
LMV-1: Domestic Light, Fan & Power	452.36	586.39	29.63 %
LMV-2: Non-Domestic Light, Fan & Power	34.17	37.61	10.07 %
LMV-3: Public Lamps	35.65	33.13	-7.07 %
LMV-4: Institutions	14.08	14.91	5.89 %
LMV-5: Private Tube Wells	25.83	21.73	-15.87 %
LMV 6: Small and Medium Power	81.00	87.41	7.91 %
LMV-7: Public Water Works	19.20	20.54	6.98 %
LMV-8: STW and Pumped Canals	0.47	0.11	-76.60 %
LMV-9: Temporary Supply	49.03	45.69	6.81 %
HV-1: Non-Industrial Bulk Power	217.65	242.80	11.56 %
HV-2: Large and Heavy Power	920.65	990.32	7.57 %
Total	**1,850.07**	**2080.65**	**12.46 %**

4.3.3 From the above Table, the Commission has observed that the Energy Sales for LMV-8 (STW and Pumped Canals) category has decreased by -76.60 %. Further, the Petitioner has submitted that during FY 2019-20 it has achieved sales of 2,080.65 MU reflecting growth of 12.46 % over actual sales for FY 2018-19.

4.3.4 The Petitioner has submitted that Commission vide its Tariff Order dated 3rd September, 2019, approved the Sales at 2,108.87 MU for FY 2019-20. The Commission has observed that total energy sales as revised by the Petitioner for FY 2019-20 are lower than the energy sales approved by the Commission in its Tariff Order dated September 03, 2019 for FY 2019-20. The category wise sales approved for FY 2019-20 vis-à-vis sales as submitted for FY 2019-20 is shown in the Table below:

Table 4-5: Category-wise Energy Sales for FY 2019-20 (MU)

S. No.	Category	Approved vide T.O. dtd. 03/09/2019	APR Petition	Percentage Increase / Decrease
1	LMV-1: Domestic Light, Fan & Power	510.43	586.39	14.88 %
2	LMV-2: Non-Domestic Light, Fan & Power	42.86	37.61	-12.25 %
3	LMV-3: Public Lamps	37.38	33.13	-11.37 %
4	LMV-4: Institutions	24.16	14.91	-38.29 %
5	LMV-5: Private Tube Wells	26.69	21.73	-18.58 %
6	LMV 6: Small and Medium Power	88.04	87.41	-0.72 %
7	LMV-7: Public Water Works	23.16	20.54	-11.31 %
8	LMV-8: STW and Pumped Canals	0.60	0.11	-81.67 %
9	LMV-9: Temporary Supply	60.44	45.69	-24.40 %
10	HV-1: Non-Industrial Bulk Power	259.79	242.80	-6.54 %
11	HV-2: Large and Heavy Power	1,035.31	990.32	-4.35 %
	Total	**2,108.87**	**2080.65**	**-1.34 %**

4.3.5 From the above table, it can be observed that energy sales for LMV-1 category, has increased. The Commission directed the Petitioner to submit the metering status for the unmetered consumers. In this regard Petitioner submitted that as per the submission given in the Petition in MYT Formats Form 10A, the sale, number of consumers, and connected load for Category LMV-I unmetered category is reducing. The Commission might have mistakenly correlated the same with some other figure.

4.3.6 The Commission observed that for LMV-4 category, the Petitioner has estimated a decrease in no. of consumers from FY 2018-19, however it has estimated a higher increase in the sales and connected load. In this regard the Commission sought clarification from the Petitioner.

4.3.7 Further, the Commission has observed from the above table that except for LMV-1 category, all other category sales have decreased.

4.3.8 The Petitioner should improve on its forecasting techniques and specifically work towards improving the sales for better revenue growth.

4.4 ENERGY BALANCE AND DISTRIBUTION LOSSES

4.4.1 The Petitioner has submitted that while the demand of electricity is growing steadily, unfortunately, the power sector is badly affected by "Apollo Syndrome" facing huge commercial losses, representing inefficient utilization of natural resources and consequently, casts unwanted burden on end-use of electricity. The T&D losses vary widely from utility to utility and are over 20% on an average in India against 6-12% in developed countries like US, UK, Germany, France etc. Some of the utilities in India have over 30% T&D losses.

4.4.2 The Petitioner has submitted that it has been striving to implement/emulate efficient, resilient, robust, inclusive, tailor-made initiatives to tackle the ever-rising menace i.e. commercial loss, which all distribution utilities are struggling hard to chain. While many initiatives tendered significant results but sometimes most worthy models failed due to the volatile environment, which are beyond the control of the distribution licensee. Some of these issues significantly giving rise to pilferage in Greater Noida area are as follows-

i) Local Authority restraining the Petitioner from providing electricity connection in unplanned and un-authorized colonies leading to unauthorized tapping of energy. The menace has been quite high in "Doob" area of Greater Noida which is witnessing rapid build-up of colonies considering growing urbanization and all round development. On one side GNIDA is accepting registration of plots while on the other side the NGT is not allowing the Petitioner to lay its network and provide legal connection against the rapidly growing dwelling, resulting into huge T&D losses. Greater Noida being a developing city with many vacant residential premises, has attracted unauthorized occupants in urban areas who also indulge in hooking and tapping of electricity.

ii) In villages and unauthorized colonies, due to lack of planned development and no authority for approving "Naksha", at many places, the electrical network is being exploited to such a level where even the electrical poles / transformers are being covered within the boundary / four wall of the houses leading to theft/ pilferage. Due to widespread land acquisition in Greater Noida, allocation of certain percentage of land to farmers and development of private colonies and allocation, the above practice is quite frequent and wide spread in Greater Noida Area.

iii) Increased hours of supply in rural areas i.e. from 12-16 hours to at least 18-22 Hrs in accordance with the State Government directions. In this regard, we would like to bring to the Commission, a letter no. 1686/24-P-3-2018 dated 3rd Aug'18 written by the Principal Secretary (Energy), Govt. of UP wherein the Company has been directed to provide 18 hours of power supply in villages failing which action will be taken against the Company in accordance with the conditions of license of the Company. Therefore, the Company had to further increase power supply in villages leading to higher T&D losses and bad debts due to non-payment of bills.

iv) Lowering HT: LT ratio due to rapid growth of LT sales.

v) Farmers agitation, poor law & order situation and lack of support from police and administration which are beyond the control of the Petitioner.

vi) Not even a single power theft case has been decided on merit by Special Court since its inception in the year 2004. As at March 2019, as many as 6118 cases are lying undecided at the Special Court, while 329 FIRs and 5790 Complaint Cases are pending with the local police owing to their inaction. Due to the inaction of judicial /administrative bodies, as explained above, the enforcement drives conducted by the Petitioner becomes ineffective and toothless.

4.4.3 The Petitioner further submitted that it was able to contain T & D loss at 8% by curtailing load in the loss prone areas but with the strict direction to increase power supply in rural areas for at-least 18 hours irrespective of high losses and non-payment of bills, the T&D Loss cannot be contained at 8% level. Further, villagers are adding many of the electrical/electronic items such as air conditioners, large TVs, washing machines, mobile phone, Laptops etc., without paying their electricity dues. This has seriously strained its efforts to contain its losses at 8%.

4.4.4 Accordingly, the Energy Balance for FY 2019-20 the Distribution losses as submitted by the Petitioner, are shown in the table below: -

Table 4-6: Energy balance and Distribution Losses estimated for FY 2019-20

Particulars	Approved in T.O dated September 03, 2019	APR Petition
Energy Sales (MU's)	2108.87	2080.65
Distribution Loss %	**8.00%**	**8.23%**
Distribution Loss (MU's)	183.38	186.63
Energy Purchase (MU's)	2292.25	2,267.28

Commission's Analysis

4.4.5 The Commission has observed that in the revised Energy Balance for FY 2019-20, the Petitioner has shown Distribution Loss of 8.23%, which is higher than the approved loss of 8.00%. In this regard the Commission sought the reasons for the same. The Petitioner submitted that in the entire country during the lockdown, till 31st May 2020 (as notified till the date of this letter), due to COVID-19, Malls, work places (both private & Government), industries were ordered to remain shut and advisory was issued to private sector organizations to allow their employees and officers to work from home.

4.4.6 The above has affected the operations of the Petitioner significantly. The revenue, power purchase and consumer mix has changed all together. The drawl by industries has come to a standstill while that of Urban and Rural Areas is drawing power unrestrictedly resulting into higher LT Sales, Lower HT Sales and Higher T & D losses. The situation becomes all the more grimmer because of restrained movement of Petitioner's personnel and effectively no Loss Control Activities in the fields due to lock-down.

4.4.7 The Petitioner submitted that it has been striving to implement/emulate efficient, resilient, robust, inclusive, tailor-made initiatives to tackle the ever-rising menace i.e. commercial loss, which all distribution utilities are struggling hard to chain. While many initiatives tendered significant results but sometimes most worthy models failed due to the volatile environment, which are beyond the control of the distribution licensee. Some of these issues significantly giving rise to pilferage are as follows-

(i) Local Authority restraining the Company from providing electricity connection in unplanned and un-authorized colonies leading to unauthorized tapping of energy. The menace has been quite high in Doob area of Greater Noida which is witnessing rapid build-up of colonies considering with growing urbanization and all-round development.

(ii) Greater Noida being a developing city with many vacant residential premises, has attracted unauthorized occupants in urban areas who also indulge in hooking and tapping of electricity.

(iii) In villages and unauthorised colonies, due to lack of planned development and no authority for approving "Naksha", at many places, the electrical network is being exploited to such a level where even the electrical poles / transformers are being covered within the boundary / four wall of the houses leading to theft/ pilferage. Due to widespread land acquisition in Greater Noida, allocation of certain percentage of land to farmers and development of private colonies and allocation, the above practice is quite frequent and wide spread in Greater Noida Area.

(iv) Increased hours of supply in rural areas i.e. from 12-16 hours to atleast 18-22 hrs in accordance with the State Government directions. In this regard, we would like to bring to the attention of the Commission, a letter no. 1686/24-P-3-2018 dated 3rd Aug'18 written by the Principal Secretary (Energy), Govt. of UP, wherein the Petitioner has been directed to provide 18 hours power supply in villages failing which action will be taken against the Petitioner in accordance with the conditions of license of the Petitioner. Therefore, the Petitioner had to further increased power supply in villages. However, it'll result into higher T&D losses and bad debts due to non-payment of bills.

(v) Earlier, the Petitioner was able to contain T & D loss at 8% by curtailing load in the loss prone areas but with the strict direction to increase power supply in rural areas for at-least 18 hours irrespective of high losses and non-payment of bills, the T&D Loss cannot be contained at 8% level. Further, these villagers are adding many of the electrical/electronic items such as air conditioners, large TVs, washing machines, mobile phone, Laptops etc., without paying their electricity dues. This has seriously strained the Company's efforts to contain its losses at 8%.

(vi) Lowering of the HT: LT ratio.

(vii) Farmers agitation, Poor law & order situation and lack of support from police and administration which are beyond the control of the Company

(viii) Not even a single power theft case has been decided on merit by Special Court since its inception in the year 2004. As at Mar'20, as many as 6,855 cases involving theft of 25 MW approx. load is lying undecided at the Special Court. Not only this, 1,433 FIRs are pending with the local police since long due to their inaction. Due to the inaction of judicial /administrative bodies, as explained above, the enforcement drives conducted by the Company becomes ineffective and toothless.

4.4.8 The Petitioner further submitted that Commission is aware that the T&D losses vary widely from utility to utility and are over 20% on an average in India against 6-12% in advance countries like US, UK, Germany, France etc. Some of the utilities in India have over 30% T&D losses. Notwithstanding the above, it is trying its best through regular enforcement drives as well as social intermediation to contain its T&D losses. Therefore, it is submitted that in view of facts and reasons explained as above in respect of increase in losses and considering the high losses being witnessed in the State of Uttar Pradesh and recent impact of COVID-19, the Commission may consider and allow the marginal increase in losses as claimed by the Petitioner.

4.4.9 The analysis of Energy Balance and Distribution Loss for FY 2019-20 would be carried out during True-Up process subject to prudence check by the Commission.

4.5 POWER PROCUREMENT QUANTUM AND COST

4.5.1 **Power Procurement from LTPPA:** During FY 2019-20, the part of the base load of the consumers will be met through duly approved Long-Term Power Purchase Agreement (LTPPA) with Dhariwal Infrastructure Limited (DIL) for 187 MW RTC power (Net 170 MW Power at DIL Plant Bus after 9% Auxiliary Consumption). The Commission in its Tariff Order dated 3rd September, 2019 has considered the availability of 1,177.68 MU power at NPCL's Bus being equivalent to 100% availability.

4.5.2 The Petitioner submitted that due to load diversity during certain time blocks in a day, on week-ends / holidays etc. as well as to strictly comply with DSM Regulations, as amended, it has been observed that drawing 100% power is not feasible from DIL. Therefore, it has estimated to procure 1,048.36 MU power from M/s DIL during FY 2019-20 i.e. around 94% of the normative capacity.

4.5.3 The Petitioner submitted that the Commission in the Tariff Order dated 3rd September, 2019, citing its earlier order dated 5th February, 2019 in respect of DIL's MYT Petition for FY 2016-17 to FY 2018-19, provisionally approved the Energy Charge and Capacity Charges for FY 2019-20 at Rs. 1.80/kWh and Rs. 1.90 /kWh respectively (excluding the impact of escalation index, additional coal, income tax and change in law). Therefore, the Petitioner for the purpose of ARR has considered these rates for determination of cost of power to be procured from DIL during FY 2019-20. Accordingly, the Petitioner has estimated cost of power from DIL during FY 2019-20 at Rs. 522.47 Cr as against Rs. 470.33 Cr approved in Tariff Order dated 3rd September, 2019 excluding transmission charges.

4.5.4 The Petitioner added that DIL has filed its True-up Petition for FY 2016-17 to FY 2018-19 on 14th August, 2019 and MYT petition no. 1531 of 2019 for determination of provisional tariff for the control period starting from FY 2019-20 to FY 2023-24 in accordance with UPERC Generation Tariff Regulations 2019 on 20th November, 2019, which are pending before the Commission. Any impact on the power purchase cost pursuant to the order of the Commission on the above Petitions would be consequently claimed by the Petitioner in the ARR / APR/ Truing-up petitions as the case may be.

4.5.5 Further, it is pertinent to mention here that the above cost of power purchased from M/s DIL does not include the impact on such cost on account of the followings –

a) **Petition No. 1319 of 2018** – For approval of cost of Additional Coal for FY 2017-18 submitted on 23-04-2018;

b) **Petition No. 1318 of 2018** – For approval of cost of Additional Coal for FY 2018-19 submitted on 23-04-2018;

c) **Petition No. 1438 of 2019** – For approval of cost of Additional Coal for FY 2019-20 submitted on 29-03-2019;

d) **Petition No. 1440 of 2019** – For approval of Cost on account of Change in Law for FY 2016-19 submitted on 29-03-2019;

4.5.6 **Power Procurement from MTPPA:** Apart from above, the Petitioner also estimated to procure 653.05 MU power under Medium Term Power Agreement (MTPPA) for 100 MW with PTC India Ltd. which has been approved by the Commission vide its Order dated 31st July, 2018 at estimated cost of Rs. 256.67 Cr as against approved cost of Rs. 268.52 Crore.

4.5.7 **Power Procurement from Renewable Sources:** The Petitioner submitted that the Commission issued First Amendment to the RPO Regulations, 2010 on 16th August, 2019 and in the said First Amendment (under Table B), has stipulated the long-term trajectory of minimum quantum of purchase of Renewable power from various renewable sources as given in Table below: -

Table 4-7: Minimum quantum of purchase from renewable energy sources as % age of total energy consumed (in kWh)

Financial Year	Non-Solar		Solar	Total
	Other Non-Solar	HPO		
	A	b	c	d = a+b+c
2019-20	5	1	2	8
2020-21	6	2	3	11
2021-22	6	3	4	13
2022-23	6	3	5	14
2023-24	7	3	5	15

4.5.8 Further, the Commission vide its Order dated August 19, 2019 in Petition No. 12 SM of 2018 directed the Petitioner to provide the Road Map to fulfil the accumulated of RPOs. In compliance to the same the Petitioner filed its affidavit on 9th September, 2019 providing the Road Map for fulfilment of the RPOs.

4.5.9 In line with affidavit, the Petitioner submitted that it has made arrangements for meeting its RPO Obligations during FY 2019-20 by procuring Non-Solar Renewable Power and Hydro Power from short term sources.

4.5.10 Apart from Non-solar power arrangements, the total installed capacity of the Rooftop Solar in the licensed area of the Petitioner as at 31st March, 2019 is 22.57 MW. It is expected that by the end of FY 2019-20, the likely installed capacity will be 26.57 MW under net metering arrangements.

4.5.11 Based on above renewable power arrangement, the estimated status of RPO at end of FY 2019-20 has been estimated and given in Table below: -

Table 4-8: Latest Estimated RPO Status (FY 2019-20) in MU

Type	Parameter	Nomenclature	Units	FY 2019-20
Solar	Gross energy consumption	A	MU	2,080.65
	Hydro and Renewable Power Consumption after FY 2016-17	B	MU	207.50
	Net Energy Consumption	**C=A-B**	**MU**	**1,873.15**
	RPO Target (Solar)	D	%	2%
	RPO Target (Solar)	**E=C*D**	**MU**	**37.46**

Type		Parameter	Nomenclature	Units	FY 2019-20
		Solar Energy Purchased	F	MU	38.27
		Total RPO achieved	**G=F/E**	**%**	**102%**
		Excess RPO Met Carried Forward	H	MU	38.27
		Shortfall RPO Carried forward	I	MU	-
		REC Purchased	J	MU	-
		Net Status	**K=H-I+J**	**MU**	**9.79**
		Penalties, if any	L	Rs. Crore	
Non-Solar	**Other Non-Solar**	Gross energy consumption	A	MU	2,080.65
		Hydro and Renewable Power Consumption after FY 2016-17	B	MU	207.50
		Net Energy Consumption	**C=A-B**	**MU**	**1,873.15**
		RPO Target (Non Solar)	D	%	5%
		RPO Target (Non Solar)	**E=C*D**	**MU**	**93.66**
		Non-Solar Energy Purchased	F	MU	87.75
		Total RPO achieved	**G=F/E**	**%**	**94%**
		Excess RPO Met Carried Forward	H	MU	87.75
		Shortfall RPO Carried forward	I	MU	-
		REC Purchased	J	MU	-
		Net Status	**K=H-I+J**	**MU**	**102.34**
		Penalties, if any	L	Rs. Crore	-
	Hydro Purchase Obligation	Gross energy consumption	A	MU	2,080.65
		HPO Target (Hydro)	B	%	1%
		HPO Target (Hydro)	**C=A*B**	**MU**	**18.73**
		Hydro Energy Purchased	D	MU	-
		Total HPO achieved	**E=D/C**	**%**	**0%**
		Excess HPO Met Carried Forward	F	MU	-
		Shortfall HPO Carried forward	G	MU	-
		REC Purchased	H	MU	-
		Net Status	**I=F-G+H**	**MU**	**-**

Type		Parameter	Nomenclature	Units	FY 2019-20
		Penalties, if any	J	Rs. Crore	-

4.5.12 The Petitioner requested the Commission to approve the estimated power procurement from renewable sources as estimated by the Petitioner and allow the accumulated deficit RPO of 37.73 MU till FY 2019-20 for meeting the RPOs in subsequent years.

4.5.13 **Power Procurement from Short-term Sources**: The Petitioner submitted that during FY 2018-19, price of short-term power had begun to increase as market sensed the possibility of shortage in power availability during impending General / State Assembly elections in FY 2019-20. Therefore, in order to avoid the procurement of power at higher market price during peak season in FY 2019-20, the Petitioner leveraged the Power Banking arrangements to optimise its over-all power purchase cost. The Petitioner submitted that it would draw 163.02 MU power at landed cost of Rs. 5.17/kWh in FY 2019-20, which were banked in FY 2018-19.

4.5.14 In view of the above, the power purchase cost vis-à-vis the power purchase cost approved by the Commission vide Tariff Order dated 3rd September, 2019 is given in Table below:

Table 4-9: Power Purchase Cost estimated for FY 2019-20 by the Petitioner

Sl. No.	Item	Approved vide T.O dated September 03, 2019			APR Petition		
Source of Power Purchase		MU's	Rs./kWh	Rs. Cr.	MU's	Rs. /kWh	Rs. Cr.
1	Power Purchase from LT	1,177.68	3.99	470.33	1,048.36	4.62	522.47
2	Power Purchase from MT	746.64	3.60	268.52	653.05	3.93	256.67
3	Power purchase from Traders	228.21	4.67	106.52	356.84	3.91	139.61
4	Power Banking	-	-	-	163.02	5.17	84.23
5	Power Purchase from RE	139.72	4.81	67.17	95.02	5.13	48.76
6	DSM	-	-	-	2.46	46.37	11.42
7	Sale of Energy				(51.49)	2.17	(11.18)
8	**Total**	**2,292.25**	**3.98**	**912.52**			
9	PGCIL Charges			107.77			109.96
10	UPPTCL Charges			42.64			40.86
11	**Total Power Purchase Cost**	**2,292.25**	**4.64**	**1,062.95**	**2267.28**	**5.65**	**1281.72**

Commission's Analysis

4.5.15 With regards to the power purchase from renewable sources, the Commission observed that the Petitioner in FY 2019-20 for estimation of Renewable sources has claimed Inter State Transmission Loss. The Commission sought the reasons for considering the Transmission Losses for Renewable sources when it is exempted for Renewable purchase made through competitive bidding. In this regard the Petitioner submitted that the power procurement sources for renewable power considered in the APR Petition are other than Solar and Wind Sources which are exempt from inter-state transmission charges and losses. Accordingly, interstate & intra state losses had been considered with respect to power procurement from renewable power sources.

4.5.16 The Commission noticed that the Petitioner has estimated Un-schedule Interchange (UI) quantum and cost for FY 2019-20. In this regard the Commission sought the basis for the consideration of UI quantum and cost for FY 2019-20. In this regard the Petitioner submitted that due to diversity of load/consumption and based on the actual variation in power scheduled vis-à-vis drawl and related cost thereof during FY 2018-19 and parts of FY 2019-20, at times it has been observed that power contracted and scheduled in advance becomes surplus than the instant demand and the Petitioner has no option but to sell such excess power on Power Exchanges. It is pertinent to mention that despite various constraints of system and wide, uncertain and volatile changes in demand, the Petitioner has still considered consumption of tie-up power to the extent of 99% and only 1% power has been assumed as surplus which if need arises, will be sold at Power Exchange. The aforesaid estimation is also in line with the power procurement trends in the previous years.

4.5.17 The Petitioner submitted that the newly notified DSM Regulations has made the UI rules more stringent and a distribution Licensee has to match its schedule within 6 time blocks otherwise it will have to bear heavy penalties. Thus, it becomes all the more imperative to balance the demand with the tied-up power and sell the surplus power, if any through power exchange in order to keep its drawl within permissible limits of schedule.

4.5.18 The Commission noticed that the Petitioner in its power purchase has estimated Rs. 74.71 Crore under power banking. In this regard the Commission asked the Petitioner to provide the details of Energy banking Agreement with the agreement copy. The Petitioner submitted the details of banking as shown in the Table below:

Table 4-10: Details of Power Banking as submitted by the Petitioner as shown in the Table below:

Type of Contract	Energy Purchase at NPCL Bus (MU)	Energy Charges (Rs. Cr.)	PGCIL Charges (Rs. Cr.)	UPPTCL Charges (Rs. Cr.)	Transmission Charges (Rs. Cr.)	Total Cost (Rs. Cr.)
Power Procured through Banking to be returned in FY 19	14.01	6.60	0.32	0.35	0.67	7.27
Total FY 2017-18	**14.01**	**6.60**	**0.32**	**0.35**	**0.67**	**7.27**
Return of Power Procured through Banking in FY 18	**(16.39)**	**(6.54)**	0.37	0.23	**0.59**	**(5.95)**
Power Procured through Banking to be returned within FY 19	124.71	0.53	3.25	3.32	6.57	7.10
Return of Power Procured through Banking within FY 19	(137.88)	-	2.73	1.68	4.41	4.41
Power supplied under Banking to be procured in FY 20	(175.34)	(74.71)	4.80	3.01	7.81	(66.91)
Power Banking FY 2018-19	**(204.91)**	**(80.73)**	**11.14**	**8.23**	**19.38**	**(61.35)**
Procurement of Power Banked in FY 19 (Non-Hydro)	102.10	46.70	3.99	2.40	6.40	53.10
Procurement of Power Banked in FY 19 (Hydro)	60.92	28.11	1.78	1.24	3.02	31.13
Power Banking FY 2019-20	**163.02**	**74.81**	**5.77**	**3.65**	**9.42**	**84.23**

4.5.19 The Commission has observed that the Power Purchase cost and the Transmission charges has increased with respect to that approved by the Commission in Tariff Order dated September 3, 2019.

4.5.20 The Commission will carry out the detailed analysis of Power purchase expenses for FY 2019-20 at the time of truing up, subject to prudence check by the Commission.

4.6 OPERATION AND MAINTENANCE EXPENSES (O&M)

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

4.6.2 The Petitioner submitted the details of O&M Expenses for FY 2019-20 as provided in the Table below:

Table 4-11: O&M Expenses as submitted by the Petitioner for FY 2019-20 (Rs. Crore)

Particulars	Approved in T.O 03.09.2019	APR Petition
Employee Expenses	34.85	56.86
Repair & Maintenance Expenses	49.04	50.48
Administrative and General Expenses	15.63	14.12
Gross O&M Expenses	**99.52**	**121.46**
Less		
Employee Expenses capitalized	11.90	10.32
Net O&M Expenses	**87.62**	**111.14**

4.6.3 The Petitioner submitted that the Commission in its Tariff Order dated September 3, 2019 has approved the O & M expenses on normative basis in accordance with the Regulations 25 of MYT Regulations, 2014, which is grossly insufficient as compared to likely expenses estimated by the Petitioner. The Petitioner requested the Commission should consider O & M expenses for FY 2019-20 as estimated by the Petitioner owing to following factors which are beyond the control of the Petitioner:

Increase in Minimum Wages: -

a) All enterprise, associations, partnership, body corporates, companies etc. are bound by the provisions of Minimum Wages Act 1948 and Government of State of Uttar Pradesh revises minimum wages under the provisions of the Minimum Wages Act, 1948 twice in a year (i.e. with effect from April and October).

b) The Petitioner submitted that the MYT Regulation, 2014 provides for escalation of normative Employee Cost on the basis of Consumer Price Index (i.e. CPI), however, the resultant escalation is quite insufficient and more important is that the increase in minimum wages are not covered in CPI. Hence, the impact of increase in minimum wages do not get compensated through incremental CPI.

c) The Petitioner has submitted that the Commission observed that the Regulation 29 of MYT Regulation, 2014 provides admissibility of Bad and Doubtful Debts as a legitimate business expense with the ceiling limit of 2% of the revenue receivables in the Tariff. However, the Petitioner has been able to contain the same to 0.94% during the FY 2019-20. This has resulted in huge saving in the Bad and Doubtful Debts which will ultimately pass on to the Consumers. The saving is depicted in the following Table:

Table 4-12: Savings in Provision for Bad Debts (FY 2019-20) (Rs. Crore)

Sl. No.	Particulars	U.o.M.	Reference	Latest Estimate
1	Revenue billed for the year	Rs. Cr.	a	1698.87
2	Actual Provision for Bad & Doubtful debts	Rs. Cr.	b	1.06%
3	Provision as % of Revenue billed	%	c= b/a	1.06%
4	Normative Provision for Bad & Doubtful Debt @2%	Rs. Cr.	d=a x 2%	33.98
5	**Saving in provision for Bad & Doubtful debts**	**Rs. Cr.**	**e=d-b**	**17.00**

h. The Petitioner submitted that from the above table it can be seen that it is able to limit Bad & Doubtful Debts at 1.06% against 2% on account of the fact that the it has deployed additional manpower for recovery of dues from the consumers, prompt billing, aggressive actions against theft, timely action against the defaulters etc. In case, it opts to reduce its manpower to align actual employee cost with the normative employee cost as per MYT Regulations, 2014, it may lead to higher bad debts which will ultimately burden the diligent Consumers. Therefore, the Petitioner should be allowed to recover its employee cost at actual.

4.6.4 **Recommendation of Sixth /Seventh Pay Commission:**

a) With implementation of the Seventh Pay Commission, the average pay of government employees has gone up more than 25% approx. including that of State Governments' employees. This will lead to considerable raise in salary package at entry level as well as higher level of employees in private sector also. In this backdrop, the Petitioner has been facing an uphill task to retain talented and motivated workforce and minimize attrition in the increasingly competitive market with more and more participation of private sector in the utility segment including electricity distribution. Hence, it is necessary that the compensation structure on one hand meets the expectations of the employees and on the other hand motivates them to strive for superior performance through congruence of individual and organization goals. Therefore, any increase in emoluments given by the Central Pay Commission, will have a direct bearing on the salary and emoluments of the Petitioner's employees so as to retain and motivate them appropriately.

b) Accordingly, the Petitioner requested the Commission to approve the O & M expenses on actuals considering the significant increase in salaries and minimum wages.

4.6.5 **Other Cost Drivers:**

a) The Petitioner submitted that the Commission, in its various Orders, has time and again acknowledged the performance standards of the Petitioner and also in its Order dated 22nd January'2019 observed that NPCL is the best performing utility in U.P. and having regard to observation of the Commission, the Petitioner has been striving hard to control and optimize its O & M Expense primarily keeping the consumers interest in view.

b) The Model Regulations provides for benchmarking the O & M Expenses of any Distribution Utility with its peers in the same State or outside State. The Commission in its Tariff Order dated 14th October, 2010 has mentioned that:

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

c) The Petitioner submitted that the O & M expenses of the Petitioner are one of the lowest in the country and with considerable growth in the area and aging of assets, it has become imperative for the Petitioner to take additional and timely efforts to meet the upcoming demand growth in the area and to maintain a reliable and efficient power supply. The Petitioner submitted it has already started initiative in this regard which has also been acknowledged by the consultant viz. IMaCS. Therefore, it is submitted that O&M expenses may be allowed in full as estimated by the Petitioner for FY 2019-20.

d) The Petitioner submitted that it is incurring today is mainly to keep the intense growth potential of the area. The Petitioner submitted that it is preparing its system, processes, network etc. to keep future demand and growth in mind. Thus, in the aforesaid per unit comparison, though the current cost is already lower, but it will come down further in per unit terms as the demand of the area increases. In-fact, at present, despite being competitive in O & M cost, the volume of the Petitioner is much lesser as compared to other Discoms in the comparison.

4.6.6 **Capitalization of Employee Cost:**

a) The Petitioner submitted that it has estimated to capitalize an amount of Rs. 10.32 Cr out of the total employee cost of Rs. 56.86 Cr to be incurred during FY 2019-20, as per past practice duly approved by the Commission. In brief, for the purpose of capitalization of employee costs, the Petitioner at the time of execution of project, records actual man hours spent by each engineer/ executive into the system / SAP Software. These hours are then matched with the cost per hour of that employee by the software itself and actual employee cost so incurred, is capitalized along with the specific project. It is pertinent to mention that the entire process of its project/financial accounting is through SAP, and there is least manual intervention in computation of expenses to be capitalized.

b) These man-hours and cost is duly verified by the Statutory Auditors of the Petitioner in detail and is approved by the Board of Directors of the Petitioner subsequently.

c) On the basis of the aforesaid policy, approved and followed consistently over the years, the Petitioner submitted to the Commission to approve the capitalization of employee cost at Rs. 10.32 Cr during FY 2019-20.

d) The Petitioner requested the Commission to approve the net O & M expenses excluding GST component at Rs. 111.14 Cr for FY 2019-20 as estimated subject to truing up in future.

Commission's Analysis:

4.6.7 With regards to O&M Expenses, the Commission noticed that the Petitioner has estimated employee expenses capitalized as Rs. 10.32 Crore for FY 2019-20. The Commission asked the basis for such estimation. In this regard, the Petitioner submitted that for the purpose of computing the manpower cost incurred for execution of the projects has been following a very scientific approach wherein at the time of execution of projects, actual man hours spent by each engineer / executive are recorded into the system. These hours are then matched with the cost per hour of that employee and actual employee cost so incurred, is capitalized along with the project. It is pertinent to mention that the entire process of its project/financial accounting is through SAP, and there is least manual intervention in computation of expenses to be capitalized. These man-hours and cost are duly verified by the statutory auditors of the Petitioner in detail and is approved by the Board of directors of the Petitioner subsequently. The Petitioner has been following the aforesaid policy consistently for capitalization of employee expenses which has since been approved by the Commission in its various Tariff Order. Based on above policy, estimated projects and man-hour involved in these projects, it has estimated to capitalize an amount of Rs. 10.32 Crore during FY 2019-20.

4.6.8 The Commission vide Tariff Order dated September 3, 2019 had approved O&M expenses for FY 2019-20. The Commission has observed that the revised net O&M expenses submitted by the Petitioner is higher than that approved by the Commission vide Tariff Order dated September 3, 2019. The Commission also observes that there is a huge gap between the same.

4.6.9 The Commission sought the detailed computation of each component of O&M Expenses based on normative parameters which the Petitioner has duly submitted.

4.6.10 The Commission will carry out the detailed analysis of O&M expenses for FY 2019-20 at the time of truing up, subject to prudence check by the Commission.

4.7 EXPENSES INCURRED DUE TO CHANGE IN LAW- GST

4.7.1 The Petitioner submitted that the Central Government has made new Goods & Service Tax (GST) effective from 1st July, 2017 which covers almost all goods and service within its ambit. The new GST has stipulated tax rate of 18% and 28% for most of the goods and services as against Service Tax of 15% and VAT of 14.5%. Apart from above it has also brought in new service under Reverse Charge Mechanism which leads to higher indirect tax burden on service users such as the Petitioner.

4.7.2 In respect of above, Regulation 25 (d) and Regulation 9.1 of the MYT Regulation, 2014 is reproduced below:

> *" 25*
>
> *.....*
>
> *(d) The expenses beyond the control of the Distribution Licensee such as dearness allowance, terminal benefits etc. in Employee cost etc., shall be excluded from the norms in the trajectory.*
>
> *..... "*

" 9.1. The "uncontrollable factors" shall comprise of the following factors which were beyond the control of, and could not be mitigated by the applicant:

a. Force Majeure events, such as acts of war, fire, natural calamities, etc.

b. Change in law;

c. Taxes and Duties;

….. "

4.7.3 The Petitioner submitted that from the above Regulation it is evident that Change in Law and introduction of new taxes such as GST shall be excluded from the normative expenses and accordingly need to be considered separately in addition to normal O&M expenses in determination of the ARR of the distribution licensee.

4.7.4 The Petitioner submitted that it got the impact analysis of the GST done from M/s Lakshmi Kumaran & Sridharan, Attorney which summarized and brought forth the impact of GST Act as well as rules, notifications, etc., made thereunder, on the distribution of electricity done by the Petitioner, with emphasis on cost of various expenses incurred by the Petitioner pre and post implementation of GST. This Report provided an insight into the indirect taxation system of the country post GST and contained an analysis of the cost increase/decrease to Petitioner after the implementation of GST. Based on this report, the Commission in its Tariff Order dated 3rd September, 2019 approved average incremental rate of GST as 5.88% while approving the True-up of ARR for FY 2017-18.

4.7.5 Accordingly, considering, the approved incremental rate of GST at 5.88%, the net impact of GST for FY 2019-20 would be computed is shown in the table below:

Table 4-13: Impact of GST (FY 2019-20) (Rs. Crore)

S. No.	GST Item	Reference	APR Petition
1	Repair & Maintenance Expenses including GST	a	50.48
2	Administrative and General Expenses including GST	b	14.12
3	Net expenses affected by GST	c=a+b	64.60
4	Approved incremental rate of GST	d	5.88%
5	**Net impact of GST**	**e=c x d**	**3.78**

4.7.6 The Petitioner requested the Commission to approve such additional GST Expenses on account of the above change in GST in full, over and above the O & M expenses as claimed by the Petitioner.

4.7.7 Apart from above, the CBEC vide Circular No. 34/8/2018-GST dated 1st March'18 has clarified that the services as stated below when provided by DISCOMS to consumer are taxable.

a) Application fee for releasing connection of electricity
b) Rental Charges against metering equipment
c) Charges for duplicate bill
d) Testing fee for meter/transformer, capacitors etc.
e) Labour charges from customer for shifting of service lines

4.7.8 Consequently, Directorate General of GST Intelligence (DGGSTI), New Delhi issued a summon u/s 70 of CGST Act on 29th May'18, requesting the Petitioner to produce information on the amounts collected by the Petitioner from 1st July, 2017 to 30th April, 2018 towards abovementioned five services or any other charges collected from the customers over and above the electricity charges for the period.

4.7.9 The Petitioner submitted that it filed the detailed reply in response to summon and also filed a writ petition before Hon'ble Allahabad High Court on 24th July'18 and challenged above Circular issued by Department of Revenue and summon issued by DGGSTI. Since, the matter before Hon'ble Allahabad High Court is still pending, the Petitioner in the meantime has filed an intervention petition on 13th November, 2019 in respect of the same matter already pending before the Hon'ble Supreme Court in the case of Torrent Power Ltd. wherein the Department has filed an appeal against the judgement of Hon'ble Gujrat High Court being given in favour of Torrent Power Ltd.

4.7.10 Further taking abundant precaution and without prejudice to the Petitioner's rights and contentions with respect to above writ and intervention petitions, the Petitioner has started to levy GST on above services from October, 2018 onwards.

4.7.11 Therefore, depending on the outcome of the above-mentioned writ and intervention petitions, the Petitioner in future may become liable to pay GST on above services in respect of the duration when GST was not levied on such service.

4.7.12 However, pending final adjudication of the matter, the amount payable cannot be ascertained at this stage, therefore, the Petitioner has not claimed the same in this APR Petition and it shall claim so on actual basis at an appropriate time.

Commission's Analysis:

4.7.13 The Commission observed that the Petitioner has considered the net impact of GST of Rs. 3.78 Crore. The Commission will carry out the detailed analysis of these expenses for FY 2019-20 at the time of Truing-Up.

4.8 CAPITAL EXPENDITURE

4.8.1 The Petitioner submitted that in its APR Petition no. 1349/2018 dated 20th July, 2018 for FY 2017-18 had revised the estimate for Capital Expenditure for FY 2019-20 due to changes in Network Planning owing to various factors like consumer demand, GNIDA planning and other factors beyond its reasonable control. The Commission vide its Tariff Order dated 3rd September, 2019 approved such revised Capital Expenditure for FY 2019-20. The Petitioner estimated the capital expenditure for FY 2019-20 as shown in the Table below:

Table 4-14: Capital expenditure as estimated by the Petitioner for FY 2019-20 (Rs. Crore)

Particulars	FY 2019-20	
Scheme wise	**Investment**	**Capitalisation**
New Connection	18.89	18.89
Replacement Stock	4.46	4.46
Metering	0.73	0.73
33/11 kV Substation	72.94	72.94
33 kV Network Development	12.23	12.23
11 kV Network Development	18.23	18.23
LT Network Development	14.63	14.63
Network at Villages	6.16	6.16
Network Renovation	2.28	2.28
Process System Automation	7.44	7.44
Civil Works & Office Infrastructure Facility	15.65	15.65
IT Projects	7.05	7.05
Tools & Testing Equipment and Vehicles	1.98	1.98
Demand Side Management	-	-
Land	25.99	25.99
Misc/Contingent Works	-	-
Interest / Expense Capitalisation	-	-
Salary Capitalisation	-	-
CWIP Movement	(35.96)	
Total including Interest and Employee Cost capitalised (A)	**172.70**	**208.66**
Employee Cost Capitalised (B)	9.00	9.00

Particulars	FY 2019-20	
Scheme wise	Investment	Capitalisation
Interest Expenses Capitalised (C)	-	-
Total (D= A - B - C)	**163.70**	**199.66**
Asset not belonging to Discoms (E)		**-**
Total (F= D+E)	**163.70**	**199.66**

4.8.2 Since, there is no significant change in the network planning after the Capital Expenditure approved by the Commission vide its Tariff Order dated September 3, 2019 the Petitioner submitted that it has considered Capital Expenditure at the same values for APR of FY 2019-20 except impact of salary capitalization and Closing Work in Progress as explained in following paragraphs.

4.8.3 The Petitioner, in its MYT Petition no. 1145 of 2016 and 1146 of 2016 for the control period from FY 2017-18 to FY 2019-20, had sought approval of the Commission for below mentioned augmentation works for efficient and reliable power supply to the consumers of Greater Noida:

a) Construction of 220 kV LILO connecting 400 kV Substations at Pali, Greater Noida and Sector-148 to 220/132/33kV RC Green substation for enhancement of upstream capacity & reliability to evacuate upto 400 MW power of R C Green Substation.

b) Cost of addition of 5 nos. 33kV bays (GIS) at 400 kV Substation at Sector-148, Noida under ETD-1 for the purpose of distribution of electricity in Greater Noida area;

4.8.4 Accordingly, as demanded by UPPTCL, the Petitioner paid Rs. 19.12 Cr for construction of 220kV LILO lines during FY 2017-18 under deposit scheme. Since the work was under progress even as on 31st March, 2019, the Petitioner included the above amount in CWIP of FY 2017-18 as well as closing CWIP of FY 2018-19.

4.8.5 Further, the Commission vide its Tariff Order dated 3rd September, 2019 has disallowed the CWIP of Rs. 19.12 Cr while truing-up the ARR for FY 2017-18 on the sole premise that the aforementioned cost was towards the construction of 220 kV RC Green Substation and its associated 220kV lines subject to the final decision of the Hon'ble Appellate Tribunal in the Appeal filed by the Petitioner which is still under sub-judice.

4.8.6 The relevant extract of the aforementioned Order dated 3rd September, 2019 is reproduced herein below for reference:

"3.8.17 The Commission observed that the Petitioner has claimed Rs.19.12 Cr for construction of 220KV sub-station at RC Green and associated 220 kV line to NPCL which is against the Commission's aforesaid decision. Since the work is yet to be completed by UPPTCL, the same has been included in closing CWIP of FY 2017-18 by the Petitioner.

"3.8.18 Although, the mater is sub-judice in APTEL, the Commission finds its appropriate to disallow this amount from the closing CWIP subject to final decision of APTEL in this matter. The Petitioner is directed to apprise the Commission about the matter during True-Up of FY 2018-19."

4.8.7 In this respect the Petitioner submitted that it has paid the abovementioned amount of Rs. 19.12 Cr to UPPTCL for the purpose of **"**Construction of 220 kV LILO connecting 400 kV Substations at Pali, Greater Noida and Sector-148 (changed from earlier Sector-129) to 220/132/33kV RC Green substation for enhancement of upstream capacity & reliability to evacuate upto 400 MW power of R C Green Substation" as against " construction of 220 kV sub-station at RC Green and associated 220 kV line to NPCL" being inadvertently considered by the Commission.

4.8.8 Therefore, the Petitioner has filed a Review Petition no. 1512/2019 on 3rd October, 2019 before the Commission for rectification of ex-facie error apparent in its Tariff Order dated 3rd September, 2019 which has since been admitted vide order dated 2nd December, 2019.

4.8.9 The aforesaid review Petition is yet to be decided and therefore, the Petitioner in line with its submissions in the aforesaid review petition, has considered the above mentioned CWIP of Rs. 19.12 Cr as forming part of the Capital Expenditure for FY 2017-18 for the purpose of preparation of this APR Petition. Accordingly, the Petitioner has considered the impact of such CWIP on the opening balances of Normative Term Loan, Equity Base and Regulatory Asset etc. for FY 2019-20.

4.8.10 Apart from the above, during FY 2018-19, as demanded by UPPTCL, the Petitioner has paid Rs. 20.11 Cr towards the cost of 5 nos. 33kV bays (GIS) at 400 kV Substation at Sector-148, Noida under ETD-1 for the purpose of distribution of electricity in Greater Noida area under deposit scheme.

4.8.11 As per Regulation 21.1 of the MYT Regulations, 2014, the capital expenditure is required to be funded in the Debt-Equity ratio of 70:30. Accordingly, based on capex for FY 2019-20, the details of the funding of the aforesaid capital expenditure of Rs. 208.66 Cr is given in the Table below:

Table 4-15: Capital Expenditure Funding as submitted by the Petitioner for FY 2019-20 (Rs. Crore)

Particulars	Approved in T.O 03/09/2019	APR Petition
Total Additions to Assets (excluding interest capitalisation)	190.50	208.66
Add: Closing CWIP	0.00	22.92
Less: Opening CWIP	18.30	58.88
Less: Asset retired		7.87
Total Capex (excluding interest capitalisation)	**172.20**	**164.82**
Add: Interest Capitalisation	4.22	0.00
Total Capex	**176.41**	**164.82**
Consumer Contribution	23.92	24.65
Net Capex	**152.49**	**140.18**
Debt @ 70%	106.74	98.12
Equity @ 30%	45.75	42.05

Commission's Analysis:

4.8.12 The Commission has observed that the Net capex estimated by the Petitioner for FY 2019-20 is Rs. 140.18 Crore as against Rs. 152.49 Crore approved by the Commission in its Order dated September 03, 2019.

4.8.13 The Commission sought the detailed project / scheme wise breakup of work with the details of Work Order issued and the status of work completed. The Petitioner submitted that based on the current situation due to outbreak of COVID-19, it has revised its capex plan for FY 2020-21 to Rs. 195.20 Cr from the earlier Rs. 220 Cr. The scheme wise break-up of the same has been submitted in the MYT Formats Form- F19B. Further, the actual project wise break-up dependent on various factors like availability of land, manpower, equipment, consumer demand etc. will be submitted in the form of Fixed Asset Register at the time of filing True-up petition for FY 2019-20.

4.8.14 Since the work is under progress as on date of filing of this Petition, the aforesaid amount of Rs. 19.12 Cr and Rs. 20.11 Cr (revised to Rs. 20.48 Crore by the Petitioner in its later submission) has been included in the closing CWIP of FY 2018-19 and FY 2019-20. The Commission sought the query for the details for the same. In this the Petitioner submitted that:

"The Petitioner, in its MYT Petition no. 1145 of 2016 and 1146 of 2016 for the control period from FY 2017-18 to FY 2019-20, had sought approval of the Commission for below mentioned augmentation works for efficient and reliable power supply to the consumers of Greater Noida:

a) Construction of 220 kV LILO connecting 400 kV Substations at Pali, Greater Noida and Sector-148 to 220/132/33kV RC Green substation for enhancement of upstream capacity & reliability to evacuate upto 400 MW power of R C Green Substation

b) Cost of addition of 5 nos. 33kV bays (GIS) at 400 kV Substation at Sector-148, Noida under ETD-1 for the purpose of distribution of electricity in Greater Noida area;"

4.8.15 Accordingly, as demanded by UPPTCL, the Company paid Rs. 19.12 Cr for construction of 220kV LILO lines during FY 2017-18 under deposit scheme. Since the work was under progress on 31st March, 2019, the Company included the above amount in the closing balance of CWIP for FY 2017-18 as well as FY 2018-19.

4.8.16 With regard to the expenditure of Rs. 20.11 Cr (revised to Rs. 20.48 Crore by the Petitioner in its later submission), it is submitted that as demanded by UPPTCL, the Company has paid the said amount of Rs. 20.11 Cr (revised to Rs. 20.48 Crore by the Petitioner in its later submission) towards the cost of 5 nos. 33kV bays (GIS) at 400 kV Substation at Sector-148, Noida under ETD-1 for the purpose of distribution of electricity in Greater Noida area under deposit scheme and the same has been capitalised in the books of account of the Company in FY 2019-20 being the owner of the said asset.

4.8.17 The Petitioner further submitted the details of capex during FY 2019-20 as shown in the Table below:

Table 4-16: Details of Capex during FY 2019-20 as submitted by the Petitioner (Rs. Crore)

Sl. No.	Substation Detail	Cost (Rs. Crore)
1	Construction of 33/11KV KP-5 S/s.	5.16
2	Construction of 33/11KV XU-3 S/s.	5.66
3	Construction of 33/11KV Omega-1 S/s.	7.72

Sl. No.	Substation Detail	Cost (Rs. Crore)
4	Augmentation of 33/11KV Chi-IV S/s.	1.21
5	Augmentation of 33/11KV ESS-10 KP-5 S/s.	1.13
6	Augmentation of 33/11KV ESS-2 KP-5 S/s.	1.15
7	Augmentation of 33/11KV Delta - 2 S/s.	1.1
8	Augmentation of 33/11KV Delta - 3 S/s.	1.62
9	Augmentation of 33/11KV Hathewa S/s.	1.2
10	Augmentation of 33/11KV IT City S/s.	1.15
11	Augmentation of 33/11KV Zeta-1 S/s.	1.22
12	Construction of 33KV SMART Switching Station at KP-2	2.28
13	Construction of 33KV SMART Switching Station at KP-3	2.29
14	Other ancillary works	0.42
15	Cost of 5 nos. 33 kV bays at 220/33 kV Substation at Sec-148, Noida paid to UPPTCL	20.48
16	Construction of LILO from 220kV Substation Sec-148 Noida to 220 kV RC Green Substation paid to UPPTCL through GNIDA	14.59
17	Cost of 2 nos. 220kV bays at RC Green Substation paid to UPPTCL through GNIDA	4.53
	Total	**72.94**

4.8.18 The Commission has in the True Up chapter of this Order has observed that the Distribution Licensee cannot own, operate 132 kV and above assets. The Commission has removed the cost of 5 no. of 33 kV bays at 220 /33 kV Substation at Sec-148, Noida paid to UPPTCL of Rs. 20.48 Crore and Rs. 19.12 Crore for 132kV and above assets from the capitalisation of FY 2019-20. Also, the Petitioner estimated the details of CWIP for FY 2019-20 in which Rs. 1.28 Crore was kept for *Consultancy Service for preparation of DPR and Tender Document for construction of 220KV Substation and Associated 220kV Lines at BZP and KP5, Greater Noida*. The same should also be removed from the closing CWIP of FY 2019-20. The detailed analysis of capital investment for FY 2019-20 would be carried out during True-Up process subject to prudence check by the Commission. The details of CWIP for FY 2019-20 is shown in the Table below:

Table 4-17: Details of CWIP for FY 2019-20

S. No.	Particular	Reference	Computed (Rs. Crore)
1	Opening CWIP	A	18.00
2	Closing CWIP claimed by the Petitioner	B	22.92
3	CWIP claimed for *Consultancy Service for preparation of DPR and Tender Document for construction of 220KV*	C	1.28

S. No.	Particular	Reference	Computed (Rs. Crore)
	Substation and Associated 220kV Lines at BZP and KP5, Greater Noida		
6	Closing CWIP considered for FY 2019-20	D=B-C	21.64

4.8.19 The Commission will carry out the detailed analysis of these expenses for FY 2019-20 at the time of Truing-Up.

4.9 INTEREST & FINANCE CHARGE

4.9.1 Interest and Finance Charges covers the following cost elements

- Interest on Long Term Loans
- Interest on Working Capital
- Interest on Security Deposits
- Carrying Cost of Regulatory Asset

4.10 INTEREST ON LONG TERM LOANS

4.10.1 The Petitioner submitted that the Commission in its Tariff Order dated 3rd September, 2019 has approved the interest on term loan at Rs. 51.97 Cr based on additional debt requirement of Rs. 86.34 Cr for FY 2019-20.

4.10.2 Based on capital expenditure of Rs. 164.82 Cr and consumer contribution of Rs. 24.65 Cr. and stipulated debt equity of 70:30, normative debt worked out to Rs. 98.12 Cr. for FY 2019-20. Based on the Capex and Debt arrangement, the summary of Interest on Term Loan (normative) for the purpose of funding the capital expenditure for FY 2019-20 is given in the table below:

Table 4-18: Computation of Interest on Term Loan as submitted by the Petitioner for FY 2019-20 (Rs. Crore)

Sl. No.	Particular	Ref.	Approved in T.O dated September 03, 2019	APR Petition
1	Gross Normative loan – Opening	a	924.59	910.91
2	Cumulative repayment of Normative Loan upto previous year	b	428.26	437.37
3	**Net Normative loan – Opening**	**c=a-b**	**496.34**	**473.54**
4	Increase/Decrease due to ACE during the Year	d	86.34	98.12
5	Repayments of Normative Loan during the year	e	64.99	60.21

Sl. No.	Particular	Ref.	Approved in T.O dated September 03, 2019	APR Petition
6	**Net Normative loan – Closing**	**f=c+d-e**	**517.68**	**511.45**
7	Average Normative Loan*	g=(c+f)/2	507.01	492.50
8	Weighted average Rate of Interest on actual Loans	h	10.25%	9.91%
9	**Interest on Normative loan**	**i=g x h**	**51.97**	**48.82**

4.10.3 The Petitioner submitted that the opening balances of normative loans are the closing balances of Term Loans as considered in True-up petition for FY 2018-19 being submitted along-with this Annual Performance Review petition and impact of CWIP of Rs. 19.12 Cr as discussed above, while and repayments have been considered as equivalent to the depreciation in accordance with Regulation 27(e) of the MYT Regulation, 2014.

4.10.4 Further, Regulation 27 (g) of MYT Regulations, 2014 provides as follows:

> *"27 g) The rate of interest shall be the weighted average rate of interest calculated on the basis of actual loan portfolio at the beginning of each year of the transition / control period, in accordance with terms and conditions of relevant loan agreements, or bonds or non-convertible debentures:*
>
> ***Provided that if no actual loan is outstanding but normative loan is still outstanding, the last available weighted average rate of interest shall be applicable."***

4.10.5 The Petitioner submitted that since it does not have Term Loan outstanding as on date of filing this APR Petition, therefore in accordance with above regulation, the weighted average interest for FY 2017-18 has been considered for determination of normative interest on term loan for FY 2019-20.

4.10.6 Accordingly, the Petitioner has submitted that total interest on Term Loan based on latest estimate comes at Rs. 48.82 Cr, which is submitted for the approval of the Commission.

Commission's Analysis:

4.10.7 The Commission has observed that the Petitioner has considered the last available weighted average interest rate as approved by the Commission in the True Up for FY 2017-18 in the Tariff Order dated September 3, 2019.

4.10.8 The analysis of the Interest on Loan for FY 2019-20 would be carried out during Truing Up.

4.11 INTEREST ON WORKING CAPITAL

4.11.1 The Petitioner submitted that as per MYT Regulations, 2014, the interest on Working Capital requirement is allowed on the basis of one month's O&M expenses, 60 days of Revenue after netting off Security Deposit received from the Consumers and 40% of the R&M Expenses for two months.

4.11.2 The Petitioner submitted that the Commission in its Tariff Order dated 3rd September, 2019 has considered SBI-PLR prevailing on the date of Tariff Order viz. 13.80% p.a. for the purpose of allowing Interest on Working Capital. However, as on date of preparation of the APR Petition, the prevailing SBI PLR is 13.58% and the same has been considered for the purpose of APR of FY 2019-20.

4.11.3 Accordingly, the computation of interest on working capital for FY 2019-20 in accordance with Regulation 28 of MYT Regulations, 2014 is shown in the Table below:

Table 4-19: Interest on Working Capital as submitted by the Petitioner for FY 2019-20 (Rs. Crore)

Particulars	Approved in the T.O dated September 03, 2019	APR Petition
O&M expenses for 1 month	7.30	9.26
Two months equivalent of expected revenue	282.14	297.81
Maintenance spares @ 40% of R&M expenses for two month	3.27	3.37
Gross Total	**292.71**	**310.44**
Total Security Deposits by the Consumers reduced by Security Deposits under section 47(1)(b) of the Electricity Act 2003		
Opening Balance	**253.47**	**255.81**
Received during the year (Net of Refunds)	30.00	4.30
Closing Balance	**283.47**	**260.11**
Average Security Deposit	**268.47**	**257.96**
Less: Security Deposit with UPPCL	11.28	11.28
Total Security Deposits by the Consumers reduced by Security Deposits under section 47(1)(b) of the Electricity Act 2003	**257.19**	**246.68**
Net Working Capital	**35.52**	**63.76**
Rate of Interest for Working Capital (SBI - PLR)	13.80%	13.58%

Particulars	Approved in the T.O dated September 03, 2019	APR Petition
Interest on Total Working Capital	**4.90**	**8.66**

4.11.4 The Petitioner submitted that as per the practice followed by the Commission in its various Tariff Orders, latest being dated 3rd September, 2019, the security deposit of Rs. 11.28 Cr passed on to UPPCL till FY 2005-06 in accordance with past arrangement, has been deducted from the total Security Deposit available with the Petitioner while computing working capital requirement as the same are not available at the disposal of the Petitioner for meeting its working capital requirements.

4.11.5 The Petitioner submitted that the above Table does not include the amount of Rs. 10.00 Cr. paid to UPPCL based on the Orders of Commission and Hon’ble Allahabad High Court in FY 2006-07 in the matter of providing 10 MVA additional supply of power by UPPCL which is pending before the Hon’ble Supreme Court of India.

Commission’s Analysis:

4.11.6 The Commission has observed that the interest on working capital as shown by the Petitioner is higher than that approved by the Commission vide Tariff Order dated September 3, 2019.

4.11.7 The analysis of the Interest on Working Capital for FY 2019-20 would be carried out during Truing-Up.

4.12 INTEREST ON CONSUMER SECURITY DEPOSIT

4.12.1 Regulation 21 of the MYT Regulation, 2014 provides that that the licensee shall pay interest equivalent to the bank rate or more on the consumer security deposits, as may be specified by the Commission. The Commission vide its Tariff Order dated 3rd September, 2019 has approved the Interest on Security Deposit @ 6.50% p.a. Accordingly, based on the RBI’s Bank Rate prevailing on the 1st April, 2019 i.e. 6.50% p.a. as also approved by the Commission, the interest payable on security deposit from consumers during FY 2019-20 is shown in the Table below:

Table 4-20: Interest on Security Deposit as submitted by the Petitioner for FY 2019-20 (Rs. Crore)

Particulars	Ref.	Approved vide T.O dated September 03, 2019	APR Petition
Opening Balance of Security Deposit	a	253.47	255.81

Particulars	Ref.	Approved vide T.O dated September 03, 2019	APR Petition
Addition During the year net of refund	b	30.00	4.30
Closing Balance of Security Deposit	c=a+b	283.47	260.11
Average Balance of Security Deposit	**d=(a+c)/2**	**268.47**	**257.96**
Rate of Interest	e	6.50%	6.50%
Interest payable on Security Deposit	**f=dxe**	**17.45**	**16.77**

4.12.2 Since, the interest on security deposit has been determined in accordance with MYT Regulations, 2014 it is requested that the estimated expense of Rs. 16.77 Crore be considered in review of ARR for FY 2019-20.

Commission's Analysis:

4.12.3 The Commission has observed that the Petitioner has considered the RBI's Bank Rate of 6.50% per annum., for computation of rate of interest payable on security deposit from consumers during FY 2019-20.

4.12.4 The Commission has observed that the revised interest on security deposits as shown by the Petitioner is lower than that approved by the Commission vide Tariff Order dated September 3, 2019 for FY 2019-20.

4.12.5 The analysis of the Interest on Security Deposit for FY 2019-20 would be carried out during Truing-Up.

4.13 FINANCE CHARGES

4.13.1 The Petitioner submitted that it has to incur various finance charges for availing of financial products and services for the purpose of meeting its financial and other business needs. These charges are genuine business expenditure and has been explained in details as under:

(i) **Loan Processing Charges:** The Petitioner submitted that it has negotiated a number of facilities in preceding years and also estimated the requirement for ensuing year. During, FY 2019-20, it submitted that it has incurred expenses on renewal of the existing Working Capital Facilities including LC facilities for payment security of Power Purchase Agreements in accordance with their respective terms of agreement and issuance Commercial Paper to facilitate short-term funding of regulatory asset and working capital requirement.

4.13.2 Apart from the above the Petitioner submitted that it has to incur other financing and ancillary charges which have been elaborated in detail in the subsequent paragraphs:

a) **Credit Rating Charges:** Credit rating of banking (Fund / Non-Fund based) facilities has become imperative under the Basel II Norms. As per these norms, unrated facilities will be financed at least 4.50% higher as per credit adequacy requirements in comparison with rated facilities. In order to comply with the above requirement of RBI and also to save additional 4.50% p.a. interest cost, the Petitioner has been getting its credit rating from India Rating & Research (P) Limited.

b) **Collection facilitation charges:** Continuing its efforts to provide maximum possible facilities to the consumers, the Petitioner submitted that it has started various new initiatives for enabling consumers to make payment via Internet, Payment – kiosks, retail counters at their nearby grocery shop, through NEFT / RTGS etc. Commission has also vide its Order dated 29th May, 2015 directed the Petitioner to provide more avenues to the consumers for payment of electricity dues through Online Mode and has also directed it to bear charges for such service upto an amount of Rs. 4,000/- per transaction. Provisions of these facilities require some expenditure which has been included in Collection Facilitation Charges. Apart from being cost of new initiative these charges are directly related to revenue and with increase in tariff and revenue, there is an increase in these charges.

c) **Other Finance Charges:** There are other bank charges as well like loan documentation charges, LC Issue Charges, banking charges and other miscellaneous charges etc. It is pertinent to mention here that the Ministry of Power vide its order no. 23/22//2019-R&R dated 28th June, 2019 mandated every Distribution Licensee to open a letter of credit for desired quantum of power in favour of the Generating Company. The relevant extract of the order is reproduced below for reference of the Commission.

" i. In accordance with Section 28 (3) (a) the NRLDC & RLDC shall despatch power only after it is intimated by the Generating Company and /Distribution

Companies that a Letter of Credit for the desired quantum of power has been opened and copies made available to the concerned Generating Company."

4.13.3 The Petitioner submitted that it will have to incur additional expenses to issue Letter of Credit in favour of Generating Companies.

4.13.4 The Petitioner submitted that it has estimated such expense to be incurred during FY 2019-20 for such charges which is submitted for approval of Commission.

4.13.5 Therefore, based on above the Petitioner requested the Commission to approve the Finance Charges for FY 2019-20 as summarized in the Table below:-

Table 4-21: Finance Charges submitted by the Petitioner for FY 2019-20 (Rs. Crore)

Sl. No.	Financing Activity	Approved vide T.O dated September 03, 2019	APR Petition
1	Processing Fee	1.30	
2	Credit Rating Charges	0.07	
3	Collection Facilitation Charges	0.75	
4	SBLC & Other Finance Charges	0.08	
	Total	**2.20**	**1.74**

Commission's Analysis

4.13.6 The Commission sought the breakup of Finance Charges of Rs. 1.74 Crore as claimed by the Petitioner for the APR of FY 2019-20. In this regard the Petitioner submitted the detailed breakup of Finance Charges as shown in the Table below:

Table 4-22: Details of Finance charges as submitted by the Petitioner (Rs. Crore)

Sl. No.	Particulars	Cost (Rs. Crore)
1	Processing Fee on Fund and Non Fund based working capital facilities	0.78
2	Credit Rating Charges	0.07
3	Collection Facilitation Charges on digital payments in accordance with the directions of the Hon'ble Commission	0.81
4	SBLC & Other Finance Charges	0.09
	Total	**1.74**

4.13.7 The Commission has observed that the revised total Finance Charges for FY 2019-20 are Lower than that approved by the Commission vide Tariff Order dated September 3, 2019 for FY 2019-20.

4.13.8 The analysis of Finance charges for FY 2019-20 would be carried out during Truing-Up.

4.14 TOTAL INTEREST AND FINANCE COST

4.14.1 As discussed above, the details of total interest and finance charges estimated for FY 2019-20 is given in the Table below:

Table 4-23: Total Interest and Finance charges as submitted for FY 2019-20 (Rs. Crore)

Sl. No.	Description	Approved vide T.O dated September 03, 2019	APR Petition
1	Interest on Long term loans	51.97	48.82
2	Interest on working capital	4.90	8.66
3	Interest on security deposit	17.45	16.76
4	Finance Charges	2.20	1.74
5	**Subtotal**	**76.52**	**75.99**
6	**Less: Interest Capitalisation**	**4.22**	**-**
7	**Total Interest & Finance Charges**	**72.30**	**75.99**

Commission's Analysis:

4.14.2 The Commission has observed that the revised total Interest and finance cost for FY 2019-20 are significantly higher than that approved by the Commission vide Tariff Order dated September 3, 2019 for FY 2019-20.

4.14.3 The analysis of Interest and Finance charges for FY 2019-20 would be carried out during Truing-Up.

4.15 GROSS FIXED ASSETS (GFA) AND DEPRECIATION

4.15.1 The Petitioner submitted that the computation of GFA for FY 2019-20 which is shown in the Table below:

Table 4-24: Gross Fixed Assets as submitted by the Petitioner for FY 2019-20 (Rs. Crore)

Sl. No.	Description	Approved vide T.O dated September 03, 2019	APR Petition
1	Opening Balance	1,525.98	1,479.40
2	Addition during the Year	194.71	208.66
3	Retirement during the Year	5.15	7.87

Sl. No.	Description	Approved vide T.O dated September 03, 2019	APR Petition
4	**Closing Balance**	**1,715.54**	**1,680.19**
* Excluding assets taken over from GNIDA & UPSIDC			

4.15.2 The Petitioner submitted that the above additions to the GFA does not include the assets handed over by GNIDA & UPSIDC for distribution of electricity to its consumers and maintenance thereof.

4.15.3 Further, Depreciation on plants, equipment and installations has been computed under separate categories voltage-wise in accordance with the rates prescribed under the MYT Distribution Tariff Regulations, 2014. Further, depreciation for FY 2019-20 has been computed as per the methodology followed by the Commission in its latest Tariff Order dated 3rd September, 2019.

4.15.4 The Petitioner submitted that it is pertinent to mention here that the Commission in its Tariff Order dated 3rd September, 2019 while determining depreciation for truing up of ARR for FY 2017-18 has not considered any depreciation/amortization of land presumably considering the same as freehold land. However, since the Petitioner has acquired lands from GNIDA on leasehold basis, the same need to be amortized over the respective lease period of the leasehold land. Therefore, the Petitioner has considered amortization of leasehold land while determining depreciation for the purpose of APR for FY 2019-20.

4.15.5 The summary of Depreciation as submitted by the Petitioner for FY 2019-20 is shown in the table below:

Table 4-25: Depreciation as submitted by the Petitioner for FY 2019-20 (Rs. Crore)

Sl. No.	Particular	Approved vide T.O dated September 03, 2019	APR Petition
1	Depreciation on Gross Fixed Assets	75.23	72.94
2	Less: Depreciation on Consumer Contribution	10.23	12.72
3	**Net Depreciation**	**64.99**	**60.21**
4	Average GFA	1620.76	1579.79
5	Weighted Average Depreciation Rate	4.64%	4.62%

Commission's Analysis

4.15.6 The Commission has observed that the revised closing balance of GFA as shown by the Petitioner is lower than that approved by the Commission vide Tariff Order dated September 3, 2019 for FY 2019-20.

4.15.7 The Petitioner has submitted that Depreciation on plant, equipment and installations has been computed under separate voltage-wise categories in accordance with the rates prescribed under the Distribution MYT Regulations, 2014.

4.15.8 The analysis of Depreciation for FY 2019-20 would be carried out during Truing-Up.

4.16 MISCELLANEOUS EXPENSE

4.16.1 The Petitioner submitted that the Commission in its Tariff Order dated 3rd September, 2019, has approved Miscellaneous Expenditure viz. loss on sale of fixed assets at Rs. 1.55 Crore for FY 2019-20. The Petitioner has considered loss on sale / retirement of these Fixed Assets during FY 2019-20 as Rs. 1.82 Crore.

Commission's Analysis

4.16.2 The analysis of Miscellaneous Expenses for FY 2019-20 would be carried out during Truing-Up.

4.17 PROVISION FOR DOUBTFUL DEBTS

4.17.1 The Petitioner submitted that the Commission in its Tariff Order dated 3rd September, 2019 has allowed provision for bad debt of Rs. 25.44 Cr being 1.50% of the revenue which is within the norms of 2% specified in Regulation 29 of the MYT Regulations, 2014.

4.17.2 The estimate of the bad debts in accordance with the policy of the Petitioner for FY 2019-20 is as provided in Table Below: -

Table 4-26: Provision for Bad & Doubtful Debts as submitted by the Petitioner for FY 2019-20 (Rs. Crore)

Sl. No.	Description	Approved vide T.O dated September 03, 2019	APR Petition
1	**Provision for Bad & Doubtful debts**	**25.44**	**17.00**

Commission's Analysis

4.17.3 The Commission has observed that the revised Provision for Bad & Doubtful Debts as shown by the Petitioner is lower than that approved by the Commission vide Tariff Order dated September 3, 2019 for FY 2019-20.

4.17.4 The analysis of Provision of bad debts for FY 2019-20 would be carried out during Truing-Up.

4.18 INCOME TAX

4.18.1 The Petitioner submitted that Regulation 32 of MYT Regulations, 2014 provides for determination of Income Tax to be considered in ARR for Control period. The relevant extract of the regulation is reproduced below:-

*"32. **Income Tax***

a) Income Tax, if any, on the Licensed business of the Distribution Licensee shall be treated as expense and shall be recoverable from consumers through tariff. .....

b) The income tax actually payable or paid shall be included in the ARR. The actual assessment of income tax should take into account benefits of tax holiday, and the credit for carry forward losses applicable as per the provisions of the Income Tax Act 1961 shall be passed on to the consumers.

c) Tax on income, if any, liable to be paid shall be limited to tax on return on the equity component of capital employed. However any tax liability on incentives due to improved performance shall not be considered"

4.18.2 It is pertinent to mention here that Income Tax is computed on Profit before taxes which is computed by aggregating Return on equity and tax expense for the year. Accordingly, the tax liability for FY 2019-20 has been computed by grossing up aggregate of tax expense i.e. tax on Return on equity and tax expense for preceding years, at the current tax rate i.e. 25.17 % and profit before tax is computed to determine the tax on profit for the year.

4.18.3 Considering the above, the Petitioner requested the Commission to approve the income tax liability for FY 2019-20 as shown in Table below: -

Table 4-27: Income Tax as submitted by the Petitioner for FY 2019-20 (Rs. Crore)

Sl. No.	Particulars	Ref.	Approved vide T.O dated September 03, 2019	APR Petition
1	Return on Equity	a	67.71	65.93
2	Efficiency Gains (consumers share)	b	-	0.12
3	Taxable Return	c=a+b	67.71	66.05
4	Income Tax Rate	d	34.94%	25.17 %

Sl. No.	Particulars	Ref.	Approved vide T.O dated September 03, 2019	APR Petition
5	Total Tax Expense	e=c x d/(1-d)	36.37	22.21

Commission's Analysis

4.18.4 The Commission has observed that the revised Total Tax Expense as shown by the Petitioner is lower than that approved by the Commission vide Tariff Order dated September 3, 2019 for FY 2019-20.

4.18.5 The analysis of Income Tax for FY 2019-20 would be carried out during Truing-Up.

4.19 CONTINGENCY RESERVE

4.19.1 The Petitioner submitted that Regulation 30 of the MYT Regulations, 2014 provides for appropriation of Contingency Reserve upto 0.50% of opening GFA and the Petitioner accordingly had claimed contingency reserve in its MYT ARR Petition. However, the Commission vide its Tariff Order dated 3rd September, 2019 has not allowed the provision of contingency reserve to reduce extra burden on the consumers. However, it submitted that contingency reserve is created to meet the eventualities in the nature of major calamities, act of god etc. and thereby, causing huge loss to the network. In any case, the amount so allocated, can be used with prior permission of the Commission only. Therefore, the Petitioner has considered creation of contingency reserve for FY 2019-20 as per the MYT Tariff Regulations, 2014 as shown in Table below: -

Table 4-28: Contingency Reserve as submitted by the Petitioner for FY 2019-20 (Rs. Crore)

Sl. No.	Particulars	APR Petition
1	Contribution to Contingency Reserve	Nil

Commission's Analysis

4.19.2 The Commission has noted the same.

4.20 RETURN ON EQUITY

4.20.1 The Petitioner submitted that as per Regulation 31 of the MYT Regulations, 2014, return on equity shall be allowed @16% on the equity base determined in accordance with the MYT Regulations, 2014. Accordingly, the computation of equity base & Return on Equity for FY 2019-20 is given in Table below: -

Table 4-29: Computation of Return on Equity as submitted by the Petitioner for FY 2019-20 (Rs. Crore)

Sl. No.	Particulars	Ref.	Approved vide T.O dated September 03, 2019	APR Petition
1	Regulatory Equity Base at the beginning of the year	a	398.07	386.18
2	Asset Capitalized during the year	b	194.71	208.66
3	Equity portion of Assets Capitalised during the year	c	50.19	51.81
4	**Regulatory Equity Base at the end of the year**	**d=a+c**	**448.26**	**437.99**
5	Return on Opening Regulatory Equity Base @ 16%	e=ax16%	63.69	61.79
6	Return on Addition to Equity Base during the year @16%	f=cx16%/2	4.01	4.14
7	**Total Return on Equity**	**g=e+f**	**67.71**	**65.93**

Commission's Analysis:

4.20.2 The Commission has observed that the Computation on Return on Equity (RoE) as shown by the Petitioner is lower than that approved by the Commission vide Tariff Order dated September 3, 2019 for FY 2019-20. The analysis of return on equity for FY 2019-20 would be carried out during Truing-Up.

4.21 EFFICIENCY GAIN ON LOAN SWAPPING

4.21.1 In its continuous endeavour to minimize the cost of borrowing the Petitioner in preceding years renegotiated various loan facilities by swapping of these loan facilities with new facilities bearing lower cost. Such, swapping of loans resulted in accrual of saving in interest cost to be shared with its consumers.

4.21.2 The Petitioner has estimated the accrual of such efficiency gain while preparing MYT ARR Petition for Control Period and has submitted the details for the same and claimed part of the above efficiency gains in its MYT ARR petition, which has since been approved by the Commission in its tariff order dated 30th November, 2017, 22nd January, 2019 and 3rd September, 2019.

4.21.3 Accordingly, the Petitioner has considered the efficiency gains accrued on swapping of loans for FY 2019-20 as already approved by the Commission and shown in Table below:

Table 4-30: Efficiency Gain on Term Loan Swapping as submitted by the Petitioner for FY 2019-20 (Rs. Crore)

Sl. No.	Bank	Loan Amount	APR Petition
1	ICICI Bank (FY 17)	125	0.01
2	ICICI Bank (FY 17)	40	0.01
3	ICICI Bank (FY 17)	100	0.21
4	**Total**		**0.24**
5	**50% Efficiency Gain claimed**		**0.12**
6	**Approved vide T. O. dt. 3rd Sep-19**		**0.12**

Commission's Analysis:

4.21.4 The analysis of efficiency gains for FY 2019-20 would be carried out during Truing-Up.

4.22 NON-TARIFF INCOME

4.22.1 The Petitioner submitted that the non-tariff income includes income from statutory investments, miscellaneous receipts from consumers, delayed payment surcharge and various other non-tariff incomes generated by the Petitioner from other businesses. The details of such income estimated for FY 2019-20 is given in the Table below:

Table 4-31: Non-Tariff Income as submitted by the Petitioner for FY 2019-20 (Rs. Crore)

Sl. No.	Particulars	Approved vide T.O dated September 03, 2019	Estimated for FY 2019-20
1	Income from Investments other than Contingency reserves	3.47	0.13
2	Miscellaneous Receipts from consumers		1.41
3	Miscellaneous receipts		2.83
4	Delayed Payment Surcharge	5.25	4.96
5	**Total Non-Tariff Income**	**8.72**	**9.35**

4.22.2 The Petitioner submitted that Regulation 33 of the MYT Regulations, 2014 provides for deduction of expenditure incurred for generating/earning Non-tariff income may be reduced from such Income. The extract of the Regulation is provided below for reference of the Commission:

" 33 Non-Tariff Income

…

Provided further that any expenditure incurred for generating / earning Non-Tariff Income may be reduced from such income ”

4.22.3 Thus the expenditure incurred for generating /earning Non-tariff income such as cost of borrowing need to be reduced from such income, since these expenses are not included in determination of borrowing costs and tax expenses as components of ARR.

4.22.4 In this respect, it is pertinent to mention here that Delayed Payment Surcharge accrues when a consumer defaults in payment of bills as per due date being generally 15 days from the date of billing which happens to be 2-7 days after the meter reading date which is generally taken after 30 /31 days interval. Hence, the total number of days after which the delayed payment surcharge accrues is almost 55 days which is approximately the number of days for which a distribution licensee is compensated by interest on working capital as per Distribution Tariff Regulations 2006 i.e. 60 days. Thus, it can be concluded that DPS belongs to the period beyond normative period of 60 days for which interest on working capital is not provided in the Distribution Tariff Regulations. Thus, to appropriately compensate for the cost incurred for financing that deferred payment beyond the normative period, the Commission has been approving, in its various Tariff Orders issued from time to time since FY 2009-10 onwards, the cost of borrowing of such deferred receivables in the form of interest cost equivalent to the interest rate applicable for Interest on Working Capital.

4.22.5 Accordingly, based on the principles laid by the Commission in its various Tariff Orders, Delayed Payment Surcharge has been considered after reducing the cost of funds borrowed for the purpose of funding the deferred receivables which are subsequently recovered along with Delayed Payment Surcharge. Thus, the cost of borrowing in respect of Delayed Payment Surcharge for FY 2019-20 has been computed as given in Table below: -

Table 4-32: Cost of Borrowing for DPS as submitted by the Petitioner for FY 2019-20 (Rs. Crore)

Particulars	Approved vide T.O dated September 03, 2019	APR Petition
Cost of Borrowing for DPS	**3.02**	**2.81**

4.22.6 Accordingly, the non-tariff income has been considered after reducing the cost of borrowing of deferred payment beyond normative period of 60 days for the purpose of APR as summarized in Table below: -

Table 4-33: Net Non-Tariff Income as submitted by the Petitioner for FY 2019-20 (Rs. Crore)

Particulars	Reference	Approved vide T.O dated September 03, 2019	APR Petition
Non-Tariff Income including DPS	a	8.72	9.35
Less: Cost of Borrowing for DPS	b	(3.02)	(2.81)
Net Non-Tariff Income	**c=a-b**	**5.70**	**6.54**

Commission's Analysis

4.22.7 With regards to Non-Tariff Income, the Commission observed that the Petitioner has estimated Rs. 2.83 Crore as miscellaneous receipt. In this regard the Commission sought the basis of such estimation with the head wise detail of it. The Petitioner submitted the revised detail as shown in the Table below:

Table 4-34: Details of Miscellaneous receipt as submitted by the Petitioner for FY 2019-20

Sl. No.	Particulars	Amount (Rs. Cr.)
1	Liquidated Recovery Charges	0.54
2	Cash Discounts	0.59
3	Advertisement Charges	0.14
4	Consultancy Charges	1.21
	Sale of scrap materials	0.35
	Total	**2.83**

4.22.8 The Commission has observed that the total revised Non-Tariff Income as submitted by the Petitioner is higher than that approved by the Commission vide Tariff Order dated September 3, 2019.

4.22.9 The analysis of Non- Tariff Income for FY 2019-20 would be carried out during Truing-Up.

4.23 REVENUE FROM SALE OF ENERGY

4.23.1 The Petitioner has submitted that during FY 2019-20, it has recorded sales of 2080.65 MU reflecting growth of 11.60% over FY 2018-19. Similarly, the billed revenue excluding Regulatory Surcharge has increased to Rs. 1,649.96 Crore reflecting growth of 17.24%

over FY 2018-19. The revised category-wise sales, revenue and average realization for FY 2019-20 as submitted by the Petitioner are given in the Table below:

Table 4-35: Revenue for FY 2019-20 submitted by the Petitioner

Particulars	Sales	Revenue	Average Realisation
	(MU)	(Rs. Crs)	(Rs/kWh)
LMV-1: Domestic Light, Fan & Power	586.39	370.99	6.33
LMV-2: Non Domestic Light, Fan & Power	37.61	40.50	10.77
LMV-3: Public Lamps	33.13	28.63	8.64
LMV-4: Institutions	14.91	12.62	8.46
LMV-5: Private Tube Wells	21.73	3.94	1.81
LMV 6: Small and Medium Power	87.41	87.57	10.02
LMV-7: Public Water Works	20.54	22.33	10.87
LMV-8: STW and Pumped Canals	0.11	0.22	19.33
LMV-9: Temporary Supply	45.69	54.82	12.00
HV-1: Non Industrial Bulk Power	242.80	248.88	10.25
HV-2: Large and Heavy Power	990.32	779.45	7.87
Subtotal	2,080.65	**1,649.96**	7.93
Regulatory Surcharge		48.91	
Total Sales	**2,080.65**	**1,698.87**	**8.17**

Commission's Analysis

4.23.2 The analysis of Revenue for FY 2019-20 would be carried out during Truing-Up.

4.24 ARR AND REVENUE GAP

4.24.1 Based on above mentioned Revenue, Expenditure and Return on Equity, the Aggregate Revenue Requirement for FY 2019-20 as computed on the basis of the MYT Regulations, 2014 and Commission's Tariff Orders is given in Table below: -

Table 4-36: Summary of ARR for FY 2019-20 as submitted by the Petitioner for FY 2019-20 (Rs. Crore)

Sr. No.	Particulars	Approved in T.O 03.09.2019	APR Petition
1	Power Purchase Expenses	912.54	1,130.89
2	Transmission Charges (UPPTCL+PGCIL)	150.41	150.83
3	Employee cost	34.85	56.86

Sr. No.	Particulars	Approved in T.O 03.09.2019	APR Petition
4	A&G expenses	15.63	14.12
5	R&M expenses	49.04	50.48
6	**Gross O&M Expenses**	**99.52**	**121.46**
7	Interest charges	76.52	75.99
8	Depreciation	64.99	60.21
9	Contingency Reserve	-	-
10	Income Tax	36.37	22.21
11	**Gross Expenditure**	**1,340.35**	**1,561.59**
12	Employee cost capitalized	11.90	10.32
13	Interest capitalized	4.22	-
15	**Net Expenditure**	**1,324.23**	**1,551.27**
16	GST Impact	1.94	3.78
17	Provision for Bad & Doubtful debts	25.44	17.00
18	Miscellaneous Expenses	1.55	1.82
19	**Total net expenditure with provisions**	**1,353.15**	**1,573.88**
20	Add: Reasonable Return / Return on Equity	67.71	65.93
21	Less: Non-Tariff Income	5.70	6.54
22	Add: Efficiency Gains due to re-structuring of loans	0.12	0.12
23	**Annual Revenue Requirement (ARR)**	**1,415.28**	**1,633.39**
24	Revenue from Existing Tariff (excluding Regulatory Surcharge	1653.65	1,649.96
25	**Revenue Gap/(Surplus)**	**(238.37)**	**(16.56)**
	Revenue from Regulatory Surcharge	39.16	48.91
26	Revenue Gap/ (Surplus) from Prev. Year	204.62	302.96
27	Carrying cost	9.59	39.07
28	**Net Revenue Gap/ (Surplus)***	**(63.32)**	**276.55**

** The interest capitalisation was not subtracted from the Gross Expenditure in the Tariff Order for FY 2019-20 dated September 03, 2019 due to a linking error, which has now been incorporated in the above table.*

Commission's Analysis:

4.24.2 The Commission has observed that the revised Aggregate Revenue Requirement for FY 2019-20 as submitted by the Petitioner is higher than that approved by the Commission vide Tariff Order dated September 3, 2019. The Commission also observes that the Total Revenue Gap carried forward for FY 2019-20 is Rs. 276.55 Crore.

4.24.3 The analysis of Annual Revenue Requirement (ARR) for FY 2019-20 would be carried out during Truing-Up.

4.25 CARRYING COST

4.25.1 The Petitioner submitted that the Regulation 35 of MYT Regulations, 2014 provides for allowance of carrying cost on regulatory assets. Accordingly, the Commission, in its Tariff Order dated 3rd September, 2019 has allowed carrying cost of regulatory asset at weighted average monthly compounded SBI-PLR and approved carrying cost of Rs. 9.90 Cr for FY 2019-20.

4.25.2 Based on the same principles, the carrying cost of Regulatory Asset created and subsequent recoveries till FY 2019-20 is given in the Table below: -

Table 4-37: Carrying cost as submitted by the Petitioner for FY 2019-20 (Rs. Crore)

Sl. No.	Particulars	Ref.	Approved vide T.O dated September 03, 2019	APR Petition
1	**Regulatory Assets at the beginning of Year**	A	204.62	302.96
2	Regulatory Assets amortised from Regulatory Surcharge	B	(39.16)	(48.91)
3	Addition to Regulatory Assets during the year	C	(234.18)	(16.57)
4	Closing Regulatory Assets (before Carrying cost for the year)	d=a+b+c	(68.71)	237.47
5	Average Regulatory Asset	e=(a+d)/2	67.95	270.22
6	Applicable Interest Rate for Working Capital Finance (Weighted average SBI - PLR)	f	13.68%	13.58 %
7	Monthly Compounded Rate	g	14.57%	14.64%
8	**Carrying Cost of Regulatory Asset**	**h=e x g**	**9.90**	**39.07**

Commission's Analysis:

4.25.3 The analysis of Annual Revenue Requirement (ARR), Revenue Gap and corresponding carrying cost for FY 2019-20 would be carried out during Truing-Up.

5 AGGREGATE REVENUE REQUIREMENT (ARR) FOR FY 2020-21

5.1 INTRODUCTION

5.1.1 The Commission in earlier chapters of this Order has undertaken Truing- Up for FY 2018-19 based on the audited accounts and APR for FY 2019-20. The Petitioner submitted that the Novel Coronavirus (COVID-19) pandemic has exponentially increased in the last couple of months, this was not imagined by anyone when the Petition concerning ARR for FY 2020-21 was submitted on December 27, 2019. The same has been recognized by the Commission in its letter on dated May 13, 2020.

5.1.2 The Petitioner added that the State Government has issued notifications declaring COVID-19 as an epidemic and ordered a complete lockdown of the State with several restrictions on movement by the residents, including ceiling State borders. The impact has gone to the extent that even malls, work places (both private & Government), industries have been ordered to remain shut and advisory has been issued to private sector organizations to allow their employees and officers to work from home. Non-adherence to these notifications will be penalized under Indian Penal Code, 1860. Additionally, the Hon'ble Prime Minister Narendra Modi on 24 March 2020 directed the entire country to be on lockdown, till May 31, 2020.

5.1.3 The above has affected the operations of the Petitioner significantly. The revenue, power purchase and consumer mix has changed all together. The drawl by industries has come to a bare minimum while that of Urban and Rural Areas is drawing power unrestrictedly resulting into higher LT Sales, Lower HT Sales and Higher T & D losses. The situation has become all the more grim because of restrained movement of the Petitioner personnel and effectively no Loss Control Activities in the fields. The Collections have nose-dived, putting strain on the banking facilities and thereby increasing the interest burden.

5.1.4 Under such volatile and uncertain circumstances, the projections of sales, power purchase cost, capital expenditure and other expenses is not possible at all. Nevertheless, in order to comply with the directions of the Commission, the revised estimates of Annual Revenue Requirement for FY 2020-21 were submitted by the Petitioner.

5.1.5 In this Chapter, the Commission has discussed in detail each component of ARR for FY 2020-21.

5.2 BILLING DETERMINANTS

5.2.1 The Petitioner has submitted that the Regulation 5.5 of MYT Regulations, 2019 in respect of forecast of expected revenue states as:

"5.5 The forecast of expected revenue from Tariff shall be based on the following:

(a) In the case of a Transmission Licensee, estimate of ARR or estimates of Transmission Capacity allocated to Transmission System Users, as appropriate;

(b) In the case of a Distribution Licensee, estimate of quantum of electricity to be supplied to consumers and wheeled on behalf of Distribution System Users;

Provided that the Distribution Licensee shall submit relevant details of category/ sub-category wise Number of Consumers, Connected load and Energy Sales projections, status of metering, feeder level/ distribution transformer metering, diversity factor for various category of consumers taking seasonality into consideration, etc., for each Distribution Licensee area;

(c) Existing and proposed Tariff as on the date of filing of the Petition."

5.2.2 The Petitioner submitted that based on various efforts made by the State Government to attract new investments in the region and plans made by the Development Authority concerning new Industries, Commercial and Domestic projects. The summary of billing determinants as submitted by the Petitioner as shown in the Table below:

Table 5-1: Summary of billing determinants as submitted by the Petitioner for FY 2020-21

Sl. No.	Category	No. of consumers (No.)	Connected Load (in MW)	Sales (MU)
1	LMV-1: Domestic Light, Fan & Power	1,02,185.00	439.62	597.25
2	LMV-2: Non Domestic Light & Fan & Power	3,584.00	29.24	30.33
3	LMV-3: Public Lamps	262.00	10.27	32.94
4	LMV-4: Institutions	521.00	7.05	12.34
5	LMV-5: Private Tube Wells	1,190.00	5.95	22.95
6	LMV 6: Small and Medium Power	3,465.00	80.07	69.29
7	LMV-7: Public Water Works	217.00	8.02	22.23
8	LMV-8: STW and Pumped Canals	10.00	0.12	0.18
9	LMV-9: Temporary Supply	804.00	22.97	37.65
10	Electric Vehicle Charging (LMV-11)	89.00	8.23	6.15
11	HV-1: Non Industrial Bulk Power	221.00	119.58	178.34
12	HV-2: Large and Heavy Power	842.00	466.50	688.85
13	**Total**	**1,13,390**	**1,197.62**	**1,698.49**

Commission's Analysis:

5.2.3 The Commission has already deliberated on the Billing determinants for the Control Period FY 2020-21 to FY 2024-25 and approved the Billing determinants in the Business Plan Order dated November 26, 2020.

5.2.4 The billing determinants approved for FY 2020-21 are shown in the Table below:

Table 5-2: Approved Billing Determinants for FY 2020-21

Sl. No.	Category	No. of consumers	Connected Load (MW)	Sales (MU)
1	LMV-1: Domestic Light, Fan & Power	96,886	446.09	636.51
2	LMV-2: Non Domestic Light & Fan & Power	3,373	29.24	33.57
3	LMV-3: Public Lamps	295	10.59	33.13
4	LMV-4: Institutions	521	5.95	13.91
5	LMV-5: Private Tube Wells	1,239	5.95	22.94
6	LMV 6: Small and Medium Power	3,465	80.07	78.67
7	LMV-7: Public Water Works	226	8.62	22.23
8	LMV-8: STW and Pumped Canals	10	0.13	0.18
9	LMV-9: Temporary Supply	804	23.16	37.65
10	Electric Vehicle Charging (LMV-11)	89	8.23	6.15
11	HV-1: Non Industrial Bulk Power	221	130.63	218.52
12	HV-2: Large and Heavy Power	863	431.75	899.49
13	**Total**	**107,992**	**1,180.41**	**2,002.96**

5.3 ENERGY BALANCE AND DISTRIBUTION LOSSES

5.3.1 The Petitioner submitted that despite several path-breaking initiatives, due to socio-economic environment prevailing in the State and more particularly in villages in Greater Noida, where load has grown much faster as compared to increase in overall demand in Greater Noida Area, it has become arduous and daunting task for the Petitioner to contain T&D losses at 8%.

5.3.2 The Petitioner submitted that it is compelled to project T&D loss trajectory at 9.03% for FY 2020-21. It requested the Commission to consider the ground realities and approve the T&D losses as projected by the Petitioner, subject to truing up on actual as per audited accounts. The revised Distribution Losses for FY 2020-21 are as shown in the Table below:

Table 5-3: Energy Balance submitted by the Petitioner for FY 2020-21

Sl. No.	Particulars	U.o.M.	Projected
1	Proposed Energy Sales	MU	1698.49
2	Distribution Losses	%	9.03%
3	Distribution Losses	MU	168.63
4	**Energy Requirement**	**MU**	**1867.12**

Commission's Analysis

5.3.3 The Commission has already deliberated on the Distribution Loss Trajectory of the Petitioner for the Control Period FY 2020-21 to FY 2024-25 and approved the Distribution Loss Trajectory for the Petitioner in the Business Plan Order dated November 26, 2020. Accordingly, the distribution loss approved for FY 2020-21 is shown in the Table below:

Table 5-4 : Approved Energy Balance and Distribution Loss for FY 2020-21

Sl. No.	Particulars	U.o.M.	Petition	Approved
1	Energy Sales	MU	1698.49	2,002.96
2	Distribution Losses	%	9.03%	7.92%
3	Distribution Losses	MU	168.63	172.28
4	**Energy Purchase**	**MU**	**1867.12**	**2,175.23**

5.3.4 It can be observed from the table above that the Petitioner has claimed energy purchase of 1867.12 MU while after approved distribution losses of 7.92% and sales of 2002.96 MUs, the total approved energy purchase is 2175.23 MU.

5.4 POWER PROCUREMENT

5.4.1 The Petitioner submitted that it has planned to meet the above energy requirement for FY 2020-21 from the following sources:

a. Long Term Power Purchase Agreement for 187 MW with M/s Dhariwal Infrastructure Ltd. as per the PPA approved by the Commission vide its order dated 20th April, 2016.

b. Medium Term Power Purchase Agreement under discussion for 64.8 MW Hydro Power from Govt. of Himachal Pradesh (GoHP) out of its share in 3x180 MW Chamera-I Hydroelectric Power Station for an initial period of 13 months, extendable for another 2 years, on medium term basis subject to the approval of the Commission.

c. Long Term Power Purchase Agreement for 1 MWp Solar power with Greater Noida Industrial Development Authority (GNIDA) as per the PPA approved by the

Commission vide its Order dated 14th July 2015.

d. Long Term Power Purchase Agreement for 10 MW Wind power with PTC India Limited singed on 27th June, 2017 under the MNRE Scheme for Setting up of 1000 MW ISTS connected Wind Power Projects for which the Solar Energy Corporation of India Ltd. (SECI) was identified as the "Nodal Agency" for selection of bidder.

e. Proposed agreement to procure 25 MW (Approx.) Small Hydro Power for a period of 35 years on long term basis subject to the approval of the Commission.

f. To meet remaining Renewable Power Obligations by procurement of power from Bilateral Traders/ by setting-up 8-10 MWp solar plant by the Petitioner in Greater Noida.

g. To meet remaining energy requirement during Peak Hours and exigencies, if any through Short Term/ Medium Term / power exchanges.

5.4.2 The Petitioner submitted that it invited bids for procurement of the power on DEEP Portal through Reverse Auction in the following time blocks on short term basis:

Sl. No.	Period	Hours	Quantum (MW)
1	1st April, 2020 to 31st October, 2020 (Except Sundays)	00:00-02:00	100
2	1st April, 2020 to 31st October, 2020 (Except Sundays)	19:00-24:00	100

5.4.3 Based on the reverse auction conducted on 5th December 2019, the Petitioner submitted that it signed the power purchase agreements as follows:

i) 50 MW power from 00:00-02:00 from M/s Adani Enterprises Limited at Rs. 4.50/kWh landed at NPCL Periphery from Apr-Sep'19;

ii) 100 MW power from 19:00-24:00 Hours from M/s Arunachal Pradesh Power Corporation Private Limited (M/s APPCPL) at Rs. 4.89/kWh landed at NPCL Periphery from Apr-Oct'19;

5.4.4 In addition to the above, considering the likely demand, it also decided to procure 50 MW power during 06:00-19:00 Hours from the L1 bidder i.e. M/s APPCPL at Rs. 4.55/kWh landed at NPCL Periphery for the period commencing from Apr'19 to Oct'19 in order to optimize its power procurement cost.

5.4.5 Accordingly, the Petitioner signed Power Purchase Agreement for supply of aforesaid power. The Petitioner submitted that the balance energy requirement of FY 2020-21 will be met through power procurement from IEX / competitive bidding / traders at competitive prices. The Petitioner submitted that it has since signed a tripartite power purchase agreement for procurement of 64.8 MW hydro power on 17th December, 2019 with Govt. of Himachal Pradesh and M/s APPCPL.

5.4.6 The Petitioner submitted the details of RPO for FY 2020-21 as shown in the Table below:

Table 5-5: Details of RPO as submitted by the Petitioner for FY 2020-21

Type		Parameter	Nomenclature	Units	FY 2020-21
Solar		Gross energy consumption	A	MU	1,698.49
		Hydro and Renewable Power Consumption after FY 2016-17	B	MU	289.29
		Net Energy Consumption	**C=A-B**	**MU**	**1,409.20**
		RPO Target (Solar)	D	%	3%
		RPO Target (Solar)	**E=C*D**	**MU**	**42.28**
		Solar Energy Purchased	F	MU	38.17
		Total RPO achieved	**G=F/E**	**%**	**102%**
		Excess RPO Met Carried Forward	H	MU	0.71
		Shortfall RPO Carried forward	I	MU	-
		REC Purchased	J	MU	-
		Net Status	**K=H-I+J**	**MU**	**10.49**
		Penalties, if any	L	Rs. Crore	
Non-Solar	**Other Non-Solar**	Gross energy consumption	A	MU	1,698.49
		Hydro and Renewable Power Consumption after FY 2016-17	B	MU	289.29
		Net Energy Consumption	**C=A-B**	**MU**	**1,409.20**
		RPO Target (Non Solar)	D	%	6%
		RPO Target (Non Solar)	**E=C*D**	**MU**	**84.55**
		Non Solar Energy Purchased	F	MU	30.41
		Total RPO achieved	**G=F/E**	**%**	**36%**
		Excess RPO Met Carried Forward	H	MU	-
		Shortfall RPO Carried forward	I	MU	63.24
		REC Purchased	J	MU	-
		Net Status	**K=H-I+J**	**MU**	**39.09**
		Penalties, if any	L	Rs. Crore	-
	Hydro Purchase Obligation	Gross energy consumption	A	MU	1,698.49
		HPO Target (Hydro)	B	%	2%
		HPO Target (Hydro)	**C=A*B**	**MU**	**28.18**
		Hydro Energy Purchased	D	MU	-
		Total HPO achieved	**E=D/C**	**%**	**0%**

Type		Parameter	Nomenclature	Units	FY 2020-21
		Excess HPO Met Carried Forward	F	MU	-
		Shortfall HPO Carried forward	G	MU	18.73
		REC Purchased	H	MU	-
		Net Status	**I=F-G+H**	**MU**	**(18.73)**
		Penalties, if any	J	Rs. Crore	-

5.4.7 Based on the above arrangement, the Power Purchase cost submitted for FY 2020-21 is shown in the Table below:

Table 5-6: Power Purchase quantum and cost as submitted by the Petitioner for FY 2020-21

Sl. No.	Item	Projected		
1	Retail Sales (MU's)		1867.12	
2	Losses		9.03%	
3	Power Purchase (MU's)		1698.49	
	Source of Power Purchase	**MU's**	**Rs./kWh**	**Rs. Cr.**
4	Power Purchase from LT	1,110.51	5.36	595.75
5	Power Purchase from MT	257.30	4.67	120.20
6	Power Purchase from Traders	487.76	4.12	201.14
7	Power Purchase from RE	32.01	3.83	12.25
8	DSM / UI	(20.16)	1.00	(2.02)
9	**Gross Power Purchase**	**1,867.41**	**4.97**	**927.32**
10	Intra-state Trans. Charges			35.48
11	Inter-state Trans. Charges			108.83
12	**Total Power Purchase Cost**	**1,867.41**	**5.74**	**1,071.64**

Commission's Analysis

Power Purchase from Long Term Source

5.4.8 The Commission has observed that the Petitioner has projected Long Term Power purchase from DIL of Rs 595.75 Crore (excluding Transmission charges) at Rs 5.36/kWh (at NPCL Periphery) wherein the fixed charges are considered as Rs 2.17/ kWh and Energy charges are considered as Rs 3.18/kWh. The Commission also observed that the cost of power purchase from DIL has been considered along with approx. Rs. 0.25/kWh on account of additional coal.

5.4.9 The Commission in MYT Order dated November 30, 2017 approved long term power from DIL for FY 2019-20 at Rs 4.12/kWh. Further, the Commission vide Order dated February 05, 2019 disposed of MYT Petition No. 1235 of 2017 in the matter of determination of Tariff for DIL for FY 2016-17 to FY 2018-19, and approved provisional tariff wherein the fixed charges are approved as Rs 1.90/ kWh and Energy Charges are fixed as Rs 1.80/kWh for FY 2018-19. The relevant extract of the aforesaid Order is quoted below:

Quote

Table-2: Comparison of Fixed charges as approved in PPA vs claimed by the Petitioner (Rs./kWh)

Particulars	***As per Fixed Charges approved in PPA***	***As claimed in the MYT Petition***	***Revised submission as per capital cost as on Cut off date***	***Fixed Charges considering Refinancing Cost claimed in FY 2017-18***	***Fixed Charges approved by the Commission***
FY 2016-17	*2.11*	*2.08*	*2.05*	*2.05*	*2.05*
FY 2017-18	*2.06*	*2.02*	*1.94*	*1.99*	*1.99*
FY 2018-19	*2.02*	*1.95*	*1.90*	*1.90*	*1.90*
Levelized Fixed Tariff (25 years)	***1.93***	***1.93***	***1.86***	***1.87***	***1.87***

Table-3: Comparison of Energy charges as considered order for approval of PPA vs claimed by the Petitioner (Rs./kWh)

Particulars	***As considered in approval of PPA***	***As claimed in the MYT Petition***	***Revised submission as per capital cost as on Cut off date***	***Energy Charges approved by the Commission***
FY 2016-17	***1.65***	*2.177*	*1.65*	***1.65***
FY 2017-18	***1.72***	*2.177*	*1.72*	***1.72***
FY 2018-19	***1.80***	*2.177*	*1.80*	***1.80***
Levelized Fixed Tariff (25 years)	***2.21***	***2.34***	***2.21***	***2.21***

Note: The escalation rate of CERC has been considered as applicable till 31.03.2014, which is subject to true up.

Unquote

5.4.10 The Commission in the aforesaid Order also observed that the Tariff approved above will be subject to True up on provisions based on the UPERC (Terms and Conditions of Generation Tariff) Regulations, 2014. The relevant extract of the aforesaid Order is quoted below for reference:
Quote

4.2.14 The tariff approved above shall be subject to true up provisions based on the Tariff Regulations 2014. The Petitioner shall be required to submit all relevant details including actual figures on coal quality (GCV as received basis tested at plant) corresponding to each FY in the entire control period certified by an independent agency of repute for scrutiny of the Commission while truing up."

Unquote

5.4.11 The Commission in the aforesaid Order directed that the Tariff approved above shall remain effective till further Orders. The relevant extract of the Order is quoted below:
Quote

5. IMPLEMENTATION OF ORDER

5.1 *This order shall be reckoned to have come into effect from respective 01st day of each year of the for the Multi Year Tariff period of FY 2016-17 to FY 2018-19 and* ***shall remain effective till further order****. DIL is entitled to raise the bills as per this order with necessary adjustments if any on receivable/ refundable*.
Unquote

5.4.12 Also, the Commission vide its Suo-moto Order dated May 30, 2019, decided to extend the applicability of UPERC (Terms and Conditions of Generation Tariff) Regulations, 2014 with effect from April 01, 2019 and ordered that Tariff during FY 2019-20 shall remain as determined by the Commission under UPERC (Terms and Conditions of Generation Tariff) Regulations, 2014 on provisional basis subject to the adjustment with interest.

5.4.13 Further the Commission vide its Order dated May 11, 2020 provided that:
Quote

"While this being so, due to lockdown caused by outbreak of ongoing Covid-19 pandemic, the Commission is not able to take up matters for hearing. But, as these projects are continuously generating electricity and that the same is being sold to the UPPCL, an Order to continue Status-quo is necessitated for the said electricity being sold to UPPCL. Therefore, it is ordered that Provisional Tariff for next six months from the date of this Order i.e. during the period 1st April'20 to 31st Oct'20 shall remain as determined by the Commission through various orders respective to these existing projects under the UPERC (Terms and Conditions of Generation Tariff) Regulations, 2014 subject to adjustment with applicable interest, if any."

Unquote

5.4.14 Since, there is no further Order in this regard, the Commission finds it appropriate to provisionally consider the rates of fixed and energy charges as stipulated by the Commission in the aforesaid Order for FY 2018-19, which will be subject to the Truing up of DIL for the respective year.

5.4.15 The Commission for projection of quantum for FY 2020-21 has considered the same Inter-State Transmission Loss as projected by the Petitioner. The Commission has considered Intra-State Transmission Loss as approved for UPPTCL for FY 2020-21 dated November 10, 2020 in Petition No. 1515 of 2020 & 1571 of 2020 i.e. 3.40%.

Table 5-7: Power Purchase from Long Term Source as approved by the Commission for FY 2020-21

Source	MU at Ex-bus	Inter State Loss (%)	Quantum at UP Periphery	Intra State Loss (%)	MU at NPCL bus	Fixed Charges (Rs. Crs)	Energy Charges (Rs. Crs)	Amount (Rs. Crs)	Transmission charges of PGCIL (Rs. Crore)	Transmission Charges of UPPTCL (Rs. Crore)	Total Trans. Chgs (Rs. Crs)	Total (in Rs. Crore)
	A	B	C	D	E	F=C*1.9/10	G=C*1.8/10	H=G+F	I	J=0.2378*E/10	K=J+I	L=H+K
DIL	1,198.23	3.90%	1151.50	3.40%	1112.35	218.79	207.27	426.06	70.45	26.45	96.90	522.95

Power Purchase from Medium Term Source

5.4.16 The Commission vide its Order dated February 28, 2020 in Petition No. 1552 of 2020 approved power procurement from Medium Term from two sources such as 50 MW from Department of Power, Gov.t of Arunachal Pradesh and 25 MW from Department of Power, Gov.t of Nagaland at rate of Rs. 5.46/kWh.

5.4.17 The Commission has considered the same rate for approval i.e. for FY 2020-21 as shown in the Table below:

Table 5-8: Medium Term of 50 MW approved for FY 2020-21 from Department of Power, Govt. of Arunachal Pradesh

Source	MU at Ex-bus	Inter State Loss (%)	Intra State Loss (%)	MU at NPCL bus	Fixed Charges (Rs. Crore)	Energy Charges (Rs. Crore)	Amount (Rs. Crore)	PGCIL Charges (Rs. Crore)	UPPTCL charges (Rs. Crore)	Total Transmission (Rs. Crore)	Total (Rs. Crore)	Per Unit Cost
Government of AP. Medium term	186.13	2.83%	3.40%	174.72	38.90	38.90	77.80	12.17	4.15	16.32	94.12	5.39

Table 5-9: Medium Term of 25 MW approved for FY 2020-21 from Department of Power, Govt. of Nagaland

Source	MU at Ex-bus	Inter State Loss (%)	Intra State Loss (%)	MU at NPCL bus	Fixed Charges (Rs. Crore)	Energy Charges (Rs. Crore)	Amount (Rs. Crore)	PGCIL Charges (Rs. Crore)	UPPTCL charges (Rs. Crore)	Total Transmission (Rs. Crore)	Total (Rs. Crore)	Per Unit Cost
Government of Nagaland. Medium term	88.83	3.27%	3.40%	83.01	18.52	18.52	37.04	6.31	1.97	8.28	45.32	5.46

Power Purchase from Renewable Source

5.4.18 As regards cost of purchase of power from renewable sources, the Commission observed that the licensee has submitted to procure 1 MW solar power from GNIDA and 10 MW wind power through PTC. The Commission vide its Order dated July 14, 2015 approved rate of Rs. 7.06/kWh for power procurement of solar PV power from GNIDA for 10 years. Also, the Commission vide its Order dated January 01, 2018 approved the procurement of 10 MW wind power through PTC at the rate of Rs. 3.53/kWh including the trading margin of Rs. 0.07/kWh at NPCL Periphery. The Commission has computed the cumulative shortfall in Solar and Non-Solar RPO till FY 2018-19 in the chapter on True UP for FY 2018-19 in this Order. The Commission has computed the Solar, Non-Solar and Hydro cumulative surplus / shortfall till FY 2020-21 in line with the obligation specified in UPERC (Promotion of Green Energy through Renewable Purchase Obligation) (First Amendment) Regulations, 2019 as shown in the Table below:

Table 5-10: RPO Computation for FY 2020-21

S.No	Particular	Reference	Quantum (MU)
1	Total Sales for FY 2020-21	**A**	**2002.95**
2	Hydro Purchase during the year	B	257.73
3	**Net Power Sale for RPO computation**	C=A-B	1745.23
4	**Total Obligation for the year (%)**		
5	Solar (%)	D	3%
6	Non Solar (%)	E	6%
7	HPO Obligation for the year (%)	F	2%
8	**Total Obligation for year**		
9	Solar (MU)	G=D*C	52.36
10	Non Solar (MU)	H=E*C	104.71
11	HPO Obligation for the year (MU)	I=F*C	34.90
12	**Total Obligation for the year (MU)**	**J=G+H+I**	**191.97**
13	**Total RPO Fulfilled during the year**		
14	Solar	k	1.58
15	Non Solar	L	30.46
16	Hydro	M	**-**
17	**Total RPO to be fulfilled**	N=K+L+M	**32.04**
18	Balance Obligation to be fulfilled in FY 20-21	**O=P+Q+R**	**159.93**
19	Solar	P	50.78
20	Non Solar	Q	74.25
21	Hydro	R	34.90

Table 5-11: Status of RPO Obligations to be met during FY 2020-21

RE Power	Opening Unfulfilled Obligation (FY 2020-21)	Obligation for the year	Obligation met during the year	Closing Unfulfilled Obligation (for FY 2020-21)
Solar	66.29	52.36	1.58	117.07
Non-Solar	80.46	104.71	30.46	154.71
HPO	18.73	34.90	-	53.64
Total	**165.49**	**191.97**	**32.04**	**325.42**

5.4.19 The Commission has considered that the Petitioner should fulfill its complete RPO obligation for FY 2020-21. Accordingly, apart from the RPO obligation being met during the year by the Petitioner, the Commission has considered that the remaining shortfall of Rs. 325.42 MUs to be met by the Petitioner at the same price (weighted avg) at which the existing renewable purchase is being met. The Power purchase from renewable sources approve for FY 2020-21 is as under:

Table 5-12: Approved renewable energy for FY 2020-21

Source	MU at Ex-bus	Inter State Loss (%)	Intra State Loss (%)	MU at NPCL bus	Fixed Charges (in Rs. Cr)	Energy Charges (in Rs. Cr)	Amount (in Rs. Cr)	PGCIL Charges (Rs. Cr)	UPPTCL charges (Rs. Cr)	Total Transmission (Rs. Cr)	Total (in Rs. Cr)	Per Unit Cost
Wind Power	31.54	0.00	3.40%	30.46	-	11.13	11.13	-	0.72	0.72	11.86	3.89
GNIDA LT Solar Power	1.58	0.00	0.00	1.58	-	1.11	1.11	-	-	-	1.11	7.06
Power Purchase to meet RPO obligation	336.87	0.00	3.40%	325.42	-	124.57	124.57	-	7.74	7.74	132.30	4.07

Power Purchase from Short-Term Source

5.4.20 The Commission vide its Order dated March 05, 2020 in Petition No. 1546 of 2020 approved the procurement of short-term procurement through Deep portal by the Petitioner. The approved the short-term power procurement as shown in the Table below:

Table 5-13: Approved short-term power for the Petitioner vide Order dated March 05, 2020

S. No.	Bidder	Period	Duration (Hrs.)	Quantum (MW)	Rate at NPCL Bus (Rs./kWh)	PPA dated
1	M/s Adani Enterprises Ltd.	1st April 2020 to 30th September 2020 (Except Sundays)	00.00 to 02.00	50	4.50	20.12.2019
2	M/s Arunachal Pradesh Power Corporation (P) Limited	1st April 2020 to 31st October 2020 (Except Sundays)	19.00 to 24.00	100	4.89	26.12.2019

5.4.21 The Commission for FY 2020-21 has considered the same rate as per above mentioned Order. The approved power purchase for short term for FY 2020-21 as per above mentioned Order is shown in the Table below:

Table 5-14: Approved short-term power from APPCPL and Adani Enterprises for FY 2020-21

Source	MU at Ex-bus	Inter State Loss (%)	Intra State Loss (%)	MU at NPCL bus	Fixed Charges (in Rs. Cr)	Energy Charges (in Rs. Cr)	Amount (in Rs. Cr)	PGCIL Charges (Rs. Cr)	UPPTCL charges (Rs. Cr)	Total Transmission (Rs. Cr)	Total (in Rs. Cr)	Per Unit Cost
APPCL	46.00	2.36%	3.40%	43.39	-	18.92	18.92	1.23	1.03	2.26	21.18	4.88
Adani Enterprises	5.19	2.36%	3.40%	4.89	-	1.92	1.92	0.16	0.12	0.28	2.20	4.49

5.4.22 The Commission also noticed that the Petitioner for FY 2020-21 has projected 439.56 MU (at NPCL periphery) from Inter State Power from Trader/Generator/ Banking. The Commission observe that the single-part variable cost of purchase from Power Exchange at the average RTC rate of N2 region for FY 2020-21 for six months (April to September) is Rs. 2.49 per kWh. The Commission observe that considering the average RTC rate of Rs. 2.49/ kWh the landed cost of purchase from exchange for Uttar Pradesh comes at Rs. 3.23/kWh. This landed cost includes the UPPTCL Transmission charges approved for FY 2019-20 i.e. Rs. 0.1848/kWh. However, the Commission for FY 2020-21 has approved the UPPTCL Transmission charges of Rs. 0.2378/kWh vide Order dated November 10, 2020. Hence the difference is added to arrive at the net power purchase from Exchange i.e. Rs. 3.28/kWh.

5.4.23 This arrangement is provisionally considered by the Commission FY 2020-21. However, the Petitioner shall ensure that purchase of power is made on most competitive rate as per market condition. The power purchase from Power Exchange (s) for FY 2020-21 which may be approved is shown in the Table below:

Table 5-15: Power Purchase from Power Exchange approved by the Commission for FY 2020-21

Source	MU at Ex-bus	Inter State Loss (%)	Intra State Loss (%)	MU at NPCL bus	Fixed Charges (in Rs. Cr)	Energy Charges (in Rs. Cr)	Amount (in Rs. Cr)	PGCIL Charges (Rs. Cr)	UPPTCL charges (Rs. Cr)	Total Transmission (Rs. Cr)	Total (in Rs. Cr)	Per Unit Cost
Power Purchase from Exchange	423.47	2.36%	3.40%	399.42	-	105.44	105.44	16.20	9.50	25.70	131.14	3.28

5.4.24 The detail computation for above procurement of short-term power is shown in the Table below:

Table 5-16: Computation of Short-term Power Purchase for FY 2020-21

Particular	Reference	Quantum (MU)
Energy at NPCL Periphery	A	399.45
Intra-State Transmission Loss (%)	B	3.40%
Energy at UP Periphery	C=A(1-B)	413.51
Inter-State Transmission Loss (%)	D	2.36%
Energy at Ex-bus	E=C/(1-D)	423.51
Energy Charges without Transmission Cost (Rs. Crore)	F=E*Avg. RTC rate for six months (Rs. 2.49/kWh)	105.45
Energy Charges with Transmission Cost	G=A*3.23(Landed cost at UP Periphery from IEX website)	129.02
Total Transmission cost (Rs. Crore)	H=G-F	23.57
Total UPPTCL Cost (Rs. Crore)	I=A*Rs. 23.87/10	9.50
Total PGCIL Cost (Rs. Crore)	J=H-(A*0.1845/10) -Rs. 0.1845 is included in the landed cost	16.20
Total Cost including transmission (Rs. Crore)	**K=F+I+J**	**131.15**
Per Unit Cost (Rs./kWh)	K/A*10	3.28

5.4.25 As regards unscheduled Interchange transactions amounting to Rs (2.02) Cr as claimed by the Petitioner for FY 2020-21, the Commission is of the view that these charges cannot be projected while approving the ARR and need to be considered based on actuals at the time of truing up. Hence, the Commission has not approved these charges and the same shall be considered at the time of Truing Up based on actuals subject to prudence check.

5.4.26 Since, the Commission has allowed distribution losses of 7.92% for FY 2020-21 as against 9.03% claimed by the Petitioner, the quantum of power purchase (MU) approved by the Commission for FY 2020-21 is more than that projected by the Petitioner. Hence, the transmission charges approved by the Commission are adjusted as per the quantum of power approved for FY 2020-21 that is more than that claimed by the Petitioner.

5.4.27 The Commission while computing the Intra- State transmission charges for FY 2020-21 has considered the transmission tariff of Rs 0.2378/ kWh and transmission losses of 3.40% for FY 2020-21 as approved by the Commission vide Tariff Order of UPPTCL dated November 10, 2020, in the matter of determination of transmission tariff for FY 2020-21.

5.4.28 The Commission will carry out the detailed analysis of actual power purchase vis-a-vis approved power purchase at the time of truing up of FY 2020-21. Accordingly, the power purchase quantum and cost as approved by the Commission for FY 2020-21 and as projected by the Petitioner is as shown in the Table below:

Table 5-17: Approved power purchase for FY 2020-21

	Claimed in Petition			Approved for FY 2020-21						
	Energy at NPCL Periphery (MU)	Rate at NPCL Periphery (excluding transmission) (Rs. /kWh)	Total Cost excluding Transmission (Rs. Crore)	Energy at NPCL Periphery (MU)	Total Cost excluding Transmission (Rs. Crore)	Rate at NPCL Periphery (excluding transmission) (Rs. /kWh)	PGCIL Cost (Rs. Crore)	UPPTCL (Rs. Crore)	Total Cost including Transmission (Rs. Crore)	Rate at NPCL Periphery (Rs. /kWh)
	A	B=C/A*10	C	D	E	F=E/D*10	G	H	I	J=I/D*10
Long Term Power (from DIL)	**1,110.51**	**5.36**	**595.75**	**1112.35**	**426.06**	**3.83**	**70.45**	**26.45**	**522.95**	**4.70**
Medium Term MTPPA (PTC India Ltd)	**257.30**	**4.67**	**120.20**	**257.74**	**114.85**	**4.46**	**18.47**	**6.12**	**139.44**	**5.41**
Medium Term Power-RTC (50MW) Govt. of AP	164.75	4.60	75.75	165.02	73.48	4.45	11.42	3.92	88.82	5.38
Medium Term Power-Non RTC (25MW) Govt. of AP	4.86	4.46	2.17	4.87	2.17	4.46	0.37	0.12	2.66	5.46
Medium Term Power-Non RTC (25MW) Govt. of AP	4.82	4.46	2.15	4.83	2.155	4.46	0.37	0.11	2.64	5.46
Medium Term Power-RTC (25MW) Govt. of Nagaland	73.23	4.17	35.83	73.36	32.74	4.46	5.57	1.74	40.05	5.46
Medium Term Power-Non RTC (25MW) Govt. of Nagaland	4.84	4.17	2.16	4.85	2.16	4.45	0.37	0.12	2.65	5.46
Medium Term Power-Non RTC (25MW) Govt. of Nagaland	4.80	4.17	2.14	4.81	2.14	4.45	0.37	0.11	2.62	5.45
Power Purchase from Short-Term source	**487.48**	**4.12**	**201.14**	**447.70**	**126.28**	**2.82**	**17.59**	**10.65**	**154.52**	**3.45**
APPCPL (19-24 Hrs)	43.32	4.37	18.92	43.39	18.92	4.36	1.23	1.03	21.18	4.88
Adani Enterprise (00-02 Hrs)	4.88	3.94	1.92	4.89	1.92	3.93	0.16	0.12	2.2	4.50
Inter State Power - from Trader / Generator	439.29	4.10	180.30							
Power Exchanges				399.42	105.44	2.64	16.2	9.5	131.14	3.28
Power Purchase from RE	**31.99**	**3.83**	**12.25**	**357.46**	**136.81**	**3.83**	**-**	**8.46**	**145.27**	**4.06**

	Claimed in Petition			Approved for FY 2020-21						
	Energy at NPCL Periphery (MU)	Rate at NPCL Periphery (excluding transmission) (Rs. /kWh)	Total Cost excluding Transmission (Rs. Crore)	Energy at NPCL Periphery (MU)	Total Cost excluding Transmission (Rs. Crore)	Rate at NPCL Periphery (excluding transmission) (Rs. /kWh)	PGCIL Cost (Rs. Crore)	UPPTCL (Rs. Crore)	Total Cost including Transmission (Rs. Crore)	Rate at NPCL Periphery (Rs. /kWh)
	A	B=C/A*10	C	D	E	F=E/D*10	G	H	I	J=I/D*10
GNIDA (Solar)	1.58	7.06	1.11	1.5768	1.11	7.04	0	0	1.11	7.06
Renewable Power (Non-Solar)										
Renewable Power (Wind Power)	30.41	3.66	11.13	30.46	11.13	3.65	0	0.72	11.86	3.89
RPO Adjustments of past year				**325.42**	**124.57**	**3.83**	**0**	**7.74**	**132.3**	**4.07**
Subtotal	**1887.28**	4.92	**929.34**	**2175.23**	**804.01**	**3.70**	**106.5**	**51.68**	**962.18**	**4.42**
UI	-20.16	1	-2.02	-	-					
Total Power Purchase Cost (excluding Transmission)	**1,867.12**	**4.97**	**927.32**	**2,175.23**	**804.01**	**3.70**	**106.5**	**51.68**	**962.18**	**4.42**
Total Transmission Charges			**144.32**							
Transmission Charges of PGCIL			108.83		106.5					
Transmission Charges of UPPTCL			35.48		51.67					
Total Power Purchase Cost	**1,867.12**	**5.74**	**1,071.64**	**2175.23**	**962.18**	**4.42**			**962.18**	**4.42**
Per Unit Charge (Rs./kWh)			**5.74**						**4.42**	

Table 5-18: Appropriation of approved power purchase for FY 2020-21

Month	Claimed		Approved		
	Allocation of Approval Power Purchase (MU) ex Bus	Allocated Power Purchase (NPCL bus)	Allocation of Approval Power Purchase (MU) ex Bus	Allocation of Approval Power Purchase (MU) NPCL Bus	Allocated Approved Power Purchase Cost (Rs. Crore)
Apr	93.48	87.10	108.13	101.47	44.89
May	135.52	126.27	156.76	147.11	65.07
June	156.38	145.71	180.89	169.76	75.09
July	179.51	167.26	207.64	194.86	86.19
Aug	197.64	184.16	228.61	214.55	94.90
Sept	215.26	200.57	249.00	233.67	103.36
Oct	173.05	161.24	200.17	187.85	83.09
Nov	154.01	143.50	178.14	167.18	73.95

Month	Claimed		Approved		
	Allocation of Approval Power Purchase (MU) ex Bus	Allocated Power Purchase (NPCL bus)	Allocation of Approval Power Purchase (MU) ex Bus	Allocation of Approval Power Purchase (MU) NPCL Bus	Allocated Approved Power Purchase Cost (Rs. Crore)
Dec	172.33	160.57	199.33	187.06	82.75
Jan	173.81	161.95	201.05	188.68	83.46
Feb	168.93	157.40	195.40	183.37	81.11
Mar	183.93	171.38	212.75	199.66	88.32
Total	**2,003.83**	**1,867.12**	**2,317.86**	**2,175.23**	**962.18**

5.5 O&M EXPENSES

5.5.1 The Petitioner submitted that the Regulation 45 of the MYT Regulations, 2019 states as:
Quote

> *"45 Operation and Maintenance Expenses*
>
> *….*
>
> *(b) The Operation and Maintenance expenses shall be derived on the basis of the average of the Trued-Up values (without efficiency again/loss) for the last five (5) financial years ending March 31, 2019 subject to prudence check by the commission. However if the True-Up values (without efficiency again/loss) are not available for FY 2018-19, then last five (5) available Trued-Up values (without efficiency again/loss) will be considered and subsequently when the same are available the base year value (i.e. FY 2019-20) will be recomputed.*
>
> *(c) The Average of such operation and maintenance expenses shall be considered as operation and maintenance expenses for the middle year and shall be escalated year on year with the escalation factor considering CPI and WPI of respective years in the ratio of 60:40, for subsequent years upto FY 2019-20 "*

Unquote

5.5.2 The Petitioner submitted that based on methodology as provided in Regulation 45 (a) to (e) of MYT Regulations, 2019, the average of trued up values of last five (5) financial years i.e. FY 2013-14 to FY 2017-18 for determining values of employee costs, A & G Expenses and R&M Expenses for the middle year i.e. FY 2015-16 is provided in Table below:

Table 5-19: Trued up values of O&M Expenses as submitted by the Petitioner Rs. Crore)

Sl. No.	Particulars	FY 13-14	FY 14-15	FY 15-16	FY 16-17	FY 17-18	Average Normative (FY 15-16)
1	Employee Expenses	13.11	15.31	18.16	22.37	26.37	19.06
2	A&G Expenses	5.99	7.00	8.30	10.22	12.05	8.71
3	R & M Expenses	20.13	23.51	27.88	34.34	40.48	29.27
4	**O&M Expenses**	**39.23**	**45.81**	**54.33**	**66.93**	**78.91**	**57.04**
5	Exp. Capitalised	(3.57)	(5.13)	(6.90)	(12.32)	(10.34)	(6.90)
6	**Net O&M Expenses**	**35.66**	**40.68**	**47.43**	**54.61**	**68.57**	**50.14**

5.5.3 The Petitioner submitted that further in line with the norms mentioned in Regulation 45 (c), aforesaid middle year (i.e. FY 2015-16) values of each component of O&M expenses is further escalated to determine the normative expenses till base year i.e. FY 2019-20 as shown in Table below:

Table 5-20: Computation of Normative O&M Expenses for Base year as submitted by the Petitioner (Rs. Crore)

S. No	Particulars	Trued-Up O&M Expenses (Without Efficiency Gains/Loss)		Normative	Normative	Normative	Normative
		FY 2013-14	FY 2014-15	FY 2016-17	FY 2017-18	FY 2018-19	FY 2019-20
		(a)	(b)	h= g*(1+escalation factor for FY 2016-17)	i= h*(1+escalation factor for FY 2017-18)	j= i*(1+escalation factor for FY 2018-19)	k= j*(1+escalation factor for FY 2019-20)
1	Employee Expenses	13.11	15.31	19.75	20.35	21.41	22.76
2	A&G Expenses	5.99	7.00	9.03	9.30	9.78	10.40
3	R & M Expenses	20.13	23.51	30.32	31.24	32.87	34.94
4	Gross O&M Expenses	**39.23**	**45.81**	**59.10**	**60.90**	**64.07**	**68.10**
5	Expenses Capitalised	(3.57)	(5.13)	(12.32)	(10.34)	(8.99)	(10.32)
6	Net O&M Expenses	**35.66**	**40.68**	**46.78**	**50.55**	**55.08**	**57.79**

5.5.4 The Petitioner submitted that Regulation 45.3 of the MYT Regulations, 2019 are reproduced below as:

"Provided that Interest and Finance charges such as Credit Rating charges,

collection facilitation charges, financing cost of Delayed Payment Surcharge and other finance charges shall be a part of A&G expenses."

5.5.5 The Petitioner submitted that all Banks including State Bank of India, price their loans (both term as well as working capital) on their pre-determined ROI (Return on Investment) basis. When these loans are sanctioned/renewed, as a standard practice followed by every banks, the overall interest cost is charged in two parts (like electricity tariff) viz.:

Finance Charge /Upfront Fees – Normally fixed in terms of percentage of loan amount sanctioned/renewed.

Interest Charges – Fixed or Benchmarked with certain Market norms like MCLR / PLR/ RoI of Treasury Securities which is reviewed at regular intervals.

5.5.6 The Petitioner submitted that the borrower has no option not to agree to pay such finance charges to the bank. Assuming that same bank may agree not to levy finance charges, then the same would be added in the interest cost to maintain its overall ROI. In addition to the above, finance charges are also levied on various other facilities given by them i.e. Letter of credit, collection of payments, etc. Thus, finance charges are indispensable for all borrowers of loans from banks.

5.5.7 It further added that such charges are driven by the volume of business-like sales, power purchase, debtors, consumer security deposit etc. and is nowhere dependent on inflation rates as has been proposed to be increased in the MYT regulations 2019.

5.5.8 The Petitioner further submitted that also incurs various finance charges for availing of financial products and services for the purpose of meeting its financial and other business needs. These charges are genuine business expenditure and has been explained in details as under:

(a) **Loan Processing Charges:** The Petitioner submitted that it has negotiated a number of facilities in preceding years and also estimated the requirement for ensuing year. During, FY 2020-21, the Petitioner will incur expenses on renewal of the existing Working Capital Facilities including LC facilities for payment security of Power Purchase Agreements in accordance with their respective terms of agreement and issuance Commercial Paper to facilitate short-term funding of regulatory asset and working capital requirement. Therefore, based on the existing facilities and the facilities to be tied up for meeting the LC facilities and other Working Capital requirements for the ensuing year.

5.5.9 The Petitioner submitted that apart from Apart from Loan Processing Charges, it also has to incur other financing and ancillary charges which have been elaborated in detail in the subsequent paragraphs:

(a) **Credit Rating Charges:** Credit rating of banking (Fund / Non-Fund based) facilities has become imperative under the Basel II Norms. As per these norms, unrated facilities will be financed at least 4.50% higher as per credit adequacy requirements in comparison with rated facilities. In order to comply with the above requirement of RBI and also to save additional 4.50% p.a. interest cost, the Petitioner has been getting its credit rating from India Rating & Research (P) Limited.

(b) **Collection facilitation charges:** Continuing its efforts to provide maximum possible facilities to the consumers, the Petitioner submitted that it started various new initiatives for enabling consumers to make payment via Internet, Payment – kiosks, retail counters at their nearby grocery shop, through NEFT / RTGS etc. The Commission has also vide its order dated **29th May, 2015** directed the Petitioner to provide more avenues to the consumers for payment of electricity dues through Online Mode and has also directed it to bear charges for such service upto an amount of Rs. 4,000/- per transaction. Provisions of these facilities require some expenditure which has been included in Collection Facilitation Charges. Apart from being cost of new initiative these charges are directly related to revenue and with increase in tariff and revenue, there is an increase in these charges.

(c) **Other Finance Charges:** There are other bank charges as well like loan documentation charges, LC Issue Charges, banking charges and other miscellaneous charges etc. It is pertinent to mention here that the Ministry of Power vide its order no. 23/22//2019-R&R dated 28th June, 2019 mandated every Distribution Licensee to open a letter of credit for desired quantum of power in favour of the Generating Company. The relevant extract of the order is reproduced below for reference of the Commission.

> *" i. In accordance with Section 28 (3) (a) the NRLDC & RLDC shall despatch power only after it is intimated by the Generating Company and /Distribution Companies that a Letter of Credit for the desired quantum of power has been opened and copies made available to the concerned Generating Company."*

5.5.10 Thus, in FY 2020-21, the Petitioner will have to incur additional expenses to issue Letter of Credit in favour of Generating Companies.

5.5.11 The Petitioner submitted that the Commission has been approving such expenses as per audited annual accounts from time to time in its various Tariff Orders, recent being Tariff Order dated 3rd September, 2019. In-fact, as mentioned above, some of the charges like collection charges on digital modes of collection are being incurred in pursuance of the directions of the Commission e.g. no charges from consumers making payment through net-banking of an amount upto Rs. 4,000/-.

5.5.12 Thus the above expenses are completely different and nor comparable with the expenses which forms part of the A&G Expenses and hence the Petitioner requested the Commission to not to club with the finance charges with A&G Expenses.

5.5.13 Similarly, the Delayed payment surcharge accrues when a consumer defaults in payment of bills as per due date being generally 15 days from the date of billing which happens to be 2-7 days after the meter reading date which is generally taken after 30 /31 days interval. Hence, the total number of days after which the delayed payment surcharge accrues is almost 55 days which is more than the number of days for which a distribution Petitioner is compensated by interest on working capital as per MYT Regulations, 2019 i.e. 45 days. Hence, DPS belongs to the period beyond normative period and for 45 days for which interest on working capital is not provided in the Distribution Tariff Regulations. Thus, to appropriately compensate for the cost incurred for financing that deferred payment beyond the normative period, the Commission has been approving, in its various Tariff Orders issued from time to time since FY 2009-10 onwards, the cost of borrowing of such deferred receivables in the form of interest cost at relevant SBI-PLR. Consequently, it may be concluded that the financing cost of Delayed Payment Surcharge is nothing but interest on the money arranged/provided by the Discom to fund delayed payment of electricity dues by the Consumers and has no similarity with nature of other A&G Expenses.

5.5.14 In view of the above, the Petitioner requested not to include the above finance charges in determination of base year normative O&M Expenses and the same should be allowed separately. Accordingly, the Petitioner has not included the above-mentioned Finance Charges and Financing Cost of DPS in the computation of Average A & G Expenses for 5 years and claimed the separately as have been approved by the Commission hitherto.

Normative Employee Expenses

5.5.15 Regulation 45.1 of the MYT Regulations, 2019 provides for determination of normative employee expenses, as reproduced below:

"Employee cost shall be computed as per the following formula escalated by consumer price index (CPI), adjusted by the provisions for expenses beyond the control of the licensee and one-time expected expenses, such as recovery/adjustment of terminal benefits, implications of pay commission, arrears, Interim Relief, etc.:

$$EMP_N = EMP_{N-1} \times (1+CPI\ inflation)$$

Where:

EMP_N: *Employee expense for the* n^{th} *year;*

EMP_{N-1}: *Employee expense for the* $(n-1)^{th}$ *year;*

CPI inflation is the average of the Consumer price Index (CPI) for Immediately preceding three financial years"

5.5.16 Accordingly based on Regulation, the Petitioner submitted the normative employee expenses for FY 2020-21 as shown in the Table below:

Table 5-21: Normative Employee Expenses as submitted by the Petitioner for FY 2020-21 (Rs. Crore)

Particulars	Emp. Exp. for Base Year (FY 2019-20)	CPI Inflation	Emp. Exp. for Ensuing Year (FY 2020-21)
	a	b	c=a x (1+b)
Normative Emp. Expense	22.76	5.35%	23.98

Administrative & General Expenses:

5.5.17 The Petitioner submitted that Regulation 45.3 of MYT Regulations, 2019 provides the methodology for determination of normative A&G expenses, as shown below:

"*A&G expense shall be computed as per the following formula escalated by the Wholesale Price Index (WPI) and adjusted by provisions for confirmed initiatives (IT, etc., initiatives as proposed by the Transmission Licensee and validated by the Commission) or other expected one-time expenses:*

$$A\&G_n = A\&G_{n-1}\ (1+ WPI\ inflation)$$

Where:

$A\&G_n$: *A&G expense for the* n^{th} *year;*

$A\&G_{n-1}$: *A&G expense for the* $(n-1)^{th}$ *year;*

WPI inflation is the average of Wholesale Price Index (WPI) for immediately preceding three Financial Years:"

5.5.18 Accordingly, considering the norms as mentioned above, the Petitioner submitted the normative A&G expenses for FY 2020-21 as shown in the Table below:

Table 5-22: Normative A&G Expenses as submitted by the Petitioner for FY 2020-21 (Rs. Crore)

Particulars	A&G Exp. for Base Year (FY 2019-20)	WPI Inflation	A&G Exp. for Ensuing Year (FY 2020-21)
	A	b	c=a x (1+b)
Normative A&G Expense	10.40	2.96%	10.71

Repair and Maintenance Expense:

5.5.19 The Petitioner submitted that Regulation 45.2 provides the methodology for determining normative Repair and Maintenance expenses as shown below :-

"Repair and Maintenance expense shall be calculated as per the following formula:

$$R\&M_n = R\&M_{n-1} (1 + WPI\ inflation)$$

Where:

$R\&M_n$: Repairs & Maintenance expense for n^{th} year;

$R\&M_{n-1}$: Repairs & Maintenance expense for the $(n-1)^{th}$ year;

WPI inflation is the average of Wholesale Price Index (WPI) for immediately preceding three Financial Years."

5.5.20 Accordingly considering the norms above as mentioned above, the Petitioner submitted the normative R&M Expenses for FY 2020-21 as shown in the Table below:

Table 5-23: Normative R&M Expenses as submitted by the Petitioner for FY 2020-21 (Rs. Crore)

Particulars	R&M Exp. for Base Year (FY 2019-20)	WPI Inflation	R&M Exp. for Ensuing Year (FY 2020-21)
	a	b	c=a x (1+b)
Normative R&M Expense	34.94	2.96%	35.98

5.5.21 The summary of normative O&M Expenses as computed by the Petitioner on the basis of methodology provided in Regulation-45 of MYT Regulations, 2019 as compared to preceding years is provided in Table below:-

Table 5-24: Summary of O&M Expenses as submitted by the Petitioner for FY 2020-21 (Rs. Crore)

Sl. No.	Financial Year	Nature	Employee Expenses	A&G Expenses	R & M Expenses	Gross O&M Expenses	Expenses Capitalised	Net O&M Expenses
1	FY 2015-16	Trued-up	18.16	8.30	27.88	**54.33**	(6.90)	**47.43**
2	FY 2016-17	Trued-up	22.37	10.22	34.34	**66.93**	(12.32)	**54.61**
3	FY 2017-18	Trued-up	26.37	12.05	40.48	**78.91**	(10.34)	**68.57**
4	FY 2015-16	Normative	19.06	8.71	29.27	**57.04**	(6.90)	**50.14**
5	FY 2016-17	Normative	19.75	9.03	30.32	**59.10**	(12.32)	**46.78**
6	FY 2017-18	Normative	20.35	9.30	31.24	**60.90**	(10.34)	**50.55**
7	FY 2018-19	Normative	21.41	9.78	32.87	**64.07**	(8.99)	**55.08**
8	FY 2019-20	Normative	22.76	10.40	34.94	**68.10**	(10.32)	**57.79**
9	FY 2020-21	Normative	23.98	10.71	35.98	**70.66**	(9.00)	**61.66**

5.5.22 The Petitioner submitted that it may be seen from the above table that the O&M Expenses as determined on the basis of norms provided in Regulation-45 of MYT Regulations, 2019 is highly skewed and is not reflective of the actual business parameters. It requested the Commission that O&M Expenses if computed on the basis of above norms for FY 2017-18 would only Rs. 50.55 Cr as against trued up O&M Expenses of Rs. 68.57 Cr i.e. lower by 26%.

5.5.23 The Petitioner submitted that since, the O & M expenses determined on normative basis in accordance with the Regulations-45 of MYT Regulations, 2019, is grossly insufficient as compared to likely expenses estimated by the Petitioner. It requested that the Commission should consider O & M expenses for FY 2020-21 as estimated by the Petitioner owing to following factors which are beyond the control of the Petitioner:

Increase in Minimum Wages:

(a) All enterprise, associations, partnership, body corporates etc. are bound by the provisions of Minimum Wages Act 1948 and Government of State of Uttar Pradesh revises minimum wages under the provisions of the Minimum Wages Act, 1948 twice in a year (i.e. with effect from April and October). The comparative revised minimum wages of U.P. during FY 2019-20 is provided in Table below:

Table 5-25: Minimum Wages in State of UP

Class of labour	As on 1st April'13	w.e.f. 1st Apr'19	w.e.f. 1st Oct'19	% increase in C over A
	A	B	C	D
Unskilled	4,975.86	8,012.73	8,278.94	66.38%
Semi-skilled	5,672.48	8,814.00	9,106.83	60.54%
Skilled	6,296.38	9,873.00	10,201.09	62.02%

5.5.24 The Petitioner submitted that the minimum wages has a direct and substantial impact on most of the components of O & M expenses e.g. Breakdown gang, security charges, job costing of various repair assignments. Further, as lower cadre staff are governed by the provisions of the Minimum Wages Act-1948, increase in minimum wages also leads to consequent cascading effect on remuneration of senior cadre employees as well. As the Hon'ble Commission is aware that all enterprise, associations, partnership, body corporates, companies etc. are bound by the provisions of Minimum Wages Act 1948 and the Petitioner has no option but to comply with the same. Therefore, impact of the changes in minimum wages is beyond the control of the Petitioner and cannot be subsumed within normative employee cost.

5.5.25 It is also pertinent to mention here that although the MYT Regulation, 2014 provides for escalation of normative Employee Cost on the basis of Consumer Price Index (i.e. CPI), however, the resultant escalation is quite insufficient and more important is that the increase in minimum wages are not covered in CPI. Hence, the impact of increase in minimum wages do not get compensated through incremental CPI.

5.5.26 The Petitioner submitted that the Regulation 46 of MYT Regulations, 2019 provides admissibility of Provision for Write-off of Bad and Doubtful Debts as a legitimate business expense with the ceiling limit of 2% of the revenue receivables in the tariff. However, the Petitioner has been able to contain the same to within 1-1.25% in past 2-3 years. This results in huge saving in the Bad and Doubtful Debts which will ultimately pass on to the Consumers. The saving is depicted in the Table below:

Table 5-26: Savings in Provision for Bad Debts as submitted by the Petitioner for FY 2020-21 (Rs. Crore)

Sl. No.	Particulars	U.o.M.	Ref.	Projected
1	Revenue billed for the year	Rs. Cr.	a	1,437.34

Sl. No.	Particulars	U.o.M.	Ref.	Projected
2	Estimated Provision for Bad & Doubtful debts	Rs. Cr.	b	14.37
3	Provision as % of Revenue billed	%	c= b/a	1%
4	Normative Provision for Bad & Doubtful Debt @2%	Rs. Cr.	d=a x 2%	28.75
5	**Saving in provision for Bad & Doubtful debts**	**Rs. Cr.**	**e=d-b**	**14.37**

5.5.27 The Petitioner submitted that it is able to limit Bad & Doubtful Debts at 1% against 2% on account of the fact that the Petitioner has deployed additional manpower for recovery of dues from the consumers, prompt billing, aggressive actions against theft, timely action against the defaulters etc. In case, the Petitioner opts to reduce its manpower to align actual employee cost with the normative employee cost as per MYT Regulations, 2019, it may lead to higher bad debts which will ultimately burden the diligent Consumers. Therefore, the Petitioner requested that it should be allowed to recover its employee cost at actual.

Recommendation of Sixth /Seventh Pay Commission:

5.5.28 The Petitioner submitted that with implementation of the Seventh Pay Commission, the average pay of government employees has gone up by more than 25% approx. including that of State Governments' employees. This will lead to considerable raise in salary package at entry level as well as higher level of employees in private sector also. In this backdrop, the Petitioner has been facing an uphill task to retain talented and motivated workforce and minimize attrition in the increasingly competitive market with more and more participation of private sector in the utility segment including electricity distribution. Hence, it is necessary that the compensation structure on one hand meets the expectations of the employees and on the other hand motivates them to strive for superior performance through congruence of individual and organization goals. Therefore, any increase in emoluments given by the Central Pay Commission, will have a direct bearing on the salary and emoluments of the Petitioner's employees so as to retain and motivate them appropriately.

5.5.29 The Petitioner submitted that the Commission has been approving the impact of change in pay scales as recommended and approved by various pay Commission to all State

Discoms on actual basis. The Petitioner requested the Commission to approve the O & M expenses on actuals considering the significant increase in salaries and minimum wages.

Other cost Drivers

5.5.30 The Petitioner submitted that regarding the distribution losses, due to weak and deficient manpower with local administration the law and order situation is very poor in the Greater Noida area with frequent and violent incidence occurring in the area. The administration or police personnel seldom finds time for attending to the complaints of pilferages/manhandling of the equipment's like transformer, cable etc. of the Petitioner. This in turn pressurize the expenditure on frequent breakdown and repair, resulting into more Repair and Maintenance expenses.

5.5.31 The Petitioner further submitted that to sustain the existing low cost operation without compromising with service and safety standards. Therefore, the denial of justified expenses allowance to the Petitioner would jeopardise the operational efficiency achieved by the Petitioner over past 26 years. There is an urgent need for imminent allocation of higher O&M Cost to enable the Petitioner to maintain and improve upon the service standards and prepare itself for growing requirement of the consumers servicing.

5.5.32 The Petitioner further submitted that all these expenses have been duly audited by Statutory Auditors and approved by the Board of Directors of the Petitioner. These expenses are allowed in full not only in the Companies Act, 2013 but also in the Income Tax Act, 1961. Hence, these expenses are genuinely and appropriately incurred towards the operations of the Petitioner, and therefore, should be allowed in full.

Capitalization of Employee Expense:

5.5.33 The Petitioner has estimated to capitalize an amount of Rs. 9.00 Cr out of the estimated employee cost of Rs. 64.70 Crore to be incurred during FY 2020-21, as per past practice duly approved by the Commission. In brief, for the purpose of capitalization of employee costs, the Petitioner at the time of execution of project, records actual man hours spent by each engineer/ executive into the system / SAP Software. These hours are then matched with the cost per hour of that employee by the software itself and actual employee cost so incurred, is capitalized along with the specific project. It is pertinent to mention that the entire process of its project/financial accounting is through SAP, and there is least manual intervention in computation of expenses to be capitalized.

5.5.34 The Petitioner further submitted that these man-hours and cost is duly verified by the Statutory Auditors of the Petitioner in detail and is approved by the Board of Directors of the Petitioner subsequently.

5.5.35 On the basis of the aforesaid policy, approved and followed consistently over the years, the Petitioner requested the Commission to consider the estimated capitalization of employee cost at Rs. 9.00 Cr during F Y 2020-21.

5.5.36 The Petitioner requested the Commission to approve the net O & M expenses at Rs. 137.08 Crore for FY 2020-21 as shown in the Table below:

Table 5-27: O&M Expenses as submitted by the Petitioner for FY 2020-21 (Rs. Crore)

Sl. No.	Particulars	Normative	Projected
1	Repair & Maintenance	35.98	62.74
2	Employees Expenses	23.98	64.70
3	Admin. & General Expenses	10.71	18.64
4	**Total O&M Expenses**	**70.66**	**146.08**
5	Employee Cost Capitalised	(9.00)	(9.00)
6	**Net O&M Expenses**	**61.66**	**137.08**

Commission's Analysis

5.5.37 The Commission observed that the Petitioner has projected the O&M expenses for FY 2020-21 considering the actual O&M expenses for previous years. However, the Regulations 45 (b) of MYT Regulations, 2019 provides as follows:

Quote

b) The Operation and Maintenance expenses shall be derived on the basis of the average of the Trued-Up values (without efficiency gain / loss) for the last five (5) financial years ending March 31, 2019 subject to prudence check by the Commission. However, if Trued-Up values (without efficiency gain / loss) are not available for FY 2018-19, then last five (5) available Trued-Up values (without efficiency gain / loss) will be considered and subsequently when the same are available the base year value (i.e. FY 2019-20) will be recomputed.

Unquote

5.5.38 As per the above, the Petitioner has to consider the last five available Trued-Up values. The Commission in this Tariff Order has carried out the Truing-Up for FY 2018-19, therefore the average of Trued-up values of past five years from FY 2014-15 to FY 2018-19 have been considered for computation of O&M.

5.5.39 Further, first proviso of Regulation 45.3 of UPERC MYT Regulations, 2019 stipulates that the Interest and Finance charges such as Credit Rating charges, collection facilitation charges, financing cost of Delayed Payment Surcharge and other finance charges have to be considered a part of A&G expenses. The relevant extract is provided below:

Quote

45.3 Administrative and General Expenses

A&G expense shall be computed as per the following formula escalated by the Wholesale Price Index (WPI) and adjusted by provisions for confirmed initiatives (IT, etc., initiatives as proposed by the Distribution Licensee and validated by the Commission) or other expected one-time expenses:

A&Gn= A&G n-1 (1+ WPI inflation)

Where:

A&Gn: A&G expense for the nth year;

A&Gn-1: A&G expense for the (n-1)th year;

WPI inflation is the average of Wholesale Price Index (WPI) for immediately preceding three Financial Years:

Provided that Interest and Finance charges such as Credit Rating charges, collection facilitation charges, financing cost of Delayed Payment Surcharge and other finance charges shall be a part of A&G expenses.

Illustration: For FY 2020-21, (n-1)th year will be FY 2019-20 which is also the base year.

Unquote

5.5.40 The Finance charges has been considered as part of the A&G expenses as per the above said Regulation. As regards financing of delayed payment charges, since the Commission has already deliberated for the same in True-Up chapter for this Order, the same is not considered while approving the norms for O&M expenses for FY 2020-21.

5.5.41 The Commission has first arrived at the mid-year i.e. FY 2016-17 value of each component of the O&M Expenses based on the average of last 5 Trued-Up values of FY 2014-15 to FY 2018-19 and the Computation of Norms for O&M Expenses of FY 2020-21 is provided in the table below: (owing to the details provided and size of the Table it is split into two):

Table 5-28: Normative O&M Expenses for FY 2019-20 (Rs. Crore)

Sr. No.	Particulars	Trued-Up O&M Expenses (Without Efficiency Gains/Loss)					Average expenses for past 5 years= Mid-year FY 2016-17
		FY 2014-15	FY 2015-16	FY 2016-17	FY 2017-18	FY 2018-19	FY 2016-17
1	Employee Expenses	13.50	15.54	17.69	26.37	29.61	20.54
2	R & M Expenses	19.85	22.86	26.01	38.78	39.77	29.48
3	A&G Expenses	5.91	6.80	7.74	11.54	12.32	
4	Finance Charges	4.02	3.07	1.71	1.64	1.58	
5	**Net A&G Expenses (3+4)**	**9.93**	**9.87**	**9.45**	**13.18**	**13.90**	**11.27**
6	Gross O&M Expenses (1+2+5)	**39.26**	**45.20**	**51.44**	**76.69**	**81.82**	**61.29**
7	Expenses Capitalised				(10.34)	(8.99)	
8	Net O&M Expenses (6-7)	**39.26**	**45.20**	**51.44**	**66.35**	**72.83**	

5.5.42 Further, the average of past 5 years, provides a Mid-Year value (FY 2016-17) of each component of O&M expenses as shown in above table. The same is escalated year on year with the escalation factor considering CPI and WPI of respective years in the ratio of 60:40, for subsequent years up to FY 2019-20. Accordingly, the Commission, has computed the O&M expenses of the base year which shall be escalated at Inflation/Escalation rate notified by Labour Bureau, Govt. of India (http://labourbureau.gov.in/LBO_indexes.htm) and Economic Advisor Govt. of India (https://eaindustry.nic.in/) respectively for different years. The Commission has computed the WPI, CPI inflation rate as follows:

Table 5-29: Inflation Index for FY 2020-21 as approved by the Commission

FY	INDEX		INFLATION RATE		60:40 Index	60:40 Index Inflation	Average of previous 3 Years	
	WPI (Base 2011)	CPI (Base 2001)	WPI	CPI			WPI	CPI
FY 2013-14	112.46	236.00	5.20%	9.68%	186.58	8.57%		
FY 2014-15	113.88	250.83	1.26%	6.29%	196.05	5.07%		
FY 2015-16	109.72	265.00	-3.65%	5.65%	202.89	3.49%		
FY 2016-17	111.62	275.92	1.73%	4.12%	210.20	3.60%		
FY 2017-18	114.88	284.42	2.92%	3.08%	216.60	**3.05%**		
FY 2018-19	119.79	299.92	4.28%	5.45%	227.87	**5.20%**	**2.96%**	**5.35%**
FY 2019-20	121.80	322.50	1.68%	7.53%	242.24	**6.31%**		

5.5.43 Accordingly, in terms of Regulations, the Employee Expenses for FY 2020-21 are computed by escalating the base year (FY 2019-20) employee expenses by average CPI inflation of last 3 years. The A&G Expenses (including Finance Charges) and R&M Expenses for FY 2020-21 are computed by escalating the base year (FY 2019-20) by average WPI inflation of last 3 years. The Commission for FY 2020-21, has computed the Employee Expense capitalisation by considering the average of last three years or claimed, whichever is higher.

5.5.44 The O&M Expenses approved for the Petitioner for FY 2020-21 is shown in the Table below:

Table 5-30: O&M Expenses for FY 2020-21 as approved by the Commission (Rs. Crore)

S.No.	Particulars	FY 2016-17	FY 2017-18	FY 2018-19	FY 2019-20	Average of previous 3 years CPI and WPI		FY 2020-21
		(f) (Average of last 5-year Gross O&M expenses)	g = f*(1+escalation factor 3.05% for FY 2017-18)	h= g*(1+escalation factor 5.20% for FY 2018-19)	i= h*(1+escalation factor 6.31% for FY 2019-20)	WPI	CPI	Normative k= j*(1+average of 3 previous years escalation factor)
1	Employee Expenses	20.54	21.17	22.27	23.67		5.35%	24.94
2	A&G Expenses (with FC)	11.27	11.61	12.21	12.98	2.96%		13.37
3	R & M Expenses	29.48	30.38	31.96	33.97	2.96%		34.97
4	**Gross O&M Expenses**	**61.29**	**63.15**	**66.44**	**70.62**			73.28

S.No.	Particulars	FY 2016-17	FY 2017-18	FY 2018-19	FY 2019-20	Average of previous 3 years CPI and WPI		FY 2020-21
		(f) (Average of last 5-year Gross O&M expenses)	g = f*(1+escalation factor 3.05% for FY 2017-18)	h= g*(1+escalation factor 5.20% for FY 2018-19)	i= h*(1+escalation factor 6.31% for FY 2019-20)	WPI	CPI	Normative k= j*(1+average of 3 previous years escalation factor)
5	Less: Employee Expenses Capitalisation							9.00
6	A&G Expenses Capitalisation	-	-	-	-	-	-	-
7	**Net O&M Expenses**							**64.28**

5.6 IMPACT OF GOODS AND SERVICE TAX

5.6.1 The Petitioner submitted that the Central Government has made new Goods & Service Tax (GST) effective from 1st July, 2017 which covers almost all goods and service within its ambit. The new GST has stipulated tax rate of 18% and 28% for most of the goods and services as against Service Tax of 15% and VAT of 14.5%. Apart from above it has also brought in new service under Reverse Charge Mechanism which leads to higher indirect tax burden on service users such as the Petitioner.

5.6.2 Considering the above, the Petitioner got the impact analysis of the GST done from M/s Lakshmikumaran & Sridharan, Attorney which summarized and brought forth the impact of GST Act as well as rules, notifications, etc., made thereunder, on the distribution of electricity done by the Petitioner, with emphasis on cost of various expenses incurred by the Petitioner pre and post implementation of GST. This Report provided an insight into the indirect taxation system of the country post GST and contained an analysis of the cost increase/decrease to Petitioner after the implementation of GST.

5.6.3 Based on this report, the Commission in its Tariff Order dated 3rd September, 2019 approved average incremental rate of GST as 5.88% while approving the True-up of ARR for FY 2017-18. However, as explained in paragraph-9 above, the Normative O&M Expenses for Base Year FY 2019-20 are determined on the basis of CPI and WPI based escalation of O&M Expenses for Mid-Year FY 2015-16 when GST was not applicable. Therefore, the above referred GST impact of 5.88% is not entirely considered in normative O&M Expenses for FY 2020-21 determined on the basis of Regulation 45 of the MYT Regulations, 2019. Since it is not feasible to compute the quantum of shortfall of GST impact in normative O&M Expense determined as per Regulation- 45 of the MYT Regulation, 2019, the Petitioner has not included any amount on this account in ARR for FY 2020-21, however without prejudice, the Petitioner shall claim so on actual basis at an appropriate time.

5.6.4 Apart from above, the CBEC vide Circular No. 34/8/2018-GST dated 1st March'18 has clarified that the services as stated below when provided by DISCOMS to consumer are taxable.

i. Application fee for releasing connection of electricity
ii. Rental Charges against metering equipment
iii. Charges for duplicate bill
iv. Testing fee for meter/transformer, capacitors etc.
v. Labour charges from customer for shifting of service lines

5.6.5 Consequently, Directorate General of GST Intelligence (DGGSTI), New Delhi issued a summon u/s 70 of CGST Act on 29th May'18, requesting the Petitioner to produce information on the amounts collected by the Petitioner from 1st July, 2017 to 30th April, 2018 towards abovementioned five services or any other charges collected from the customers over and above the electricity charges for the period.

5.6.6 The Petitioner submitted that it filed the detailed reply in response to summon and also filed a writ petition before Hon'ble Allahabad High Court on 24th July'18 and challenged above Circular issued by Department of Revenue and summon issued by DGGSTI. Since, the matter before Hon'ble Allahabad High Court is still pending, the Petitioner in the meantime has filed an intervention petition on 13th November, 2019 in respect of the same matter already pending before the Hon'ble Supreme Court in the case of Torrent Power Ltd. wherein the Department has filed an appeal against the judgement of Hon'ble Gujrat High Court being given in favour of Torrent Power Ltd.

5.6.7 Further taking abundant precaution and without prejudice to the Petitioner's rights and contentions with respect to above writ and intervention petitions, the Petitioner has started to levy GST on above services from October, 2018 onwards.

5.6.8 Therefore, depending on the outcome of the above-mentioned writ and intervention petitions, the Petitioner in future may become liable to pay GST on above services in respect of the duration when GST was not levied on such service.

5.6.9 However, pending final adjudication of the matter, the amount payable cannot be ascertained at this stage, therefore, the Petitioner has not claimed the same in this ARR Petition and it shall claim so on actual basis at an appropriate time.

5.6.10 The Petitioner submitted the Impact of GST as shown in the Table below:

Table 5-31: Impact of GST as submitted by the Petitioner for FY 2020-21 (Rs. Crore)

Sr. No.	Particulars	Reference	Projected
1	Impact of GST	a	To be claimed later

Commission's Analysis

5.6.11 The Commission will appropriately deal the same at the time of True-Up.

5.7 CAPITAL EXPENDITURE

5.7.1 The Petitioner submitted that Regulation 18 the MYT Regulation, 2019 provides for treatment of Capital Cost for the purpose of determination of tariff. The extracts of relevant regulation are re-produced here below: -

"18. Capital cost for a capital investment Project shall include:

(a) the expenditure incurred or projected to be incurred, including interest during construction and financing charges, as admitted by the Commission after prudence check;

(b) capitalised initial spares subject to the ceiling rates stipulated in these Regulations;

(c) expenses incurred by the Licensee on obtaining right of way, as admitted by the Commission after prudence check;

(d) additional capital expenditure determined under Regulation 19;

(e) Incidental expenditure during construction including apportioned expenditure on relevant components of O&M

Provided that the assets forming part of the project, but not in use shall be taken out of the capital cost;

(f) gain or loss on account of foreign exchange risk variation pertaining to the loan amount availed up to the date of commercial operation, as admitted by the Commission after prudence check … "

5.7.2 The Petitioner submitted that based on above Regulation and based on its Network Planning, it has submitted its Capital Expenditure for Control Period FY 2020-21 to FY 2024-25 in its Business Plan. Accordingly, as provided in detail in the Petition for the Business Plan, the proposed Capital Expenditure for FY 2020-21 is summarised in Table below.

Table 5-32: Proposed Capital Expenditure as submitted by the Petitioner for FY 2020-21 (Rs. Crore)

Particulars	FY 2020-21	
Scheme wise	**Investment**	**Capitalisation**
New Connection	35.10	35.10
Replacement Stock	4.80	4.80
Metering	5.11	5.11
33/11 kV Substation	18.10	18.10
33 kV Network Development	13.23	13.23
11 kV Network Development	20.92	20.92
LT Network Development	14.64	14.64
Network at Villages	8.30	8.30
Network Renovation	3.70	3.70
Process System Automation	11.06	11.06
Civil Works & Office Infrastructure Facility	21.33	21.33
IT Projects	15.18	15.18
Tools & Testing Equipment and Vehicles	5.41	5.41
Demand Side Management	3.00	3.00
Land	6.33	6.33
Misc/Contingent Works	-	-
Interest / Expense Capitalisation	-	-
Salary Capitalisation	9.00	9.00
CWIP Movement	-20.00	
Total including Interest and Employee Cost capitalised (A)	175.20	195.20
Employee Cost Capitalised (B)	9.00	9.00
Interest Expenses Capitalised (C)	-	-
Total (D= A - B - C)	166.20	186.20
Asset not belonging to Discoms (E)		-
Total (F= D+E)	166.20	186.20

Table 5-33: Details of Capex for New Connection scheme as projected by the Petitioner for FY 2020-21

S. No.	Description	UOM	Quantity	Unit Cost (Rs.)	Total (Rs. Crore)
1	**New Connection**				

S. No.	Description	UOM	Quantity	Unit Cost (Rs.)	Total (Rs. Crore)
	132 kV	Nos.	1	10,00,000	0.10
	33 kV	Nos.	24	6,31,261	1.52
	11 kV	Nos.	100	3,21,200	3.21
	LTCT with transformer	Nos.	400	1,37,287	5.49
	3 Phase LT	Nos.	1,500	25,142	3.77
	Single Phase LT	Nos.	5,000	8,166	4.08
	Conversion of Single point to Multipoint	Nos.	5,000	15,390	7.69
	New Societies Individual Connection	Nos.	6,000	15,390	9.23
	Assets taken over from GNIDA	LS	1	1,00,00,000	1.00
	Sub-Total				36.10

Table 5-34: Details of capex projected for Replacement schemes by the Petitioner for FY 2020-21

S. No.	Description	UOM	Quantity	Unit Cost (Rs.)	Total (Rs. Crore)
2	**Replacement of Meter**				
	3 Phase 4 Wire HT	Nos.	150	7,651	0.11
	3 Phase 4 Wire LTCT	Nos.	50	7,064	0.04
	3 Phase 4 Wire LT Whole Current	Nos.	1,200	7,020	0.84
	1 Phase 2 Wire LT Whole Current	Nos.	1,200	1,760	0.21
	GPRS Modem	Nos.	100	7,186	0.07
	Sub-Total				1.28
	Replacement of Instrument Transformers				
	11 kV	Nos.	100	4,500	0.05
	33 kV	Nos.	15	15,000	0.02
	11 kV Composite CTPT	Nos.	10	32,000	0.03
	33 kV Composite CTPT	Nos.	5	80,000	0.04
	Sub-Total				0.14
	Replacement of Network in Village				-

S. No.	Description	UOM	Quantity	Unit Cost (Rs.)	Total (Rs. Crore)
	Replacement of 11kV Lines				-
	Replacement of existing conductor by ACSR DOG	Ckt kM	3	2,50,000	0.08
	Replacement of existing conductor/ cable by HT ABC	Ckt kM	7	7,50,000	0.53
	Replacement of LT Lines		-	-	-
	Replacement of existing OH LT AB cable with 120 sqmm LT ABC	Ckt kM	6	4,50,000	0.27
	Replacement of existing service cable	kM	50	1,00,000	0.50
	Sub-Total				1.37
	Replacement/ Installation of Network in Urban & Industrial Area				-
	Replacement of Feeder Pillar				-
	Main Feeder Pillar	Nos.	10	1,54,091	0.15
	Sub Feeder Pillar	Nos.	10	1,07,888	0.11
	Replacement of conductor of 11kV lines				-
	Replacement of existing old, worn out HT ABC by New HT ABC	Ckt kM	3	7,50,000	0.23
	Replacement of existing old, worn out ACSR Dog conductor with New ACSR Dog conductor	Ckt kM	3	2,50,000	0.08
	Replacement of 33kV lines				-
	Replacement of existing ACSR Dog conductor by ACSR Panther conductor	kM	1	4,36,600	0.04
	Sub-Total				0.61
	Replacement of Poles				-
	STP	Nos	20	27,435	0.05
	PCC	Nos	30	6,577	0.02
	Sub-Total				0.07
	Replacement of Transformer				-

S. No.	Description	UOM	Quantity	Unit Cost (Rs.)	Total (Rs. Crore)
	400 kVA (3-Ph)	Nos.	3	9,88,732	0.30
	250 kVA (3-Ph)	Nos	3	5,85,860	0.18
	100 kVA (3-Ph)	Nos	30	2,16,165	0.65
	25 kVA (3-Ph)	Nos	10	2,10,165	0.21
	Sub Total				1.33
	Total				4.80

Table 5-35: Details of capex projected for Metering by the Petitioner for FY 2020-21

S. No.	Description	UOM	Quantity	Unit Cost (Rs.)	Total (Rs. Crore)
3	**Energy Audit**				
	33 kV Metering with Composite CTPT & AMR	Nos.	5	1,34,692	0.07
	11 kV Metering with Composite CTPT & AMR	Nos.	25	68,163	0.17
	LTCT Metering of Transformers	Nos.	1,000	11,842	1.18
	Sub-Total				1.42
	Other Metering Initiatives				-
	Upgradation of Meters				-
	HT Meters	Nos.	60	6,510	0.04
	LT Meters	Nos.	5,000	6,715	3.36
	33kV Instrumentation Transformers	Nos.	25	15,000	0.04
	11kV Instrumentation Transformers	Nos.	50	4,500	0.02
	LT CT	Nos.	200	1,000	0.02
	Modems	Nos.	200	6,968	0.14
	Prepaid Meters	Nos.	50	10,500	0.05
	New Generation Meter	Nos.	20	12,000	0.02
	Sub-Total				3.69
	Total				5.11

Table 5-36: Capex projected for Distribution system by the Petitioner for FY 2020-21

S. No.	Description	UOM	Quantity	Unit Cost (Rs.)	Total (Rs.)
4	**33/11 kV Substation**				
	33 kV Switching SubStation with GIS	Nos.	2	5,57,60,071	11.15
	Conversion of Transformer House to Substation with GIS	Nos.	1	2,70,08,835	2.70
	Load Augmentation of Substation		1	1,25,00,000	1.25
	Switching Station	Nos.	1	3,00,00,000	3.00
	Total				**18.10**

Table 5-37: Capex projected for 33 kV Network Development by the Petitioner for FY 2020-21

S. No.	Description	UOM	Quantity	Unit Cost (Rs.)	Total (Rs. Crore)
5	**33 kV Network Development**				
	33 kV Overhead Mains with ACSR Panther	Ckt kM	1	26,95,922	0.27
	33 kV Underground Mains with 400 sqmm Cable	Ckt kM	15	24,85,008	3.73
	Installation of Load Break Switch	Nos.	15	3,50,000	0.53
	Isolator Installation with Structure	Nos.	30	1,67,985	0.50
	Interconnection between 33kV Substations and feeder evacuation from 33kV Substation with 400sqmm cable	Ckt kM	15	24,85,008	3.73
	Feeder construction with 33kV UG 400 Sqmm Cable for Power Evacuation from 220KV Substation	Ckt kM	15	24,85,008	3.73

S. No.	Description	UOM	Quantity	Unit Cost (Rs.)	Total (Rs. Crore)
	Strengthening of 33kV Lines with new conductor, insulators & channels	Ckt kM	5	15,00,000	0.75
	Total				13.23

Table 5-38: Capex projected for 11 kV Network Development by the Petitioner for FY 2020-21

S. No.	Description	UOM	Quantity	Unit Cost (Rs.)	Total (Rs. Crore)
6	**11 kV Network Development**				
	11 kV Overhead Lines				
	Overhead Lines with ACSR Dog	Ckt kM	8	13,24,096	0.99
	Overhead Lines with HT ABC	Ckt kM	5	18,35,717	0.92
	11 kV Underground Mains				-
	11 kV UG Mains with 300 sqmm cable	Ckt kM	15	14,37,722	2.16
	11 kV UG Mains with 150 sqmm cable	Ckt kM	10	9,39,758	0.94
	11 kV RMU Installation	Nos.	20	10,37,019	2.07
	Installation of 11 kV Load Break Switch	Nos.	10	1,75,000	0.18
	Isolator Installation with Structure	Nos.	15	1,36,235	0.20
	New Transformer Installation with structure				-
	400 kVA (3-Ph)	Nos.	20	10,12,887	2.03
	250 kVA (3-Ph)	Nos.	25	6,09,601	1.52
	100 kVA (3-Ph)	Nos.	150	2,42,684	3.64
	25 kVA (3-Ph)	Nos.	100	2,14,626	2.15
	16 kVA (3-Ph)	Nos.	50	1,67,089	0.84
	16 kVA (1-Ph)	Nos.	10	1,27,846	0.13
	Power evacuation and feeder construction from new 33/11kV substations	kM	15	14,37,722	2.16

S. No.	Description	UOM	Quantity	Unit Cost (Rs.)	Total (Rs. Crore)
	UG mains with 300Sqmm Cable				
	Strengthening of 11kV Feeder with new conductor, insulators & channels	kM	20	5,00,000	1.00
	Total				20.92

Table 5-39: Capex projected for LT Network Development by the Petitioner for FY 2020-21

S. No.	Description	UOM	Quantity	Unit Cost (Rs.)	Total (Rs. Crore)
7	**LT Network Development**				
	LT Underground Mains				
	LT UG Mains with 300 sqmm Cable	kM	12	11,21,980	1.35
	LT UG Mains with 150 sqmm Cable	kM	25	7,06,148	1.77
	LT UG Mains with 95 sqmm Cable	kM	10	5,32,776	0.53
	OH Lines with LT ABC	kM	12	7,81,710	0.94
	Installation of Feeder Pillar				
	Main Feeder Pillar	Nos.	250	1,54,091	3.85
	Sub Feeder Pillar	Nos.	300	1,07,888	3.24
	Transformer Feeder Pillar / LT Panel	Nos.	100	1,34,840	1.35
	Strengthening of LT lines with new conductor, ABC	kM	50	3,25,000	1.63
	Total				14.64

Table 5-40: Capex projected for Network at Villages by the Petitioner for FY 2020-21

S. NO.	Description	UOM	Quantity	Unit Cost (Rs.)	Total (Rs. Crore)
8	**Network at Villages**				
	11 kV Lines	kM	10	18,35,717	1.84
	LT Lines	kM	30	7,81,710	2.35
	LT Services				
	3 Phase LT	Nos.	500	25,142	1.26
	Single Phase LT	Nos.	3,500	8,166	2.86
	Sub-Total				8.30

Table 5-41: Capex projected for process / system automation by the Petitioner for FY 2020-21

S. NO.	Description	UOM	Quantity	Unit Cost (Rs.)	Total (Rs. Crore)
9	**PROCESS / SYSTEM AUTOMATION**				
	Smart Substations and SCADA/DMS/OMS enhancement	-			
	Smart Substation Implementation Initiatives				
	Substation Automation System viz, RTU System, integration of numerical relays, MFMs, battery charger, RTCC etc. and integration with SCADA system: 1. RTU System at new Substations 2. Upgradation / replacement of existing SAS/ RTU System 3. Provide telemetry data at SLDCs as per regulatory requirement	Qty	3	8,50,000	0.26

S. NO.	Description	UOM	Quantity	Unit Cost (Rs.)	Total (Rs. Crore)
	Smart Substation functionalities viz, Fire Alarm, Suppression, Access Control, surveillance, smart electric fencing, rodent repallant system, smart UPS, WLD system, PA system etc.	Qty	5	20,00,000	1.00
	Upgradation and Integration work like NIFPS, AVR, TMU, wireless CTs, OLTC, Power Quality, condition monitoring etc.	LS	1	4,00,000	0.04
	SCADA monitoring of switching stations at consumer premises	Qty	5	2,00,000	0.10
	Sub-Total				1.40
	SCADA/DMS/OMS enhancement: Development, Scalablity and Integration activities on SCADA, DMS & OMS system with new platforms	LS	1	1,20,00,000	1.20
	Implementation of BMS/OMS Facilty/Smartgrid Lab	LS	1	55,00,000	0.55
	Upgradation/Development of Communication Systems	LS	1	75,00,000	0.75
	Field Area Network Automation	LS	1	1,35,00,000	1.35
	Smart Grid Initiatives	LS	1	3,71,42,000	3.71
	Business Continuity of GIS and associated Processes	LS	1	70,90,000	0.71
	New Initiatives in GIS	LS	1	95,00,000	0.95
	Implementation of CCTV based Surveillance System	LS	1	44,00,000	0.44
	Group Total				11.06

Table 5-42: Capex projected for Civil works & office Infrastructure Facility by the Petitioner for FY 2020-21

S. No.	Description	UOM	Quantity	Unit Cost (Rs.)	Total (Rs. Crore)
10	**Civil Works & Office Infrastructure Facility**				
	Boundary wall for new plots for 33/11kV substations	Location	2	55,00,000	1.10
	Boundary wall of 11/0.4 kV Txr Houses	Location	50	14,00,000	7.00
	Civil works at Transformer House	LS	1	1,20,00,000	1.20
	Civil works of 33/11kV Substation	LS	2	3,25,00,000	6.50
	KP-4 control room Expansion Civil Works	Nos.	0.20	18,00,00,000	3.60
	KP-5 Customer care civil work	Nos.	-	-	
	Fencing	Location	-	-	
	Misc Electrical works	LS	50	1,85,658	0.93
	Misc Civil works	LS	1	50,00,000	0.50
	Vehicle for Operation Purpose (4 Wheelers)	Nos	1	50,00,000	0.50
	Vehicle for Operation Purpose (2 wheeler)	Nos.	20	12,00,000	2.40
	Other Office facility	LS	1	50,00,000	0.50
	Total				24.23

Table 5-43: Capex projected for IT projects by the Petitioner for FY 2020-21

S. No.	Description	UOM	Quantity	Unit Cost (Rs.)	Total (Rs. Crore)
11	**IT Projects**				
	Implementation of Software Applications	LS	1	7,84,99,998	7.85
	Upgrading of Hardware Infrastructure Capacity	LS	LS	86,00,000	0.86
	Upgrading of Networking Infrastructure	LS	LS	1,20,00,000	1.20
	Purchase of Computers, Peripherals & Accessories	LS	LS	1,25,00,000	1.25

S. No.	Description	UOM	Quantity	Unit Cost (Rs.)	Total (Rs. Crore)
	Purchase of Software Licenses	LS	LS	4,02,00,000	4.02
	Total				15.18

Table 5-44: Capex projected for Tools and Testing equipment by the Petitioner for FY 2020-21

S. No.	Description	UOM	Quantity	Unit Cost (Rs.)	Total (Rs. Crore)
12	**Tools & Testing Equipment**				
	Meter Testing Equipment	LS	1	50,00,000	0.50
	Transformer Testing Equipment	LS	1	20,00,000	0.20
	Testing Equipment	LS	1	1,30,50,000	1.31
	Material handling equipment / Testing Lab equipment	LS	1	50,00,000	0.50
	Metering Control Room for Multi Point Societies	LS	-	-	-
	Total				2.51

Table 5-45: Capex projected for Demand supply Management by the Petitioner for FY 2020-21

S. No.	Description	UOM	Unit Cost (Rs.)	Total (Rs. Crore)
13	**Demand Supply Management**			
	Roof-top Solar Panels		3,00,00,000	3.00
	Small Solar Plants in Villages	LS		
	Energy Management Initiatives	LS		
	Peak Load Management	LS		
	Energy Storage	LS		
	Energy Management System Implementation	LS		
	Solar Pumps	LS		
	Distribution of CFL	LS		
	Distribution of Solar lanterns in rural areas	LS		

S. No.	Description	UOM	Unit Cost (Rs.)	Total (Rs. Crore)
	Promotion of Energy Saving / Reduction of Electricity Wastage	LS		
	Total	LS		**3.00**

Table 5-46: Capex Projected for Land Registration charges, Stamp Duty by the Petitioner for FY 2020-21

S. No.	Description	UOM	Unit Cost (Rs.)	Total (Rs. Crore)
14	**Land (Registration charges, Stamp Duty etc.)**	LS	3,16,25,000	6.33

5.7.3 The Petitioner submitted that the Capital Expenditure as submitted in Business Plan did not include the impact of capitalisation of expenses incurred during construction. Therefore, for the purpose of preparation of ARR for FY 2020-21 it has estimated the expenses to be capitalised during construction and has included the same in Capital Expenditure for FY 2020-21.

5.7.4 The Petitioner submitted that Regulation 20.1 of the MYT Regulations, 2019 provides the treatment for financing of the Capital Expenditure incurred by Licensee. The relevant extract of the Regulation 20.1 is provided herein below for reference:

*" 20. **Debt-Equity Ratio***

*20.1 For a capital investment Scheme declared under commercial operation on or after April 1, 2020, debt-equity ratio as on the date of commercial operation shall be 70:30 of the amount of capital cost approved by the Commission under **Regulation 18**, after making appropriate adjustment of Assets funded by Consumer Contribution/ Deposit Works/ Capital Subsidies/ Grant subject to prudence check for determination of Tariff:*

Provided that if the equity actually deployed is more than 30% of the capital cost, equity in excess of 30% shall be treated as normative loan for the Petitioner for determination of Tariff:

…."

5.7.5 The Petitioner further submitted that based on regulations, the funding plan for Capital Expenditure for FY 2020-21 would be as provided in Table here below:

Table 5-47: Funding of capital expenditure as submitted by the Petitioner for FY 2020-21 (Rs. Crore)

Particulars	Ref.	Projected
Addition to GFA	a	195.20
Add: Closing CWIP	b	2.92
Less: Opening CWIP	c	22.92
Capital Expenditure	**d=a+b-c**	**175.20**
Add: Interest & Salary Capitalisation	e	-
Less: Assets Retired	f	(5.90)
Net Capex	**g=d+e-f**	**169.30**
Consumer Contribution	h	14.55
Capex to be financed	**i=g-h**	**154.75**
Debt - 70%	j=i x 70%	108.32
Equity- 30%	k=h x 30%	46.42

Commission's Analysis:

5.7.6 The MYT Regulations, 2019 provides as under:

Quote

18 Capital Expenditure/ Cost and Capital Structure

18.1 Capital cost for a capital investment Project shall include:

(a) the expenditure incurred or projected to be incurred, including interest during construction and financing charges, as admitted by the Commission after prudence check;

(b) capitalised initial spares subject to the ceiling rates stipulated in these Regulations;

(c) expenses incurred by the Licensee on obtaining right of way, as admitted by the Commission after prudence check;

(d) additional capital expenditure determined under Regulation 19;

(e) Incidental expenditure during construction including apportioned expenditure on relevant components of O&M:

Provided that the assets forming part of the project, but not in use shall be taken out of the capital cost;

(f) any gain or loss on account of foreign exchange risk variation pertaining to the loan amount availed up to the date of commercial operation, as admitted by the Commission after prudence check:

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19 Additional Capitalisation

19.1 The capital expenditure, actually incurred or projected to be incurred, on the following counts within the original scope of work, after the date of commercial operation and up to the cut-off date, may be admitted by the Commission subject to prudence check:

(i) Undischarged liabilities recognized to be payable at a future date;

(ii) Works deferred for execution;

(iii) Procurement of initial capital spares within the original scope of work, in accordance with the provisions of Regulation 18;

(iv) Liabilities to meet award of arbitration or for compliance of the Order or decree of a court of law; and

(v) Change in law or compliance of any existing law

Provided that the details of works included in the original scope of work along with estimates of expenditure, liabilities recognized to be payable at a future date and the works deferred for execution shall be submitted along with the Petition for determination of final Tariff after the date of commercial operation.

19.2 The capital expenditure, incurred or projected to be incurred on the following counts after the cut-off date, may be admitted by the Commission, subject to prudence check:

(i) Liabilities to meet award of arbitration or for compliance of the Order or decree of a court of law;

(ii) Change in law or compliance of any existing law;

(iii) Any liability for works executed prior to the cut-off date, after prudence check of the details of such undischarged liability, total estimated cost of package, reasons for such withholding of payment and release of such payments, etc.;

(iv) Any liability for works admitted by the Commission after the cut-off date to the extent of discharge of such liabilities by actual payments;

(v) Any additional capital expenditure which has become necessary for efficient operation

Provided that the claim shall be substantiated with the technical justification duly supported by documentary evidence like test results carried out by an independent agency in case of deterioration of assets, damage caused by natural calamities, obsolescence of technology, up-gradation of capacity for the technical reason such as increase in fault level;

(vi) Any additional expenditure on items such as relays, control and instrumentation, computer system, power line carrier communication, batteries, tower strengthening, communication equipment, emergency restoration system, insulators cleaning infrastructure, which has become necessary for successful and efficient operation of Transmission System; and

(vii) Any capital expenditure found justified after prudence check necessitated on account of modifications required:

Provided that any expenditure, which has been claimed under Renovation and Modernisation or repairs and maintenance under O&M expenses, shall not be claimed under Additional Capitalisation.

19.3 Impact of additional capitalisation on Tariff, if any, shall be considered during Tariff determination proceedings.

……

44 Capital Investment Plan

44.1 The Distribution Licensee shall submit a detailed Capital Investment Plan, financing plan and physical targets for each year of the Control Period for meeting the requirement of growth in number of consumers, strengthening and augmentation of its distribution network, meeting the requirement of load growth, reduction in distribution losses, improvement in quality of supply, reliability, metering, reduction in congestion, etc., to the Commission for approval, as a part of the Business Plan:

Provided that in case of non-submission of the Capital Investment plan by the Distribution Licensee for a year of the Control Period, the Commission may disallow the Capital expenditure for that year.

44.2 The Capital Investment Plan shall be a least cost plan for undertaking investments. However, all capital expenditure projects of value exceeding Rs. Ten Crore and must have prior approval of the Commission on quarterly basis, and will be subject to prudence check.

44.3 The Capital Investment Plan shall be accompanied by such information, particulars and documents as may be required including but not limited to the information such as number of distribution sub-stations, consumer sub-stations, transformation capacity in

MVA and details of distribution transformers of different capacities, HT:LT ratio as well as distribution line length showing the need for the proposed investments, alternatives considered, cost / benefit analysis and other aspects that may have a bearing on the Tariff for retail supply of electricity and the Wheeling Charges:

Provided that the Distribution Licensee shall submit separate details of Capital Investment Plan for each Distribution Franchisee area within its Licence area.

Unquote

5.7.7 The Commission observed that there were certain schemes estimated by the Petitioner which have a capital outlay greater than Rs. Ten Crore. The Commission analysis query vide dated May 13, 2020 was asked from the Petitioner, that it shall segregate the identified Project/scheme wise capex plan along with tentative cost under the following categories:

- to meet the requirement of load growth (new / augmentation)
- refurbishment and replacement of equipment
- reduction in distribution losses
- improvement of voltage profile
- improvement in quality of supply
- system reliability
- metering
- communication and computerization
- any other category (please specify)

5.7.8 The Petitioner in response to the above query vide dated June 22, 2020 submitted that:

"The requisite details as desired have already been submitted to the Commission vide Annexure-9 to our reply letter dated 29th May, 2020 against the 2nd Deficiency Note dated 13th May 2020."

5.7.9 Further, the Petitioner submitted that the proposed capital expenditure has been classified as under–

A) EHV Schemes
B) Distribution schemes
C) System augmentation
D) System improvement
E) Schemes for loss reduction

F) Metering schemes
G) Capacitor
H) SCADA / DMS etc
I) Miscellaneous

5.7.10 With respect to the projects costing above Rs. 10 crores (Reference Regulation 44.2 of MYT Regulations, 2019), a query was sought from the Petitioner that it is directed to provide the following information (for each project separately):

- Detailed methodology for estimating expenditure for each project of the capital expenditure schemes with components and costing and related documents i.e. detailed project reports (DPR), work orders, tenders issued for the projects and the schemes planned to be taken up.
- Necessity for the project:
- Whether the proposed capital investment is necessary to set up the infrastructure to meet normal load growth or to reach new consumers or for increasing administrative efficiency?
- Whether equipment's proposed to be replaced are operating close to their rated capacities and equipment's are required to reduce the load on the existing equipment's to prolong its life, to increase the reliability of the system and to facilitate the creation of back up facility during scheduled maintenance operation?
- Whether it meets at least the near future demand growth projections?
- Technical justification:
- The single line diagram for the proposed schemes duly differentiating the existing schemes vis-à-vis the newly proposed schemes?
- Whether the scheme meets design & planning criteria in keeping with prevailing norms and standards?
- Whether the replacement of old equipment is necessary and, if so, whether the existing equipment has outlived its normal life span?
- Whether the proposed investment would improve the reliability of supply? (The reasons for procurement with justification must be given.)
- Whether the investment is necessary for reduction in distribution losses?
- Urgency:
- Whether the capacity planned is commensurate with demand growth
- Is it possible to defer the investment for its optimization?
- Alternatives:

- Whether other alternative schemes have been considered? (If so, the basis on which the proposed scheme has been selected out of several alternatives considered by the Petitioner will have to be mentioned).
- Whether the proposed investment would result in duplication of existing infrastructure? (if the cost of investment is supposed to be borne by some other agency, then it should be clearly mentioned.
- Whether proposed investment includes repairs of various grid stations and buildings, sub stations? (The expenses of repairs are already provided for in the O&M expenses and, therefore, justification for claiming these expenses under capital investment must be clearly brought out).
- Cost benefit analysis:
- Whether cost benefit analysis has been considered and the least cost option has been selected? (The details of cost benefit analysis must be given. The basis for estimated cost shall be mentioned and such estimated cost shall be used as a baseline for Competitive bidding)
- What is the Pay-back period of the proposed investment?
- Whether recurring cost associated with the schemes are reasonable?

5.7.11 The Petitioner in response to the above query submitted that:

Clause 44.2 of the MYT Regulations 2019 prescribes as follows-

"The Capital Investment Plan shall be a least cost plan for undertaking investments. However, all capital expenditure projects of value exceeding Rs. Ten Crore and must have prior approval of the Commission on quarterly basis, and will be subject to prudence check. "

5.7.12 The Petitioner submitted that from the above, it can be seen any singly capital expenditure project for the value exceeding Rs. 10 Crore need to be pre-approved by the Commission before undertaking the same.

5.7.13 The Petitioner further added that out of the proposed capex of Rs. 195.20 Crore, project relating to Expansion of KP-IV Control Room and its Building valued at Rs. 18 Crore approximately envisaged to be completed over 3 years i.e. FY 2020-21 to FY 2022-23. Due to COVID-19 pandemic, it has revised the above expenditure on this project at Rs. 3.60 Crore in the last quarter of FY 2020-21. Therefore, before commencement of the aforesaid project, prior approval of the Commission would be taken.

5.7.14 With regards to Capitalisation, a query was sought from the Petitioner that it needs to provide the year wise capitalization schedule for each project and scheme proposed during the control period.

5.7.15 The Petitioner in response to the above query submitted that:

"Except the project relating to Expansion of KP-IV Control Room and its Building which is costing Rs. 18 Crore and is expected to be completed over 3 years, all other projects are having gestation period of 6 to 9 months and therefore would be capitalised during FY 2020-21 only."

5.7.16 With regards to the proposed New scheme and installation of prepaid meter, a query was sought from the Petitioner that it has projected capex for New service for the control period in which it has proposed the installation of Prepaid meters. In this regard the Petitioner should clarify why prepaid meters are proposed rather than smart meters.

5.7.17 The Petitioner in this regard submitted that:

"In case of conversion of single point connection society into multi-point individual connection in the existing Group Housing Societies where DG supply and Discom supply is provided through single rising mains, the smart prepaid meters have been considered."

5.7.18 The Petitioner has considered prepaid meters which are less costly than the smart meters wherever the consumers demand for the same. As and when smart meter rollout plan is prepared for any particular area in Greater Noida, the Petitioner would submit its plan for the same and seek prior approval of the Commission.

5.7.19 Further with regards to capex projected for DSM scheme, query was sought from the Petitioner that it should provide the detailed component and cost wise breakup of Capex projected for DSM schemes for the control period.

5.7.20 The Petitioner in response to the above query submitted that it has from time to time duly updated the Commission on the status of implementation of the DSM measures being undertaken / intended to be taken up by it, some of the initiatives are given below:

"i) Installation of Roof Top Solar PV : In the state of Uttar Pradesh, the Petitioner has emerged as the leading Discom in granting Net metering connections to its consumers and the impact is that the total RSPV projects has reached upto 23.25 MWp as on 31st May 2020. This has helped consumers to get electricity as well as the Distribution Network is being utilize to provide supply to more number of consumer.

ii) Use of Energy Efficient Devices: Promoting use of energy efficient devices such as LED lights, energy efficiency pumps, star rated appliances such as AC, Fridge, geyser etc. The Company has been spreading awareness through its website, camps, monthly energy bills as well at its customer care offices.

iii) Spreading awareness about DSM: The Petitioner has taken up 9 number of interactive sessions with school children morning assembly to promote habit of switching off devices when not in use and also guiding them towards importance of saving electricity which can be used to provide to people who are being deprived for the same. Various Art competitions have been organized to promote the same.

iv) Energy Efficient Buildings: The Petitioner is spreading awareness for construction of energy efficient buildings in Greater Noida.

Further, the Petitioner is actively pursuing with various agencies for implementation on the following projects –

i. Demand Response Program

The Petitioner is aiming to introduce Demand Response Management programme amongst Mid-Large consumers which can rapidly create "Negawatts" by curtailing energy usage in a pre-planned way through energy conservation. Curtailments during peak hours without impacting normal operations through carefully designed curtailment programs will be gradually rolled-out across the licensed area. The Company is initially targeting energy savings of around 2 - 3 per cent of the peak demand.

ii. Installation of Roof-top/Ground Mounted Solar Plant in/for Rural Households/Areas

Electricity theft in the rural areas is one of the major concerns for the Company. The Petitioner is in active discussion with leading consultants and agencies for installation of Roof-top/Ground Mounted Solar Plant in/for Rural Households/Areas."

5.7.21 Accordingly, the Petitioner has projected an expenditure of Rs. 3.0 Cr during FY 2020-21 and after preparing the complete plan with cost-benefit analysis, the Petitioner will submit the same to the Commission for its prior-approval.

5.7.22 Further a query was sought from the Petitioner with respect to the project "KP-4 control room Expansion Civil works" in the Civil works & Office Infrastructure Facility has projected capex of Rs. 18.00 Crore for FY 2020-21. Similarly, for 33 kV Switching Substation with GIS has projected Rs. 11.15 Crore. As the Regulation 44.2 of the UPERC (MYT for Distribution and Transmission Tariff) Regulations, 2019 provide for approval of capex greater than Rs. 10.00 Crore. In this regard the Petitioner should clarify whether it has taken the prior approval of the Commission for such projects.

5.7.23 In response to the above query, the Petitioner submitted that:

"With regard to project relating to Expansion of KP-IV Control Room and its Building valued at Rs. 18 Crore approximately envisaged to be completed over 3 years i.e. FY 2020-21 to FY 2022-23. Due to COVID-19 pandemic, the Petitioner has revised the above expenditure on this project at Rs. 3.60 Crore in the last quarter of FY 2020-21. Therefore, before commencement of the aforesaid project, prior approval of the Hon'ble Commission would be taken.

Further, as explained in the capital expenditure plan kindly note that the estimated cost of Rs. 11.15 Cr is for two 33 kV Switching Substations with GIS, each estimated to cost @ Rs. 5.58 Cr approximately."

5.7.24 With regards to capex projected for civil works and office infrastructure, a query was sought from the Petitioner that it has in the Annexure-9 submitted the capex for FY 2020-21 in which the capex for 'Civil Works & Office Infrastructure Facility' and 'Tools and Testing Equipment' were Rs. 24.22 Crore and Rs. 2.50 Crore whereas in the Format 19B of Appendix 3- MYT Distribution Tariff Formats ARR FY 2020-21 shows the capex for the same projects as Rs. 21.33 Crore and Rs. 5.41 Crore. In this regard the Petitioner should rectify the error and provide the correct value.

5.7.25 The Petitioner in response to the above query submitted that:

"It is submitted that vehicles for operation purposes is clubbed with 'Civil Works & Office Infrastructure Facility' in Annexure-9 whereas the same has been clubbed with 'Tools and Testing Equipment' in Format 19-B of Appendix-3. It has been clarified in the below mentioned table:

Table 5-48: Details of Capex as submitted by the Petitioner for FY 2020-21

SL No.	***Particular***	***Amount (Rs. Crore)***
1.	***Civil Works & Office Infrastructure Facility***	

SL No.	Particular	Amount (Rs. Crore)
A	*Amount as per Annexure-9*	*24.23*
B	*Less: Vehicles*	*2.9*
Amount as per Format-19B		***21.33***
2.	***Civil Tools and Testing Equipment***	
A	*Amount as per Annexure-9*	*2.51*
B	*Add: Vehicles*	*2.9*
Amount as per Format-19B		***5.41***

"

5.7.26 With regards to CWIP submitted by the Petitioner, a query was sought from the Petitioner to provide asset wise detail of CWIP for FY 2019-20 and FY 2020-21. The Petitioner submitted the details as shown in the Table below:

Table 5-49: Details of CWIP as submitted by the Petitioner (Rs. Crore)

Sl. No.	Particulars	FY 2019-20 (Estimated)	FY 2020-21 (Projected)
1	Distribution Management System Project	1.50	-
2	Outage Management System Project	2.39	-
3	Building Management System Project	0.24	-
4	Customer Care Centre at Techzone-4	0.58	-
5	Surveillance & Safety System Project	0.31	-
6	SAP Hana Project	3.77	-
7*	Consultancy Service for preparation of DPR and Tender Document for construction of 220KV Substation and Associated 220kV Lines at BZP and KP5, Greater Noida	1.28	1.28
8	Other IT and Automation Projects	0.12	-
9	Materials for various Capital Projects	10.83	1.64
10	Advance for 1 no. 33kV Bay at Surajpur Substation	0.33	-
11	Application Money for allotment of 3 Land for 33/11 kV Substations paid to GNIDA	0.76	-
12	Advance for Vehicles	0.14	-
13	Other Advances	0.67	-
14	**Total CWIP**	**22.92**	**2.92**

*Work order given in January 2018 and report completed in March 2018 i.e. prior to the Hon'ble Commission's Orders dated 31st October, 2018 in the matter of R.C.Green and Gharbara.

5.7.27 It was observed that the Petitioner has claimed CWIP for consultancy services for 220 kV substation. In this regard the payment details were sought from the Petitioner. In this regard the Petitioner submitted that:

> *"It is submitted that the CWIP for FY 2018-19 and FY 2019-20 includes Rs. 1.28 Cr towards "Consultancy Services for preparation of DPR and Tender Document for construction of 220 kV Substation and Associated 220 kV Lines at BZP and KP-5, Greater Noida". In this regard, we submit that the Work Order no. 4300011507 was issued to M/s Power Grid Corporation of India Ltd. (PGCIL) for the aforesaid work on 29th January, 2018 (i.e. FY 2017-18), in line with its earlier submissions in Business plan and ARR petitions, which was much before the Commission's Orders dated 31st October 2018 in respect of RC. Green and Gharbara Substations. Thus, as per the terms of the aforesaid Work Order, an initial payment of Rs. 0.51 Cr. was made on 9th February, 2018 to PGCIL and was included in CWIP for FY 2017-18. Further, on completion of the scope of work during FY 2018-19 as per the work order, the remaining expense of Rs. 0.77 Cr. was incurred during FY 2018-19 and included in CWIP. Pursuant to the directions of the Hon'ble Commission vide order dated 31st October 2018, the project has been kept in abeyance till the final adjudication of RC Green and Gharbara matter and hence, the expenditure of Rs. 1.28 Cr continues to remain in CWIP in FY 2018-19 and FY 2019-20."*

5.7.28 The Commission vide mail sought the details of month wise Investment and capitalisation done till date for FY 2020-21 for which the Petitioner did not submit the details.

5.7.29 The Commission has noted that the Petitioner due to outbreak of COVID-19 pandemic has revised the capital investment plan for the control Period FY 2020-21 to FY 2024-25 has accordingly revised the ARR/Capital Expenditure for FY 2020-21 in ARR Petition. Further, the Commission has observed that the Petitioner have not informed the Commission regarding the execution and completion of the schemes undertaken by it in the existing Control Period. The Commission opines that Petitioner should do all efforts to ensure that it informs the Commission about the status of each scheme and takes approval of the Commission as per Regulation 44.2 of the MYT Regulations, 2019.

5.7.30 The Petitioner has not submitted DPRs or details for approval of capex greater than Rs. 10 Crore. Although, the 1st & 2nd quarter of the year has already passed, the Commission has allowed 100% of the Capital Expenditure as claimed by the Petitioner for FY 2020-21. The Petitioner must submit the details of each investment scheme / project exceeding Rs. 10 Crore and obtain prior approval of the Commission as per Regulations for inclusion as regulatory expenditure in the ARR. Failure to do so will result in disallowance of such investment in the ARR in order to safeguard the consumers from unjust and unfair charges.

5.7.31 While analysing the Tariff Format P7, the Commission observed the mention of some assets of 220/33 kV (i.e. no. of feeders, transformers and substation capacity addition) in FY 2020-21. However, it was not clear, whether the usage of same pertained to 33kV or to the 132kV / 220 kV. In this regard the Commission vide tele- conversation sought the details for the same. The Petitioner in this regard submitted vide email on November 27, 2020 that:

> *"This is refers to your telephonic call on 26th Nov'20 at 4 pm seeking further clarification with regard to Capital Expenditure for FY 2020-21. We humbly submits as follows-*
>
> *We would like to again re-confirm that in our petition no. 1541 of 2019 filed for the approval of ARR for FY 2020-21, we have not proposed to incur any capital expenditure on 220kV and/ or 132 kV Substation and associated lines in FY 2020-21. We would like to once again clarify that the amount of Rs. 20.48 Cr paid to UPPTCL has been incurred for securing 5 nos. 33 kV bays from their 220 / 33 kV Substation Noida at Sec-148 for allocation of 100 MW capacity for distribution power to the consumers in Greater Noida Area. Thus, you will kindly observe that the aforesaid expenditure of Rs. 20.48 Cr has been incurred for obtaining 5 nos. of 33 kV bays. The same has also been shown as addition of 100 MVA capacity under the tittle "220/ 33kV Transformers Capacity". We have also provided information on the above in our petition no. 1541 of 2019 at Para 6.10 of Appendix 3 and also vide e-mail dated 29th Aug'20.*
>
> *Further it is humbly submitted that the above enhancement of 100 MW capacity is only on account of allocation of 5 nos. Bays at UPPTCL's 220/33 kV Substation at Sec-148, Noida and is not on account of any new 220/132 kV transformer / substation. Addition of 1 no. transformer under the tittle " No. of Transformers -220/33 kV " in RTF P-7 from FY 2019-20 to FY 2020-21 was an inadvertent error and may please be ignored. Similarly, the addition of 6 Nos. of feeders under the tittle " No. of Feeders -220/33 kV " in RTF P-7 from FY 2019-20 to FY 2020-21 may please be read as 5 nos. of feeders (the initial proposal was for 6 nos. Bays). We really regret the inconvenience caused due to inadvertent error.*

As desired we have also explained and reconciled the details of HT Transformers, LT Transformers and Circuit length of distribution network as per RTF-P7 with the Capital Expenditure of Rs. 195.20 Cr proposed for FY 2020-21."

5.7.32 It is observed that the Petitioner has informed the capitalisation of 5 no. of bays in FY 2019-20 but the same are once again being reflected in the Format P7 for FY 2020-21. On enquiry it was informed that at the time of filing the status of capitalisation of 5 bays was not clear however at a later date the same were capitalised in FY 2019-20 and hence would not be capitalised in FY 2020-21 which earlier had been proposed at the time of filing. The Commission has not allowed any assets of 132 kV and above to the Petitioner, the Commission has already taken a view on the 5 no. bays in computations of FY 2019-20, hence, in view of the above reply, the above assets have been allowed in the Capex for FY 2020-21. However, the Petitioner is directed to update the Commission in regard to 132 kV and above assets (if any) which have not been covered as yet, in the next tariff filing.

5.7.33 The Commission further observed that the Petitioner has projected Rs. 50 Lakh for purchase of one four vehicle while Rs. 2.40 Crore for purchase of 12 two wheelers. The Commission in the True Up chapter of this Order has deliberated the reasoning for disallowance of high-end vehicles. The same treatment as done in True-up of FY 2018-19 has been done in ARR for FY 2020-21. The total Capitalisation considered for FY 2020-21 is Rs. 192.30 (Rs. 195.20-2.40-0.50) Crore.

5.7.34 Therefore, in line with the above, the Commission has considered 100% of the claimed capital investments for FY 2020-21 and has considered the same proportion of capitalization of total investments which includes opening CWIP, Employee capitalisation, and investments during the year as claimed by the Petitioner.

5.7.35 The Commission has computed Employee capitalization based on last 3 years average Employee capitalization rate (%) or claimed, whichever is higher. Accordingly, the projected Capital formation and Capital Work in Progress and GFA allowed for FY 2020-21 is presented below:

Table 5-50: Capex as approved by the Commission for FY 2020-21 (Rs. Crore)

Particulars	Reference	ARR Petition	Approved
Total Addition to Assets (excluding interest capitalisation)	A	195.20	192.30
Total Deletion to Assets (excluding interest capitalisation)	B	5.90	5.90

Particulars	Reference	ARR Petition	Approved
Add: Closing CWIP	C	2.92	1.64
Less: Opening CWIP	D	22.92	21.64
Total Capex (excluding interest capitalisation)		**169.30 (A-B+C-D)**	**186.40* (A-B)**
Add: Interest Capitalisation		0.00	0.00
Total Capex	**E**	**169.30**	**186.40**
Less: Consumer Contribution	F	14.55	14.55
Net Capex	**G=E-F**	**154.75**	**171.84***
Debt	**70% of G**	**108.32**	**120.29**
Equity	**30% of G**	**46.42**	**51.55**

***This is net capitalization only.**

Note: The current Regulations only consider capitalized / de-capitalized assets and not the Investment/Capex, which would have included the capitalized assets, de-capitalized assets and CWIP. The value of net Capex has not been used anywhere in the computations for FY 2020-21. Further, the net capitalization of 171.84 Crore will be considered to determine the 70% loan and 30% equity component for FY 2020-21.

5.7.36 The Regulation 20 of the UPERC MYT Regulations, 2019 is as follows:

Quote

20 Debt-Equity Ratio

20.1 For a capital investment Scheme declared under commercial operation on or after April 1, 2020, debt-equity ratio as on the date of commercial operation shall be 70:30 of the amount of capital cost approved by the Commission under Regulation 18, after making appropriate adjustment of Assets funded by Consumer Contribution/ Deposit Works/ Capital Subsidies/ Grant subject to prudence check for determination of Tariff:

Provided that if the equity actually deployed is more than 30% of the capital cost, equity in excess of 30% shall be treated as normative loan for the Licensee for determination of Tariff:

Provided further that the Licensee shall submit documentary evidence for the actual deployment of equity and explain the source of funds for the equity:
Provided also that where equity actually deployed is less than 30% of the capital cost of the capitalised asset, the actual equity shall be considered for determination of Tariff:

Provided also that the equity invested in foreign currency shall be designated on the date of each investment.

20.2 In case of the Licensee, for the fixed assets capitalised on account of Capital Expenditure Scheme prior to April 1, 2020, the debt-equity ratio allowed by the Commission for determination of ARR / Tariff for the period ending March 31, 2020 shall be considered:

Provided that in case of retirement or replacement or de-capitalisation of the assets, the equity capital approved as mentioned above, shall be reduced to the extent of 30% (or actual equity component based on documentary evidence, if it is lower than 30%) of the original cost of such assets:

Provided further that in case of retirement or replacement or de-capitalisation of the assets, the debt capital approved as mentioned above, shall be reduced to the extent of outstanding debt component based on documentary evidence, or the normative loan component, as the case may be, of the original cost of such assets.

20.3 Any expenditure incurred or projected to be incurred on or after April 1, 2020, as may be admitted by the Commission as additional capital expenditure for determination of Tariff, and Renovation and Modernisation expenditure for life extension, shall be serviced in the manner stipulated in these Regulations.

Unquote

5.7.37 For the purpose of arriving at the opening values of FY 2020-21, the Commission has computed the values for FY 2019-20. For APR of FY 2019-20, the Petitioner has claimed an investment of Rs. 208.66 Crore. The employee expenses capitalisation has been considered the same as claimed by the Petitioner.

5.7.38 The Commission has considered the Trued-up closing GFA of FY 2018-19 as the opening GFA of FY 2019-20. The Commission has not considered asset pertaining to 132kV and above asset to be capitalized in FY 2019-20 as submitted by the Petitioner in its APR submission i.e. Rs 19.12 Crore and Rs. 20.48 Crore and has reduced the amount for the same from the addition. Further, amount of Rs. 1.28 Crores against consultancy services for construction of 220 kV substation has also been reduced from CWIP. The computation is shown in the Table below:

Table 5-51: Capital Investment for FY 2019-20 for NPCL (Rs. Crore)

Particulars	Approved in T.O 03/09/2019	APR Petition	Computed
Total Additions to Assets (excluding interest capitalisation)	190.50	208.66	169.06
Add: Closing CWIP	0.00	22.92	21.64
Less: Opening CWIP	18.30	58.88	18.00
Total Capex (excluding interest capitalisation)	**172.20**	**172.70**	**172.70**
Add: Interest Capitalisation	4.22	0.00	0.00
Total Capex	**176.41**	**172.70**	**172.70**
Consumer Contribution	23.92	24.65	24.65
Net Capex	**152.49**	**148.05**	**148.05**

5.7.39 The Commission has observed that there are large number of errors / discrepancies and inconsistencies in the data of the Petitioner in regard to GFA opening and closing, and corresponding computations of loan and equity. The Commission has considered the trued-up closing GFA of FY 2018-19 as the opening GFA of FY 2019-20. The computation is shown in tables below:

Table 5-52: Projections of Gross Fixed Asset approved for FY 2019-20 (Rs. Crore)

Particulars	Derivation	Claimed	Computed (Provisional)
Opening GFA	A	1479.40	1337.99
Addition to GFA during the year	B	208.66	169.06
De capitalisation / deduction	C	7.87	7.87
Closing GFA	E=A+B-C	1680.19	1499.18

5.7.40 The Table below summarises the amounts considered towards Consumer Contribution for FY 2019-20. As has been a practice for other Licensee`s also (i.e. State Discoms and UPPTCL), while considering the Consumer Contribution asset base, the written down values of the asset base is considered and the asset base is reduced by yearly amortization of assets. Accordingly, the consumer contribution for FY 2019-20 is computed as under:

Table 5-53: Consumer contribution computed for FY 2019-20 (Rs. Crore)

Particulars	Computed (Provisional)
Opening Balance of Consumer Contributions	174.20*
Additions during the year	24.65
Closing Balance	198.84

*Considered written down opening for FY 2019-20

5.7.41 The closing GFA and consumer contribution of FY 2019-20, as computed above, has been considered as the opening GFA and consumer contribution of FY 2020-21 as shown in table below:

Table 5-54: Projections of Gross Fixed Assets of NPCL for FY 2020-21

Particular	Reference	Claimed	Approved
Opening GFA	A	1680.19	1499.18
Opening Balance of Consumer contribution	B	177.40	186.12*

* Rs. 198.84 Crore- Rs.12.72 Crore (depreciation of consumer contribution during the year)

5.7.42 As per Regulation 20.2 of MYT Regulations, 2019, the fixed asset base (in which the retirement or replacement or de-capitalisation of the assets is accounted for) shall be computed as on 31.03.2020 (taking into consideration the trued-up values for FY 2018-19 and APR of FY 2019-20). The equity capital as on 1.4.2020, has been computed to the extent of 30% of such fixed asset base and the debt capital has been computed to the extent of 70% of such fixed asset base.

5.7.43 Accordingly, the Debt and equity as on 1.4.2020, computed for FY 2020-21 is shown below:

Table 5-55: Debt: Equity of NPCL computed as on 01.04.2020 (Rs. Crore)

Particulars	Derivation	Approved
Opening GFA (net of Grants, which is zero)	A	1499.18
Opening Balance of Consumer Contributions	B	186.12
Net Opening GFA	C=A-B	1,313.06
Opening Equity	D=C*30%	393.92
Opening Debt	E=C*70%	919.14

5.7.44 As per Regulation 20.1 of MYT Regulations, 2019, debt-equity ratio shall be 70:30 of the amount of capital cost approved by the Commission under Regulation 18, after making appropriate adjustment of Assets funded by Consumer Contribution/ Deposit Works/ Capital Subsidies/ Grant subject to prudence check for determination of Tariff.

5.7.45 Accordingly, the closing GFA for FY 2020-21 has been computed after considering Net addition to the GFA during the year as shown in table below:

Table 5-56: Gross Fixed Asset of NPCL for FY 2020-21 (Rs. Crore)

Particulars	Derivation	Claimed	Computed
Opening GFA	A	1680.19	1313.06
Addition to GFA during the year	B	195.20	192.30
Decapitalisation/ deduction	C	5.90	5.90
Closing GFA	E=A+B-C	1869.48	1499.46

5.7.46 The consumer contribution base for FY 2020-21 is as under:

Table 5-57: Consumer Contribution considered for NPCL in FY 2020-21 (Rs. Crore)

Particulars	Approved
Opening Balance of Consumer Contributions,	186.12
Additions during the year in consumer contribution	14.55
Closing Balance	**200.67**

5.8 DEPRECIATION

5.8.1 The Petitioner submitted that based on the Capital expenditure, the amount considered for depreciation for determination of ARR is as shown in the Table below:

Table 5-58: Depreciation for FY 2020-21 as submitted by the Petitioner

Sl. No.	Particulars	Reference	Projected
1	**Gross Depreciation**	A	**62.74**
2	Less: Depreciation on Consumer Contribution	B	(9.88)
3	**Net Depreciation**	c-a+b	**52.86**
4	Average Gross Fixed Asset	D	1,774.84
5	% of Average Gross Fixed Asset	e=a/d	3.53%

5.8.2 The Petitioner submitted that the above depreciation has been worked out on following basis:-

(i) Depreciation for FY 2020-21 has been determined on the basis of written down values of assets as on 1st April, 2020 by applying depreciation rates as prescribed under MYT Regulation, 2019 on SLM method.

(ii) Depreciation on assets equivalent to Capital Contribution received have not been considered for determination of ARR for FY 2020-21 in accordance with Regulation 26(b) of the MYT Regulation.

(iii) It is pertinent to mention here that the Commission in its Tariff Order dated 3rd September, 2019 while determining depreciation for truing up of ARR for FY 2017-18 has not considered any depreciation/amortization of land presumably considering the same as freehold land. However, since the Petitioner has acquired lands from GNIDA on leasehold basis, the same need to be amortized over the respective lease period of the leasehold land. Therefore, the Petitioner has considered amortization of leasehold land while determining depreciation for the ARR of FY 2020-21.

Commission's Analysis:

5.8.3 The Regulation 21 of MYT Regulations, 2019 is provides that:

Quote

"21 Depreciation:

21.1 The Licensee, shall be permitted to recover Depreciation on the value of fixed assets used in their respective businesses, computed in the following manner:

a) The approved original cost of the fixed assets shall be the value base for calculation of Depreciation:

Provided that the Depreciation shall be allowed on the entire capitalised amount of the new assets after reducing the approved original cost of the retired or replaced or decapitalised assets.

b) Depreciation shall be computed annually based on the Straight- Line Method at the rates stipulated in the Annexure- A of the Uttar Pradesh Electricity Regulatory Commission (Multi Year Tariff for Distribution & Transmission) Regulations, 2019.

Provided that the Licensee shall ensure that once the individual asset is depreciated to the extent of seventy percent, remaining depreciable value as on 31st March of the year closing shall be spread over the balance Useful Life of the asset including the Extended Life, as per submission of the Licensee and approved by the Commission.

c) The salvage value of the asset shall be considered at 10% of the allowable capital cost and Depreciation shall be allowed up to a maximum of 90% of the allowable capital cost of the asset:

Provided that land owned shall not be treated as a Depreciable asset and shall be excluded while computing Depreciation:

Provided further that Depreciation shall be chargeable from the first year of commercial operation.

d) Depreciation shall not be allowed on assets funded by Consumer Contributions or Subsidies/ Grants/ Deposit works.

21.2 In case of existing assets, the balance depreciable value as on April 01, 2020, shall be worked out taking into consideration the life of the asset, and by deducting the cumulative Depreciation as admitted by the Commission up to March 31, 2020, from the gross depreciable value of the assets.

21.3 In case of projected commercial operation of the assets for part of the year, depreciation shall be computed based on the average of opening and closing value of assets.

21.4 Depreciation shall be re-computed for assets capitalised at the time of Truing-Up, based on Audited Accounts and documentary evidence of assets capitalised by the Petitioner, subject to the prudence check of the Commission.

Unquote

5.8.4 It is observed that the Regulation 21.1 specifies for process of computation of depreciation of the new assets, wherein depreciation shall be computed annually based on the Straight- Line Method at the rates stipulated in the Regulations and the Petitioner has to ensure that once the individual asset is depreciated to the extent of seventy percent, remaining depreciable value as on 31st March of the year closing has to be spread over the balance Useful Life of the asset including the Extended Life. However, the Regulations doesn’t specifically say the same wrt to the existing Gross Block and further explains the treatment of existing assets in Regulation 21.2. Hence, the life of individual assets would be difficult to be ascertained and as such it cannot be found whether the individual asset has depreciated to the extent of seventy percent or not.

5.8.5 Accordingly, the existing assets may be dealt with separately as per Regulations 21.2 and their Net block (as on 31.3.2020) may be kept separate and may be considered Gross Block to apply SLM from 1.4.2020 onwards and the new assets to be dealt as per Regulations 21.1 of MYT Regulations, 2019.

5.8.6 Hence, the Petitioner is directed to maintain a separate individual asset wise FAR for assets capitalized after 1.4.2020 and the Gross Block and Depreciation may be computed separately from the Gross Block before 1.4.2020. Accordingly, from FY 2020-21 onwards the Petitioner to maintain two separate Gross Blocks (one for assets upto 31.3.2020 and second for assets after 1.4.2020) and two separate FAR`s depicting addition of Assets details from 01.04.2020 onwards for the purpose of depreciation computation for the purpose of Regulatory Accounts.

5.8.7 As per above, the Commission has computed the depreciation. The written down closing of FY 2019-20 is considered as Opening for FY 2020-21 where the gross depreciation computed for FY 2019-20 is negated from it to get the Net written down opening (considered to be opening GFA) due to the Change in methodology of Depreciation from Written Down Value to Straight Line Method. The gross allowable depreciation for each component is sum totaled and the equivalent depreciation on assets created out of Consumer Contributions are deducted as shown under:

Table 5-59: Gross Allowable Depreciation for assets upto 31.03.2020 of the Petitioner for FY 2020-21 (Rs. Crore)

For assets upto 31.3.2020		Depreciation										
S. No.	Particulars	Opening Written down GFA (as on 1.4.2020)	Gross Depreciation during 2019-20	Balance Depreciable Value as on 1.4.2020 (Opening GFA)	Addition to GFA	Deduction to GFA	Closing GFA	Average GFA	Depreciation Rate	Allowable Gross Depreciation	Consumer Contribution	Net Allowable Depreciation
1	Land & Land Rights			138.16		-	138.16	138.16	3.34%	4.61		
2	Buildings & Civil Works			172.44		-	172.44	172.44	3.34%	5.76		
3	Plant & Machinery			36.73		-	36.73	36.73	5.28%	1.94		
4	Lines, Cables, Network etc.			550.46		4.00	546.46	548.46	5.28%	28.96		
5	Meter and other Metering Equipments			38.13		0.80	37.33	37.73	5.28%	1.99		
6	Communication Equipment			10.87		-	10.87	10.87	5.28%	0.57		
7	Vehicles			0.04		-	0.04	0.04	9.50%	0.00		
8	Furniture and Fixtures			17.17		0.35	16.82	16.99	6.33%	1.08		
9	Office Equipments			9.26		0.75	8.51	8.89	6.33%	0.56		
10	Intangible assets			22.54		-	22.54	22.54	15.00%	3.38		
11	Assets taken over and pending final valuation			0.74		-	0.74	0.74	15.00%	0.11		
12	Solar Power Generation Equipments			0.17		-	0.17	0.17	5.28%	0.01		
13	**Total Fixed Assets**			996.70		5.90	990.80	993.75		48.98	9.47	39.51

Table 5-60: Gross Allowable Depreciation for Assets as on 01.04.2020 of Petitioner for FY 2020-21 (Rs. Crore)

For assets from 1.4.2020 onwards		Depreciation										
S. No.	Particulars	Opening Written down GFA (as on 1.4.2020)	Gross Depreciation during 2019-20	Balance Depreciable Value (as on 1.4.2020) for FY 2020-21	Addition to GFA	Deduction to GFA	Closing GFA	Average GFA	Depreciation Rate	Allowable Gross Depreciation	Consumer Contribution	Net Allowable Depreciation
1	Land & Land Rights	-	-	-	6.23		6.23	3.12	3.34%	0.10		
2	Buildings & Civil Works	-	-	-	20.52		20.52	10.26	3.34%	0.34		
3	Plant & Machinery	-	-	-	-		-	-	5.28%	-		
4	Lines, Cables, Network etc.	-	-	-	125.89		125.89	62.94	5.28%	3.32		
5	Meter and other Metering Equipments	-	-	-	5.04		5.04	2.52	5.28%	0.13		
6	Communication Equipment	-	-	-	10.89		10.89	5.45	5.28%	0.29		
7	Vehicles	-	-	-	2.86		2.86	1.43	9.50%	0.14		
8	Furniture and Fixtures	-	-	-	-		-	-	6.33%	-		
9	Office Equipments	-	-	-	6.22		6.22	3.11	6.33%	0.20		
10	Intangible assets	-	-	-	11.69		11.69	5.85	15.00%	0.88		
11	Assets taken over and pending final valuation	-	-	-	-		-	-	15.00%	-		
12	Solar Power Generation Equipments	-	-	-	2.96		2.96	1.48	5.28%	0.08		
13	**Total Fixed Assets**	-	-	-	**192.30**		**192.30**	**96.15**		**5.48**	**0.41**	**5.06**

5.8.8 Thus, the allowable depreciation for FY 2020-21 is as shown in the tables below:

Table 5-61: Net Approved Depreciation for assets before 01.04.2020 (Part A) of NPCL for FY 2020-21 (Rs. Crore)

Particulars	Claimed (Part A+ Part B)	Approved (Part A)
Gross Allowable Depreciation	62.74	48.98
Less: Equivalent amount of depreciation on assets acquired out of the Consumer Contribution	(9.88)	9.47

Particulars	Claimed (Part A+ Part B)	Approved (Part A)
Net Allowable Depreciation	**52.86**	**39.51**

Table 5-62: Net Approved Depreciation for Assets 01.04.2020 onwards (Part B) of NPCL for FY 2020-21 (Rs. Crore)

Particulars	Claimed (Part A+ Part B)	Approved (Part B)
Gross Allowable Depreciation	62.74	5.48
Less: Equivalent amount of depreciation on assets acquired out of the Consumer Contribution	(9.88)	0.41
Net Allowable Depreciation	**52.86**	**5.06**

5.9 INTEREST ON TERM LOAN

5.9.1 The Petitioner submitted that Regulation 23 of MYT Regulations 2019 provides for treatment of Interest on Term Loan. The Relevant extract of the Regulation is reproduced below:-

*“ **23 Interest on Long-Term Loan***

23.1 The long- term loans arrived at in the manner indicated in these Regulations on the assets put to use shall be considered as gross normative loan for calculation of interest on loan:

Provided that in case of retirement or replacement or de-capitalisation of assets, the loan capital approved as mentioned above, shall be reduced to the extent of outstanding loan component of the original cost of such assets based on documentary evidence.

23.2 The normative long- term loan outstanding as on April 1, 2020, shall be worked out by deducting the cumulative repayment as admitted by the Commission up to March 31, 2020, from the gross normative loan.

23.3 Notwithstanding any moratorium period availed, the repayment of loan shall be considered from the first year of commercial operation of the asset.

23.4 The rate of interest shall be the weighted average rate of interest computed on the basis of the actual long- term loan portfolio at the beginning of each year:

Provided that at the time of Truing- Up, the weighted average rate of interest of the actual long- term loan portfolio during the concerned year shall be considered as the rate of interest:

….. "

5.9.2 The Petitioner submitted that based on regulation and capital expenditure planned, the details of Interest on Term Loans for FY 2020-21 is shown in the Table below:

Table 5-63: Interest on Term Loan as submitted by the Petitioner for FY 2020-21 (Rs. Crore)

Sl. No.	Loan Computation	Ref.	Projected
1	**Net Normative loan – Opening**	**a**	**511.45**
2	Increase/Decrease due to ACE during the Year	b	108.32
3	Repayments of Normative Loan during the year	c	52.86
4	**Net Normative loan – Closing**	**d=a+b-c**	**566.92**
5	Average Normative Loan	e=(a+d)/2	539.18
6	Weighted average Rate of Interest on actual Loans	F	9.91%
7	**Interest on Normative loan**	**g=e x f**	**53.45**

5.9.3 The Petitioner submitted that above interest and loans have been assessed on following basis:

1) The opening balance normative loans for FY 2020-21 has been considered as equivalent to Closing Balance of Normative Loan for FY 2019-20 as provided in APR Petition for FY 2019-20.
2) Irrespective of moratorium period, the repayment has been considered based upon the depreciation computed based on the rates and method as provided in the MYT Regulations, 2019.
3) Last available weighted average rate of interest for actual loan i.e. 9.91% has been utilized for computation of interest on long term loan.

Commission's Analysis

5.9.4 The Commission has considered debt equity ratio for the assets capitalized of 70:30 in line with the MYT Regulations, 2019. In case the equity is less than 30%, the actual equity shall be considered and if equity is more than 30%, the amount of equity shall be limited to 30%. Therefore, the balance asset capitalized shall be treated as normative loan for determination of tariff. Further, as per the Regulation 23.5, the rate of interest on long term loan is considered as the weighted average rate of interest of the actual long term loan portfolio. year. The relevant extract is provided in the following:

Quote

23 Interest on Long- Term Loan

23.1 The long- term loans arrived at in the manner indicated in these Regulations on the assets put to use shall be considered as gross normative loan for calculation of interest on loan:

Provided that in case of retirement or replacement or de-capitalisation of assets, the loan capital approved as mentioned above, shall be reduced to the extent of outstanding loan component of the original cost of such assets based on documentary evidence.

23.2 The normative long- term loan outstanding as on April 1, 2020, shall be worked out by deducting the cumulative repayment as admitted by the Commission up to March 31, 2020, from the gross normative loan.

23.3 The repayment for each year shall be deemed to be equal to the Depreciation allowed for that year.

23.4 Notwithstanding any moratorium period availed, the repayment of loan shall be considered from the first year of commercial operation of the asset.

23.5 The rate of interest shall be the weighted average rate of interest computed on the basis of the actual long- term loan portfolio at the beginning of each year:

Provided that at the time of Truing- Up, the weighted average rate of interest of the actual long- term loan portfolio during the concerned year shall be considered as the rate of interest:

Provided further that if there is no actual long- term loan for a particular year but normative loan is still outstanding, the last available weighted average rate of interest for actual loan shall be considered:

Provided also that if the Licensee, does not have actual long- term loan even in the past, the weighted average rate of interest of its other Businesses regulated by the Commission shall be considered:

Provided also that if the Licensee does not have actual long- term loan, and its other Businesses regulated by the Commission also do not have actual loan even in the past, then the weighted average rate of interest of the entity as a whole shall be considered:

Provided also that if the entity as a whole does not have actual long-term loan because of which interest rate is not available, then the rate of interest for the purpose of allowing the interest on the normative long- term loan should be the weighted average SBI MCLR (1 Year) prevailing during the concerned year.

23.6 The interest on long- term loan shall be computed on the normative average long-term loan of the year by applying the weighted average rate of interest:

Provided that at the time of Truing-Up, the normative average loan of the concerned year shall be considered on the basis of the actual asset capitalisation approved by the Commission for the year.

23.7 The excess interest during construction on account of time and / or cost overrun as compared to the approved completion schedule and capital cost or on account of excess drawal of the debt funds disproportionate to the actual requirement based on Scheme completion status, shall be allowed or disallowed partly or fully on a case to case basis, after prudence check by the Commission:

Provided that where the excess interest during construction is on account of delay attributable to an agency or contractor or supplier engaged by the Licensee, any liquidated damages recovered from such agency or contractor or supplier shall be taken into account for computation of capital cost:

Provided further that the extent of liquidated damages to be considered shall depend on the amount of excess interest during construction that has been allowed by the Commission.

Unquote

5.9.5 For the purpose of arriving at the opening values of FY 2020-21, the Commission has computed the values for FY 2019-20. Loan addition during the year is 70% of net investment after reducing consumer contribution. The closing loan base as on 31.03.2020 computed by the Commission for FY 2019-20 is as shown in the Table below:

Table 5-64: Interest on Long Term Loan of the Petitioner computed by the Commission for FY 2019-20 (Rs. Crore)

Particulars	Tariff Order dt. 03.09.2019	Petitioner's Claim	Computed (Provisional)
Opening Loan	496.34	473.54	428.76
Loan Additions (70% of Investments)	86.34	98.12	103.64
Less: Repayments (Depreciation allowable for the year)	64.99	60.21	45.08
Closing Loan Balance	517.68	511.45	487.31

5.9.6 As per the Regulation 23.2, the normative long- term loan outstanding as on April 1, 2020, shall be worked out by deducting the cumulative repayment as admitted by the Commission up to March 31, 2020, from the gross normative loan as shown below:

Table 5-65: Opening Normative Loan of The Petitioner for FY 2020-21 (Rs. Crore)

S.No	Particulars	Approved
1	Opening debt	919.14
2	Cumulative Net Depreciation upto 31.3.2020	392.81
3	Opening Normative Loan	526.34

5.9.7 As per Regulation 20.2, the debt capital i.e. opening loan base as on 1.4.2020 shall be reduced to the extent of outstanding debt component of the fixed asset base computed as on 31.03.2020 or the normative closing loan base of FY 2019-20, whichever is lower. The same has been considered.

5.9.8 The portion of capital expenditure financed through Consumer Contributions and grants has been separated as the depreciation thereon would not be charged to the consumers. Further, the allowable net depreciation for the year has been considered for normative loan repayment.

5.9.9 The Commission has observed that the Petitioner for FY 2020-21 has claimed interest capitalisation as Nil. Hence the interest is considered as Nil for FY 2020-21

5.9.10 The computations for interest on loan term loan are shown in table below:

Table 5-66: Interest on Long Term loan approved by the Commission for FY 2020-21 (Rs. Crore)

Particulars	Petitioner's Claim	Approved
Opening Loan	511.45	487.31

Particulars	Petitioner's Claim	Approved
Loan Additions (70% of Capitalisation)	108.32	120.29*
Less: Repayments (Depreciation allowable for the year)	52.36	44.58
Closing Loan Balance	566.92	563.03
Weighted Average Rate of Interest	9.91%	9.91%
Interest on long term loans	**53.45**	**52.06**

**As per the Regulation 23.1 of UPERC MYT Regulations, 2019, the assets put to use shall be considered as gross normative loan for calculation of interest on loan.*

5.10 INTEREST ON WORKING CAPITAL

5.10.1 The Petitioner submitted that Regulations 25 of MYT Regulations, 2019 provides for determination of Interest on Working Capital. The relevant extract of the regulation is reproduced below:

"25 ***Interest on Working Capital***

….

25.2 Distribution Business

(a) The working capital requirement of the Distribution Business shall cover:

(i) Operation and maintenance expenses for one month;

(ii) Maintenance spares at 40% of the R&M expenses for two months ; and

(iii) One and half month equivalent of the expected revenue from charges for use of Distribution system at the prevailing Tariff (excluding Electricity Duty);

minus

(iv) Amount held as security deposits from Distribution System Users:

Provided that for the purpose of Truing-Up for any year, the working capital requirement shall be re-computed on the basis of the values of components of working capital approved by the Commission in the Truing- Up;

(b) *Rate of interest on working capital shall be simple interest and shall be equal to the SBI MCLR (1 Year) on October 01, 2019 plus 250 basis points:*

Provided that for the purpose of Truing-Up for any year, simple interest on working capital shall be allowed at a rate equal to the weighted average SBI MCLR (1 Year) prevailing during the concerned Year plus 250 basis points.

(c) *Interest shall be allowed on consumer security deposits as per the provisions of the Electricity Supply Code, 2005 and its subsequent amendments/ addendums and the new Regulations made after repeal of the same. "*

5.10.2 The Petitioner submitted that on the basis of above Regulation, the Interest on Working Capital for Control Period works out as shown in Table below :-

Table 5-67: Interest on working capital as submitted by the Petitioner for FY 2020-21 (Rs. Crore)

Sl. No.	Particulars	Ref	Projected
1	O&M expenses for 1 month	a	11.42
2	One and a half month equivalent of expected revenue from distribution tariff	b	179.67
3	Maintenance spares @ 40% of the R&M Expense for 2 Months	c	4.18
4	**Gross Total**	**d=a+b+c**	**249.82**
5	Total Security Deposits by the Consumers reduced by Security Deposits under section 47(1)(b) of the Electricity Act 2003:		
6	Opening Balance	e	260.11
7	Received during the year (Net of Refunds)	f	10.00
8	Closing Balance	g=e+f	270.11
9	**Average Security Deposit**	**h=(e+g)/2**	**265.11**
10	Security Deposit with UPPCL	i	11.28
11	**Total Security Deposits by the Consumers reduced by Security Deposits under section 47(1)(b) of the Electricity Act 2003**	**j=h-i**	**253.83**
12	**Net Working Capital**	**k=d-j**	**(58.56)**
13	Rate of Interest for Working Capital (SBI - 1Year MCLR + 2.50%)	l	9.75%

Sl. No.	Particulars	Ref	Projected
14	**Interest on Total Working Capital**	**m=k*l**	**-**

5.10.3 The Petitioner submitted that as per earlier petitions and duly approved by the Commission in its last Tariff Order dated 3rd September, 2019 the security deposit of Rs. 11.28 Cr passed on to UPPCL till FY 2005-06 in accordance with past arrangement, has been deducted from the total security deposit available with the Petitioner while computing working capital requirement as the same are not available at the disposal of the Petitioner for meeting its working capital requirements.

5.10.4 The Petitioner submitted that the above table does not include the amount of Rs. 10.00 Cr. paid to UPPCL based on the Orders of Commission and Hon'ble Allahabad High Court in FY 2006-07 in the matter of providing 10 MVA additional supply of power by UPPCL. The matter is now pending before the Hon'ble Supreme Court of India.

Commission's Analysis

5.10.5 In accordance with the MYT Regulations, 2019, the interest on the working capital requirement shall be computed on the normative basis and rate of interest shall be equal to the SBI MCLR (1 Year) plus 250 basis points as of the date on which Petition for determination of tariff is accepted by the Commission. Accordingly, the Commission has considered the interest rate on working capital requirement at 10.65%. The link for the same is: https://www.sbi.co.in/web/interest-rates/interest-rates/mclr-historical-data.

5.10.6 The Interest on Working Capital as per MYT Regulations, 2019, is determined in the tables below:

Table 5-68: Interest on Working Capital for FY 2020-21 approved by the Commission for FY 2020-21 (Rs. Crore)

Particulars	ARR Petition	Approved
One month's O & M Expenses	11.42	5.36
Maintenance spares @ 40% of R&M expenses for two months	4.18	2.33
One and half month equivalent of the expected revenue from charges for use of Distribution systems at the prevailing Tariff (excluding electricity duty)	179.67	204.88
Gross Total	195.27	212.57

Particulars	ARR Petition	Approved
Total Security Deposits by the Consumers reduced by Security Deposits under section 47(1)(b) of the Electricity Act 2003		
Opening Balance	260.11	260.11
Received during the year	10.00	10.00
Closing Balance	270.11	270.11
Less: Security Deposit with UPPCL	11.28	11.28
Net Security Deposits by the Consumers reduced by Security Deposits under section 47(1)(b) of the Electricity Act 2003	253.83	253.83
Net Working Capital	**-58.56**	**-41.26**
Rate of Interest for Working Capital	9.75%	10.65%
Interest on Total Working Capital	**0.00**	**0.00**

5.11 INTEREST ON CONSUMER SECURITY DEPOSIT

5.11.1 The Petitioner submitted that Regulation 25.2 (c), of the MYT Regulations, 2019 provides that that the Petitioner shall pay interest equivalent to the bank rate or more on the consumer security deposits, as may be specified by the Commission. The Commission vide its Tariff Order dated 3rd September, 2019 has approved the Interest on Security Deposit @ 6.50% p.a. viz. RBI's Bank Rate prevailing on 1st April, 2019 for FY 2019-20. Accordingly, based on the RBI's Bank Rate prevailing on date of preparation of the petition i.e. 4.65% p.a., the Petitioner submitted that it has considered the same as interest payable on security deposit from consumers during FY 2020-21 as shown in the table below:

Table 5-69: Interest on security deposit as submitted by the Petitioner for FY 2020-21 (Rs. Crore)

Sl. No.	Particulars	Ref.	Projected
1	Opening Balance of Security Deposit	a	260.11
2	Addition During the year	b	10.00
3	Closing Balance for Security Deposit	c=a+b	270.11
4	**Average Balance for Security Deposit**	**d=(a+c)/2**	**265.11**
5	Rate of Interest	e	4.65%
6	**Interest payable on Security Deposit**	**f=dxe**	**12.33**

Commission Analysis:

5.11.2 The Commission observed that the Petitioner has projected addition in the security deposit as Rs. 10 Crore. In this regard the Commission sought the basis for such projection. The Petitioner in this regard submitted that it has estimated the amount of Security deposit of Rs. 10.00 Cr on the basis of revised rates of initial Security Deposit as per Cost Data Book applicable w.e.f. 9th Jul'19 and option of providing bank guarantee in lieu of security deposit available with the consumers. The detailed computation is provided here-in-below:

Table 5-70: Addition in the security deposit projected by the Petitioner

Consumer Category	Increase in Consumer	Increase in Connected Load	Average Connected Load	Rate in Cost Data Book	SD Receivable
	Nos.	KW	KW	Rs./KW	Rs. Cr.
	A	b	c=b/a	d	e=a x c x d
LMV-1	14706	37,816	3	400	1.51
LMV-2	518	2,698	5	1,000	0.27
LMV-3	51	389	8	4,000	0.16
LMV-6	308	7,852	25	1,350	1.06
LMV-7	1	220	220	4,000	0.09
HV-1	19	819	43	4,500	0.37
HV-2	40	66,029	1,651	2,200	14.53
Total	**15,643**				**17.98**
Less: BG in lieu of SD @ 50% in case of LMV-6, HV-1 and HV-2					7.98
Net SD					**10.00**

5.11.3 The opening balances of security deposits have been considered as per closing figures of FY 2019-20 and additions during the year FY 2020-21 is considered same as projected by the Petitioner.

5.11.4 It can be observed from the above extract of UP Electricity Supply Code, 2005 that the Bank Rate as on 1st April of FY 2020-21 is applicable for computing interest on security deposit. Hence, the Commission has taken the Bank Rate of 4.50% applicable as on 01.04.2020. Source:(https://rbidocs.rbi.org.in/rdocs/Wss/PDFs/5T_1004202059CA110D786B4E64A3434C8CD4EF8877.PDF). The Commission has approved the Interest on Consumer Security

Deposit for FY 2020-21 as shown in the Table below:

Table 5-71: Interest on Security Deposit approved for FY 2020-21 (Rs. Crore)

Particulars	ARR Petition	Approved
Opening Balance of Security Deposit	260.11	260.11
Addition During the year	10.00	10.00
Closing Balance for Security Deposit	270.11	270.11
Average Balance for Security Deposit	265.11	265.11
Rate of Interest	4.65%	4.65%
Interest payable on Security Deposit	**12.33**	**12.33**

5.12 FINANCE CHARGES

5.12.1 The Petitioner submitted that it has negotiated a number of facilities in preceding years and also estimated the requirement for ensuing year. During, FY 2020-21, the Petitioner submitted that it will incur expenses on renewal of the existing Working Capital Facilities including LC facilities for payment security of Power Purchase Agreements in accordance with their respective terms of agreement and issuance Commercial Paper to facilitate short-term funding of regulatory asset and working capital requirement.

5.12.2 The Petitioner submitted that it has estimated total finance charges to be incurred during FY 2020-21 as shown in the Table below:

Table 5-72: Finance charges as submitted by the Petitioner for FY 2020-21 (Rs. Crore)

Sl. No.	Particulars	Projected
1	Processing Fee	
2	Credit Rating Charges	
3	Collection Facilitation Charges	
4	SBLC & Other Finance Charges	
	Total	**2.86**

Commission's Analysis

5.12.3 The Regulation 45.3 of the UPERC (MYT for Distribution and Transmission Tariff) Regulations, 2019 provides that:

Quote

"Provided that Interest and Finance charges such as Credit Rating charges, collection facilitation charges, financing cost of Delayed Payment Surcharge and other finance charges shall be a part of A&G expenses."

Unquote

5.12.4 The Regulation provides that the all the Finance charges shall be part of A&G Expenses for Control Period FY 2020-21 to FY 2024-25. Therefore, Commission has not considered the Petitioner contention to allow Finance charges for FY 2020-21 separately.

5.13 SUMMARY OF INTEREST CHARGES

5.13.1 The summary of Interest charges approved by the Commission for FY 2020-21 is as follows:

Table 5-73: Summary of Interest Charges approved for FY 2020-21 (Rs. Crore)

Particulars	ARR Petition	Approved
Interest on Long term loans	53.45	52.06
Interest on short term loans/working capital	0.00	0.00
Finance charges	2.86	0.00
Interest on security deposit	12.33	12.33
Total Interest & Finance charges	**68.63**	64.38
Less: Interest capitalization	0.00	0.00
Net Interest & Finance charges	**68.63**	**64.38**

5.14 EFFICIENCY GAIN DUE TO SWAPPING OF LOANS

5.14.1 The Petitioner has considered the efficiency gain of Rs. 0.05 Crore accrued on swapping of loans for FY 2020-21.

5.14.2 The Commission has observed that the Petitioner has not projected any actual loan for FY 2020-21. Hence the Commission for FY 2020-21 has not considered the efficiency gains on loan swapping.

5.15 RETURN ON EQUITY

5.15.1 The Petitioner submitted that Regulation 22 of MYT Regulations, 2019 provides for Return on Equity as shown herein below:-

*"22 **Return on Equity***

22.1 Return on equity shall be computed in Rs. terms on equity base at the rate of 14.5% post-tax per annum for the Transmission Licensee and at the rate *of 15% post-tax per annum for Distribution Licensee respectively as determined in accordance with Regulation 20:*

Provided that assets funded by Consumer Contribution / Deposit works, Capital Subsidies / Grants and corresponding Depreciation shall not form part of the Capital Cost. Actual Equity infused by the Licensee as per book value shall be considered and shall be used for computation in these Regulations."

5.15.2 The Petitioner submitted that based on Equity base as on April 1, 2020 as estimated in APR for FY 2019-20 and Capital expenditure during FY 2020-21, the computation of Equity Base and Return on Equity submitted is shown in Table below:

Table 5-74: Return on Equity as submitted by the Petitioner for FY 2020-21 (Rs. Crore)

Sr. No.	Particulars	Reference	Projected
1	Equity (Opening Balance)	a	437.99
2	Net additions during the year	b	53.28
3	Equity (Closing Balance)	c=a+b	491.27
4	Average Equity	d=(a+c)/2	464.63
5	Rate of Return on Equity	e	15.00%
6	**Return on Equity**	**f=d x e**	**69.69**

Commission's Analysis:

5.15.3 For the purpose of arriving at the opening values of FY 2020-21, the Commission has computed the values for FY 2019-20. 100% of the investment claimed by Petitioner during the year (FY 2019-20) has been considered excluding the capex estimated for 132 kV and above assets and accordingly the GFA addition of has been computed. Further equity addition during the year is 30% of the net capitalisation (after reducing consumer contribution and grants). The closing equity base as on 31.03.2020 computed by the Commission for FY 2019-20 is as shown in the Table below:

Table 5-75: Return on Equity of the Petitioner for FY 2019-20 (Rs. Crore)

Particulars	Tariff Order dt. 03.09.2019	Claimed	Computed (Provisional)
Opening Equity	398.07	386.16	340.25
Additions (30% of Capitalization)	50.19	51.81	50.71

Particulars	Tariff Order dt. 03.09.2019	Claimed	Computed (Provisional)
Less: Consumer Contribution			7.39
Closing Equity	448.26	437.99	383.58
Rate of Return on Equity (%)	16.00%	16.00%	16.00%
Return on Equity	**67.71**	**65.93**	**57.91**

5.15.4 As per Regulation 20.2 of MYT Regulations, 2019, the opening equity base, shall be reduced to the extent of 30% of the fixed asset base approved as on 31.03.2020 or the closing equity base of FY 2019-20 on 31.03.2020, whichever is lower. Accordingly, the Opening equity base as computed in the section "Capital Expenditure", has not been considered, as the opening equity as on 1.4.2020, since it is higher than the closing equity base of FY 2019-20 as computed above. Further, 30% of Net GFA addition (after considering deduction / de-capitalization and consumer contribution in GFA) has been considered as equity addition during the year. Accordingly, the Return on Equity computed is as shown in the Table below:

5.15.5 The Return on Equity (RoE) for FY 2020-21 is shown in the Tables below:

Table 5-76: RoE approved for FY 2020-21 (Rs. Crore)

Particular	ARR Petition	Approved
Equity (Opening Balance)	437.99	383.58
Net additions during the year	53.28	51.55
Equity (Closing Balance)	491.27	435.13
Average Equity	464.63	409.35
Rate of Return on Equity	15.00%	15.00%
Return on Equity	**69.69**	**61.40**

5.16 INCOME TAX

5.16.1 The Petitioner submitted that Regulation 26 of MYT Regulations, 2019 provides for determination of Income Tax to be considered in ARR for Control period FY 2020-21 to FY 2024-25. The relevant extract of the Regulation is reproduced below:

*"26. **Income Tax***

26.1 Income Tax, if any, on the licensed business of the Licensee shall be treated as expense and shall be recoverable from consumers through Tariff. However, tax on any income other than that through its Licenced business shall not be a pass through, and it shall be payable by the Licensee itself.

26.2 Notwithstanding anything contained in Regulation 26.1, total Income Tax payable by the Licensee, in any year, shall be lowest of the following:

(a) Actual payment made;

(b) ROE allowed in that year x MAT (%) or ROE allowed in that year x Corporate tax (%), whichever is applicable.

26.3 Any under recoveries or over recoveries of Tax on income shall be adjusted every year on the basis of Income Tax assessment under the Income Tax Act 1961, subject to Regulation 26.2 above, as certified by the Statutory Auditors. "

5.16.2 The Petitioner submitted that it has computed the income tax liability for FY 2020-21 as shown in Table below:

Table 5-77: Income Tax as submitted by the Petitioner for FY 2020-21 (Rs. Crore)

Sl. No.	Nature of Tax	Reference	Projected
1	Return on Equity	a	69.69
2	Income Tax Rate	b	34.94%
3	**Total Tax Expense**	**c=a x b/(1-b)**	**37.44**

5.16.3 The Petitioner submitted that the Income Tax Liability as shown above has been computed in accordance with MYT Regulations, 2019, and requested the Commission to approve and considering the same for determination of ARR for FY 2020-21.

Commission's Analysis

5.16.4 It can be observed from Regulation 26.3 of MYT Regulations, 2019, Tax on income, if any, liable to be paid shall be limited to tax on return on the equity component of capital employed. Therefore, in accordance with the aforementioned Regulations, the Licensee is eligible for the getting the amount of Tax paid by them limited to Tax on return on the equity component of capital employed.

5.16.5 Therefore, the Commission has approved Income tax for FY 2020-21 by grossing up ROE at the current Corporate Tax rate, i.e., 34.94%, without considering any efficiency gains. The Commission shall consider the Tax Demand for earlier years at the time of truing up based on the Regulations applicable for the respective FY. The detailed computation of Income Tax approved for FY 2020-21 is shown in the Table below:

Table 5-78: Income Tax approved for FY 2020-21 (Rs. Crore)

Particular	Ref.	ARR Petition for FY 2020-21	Approved for FY 2020-21
Return on Equity	a	69.69	61.40
Income Tax Rate	b	34.94%	34.94%
Total Tax Expense	**c=a x b/(1-b)**	**37.44**	**32.98**

5.17 CONTINGENCY RESERVE

5.17.1 The Petitioner submitted that Regulation 27 of MYT Regulations, 2019 states in respect of Contingency Reserve as:-

"27. Contribution to Contingency Reserve

27.1 Where the Licensee has made a contribution to the Contingency Reserve, a sum not less than 0.25% and not more than 0.5% of the original cost of fixed assets may be allowed annually towards such contribution in the calculation of ARR:

Provided that where the amount of such Contingency Reserves exceeds five (5) per cent of the original cost of fixed assets, no further contribution shall be allowed:

Provided further that such contribution shall be invested in securities authorised under the Indian Trusts Act, 1882 within a period of six months of the close of the Year.

27.2 The Contingency Reserve shall not be drawn upon during the term of the Licence except to meet such charges as may be approved by the Commission as being:

(a) Expenses or loss of profits arising out of accidents, strikes or circumstances which the management could not have prevented;

(b) Expenses on replacement or removal of plant or works other than expenses requisite for normal maintenance or renewal;

(c) Compensation payable under any law for the time being in force and for which no other provision is made.

…….. "

5.17.2 The Petitioner submitted that Commission in its Tariff Order issued since dated 19th October'12 has not allowed the provision of contingency reserve to reduce extra burden on the consumers. However, it is submitted that contingency reserve is created to meet the eventualities in the nature of major calamities, act of god etc. and thereby, causing huge loss to the network. In any case, the amount so allocated, can be used with prior permission of the Commission only. Therefore, the Petitioner has considered creation of contingency reserve in ARR for FY 2020-21 at lower limit of 0.25% of Opening Gross Fixed Asset as per the MYT Regulations, 2019 as shown in Table below:-

Table 5-79: Contingency Reserve as submitted by the Petitioner for FY 2020-21 (Rs. Crore)

Sl. No.	Particulars	Projected
1	Opening GFA	1,680.19
2	Contribution to Contingency Reserve	4.20
3	% of Opening GFA	0.25%

Commission's Analysis

5.17.3 The Commission in the past Tariff Orders has been disallowing the contribution to contingency reserve as the same would put additional burden on the consumers.

5.17.4 Continuing the same approach, the Commission for FY 2020-21 has not approved any fund for contingency reserve.

5.18 PROVISION FOR WRITE OFF OF BAD AND DOUBTFUL DEBTS

5.18.1 The Petitioner has submitted that the considering the estimated sales, collection efficiency as projected and in view of the debtors profile, prudent analysis, impending political scenario affecting the collections drives and ageing analysis of receivables for FY 2020-21 and past periods the Petitioner has estimated the Provision for Write-off of Bad and Doubtful Debts for FY 2020-21 as provided in the Table below:

Table 5-80: Provision for bad and doubtful debt as submitted by the Petitioner for FY 2020-21 (Rs. Crore)

Sl. No.	Description	Ref.	Projected
1	Revenue billed for the year	a	1437.34
2	Provision for Bad & Doubtful debts	b	14.37
3	Provision as % of Revenue billed	c=a/b	1.00%

5.18.2 The Petitioner submitted that the above Provision for Write-off of Bad and Doubtful Debts is projected in accordance with the Petitioner's policy which has also been approved by the Commission in its Tariff Orders. Actual write off will be considered upon ascertaining that the consumer account has no chance of revival and the avenues of recovery are fully exhausted. At the time of actual write off, bad debts are identified against each individual defaulting consumer and subsequently aggregated. In each such instance, supply will stand permanently disconnected and the service apparatus removed as per the Petitioner policy.

5.18.3 The Petitioner added that the estimated provision for Write-off of Bad and Doubtful Debts is within the norm as provided in MYT Regulations, 2019.

Commission's Analysis

5.18.4 The Regulation 46 of the MYT Regulation, 2019 provides as follows:

Quote

46 Provision for Write off of Bad and Doubtful Debts

46.1 For any Year, the Commission may allow a provision for write off of bad and doubtful debts up to 2% of the amount shown as Revenue Receivables from sale of electricity in the audited accounts of the Distribution Licensee for that Year or the actual write off of bad debts, whichever is less:

Provided further that such provision allowed by the Commission for any Year shall not exceed the actual provision for write off of bad and doubtful debts made by the Distribution Licensee in the audited accounts of that Year:

Provided that the Commission, in its ARR / Tariff Order, may provisionally approve provision for write off of bad and doubtful debts based on the actual provision for write off of bad and doubtful debts made by the Distribution Licensee in the latest Audited Accounts available for the Petitioner, and as allowed by the Commission:

Provided further that if subsequent to the write off of a particular bad debt, revenue is realised from such bad debt, the same shall be included under the Non-Tariff Income of the year in which such revenue is realised.

Unquote

5.18.5 The Commission for approval of provision for bad and doubtful debt has considered the actual percentage of provision for write off of bad debt approved in True up of FY 2018-19 i.e. 0.84% for the Petitioner.

5.18.6 The Commission will carry out the truing up of bad debts subject to actual writing off of the bad debts during the year. The provision of bad and doubtful debts allowed for FY 2020-21 is depicted in the tables below:

Table 5-81: Provision for write off for bad and doubtful debts as approved by the Commission for FY 2020-21 (Rs. Crore)

Particular	ARR Petition	Approved
Revenue billed during the year	1437.34	1639.07
Provision as % revenue billed claimed	1.00%	0.84%
Provision of bad and doubtful debt	14.37	13.82

5.19 LOSS ON RETIREMENT / IMPAIRMENT OF ASSET

5.19.1 The Petitioner submitted that an asset when retires after useful life and is scrapped / discarded and the carrying cost of such assets after deducting the amount realized from the sales of such asset is being written off as Loss on Sale of Fixed Assets. However, Due to fast obsolescence, the meters and other related equipment like modems, meter reading machines etc. are required to be replaced within a period of three years to maintain productivity and efficiency. Even, the Commission themselves issued direction several times to replace mechanical meters with electronic meters, general meters with demand meters / ToD meters etc. Resultantly these existing meters are necessarily required to replace within 2 -3 years of their purchase and a major portion of their costs is being written off as Loss on Sales of Fixed Assets.

5.19.2 Further, as per Indian Accounting Standards – Ind AS 36: "Impairment of Assets", the carrying cost of the assets are required to be compared with their useful life and a cost - benefits analysis carried at periodic interval. In case the assets do not qualify based on the above analysis and their carrying cost needs to be reduced to bring it with at par with their market value / discounted value of benefits over the remaining useful life of that asset. Thus, the cost differential is being charged to revenue.

5.19.3 The Petitioner added that the Commission has been approving such expenses as per audited annual accounts from time to time in its various tariff orders, recent being Tariff Order dated 3rd September, 2019. Needless to mention that such losses are considered genuine business expenditure and allowed under the provisions of the Companies Act and the Income Tax Act as well.

5.19.4 During the FY 2020-21, the Petitioner submitted that it has estimated expense on account for loss on sale / retirement of Fixed Assets as Rs. 1.77 Cr.

5.19.5 Therefore, the Petitioner requested that the Commission to allow Loss on Sale of Fixed Assets as pass through expenses in line with its existing methodology.

Commission Analysis:

5.19.6 The Regulation 47 of the UPERC (MYT for Distribution and Transmission Tariff) Regulations, 2019 considers the income from sale of scrap under Non-Tariff Income reproduced below:

Quote

47.2 The Non-Tariff Income shall include:

a) Income from rent of land or buildings;

b) Income from sale of scrap;

c) Income from investments;

d) Interest income on advances to suppliers/contractors;

e) Interest income on loans / advances to employees;

f) Income from rental from staff quarters;

g) Income from rental from contractors;

h) Income from hire charges from contactors and others;

i) Income from delayed payment surcharge, supervision charges, etc.;

j) Supervision charges for capital works;

k) Income from recovery against theft and/or pilferage of electricity;

l) Income from advertisements;

m) Income from sale of tender documents;

n) Excess found on physical verification;

o) Prior Period Income;

p) Miscellaneous receipts; and

q) Any other Non-Tariff Income:

Provided that the interest earned from investments made out of Return on Equity corresponding to the regulated Business of the Distribution Business shall not be included in Non-Tariff Income.

Unquote

5.19.7 Hence it can be easily ascertained that from FY 2020-21, the income from sale of scrap will be considered as Income and any loss from sale will not be allowed separately.

5.20 NON-TARIFF INCOME

5.20.1 The Petitioner submitted that the Income from delayed payment surcharge and other miscellaneous receipts incidental to business of electricity supply during FY 2020-21 is shown in the table below:

Table 5-82: Non-Tariff Income as submitted by the Petitioner for FY 2020-21 (Rs. Crore)

Sl. No.	Particulars	Projected
1	Income from Investments	0.13
2	Income from delayed payment surcharge, supervision charges, etc.	4.28
3	Miscellaneous receipts	2.96
4	Any other Non-Tariff Income	0.05
6	**Total**	**7.43**

5.20.2 The Petitioner submitted that the Delayed payment surcharge accrues when a consumer defaults in payment of bills as per due date being generally 15 days from the date of billing which happens to be 2-7 days after the meter reading date which is generally taken after 30 /31 days interval. Hence, the total number of days after which the delayed payment surcharge accrues is almost 55 days which is more than the number of days for which a distribution Petitioner is compensated by interest on working capital as per MYT Regulations, 2019 i.e. 45 days. Thus, it can be concluded that DPS belongs to the period beyond normative period and for 45 days for which interest on working capital is not provided in the Distribution Tariff Regulations. Thus, to appropriately compensate for the cost incurred for financing that deferred payment beyond the normative period, the

Commission has been approving, in its various Tariff Orders issued from time to time since FY 2009-10 onwards, the cost of borrowing of such deferred receivables in the form of interest cost at relevant SBI-PLR.

Commission's Analysis:

5.20.3 The Commission approves Non-Tariff Income as claimed by the Petitioner for FY 2020-21 as shown in the Table below:

Table 5-83:Non-Tariff Income approved for FY 2020-21 (Rs. Crore)

Particular	ARR Petition	Approved
Non-Tariff Income	7.43	7.43

5.20.4 Further, any variation on this account would be taken up at the time of True-Up based on the audited accounts.

5.21 REVENUE FROM SALE OF ELECTRICITY

5.21.1 The Petitioner submitted that Regulation 5.6 of MYT Regulations, 2019 provides as :-

> *"5.6 Based on the approved Business Plan the ARR Petition shall be filed by the Licensee that shall include forecast of ARR and expected revenue from existing Tariff. Further, the Licensee shall also submit the category/ sub-category wise proposed Tariff, **that would meet the gap in the ARR, including unrecovered revenue gaps of previous years** to the extent proposed to be recovered."*

5.21.2 The Licensee based on Demand Estimates as forecasted in Business Plan, has forecasted the revenue for FY 2020-21 on the basis of existing approved tariff is shown in below:

Table 5-84: Revenue from existing Tariff as submitted for FY 2020-21 (Rs. Crore)

Sl. No.	Category	Sales	Revenue	Average Billing Rate (ABR)
		(MU)	(Rs. Crore)	(Rs./kWh)
1	Domestic (LMV-1)	597.25	422.15	7.07
2	Commercial (LMV-2)	30.33	36.85	12.15
3	Public Lighting (LMV-3)	32.94	30.76	9.34
4	Public Institutions (LMV-4)	12.34	10.63	8.62
5	Private Tube Wells (LMV-5)	22.95	4.61	2.01
6	Small & Medium Power (LMV-6)	69.29	77.03	11.12
7	Public Water Works (LMV-7)	22.23	22.08	9.93

Sl. No.	Category	Sales	Revenue	Average Billing Rate (ABR)
		(MU)	(Rs. Crore)	(Rs./kWh)
8	State Tube Wells (LMV-8)	0.18	0.21	11.68
9	Temporary Supply (LMV-9)	37.65	48.21	12.80
10	Electric Vehicle Charging (LMV-11)	6.15	4.50	7.31
11	Non Industrial Bulk Supply (HV-1)	178.34	191.43	10.73
12	Heavy and Large Industry (HV-2)	688.85	588.87	8.55
	Total	**1,698.49**	**1,437.33**	**8.46**

Commission's Analysis:

5.21.3 The Commission has computed the revenue as per the tariff rates approved in Tariff Order dated September 03, 2019 and the approved billing determinants for FY 2020-21. The category / sub-category wise details of the revenue at existing tariff for FY 2020-21 are annexed in this order. The following Table summarizes the revenue approved by Commission for FY 2020-21 at existing tariff:

Table 5-85: Revenue approved at existing Tariff for FY 2020-21

Particulars	Sales	Revenue	Average Billing Rate (ABR)
	(MU)	(Rs. Crs)	(Rs/kWh)
LMV-1: Domestic Light, Fan & Power	636.51	443.16	6.96
LMV-2: Non Domestic Light, Fan & Power	33.57	38.13	11.36
LMV-3: Public Lamps	33.13	33.36	10.07
LMV-4: Institutions	13.91	14.30	10.28
LMV-5: Private Tube Wells	22.94	5.40	2.35
LMV 6: Small and Medium Power	78.67	80.62	10.25
LMV-7: Public Water Works	22.23	21.89	9.85
LMV-8: STW and Pumped Canals	0.18	0.21	11.19
LMV-9: Temporary Supply	37.65	42.02	11.16
(LMV-11): Electric Vehicle Charging	6.15	4.48	7.28
HV-1: Non Industrial Bulk Power	218.52	228.37	10.45
HV-2: Large and Heavy Power	899.49	727.13	8.08
Subtotal	**2,002.95**	**1,639.07**	**8.18**

5.22 SUMMARY OF ARR FOR FY 2020-21

5.22.1 In the preceding Sections, the Commission has detailed the expenses submitted by the Licensee and that approved by the Commission for various elements for FY 2020-21. Based on the above, the approved ARR and the revenue from tariff for FY 2020-21 is summarized in the Table below:

Table 5-86: Summary of ARR approved for FY 2020-21 (Rs. Crore)

Sr. No.	Particulars	Petition	Approved
1	Power Purchase Expenses	927.32	804.00
2	Transmission Charges (UPPTCL+PGCIL)	144.32	158.19
3	Employee cost	64.70	24.94
4	A&G expenses	18.64	13.37
5	R&M expenses	62.74	34.97
6	**Gross O&M Expenses**	**146.08**	**73.28**
7	Interest charges	68.63	64.38
8	Depreciation	52.86	44.58
9	Contingency Reserve	4.20	-
10	Income Tax	37.44	32.98
11	**Gross Expenditure**	**1,380.84**	**1,177.41**
12	Employee cost capitalized	9.00	9.00
13	Interest capitalized		-
14	A&G expenses capitalized	-	-
15	**Net Expenditure**	**1,371.84**	**1,168.41**
16	GST Impact		
17	Provision for Bad & Doubtful debts	14.37	13.82
18	Miscellaneous Expenses	1.77	-
21	**Total net expenditure with provisions**	**1,387.99**	**1,182.23**
22	Add: Reasonable Return / Return on Equity	69.69	61.40
23	Less: Non-Tariff Income	7.43	7.43
24	Add: Efficiency Gains	0.05	-
25	**Annual Revenue Requirement (ARR)**	**1450.31**	**1236.21**
26	Revenue from effective Tariff (excluding Regulatory Surcharge)	1437.33	1639.07
27	Tariff revision impact		
28	**Revenue Gap/ (Surplus)**	**12.98**	**(402.86)**

6 OPEN ACCESS

6.1 BACKGROUND

6.1.1 The Commission has notified the UPERC (Terms and Conditions for Open Access) (First Amendment) Regulations, 2009 that includes among others, the detailed procedure(s) for Long-Term Open Access and Short-Term Open Access for use of distribution system, with or without transmission system. The Regulations also provides that any consumer with demand of above 1 MW can avail open access on transmission and distribution system.

6.1.2 Subsequently, the Commission has also finalized the necessary regulatory framework as below:

- UPERC (Terms and Conditions for Open Access) Regulations, 2019 that includes among others, the detail procedure (s) for Long-Term Open Access, Medium term Open Access and Short-Term Open Access for use of Distribution system, with or without transmission system;
- Procedures for Forecasting, Scheduling and Deviation Settlement of Solar and Wind Generation Sources, 2020.

6.1.3 Further, the Commission has also advised the SLDC to develop the procedure for energy accounting of electricity drawn from the grid by an open access customer who is connected with the distribution system or electricity injected into the grid by a generating station embedded in the distribution system.

6.1.4 In the absence of procedures and guidelines from State Transmission Utility (in short 'STU') and State Load Dispatch Centre (in short 'SLDC'), the Commission, on its own motion, has made detailed procedures for long- term, medium Term and short-term open access which covers all aspects vide an amendment to the UPERC (Terms and Conditions for Open Access) Regulations, 2019.

6.1.5 The Electricity Act, 2003 has defined Open Access as non-discriminatory provision for use of transmission lines or distribution system or associated facilities thereof. Considering the operation constraints and other relevant factors, the Commission directs that the Open Access shall be allowed to those who wish to avail Open Access as per the provisions outlined by the Commission in its Regulations, Orders and any amendments from time to time.

6.1.6 The Commission has finalized the model Bulk Power Transmission Agreement (BPTA) and Supplementary BPTA for availing transmission services of UPPTCL.

6.1.7 The Commission has also finalized the model Bulk Power Wheeling Agreement (BPWA) which is to be signed between a Distribution Licensee and the long-term customer to agree therein, inter alia, to make payment of wheeling charge, surcharge and additional surcharge, if any, for use of the distribution system. Further, the Regulation 18.3 of Fees & Charges of State Load Despatch Centre and other related matters Regulations, 2020 provides the application fee for Short Term Open Access and Operating Charges for Short-Term Open Access.

6.2 OPEN ACCESS CHARGES

6.2.1 The Commission in the Tariff Order for UPPTCL has determined the Transmission Charges payable by Open Access users for use of UPPTCL transmission network for transmission of electricity. Similarly, the Commission has also determined the wheeling charges payable by the Open Access users for utilising the distribution network of the Distribution Licensees for wheeling of electricity in subsequent section.

6.3 WHEELING CHARGES

Petitioner's submission

6.3.1 The Licensee submitted that it has been maintaining its cost accounts and records as prescribed by the Companies (Cost Records and Audit) Amendment Rules, 2014 {Amendment by G.S.R. 695(E) and called Companies (Cost Records and Audit) Amendment Rule, 2016} issued by Government of India.

6.3.2 The Licensee submitted that the cost accounts and records so prepared has been verified and audited by a qualified Cost Accountant in accordance with provisions of Section 148 of the Companies Act, 2013 and duly approved by the Board of Directors of the Petitioner.

6.3.3 The Licensee submitted that for FY 2018-19 has adopted methodology in preparation of cost records is comparable with the methodology suggested under Regulation 39 of the MYT Distribution Tariff Regulation, 2014 barring some differences in the nomenclature / terminology for segregating the cost as elaborated below:

I) The Licensee added that as per the MYT Distribution Tariff Regulation, 2014, demand costs are the cost of fixed nature, related to capacity creation which includes interest on capital borrowing, depreciation on assets with fixed nature etc. On the similar lines, the Licensee, in its Cost Records, is allocating such costs of fixed nature under the head "Distribution cost also known as "Wheeling Cost". These costs are further allocated to their respective consumer category who are demarcated based on their respective voltage at which they are being served e.g.

the Depreciation charged at each voltage level has been allocated on the basis of capex actually incurred with respect to each voltage. Similarly, all related cost with respect to creation/ building of capacity like Interest on Term Loan, RoE etc. are being allocated on the same basis.

II) "Customer" in the MYT Regulation, 2014 includes operating expenses associated with meter reading, billing and accounting, all these costs are covered under the head named as "Cost of Supply" being termed as "Retailing" in the cost records prepared by the Licensee. Further, the allocation of cost is being done based on the voltage wise categorization of consumers, hence, costs such as advertisement, billing expenses etc. has been segregated voltage wise on the basis of number of consumers.

III) "Energy", in the MYT Regulation, 2014 are concerned with quantum of electricity consumption of consumer, such as fuel cost, interest on working capital, etc., this again forms a part of "Cost of Supply" also known as "Retailing". Further, these costs like Interest on working capital including processing fees for working capital facilities is being allocated on the basis of their respective consumption in the respective voltage category in the records.

Commission's Analysis:

6.3.4 The Commission's has computed allocated the wheeling charges in to wheeling and supply business for FY 2020-21 as shown in the Table below:

Table 6-1: Wheeling and Retail Supply ARR approved by the Commission for FY 2020-21

Particulars (Rs Crore)	Allocation %		Allocation FY 2020-21		
	Wheeling	Supply	Wheeling ARR	Retailing Supply ARR	Total Approved ARR
Power Purchase Exp.	0%	100%	0.00	804.00	804.00
Transmission Charge (Inter + Intra State)	0%	100%	0.00	158.19	158.19
Gross O&M expenses			0.00	0.00	0.00
Employee cost	61%	39%	15.21	9.73	24.94
A&G expenses	65%	35%	8.69	4.68	13.37
R&M expenses	81%	19%	28.33	6.65	34.97
Interest & Finance charges	100%	0%	64.38	0.00	64.38
Depreciation	88%	12%	39.23	5.35	44.58

Particulars (Rs Crore)	Allocation %		Allocation FY 2020-21		
	Wheeling	Supply	Wheeling ARR	Retailing Supply ARR	Total Approved ARR
Income Tax	90%	10%	29.68	3.30	32.98
Gross Expenditure			**185.52**	**991.88**	**1177.41**
Expense capitalization			**5.49**	**3.51**	**9.00**
Employee cost capitalized	61%	39%	5.49	3.51	9.00
Net Expenditure			**180.03**	**988.37**	**1168.41**
Provision for Bad & Doubtful debts	0%	100%	0.00	13.82	13.82
Miscellaneous Expenses	100%	0%	0.00	0.00	0.00
Total net expenditure with provisions			**180.03**	**1002.20**	**1182.23**
Add: Return on Equity	90%	10%	55.26	6.14	61.40
Less: Non Tariff Income	90%	10%	6.68	0.74	7.43
Annual Revenue Requirement (ARR)			**228.61**	**1007.59**	**1236.21**

6.3.5 Based on the above, the wheeling charges for FY 2020-21 has been worked out by the Commission as shown in the Table below:

Table 6-2: Wheeling charges approved by the Commission for FY 2020-21 (WC)

S. No	Particulars	Units	Approved (FY 2020-21)
1	Wheeling ARR	Rs. Crores	228.61
2	Retail sales	MU	2002.95
3	Average Wheeling charge	Rs./kWh	1.14

Table 6-3: Retail Supply charges computed by the Commission for FY 2020-21 (DC)

S. No	Particulars	Units	Computed (FY 2020-21)
1	Supply ARR (excluding Power Purchase & Transmission charges)	Rs. Crores	45.41
2	Retail sales	MU	2002.95
3	Average Supply/Distribution charge (DC)	Rs./kWh	0.23

6.3.6 The Commission in order to encourage Open Access transactions in the State has further tried to segregated the wheeling charges payable by consumers seeking Open Access based on the voltage levels at which they are connected to the distribution network. The charges have been worked out on the assumption that the wheeling expenses at 11 kV voltage level shall be 80% of the average wheeling charges determined for the Wheeling function of NPCL and that for wheeling at voltages above 11 kV shall be 50% of the average wheeling charges.

6.3.7 Further, as specified in the Tariff Order of UPPTCL for FY 2020-21, 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. In view of the same the Commission has approved the short-term distribution wheeling charges same as long term wheeling charges.

Table 6-4: Approved Voltage-wise wheeling charges for FY 2020-21

S. No.	Particulars	Units	Approved (FY 2020-21)
1	Connected at 11 KV		
i	Long Term (@ 80% of Average Wheeling Charge)	Rs./kWh	0.913
ii	Medium Term (@ 80% of Average Wheeling Charge)	Rs./kWh	0.913
iii	Short Term (@ 80% of Average Wheeling Charge)	Rs./kWh	0.913
2	Connected above 11 kV		
i	Long Term (@ 50% of Average Wheeling Charge)	Rs./kWh	0.571
ii	Medium Term (@ 50% of Average Wheeling Charge)	Rs./kWh	0.571
iii	Short Term (@ 50% of Average Wheeling Charge)	Rs./kWh	0.571

Table 6-5: Intra-State Transmission Charges as per UPPTCL Tariff Order for FY 2020-21 (TC)

S.No	Particulars	Units	Approved (FY 2020-21)
1	Intra-state (UPPTCL) Transmission Charge (TC)	Rs./kWh	0.2378

Table 6-6: Average Inter-State Transmission Charge (excluding UPPTCL) for FY 2020-21 (PC)

S. No	Particulars	Units	Approved (FY 2020-21)
1	Transmission Cost	Rs. Crores	106.50
2	Energy Handled PGCIL	MU	2317.83

S. No	Particulars	Units	Approved (FY 2020-21)
3	Average Transmission Charge (excluding UPPTCL) (PC)	Rs./kWh	0.46

Table 6-7: Aggregate of transmission, distribution & wheeling charges, applicable to relevant voltage level) D = PC + TC + DC + WC for FY 2020-21

S. No	Particulars	Units	Approved (FY 2020-21)
1	Transmission + Wheeling +Supply Charge (PC+ TC + DC +WC)	Rs./kWh	2.07
2	PC+ TC + DC +WC (at 11 kV) @80% of WC	Rs./kWh	1.84
3	PC+ TC + DC + WC (above 11 kV) @50% of WC	Rs./kWh	1.49
4	TC+PC (above 132 kV)	Rs./kWh	0.70

6.3.8 In addition to the payment of wheeling charges, the open access customers also have to bear the wheeling losses in kind. Further, it is also logical that the open access customers have to bear only the technical losses in the system, and should not be asked to bear any part of the commercial losses.

6.3.9 The voltage wise losses provided by the Petitioner in Form P1 of tariff formats is as under:

Table 6-8: Distribution Loss at various voltage levels for FY 2020-21 as submitted by Petitioner

FY 2020-21	NPCL
Voltage Level (kV)	Loss (%)
132 kV (above 33 kV)	-
33 kV	1.18%
11 kV	2.97%
LT	23.63%
Total	9.03%

6.3.10 It is observed that NPCL for FY 2020-21 has proposed addition of a consumers above 132 kV level under HV-2 category. On Commission`s enquiry, NPCL submitted that till now, the consumers has not started drawing power, hence, losses at 132 kV (above 33 kV) level are not available. Hence, for the purpose of computation, the Commission has considered the losses of 0.18% at 132 kV level similar to the losses of state owned Discoms as all the Licensees are within the State and share boundaries too. Further, the Commission in this Order has approved distribution losses at 7.92% for FY 2020-21. Hence, the Commission has considered the technical losses at various voltage levels upto 11 kV as approved in previous tariff order and remaining losses at LT level. The Losses considered at various voltage levels are as under:

Table 6-9: Distribution Loss at various voltage levels for FY 2020-21 as approved by the Commission

FY 2020-21	NPCL
Voltage Level (kV)	**Loss (%)**
132 kV (above 33 kV)	0.18%
33 kV	1.18%
11 kV	2.71%
LT	21.14%
Total	7.92%

6.3.11 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 Licensees.

6.3.12 The wheeling charges determined above shall not be payable if the Open Access customer is availing supply directly through the State transmission network.

6.4 CROSS SUBSIDY CHARGE

6.4.1 The Petitioner submitted that the Commission in its Tariff Order dated September3, 2019 has approved the cost of supply for FY 2019-20 for the purpose of computation of cross subsidy surcharge. The Petitioner further added that as per the methodology specified in Regulation 49 of MYT Regulations, 2019 the cross subsidy surcharge for the relevant consumer categories is computed using the following formula:

S= T – [C/ (1-L/100) + D+ R]

Where:

S is the Cross Subsidy Surcharge;

T is the tariff payable by the relevant category of consumers, including reflecting the Renewable Purchase Obligation;

C is the per unit weighted average cost of power purchase by the Licensee, including meeting the Renewable Purchase Obligation;

D is the aggregate of transmission, distribution and wheeling charge applicable to the relevant voltage level;

L is the aggregate of transmission, distribution and commercial losses, expressed as a percentage applicable to the relevant voltage level;

R is per unit carrying cost of regulatory assets:
Provided that the Cross Subsidy Surcharge shall not exceed 20% of the Tariff applicable to the category of the consumers seeking Open Access.

6.4.2 The Petitioner further submitted that for the purpose of determination of cross subsidy surcharge as per above methodology the avoidable cost of supply of the Open Access consumers for control period is shown in the table below, which shall be applied against the tariff applicable for the relevant consumer category for computation of Cross subsidy surcharge as and when any consumer applies for the same.

Table 6-10: Computation of Cross subsidy surcharge as submitted by the Petitioner for FY 2020-21

S. No.	Categories	Average Billing Rate (T)* (Rs./kWh)	Wt. Avg. Pur. Cost (C)** (Rs./kWh)	Aggregate of Trasn., Dist. & Wh. Charges applicable to the relevant voltage level (D)	System Loss (% to the relevant voltage level) Aggregate of Trns, Dist & Comm. Losses (L)	Carrying Cost of Regulatory Assets (Rs./kWh) (R)	S=T-[C/(1-L/100)+D+R]	S*** (Rs./kWh)
1	HV-1 (Supply at 11 kV)	10.73	4.95	2.13	4.50%	0.15	3.27	3.27
2	HV-1 (Supply above 11 kV)							
3	HV-2 (Supply upto 11 kV)	8.55	4.95	2.13	4.50%	0.15	1.08	1.08
4	HV-2 (Supply above 11 kV & upto 66 kV)	8.55	4.95	1.11	2.47%	0.13	2.23	2.23
5	HV-2 (Supply above 66 kV & above 132 kV)							
6	HV-3 (Supply below 132 kV)							
7	HV-3 (Supply at & above 132 kV)							
8	HV-4 (Supply at 11 kV)							

S. No.	Categories	Average Billing Rate (T)* (Rs./kWh)	Wt. Avg. Pur. Cost (C)** (Rs./kWh)	Aggregate of Trasn., Dist. & Wh. Charges applicable to the relevant voltage level (D)	System Loss (% to the relevant voltage level) Aggregate of Trns, Dist & Comm. Losses (L)	Carrying Cost of Regulatory Assets (Rs./kWh) (R)	S=T-[C/(1-L/100)+D+R]	S*** (Rs./kWh)
9	HV-4 (Supply above 11 kV upto 66kV)							
10	HV-4 (Supply above 66 kV upto 132 kV)							
11	Domestic Light, Fan & Power (LMV-1)	7.07	4.95	3.12	6.76%	0.19	(1.55)	-
12	Non - Domestic Light, Fan & Power (LMV-2)	12.15	4.95	3.12	6.76%	0.19	3.53	3.53
13	Public Lamps (LMV-3)	9.34	4.95	3.12	6.76%	0.19	0.72	0.72
14	Light ,Fan & Power for Institutions (LMV-4)	8.62	4.95	3.12	6.76%	0.19	(0.00)	-
15	Small Power for Private Tubewell (LMV-5)	2.02	4.95	3.12	6.76%	0.19	(6.60)	-
16	Small and Medium Power (LMV-6)	11.12	4.95	3.12	6.76%	0.19	2.50	2.50
17	Public Water Works (LMV-7)	9.93	4.95	3.12	6.76%	0.19	1.31	1.31
18	Temporary Supply (LMV-9)	12.80	4.95	3.12	6.76%	0.19	4.19	4.19
19	Temporary Supply (LMV-11)	7.31	4.95	3.12	6.76%	0.19	(1.31)	-
20	State Tube Wells (LMV-8)	11.68	4.95	3.12	6.76%	0.19	3.06	3.06

Commission's Analysis:

6.4.3 It is observed that the Petitioner submitted the computation of cross-subsidy surcharges in Format F40A of Tariff formats as part of Petition. However, after Commission`s enquiry, the Petitioner replied and submitted a detailed write-up and computation of Cross subsidy surcharge via email dated 22.6.2020. The Commission observes that the computations and methodology of Petitioner varies across its different submissions.

6.4.4 The Commission has computed the cross-subsidy surcharge based on the Regulation 49.2 of the UPERC (MYT for Distribution and Transmission Tariff) Regulations, 2019. As per the above formula, the avoidable cost of supply for the Open Access consumers as approved is provided in the Table below, which will be applied against the tariff applicable for the relevant consumer category for computation of Cross subsidy surcharge as and when any consumer applies for the same.

Table 6-11: Cost of supply as approved by the Commission for FY 2020-21 (Rs./kWh)

S No.	Categories	Wh. Charge (D= PC+TC+DC+WC)	Wt. Avg. Pur Cost (C)	Transmission (PGCIL) Loss (L1)	Transmission (UPPTCL) Loss (L2)	Distribution Loss (L3)	R (per unit cost of carrying Regulatory Assets)	Total Cost of Supply = [C/((1-L1)*(1-L2)*(1-L3)) + D+ R]
1	HV Categories above 132 KV	0.70	3.70	3.39%	3.40%	0.00%	0.00	4.66
2	HV Categories above 33 KV (132,66kV)	1.49	3.70	3.39%	3.40%	0.18%	0.00	5.46
3	HV Categories at 33 KV	1.49	3.70	3.39%	3.40%	1.18%	0.00	5.50
4	HV Categories at 11 KV	1.84	3.70	3.39%	3.40%	2.71%	0.00	5.91

6.4.5 The impact of migration of consumers from the network of the incumbent Distribution Licensee on the consumer mix and revenues of a particular Distribution Licensee shall be reviewed by the Commission from time to time as may be considered appropriate.

6.4.6 The category-wise Cross Subsidy Surcharge approved by the Commission for FY 2020-21 is as given in the Table below:

Table 6-12: Cross Subsidy Surcharge approved by the Commission for FY 2020-21 (Rs/kWh)

S No.	Categories	Average Billing Rate (ABR)	T = ABR + RS (i.e. Regulatory Surcharge)	Cost of Supply	Cross Subsidy Surcharge "CSS" (Computed)	Cross Subsidy Surcharge "CSS" (as per MYT 19) (with a cap of 20% of T)
1	HV-1 (Supply at 11 kV)	10.63	10.63	5.91	4.72	**2.13**
2	HV-1 (Supply above 11 kV)	10.36	10.36	5.50	4.86	**2.07**
3	HV-2 (Supply at 11 kV)	8.42	8.42	5.91	2.52	**1.68**
4	HV-2 (Supply above 11 kV and upto 66kV)	7.78	7.78	5.50	2.28	**1.56**
5	HV-2 (Supply above 66 kV and upto 132kV)	0.00	0.00	0.00	0.00	**0.00**
6	HV-2 (Supply above 132 kV)	15.23	15.23	4.66	10.58	**3.05**

6.5 ADDITIONAL SURCHARGE

6.5.1 The Petitioner submitted that the Regulation 50 of the MYT Regulation, 2019 provides as under:

> ***"50 Additional Surcharge***
>
> *"50.1 The additional surcharge for obligation to supply as per Section 42(4) of the Act shall become applicable only if it is conclusively demonstrated that the obligation of a Licensee, in terms of existing power purchase commitments, has been and continues to be stranded, or there is an unavoidable obligation and incidence to bear fixed costs consequent to such a contract."*

6.5.2 The Petitioner submitted that the recently circulated Draft amendment to the Tariff Policy 2016 provides a lot of emphasis on meeting of demand through LT PPA, 24X7 power for all and grant of full Open Access to consumers. The Petitioner added that for fulfilling the universal supply obligation, to adequate protect its consumers from the loss of revenue due to outgoing OA consumers, there is a need of time to allow the distribution licensee to recover Additional Surcharge from such open access consumer.

I) Under sub section (4) of section 42 of the Electricity Act 2003, DISCOMs have a universal supply obligation and are required to supply power as and when required by the consumers in its area of supply.

II) Considering the sales forecast approved by the State Commission while determining Annual Revenue Requirement, the DISCOMs enter into long term / medium term /

short term Power Purchase Agreements (PPAs) with sellers (generators/ traders etc.) so as to ensure supply of power for the envisaged increase in the load.

III) While contracting energy through such long term / medium term PPAs, the tariff payable to the generators generally consists of two part i.e. capacity charges and energy charges. In case of short term PPAs, the same are based on single part tariff which invariably carries a covenant to procure at least 80-85% of the contracted supply or else the DISCOMs will have to pay compensation of 20% of the tariff per unit of the shortfall. Therefore, the DISCOMs have to bear the fixed cost or compensation even when there is no off take of energy through such source.

IV) Whenever any consumer opts for open access and takes intermittent supply through open access, the DISCOMs continue to pay fixed charges or compensation in lieu of its contracted capacity with generating stations. However, DISCOMs are unable to sufficiently recover such fixed cost or compensation obligation from the open access consumers.

V) The DISCOMs establish assets for supplying power to certain specific consumers. There may be certain cases wherein such assets become redundant. In such cases, fixed charges for such stranded assets should be borne by the customers as part of Additional Surcharge.

VI) Not only the Fixed Charge, compensation and network cost should form part of Additional Surcharge, a part of regulatory asset should also be included in the Additional Surcharge as regulatory asset was created when open access consumer was part of the system. Such consumer had enjoyed the benefit of suppressed tariff when regulatory asset was being created. Thus, when such consumer leave the tariff base of the DISCOMs, part of regulatory assets become stranded. Therefore, one of the component of Additional Surcharge should also cover for regulatory asset.

VII) The cost recovered from fixed charges in the tariff schedule is less than the fixed cost or compensation incurred by the DISCOM for supplying energy. This leads to the situation where the DISCOM is saddled with the stranded cost on account of its universal supply obligation.

VIII) In view of the adverse financial situation caused by arrangements made for complying with the obligation to supply, Section 42 (4) of the Electricity Act, 2003 provides as under:

"Where the State Commission permits a consumer or class of consumers to receive supply of electricity from a person other than the distribution licensee of

his area of supply, such consumer shall be liable to pay an additional surcharge on the charges of wheeling, as may be specified by the State Commission, to meet the fixed cost of such distribution licensee arising out of his obligation to supply."

IX) Section 8.5 of the Tariff Policy 2016 also provides;

"*The additional surcharge for obligation to supply as per section 42(4) of the Act should become applicable only if it is conclusively demonstrated that the obligation of a licensee, in terms of existing power purchase commitments, has been and continues to be stranded, or there is an unavoidable obligation and incidence to bear fixed costs consequent to such a contract. The fixed costs related to network assets would be recovered through wheeling charges"*

6.5.3 The Petitioner further submitted that Clause 5.8.3 of the National Electricity Policy notified by the Ministry of Power, Govt. of India, reads as under.

"5.8.3... An additional surcharge may also be levied under sub-section (4) of Section 42 for meeting the fixed cost of the distribution licensee arising out of his obligation to supply in cases where consumers are allowed open access........."

6.5.4 The Petitioner submitted that the Commission has also finalized the model Bulk Power Wheeling Agreement (BPWA) which is to be signed between a Distribution Licensee and the long-term customer to agree therein, inter alia, to make payment of wheeling charge, surcharge and additional surcharge, if any, for use of the distribution system.

6.5.5 Recently, Ministry of Power, Government of India has issued draft of the amendments in Tariff Policy, 2016. The one of the proposed draft amendment in Para 8.0 of the Tariff Policy, 2016 is as under:

"It shall be mandatory for the Distribution Company to show to the respective Commission that they have tied up long term/ medium term PPAs to meet the annual average power requirement in their area of supply, failing which their license shall be liable to be suspended. 24 hours supply of adequate and uninterrupted power may be ensured to all categories of consumers by March, 2019 or earlier"

6.5.6 From the above proposed amendment, the Petitioner will require to tie up its annual average power requirement through long term / medium term PPAs which will ultimately increase its obligation to pay the fixed charges under the long term / medium term PPAs. Further, with consumers frequently switching their mode of supply between Petitioner and open access, it will become difficult for the Petitioner to assess the quantum of power that will continue to remain stranded. Moreover, the quantum of stranded power does not remain constant throughout the year or a month or a week or even a day.

6.5.7 The Petitioner requested the Commission approve the Additional Surcharge to cover the Fixed Cost, Compensation, Network Cost and Regulatory Assets.

6.5.8 The Commission sought the detailed computation of Additional surcharge for FY 2020-21. In this regard the Petitioner submitted that:

> *"We are in receipt of your trail mail at around at 2:02 pm, whereby you have asked us to provide certain details on Additional Surcharge for FY 2020-21 within next 2 hours in view of the order dated 25.02.2019 passed by the Hon'ble Commission in Petition No. 1323 of 2018 of UPPCL.*
>
> *In this regard, we would like to submit that the aforesaid petition has been filed by UPPCL and the Company was not a party to the same. We, therefore, are completely unaware regarding the proceedings, submissions and directions of the Hon'ble Commission in the referred petition. On the basis of cursory reading of the enclosed order, we can observe that as per the directions of the Hon'ble Commission in the aforesaid order, we need to collect the various information, examine / analyze the same and accordingly, prepare information on the justification of levying Additional Surcharge on the basis of data for previous years combined with reasonable forecast of Open Access Consumers. The Hon'ble Commission may please appreciate that the above is a quite lengthy and time-consuming process and requires at least 2 weeks' time to provide the relevant information.*
>
> *In view of the above, it is requested to kindly provide fair and reasonable time to collate all the details so that the same can be provided to the Hon'ble Commission in the desired formats. Hence, it is requested to kindly allow the Company at least 2 weeks' time to furnish all the desired details.*
>
> *Nevertheless, the Company, in its petitions viz. petition no. 1526 of 2019 and petition no. 1541 of 2019has provided detailed information on the power purchase plan as well as demand during FY 2020-21.Considering the network as well as the power procurement being planned as per the peak / average demand, the Company has been stressing on the need of determining adequate additional surcharge for the purpose of compensating the Company towards power that*

remains stranded due to the Open Access availed by large Industrial / Institutional Consumers who generally draws round the clock power across 12 months.

It has also been highlighting the growing diversity of load drawl by the consumers in Greater Noida Area. Hence, there is a need of determining appropriate additional surcharge to compensate for power which may be stranded for the whole year or even during some parts of day (off-peak hours)/ some parts of the year (off-peak season)."

Commission's Analysis:

6.5.9 It has been observed that the Petitioner has not given any detailed computation of additional surcharge. Therefore, the Petitioner is directed to refer to Commission's Order dated February 25, 2019 in Petition No. 1323 of 2018 in the matter of "*Recall of the order of this Hon'ble Commission dated 30.11.2017, contained specifically in paragraphs 7.4.8 to 7.4.17 and in paragraph 7.5.3, read with 7.5.4, on the subject of approval of Business plan / MYT ARR and tariff for State Discoms for FY 2017-18 to FY 2019-20 and true up of FY 2014-15*" related to treatment of additional surcharge and comply to the same.

6.5.10 Hence in the absence of any detail computation, the Commission approves the additional surcharge as zero, however the Petitioner may submit the requisite data and justification separately for determination of Additional Surcharge.

7 TARIFF PHILOSOPHY

7.1 CONSIDERATION IN TARIFF DESIGN

7.1.1 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 Licensee.

7.1.2 The linkage of tariffs to cost of service and gradual elimination of cross- subsidization 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, 2016 also advocates that the tariff should progressively reflect the efficient and prudent cost of supply.

7.1.3 The Commission has approved the retail tariff for FY 2020-21 in view of the guiding principles as stated in the Electricity Act, 2003, Tariff Policy and MYT Regulations, 2019. The Commission in its earlier Tariff Orders during determination of ARR has been allowing tariff hikes to the Licensee in view of gaps.

7.1.4 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 had laid emphasis on adoption of factors that encourages economy, efficiency, effective performance, autonomy, regulatory discipline and improved conditions of supply & services. On these lines, the Commission, in this Order too, has applied similar principles keeping in view the ground realities.

7.1.5 As regards to the linkage of Tariff with the Cost of Supply, the Regulations 53 of MYT Regulations, 2019 states as follows:

Quote

53 Determination of Retail Supply Tariff

53.1 The Commission may categorize consumers on the basis of 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 the supply is required.

53.2 The retail supply Tariff for different consumer categories shall be determined on the basis of the Average Cost of Supply. While determining the Tariff, the Commission shall also keep in view the cost of supply at different voltage levels and the need to minimise Tariff shock to consumers.

53.3 It would be endeavoured to rationalize the number of consumer categories and Tariff structure. The Fixed / Demand Charges will be gradually aligned over a period upto the Fixed Cost of the ARR which would comprise of Fixed Charges of Generating Stations, Transmission Charges, Return on Equity, Interest on Loan, Depreciation, O&M & other fixed costs. The Energy Charge will be gradually aligned to the remaining ARR, i.e., the Variable Cost of the ARR, which would comprise the Fuel Cost of the Generating Stations & other variable costs.

Unquote

7.1.6 In terms of the UPERC (MYT for Distribution and Transmission Tariff) Regulations, 2019, Tariff Policy 2016 and the Electricity Act, 2003, the Commission opines that in the ideal scenario, the retail tariff of any category should be linked to the cost incurred on the system by the said category. However, as these details are not available, the Commission, while determining the tariff for each category, has looked into the relationship between the tariff and the overall average cost of supply for FY 2020-21. Efforts are made as far as possible, to move the tariff of appropriate consumer categories, towards the band of +/-20% to meet the declared objectives of the UPERC (MYT for Distribution and Transmission Tariff) Regulations, 2019, Tariff Policy, 2016 and the Electricity Act, 2003.

7.1.7 Further, it has been observed that the variations in load of certain categories is not proportional to variation in energy sales (MU) and hence, abnormal ABR / ACoS for FY 2020-21 is observed for certain categories. In general, there are many issues in the figures of billing determinants and hence, the Petitioner is directed to check and verify the billing determinants properly and report the same to the Commission in next tariff filing. The Petitioner has not proposed any Tariff hike for FY 2020-21.

7.1.8 The Commission has determined the retail tariff keeping in the mind the guiding principles as stated in Section 61 and 62 of the Electricity Act, 2003. The Commission in its Tariff Order dated September 03, 2019, had revised the Tariff for State Discoms and NPCL both.

7.1.9 Further, the State owned Discoms had proposed rationalization of tariff structure for FY 2020-21, the Commission in the Tariff Order dated 11th November 2020 for FY 2020-21 for the State Owned Discoms ruled as under:

Quote

8.1.9. Further, the Commission has determined the retail tariff keeping in the mind the guiding principles as stated in Section 61 and 62 of the Electricity Act, 2003. The Commission in its Tariff Order dated September 03, 2019, had revised the tariff considering the huge amount of revenue gap and high cost of supply and resultant poor cost coverage in the absence of cost reflective tariff. The Commission has not rationalized the rates for FY 2020-21 considering the impact of COVID-19 and has considered the same rates as approved in Tariff Order for FY 2019-20 dated September 03, 2019.

………

8.1.11. The State owned Discoms vide letter No. 427/RAU/ARR 2020-21 dated September 01, 2020 has submitted a tariff rationalisation for Consumer category / sub-category / slab simplification under uniform tariff for Discoms. However, after consideration of views / comments of various stakeholders, SAC Committee members and the Licensees, the Commission has decided to not approve the Tariff rationalisation as the said proposal was filed at very later stage of Tariff proceedings.

Unquote

7.1.10 In view of the above, the Commission has not done any tariff revision/ rationalisation for FY 2020-21 and has considered the same rates as approved in Tariff Order for FY 2019-20 dated September 03, 2019.

7.2 APPLICABILITY OF TARIFF CATEGORY

The applicability, character and point of supply and other terms & conditions of different consumer categories have been defined in the Rate Schedule annexed to this Tariff Order**.** In case of any inconformity, the Rate Schedule shall prevail over the details given in the various sections of this Order.

8 REVENUE GAP

8.1 REVENUE FROM SALE OF POWER AT APPROVED TARIFF

8.1.1 The Petitioner stated that Regulation 35 of MYT Regulations, 2014 provides for allowance of carrying cost on regulatory assets.

8.1.2 The Petitioner submitted that keeping the above in view, the Commission, in its Tariff Order dated 22nd January, 2019 has allowed carrying cost of regulatory asset at weighted average SBI-PLR on monthly compounding basis. Accordingly, the Commission has approved carrying cost of Rs. 23.13 Crore for FY 2018-19 in its aforesaid Tariff Order dated 22nd January, 2019.

8.1.3 Based on the same principles, the carrying cost of Regulatory Asset created and subsequent recoveries till FY 2018-19 is given in the Table below:

Table 8-1: Carrying Cost for FY 2018-19 as submitted by Petitioner (Rs. Crore.)

Sl. No.	Particulars	Ref.	Approved Vide T.O. dated 22 January 2019	Actual
1	**Regulatory Assets at the beginning of Year**	A	212.02	279.14
2	Regulatory Assets amortised from Regulatory Surcharge	B	-82.56	-83.11
3	Addition to Regulatory Assets during the year	C	-23.98	67.39
4	Closing Regulatory Assets (before Carrying cost	d=a+b+c	105.48	263.43
5	Average Regulatory Asset	e=(a+d)/2	158.75	271.29
6	Applicable Interest Rate for Working Capital Finance (Weighted average SBI -PLR)	F	13.68%	13.68%
7	Monthly Compounded Rate (Aptel Appeal No. Order dt.)	G	14.57%	14.57%
8	**Carrying Cost of Regulatory Asset**	**h=e x g**	**23.13**	**39.52**

8.1.4 The above computation has been done with following premises:

i. Carrying cost has been claimed at weighted average of SBI – PLR prevailing throughout FY 2018-19 i.e. 13.68 %.

ii. As directed by the Hon'ble Tribunal, the surplus amount of Rs. 19.64 Crore. for FY 2006-07 approved by the Commission, being not available with the Petitioner, has not been adjusted in determination of cumulative deficit.

8.1.5 The Petitioner submitted that on the basis of the above, the Commission, is requested to approve carrying cost of Regulatory Asset for FY 2018-19 at Rs. 39.52 Crore. Similarly, the

Petitioner has submitted a carrying cost of Rs. 39.07 Crore for FY 2019-20 and Rs. 27.60 Crore for FY 2020-21.

8.1.6 As discussed earlier in this Order, the Commission has continued with the same retail tariff as approved for FY 2019-20. Thus, 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 approved in this Order, and unless amended or revoked, shall continue to be in force till issuance of the next Tariff Order.

8.1.7 The revenue at existing Tariff is already approved in the ARR chapter for FY 2020-21. The estimated gap / surplus for FY 2020-21 of NPCL is as given in the Table below:

Table 8-2: ARR GAP / (SURPLUS) OF NPCL FOR FY 2020-21 (RS. CRORE)

Total Revenue Gap/(Surplus)	FY 2018-19			FY 2019-20			FY 2020-21	
	Approved in TO (ARR of FY 2018-19)	Claimed (True-UP)	Approved (True-UP)	Approved in TO (ARR of FY 2019-20)	Claimed (APR)	Computed for APR	Claimed	Computed
Opening (i.e. closing of last year)	212.02	279.15	278.36	(106.54)	302.97	61.74	276.56	(4.28)
Gap/(surplus)during the year	(106.54)	(15.70)	(239.71)		(65.47)	(65.47)	12.98	(402.86)
Closing GAP/(Surplus)		263.44	38.65		237.49	(3.74)	289.54	(407.13)
carrying cost rate (%) @IWC, compounding		14.57%	14.57%		14.46%	14.46%	9.75%	10.65%
Carrying cost (Rs. Crore) for the year		39.52	23.09		39.07	(0.54)	27.60	-
Overall Gap/(Surplus)		**302.97**	**61.74**		**276.56**	**(4.28)**	**317.14**	**(407.13)**

8.1.8 From above, the Commission has computed the overall (surplus) of Rs. 407.13 Crore for FY 2020-21 taking into consideration True Up of FY 2018-19 and APR of FY 2019-20.

8.1.9 Further, it has been observed that Dhariwal Infrastructure Limited (DIL), which has a long-term PPA with NPCL (the Petitioner) has filed a no. of Petitions before the Commission detailed as follows:

- Petition No. 1318 & 1319 of 2018 for Additional Coal Charges (final Order has been issued on 19.3.2020 for FY 2017-18 & FY 2018-19). Petition No. 1438 of 2018 for FY 2019-20 (proceedings are still going on).
- MYT Petition of DIL for True-Up of FY 2016-17 to FY 2018-19 Petition No. 1500 of 2019 (proceedings are still going on).

- MYT Petition of DIL for ARR of FY 2019-20 to FY 2023-24 Petition No. 1531 of 2019 (proceedings are still going on).
- Petition No. 1440 of 2019 in the matter of Petition on account of occurrence of 'Change in Law' events as per Article 13.1.1. of the Power Purchase Agreement (PPA) dated 26.9.2014 between Noida Power Company Limited and Dhariwal Infrastructure Limited. The same was disposed of vide Order dated 14.5.2020.

8.1.10 The impact of the above Orders and pending proceedings will have an impact on the power purchase cost of the Petitioner and its revenue gap/ (surplus). The Commission has analysed the impact of the same as under:

8.1.11 The impact of Additional Coal Charges as per Petition No. 1318 & 1319 of 2018 for Additional Coal Charges whose final Order has been issued on 19.3.2020 (for FY 2017-18 & FY 2018-19) and Petition No. 1438 of 2018 for FY 2019-20 (whose proceedings are still going on) would be as under:

Year	True Up / APR / ARR	Approved / Claimed	Impact of Additional Coal Charges Total Cost (Rs. Crore)
FY 2017-18	Additional Coal Charges	Approved	21.63
FY 2018-19		Approved	38.41
FY 2019-20		claimed (Pending approval)	28.29
			88.33

8.1.12 It is observed that the Petitioner (NPCL) has already claimed the impact of additional coal charges (as approved by the Commission) in the power purchase cost of APR of FY 2019-20. Hence, the impact of the above has already been considered in the gap of FY 2019-20.

8.1.13 The impact of True-Up Petition of DIL True-Up of FY 2016-17 to FY 2018-19 Petition No. 1500 of 2019 (currently proceedings are going on) would be as under:

Year	True Up / APR / ARR	Claimed by NPCL True Up / APR / ARR Total Cost (Rs. Crore)	Considered in True Up / APR / ARR Total Cost (Rs. Crore)	Claimed by DIL in True Up Petition Total Cost (Rs. Crore)	Impact of DIL True-Up (Rs. Crore)
			A	B	C=B-A
FY 2016-17	True Up	37.11	37.11	38.13	1.02
FY 2017-18	True Up	447.36	447.36	489.23	41.87
FY 2018-19	True Up	515.61	416.74	502.95	86.21
			901.21	**1030.31**	**129.10**

8.1.14 It can be inferred from above, that considering the claim of DIL, the impact of True-up of DIL Petition for FY 2016-17 to FY 2018-19 would provisionally be Rs. 129.10 Crore. Hence, the Commission has provisionally considered the same in computation of revenue Gap / (Surplus).

8.1.15 Further, the impact of MYT Petition of DIL True-Up of FY 2019-20 and FY 2020-21 Petition No. 1531 of 2019 (currently proceedings are going on) would be as under:

Year	True Up / APR / ARR	Claimed by NPCL True Up / APR / ARR	Considered in True Up / APR / ARR	Claimed by DIL in MYT Petition	Impact of DIL Petition (Rs. Crore)
		Total Cost (Rs. Crore)	Total Cost (Rs. Crore)	Total Cost (Rs. Crore)	
			A	B	C=B-A
FY 2019-20	APR	522.47	522.47	571.15	48.68
FY 2020-21	ARR	595.75	426.06	587.77	161.71
			948.53	**1158.92**	**210.39**

8.1.16 It can be inferred from above, that considering the claim of DIL, the impact of DIL Petition for FY 2019-20 would provisionally be Rs. 48.68 Crores. For FY 2020-21, the impact vis-à-vis approved of power purchase for FY 2020-21 would provisionally be Rs. 161.71 Crores. However, for the purpose of this Order, as more than 6 months have already passed in this year, 50% of the impact has been considered provisionally, i.e. Rs. 80.85 Crores. Hence, the Commission has provisionally considered the same in computation of revenue Gap / (Surplus).

8.1.17 From the above discussion of the total impact of DIL Petitions and upcoming Orders, the total impact on power purchase would be as under:

Particulars	Impact computed (Rs. Crore)	Impact considered provisionally in this Order (Rs. Crore)
Impact of True-up of FY 2016-17 to FY 2018-19 for DIL	129.10	129.10
Impact of MYT Order of DIL for FY 2019-20 and FY 2020-21	210.39	129.54
Total Impact of Orders of DIL (provisionally considered)	**339.49**	**258.64**

8.1.18 Hence, the net revenue Gap / (surplus) approved for FY 2020-21 is as under:

Table 8-3: ESTIMATION OF ARR GAP / SURPLUS OF NPCL FOR FY 2020-21 (RS. CRORE)

Particulars	Revenue Gap / (Surplus) (Rs. Crore)
Revenue Gap / (Surplus) approved for FY 2020-21	(407.13)
Impact of Orders of DIL (provisionally considered)	258.64
Net Revenue Gap / (Surplus) approved for FY 2020-21	**(148.50)**

8.1.19 The surplus of Rs. (148.50) Crore at existing / approved revenue will be treated appropriately at the time of next tariff proceedings. There are a few matters related to the power purchase pending in various fora, which may impact the power purchase cost of the Licensee, the Commission has approved a net surplus for FY 2020-21 that will be taken into consideration at the time of True- Up.

8.1.20 The computations of ARR and Revenue for FY 2020-21 in the Order are estimated figures and may vary and so the projected gap / surplus will also undergo change correspondingly. The Commission will analyse these points in future tariff proceedings.

8.2 AVERAGE COST OF SUPPLY

8.2.1 The table below summarises the per unit revenue realisation (average billing rate) as a percentage of ACoS. The ACoS is worked out to be Rs. 6.17 / kWh (Rs. 1236.21 Crore / 2002.95 MU x 10).

Table 8-4: REVENUE REALIZED AS % OF ACOS (without subsidy)

Consumer Sub-Category	Average Billing Rate Rs. / kWh	(ABR – ACOS) as % of ACOS (+/-)
LMV-1: Domestic Light, Fan & Power		
Life Line Consumers (both Rural and Urban) (Sub-Total)	3.87	-37.25%
Dom: Rural Schedule (unmetered) (Sub-Total)	-	-
Dom: Rural Schedule (metered) other than BPL (Sub-Total)	4.79	-22.40%
Dom: Supply at Single Point for Bulk Load (Sub-Total)	7.47	20.98%
Other Metered Domestic Consumers other than BPL (Sub-Total)	6.99	13.22%
LMV - 1 (Total)	**6.96**	**12.81%**
LMV-2: Non-Domestic Light, Fan & Power		
Non-Dom: Rural Schedule (unmetered) (Sub-Total)		
Non-Dom: Rural Schedule (metered) (Sub-Total)		

Consumer Sub-Category	Average Billing Rate	(ABR – ACOS) as % of ACOS (+/-)
	Rs. / kWh	
Non-Dom: Private Advertising /Sign Post/Sign Board/GlowSign (Sub-Total)		
Non-Dom: Other Metered Non-Domestic Supply (Sub-Total)	11.36	84.04%
LMV - 2 (Total)	**11.36**	**84.04%**
LMV-3: Public Lamps	**10.07**	**63.14%**
LMV-4: Light, fan & Power for Institutions	**10.28**	**66.54%**
LMV-5: Private Tube Wells/ Pumping Sets		
PTW: Rural Schedule (unmetered)	67.31	990.54%
PTW: Rural Schedule (metered)	2.15	-65.18%
PTW: Urban Schedule (metered)	7.50	21.50%
LMV - 5 (Total)	**2.35**	**-61.86%**
LMV 6: Small and Medium Power upto 100 HP (75 kW	**10.25**	**66.03%**
LMV-7: Public Water Works	**9.85**	**59.54%**
LMV-8: State Tube Wells & Pump Canals upto 100 HP	**11.19**	**81.31%**
LMV-9: Temporary Supply	**11.16**	**80.85%**
LMV-11: Electrical Vehicles	**7.28**	**17.94%**
HV-1: Non-Industrial Bulk Loads	**10.45**	**69.33%**
HV-2: Large and Heavy Power above 100 BHP (75 kW)	**8.08**	**30.98%**
Grand Total	**8.18**	**32.59%**
ACOS (Rs. /kWh)	**6.17**	

8.2.2 The Licensee should ensure that it must at least achieve & maintain the category wise ABRs approved, failing which the Commission may take an appropriate view and necessary action.

8.2.3 Analysis on few parameters are depicted below:

Table 8-5: Summary of FY 2020-21

Parameters	FY 2020-21 Approved
Total Sales (MU)	2,002.95
Revenue from Tariff (Rs. Crore)	1,639.07
Total Power Purchase (MU)	2175.23
Total Power Purchase (Rs. Crore)	962.18
ARR (Rs. Crore)	1236.21
APPC (Rs./kWh) excluding Transmission Charges (at NPCL Periphery)	3.70
APPC (Rs./kWh) including Transmission Charges (Inter+Intra) at NPCL periphery	4.42
ABR (Rs./kWh)	8.18
ACoS (Rs./kWh)	6.17

9 DIRECTIVES

9.1 STATUS OF DIRECTIVES FOR FY 2019-20

9.1.1 This Chapter details the Commission's directives to the Licensee. The Licensee in its ARR and Tariff filings has provided details regarding status of compliance with the Commission's directives issued vide Tariff Order dated September 03, 2019 for FY 2019-20. The status of compliance with the directives by Licensee is provided in the Table below:

Table 9-1: Status of Directives for FY 2019-20

Sl. No	Description of Directive	Time Period for compliance from the date of issue of the Tariff Order	Status of Compliance	Commission's Directions
1)	The Commission directed that the Licensee to complete the conversion from un-metered to metered consumers by FY 2020-21.	As per time line specified	The Licensee has stated that it has noted for compliance	The Commission has taken notice of the same.
2)	The Commission directed the Licensee to comply with the Regulation 23 A (b) of UPERC Multi Year Distribution Tariff Regulations, 2014 relating to	Immediately	The Licensee had submitted that, it has the Business Plan for the Control Period FY 2020-21 to FY 2024-25 in accordance with UPERC	The Commission has provisionally approved capex for FY 2020-21. The Licensee is directed to submit the detailed plan with all the

Sl. No	Description of Directive	Time Period for compliance from the date of issue of the Tariff Order	Status of Compliance	Commission's Directions
	obtaining project wise prior approval of the Commission before incurring capital expenditure of an amount exceeding 10 Crore, so that such investments may be allowed in the ARR.		Multi Year Tariff Regulations, 2019. In the said Business Plan, detailed explanation of the Capital Expenditure had been provided in the said Chapter 5. Further, Annexures 5.2 to the aforesaid chapter 5 of the Business Plan contains the detailed information regarding unit, quantity, rate, total cost and the justification of the Capital expenditure under various Schemes i.e. New Connection, Network	details such as DPR, cost benefit analysis.

Sl. No	Description of Directive	Time Period for compliance from the date of issue of the Tariff Order	Status of Compliance	Commission's Directions
			Augmentation & Strengthening, civil and electrical structures, IT & Automation etc. for FY 2020-21 to FY 2024-25. Further, with respect to the Capital Expenditure of an amount exceeding Rs. 10 Crores, the Petitioner will be definitely seek prior approval of the Commission before undertaking such project.	
3)	The Commission directed that the Licensee to ensure timely	Next ARR filing	The Licensee stated that, in pursuance of the directions	The Commission has taken notice of the same.

Sl. No	Description of Directive	Time Period for compliance from the date of issue of the Tariff Order	Status of Compliance	Commission's Directions
	filings of ARR Petitions as per Regulations.		of the Commission vide letter dated 24th Sep'19, it has filed its Business Plan on 6th Nov'19 for its kind approval. Regulation 4.1 of the newly notified MYT Regulations 2019 provide to file the MYT Petition for FY 2020-21 as well as APR for FY 2019-20 along with petition for truing-up of FY 2018-19 latest by 30th November 2019. Simultaneously, the Regulation 5.6 of the newly	

Sl. No	Description of Directive	Time Period for compliance from the date of issue of the Tariff Order	Status of Compliance	Commission's Directions
			notified MYT Regulations, 2019 provides for filing of Aggregate Revenue Requirement (ARR) on the basis of approved Business Plan. The Business Plan, so submitted by the Petitioner, is yet to be approved by the Commission, however, considering new Tariffs applicable from 1st April 2020, the petitioner is taking the liberty to file its MYT petition for FY 2020-21 in	

Sl. No	Description of Directive	Time Period for compliance from the date of issue of the Tariff Order	Status of Compliance	Commission's Directions
			the RTFs communicated to the petitioner untill 17th December 2019 for the kind consideration and approval of the Commission.	
4)	The Commission directed that the Licensee to ensure that the submission of Category / Sub-Category wise billing determinants like consumer numbers, connected load, sales and revenue should be based on billing data only.	Next ARR filing	The Category / Sub-Category wise billing determinants like consumer numbers, connected load, sales and revenue based on billing data has been submitted as per Format F 46 of Appendix-4, MYT Formats ARR.	The Commission has taken notice of the same.

Sl. No	Description of Directive	Time Period for compliance from the date of issue of the Tariff Order	Status of Compliance	Commission's Directions
5)	The Commission directed that the Licensee to ensure that the Category / Sub-Category wise billed revenue as per Rate Schedule is included in the Audited Annual Accounts/Financial Statements from FY 2020-21 onwards.	As per the time lines specified	The Licensee has stated that it has noted for compliance	The Commission directed that the Licensee to ensure that the Category / Sub-Category wise billed revenue as per Rate Schedule is included in the Audited Annual Accounts/Financial Statements from FY 2020-21 onwards.
6)	The Commission has amended UPERC (Promotion of Green Energy through Renewable Purchase Obligation) Regulations, 2010 dated August 16, 2019 for FY 2019-20 to FY 2023-24. The Licensee to ensure	Immediate	The Licensee has already submitted a Roadmap for procurement of Renewable Power as per its affidavit dated 9th September, 2019 and subsequently vide	The Petitioner has not complied to meet the RPO Targets.

Sl. No	Description of Directive	Time Period for compliance from the date of issue of the Tariff Order	Status of Compliance	Commission's Directions
	that Power Purchase is done as per RPO targets with Renewables having priority.		Business Plan submitted on 6th Nov'19.	
7)	The Commission directed that the Licensee's agricultural consumers should be given un-interrupted supply preferably during day time as per schedule.	Immediate	The Licensee is already complying to the directions provided by Principle Secretary Power to supply 18-24 hours supply to Rural areas.	The Commission has taken notice of the same.
8)	The Commission directed that the 100% online bill generation should be implemented by FY 2020-21. Efforts must be made by the Licensee to move to	As per the time lines specified	The Licensee has already given the option to all its consumers to view and pay their bills through various online modes as follows- Mobile App.	The Commission has taken notice of the same.

Sl. No	Description of Directive	Time Period for compliance from the date of issue of the Tariff Order	Status of Compliance	Commission's Directions
	paper less billing in urban areas by March, 2021.		Website. Paytm E-mail	
9)	The Commission directed that the Online billing for HV-2 consumers should be done with immediate effect from the month of October, 2019.	As per the time lines specified	The Licensee has already given the option to all its consumers to view and pay their bills through various online modes as follows- Mobile App. Website. Paytm E-mail	The Commission has taken notice of the same.
10)	The Commission directed that the SMS facility to be provided to all consumers for communicating the information	Immediate	The Licensee has submitted that, Consumers having their mobile number and Email id registered with the	The Commission has taken notice of the same.

Sl. No	Description of Directive	Time Period for compliance from the date of issue of the Tariff Order	Status of Compliance	Commission's Directions
	regarding bill amount, due date, shut down etc.		Petitioner are regularly informed regarding meter reading, bill amount, due date, shut down etc.	
11)	The Commission directed that the already approved Pre-paid/Smart meter rollout plan to be monitored and reported quarterly to the Commission. Approval must be taken from the Commission for any fresh Pre-Paid/Smart meter rollout plan.	Immediate	In case of conversion of single point connection society into multi-point individual connection in the existing Group Housing Societies where DG supply and Discom supply is provided through single rising mains, the smart prepaid meters have been considered.	

Sl. No	Description of Directive	Time Period for compliance from the date of issue of the Tariff Order	Status of Compliance	Commission's Directions
			The Petitioner has considered prepaid meters which are less costlier than the smart meters wherever the consumers demand for the same. As and when smart meter rollout plan is prepared for any particular area in Greater Noida, the Petitioner would submit its plan for the same and seek prior approval of the Commission.	
12)	The Commission directed that the Bank Rate for interest on security deposits shall be	Immediate	The Petitioner pays Interest on Security Deposit in accordance with U.P.	The Commission has taken notice of the same.

Sl. No	Description of Directive	Time Period for compliance from the date of issue of the Tariff Order	Status of Compliance	Commission's Directions
	notified and published by the Licensee within one month if not done already.		Electricity Supply Code 2005 clause 4.20 (i) and Cost Data Book 2019 in Chapter-3 (Security) Point No. 9. Clause 4.20 (i) of U.P Electricity Supply Code 2005 provides as under: *"The Licensee shall pay interest on security deposit to the consumers at bank rate as on 1st April of applicable financial year by way of credit in the bill of the*	

Sl. No	Description of Directive	Time Period for compliance from the date of issue of the Tariff Order	Status of Compliance	Commission's Directions
			consumer in the months of April, or May or June as per the applicable billing cycle. However, no interest shall be payable if the deposit is not made by way of cash, cheque or bank draft. The interest rates are subject to change as per the tariff orders of Commission from time to time". Cost Data Book 2019 in Chapter 3 (Security) Point 9 provides as under: *"Interest on security shall be paid by the licensee to the*	

Sl. No	Description of Directive	Time Period for compliance from the date of issue of the Tariff Order	Status of Compliance	Commission's Directions
			consumer as per bank rate prescribed by the R.B.I. (Refer Clause 4.20(i) of the Code 2005)". Accordingly, the Petitioner in its bills for the month of March intimates the Consumers the rate of interest on their security deposit which it would be paying in the subsequent month.	

9.2 DIRECTIVES ISSUED IN THIS ORDER

1) The Commission directs the Petitioner to ensure to file its ARR/ tariff Petition on time strictly in accordance with the applicable UPERC MYT Regulations.
2) The Commission directs the Petitioner that while filing ARR/ Tariff Petition, it shall upload on its website the Petitions filed before the Commission along with all regulatory filings, information, particulars and related documents, which shall be signed digitally and in searchable pdf formats along with all excel files.
3) The Commission directs that either pre-paid meter or smart meters be installed for all new connections or replacement of faulty meters.
4) 100% metering is a necessary condition for an efficient distribution network and financial viability of the distribution companies. As per the submission made by the Petitioner, the metering of all the consumers (except LMV-5) shall be completed by end of FY 2020-21. The Petitioner to ensure metering of consumers in LMV-5 category as well because 100% metering of consumers is necessary.
5) The Petitioner are directed to ensure 100% feeder metering and DT metering within next one year.
6) The Commission also directs the Licensee to submit the voltage wise (440V, 11kV, 33kV, 66kV, 132 kV) - Energy Sales and Losses. Also, the now mandatory energy audit report and the cost audit report (prepared in accordance with Companies (Cost Records and Audit) Rules 2014) shall also be submitted every year along with the ARR Petition.
7) The Petitioner must submit the details of each investment scheme / project exceeding Rs. 10 Crore and obtain prior approval of the Commission as per Regulations for inclusion as regulatory expenditure in the ARR. Failure to do so will result in disallowance of such investment in the ARR in order to safeguard the consumers from unjust and unfair charges.
8) Further, all procurements made by the Petitioner should be through Competitive Bidding only.
9) The licensee is directed not to contract any PPA beyond the license period. However, no approval will be required for purchasing power through exchange or to fulfil contingent/ short term power requirements. For all other power purchases, prior approval of the

Commission is necessary. The Licensee is also directed to strictly follow the Central Government Guidelines for Procurement of power for short term (i.e. for a period more than one day to one year) through tariff-based bidding process using National e-bidding portal.

10) The Petitioner is directed not to buy luxury cars and also restrict itself in respect to the number of cars which seems to be on very higher side.

11) The Commission directs that its un-complied directions of earlier Tariff Orders be complied with immediately.

10 APPLICABILITY OF THE ORDER

The Licensee, in accordance with Regulation 5.10 of the Uttar Pradesh Electricity Regulatory Commission (Multi Year Tariff for Distribution & Transmission) Regulations, 2019, shall publish the Tariff approved by the Commission in at least two (2) English and two (2) Hindi daily newspapers having wide circulation in the area of supply and shall put up the approved Tariff on its internet website.

The Tariff so published shall be in force after seven days from the date of such publication of the Tariff and shall, unless amended or revised, continue to be in force for such period as may be stipulated therein. The Commission may issue clarification / corrigendum / addendum to this Order as it deems fit from time to time with the reasons to be recorded in writing.

(Vinod Kumar Srivastava)	(Kaushal Kishore Sharma)	(Raj Pratap Singh)
Member (Law)	Member	Chairman

Place: Lucknow
Date: December 04th, 2020

SANJAY KUMAR SINGH

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Date: 2020.12.05 15:52:37 +05'30'

11 ANNEXURES

11.1 RATE SCHEDULE FOR FY 2020-21

Rate Schedule for FY 2020-21

(Applicable for NPCL)

A. GENERAL PROVISIONS:

These provisions shall apply to all categories unless specified otherwise and are integral part of the Rate Schedule.

1. NEW CONNECTIONS:

All new connections shall be given in kW, kVA, or BHP as agreed to be supplied by the licensee. Further, if the contracted load (kW / kVA) of already existing consumer is in fractions then the same shall be treated as next higher kW / kVA load. If the contracted load is in kW and is being converted into kVA, the conversion factor of 0.90 will be used (kVA = kW / 0.90) for tariff application purposes and the same shall be rounded off up to two decimal places.

2. READING OF METERS:

As per applicable provisions of Electricity Supply Code 2005 and its amendments.

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 2005 and its amendments.

4. BILLING IN CASE OF DEFECTIVE METERS:

As per the applicable provisions of Electricity Supply Code 2005 and its amendments.

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:

Fixed Charges in kVA = (Fixed Charges in BHP / 0.746) * 0 .90

Fixed Charges in kVA = (Fixed Charges in kW * 0.90)

Energy Charges in kVAh = (Energy Charges in kWh * 0.90)

The converted rates (i.e. Energy charge in Rs. / kVAh and Fixed / Demand charges in Rs. / kVA) will be rounded up to two decimal places.

Further, for converting energy slabs of different categories specified in kWh to kVAh, average power factor of 0.90 will be used as a converting factor for converting each energy slab (specified in kWh) into energy slabs (in KVAh). The converted energy slabs (in KVAh) will be rounded to next higher kVAh.

Note 1: In case of kVAh billing only kVAh reading will be used for billing purpose.

Note 2: If the average power factor of a consumer in a billing cycle 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 on kwh basis. 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 only” logic of the meter should be used which blocks leading kVArh.

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.

In case the Licensee's meter reader does not note the actual maximum load / demand, then the Licensee will raise the bill at 75% of the contracted load and in cases where the consumer approaches the Licensee with a meter reading but does not provide the proof of actual maximum load / demand displayed on his meter, then in such case the Licensee will raise the bill at 100% of the contracted load.

Further in case a consumer feels that his maximum load / demand reading has been noted wrong, the consumer may approach the licensee with a photo of the actual maximum load / demand reading displayed on his meter of the concerned month. The licensee shall accept the same for the purpose of computation of billable demand, however if the licensee wishes to, it can get the same verified within 5 days.

7. SURCHARGE / PENALTY:

(i) DELAYED PAYMENT:

If a consumer fails to pay his electricity bill by the due date specified therein, a late payment surcharge shall be levied at 1.25% on the dues (excluding late payment surcharge) per month; up-to first three months of delay and subsequently at 2.00% on the dues (excluding late payment surcharge) per month of delay. Late payment surcharge shall be calculated proportionately for the number of days for which the payment is delayed beyond the due date specified in the bill and levied on the unpaid amount of the bill excluding delayed payment surcharge. Imposition of this surcharge is without prejudice to the right of the Licensee to disconnect the supply or take any other measure permissible under the law.

(ii) CHARGES FOR EXCEEDING CONTRACTED DEMAND:

a) If the maximum load / demand in any month of a **domestic consumer** having TVM / TOD / Demand recording meter exceeds the contracted load / demand, then such excess load / demand shall be levied equal to

100% of the normal rate apart from the normal fixed / demand charge as per the maximum load / demand recorded by the meter. Further, if the consumer is found to have exceeded the contracted load / demand for continuous previous three months, the consumer shall be served a notice of one month advising him to get the contracted load enhanced as per the provisions of the Electricity Supply Code, 2005 and amendments thereof. However, the consumer shall be charged for excess load for the period the load is found to exceed the contracted load. The Licensee shall merge the excess load with the previously sanctioned load, and levy additional charges calculated as above, along with additional security. Subsequent action regarding the increase in contracted load, or otherwise shall be taken only after due examination of the consumer's reply to the notice and a written order in this respect by the Licensee.

b) If the maximum load / demand in any month, for the consumers of **other category (except (a) above)** having TVM / TOD / Demand recording meter exceeds the contracted load / demand, then such excess load / demand shall be levied equal to 200% of the normal rate apart from the normal fixed / demand charges as per the maximum load / demand recorded by the meter.

c) Any surcharge / penalty shall be over and above the minimum charge, if the consumption bill of the consumer is being prepared on the basis of minimum charge.

d) Provided where no TVM / TOD / Demand recording meter is installed, the excess load / demand charge shall be levied as per the Electricity Supply Code, 2005 as amended from time to time.

8. POWER FACTOR SURCHARGE:

i. Power factor surcharge shall not be levied where consumer is being billed on kVAh consumption basis.

ii. It shall be obligatory for all consumers to maintain an average power factor of 0.90 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 1 kVA shall be given, unless shunt capacitors having I.S.I specifications of appropriate ratings are installed, as described in section H - 'LIST OF POWER FACTOR APPARATUS' of this Rate Schedule.

iii. In respect of the consumers with or without TVM / TOD / Demand recording meters, excluding consumers under LMV-1 category up to contracted load of 10 kW and LMV-2 category up to contracted load of 5 kW, if on inspection it is found that capacitors of appropriate rating are missing or in-operational and Licensee can prove that the absence of capacitor is bringing down the power factor of the consumer below the obligatory norm of 0.90; then a surcharge of 15% on the 'RATE' shall be levied on such consumers. Licensee may also initiate action under the relevant provisions of the Electricity Act, 2003, as amended from time to time.
Notwithstanding anything contained above, the Licensee also has a right to disconnect the power supply, if the power factor falls below 0.75.

iv. Power factor surcharge shall however, not be levied during the period of disconnection on account of any reason whatsoever.

9. PROTECTIVE LOAD AND PROTECTIVE LOAD CHARGE:

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 shall be levied on the sanctioned protective load (as per Electricity Supply Code, 2005 and its amendments) per month as protective load charge. 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 additional charges for such excess load.

10. ROUNDING OFF:

All bills will be rounded off to the nearest rupee i.e. up to 49 paisa shall be rounded down to previous rupee and 50 paisa upwards shall be rounded up to next rupee. The difference due to such rounding shall be adjusted in subsequent bills.

11. OPTION OF MIGRATION TO HV-1 & HV-2 CATEGORY:

The consumer under LMV-2 and LMV-4 with contracted load above 50 kW and getting supply at 11 kV & above voltage shall have an option to migrate to the HV-1 category and LMV-6 consumers with contracted load above 50 kW and getting supply at 11 kV & above voltage shall have an option to migrate to the HV-2 category. Furthermore, the consumers shall have an option of migrating back to the original category on payment of charges prescribed in Cost Data Book for change in voltage level.

12. PRE-PAID METERS / AUTOMATIC METER READING SYSTEM:

(i) Any consumer having prepaid meters shall also be entitled to a discount of 2.00 % on the 'RATE' as defined in the Tariff Order.

(ii) The token charges for code generation for prepaid meters shall be Rs. 10/- per token or as decided by the Commission from time to time.

13. CONSUMERS NOT COVERED UNDER ANY RATE SCHEDULE OR EXPRESSLY EXCLUDED FROM ANY CATEGORY:

For consumers of light, fan & power (excluding motive power loads) not covered under any rate schedule or expressly excluded from any LMV rate schedule will be categorized under LMV-2.

14. A consumer under metered category may undertake any extension work, in the same premises, on his existing connection without taking any temporary connection as long as his demand does not exceed his contracted demand and the consumer shall be billed in accordance with the tariff applicable to that category of consumer.

15. REBATE ON PAYMENT ON OR BEFORE DUE DATE:

A rebate at the rate of 1.00 % on the 'RATE' shall be given in case the payment is made on or before the due date. However, a rebate at the rate of 5.00% on the 'RATE' shall be given to LMV-5 (Rural) (i.e. PTW Rural Category Agricultural Consumers) category of electricity consumers in case the payment is made on or before the due date. The consumers having any arrears in the bill shall not be entitled for this rebate. The consumers who have made advance deposit against their future monthly energy bills shall also be eligible for the above rebate applicable on the 'RATE'.

16. SCHEME FOR ADVANCE DEPOSIT FOR FUTURE MONTHLY ENERGY BILLS:

If a consumer intends to make advance deposit against his future monthly energy bills, the Licensee shall accept such payment and this amount shall be adjusted only towards his future monthly energy bills. On such advance deposit the consumers shall be paid interest, at the interest rate applicable on security deposit, for the period during which advance exists for each month on reducing balance method and amount so accrued shall be adjusted in the electricity bills which shall be shown separately in the bill of each month. Further, quarterly report regarding the same must be submitted to the Commission.

17. FACILITATION CHARGE FOR ONLINE PAYMENT:

(i) No transaction charge shall be collected from the consumers making their payment through internet banking.

(ii) The Licensees shall bear the transaction charges for transactions up to Rs. 4,000 for payment of bill through internet using Credit Card / Debit Card.

18. MINIMUM CHARGE:

Minimum charge is the charge in accordance with the tariff in force from time to time and come into effect only when sum of fixed / demand charges and energy charges are less than a certain prescribed amount i.e. Minimum Charges. For each month, consumer will pay an amount that is higher of the following:

- Fixed / Demand charges (if any) plus Energy Charge on the basis of actual consumption for the month and additional charges such as Electricity Duty, Regulatory Surcharges, FPPCA / Incremental Cost Surcharges and any other charges as specified by the Commission from time to time.
- Monthly minimum charge as specified by the Commission and computed at the contracted load and additional charges such as Electricity Duty, Regulatory Surcharges, FPPCA / Incremental Cost Surcharges and any other charges as specified by the Commission from time to time.

19. INTEREST ON DUES PAYABLE TO CONSUMER BY THE LICENSEE:

If a consumer becomes eligible for dues from the Licensee which may arise out of rectification / adjustment / settlement of bill(s), then such consumer will also be entitled to get interest at rate applicable for interest on security deposits on all the dues payable by the Licensee to the consumer. The Licensee shall compute the interest amount for the period during which such pending amounts exists and adjust such interest towards the future monthly bills of consumers. After adjustment of the interest amount in a particular month, the balance amount, will be carried forward to next month for adjustment with interest on balance amount. The details of such interest amount and adjustment made during the month shall be shown separately in the bill. Further, separate accounting of interest paid must be maintained by the Licensees.

20. DEFINITION OF RURAL SCHEDULE:

Rural Schedule means supply schedule as defined and notified by State Load Despatch Centre (SLDC), Lucknow from time to time.

B. RETAIL TARIFFS FOR FINANCIAL YEAR 2020-21

RATE SCHEDULE LMV – 1:

DOMESTIC LIGHT, FAN & POWER:

1. APPLICABILITY:

This schedule shall apply to:

a) Premises for residential / domestic purpose, Accommodation for Paying Guests for Domestic purpose (Excluding Guest Houses), Janata Service Connections, Kutir Jyoti Connections, Jhuggi / Hutments, Places of Worship (e.g. Temples, Mosques, Gurudwaras, Churches) and Electric Crematoria, Shelter Homes, orphanages, old age homes, Institutions run for mentally retarded and forsaken children. Non-commercial places occupied by religious persons, of any religion, are also entitled in this category, for a maximum load up to 5 kW, subject to the condition that such non-commercial place shall have a valid registration/recognition from a charitable trust.

b) Mixed Loads

i. 50 kW and above

a. Registered Societies, Residential Colonies / Townships, Residential Multi-Storied Buildings with mixed loads (getting supply at single point) with the condition that at least 70% of the total contracted load shall be exclusively for the purposes of domestic light, fan and power. The above mixed load, within 70%, shall also include the load required for lifts, water pumps and common lighting,

b. Military Engineer Service (MES) for Defence Establishments (Mixed load without any load restriction).

ii. Less than 50 kW

Except for the case as specified in Regulation 3.3 (e) of Electricity Supply Code, 2005 as amended from time to time, if any portion of the load is utilized for conduct of business for non-domestic purposes then the entire energy consumed shall be charged under the rate schedule of higher charge.

2. CHARACTER AND POINT OF SUPPLY:

As per the applicable provisions of Electricity Supply Code, 2005 and its amendments.

3. RATE:

Rate, gives the fixed and energy charges at which the consumer shall be billed during the billing period applicable to the category:

(a) Consumers getting supply as per 'Rural Schedule':

1. **Lifeline consumers:** Consumers with contracted load upto 1 kW, energy consumption up to 100 kWh / month.

Description	Fixed Charge	Energy Charge
Metered Lifeline*	Rs. 50.00 / kW/ month	Rs. 3.00 / kWh

**Only for consumers with connected load upto 1 kW and for consumption up to 100.00 kWh / month*

2. **Others:** Other than Lifeline consumers (i.e. consumers who do not qualify under the criteria laid above for lifeline consumers)

Description	Fixed Charge	Energy Charge
i) Un-Metered (all Loads)	Rs. 500 / kW / month	Nil

Description	Consumption Range	Fixed Charge	Energy Charge
ii) Metered	For first 100 kWh / month	Rs. 90.00/ kW / month	Rs. 3.35 / kWh
	For next 101 - 150 kWh / month		Rs. 3.85 / kWh

Description	Consumption Range	Fixed Charge	Energy Charge
	For next 151 – 300 kWh / month		Rs. 5.00 / kWh
	For next 301 – 500 kWh / month		Rs. 5.50 / kWh
	For above 500 kWh / month (Starting from 501st unit)		Rs. 6.00 / kWh

(b) Supply at Single Point for bulk loads (50 kW and above, Supplied at any Voltage):

Description	Fixed Charge	Energy Charge
For Townships, Registered Societies, Residential Colonies, multi-storied residential complexes (including lifts, water pumps and common lighting within the premises) with loads 50 kW and above with the restriction that at least 70% of the total contracted load is meant exclusively for the domestic light, fan and power purposes and for Military Engineer Service (MES) for Defence Establishments (Mixed load without any load restriction).	Rs. 110.00 / kW / Month	Rs. 7.00 / kWh

The body seeking the supply at Single point for bulk loads under this category shall be considered as a deemed franchisee of the Licensee. Such body shall charge not more than 5% additional charge on the above specified 'Rate' from its consumers apart from other applicable charges such as Regulatory Surcharge, Penalty, Rebate and Electricity Duty on actual basis.

The 5% additional charge shall be towards facilitating supply of electricity to the individual members to recover its expenses towards supply of electricity, distribution loss, electrical maintenance in its supply area, billing, accounting and audit etc.

The deemed franchisee is required to provide to all its consumers and the licensee, a copy of the detailed computation of the details of the amounts realized from all the individual consumers and the amount paid to the licensee for every billing cycle on half yearly basis. If he fails to do so, then the consumers may approach the Consumer Grievance Redressal Forum (CGRF) having jurisdiction over their local area for the redressal of their grievances.

The deemed franchisee shall arrange to get its account(s) audited by a Chartered Accountant mandatorily. The audited accounts will be made available to all the consumers of the deemed franchisee within 3 months of the closure of that financial year. If he fails to do so, then the consumers may approach the Consumer Grievance Redressal Forum (CGRF) having jurisdiction over their local area for the redressal of their grievances.

The deemed franchisee should separately meter the electricity supplied from back up arrangements like DG sets etc. The bill of its consumers should clearly depict the units and rate of electricity supplied through back up arrangement and electricity supplied through Licensee.

The deemed franchisee shall not disconnect the supply of electricity of its consumers on the pretext of defaults in payments related to other charges except for the electricity dues regarding the electricity consumed by its consumers and electricity charges for lift, water lifting pump, streetlight if any, corridor / campus lighting and other common facilities.

In case the deemed franchisee exceeds the contracted load / demand under the provisions of Clause 7(ii) – 'Charges for Exceeding Contracted demand' of the General Provisions of this Rate Schedule, only in such case the deemed franchisee will recover the same from the individual members who were responsible for it on the basis of their individual excess demands.

(c) OTHER METERED DOMESTIC CONSUMERS:

1. **Lifeline consumers:** Consumers with contracted load of 1 kW, energy consumption up to 100 kWh / month.

Description	Fixed Charge	Energy Charge
Loads up to 1 kW only and for consumption up to 100 kWh / month	Rs. 50.00 / kW / month	Rs. 3.00 / kWh

2. **Others:** Other than Lifeline consumers (i.e. consumers who do not qualify under the criteria laid above for lifeline consumers)

Description	Consumption Range	Fixed Charge	Energy Charge
All loads	For first 150 kWh / month	Rs. 110.00 / kW / month	Rs. 5.50 / kWh
	For next 151 - 300 kWh / month		Rs. 6.00 / kWh
	For next 301 – 500 kWh / month		Rs. 6.50 / kWh
	For above 500 kWh / month (Starting from 501^{st} unit)		Rs. 7.00 / kWh

Note:

For all consumers under this category the maximum demand during the month recorded by the meter has to be essentially indicated in their monthly bills. However, this condition would be mandatory only in case meter reading is done by the Licensee. Accordingly, if the bill is being prepared on the basis of reading being submitted by the consumer then the consumer would not be liable to furnish maximum demand during the month and his bill would not be held back for lack of data of maximum demand.

RATE SCHEDULE LMV– 2:

NON - DOMESTIC LIGHT, FAN AND POWER:

1. APPLICABILITY:

This schedule shall apply to all consumers using electric energy for Light, Fan and Power loads for Non-Domestic purposes, like all type of Shops including Patri Shopkeepers, Hotels, Restaurants, Private Guest Houses, Private Transit Hostels, Private Students Hostels, Marriage Houses, Show-Rooms, Commercial / Trading Establishments, Cinema and Theatres, Banks, Cable T.V. Operators, Telephone Booths / PCO (STD / ISD), Fax Communication Centres, Photo Copiers, Cyber Café, Private Diagnostic Centres including X-Ray Plants, MRI Centres, CAT Scan Centres, Pathologies and Private Advertising / Sign Posts / Sign Boards, Commercial Institutions / Societies, Automobile Service Centres, Coaching Institutes, Private Museums, Power Looms with less than 5 kW load and for all companies registered under the Companies Act, 1956 with loads less than 75 kW.

2. Character and Point of Supply:

As per the applicable provisions of Electricity Supply Code, 2005 and its amendments.

3. RATE:

Rate, gives the fixed and energy charges at which the consumer shall be billed during the billing period applicable to the category:

(a) Consumers getting supply as per 'Rural Schedule'

Description	Description	Fixed charge	Energy charge)
i) Un-metered	All Load	Rs. 1000 / kW / month	Nil
ii) Metered	All Load	Rs. 110 / kW / month	Rs. 5.50 / kWh

(b) Private Advertising / Sign Posts / Sign Boards / Glow Signs / Flex*:

For all commercial (road side / roof tops of buildings) advertisement hoardings such as Private Advertising / Sign Posts / Sign Boards / Glow Signs / Flex, the rate of charge shall be as below:

Description	Fixed Charge	Energy Charge
Metered	-	Rs. 18.00 / kWh

**Note: Minimum charge payable by a consumer under the category "(b) Private Advertising / Sign Posts / Sign Boards / Glow Signs / Flex category" shall be Rs. 1800 / kW / Month.*

Note:

1. For application of these rates, Licensee shall ensure that such consumption is separately metered.

(c) In all other cases, including urban consumers and consumers getting supply through rural feeders but exempted from scheduled rostering / restrictions or through co-generating radial feeders in villages / towns.

Contracted Load	Fixed Charge
Up to 2 kW	Rs. 330.00 / kW / month
Above 2 kW to 4 kW	Rs. 390.00 / kW / month
Above 4 kW	Rs. 450.00 / kW / month

Consumption Range	Energy Charge
For first 300 kWh / month	Rs. 7.50 / kWh
For next 301 – 1000 kWh / month	Rs. 8.40 / kWh
For above 1000 kWh / month (Starting from 1001st unit)	Rs. 8.75 / kWh

Note: *Minimum charge payable by a consumer under the category "(c) In all other cases "shall be Rs. 600 / kW / month (From April to September) and Rs. 475 / kW / month (From October to March).*

Note:

For all consumers under this category the maximum demand during the month recorded by the meter has to be essentially indicated in their monthly bills. However, this condition would be mandatory only in case meter reading is done by the Licensee. Accordingly, if the bill is being prepared on the basis of reading being submitted by the consumer then the consumer would not be liable to furnish maximum demand during the month and his bill would not be held back for lack of data on maximum demand.

4. REBATE TO POWER LOOMS:

Rebate to Power Loom consumers shall be provided in accordance with the applicable Government orders 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, 2005 and its amendments.

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 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. 2100 / kW or part thereof per month	Rs. 3200 / kW or part thereof per month	Rs. 4200 / kW or part thereof per month

(b) Metered Supply:

Description	Gram Panchayat		Nagar Palika and Nagar Panchayat		Nagar Nigam	
All loads	**Fixed Charges**	**Energy Charges**	**Fixed Charges**	**Energy Charges**	**Fixed Charges**	**Energy Charges**
	Rs. 200 / kW / month	Rs. 7.50 / kWh	Rs. 250 / kW / month	Rs. 8.00 / kWh	Rs. 250 / kW / month	Rs. 8.50 / 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' Point refer Section C - 'PUBLIC LAMPS' of this Rate Schedule.

RATE SCHEDULE LMV– 4:

LIGHT, FAN & POWER FOR PUBLIC INSTITUTIONS AND PRIVATE INSTITUTIONS:

1. APPLICABILITY:

Applicable for load less than 75 kW.

LMV- 4 (A) - PUBLIC INSTITUTIONS:

This schedule shall apply to:

(a) Government Hospitals / Government Research Institutions / Offices of the Government Organizations other than companies registered under Companies Act 1956.

(b) Government & Government aided (i) Educational Institutions (ii) Hostels (iii) Libraries

(c) Religious and charitable trusts & Institutions having a valid registration under Section 12 AA & 30G issued by the Income Tax department including hospitals, colleges and those providing services free of cost or at the charges / structure of charges not exceeding those in similar Government operated institutions.

(d) Railway Establishments (excluding railway traction, industrial premises & Metro) such as Booking Centres, Railway Stations & Railway Research and Development Organization, Railway rest houses, Railway holiday homes, Railway inspection houses.

(e) All India Radio and Doordarshan

(f) Guest houses of Government, Semi-Government, Public Sector Undertaking Organisations

LMV-4 (B) - PRIVATE INSTITUTIONS:

This schedule shall apply to non-Government hospitals, nursing homes / dispensaries / clinics, private research institutes, and schools / colleges / educational institutes & charitable institutions / trusts not covered under **(A)** above**.**

2. **CHARACTER AND POINT OF SUPPLY**:

As per the applicable provisions of Electricity Supply Code, 2005 and its amendments.

3. **RATE:**

Rate, gives the fixed and energy charges at which the consumer shall be billed during the billing period applicable to the category:

Description	Contracted Load	Fixed Charge
(A) For Public Institutions	All Load	Rs. 300 / kW / month
(B) For Private Institutions	Up to 3 kW	Rs. 350 / kW / month
	Above 3 kW	Rs. 400 / kW / month

Description	Consumption Range	Energy Charge
(A) For Public Institutions	For first 1000 kWh / month	Rs. 8.25/ kWh
	For next 1001 – 2000 kWh / month	Rs. 8.50/ kWh
	For above 2000 kWh / month (Starting from 2001st unit)	Rs. 8.75/ kWh
	For first 1000 kWh / month	Rs. 9.00 / kWh

(B) For Private Institutions	For above 1000 kWh / month (Starting from 1001^{st} unit)	Rs. 9.30 / 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. This schedule shall also be applicable for separate PTW connection for registered Goshalas for load up to 5 BHP having separate light and fan connection with the condition that such Gaushala – Cow shed shall not be used for commercial purpose. All new connections under this category shall necessarily have the ISI marked energy efficient mono-bloc pump sets with capacitors of adequate rating to qualify for the supply. All existing pump sets shall be required to install capacitors of adequate rating.

2. CHARACTER AND POINT OF SUPPLY:

As per the applicable provisions of Electricity Supply Code, 2005 and its amendments.

3. RATE:

Rate gives the fixed and energy charges at which the consumer shall be billed 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. 170 / BHP / month	NIL
Consumer under this category will be allowed a maximum lighting load of 120 watts	

(ii) Metered Supply

Fixed Charges	Minimum Charges	Energy Charge
Rs. 70.00 / BHP / month	Rs. 160 / BHP / month	Rs. 2.00 / kWh

Note: *Minimum amount payable by a consumer under the category "Rural Schedule (Metered Supply) shall be Rs. 160 per BHP per month, till the installation of the meter. Regulatory Surcharge, Duty, Taxes etc. will be payable extra.*

(iii) Energy Efficient Pumps

Fixed Charge	**Minimum Charges**	**Energy Charge**
Rs. 70.00 / BHP / month	Rs. 140 / BHP / month	Rs. 1.65 / kWh

Note: *Minimum amount payable by a consumer under the category "Rural Schedule (Energy Efficient Pumps) shall be Rs. 140 per BHP per month, till the installation of the meter. Regulatory Surcharge, Duty, Taxes etc. will be payable extra*

(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. 130.00 / BHP / month	Rs. 215 / BHP / month	Rs. 6.00 / kWh

Note: *Minimum amount payable by a consumer under the category "Urban Schedule (Metered Supply) shall be Rs. 215 per BHP per month, till the installation of the meter. Regulatory Surcharge, Duty, Taxes etc. will be payable extra.*

RATE SCHEDULE LMV– 6:

SMALL AND MEDIUM POWER:

1. APPLICABILITY:

This schedule shall apply to all consumers of electrical energy having a contracted load less than 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 and Farming units with contracted load less than 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, 2005 and its amendments.

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 during the billing period applicable to the category:

(A) Consumers getting supply other than Rural Schedule:

Contracted Load	Fixed Charge
All Load	Rs. 290 / kW / month

Consumption Range	Energy Charge
Up to 1000 kWh / month	Rs. 7.30 / kWh on entire consumption
Up to 2000 kWh / month	Rs. 7.40 / kWh on entire consumption
For above 2000 kWh / month	Rs. 7.90 / kWh on entire consumption

TOD Structure:

Summer Months (April to September)

Hours	% of Energy Charges
05:00 hrs – 11:00 hrs	(-) 15%
11:00 hrs – 17:00 hrs	0%
17:00 hrs – 23:00 hrs	(+) 15%
23:00 hrs – 05:00 hrs	0%

Winter Months (October to March)

Hours	% of Energy Charges
05:00 hrs – 11:00 hrs	0%
11:00 hrs – 17:00 hrs	0%
17:00 hrs – 23:00 hrs	(+) 15%
23:00 hrs – 05:00 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 'RATE (Excluding the TOD rates as applicable to the hour of operation)' as given for 'Consumers getting supply other than Rural Schedule'. Further, no 'TOD RATE' shall be applicable for this 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, kolhu 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, however for Kolhu consumers such load is of 10 HP or above.

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.

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-season 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 period, 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 off-season would attract normal 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 violation in the off-season, the consumer will be charged at the normal billable demand for the entire off-season and energy charges calculated at the unit rate 50% higher than the applicable tariff during normal period.

5. REBATE TO POWER LOOMS:

Rebate to Power Loom consumers shall be provided in accordance with the applicable Government orders 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, 2005 and its amendments.

3. RATE:

(A) Consumers getting supply other than "Rural Schedule":

Rate gives the fixed and energy charges at which the consumer shall be billed during the billing period applicable to the category:

Fixed Charge	Energy Charge
Rs. 375.00 / kW / month	Rs. 8.60 / kWh

(B) Consumers getting supply as per "Rural Schedule":

The consumer under this category shall be entitled to a rebate of 7.5% on 'RATE' as given for 'Consumer getting supply 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 with contracted load less than 100 BHP (75 kW).

(ii) Laghu Dal Nahar having load above 100 BHP (75 kW).

2. **CHARACTER AND POINT OF SUPPLY:**

As per the applicable provisions of Electricity Supply Code, 2005 and its amendments.

3. **RATE:**

Rate gives the fixed and energy charges at which the consumer shall be billed during the billing period applicable to the category:

Description	Fixed Charge	Energy Charge
Metered	Rs. 330.00 / BHP / month	Rs. 8.50 / kWh
Un-metered	Rs. 3300.00 / BHP / month	Nil

4. For finding out net load during any quarter of the year for this category refer Section D - 'STATE TUBE – WELLS' of this Rate Schedule.

RATE SCHEDULE LMV – 9:

TEMPORARY SUPPLY:

1. APPLICABILITY:

A) Un-metered Supply for Illumination / Public Address / Temporary Shops in Melas:

This schedule shall apply to temporary supply of light, fan & power up to 20 KW, Public address system and illumination loads during functions, ceremonies and festivities and temporary shops, not exceeding three months.

B) Metered Supply for all other purposes:

This schedule shall apply to all temporary supplies of light, fan and power load for the purpose other than mentioned in (A) above.

This schedule shall also apply for power taken for construction purposes including civil work by all consumers and Govt. Departments.

2. CHARACTER AND POINT OF SUPPLY:

As per the applicable provisions of Electricity Supply Code, 2005 and its amendments.

3. RATE (SEPARATELY FOR EACH POINT OF SUPPLY):

Rate gives the fixed and energy charges at which the consumer shall be billed during the billing period applicable to the category:

A. Un-metered:

(i) Fixed charges for illumination / public address / ceremonies for load up to 20 kW per connection plus Rs. 100 per kW per day for each additional kW.	Rs. 4750.00 / day
(ii) Fixed charges for temporary shops set-up during festivals / melas or otherwise and having load up to 2KW	Rs. 560.00 / day / shop

B. Metered*:

Description	Fixed Charge	Energy Charge
Individual Residential construction	Rs. 200 / kW / Month	Rs. 8.00 / kWh
	From 3rd year onwards: Base Tariff applicable for current year plus additional 10% of the applicable Energy Charge.	
Others	Rs. 300 / kW / Month	Rs. 9.00 / kWh
	From 3rd year onwards: Base Tariff applicable for current year plus additional 10% of the applicable Energy Charge.	

**Minimum bill payable by a consumer under the category "Metered" shall be Rs. 450.00 / kW / week.*

4. Charge/Rate as specified, above shall be paid by the consumer in advance.

RATE SCHEDULE LMV- 11:

ELECTRIC VEHICLE CHARGING

1. Domestic Consumers

All the metered domestic consumers covered under the LMV-1 category will be allowed to charge their Electric Vehicle at their residence, provided the load of Electric Vehicle does not exceed the connected / contracted load. The Tariff that is applicable as per the rate schedule will be applicable on Electric Vehicle Charging as well.

2. Multi Storey Buildings (covered under LMV-1b & HV-1b of the Rate Schedule)

Those who wish to install Electric Vehicle Charging station in the premises Multi Storey Building, will have to take a separate connection for EV Charging Station. The Tariff applicable for such Charging Station in the Multi Storey Building will be as follows:

Category	Demand Charge	Energy Charge
Multi Story Buildings (Covered under LMV-1b)	Nil	Rs. 6.20 / kWh
Multi Story Buildings (Covered under HV-1b)	Nil	Rs. 5.90 / kWh

The consumer will be required to pay one time charges etc. wherever applicable.

3. Public Charging Stations

The Tariff applicable for Public Charging Stations will be as follows:

Category	Demand Charge	Energy Charge
Public Charging Station (LT)	Nil	Rs. 7.70 / kWh
Public Charging Station (HT)	Nil	Rs. 7.30 / kWh

The consumer will be required to pay one-time charges etc. wherever applicable.

Time of Day (ToD) Structure for public Charging Stations:

Summer Months (April to September)

Hours	% of Energy Charges
05:00 hrs – 11:00 hrs	(-) 15%
11:00 hrs – 17:00 hrs	0%
17:00 hrs – 23:00 hrs	(+) 15%
23:00 hrs – 05:00 hrs	0%

Winter Months (October to March)

Hours	% of Energy Charges
05:00 hrs – 11:00 hrs	0%
11:00 hrs – 17:00 hrs	0%
17:00 hrs – 23:00 hrs	(+) 15%
23:00 hrs – 05:00 hrs	(-) 15%

4. **Other Consumers**

The consumers of other categories (any metered consumers of LMV-2(a), LMV2(c), LMV-4, LMV-6, LMV-7, LMV-8 (Metered), LMV-9 (Metered), HV-1 (excluding Multi Storey Buildings covered under LMV-1b & HV-1b of the Rate Schedule), HV-2, HV-3 and HV-4), will be charged as per the Tariff applicable for their respective category or to say they need not to take a separate connection, they can do the Charging within their respective connections, provided the load of EV does not exceed the connected / contracted load.

Note: It is advised that the consumer should take precaution to take adequate contracted load in order to meet the load of Charging of Electrical Vehicle. In case the contracted / connected load is breached then the consumer will be liable to pay penalty. Further, the other provisions of General Provisions of Rate Schedule and Electricity Supply Code will also come into effect in case consumers load breaches the contract demand.

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, 2005 and its amendments.

3. RATE:

Rate, gives the demand and energy charges at which the consumer shall be billed 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 above 11 kV
Contracted Load	**All Load**	
Demand Charges	Rs. 430.00 / kVA / month	Rs. 400.00 / kVA / month

	For supply at 11kV		For supply above 11 kV	
Consumption Range	**For first 2500 kVAh / month**	**For above 2500 kVAh / month (Starting from 2501st kVAh)**	**For first 2500 kVAh / month**	**For above 2500 kVAh / month (Starting from 2501st kVAh)**
Energy Charges	Rs. 8.32 / kVAh	Rs. 8.68 / kVAh	Rs. 8.12 / kVAh	Rs. 8.48 / 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 above 11 kV
Contracted Load	**All Load**	
Demand Charges	Rs. 380.00 / kVA / month	Rs. 360.00 / kVA / month

	For supply at 11kV		For supply above 11 kV	
Consumption Range	**For first 2500 kVAh / month**	**For above 2500 kVAh / month (Starting from 2501st kVAh)**	**For first 2500 kVAh / month**	**For above 2500 kVAh / month (Starting from 2501st kVAh)**
Energy Charges	Rs. 7.70 / kVAh	Rs. 7.90 / kVAh	Rs. 7.50 / kVAh	Rs. 7.70 / kVAh

The body seeking the supply at Single point for bulk loads under this category shall be considered as a deemed franchisee of the Licensee. Such body shall charge not more than 5% additional charge on the above specified 'Rate' from its consumers apart from other applicable charges such as Regulatory Surcharge, Penalty, Rebate and Electricity Duty on actual basis.

The 5% additional charge shall be towards facilitating supply of electricity to the individual members to recover its expenses towards supply of electricity, distribution loss, electrical maintenance in its supply area, billing, accounting and audit etc.

The deemed franchisee is required to provide to all its consumers and the licensee, a copy of the detailed computation of the details of the amounts realized from all the individual consumers and the amount paid to the licensee for every billing cycle on half yearly basis. If he fails to do so, then the consumers may approach the Consumer Grievance Redressal Forum (CGRF) having jurisdiction over their local area for the redressal of their grievances.

The deemed franchisee shall arrange to get its account(s) audited by a Chartered Accountant mandatorily. The audited accounts will be made available to all the consumers of the deemed franchisee within 3 months of the closure of that financial year. If he fails to do so, then the consumers may approach the Consumer Grievance Redressal Forum (CGRF) having jurisdiction over their local area for the redressal of their grievances.

The deemed franchisee should separately meter the electricity supplied from back up arrangements like DG sets etc. The bill of its consumers should clearly depict the units and rate of electricity supplied through back up arrangement and electricity supplied through Licensee.

The deemed franchisee shall not disconnect the supply of electricity of its consumers on the pretext of defaults in payments related to other charges except for the electricity dues regarding the electricity consumed by its consumers and electricity charges for lift, water lifting pump, streetlight if any, corridor / campus lighting and other common facilities.

In case the deemed franchisee exceeds the contracted load / demand under the provisions of Clause 7(ii) – 'Charges for Exceeding Contracted demand' of the General Provisions of this Rate Schedule, only in such case the deemed franchisee will recover the same from the individual members who were responsible for it on the basis of their individual excess demands.

RATE SCHEDULE HV– 2:

LARGE AND HEAVY POWER:

1. APPLICABILITY:

This rate schedule shall apply to all consumers with contracted load of 75 kW (100 BHP) and above for industrial and / or processing purposes as well as to Arc / induction furnaces, rolling / re-rolling mills, mini-steel plants and Floriculture, Mushroom and 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, 2005 and its amendments.

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 during the billing period applicable to the category:

(A) Urban Schedule:

	For supply up to 11 kV	For supply above 11 kV and up to 66 kV	For supply above 66 kV and up to 132 kV	For supply above 132 kV
BASE RATE				
Demand Charges	Rs. 300.00 / kVA / month	Rs. 290.00 / kVA / month	Rs. 270.00 / kVA / month	Rs. 270.00 / kVA / month
Energy Charges	Rs. 7.10 / kVAh	Rs. 6.80 / kVAh	Rs. 6.40 / kVAh	Rs. 6.10 / kVAh

TOD Structure:

Summer Months (April to September)

Hours	% of Energy Charges
05:00 hrs – 11:00 hrs	(-) 15%
11:00 hrs – 17:00 hrs	0%
17:00 hrs – 23:00 hrs	(+) 15%
23:00 hrs – 05:00 hrs	0%

Winter Months (October to March)

Hours	% of Energy Charges
05:00 hrs – 11:00 hrs	0%
11:00 hrs – 17:00 hrs	0%

Hours	% of Energy Charges
05:00 hrs – 11:00 hrs	0%
17:00 hrs – 23:00 hrs	(+) 15%
23:00 hrs – 05:00 hrs	(-) 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 'BASE RATE' as given for 11 kV consumers under urban schedule. Further, no 'TOD RATE' shall be applicable for this category.

(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 off-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 violation in the off-season, the consumer will forfeit the benefit of seasonal rates for the entire season and energy charges shall be calculated at the unit rate 50% higher than the applicable tariff during normal period.

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, below and above 132 kV	 Rs. 400.00 / kVA / month
(b) Energy Charge (all consumption in a month) For supply at and above 132 kV Below 132 kV	 Rs. 8.50 / kVAh Rs. 8.80 / kVAh

Note: *Minimum charge payable by a consumer under this category shall be Rs. 950.00 / 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 maximum demand for any month shall be defined as the highest average load measured in Kilo Volt amperes during any fifteen consecutive minutes period of the month.

B: METRO RAIL CORPORATION:

1. APPLICABILITY:

This schedule shall apply to the Metro Rail Corporation.

2. CHARACTER OF SERVICE AND POINT OF SUPPLY:

Alternating Current, single phase, two phase or three phase, 50 cycles, 132 kV or below depending on the availability of voltage of supply and the sole discretion of the Licensee. The supply at each sub-station shall be separately metered and charged.

3. RATE:

Rate, gives the energy charges at which the consumer shall be billed for consumption during the billing period applicable to the category:

Demand Charges	Rs. 300.00 / kVA / month
Energy Charges	Rs. 7.30 / kVAh

Note: *Minimum charge payable by a consumer under this category shall be Rs. 900 / kVA / month.*

- Penalty @ Rs. 540 / kVA / month will be charged on excess demand, if maximum demand exceeds contracted load.

4. DETERMINATION OF THE DEMAND:

Demand measurement shall be made by suitable kilovolt ampere indicator at the point of delivery. The demand for any month shall be defined as the highest average load measured in Kilo Volt Amperes during any fifteen consecutive minutes period of the month.

RATE SCHEDULE HV – 4:

LIFT IRRIGATION WORKS:

1. **APPLICABILITY:**
   This Rate Schedule shall apply to medium and large pumped canals with contracted load of 100 BHP (75kW) and above.

2. **CHARACTER OF SERVICE & POINT OF SUPPLY:**
   As per applicable provisions of Electricity Supply Code, 2005 and its amendments.

3. **RATE:**

   Rate, gives the demand and energy charges at which the consumer shall be billed during the billing period applicable to the category:

   (a) Demand Charges:

Voltage Level	Rate of Charge
For supply at 11 kV	Rs. 350.00 / kVA / month
For supply above 11 kV upto 66 kV	Rs. 340.00 / kVA / month
For supply above 66 kV upto 132 kV	Rs. 330.00 / kVA / month

   (b) Energy Charges:

Voltage Level	Rate of Charge
For supply at 11 kV	Rs. 8.50 / kVAh
For supply above 11 kV upto 66 kV	Rs. 8.40 / kVAh
For supply above 66 kV upto 132 kV	Rs. 8.25 / kVAh

c) Minimum Charges:
Minimum charge payable by a consumer under this category shall be Rs. 1125.00 / 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.

C. 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.

D. 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.

E. SCHEDULE OF MISCELLANEOUS CHARGES

S. No.	NATURE OF CHARGES	UNIT	RATES (₹)
1.	Checking and Testing of Meters:		
	a. Single Phase Meters	Per Meter	50.00
	b. Three Phase Meters	Per Meter	50.00
	c. Recording Type Watt-hour Meters / Prepaid Meters / Smart Meters	Per Meter	175.00
	d. Maximum Demand Indicator	Per Meter	350.00
	e. Tri-vector Meters	Per Meter	1000.00
	f. Ammeters and Volt Meters	Per Meter	50.00
	g. Special Meters / Net Meters	Per Meter	400.00
	h. Initial Testing of Meters	Per Meter	NIL
2.	Disconnection and Reconnection of supply for any reason whatsoever (Disconnection & Reconnection to be separately treated as single job)		
	a. Consumer having load above 100 BHP/75kW	Per Job	1000.00
	b. Power consumers up to 100BHP/75kW	Per Job	500.00
	c. All other categories of consumers.	Per Job	300.00
	d. Smart Meters consumers having load upto 5 kW	Per Job	50.00
	e. Smart Meters consumers having load above 5 kW	Per Job	100.00
	f. Pre-Paid Meters	Per Job	NIL

S. No.	NATURE OF CHARGES	UNIT	RATES (₹)
3.	Replacement of Meters:		
	a. By higher capacity Meter	Per Job	50.00
	b. Installation of Meter and its subsequent removal in case of Temporary Connections	Per Job	75.00
	c. Changing of position of Meter Board at the consumer's request	Per Job	100.00
4.	Service of Wireman:		
	a. Replacement of Fuse	Per Job	20.00
	b. Inserting and Removal of Fuse in respect of night loads.	Per Job	25.00
	c. Hiring of services by the consumer during temporary supply or otherwise.	Per wireman /day of 6 Hrs.	60.00
5.	Resealing of Meters on account of any reason in addition to other charges payable in terms of other provision of charging of penalties, etc.)	Per Meter	100.00
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

F. LIST OF POWER FACTOR APPARATUS

FOR MOTORS:

S. 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:

S. 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

S. No.	Name Plate Rating in KVA of Individual Welding Transformer	Capacity of the Capacitors (KVAR)
18.	18	14
19.	19	15
20	20	15
21.	21	16
22.	22	17
23.	23	18
24.	24	19
25.	25	19
26.	26	20
27.	27	21
28.	28	22
29.	29	22
30.	30	23
31.	31	24
32.	32	25
33.	33	25
34.	34	26
35.	35	27

11.2 LIST OF PERSONS WHO HAVE ATTENDED PUBLIC HEARING

List of people who attended the virtual Public Hearing on July 08, 2020		
S. No	**Name**	**Organisation**
1	Shri R.C. Agarwala	CEO & MD, NPCL
2	Shri Sarnath Ganguly	NPCL
3	Shri Manoj Jain	NPCL
4	Shri Subodh Kumar Tyagi	NPCL
5	Shri Sanjiv Kumar Goel	NPCL
6	Megna Doshi	NPCL
7	Shri Alok Sharma	NPCL
8	Shri Harinder Singh	NPCL
9	Shri Sanket Srivastava	NPCL
10	Shri Tannhauser D Pierce	NPCL
11	Shri Niraj Agrawal	CE(RAU), UPPCL
12	Shri Avadesh Kumar Verma	Chairman, U.P Rajya Vidyut Upbhokta Parishad, Consumer Forum
13	Shri Rama Shankar Awasthi	Consumer
14	Shri Kshitij Dhingra	IEX
15	Shri Saurabh Srivastava	IEX
16	Shri Yash Dubey	Open Access User Association
17	Shri. Chanmeet Singh Syal	Consultant, UPERC
18	Shri. Akhil Katiyar	Consultant, UPERC

11.3 SUB-CATEGORY WISE AVERAGE BILLING RATE FOR FY 2020-21

Table 11-1: SUB-CATEGORY WISE AVERAGE BILLING RATE of NPCL FOR FY 2020-21

Type of Charge	FY 2020-21		
	Sales (MU)	Revenue (Rs. Crore)	ABR (Rs. /kWh)
LMV-1: Domestic Light, Fan & Power			
Life Line Consumers (both Rural and Urban) (Sub-Total)	2.24	0.87	3.87
Dom: Rural Schedule (unmetered) (Sub-Total)	-	-	-
Dom: Rural Schedule (metered) other than BPL (Sub-Total)	73.32	35.11	4.79
Dom: Supply at Single Point for Bulk Load (Sub-Total)	317.27	236.90	7.47
Other Metered Domestic Consumers other than BPL (Sub-Total)	243.68	170.28	6.99
SUB TOTAL (LMV - 1)	**636.51**	**443.16**	**6.96**
LMV-2: Non Domestic Light, Fan & Power			
Non-Dom: Rural Schedule (unmetered) (Sub-Total)	-	-	-
Non-Dom: Rural Schedule (metered) (Sub-Total)	-	-	-
Non-Dom: Private Advertising /Sign Post/Sign Board/GlowSign (Sub-Total)	-	-	-
Non-Dom: Other Metered Non-Domestic Supply (Sub-Total)	33.57	38.13	11.36
SUB TOTAL (LMV - 2)	**33.57**	**38.13**	**11.36**
LMV-3: Public Lamps			
Unmetered (Sub-Total)	-	-	-
Unmetered - Gram Panchayat	-	-	-
Unmetered - Nagar Palika & Nagar Panchayat	-	-	-
Unmetered - Nagar Nigam	-	-	-
Metered (Sub-Total)	33.13	33.36	10.07
Metered - Gram Panchayat	-	-	-
Metered - Nagar Palika & Nagar Panchayat	-	-	-
Metered - Nagar Nigam	33.13	33.36	10.07
SUB TOTAL (LMV - 3)	**33.13**	**33.36**	**10.07**
LMV-4: Light, fan & Power for Institutions			
Inst: Public (Sub-Total)	6.4	5.7	8.90
Inst: Private (Sub-Total)	7.5	8.6	11.46
SUB TOTAL (LMV - 4)	**14**	**14**	**10.28**
LMV-5: Private Tube Wells/ Pumping Sets			
Unmetered (Sub-Total)	0.05	0.34	67.31
PTW: Rural Schedule (unmetered)	0.05	0.34	67.31
Metered (Sub-Total)	22.89	5.06	2.21
PTW: Rural Schedule (metered)	22.62	4.86	2.15

Type of Charge	FY 2020-21		
	Sales (MU)	Revenue (Rs. Crore)	ABR (Rs. /kWh)
PTW: Urban Schedule (metered)	0.27	0.20	7.50
SUB TOTAL (LMV - 5)	**22.94**	**5.40**	**2.35**
LMV 6: Small and Medium Power upto 100 HP (75 kW)			
Consumers getting supply as per "Rural Schedule" (Sub-Total)	0.20	0.16	8.25
Consumers getting supply other than "Rural Schedule" (Sub-Total)	78.47	80.45	10.25
SUB TOTAL (LMV - 6)	**78.67**	**80.62**	**10.25**
LMV-7: Public Water Works			
Rural Schedule (Sub-Total)	-	-	-
Rural Schedule: Jal Nigam	-	-	-
Rural Schedule: Jal Sansthan	-	-	-
Rural Schedule: Other PWWs	-	-	-
Urban Schedule (Sub-Total)	22.23	21.89	9.85
Urban Schedule: Jal Nigam	-	-	-
Urban Schedule: Jal Sansthan	-	-	-
Urban Schedule: Other PWWs	-	-	-
SUB TOTAL (LMV - 7)	**22.23**	**21.89**	**9.85**
LMV-8: State Tube Wells & Pump Canals upto 100 HP			
Metered (Sub-Total)	0.18	0.21	11.19
Metered STW	0.18	0.21	11.19
Unmetered (Sub-Total)	-	-	-
Unmetered:STW/Panch.Raj/WB/ID/P. Canals/LI upto 100 BHP	-	-	-
Unmetered: Laghu Dal Nahar above 100 BHP	-	-	-
SUB TOTAL (LMV - 8)	**0.18**	**0.21**	**11.19**
LMV-9: Temporary Supply			
Metered (Sub-total)	37.65	42.02	11.16
Metered TS: Individual residential consumers	-	-	-
Metered TS: Others	37.65	42.02	11.16
Unmetered (Sub-Total)	-	-	-
Unmetered TS: Ceremonies	-	-	-
Unmetered TS: Temp shops	-	-	-
SUB TOTAL (LMV - 9)	**37.65**	**42.02**	**11.16**
LMV-11: Electrical Vehicles			
Multi Story Buildings (Sub-Total)	0.52	0.31	6.02
LMV-1b	0.21	0.13	6.20
HV-1b	0.31	0.18	5.90
Public Charging Station (Sub-Total)	5.63	4.16	7.40
LT	1.34	1.03	7.70
HT	4.29	3.13	7.30

Type of Charge	FY 2020-21		
	Sales (MU)	Revenue (Rs. Crore)	ABR (Rs. /kWh)
SUB TOTAL (LMV - 11)	**6.15**	**4.48**	**7.28**
HV-1: Non-Industrial Bulk Loads			
SUB TOTAL (HV - 1)	**218.52**	**228.37**	**10.45**
HV-2: Large and Heavy Power above 100 BHP (75 kW)			
SUB TOTAL (HV - 2)	**899.49**	**727.13**	**8.08**
Grand Total	**2,002.95**	**1,639.07**	**8.18**

Note: For Computation of Incremental Cost, the ABRs as given in the above table will be used.

11.4 ADMITTANCE ORDER

UttarPradesh Electricity Regulatory Commission

Vidyut Niyamak Bhawan, Vibhuti Khand, Gomti Nagar, Lucknow-226010 Phone 2720426 Fax 2720423 E-mail secretary@uperc.org

Sanjay Kumar Singh
Secretary

Ref: UPERC/Secy/D(T)/2020- 080
Dated: 05 June, 2020

To,

Managing Director & CEO,
Noida Power Company Ltd.,
Electric Sub-Station,
Knowledge Park-IV Greater Noida,
Gautam Buddha Nagar,-201310.

Sub: **Application for determination of Annual Revenue Requirement (ARR) for FY 2020-21 Annual Performance Review (APR) for FY 2019-20 and True-up for the FY 2018-19 (Petition No. 1541of 2019) of Noida Power Company Ltd. Noida (NPCL).**

Sir,

Kindly find enclosed herewith a copy of the Commission's Order dated 5th June, 2020 regarding above cited matter.

Yours sincerely

Sanjay 5/6/20
(Sanjay Kumar Singh)
Secretary

Encl: As above.

BEFORE

THE UTTAR PRADESH ELECTRICITY REGULATORY COMMISSION, LUCKNOW

Petition No. 1541 /2019

IN THE MATTER OF:

Application for determination of Annual Revenue Requirement (ARR) for the FY 2020-21, Annual Performance Review (APR) for FY 2019-20 and True-up for the FY 2018-19 – (Petition No. - 1541 of 2019) of Noida Power Company Limited, Noida (NPCL)

ORDER

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

The Uttar Pradesh Electricity Regulatory Commission (Multi Year Distribution Tariff) Regulations, 2014 were notified on May 12, 2014. These Regulations were applicable for determination of Tariff in all cases covered under these Regulations from April 1, 2015 to March 31, 2020, unless otherwise extended by the Commission. Embarking upon the MYT framework, the Commission has divided the period of five years (i.e. April 1, 2015 to March 31, 2020) into two periods namely –

a. Transition period (April 1, 2015 to March 31, 2017)
b. Control period (April 1, 2017 to March 31, 2020)

As per the provisions stipulated in Regulation 12 of Uttar Pradesh Electricity Regulatory Commission (Multi Year Distribution Tariff) Regulations, 2014 (hereinafter referred to as "MYT Regulations, 2014"), the Petitions for determination of Aggregate Revenue Requirement (ARR) and Tariff, Annual Performance Review (APR) and True Up, complete in all respect has to be filed by the Distribution Licensee each year of the control period (FY 2017-18 to FY 2019-20).

Subsequently, the Uttar Pradesh Electricity Regulatory Commission (Multi Year Tariff for Distribution and Transmission) Regulations, 2019 were notified on September 23, 2019 (hereinafter referred to as "MYT Regulations, 2019") which shall be applicable for determination of Tariff from April 1, 2020 onwards up to FY 2024-25 (i.e., till March 31, 2025) unless extended by the Commission. Further, as per the provisions stipulated in Regulation 4, the Petition for determination of Aggregate Revenue Requirement (ARR) and Tariff, Annual Performance Review (APR) and Truing Up complete in all respect has to be filed by the Distribution Licensee before the Commission on or before November 30 of each year.

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The Distribution Licensee namely Noida Power Company Limited (hereinafter referred to as "NPCL"), filed the Petition for determination of Annual Revenue Requirement and Tariff for FY 2020-21, Annual Performance Review of FY 2019-20 and True-up for the FY 2018-19 on December 27, 2019. It subsequently made a presentation before the Commission on February 24, 2020 regarding the Petitions. The presentation was attended by the senior officials of NPCL. During the presentation, the Commission pointed out few deficiencies and directed NPCL to submit its response on the same.

A preliminary analysis of the Petition was conducted, wherein various deficiencies were observed which were communicated vide letter dated May 13, 2020. NPCL submitted their response to the deficiencies in respect to True-Up of FY 2018-19, Annual Performance Review of FY 2019-20 and Annual Revenue Requirement for FY 2020-21 on May 27, 2020. The Technical Validation Session covering all the Petitions was conducted on May 28 & 29, 2020 via Video Conference, which was attended by the senior officials of NPCL and during the Technical Validation Session, NPCL explained various issues raised in the deficiencies. However, it sought some further time to submit its response on few issues linked to Power Banking, Bills for Power Purchase, etc.

Further, since the determination of ARR / Tariffs has already been significantly delayed due to the various factors including outbreak of COVID-19 pandemic, the Commission admits the Petitions for further processing. The Commission directs the Licensee to submit the pending responses immediately and also directs them to furnish further information / clarifications, if any, as deemed necessary by the Commission during the processing of the Petitions and provide the same to the satisfaction of the Commission within the time frame as stipulated by the Commission, failing which the Commission may proceed to dispose of the matter as it deems fit based on the information available with it.

The Petitioner in accordance with the Regulation 5.8 of MYT Regulations, 2019, shall publish a Public Notice within three working days of issue of the Admittance Order in at least two English and two Hindi daily newspapers having wide circulation in its licence area, outlining the ARR, proposed Tariff, True-Up and such other matters, if any, as directed by the Commission, and invite suggestions and objections within 15 days from the date of publication of the Public Notice(s) from the stakeholders and public at large. The Petitioner shall also upload on its website the Petition filed before the Commission along with all regulatory filings, information, particulars and related documents. The Public Notice should also contain the details of the actual Distribution Loss for FY 2018-19, FY 2019-20 & proposed Distribution Loss and Distribution Tariff for FY 2020-21 as per their submissions and indicate that the stakeholders should regularly check the websites of NPCL for further submissions made in respect to these proceedings.

It is pertinent to mention that the Commission, in wake of prevailing COVID-19 pandemic outbreak which has led to restricted movement across the country and due to the subsequent requirement of social distancing for prevention of spread of the disease, intends to hold the Public Hearing in the mid of June through video conferencing. The details of

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same will be provided subsequently on the Commission's website. The Licensee shall take all necessary steps to ensure the necessary arrangements for smooth functioning of the same in accordance with the guidelines/instructions issued in this regard by the Commission from time to time.

The Commission reserves the right to seek any further information / clarifications as deemed necessary during the processing of this Petition.

(Vinod Kumar Srivastava)	**(Kaushal Kishore Sharma)**	**(Raj Pratap Singh)**
Member (Law)	**Member**	**Chairman**

Place: Lucknow
Date: 05 June, 2020