



U.P. Electricity Regulatory Commission
Vidyut Niyamak Bhawan, Vibhuti Khand, Gomti Nagar,
Lucknow - 226010

Ph : 0522-2720426, Fax : 0522-2720423, E-mail: secretary@uperc.org, www.uperc.org

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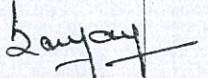
Dated: June 14, 2019


Public Notice

In the matter of:

Inviting Comments on IMPACT OF UDAY ON REGULATORY ASSETS OF STATE DISCOMS

The Commission has recomputed the Regulatory Assets of State Discoms taking impact of UDAY on the same till FY 2016-17. The draft Discussion Paper is put up on the website of the Commission: www.uperc.org for valuable comments of all stakeholders and public at large. The Hon'ble Commission would be taking up & finalizing this issue in the ongoing proceedings of determination of ARR & Tariff for the FY 2019-20. The Comments must reach the Commission within 15 days from the date of publication of this notice. The public at large & stakeholders can also give their comment/suggestion/objection in the Public Hearing to be held in the matter of **True-Up of ARR & Revenue for the FY 2017-18, Annual Performance Review Petition for the FY 2018-19 and Determination of ARR for FY 2019-20 of State Discoms**. They are requested to check the website www.uperc.org & newspapers for the same.


Secretary

for web! 



Note: The Commission has given RS-1 and RS-2 for recovery of past gap. Revenue received by the Discoms through RS-1 and RS-2 has been included in the revenue from sale of energy in the Discom's audited accounts. This revenue has been considered by the commission while truing up for respective years. In case revenue from RS-1 / RS-2 is recovered towards adjusted from past gap it will increase the revenue for the year by the same adjusted amount.

Unquote

Further, the Commission in its Tariff Order of FY 2018-19 dated January 22, 2019 issued the following directions / observations:

Quote

In the submission of UPPCL it has been shown that the total gap of Rs. 74,111 including the Carrying Cost, is due and to be recovered during the FY 2018-19. However, as per Commission's computation of regulatory assets (including carrying cost) up to FY 2018-19 (not considering FY 2017-18) comes out to be Rs. 40,541.06 Crore (DVVNL is Rs. 13,513.27 Crore, MVVNL is Rs. 12,762.93 Crore, PVVNL is Rs. (-) 1086.14 Crore, PuVVNL is Rs. 15,050.91 Crore and KESCO is Rs 300.09 Crore). These are tentative figures and need to be vetted upon.

Unquote

The above para is based on the following computation:

Computation for Regulatory Asset from FY 2000-01 to FY 2018-19 (Rs. Crore)

Discoms	FY 2000-01 to 2007-08	FY 2008-09 to 2011-12	FY 2012-13	FY 2013-14	FY 2014-15	FY 2015-16	FY 2016-17	FY 2018-19	Total
DVVNL	1,411.17	6,677.19	3,408.74	3,894.30	(2,095.26)	496.98	0.00	(279.86)	13,513.27
MVVNL	362.34	6,402.63	3,549.85	2,588.97	88.24	(231.58)	(282.90)	285.38	12,762.93
PVVNL	653.18	2,586.76	2,186.19	824.21	(983.60)	(2,023.70)	(2,446.51)	(1,882.67)	(1,086.14)
PuVVNL	2,641.82	7,273.93	3,488.48	2,321.69	712.20	(557.81)	(1,010.19)	180.79	15,050.91
KESCO.	(399.91)	999.61	679.60	(186.55)	209.91	(219.95)	(374.15)	(408.47)	300.09
Total	4,668.61	23,940.11	13,312.86	9,442.62	(2,068.51)	(2,536.05)	(4,113.75)	(2,104.83)	40,541.06
Cumulative Regulatory Assets with Carrying Cost	4,668.61	28,608.72	41,921.58	51,364.20	49,295.69	46,759.64	42,645.89	40,541.06	

Note: (i) Upto FY 2011-12, carrying cost is calculated from the year in which true up was done.
(ii) FY 2012-13 onwards, carrying cost is calculated from the year concerned.
(iii) The working capital interest rate, allowed in ARR for the year in which true up was done, is applied.
(iv) Upto FY 2007-08, gap is treated as opening & thereafter as addition during the year.



- (v) The carrying cost on the regulatory assets of FY 2015-16 & FY 2016-17 from the respective years is not allowed as its delayed filing & that too suo-moto. It will be from the day we issue the TO or from FY 2018-19. It is in line with the Hon'ble APTEL's finding.

Further, analysing the regulatory asset matter and the regulatory surcharge payable along with the amortization schedule is being discussed in detail in following paras:

Ujwal Discom Assurance Yojana (UDAY) a Snap shot: The Govt. of India Introduced UDAY scheme for operational and Financial Turnaround of State-owned Power Distribution Companies. In U.P. the Discoms have been reeling under severe financial stress and having the revenue deficit during FY 2013-14 (Rs. 13,802 Cr.) with an expected revenue deficit of Rs. 10,636 Cr. in FY 2014-15. The accumulated losses reached to a level of Rs. 70,738 Cr. The outstanding debt level of the U.P. Discoms has reached Rs. 5,3211 Cr. at the end of September 2015. The Gol, GoUP and the U.P. Discoms have entered into a tripartite MOU in Order to improve the Operational and Financial efficiency of the U.P. Discoms to enable financial turnaround of the Discoms. In the UDAY scheme the GoUP shall take over 75% of the debt of the U.P. Discoms as on 30th Sep. 2015. The 50% of the outstanding debt shall be taken over in FY 2015-16 and balance 25% shall be taken over in FY 2016-17. The debt taken by the Government of Uttar Pradesh shall be transferred to the Discoms as mix of Grant, loan and equity as described in the following table:

Table 1: Grant, Loan & Equity mix provide to UP in FY 2015-16 & FY 2016-17 under UDAY

Year	Total Debt Taken Over (RS. 53,211 Cr)	Transfer to the Discom in the form of Grants	Transfer to the Discom in the form of loan	Transfer to the Discom in the form of Equity	Outstanding State Loan of the Discoms	F = A = B + C + D
	(A)	(B)	(C)	(D)	(E)	(F)
Year 1	50% of the total debt (Rs. 26,606 Cr)	13,303	6,651	6,651	6,651	26,605
Year 2	25% of the total debt (Rs. 13,303 Cr)	6,651	3,326	3,326	9,977	13,303
Year 3	-	9,977	-	-	-	-
Year 4	-	-	-	-	-	-
Year 5	-	-	-	-	-	-

Impact of Ujwal Discom Assurance Yojana (UDAY) on Regulatory Asset: A large no. of States participated in UDAY scheme which was intended to envisages the Financial Turnaround and Operational Improvement in which a few SERCs adjusted the regulatory asset in context to the benefits obtained by Distribution Licensees in UDAY. Further, in this matter the illustration of Rajasthan Electricity Regulatory Commission, Tamil Nadu Electricity Regulatory Commission, Bihar Electricity Regulatory Commission and Telangana Regulatory Commission are as follows:

Adjustment of Regulatory Assets done by some other SERCs:

A. RAJASTHAN ELECTRICITY REGULATORY COMMISSION, JAIPUR

Petition No. RERC 1291/2017, 1292/2017, 1293/2017

In the matter of approval of True up of Jaipur Vidyut Vitran Nigam Ltd (JVVNL), Ajmer Vidyut Vitran Nigam Ltd (AVVNL) and Jodhpur Vidyut Vitran Nigam Ltd. (JdVVNL) for FY 2016-17.

Approach Adopted: The State Commission adjusted the loan taken over under UDAY scheme and adjusted it against the actual accumulated losses of the DISCOM.

Total taken over by GoR under UDAY scheme: Rs. 62,422 Cr.

In FY 2016-17 in the form of Grant: Rs. 9,000 Cr.

In FY 2016-17 the form of Loan: Rs. 8,700 Cr.

Date of Tariff Order- May 28, 2018

Quote

Interest on unfunded gap

3.30. With regard to Unfunded Gap, it is observed that the Discoms have signed the MoU under "UDAY" scheme, wherein the Government's have taken over the accumulated debt of Rs 62,422 crore (to be converted into grant and equity) subject to achievement of certain conditions as given below:

Particulars	JVVNL	AVVNL	JdVVNL	Total
Loans taken over by GoR under UDAY Scheme	21,684	20,702	20,036	62,422
Less: - Conversion into Grant (upto 16-17)	3,136	2,972	2,892	9,000
Less: - Conversion into Equity (upto 16-17)	3,031	2,873	2,796	8,700
Loan Under UDAY Scheme (as on 31.03.2017)	15,517	14,856	14,348	44,722

It is observed from the above table that out of total loan taken over of Rs. 62,422 crore, Government has converted only Rs. 17,700 crore into grant and equity as on 31.03.2017. The Discoms have shown the interest free unconverted Uday loan of Rs. 44,722 crore as on 31.03.2017.

3.31. Based on the approach adopted by the Commission in the last Tariff Order dated 02.11.2017, the Commission has considered the unfunded gap for FY 2016-17 as under:

S. No.	Description	JVVNL	AVVNL	JdVVNL	Total
A	Accumulated Losses as on 31.03.2016 as per balance sheet	32,294	30,348	30,010	92,652
B	Losses owned by GoR	2,867	2,701	2,947	8,515
C	Subsidy received against losses owned by GoR	978	834	906	2,718
D	Actual Accumulated Losses as on 31.03.2016 (A + B - C)	34,183	32,215	32,051	98,449
E	Loans taken over under UDAY	21684	20702	20036	62422
F	Difference (D - E)	12,499	11,513	12,015	36,027
G	Unfunded gap approved by the Commission	17,679	17,048	17,140	51,867



S. No.	Description	JVVNL	AVVNL	JdVVNL	Total
	Unfunded gap considered for computation of interest liability (Min of F, G)	12,499	11,513	12,015	36,027

i). The Discoms have submitted the total accumulated losses of Rs. 98,449 crore as on 31.03.2016.

ii). As the above losses have been met through loan,

iii). The government have taken over outstanding loan of Rs. 62,422 crore.

3.32. After, taking over of loan of Rs. 62,422 crore, the Discoms have been left with accumulated gap of Rs. 36,027 crore. This gap is lesser than the Commission approved unfunded gap of Rs. 51,867 crore as on 31.03.2016, thus for computing the carrying cost, Commission has considered the lower of the two gaps i.e. Rs. 36,027 Core.

3.33. It is further observed that the Discoms claim of interest is on lower side as compared to past years, on going into detail scrutiny it is observed that the Discoms have shown the loan under UDAY (loan outstanding for conversion into grant and equity) on which no interest is paid during FY 2016-17. Further, it is also observed that the Discoms have shown certain liability towards terminal benefits and power purchase.

3.34. In view of above, the Commission has considered the lower of interest claimed or worked out by the Commission (without finance charges). However, in future, if the Discoms come up with impact of such interest on such unconverted portion of loan, the Commission may consider the same separately in line with above reduction.

Unquote

B. TAMIL NADU ELECTRICITY REGULATORY COMMISSION

In the matter of: Determination of Tariff for Generation and Distribution

Order in T.P. No.1 of 2017 dated 11/08/2017

Approach Adopted: The State Commission has adjusted the Rs. 22,815 Crore against Revenue Gap at the end of FY 2016-17.

Total Outstanding Debt: Rs. 30,420 Cr.

In FY 2016-17 in the form of Grant: Rs. 4,563 Cr.

In the form of Loan: Rs. 18,252 Cr.

Date of Tariff Order: August 11, 2017

Quote

5.6 Regulatory Assets

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Revision in Regulatory Assets

5.6.8 TANGEDCO submitted that in order to reduce the subsidy burden on the State exchequer post entering into UDAY scheme, it has proposed adjustment in Tariff for domestic consumers and no change in tariff for the remaining categories of consumers.

5.6.9 TANGEDCO submitted that the Revenue Gap of Rs. 66,873 Crore as shown below may be allowed to be deferred for recovery in the ensuing Years from the consumer based on subsequent Tariff Petitions.

5.6.10 TANGEDCO submitted that the percentage of sharing of the Regulatory Assets by GoTN is awaited.

5.6.11 Based on the total Revenue Gap, which is cumulative of Revenue Gap for FY 2011-12 to FY 2015-16 (final True-up), FY 2016-17 (Revenue Gap for current year) and FY 2017-18 (Revenue Gap of ensuing year), TANGEDCO submitted the revised calculation of Regulatory Assets as shown in the Table below:

Table 5-10: Regulatory Asset as submitted by TANGEDCO (Rs. Crore)

Particulars	Regulatory Assets
FY 2011-12	13,591
FY 2012-13	12,789
FY 2013-14	13,809
FY 2014-15	14,314
FY 2015-16	7,491
FY 2016-17	4,772
FY 2017-18	107
Total Gap Arrived in Petition	66,873
Total Regulatory Asset Approved by the Commission	24,652
Add: Tariff Reduction Proposed	2,503
Additional Regulatory Asset Proposed	39,717
Total Regulatory Asset Proposed	66,873

Commission's Views

5.6.12 Firstly, TANGEDCO's representation of the Regulatory Asset proposed, as reproduced in the Table above is incorrect, as TANGEDCO has neither sought tariff increase nor creation of Regulatory Asset against the additional Revenue Gap of Rs. 2503 crore for FY 2017-18, arising on account of the proposed reduction in domestic tariffs. The Regulatory Asset actually sought by TANGEDCO is Rs. 69376 Crore (i.e., 66873 + 2503).

5.6.13 In the Suo-Motu Order dated December 11, 2014, the Commission had determined a gap of Rs. 4050 Crore, which was to be amortized over a period of time and GoTN had agreed for amortization of Regulatory Assets through Letter (Ms.) No. 59/C2/2012 dated June 7, 2013 (in accordance with the financial restructuring of the State DISCOMs announced by Gol on October 5, 2012). Accordingly, GoTN was to take over 50% of TANGEDCO's short-term liabilities to the tune of Rs. 6,382.68 Crore in a phased manner. The relevant abstract from the Suo-Moto Order is reproduced below:

"5.11 In response to TANGEDCO's letter on amortization of regulatory asset, GoTN has agreed for amortization of regulatory asset through Letter (Ms.) No. 59/C2/2012 dated 7th June 2013. The relevant extracts of the letter received from GoTN are reproduced below:



a) GoTN has agreed to the financial restructuring of the state Discoms announced by GoI on 5th October 2012. Accordingly, GoTN will take over 50% of TANGEDCOs short term liabilities to the tune of Rs. 6,382.68 Crs in a phased manner.

b) In GoTN annual budget for FY 2013-14, Rs. 3,000 Cr has been provided for the takeover during the current financial year. The remaining liabilities would continue to be in books of TANGEDCO till the time of eventual takeover. However, the interest on these liabilities will be paid by the GoTN.

c) Keeping in view, the financial restructuring plan and available audited accounts GoTN has proposed following approach for amortization of Regulatory Asset.

i. As the audited accounts are available only for the year FY 2010- 11, the amortization may be carried out for the regulatory assets of the year for which audited accounts are available. For subsequent years, the regulatory assets would be reassessed for amortization as soon as audited accounts are available.

ii. The carrying cost of the Regulatory Assets can be linked to the actual cost of cash loss financing after the financial restructuring. At present it is 11%. Hence, the same interest rate may be taken as carrying cost.

iii. Since the GoTN is already taking over Rs. 6,382.68 Cr of short term liabilities of TANGEDCO, part of this amount may be accounted for amortization to the extent of 1/4th of the remaining regulatory assets as per the audited accounts of FY 2010-11.

iv. The balance amount can be adjusted towards amortization of the regulatory assets in subsequent years.

v. Since the GoTN is also paying interest on the balance amount, the carrying cost of such amount can be discounted in arriving at the regulatory assets in subsequent years.

vi. The GoTN has in-principle agreed to amortisation of Regulatory Assets. The details are to be worked out in conjunction with tariff revision.

5.12 Commission considering the letter received from GoTN has estimated the Regulatory Asset pertaining to FY 2010-11 at a carrying cost of 11%. Commission has then amortized 1/4th of the estimated Regulatory Asset pertaining to FY 2010-11 in this year."

5.6.14 Based on the letter received from GoTN, the Commission amortized 1/4th of the gap for FY 2010-11 (amounting to Rs. 5,166.47 Crore after considering carrying cost upto FY 2013-14) in FY 2013-14. Following the same approach, the Commission has amortized the entire gap of FY 2010-11 by FY 2016-17. As GoTN had agreed to bear the burden of interest on the amortized amount, the Commission is of the view that it would be beneficial to address the gap at the earliest in order to minimise the burden of interest on GoTN.

Table 5-11: Amortization of Gap pertaining to FY 2010-11 as approved by the Commission (Rs. Crore)

S. No.	Particulars	FY 2010-11	FY 2011-12	FY 2012-13	FY 2013-14	FY 2014-15	FY 2015-16	FY 2016-17
1	Opening Balance	-	4144.77	4627.02	5166.47	4133.47	3100.47	2067.47

S. No.	Particulars	FY 2010-11	FY 2011-12	FY 2012-13	FY 2013-14	FY 2014-15	FY 2015-16	FY 2016-17
2	Addition of Revenue Gap/(surplus) for Recovery	4050.00						
3	Closing Balance	4050.00	4144.77	4627.02	5166.47	4133.47	3100.47	2067.47
4	Interest Rate	11%	11%	11%	0%	0%	0%	0%
5	Carrying Cost	94.77	482.25	539.45	-			
6	Less: Amortization of RA				1033.00	1033.00	1033.00	3283.68
7	Net Closing Balance	4144.77	4627.02	5166.47	4133.47	3100.47	2067.47	(1216.21)

5.6.15 After amortizing the Revenue Gap for FY 2010-11 against Rs. 6,382.83 Crore received from the GoTN, the balance amount has been used to set off the Regulatory Asset arrived at after undertaking final True up for FY 2011-12 to FY 2015-16, as discussed below.

5.6.16 After undertaking final True up for FY 2011-12 to FY 2015-16, the Commission has determined the cumulative Revenue Gap of Rs. 30,884.15 Crore as detailed in Chapter 4 of the Order.

5.6.17 As discussed in the above section, GoTN has taken over Rs. 22,815 Crore of debt of TANGEDCO after signing UDAY. The Commission has not considered the consequential impact of debt take over while approving interest on loan for the Control Period from FY 2016-17 to FY 2018-19. However, the Commission has adjusted the Rs. 22,815 Crore against Revenue Gap at the end of FY 2016-17 as UDAY has been signed in FY 2016-17. After adjusting Rs. 22,815 Crore, the Commission has computed carrying cost on Rs. 7,605 Crore at 6.35% (Bank Rate as of August 3, 2017 + 0.1%) in accordance with the UDAY MoU. Carrying cost on remaining balance after subtracting Rs. 7,605 Crore has been considered at 11%.

Table 5-12: Regulatory Asset at the end of FY 2016-17 as approved by the Commission (Rs. Crore)

S. No.	Particulars	Legend	FY 2016-17
1	Opening balance	A	30884.15
2	Addition during the year	B	2864.47
3	Gap of FY 2010-11 amortized under FRP	C	1216.21
4	Closing balance	D=A+B+C	32532.41
5	UDAY debt take over	E	22815.00
6	Remaining balance after deducting debt taken over	F=D-E	9717.41
7	25% of remaining debt after UDAY Takeover	G	7605.00
8	Balance amount	H=F-G	2112.41



S. No.	Particulars	Legend	FY 2016-17
9	Interest rate for computing carrying cost on Rs. 7605 Crore (Bank Rate + 0.1%)	I	6.35%
10	Interest rate for computing carrying cost on balance amount	J	11.00%
11	Carrying Cost	$K = (G*I) + (H*J)$	715.28
12	Regulatory Asset	$L = F + K$	10432.70

Recovery of Regulatory Asset

5.6.18 The Commission has not considered any methodology for recovery of regulatory assets of Rs. 10,432.70 Crore, as TANGEDCO has not claimed recovery of Regulatory Assets in the instant Petition. As proposed by TANGEDCO, it may submit the appropriate proposal for recovery of the Regulatory Asset at the appropriate time, after discussion of the various options with the GoTN. As and when TANGEDCO files its Petition for recovery of the Regulatory Asset, the Commission would deal with the same after due regulatory process. The Commission further directs TANGEDCO to strive towards reducing a part of the Regulatory Assets by way of improving operational parameters as committed under the UDAY MoU.

Unquote

C. BIHAR ELECTRICITY REGULATORY COMMISSION**Case No. 40 of 2017**

Approach Adopted: The State Commission has considered only the amount utilised for repayment of project loan from REC (Principal) as grant for assets capitalised out of total grant under UDAY scheme.

Total Outstanding Debt: Rs. 1,282.51 Cr.

In FY 2015-16 in the form of Grant: Rs. 641.25 Crores

In FY 2016-17 in the form of Grant: Rs. 320.63 Crores

Tariff Order Truing-up for FY 2016-17, Annual Performance Review (APR) for FY 2017-18, Aggregate Revenue Requirement (ARR) and Determination of Tariff for FY 2018-19 of North Bihar Power Distribution Company Limited (NBPDC) dated March 21, 2018.

Quote

4.16 Depreciation**Petitioner's submission:**

NBPDC has submitted that depreciation is claimed as per regulation 23 of BERC (Multi Year Distribution Tariff) Regulations 2015 after reducing the value of grants and consumer contribution amortized in the ratio of depreciation. The Petitioner has claimed the depreciation for FY 2016-17 as detailed in the Table below:



Table 4.27: Depreciation projected for FY 2016-17 (Rs. Crore)

S. No.	Particulars	Approved in MYT order dated 21.03.2016	Approved in Tariff Order dated 24.03.2017	Claimed in True up for FY 2016-17
1	Opening GFA	4596.08	4573.69	4573.69
2	Less: Value of Land	987.08	990.55	990.54
3	Net Opening GFA (1-2)	3609.00	3583.14	3583.15
4	Net Additions during the year (excl. land value)	4226.09	11444.73	570.38
5	IDC	36.21	80.30	0.00
6	Expenses capitalised	9.04	-	-
7	Closing GFA (3+4+5+6)	7880.35	15108.17	4153.53
8	Average GFA {(3+7)/2}	5744.68	9345.65	4563.61
9	Weighted average rate of Depreciation	5.08%	4.95%	4.41%
10	Depreciation (8*9)	291.83	462.61	192.49
11	Opening Grants	4701.13	357.79	1802.61
12	Grants during the year	3332.11	8324.50	240.53
13	Total Grants (11+12)	8033.25	12082.29	2043.14
14	Average Grants {(11+13)/2}	6367.19	7920.04	1922.88
15	Weighted average rate of Depreciation	5.08%	4.95%	5.34%
16	Depreciation on assets created out of grants (14*15)	323.45	392.04	102.74
17	Net Depreciation (10-16)	0.00	70.57	89.76

Commission's analysis:

The Commission has examined the computation of depreciation claimed by the Petitioner for FY 2016-17. The Commission observes that depreciation, as per the audited annual accounts for FY 2016-17 is at Rs. 192.49 Crore (Note 25) and amortisation of Grants is at Rs.102.74 crore (Note 25) for the year 2016-17. The Petitioner has claimed net depreciation of Rs. 89.76 crore (Rs. 192.49 – Rs. 102.74) in the petition for FY 2016-17 in truing up.

The Commission has considered the weighted average rate of depreciation based on the audited annual accounts for FY 2016-17. According to the audited accounts for FY 2016-17, the opening GFA of Rs. 4573.69 crore includes value of land of Rs. 990.54 crore. Further the addition to GFA during FY 2016-17 of Rs. 584.51 crore also include land value of Rs. 14.14 crore. Land is not a depreciable asset and accordingly, the Commission has reduced the value of land for arriving at the effective weighted average rate of depreciation. The effective weighted average rate of depreciation works out to 4.98% on the depreciable assets i.e. excluding land value for FY 2016-17 as detailed hereunder:

Sl. No.	Particulars	Amount (Rs. Crore)
1	Opening GFA	4573.69

Sl. No.	Particulars	Amount (Rs. Crore)
2	Less: Opening land value (as per audited accounts)	990.54
3	Opening GFA (Opening depreciable assets) (1-2)	3583.15
4	Additions during the year	584.51
5	Less: Value of land added during the year	14.14
6	Closing GFA (Closing depreciable assets) (3+4-5)	4153.53
7	Average GFA (3+6)/2	3868.34
8	Net Depreciation as per accounts	192.48
9	Weighted average rate of Depreciation (8/7)*100	4.98%

The Commission has considered the opening GFA, additions to assets and closing GFA as detailed in Table 4.26. The Commission has considered the weighted average rate of depreciation as worked out above for computing depreciation in the True up for FY 2016-17.

Regulation 73 (2) (a) (ii) of the BERC (Terms and Conditions for Determination of Tariff) Regulations 2007, specifies that **“Land is not a depreciable asset and its cost shall be excluded from the capital cost”**.

The Commission, accordingly, has not considered the value of land amounting to Rs. 1,004.68 Crore (Rs. 990.54 Crore opening land value + Rs. 14.14 Crore addition during the year) as per the audited annual accounts of NBPDC for FY 2016-17.

The Commission has approved the closing grants at Rs. 3,757.79 Crore in True up for FY 2015-16 in Tariff Order dated 24.03.2017, accordingly the same is considered as opening grants for FY 2016-17. The addition to grants (Rs. 240.53 Crore) during FY 2016-17 is considered based on the capitalisation considered in Table 4.24. Further, The Petitioner vide letter no. 42 dated 12.01.2018 has intimated that the State Government has granted Rs.961.89 crore towards grant under UDAY scheme for repayment of loans under FRP. The grant is utilised for repayment of loans of Rs. 649.01 crore obtained for liquidation of power purchase liability and balance Rs. 312.88 crore was utilised for repayment of project loan from REC (Principal). The Commission, accordingly, has considered Rs.312.88 crore as grant for assets capitalised and adjusted for computation of depreciation, interest on loan, RoE for FY 2016-17. Thus, total grants of Rs. 553.41 crore (Rs. 240.53 crore + Rs. 312.88 crore) is considered utilised for capitalisation during FY 2016-17.

The opening GFA, additions to GFA, closing GFA, rate of depreciation and depreciation on assets, depreciation on assets created out of grants and net depreciation considered as pass through in the ARR by the Commission in True up for FY 2016-17 is as detailed in the Table below:

Table 4.28: Depreciation approved for FY 2016-17 (Rs. Crore)

Sl. No.	Particulars	Approved in MYT order dated 21.03.2016	Revised and approved in Tariff Order dated 24.03.2017	Claimed in True up for FY 2016-17	Now approved in Truing up for FY 2016-17
1	Opening GFA	4596.08	4573.69	4573.69	4573.69
2	Less: Value of Land	987.08	990.55	990.54	990.54
3	Net Opening GFA (1-2)	3609.00	3583.14	3583.15	3583.15
4	Net Additions during the year (excl. land value)	4226.09	11444.73	570.38	570.37
5	IDC	36.21	80.30	0.00	0.00
6	Expenses capitalised	9.04	-	-	-
7	Closing GFA (3+4+5+6)	7880.35	15108.17	4153.53	4153.52
8	Average GFA $\{(3+7)/2\}$	5744.68	9345.65	4563.61	3868.34
9	Weighted average rate of Depreciation	5.08%	4.95%	4.41%	4.98%
10	Depreciation (8*9)	291.83	462.61	192.49	192.64
11	Opening Grants	4701.13	357.79	1802.61	3757.79
12	Grants during the year	3332.11	8324.50	240.53	553.41
13	Total Grants (11+12)	8033.25	12082.29	2043.14	4311.20
14	Average Grants $\{(11+13)/2\}$	6367.19	7920.04	1922.88	4034.50
15	Weighted average rate of Depreciation	5.08%	4.95%	5.34%	4.98%
16	Depreciation on assets created out of grants (14*15)	323.45	392.04	102.74	200.92
17	Net Depreciation (10-16)	0.00	70.57	89.76	-

It can be observed from the table above, the proportionate depreciation on assets created through Grants is higher than depreciation on assets and hence, the Commission, accordingly, approves depreciation as 'Nil' for FY 2016-17 in True up.

Unquote

D. TELANGANA STATE ELECTRICITY REGULATORY COMMISSION

Approach Adopted: The State Commission adjusted the savings due to the UDAY scheme from the ARR of the concerned Discoms. However, in Uttar Pradesh, we are not having any savings on account of UDAY scheme submitted by UPPCL.

Total Outstanding Debt: Rs. 8,923 Cr.

In FY 2016-17 in the form of Grant: Rs. 4,462 Crores

In FY 2016-17 in the form of Loan: Rs. 2,230 Crores

In FY 2016-17 in the form of Loan: Rs. 2,231 Crores

Tariff Order of 2017-18

Northern Power Distribution Company of Telangana Limited (TSNPDCL)
and

Southern Power Distribution Company of Telangana Limited (TSSPDCL)

Dated: August 26, 2017

Quote

3.18 SAVINGS DUE TO UDAY SCHEME**Commission's Analysis and Ruling**

3.18.1 The Government of India, Government of Telangana State and the Licensees have entered into a Tripartite MoU (UDAY MoU) dated 04.01.2017 in order to improve the operational and financial efficiency of the Licensees to enable their financial turnaround. Under the said scheme, the Government of Telangana State is to take over 75% of the outstanding debt of the Licensees as on 30.09.2015 by the end of FY 2016-17. The Commission directed the Licensees to submit the savings on their distribution businesses upon implementation of UDAY. In reply, the Licensees have submitted that the savings is to the tune of INR 610 Crores and INR 258 Crores for SPDCL and NPDCL respectively on account of reduction in depreciation and interest cost. Based on the information submitted by the Licensees and the prudence check carried out, the Commission has computed the savings as INR 743.88 Crores and INR 372.54 Crores for SPDCL and NPDCL respectively.

3.19 NET REVENUE REQUIREMENT FOR FY 2017-18

3.19.1 The net revenue requirement for FY 2017-18 is as shown in the Table below:

Table 28: Net Revenue Requirement for FY 2017-18 (INR Crores)

Particulars	Claimed			Approved		
	SPDCL	NPDCL	Total	SPDCL	NPDCL	Total
ARR	22044.56	9885.92	31930.48	19607.21	8805.70	28412.91
Less: Savings due to UDAY Scheme	610.00	258.00	868.00	743.88	372.54	1116.42
Net Revenue Requirement	21434.56	9627.92	31062.48	18863.32	8433.16	27296.48

Unquote

Tariff Order of 2018-19Southern Power Distribution Company of Telangana Limited (TSSPDCL)
and

Northern Power Distribution Company of Telangana Limited (TSPDCL)

Dated: March 27, 2018

Quote

3.19 SAVINGS DUE TO UDAY SCHEME**Commission's Analysis and Ruling**

3.19.1 The Government of India, Government of Telangana State and the Licensees have entered into a Tripartite MoU (UDAY MoU) dated 04.01.2017 in order to improve the operational and financial efficiency of the Licensees to enable their financial turnaround. Under the said scheme, the Government of Telangana State is to take over 75% of the outstanding debt of the Licensees as on 30.09.2015 by the end of FY 2016-17. The Commission directed the Licensees to submit the savings on their distribution businesses upon implementation of UDAY. In reply, the Licensees submitted that the savings due to UDAY Scheme may be considered at the end of the Control Period. The Commission does not find merit in the submissions of the DISCOMs particularly when the savings have been indicated and considered by the Commission in the Tariff Order for FY 2017-18. Hence, the Commission has considered the savings as Rs. 743.88 crore and Rs. 372.54 crore for SPDCL and NPDCL respectively, the same as considered in the Tariff Order for FY 2017-18.

3.20 NET REVENUE REQUIREMENT FOR FY 2018-19

3.20.1 After considering the savings due to UDAY Scheme, the net revenue requirement for FY 2018-19 is as shown below:

Table 3.28: Net Revenue Requirement for FY 2018-19 (Rs. crore)

Particulars	Claimed			Approved		
	SPDCL	NPDCL	Total	SPDCL	NPDCL	Total
ARR	23518.88	12255.40	35774.28	20905.63	10232.36	31137.99
Less: Savings due to UDAY Scheme	0.00	0.00	0.00	743.88	372.54	1116.42
Net Revenue Requirement	23518.88	12255.40	35774.28	20161.75	9859.82	30021.57

Unquote

IN HOUSE COMMENTS- Proposed Treatment of Impact of UDAY in RA of UP State Discoms

In light of the above Orders of the SERCs & the proposed model to be adopted for the treatment of Regulatory Asset of State Discoms is discussed in details as follows:

The Government of India, Government of Uttar Pradesh and UP Power Corporation Limited on behalf of UP DISCOMs have entered into a Tripartite MoU (UDAY MoU) dated January 30, 2016 in order to improve the operational and financial efficiency of the U.P. DISCOMs to enable financial turnaround of the DISCOMs. Under the said scheme, the Government of Uttar Pradesh is to take over 75% of the outstanding debt of the UP DISCOMs as on 30.09.2015 by the end of FY 2016-17.

Therefore, while computing the Regulatory Asset it has been observed that, the Commission has not considered the impact of UDAY. Thus, the Commission has now worked on the impact of UDAY and considered the debt taken over while approving the overall Regulatory Asset with the effect of carrying cost on the gap or surplus.



Treatment of Regulatory Assets of State Discoms in UP

Total Outstanding debt of UP Discom at the end of Sep, 2015	53,211
50% of the outstanding Debt	26,606
25% of the outstanding Debt	13,303

Year	Total Debt Taken Over (RS. 53,211 Cr)	Transfer to the Discom in the form of Grants	Transfer to the Discom in the form of loan	Transfer to the Discom in the form of Equity	Outstanding State Loan of the Discoms
	(A)	(B)	(C)	(D)	(E)
Year 1	50% of the total debt (Rs. 26,606 Cr)	13,303	6,651	6,651	6,651
Year 2	25% of the total debt (Rs. 13,303 Cr)	6,651	3,326	3,326	9,977
Year 3	-	9,977	-	-	-
Year 4	-	-	-	-	-
Year 5	-	-	-	-	-

Treatment of Regulatory Assets with carrying cost & UDAY in FY 2015-16						
Description	DVVNL	MVVNL	PVVNL	PuVVNL	KESCo	Total
True Up of 2000-01 to 2007-08 & its Regulatory Assets/(Surplus) as on 31.03.16 (A)	964.35	247.61	446.36	1,805.35	(273.29)	3,190.39
True Up of 2008-09 to 2011-12 & its Regulatory Assets/(Surplus) as on 31.03.16 (B)	4,563.00	4,375.37	1,767.72	4,970.79	683.11	16,359.99
True Up of 2012-13 & its Regulatory Assets/(Surplus) as on 31.03.16 (C)	2,329.44	2,425.86	1,493.98	2,383.93	464.42	9,097.63
True Up of 2013-14 & its Regulatory Assets/(Surplus) as on 31.03.16 (D)	2,661.25	1,769.23	563.24	1,586.58	(127.48)	6,452.82
True Up of 2014-15 & its Regulatory Assets/(Surplus) as on 31.03.16 (E)	(1,412.38)	59.48	(663.03)	480.08	141.49	(1,394.35)
True Up of 2015-16 & its Regulatory Assets/(Surplus) as on 31.03.16 (F)	466.37	(217.31)	(1,899.05)	(523.45)	(206.40)	(2,379.84)
Total Regulatory Assets till Trued Up FY 2015-16 (G=A+B+C+D+E+F)	9,572.04	8,660.25	1,709.22	10,703.28	681.85	31,326.64
%age of Discom RA to total RA (H)	31%	28%	5%	34%	2%	100%

Treatment of Regulatory Assets with carrying cost & UDAY in FY 2015-16						
Description	DVVNL	MVVNL	PVVNL	PuVVNL	KESCo	Total
Allocation of UDAY Debt takeover as on 30.09.2015 based on H (I)	16,258.94	14,710.18	2,903.26	18,180.44	1,158.19	53,211.00
50% of Discom Debt Takenover in as per UDAY (J=50%*I)	(8,129.47)	(7,355.09)	(1,451.63)	(9,090.22)	(579.09)	(26,605.50)
Net Regulatory Assets/(Surplus) Left after UDAY (J=G-I)	1,442.57	1,305.16	257.59	1,613.06	102.76	4,721.14

Treatment of Regulatory Assets with carrying cost & UDAY in FY 2016-17						
Description	DVVNL	MVVNL	PVVNL	PuVVNL	KESCo	Total
Regulatory Assets/(Surplus) from FY 2015-16 (A)	1,442.57	1,305.16	257.59	1,613.06	102.76	4,721.14
Carrying Cost on A @ 12.50% for the FY 2016-17 (B)	180.32	163.14	32.20	201.63	12.85	590.14
Regulatory Asset/(Surplus) of FY 2016-17 in True Up (C)	-	(265.48)	(2,295.81)	(947.96)	(351.11)	(3,860.36)
Total Regulatory Assets till Trued Up FY 2016-17 (D=A+B+C)	1,622.89	1,202.83	(2,006.02)	866.73	(235.50)	1,450.93
Allocation of UDAY Debt takeover as on 30.09.2015 (E)	16,258.94	14,710.18	2,903.26	18,180.44	1,158.19	53,211.00
25% of Discom Debt Takenover as per UDAY (F=25%*E)	(4,064.73)	(3,677.54)	(725.81)	(4,545.11)	(289.55)	(13,302.75)
Net Regulatory Assets/(Surplus) Left after UDAY (F=D-E)	(2,441.84)	(2,474.71)	(2,731.84)	(3,678.38)	(525.05)	(11,851.82)

Note:

1. Upto FY 2011-12, carrying cost is calculated from the year in which true up was done.
2. FY 2012-13 onwards, carrying cost is calculated from the year concerned.
3. The working capital interest rate, allowed in ARR for the year in which true up was done, is applied.
4. Upto FY 2007-08, gap is treated as opening & thereafter as addition during the year.
5. In FY 2015-16, Regulatory Assets/(Surplus) of the various years includes the carrying cost till FY 2015-16.
6. In FY 2016-17, Regulatory Assets/(Surplus) of the various years includes the carrying cost till FY 2016-17.

From the above tables it can be seen that all the Discoms are having surplus & there is no need of imposition of any further Regulatory surcharge.

Now, to deal with this surplus it is proposed that one of the following two approaches may be adopted:



1. Till the time of true up of MYT period the surplus amount may be left as it is and the licensee would have to pay the carrying cost which would be deducted from the ARR of the consumers in subsequent years.

Thus, it will be beneficial for the consumers. Also, no further tariff hike would be required, if the overall gaps are in surplus.

2. Instead of lowering the tariff we may allow a timely payment discount of 2.5% to industry & 5% to all other consumers. Thus, in effect of lowering the tariff but at the same time not disturbing the tariff design & structure, this will encourage the consumers to pay bills on time & it will also improve the cash flow of the licensees. It can be seen that this will provide double benefit to the consumers namely:

- (i) No further regulatory surcharge
- (ii) Relaxation in tariff by way of discount in timely bill deposit.

As can be seen from the above tables that the Regulatory Asset Computation has been done upto FY 2016-17. All the Discoms have a surplus. However, even if we take the approved ARR figures for FY 2017-18 & FY 2018-19 as per Tariff Orders, still there will be surplus for all Discoms. Further, accordingly treatment will be done in future True-Ups as per the gap / surplus position.

You are requested to provide your valuable comments in hard or soft copy within the stipulated date & time:

To,

The Secretary,
Uttar Pradesh Electricity Regulatory Commission,
Vidyut Niyamak Bhawan, Vibhuti Khand,
Gomti Nagar, Lucknow- 226010.

E-mail: secretary@uperc.org

Ph: 0522-2720426, 2720427

Fax: 0522-2720423
