

# MADHYA PRADESH ELECTRICITY REGULATORY COMMISSION

4<sup>th</sup> and 5<sup>th</sup> Floor, Metro Plaza, Bittan Market, Bhopal - 462 016



## ORDER ON TRUE-UP OF ARR FOR FINANCIAL YEAR 2007-08

Period –From April 2007 to March 2008

Petition Nos.      **59/09 – MP Poorv Kshetra Vidyut Vitaran Co. Ltd.**  
**67/09 – MP Paschim Kshetra Vidyut Vitaran Co. Ltd.**  
**72/09 – MP Madhya Kshetra Vidyut Vitaran Co. Ltd.**

### PRESENT:

**K. K. Garg, Member**

**C. S. Sharma, Member**

### IN THE MATTER OF:

**Determination of True-up amount of Aggregate Revenue Requirement determined by MPERC for FY 2007-08 based on the true-up applications filed by Madhya Pradesh Poorv Kshetra Vidyut Vitaran Company Ltd.(East Discom), Madhya Pradesh Madhya Kshetra Vidyut Vitaran Company Ltd. (Central Discom) and Madhya Pradesh Paschim Kshetra Vidyut Vitaran Company Ltd. (West Discom) under Multi Year Tariff Principles.**

Represented amongst others by (Petitioners) –

**MP Poorv Kshetra Vidyut  
Vitaran Co. Ltd.  
(East Discom)**

**MP Paschim Kshetra Vidyut  
Vitaran Co. Ltd.  
(West Discom)**

**MP Madhya Kshetra Vidyut  
Vitaran Co. Ltd.  
(Central Discom)**

**Shri P.K. Singh, Addl.CE  
Shri P.K. Jain, EE**

**Shri Nagendra Tiwary, SE**

**Shri A.R. Verma, SE**

**ORDER**

*(Passed on this 13<sup>th</sup> Day of April 2010)*

This order relates to the petition numbers 59/09, 67/09 and 72/09 filed by Madhya Pradesh Poorv Kshetra Vidyut Vitaran Company Ltd., Madhya Pradesh Paschim Kshetra Vidyut Vitaran Company Ltd. and Madhya Pradesh Madhya Kshetra Vidyut Vitaran Company Ltd. respectively (hereinafter referred to as East Discom, West Discom and Central Discom respectively and collectively as petitioners or Distribution Licensees or Distribution Companies) before Madhya Pradesh Electricity Regulatory Commission (hereinafter referred to as MPERC or the Commission). These petitions had been filed by the Distribution Licensees seeking the true-up of Aggregate Revenue Requirement (ARR) determined by the Commission for the period from April 2007 to March 2008 vide its Tariff Order issued on 30<sup>th</sup> March 2007.

- 1.1 Government of Madhya Pradesh (GoMP) notified the Madhya Pradesh Electricity Reforms First Transfer Scheme Rules, 2003 (Scheme Rules in short) on 30<sup>th</sup> September 2003. As per clause 5(1) of the said Rules, on and from the date of transfer to be notified by the State Government, the properties and all interests, rights and liabilities of the MPSEB as specified in Schedules 'A' to 'E' shall stand transferred to and vested in the State Government. As per clauses 6(3), 6(4) and 6(5) of the Scheme Rules, the undertakings forming part of Distribution Undertakings as set out in Schedules –C, D and E shall stand transferred to and vested in Discom-1, Discom-2 and Discom-3 respectively on and from the date of the transfer to be notified by the State Government. Vide Order No. 3679/FRS/18/13-2002 dated 31<sup>st</sup> May 2005, GoMP effected the reorganization of the MPSEB by notifying the Opening Balance Sheets of MPGenco, MPTransco, East Discom, Central Discom, West Discom and the residual MPSEB after restructuring as on 31<sup>st</sup> May 2005. Thus the Distribution Companies are the owners of their respective distribution assets previously owned by MPSEB. The Distribution Companies had started functioning independently from 1st June 2005 based on the order of GoMP dated 31<sup>st</sup> May 2005. The order of the Government of Madhya Pradesh also provided that the successor entities of MPSEB shall, immediately on the issue of the order, sign the Inter-se Agreements viz (i) the Power Purchase Agreement, (ii) the Transmission Service Agreement and (iii) Bulk Supply Agreement and file applications before the Madhya Pradesh Electricity Regulatory Commission for approval of inter-se agreements, for the determination of tariff and terms and conditions for the operation of the inter-se agreements. The details of the status of these agreements are discussed subsequently.
- 1.2 Meanwhile, the Govt. of M.P. notified the final opening balance sheet for all the five companies vide order No. 4068-FRS-18-2002-XIII on 12<sup>th</sup> June, 2008. However, The Distribution Companies have apprised the Commission that they have not taken into consideration any effect on account of the final opening balance sheets in their audited account of FY2007-08 and hence this is also not reflected in their true-up petitions.
- 1.3 The Commission has reviewed the operational and financial performance of the Distribution Companies for FY 2007-08. The Commission has finalised this order based on the review and analysis of the past records, submissions, necessary information / clarifications submitted by the distribution licensees and views expressed by stakeholders.

## Procedural history

### Submission of petitions by Licensees

1.4 The Commission has issued Tariff Order for FY 2007-08 for the Distribution Companies, as per terms and condition for determination of tariff for distribution and retail supply, Regulation notified on 10<sup>th</sup> November 2006 for the tariff period from 01st April 2007 to 31<sup>st</sup> March 2010. The Distribution Licensees, after having completed the audit of their Accounts for the period April 07 to Mar 08, filed petitions for true-up of their ARR for the said period, vide petition No. 59/09 – of East Discom, No. 72/09 – of Central Discom and No. 67/09 – of West Discom in November, 2009. The Commission observed that the Statements of Accounts of the three Distribution Companies had been audited in the year 2008-09, but it took them almost more than a year to file the true up petitions that too after pursuance by the Commission. During the course of the hearings the Commission enquired several times about the inordinate delay in filing of the True-up petitions but the Distribution Companies could not submit satisfactory reasons for not filing the petitions timely. The Commission had directed the Distribution Companies that in future the time lines for filing the tariff and true-up petitions should be adhered otherwise the Commission may initiate the suo-moto proceedings and take further action as per appropriate provisions of the Electricity Act, 2003

### Gist of petitions

1.5 The gist of the true-up petitions submitted by the Licensees is given below:

**Table 1 : Snapshot of the True-up petitions of Distribution Companies for the period Apr 07 to Mar 08 – as submitted by the Licensees (Rs. Crore)**

S. No.	Particulars	East Discom		West Discom		Central Discom	
		FY 07-08 (As per Tariff Order)	FY07-08 (As per True-up petition)	FY 07-08(As per Tariff Order)	FY07-08 (As per True-up petition)	FY 07-08 (As per Tariff Order)	FY07-08 (As per True-up petition)
1	Purchase of Power	1,749.88	2,077.74	2,064.73	2,618.16	1,714.97	2,128.84
2	Transmission (MP Transco) Charges	218.83	227.44	279.79	298.45	240.21	247.83
3	O&M cost	363.96	478.55	455.69	483.23	334.76	429.86
4	Bad and Doubtful debts written off	24.19	34.9	29.4	120.74	23.58	17.61
5	Other expenses (net of Prior Period Adjustments)	0	0.8	1.51	1.94	0	0.17
6	Depreciation and Related debits	52.17	102.22	62.96	75.91	49.96	61.33
7	Interest and Finance Charges	33.47	90.05	52.41	101.34	34.17	52.89
8	Tax	0	1		0.59	0	0.36
9	Return on Equity (as per norms)	45.74	62.32	65.09	91.58	44.93	79.47
10	Less :Expenses Capitalized		-10.6			0	0
11	<b>Total Expenses</b>	<b>2,488.24</b>	<b>3,064.42</b>	<b>3,011.58</b>	<b>3,791.94</b>	<b>2,442.58</b>	<b>3,018.36</b>
12	Less Other income	-57.49	-45.58	-94.25	-154.72	-67.48	-44.59
13	<b>Net ARR</b>	<b>2,430.75</b>	<b>3,018.84</b>	<b>2,917.33</b>	<b>3,637.22</b>	<b>2,375.10</b>	<b>2,973.77</b>
14	Income from Sale of Power	2,419.35	2,097.33	2940.31	2548.61	2,358.38	2219.76
15	Revenue subsidies and grants						
16	Delayed payment surcharge						
17	<b>Unmet Revenue Surplus / (Gap)</b>	<b>-11.40</b>	<b>-921.51</b>	<b>22.98</b>	<b>-1,088.61</b>	<b>-16.72</b>	<b>-754.01</b>

- 1.6 The petitions submitted by the Distribution Licensees had several inconsistencies between the text filings, the information in the formats submitted and the audited accounts. The Commission had directed the Licensees to reconcile the differences, particularly in sales, power purchase quantum, power purchase expenses and revenues. The Licensees could reconcile some information and re-submitted the same to the Commission. The Commission held the motion hearing on January 20, 2010 and directed the Distribution Licensees to resubmit the revised petitions by incorporating all the additional / corrected / modified information. The Commission also directed the petitioners to file the draft of the public notice vide its order sheet of 22<sup>nd</sup> January 2010. The revised petitions/ additional / corrected / modified information was received on 27<sup>th</sup> Jan,10 from Central Discom, 29 Jan,10 from West Discom and 6<sup>th</sup> Feb,10 from East Discom.

### **Notification of true-up proposals for public information**

- 1.7 The public notices were issued on 12<sup>th</sup> February 2010 by East Discom, on 12<sup>th</sup> and 13<sup>th</sup> February 2010 by West Discom and on 12<sup>th</sup> February 2010 by the Central Discom for inviting comments/objections from various stakeholders by 26<sup>th</sup> February 2010.
- 1.8 In response to the public notice, comments/suggestions from several stake holders had been received in the office of the Commission. The list of the objectors is attached.

### **Hearings**

- 1.9 The public hearing was held on 03<sup>rd</sup> March 2010 in the Hearing hall of the Commission's office at Bhopal wherein the Licensees were asked to respond to the queries raised by the objectors on their respective petitions. Based on the comments/suggestions received during the course of public hearing, the Commission had sought detailed information regarding power purchase requirement of the petitioners in the light of the figures regarding sale of energy during the true-up period. The comments/objections/suggestions given by the objector and the responses of the licensees thereon have been appropriately considered by the Commission while finalizing this order.

### **State Advisory Committee**

- 1.10 The Commission convened a meeting of the State Advisory Committee (SAC) on 19<sup>th</sup> March, 2010 for the purpose of discussing these petitions and obtaining suggestions from the Members of the Advisory Committee. A presentation on the main features of the tariff petition covering major items of expenditure and revenue was made before the SAC. The Members provided various valuable suggestions and these have also been kept in view while finalizing this Order.

1.11 The Commission has analyzed the petitions of the Distribution Licensee for true-up of Annual Revenue Requirement (ARR) approved by the Commission vide its order dated 30<sup>th</sup> March 2007. After hearing the response of Distribution Licensees' representatives on the above issues raised by the consumer associations and individual consumers/objectors and the members of the SAC and considering the methodology and process of determination of expenditure and revenues as elaborated above, the Commission has determined the allowable revenue deficit / surplus, as detailed in the subsequent sections. These amounts of revenue deficit and surplus, as the case may be, shall be adjusted in the approved Annual Revenue Requirement of FY 2010-11. Gist of the true-up of ARR for FY 2007-08 is given below:

**Table 2: Revenue Surplus/(Deficit) admitted in True-up of ARR for FY 2007-08 (Rs. Crore)**

Particulars	East Discom	West Discom	Central Discom	Total For State
<b>INCOME</b>				
<b>Revenue from Sale of Power</b>				
Tariff Income	1,999.92	2,468.25	1,982.96	<b>6,451.13</b>
Non-tariff income (meter rent, recoveries for theft of power, wheeling/U.I. charges recovery, Misc. charges from consumers)	31.98	80.36	26.85	<b>139.19</b>
Other Income	142.02	154.72	166.23	<b>462.97</b>
Less : Delayed Payment Surcharge	128.42	131.96	148.48	<b>408.86</b>
Subsidy	97.41	235.12	236.34	<b>568.87</b>
<b>Total Income (A)</b>	<b>2,142.91</b>	<b>2,806.49</b>	<b>2,263.90</b>	<b>7,213.30</b>
<b>EXPENSES</b>				
<b>Power Purchase</b>				
Power Purchase Cost	1,627.65	2,064.60	1,624.30	<b>5,316.55</b>
MP Transco Charges	227.44	298.45	247.83	<b>773.72</b>
<b>Total Power Purchase (Incl. Transmission) (B)</b>	<b>1,855.09</b>	<b>2,363.05</b>	<b>1,872.13</b>	<b>6,090.27</b>
<b>O&amp;M Expenses (Net of Capitalisation)</b>				
Employee Expenses	266.02	251.67	245.11	<b>762.80</b>
A&G Expenses	46.74	31.98	38.83	<b>117.55</b>
R&M Expenses	30.26	29.77	30.11	<b>90.13</b>
<b>Total O&amp;M (C)</b>	<b>343.02</b>	<b>313.42</b>	<b>314.05</b>	<b>970.49</b>
<b>Other Expenses</b>				
Depreciation	32.71	39.02	30.34	102.07
Interest & Financing Charges on Project Loans	15.19	17.24	13.69	46.12
Interest and Finance Charges on working capital loans	0.00	0.00	0.00	0.00
Interest on Consumer Security Deposit	10.85	16.2	13.58	40.63
Return on Equity	56.03	71.87	53.51	181.42
Bad & Doubtful Debts	0.00	0.00	1.26	1.26
Any Other Expense	0.80	1.22	0.17	2.18
Tax	1.00	0.59	0.36	1.95
<b>Total Other Expenses (D)</b>	<b>116.58</b>	<b>146.15</b>	<b>112.91</b>	<b>375.63</b>
<b>Total Expenses E = (B + C + D)</b>	<b>2314.70</b>	<b>2822.61</b>	<b>2299.09</b>	<b>7436.40</b>
<b>Revenue Surplus / (Deficit) F = (E - A)</b>	<b>-171.79</b>	<b>-16.12</b>	<b>-35.19</b>	<b>-223.10</b>

- 1.12 **In-depth analysis of the annual accounts of three Distribution Companies, during the course of the truing-up of their ARR revealed that there are variances in methodology of capturing costs. This is more prominent in the method of capturing cost of power procurement, depreciation, Consumer Security Deposit and Interest and Finance Charges. The Commission directs that the three Companies should evolve a common acceptable methodology of capturing cost and shall ensure that in preparation of all future financial accounts, this methodology is consistently applied by all the three Companies. The Companies should also evolve a common accounting policy.**
- 1.13 Ordered as above, read with attached detailed reasons, grounds and conditions.

Sd/-  
(C.S.Sharma)  
Member (Economics)

Sd/-  
(K.K.Garg)  
Member (Engineering)

Dated: Tuesday, 13<sup>th</sup> April, 2010  
Place: Bhopal

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## 1. ANALYSIS OF EXPENSES DURING THE PERIOD APRIL 2007 TO MARCH 2008

### *Sale of Energy approved in Tariff Order and filed in True-up Petitions*

- 1.1 The petitioners viz. MP Poorv Kshetra Vidyut Vitaran Co. Ltd. (East Discom), MP Paschim Kshetra Vidyut Vitaran Co. Ltd. (West Discom) and MP Madhya Kshetra Vidyut Vitaran Co. Ltd. (Central Discom) filed their tariff petitions vide numbers 111/06, 112/06 and 115/06 respectively, with the Commission for determination of distribution and retail supply tariff for FY 07-08. They had filed the sales as given in Table 5.
- 1.2 The Commission in its Tariff order issued on 30<sup>th</sup> March, 2007 for determination of ARR and retail supply tariff for FY 2007-08, had approved the sale of energy as filed by the East Discom and Central Discom. In case of West Discom, the projection for sale of energy was pruned down by 562 MUs because the West Discom had projected the sales towards un-metered permanent agriculture consumers on the basis of 170 units per HP per month instead of 100 units per HP per month. Accordingly, the Commission had approved the following sale of energy to all the three Distribution Licensees.

**Table 3 : Sales approved in Tariff Order dated 30<sup>th</sup> March 2007 (in MUs)**

DISCOM	East Discom	West Discom	Central Discom	Total
LT Sale	3810	5456	4398	13664
HT Sale	2788	2891	2106	7785
<b>Total Sale</b>	<b>6598</b>	<b>8347</b>	<b>6504</b>	<b>21449</b>

- 1.3 Based on the above sales and grossing it up with normative distribution loss level specified by the Commission in its Regulations MPERC (Terms and condition for determination of tariff for distribution and retail supply of electricity and Methods and Principles for fixation of charges) Regulations, 2006 notified on 10th November, 2006, the net energy requirement of the Distribution Companies was computed..
- 1.4 The Commission, while scrutinizing these true-up petitions filed by the Distribution Companies has gone into audited accounts of all the three Distribution Companies for FY2007-08 as also into annual R-15 statements as submitted by the Distribution Companies. The Commission noted the quantum of sale of energy as indicated in the “auditors note” of the respective audited accounts as also in their respective R-15 statements as given below:

**Table 4 : FY 07-08- Sales as per Tariff Order, Audited Accounts and annual R-15 (MUs)**

Particulars	East Discom	West Discom	Central Discom	Total
As allowed in Tariff Order	6598	8347	6504	<b>21449</b>
As per audited Balance sheet (Energy Sale)	6087	8446	6349	<b>20882</b>
As per annual R-15 report	6114	8446	6500	<b>21060</b>
As filed in true-up petitions	6114	8446	6500	<b>21060</b>

- 1.5 From the above, it is evident that the total sale of energy as approved by the Commission in the tariff order issued on 30<sup>th</sup> March, 2007 for FY2007-08 is more than the sales figures recorded in the audited accounts and annual R-15. However, when compared Distribution Company wise, it is observed that in case of West Discom the sale of energy as recorded in annual R-15 statement and also as per audited accounts is little more than the estimated sales approved in the tariff order. Further, it may also be seen that the sale of energy as filed in present true-up petition of West Discom is same as recorded in the annual R-15 statement and as indicated in the audited accounts. The energy sale as indicated in the audited accounts of East Discom under “Notes to Accounts” is less than the energy sale recorded in the annual R-15 statement and also as filed in the true up petition. These figures of energy sale are considerably less than the estimated sales approved in the tariff order. In case of Central Discom the estimated sale approved in the tariff order is marginally more than the energy sale as indicated in the annual R-15 statement and as filed in the true up petition. However, the energy sale as indicated in the audited accounts is considerably less.
- 1.6 In view of the above, the Commission has further analyzed the sales figures filed in petitions with respect to the figures recorded in the annual R-15 statement and the monthly R15 reports submitted by the Distribution Companies (the basic sales/billing data statement) for FY 2007-08 and observed that the billing to unmetered category of domestic and agriculture consumers has been made in excess of prescribed benchmarks as compared to their total numbers and load. Following was observed:
- (i) There was a difference between “sum of monthly data aggregated for the financial year” as per monthly R15 reports and the annual data as per final annual R15 reports for the year and this difference was mainly in the category of the sale of energy to the agricultural and domestic un-metered categories.
  - (ii) There was further difference between the total sale of energy recorded in monthly R-15 reports and the sale of energy calculated on the basis of benchmarks prescribed for billing to un-metered categories of domestic and agricultural consumers by the Commission.
- 1.7 In order to ascertain the factual position, the Distribution Companies were directed through notices issued on 12<sup>th</sup> January 2010 to reconcile the figures of energy sales along with details on other items like power purchase cost, interest and finance charges, O&M expenses, depreciation and interest on working capital etc. The Distribution Companies were directed to file the actual data/information along with the factual position in the motion hearing slated to be held on 20<sup>th</sup> January 2010. The Commission had also directed the Distribution Companies to work out the energy consumption of un-metered consumers on the basis of the norms prescribed by the Commission. The norms for FY 2007-08 are given in the table below:

**Table 5 : Basis of billing to un-metered consumers**

Assessed units for un-metered domestic connections (units per connection per month)		Assessed units for un-metered agricultural connections (units per HP per month)		
Urban	Rural	category	Rural	Urban
77	38	<b>Permanent</b>	<b>100</b>	<b>130</b>
		<b>Temporary</b>	<b>130</b>	<b>150</b>

- 1.8 During the course of motion hearing on 20<sup>th</sup> January 2010, it was observed that details of reconciled sales as directed were not submitted by the petitioners. The petitions were found incomplete and the Distribution companies were directed to resubmit the petitions containing all details by 29<sup>th</sup> January 2010. The information to be included in the petition was detailed in the annexure to the order sheet dated 22<sup>nd</sup> January 2010. In response while, the West Discom submitted the details of sales to unmetered categories of domestic and agricultural consumers as per prescribed benchmarks, the East and Central Distribution Companies did not submit these details.
- 1.9 The Commission again, vide its letters bearing numbers 491 and 492 of February 24, 2010 communicated to the Central and East Distribution Companies the details of sale to unmetered categories of domestic and agricultural consumers as per prescribed benchmarks worked out by the Commission. In response, the East Discom and Central Discom again did not submit any details of sales as per prescribed benchmarks and raised a number of other issues like the difficulty in working out sales on the basis of total load indicated in R15 as some of the agricultural consumers may have load in fractional HP. They also indicated that the supply hours during FY 2007-08 had been more than as envisaged at the time of filing the petitions by the Distribution Companies and therefore the consumption was more as compared to the benchmarks prescribed. The Discom stated that the benchmarks prescribed are for the purpose of billing only and not for deriving the actual sale. However, it is observed by the Commission that the tariff order for FY 2007-08 for agricultural category of consumers did not provide any linkage with regard to the hours of supply.
- 1.10 The Commission in its true-up tariff order dated 16<sup>th</sup> June 2009 for FY 2006-07 has stated as under paragraph 1.13 of the order

*Quote*

“The Commission is unable to concede the petitioner’s plea regarding incorporation of additional units other than those actually billed to consumers on the ground of extra hours of supply made to agricultural consumers or on the basis of consumption recorded in sample meters. The Distribution Licensees should have approached the Commission at appropriate time for revision in benchmarks for unmetered agricultural consumers if such benchmarks were deemed less than actual. The Regulation 3.7 of MPERC (Terms and Conditions of Tariff for Distribution and retail supply of electricity) 2005 notified on 5th December’2005 provided that “If for any abnormal situation like drought, supply to any category of consumer is to be varied, the licensee shall obtain prior approval of the Commission”. The Commission has noted petitioner’s contention that they have supplied some additional quantum of power to unmetered consumers without raising bills to them. The petitioners can not supply free power to any category of consumers. Supply of power to any consumer without recovering its cost has direct bearing on power purchase cost since this extra energy is required to be purchased from the long term / short term sources and such additional power purchase cost becomes an unavoidable burden on consumers of other categories. The Commission therefore, rejects the plea of the petitioners to include such units not actually billed in sales.”

*Unquote*

The Commission maintains the same approach as adopted in true-up of FY 2006-07 i.e. the sales have to have a commensurate revenue demand for which the bills are raised and any consumption in excess of benchmarks for which no bills are raised cannot be recognised as sale for the purpose of computation of tariff. It was for the Distribution Licensees to submit details of sales as per benchmark for all unmetered consumers based on their individual loads and in absence of submission of factual data, the total load as indicated in the R-15 statements remains the only basis of calculation of unmetered sales.

- 1.11 The West Discom vide its letter no. CMD/WZ/08-03/1750 dated 29<sup>th</sup> January 2010, submitted that there is difference of 411.5 MUs in sales to the unmetered categories of consumers as against the sales as filed and sales as per benchmark, while this comes out to be 405.95 MUs based on monthly R15 reports, which has been considered.
- 1.12 Similarly, for East and Central Distribution Companies, there is a difference of 137.14 MUs and 781.10 MUs respectively on the basis of annual aggregate of sale data as per monthly R-15 reports to the unmetered categories of consumers as against the sales as filed and sales as per benchmark. Hence, for the whole State the total energy recorded in excess of benchmark levels was found to be 1324.19 MUs as per monthly R-15 reports. A further difference of 535.90 MUs between the annual aggregate of sale data as per monthly R-15 reports and annual R15 reports was found. Thus the actual sales were found less by 1860.09 MUs than the sales as filed.
- 1.13 The Commission has accepted the metered sale as filed by the Distribution Licensees for all the categories of the consumers. The sale to un-metered consumers of domestic and agricultural consumers has been corrected as per the benchmarks.
- 1.14 Accordingly, the details of energy sales as per tariff order for FY 2007-08, as per filing of the Distribution Companies and as admitted by the Commission for the purpose of the true up are given in the following table:-

**Table 6 : Energy units actually sold and units incorporated/adjusted in R-15 statement**

Category	East Discom			West Discom			Central Discom			Total For State		
	As per Tariff Order FY2007-08	As per revised True up Petition FY2007-08	As admitted in True up Order FY2007-08	As per Tariff Order FY2007-08	As per revised True up Petition FY2007-08	As admitted in True up Order FY2007-08	As per Tariff Order FY2007-08	As per revised True up Petition FY2007-08	As admitted in True up Order FY2007-08	As per Tariff Order FY2007-08	As per revised True up Petition FY2007-08	As admitted in True up Order FY2007-08
	(MU)	(MU)	(MU)	(MU)	(MU)	(MU)	(MU)	(MU)	(MU)	(MU)	(MU)	(MU)
LV1 : Domestic	1778	1396	1303.34	1707	1600.88	1611.09	1779	1552.4	1394.16	5264	4549.28	4308.59
LV2 : Non : Domestic	315	272	272	419	377.45	377.45	436	375.1	375.1	1170	1024.55	1024.55
LV3 : Public Water works & Street light	125	142	142	141	135.54	135.54	123	142.6	142.6	389	420.14	420.14
LV4 : LT Industry	217	185	185	409	349.73	349.73	218	167.4	167.4	844	702.13	702.13
LV5 : Irrigation Pump for Agriculture	1375	1452	1022.07	2780	3104.54	2688.38	1842	2188.7	1415.39	5997	6745.24	5125.84
<b>LT Total</b>	<b>3810</b>	<b>3447</b>	<b>2924.41</b>	<b>5456</b>	<b>5568.14</b>	<b>5162.19</b>	<b>4398</b>	<b>4426.2</b>	<b>3494.65</b>	<b>13664</b>	<b>13441.34</b>	<b>11581.25</b>
Railway Traction	408	382	382	313	330.74	330.74	694	644.3	644.3	1415	1357.04	1357.04
Coal Mines	515	507	507	0.00	0.00	0.00	38	38.5	38.5	553	545.5	545.5
Industrial & non industrial	1100	1067	1067	2142	2096.35	2096.35	1133	1173.5	1173.5	4375	4336.85	4336.85
Seasonal	4	4.05	4.05	11	18.61	18.61	2	2	2	17	24.66	24.66
HT irrigation & public water works	59	61	61	212	204.93	204.93	91	88.8	88.8	362	354.73	354.73
Township & Residential Colonies	290	276	276	0.00	119.65	119.65	148	58.2	58.2	438	453.85	453.85
Bulk Supply to exempttee	412	371	371	213	107.58	107.58	0.00	68.3	68.3	625	546.88	546.88
<b>HT Total</b>	<b>2788</b>	<b>2668.05</b>	<b>2668.05</b>	<b>2891</b>	<b>2877.86</b>	<b>2877.86</b>	<b>2106</b>	<b>2073.6</b>	<b>2073.6</b>	<b>7785</b>	<b>7619.51</b>	<b>7619.51</b>
<b>LT+HT total</b>	<b>6598</b>	<b>6115.05</b>	<b>5592.46</b>	<b>8347</b>	<b>8446.00</b>	<b>8040.05</b>	<b>6504</b>	<b>6499.8</b>	<b>5568.25</b>	<b>21449</b>	<b>21060.85</b>	<b>19200.76</b>

1.15 In view of the above facts, the Commission admits the actual metered sales and un-metered sales as per the benchmark set by the Commission. Based on the above, the actual sales workout to 19200.76 MUs.

## ***Power Purchase Quantum and Cost***

### **Licensees' Submission**

- 1.16 Licensees in their true up petitions submitted that during the year 2007-08 there had been variations to the allowed power purchased quantum to the tune of (-)52 MUs, 1065.22 MUs and 220 MUs in respect of East Discom, West Discom, and Central Discom respectively. The three Distribution Companies incurred additional expenditure on account of the power purchase of Rs. 226.85 Crore (East Discom), 553.43 Crore (West Discom) and 297.55 Crore (Central Discom) over and above the amount allowed by the Commission in its Distribution and Retail Supply Tariff order for FY 2007-08.
- 1.17 Further, Licensees' submitted that the actual distribution losses were more than the distribution losses as indicated in the loss reduction trajectory given by the Government of Madhya Pradesh. Hence in order to meet the actual requirement the Licensees had to resort to additional short term power purchase through MP Power Trading Company Ltd. This short-term power purchase resulted in higher power purchase cost. The quantum of the power purchased during FY 2007-08 as filed by the Distribution Companies is given in the table below:

**Table 7 : Power Purchase as filed By the Licensees:**

Sl. No.	Distribution Company	As per Tariff Order		As filed in True-up Petitions		Variation	
		MUs	Rs. Crore	MUs	Rs. Crore	MUs	Rs. Crore
1	East Discom	10484	1749.88	10432	1976.80	-52	226.92
2	West Discom	12540.30	2064.73	13605.52	2618.16	1065.22	553.43
3	Central Discom	11624	1714.97	11844	2012.52	220	297.55
4	Total for State	34648.30	5529.58	35881.52	6607.48	1233.22	1077.90

- 1.18 The petitioners had not substantiated their claim of power purchase as indicated in the aforementioned table in their petitions with supporting details. The Commission held motion hearing on 20th January, 2010 and directed the petitioners to substantiate their claims with actual data / information of power purchase made during the year from different sources. In response, the Distribution Companies submitted that on the basis of rates as indicated in the Commission's Tariff order for FY 2007-08 for total power purchase, the MP Power Trading Company (hereinafter referred to as "MP Tradeco") had been issuing monthly invoices to them. The MP Tradeco also issued the supplementary invoices to recover the difference of actual cost paid by MP Tradeco for the power purchased in addition to the monthly bills raised earlier to the Distribution Companies.
- 1.19 The revised submission of the Distribution Licensees in this regard, filed in response to the Commission's order sheet of 22/01/2010 is given in the table below:

**Table 8 : Power Purchase as per revised filing of the Licensees:**

Sl. No.	Distribution Company	As per Tariff Order		As per revised filing		Variation	
		MUs	Rs. Crore	MUs	Rs. Crore	MUs	Rs. Crore
1	East Discom	10484	1749.88	10444.48	2077.74	-39.52	327.86
2	West Discom	12540.3	2064.73	13605.52	2618.16	1065.22	553.43
3	Central Discom	11624	1714.97	11843.85	2128.84	219.85	413.87
4	Total for State	34648.3	5529.58	35893.85	6824.74	1245.55	1295.16

- 1.20 The Commission noted that for the year 2007-08 Government of Madhya Pradesh had notified (Notification dated 14/03/2007) the allocation of the generation capacities amongst the three Distribution Companies for the State. In order to reconcile the information as filed by the Distribution Licensees with the GoMP notification of 14<sup>th</sup> March 2007, the Distribution Companies through East Discom had arranged to submit the source wise details of power procured during the year 2007-08 for the entire State by MP Power Trading Company Ltd.

**Power Purchased by Distribution Companies through MP Tradeco**

- 1.21 On scrutiny of the actual quantum of power purchased by MP Tradeco on behalf of Distribution Companies from different generators (including Central sector, Joint sector and State sector generators), it has been observed that MP Tradeco procured only 35591.55 MUs including UI, short-term and bilateral purchases and the power sold outside the State during FY 2007-08.

**Table 9 : Power Purchase from various sources by Distribution Companies through MP Tradeco in FY 2007-08**

Sl. No.	Particulars	Power Purchase (kWh)
1	MPPGCL	15297.49
2	NHDC (ISP + OHP) + SSP + Bargi	5888.04
3	CPP + Wind	81.00
4	Central Sector (Eastern Region)	321.57
5	Central Sector (Western Region)	13375.71
6	Bilateral	416.80
7	UI	364.34
8	Short Term (Additional)	419.91
9	Total Energy Purchased	36164.87
10	Energy Sold	-573.32
11	Net Energy Purchased	35591.55
12	Energy Banking and Exchange	926.73
13	Total	36518.28

- 1.22 The information submitted in this regard also includes the energy banking and exchange of 926.73 Million Units, which is indicated in addition to aforementioned power purchase. The East Discom also submitted a statement in the hearing of 20/01/2010 which indicates the month-wise sale of power to Distribution Companies within the State by MP Power Trading Company Ltd. during 2007-08. According to these details the MP Tradeco had supplied 35,891.72 MUs and the total cost of that power purchase was Rs. 6,880.31 Crore. The Distribution Company wise break-up is given below:

**Table 10 : Power Purchase by Distribution Companies as per Bills raised by MP Tradeco in FY 2007-08**

East Discom		West Discom		Central Discom		Total for State	
MUs	Rs. Crore	MUs	Rs. Crore	MUs	Rs. Crore	MUs	Rs. Crore
10440.10 (29.09%)	2076.54	13607.77 (37.91%)	2673.97	11843.85 (33.00%)	2129.80	35891.72 (100.00%)	6880.31

- 1.23 The Licensees have submitted the energy balance at “schedule 4a” in their respective petitions. The energy balance had been worked out on the basis of the actual distribution losses. The Energy Balance as filed is given in the table below:

**Table 11 : Energy Balance as filed by the Distribution Licensees:**

Particulars		East Discom	West Discom	Central Discom	Total for State
1	Total Energy Sale (MU)	6114.00	8445.99	6499.81	21059.8
2	A. Distribution Losses (%)	37.72%	33.99%	41.43%	
	B. Distribution Losses (MU)	3703.00	4349.02	4597.96	12649.98
3	At T-D Interface (MU)	9817.00	12795.01	11097.77	33709.78
4	A. Transmission Loss of MPPTCL (%)	4.10%	4.09%	4.09%	
	B. Transmission Losses of MPPTCL (MU)	420.00	545.63	473.25	1438.88
5	At MP Periphery	10237.00	13340.64	11571.02	35148.66
6	External Losses (%)	1.99%	1.95%	2.30%	
	External Losses (MU)	208.00	311.21	272.83	792.04
7	Net Energy Requirement (MU)	10444.00	13605.52	11843.85	35893.37

- 1.24 The scrutiny of the above information as filed revealed that MP Power Trading Company Ltd. had procured/arranged 36,518.28 MUs during FY 2007-08 against total power purchase requirement of 35893.37 MUs as filed by the Distribution Companies. The Distribution Companies had considered the actual percentage of distribution losses instead of loss levels as per GoMP notification. The percentage of external losses as indicated above is not uniform for all the three Distribution Companies. Moreover, there appears to some calculation mistake in the energy balance as filed by the West Discom. The figure of external losses as indicated does not seem to be correct.
- 1.25 It has also been observed during the scrutiny that the Distribution Companies have filed information which varies at different places. This is given in the table below:



**Table 12 : Energy Balance as filed by the Distribution Licensees:**

Particular of Data	East	West	Central	Total
Energy Requirement as filed by the Petitioners	10444.00	13605.52	11843.85	35893.37
Energy supplied to Distribution Companies by MP Tradeco	10440.10	13607.77	11843.85	35891.72
Power purchased by Distribution Companies as per revised petitions	10444.48	13605.52	11843.85	35893.85
Power purchase as per audited accounts	10432.00	13605.52	11858.17	35895.69

- 1.26 In order to compute the energy balance for Distribution Companies, it is necessary to know the loss levels at each stage. Hence, inter-state transmission, intra-state transmission and distribution losses need to be identified correctly.
- 1.27 The State transmission loss as indicated in the true-up tariff of MPPTCL for the corresponding year FY 2007-08 is 4.09%. This loss level has been considered for this true-up exercise.
- 1.28 The Commission in its order dated 30<sup>th</sup> March, 2007 had considered the distribution loss levels for each Distribution Company as per road map of yearly milestones notified by GoMP vide order dated 28<sup>th</sup> December 2006.

**Table 13 : GoMP specified Distribution Loss reduction trajectory for Discoms (%)**

Year	East Discom	Central Discom	West Discom
FY 2006-07	34.5	43.0	30.0
<b>FY 2007-08</b>	<b>32.5</b>	<b>40.0</b>	<b>28.5</b>
FY 2008-09	29.5	37.0	27.0
FY 2009-10	26.5	34.0	25.5
FY 2010-11	23.5	31.0	24.0

- 1.29 The distribution loss levels for FY 2007-08 as notified by Govt. of MP has been considered for calculation of energy requirement for each Distribution Company.
- 1.30 With regard to Transmission Losses of Power Grid system, the Commission directed the Distribution Companies to file the details of the losses in MUs as well as in percentage. The East Discom from the State Load Despatch Centre of MP made available the actual losses occurred in the PGCIL system through its letter of 17<sup>th</sup> March 2010. Accordingly, the losses were 205.13 MUs for East Discom, 272.00 MUs for West Discom and 238.34 MUs for Central Discom. The Commission considered it as provided by East Discom from SLDC.

### Commission's Analysis of Power Purchase Requirement

1.31 The Commission made a detailed scrutiny of the power purchase details vis-à-vis the revenue as per the audited account. The power purchase as allowed by the Commission in the Distribution and Retail Supply Tariff Order for 2007-08 and as per the audited accounts of the Distribution Companies are given in the table below:

**Table 14 : Power Purchase Quantum and Cost claimed in True-up**

Discom	Particulars	Allowed in the Tariff Order (B)	Actual as per Audited Accounts (A)	Difference Claimed in True-up (A-B)
East Discom	Power Purchase Requirement (MUs)	10,484.00	10,432.00	(52.00)
	Power Purchase Cost (Rs. Crs.)*	1,749.88	1,976.80	226.92
West Discom	Power Purchase Requirement (MUs)	12,540.30	13,605.52	1,065.22
	Power Purchase Cost (Rs. Crs.)*	2,064.73	2,618.16	553.43
Central Discom	Power Purchase Requirement (MUs)	11,624.00	11,858.17	234.17
	Power Purchase Cost (Rs. Crs.)*	1,714.97	2,012.52	297.55
Total for the State	Power Purchase Requirement (MUs)	34,648.30	35,895.69	1,247.39
	Power Purchase Cost (Rs. Crs.)*	5,529.58	6,607.48	1,077.90

\* Note: Power Purchase Cost (as per Audited Accounts) includes the Inter-State Transmission Charges

### Evaluation of Required Power Purchase Quantum

1.32 While estimating the power purchase quantum the Commission has followed the approach as narrated below;

- (i) The actual sales (say X) made by the Licensees have been grossed up by the normative Loss levels (say Y) to arrive at the power required at the Discom periphery i.e. T-D boundary (say  $Z=X/(1-Y)$ ).
- (ii) The quantum (Z) thus arrived has further been grossed up by the STU losses (MP Transco) (A) to arrive at the quantum of power required at the State boundary (Say  $B=Z/(1-A)$ );
- (iii) Finally, external losses in MUs (say C) actually incurred have been added to (B) to arrive at the total energy requirement i.e.  $D=B+C$

1.33 The calculations as per approach described above for the three Distribution Companies are given in the table below:

**Table 15 : Analysis of Power purchase Quantum (MU)**

Particulars		East Discom	West Discom	Central Discom	Total for State
1	Total Energy Sale (MU)	5,592.46	8,040.05	5,568.25	19200.76
2	A. Distribution Losses (%)	32.50%	28.50%	40.00%	
	B. Distribution Losses (MU)	2692.67	3204.78	3712.17	9609.61
3	At T-D Interface (MU)	8285.13	11244.83	9280.42	28810.37
4	A. Transmission Loss of MPPTCL (%)	4.09%	4.09%	4.09%	
	B. Transmission Losses of MPPTCL (MU)	353.31	479.53	395.76	1228.59
5	At MP Periphery	8638.44	11724.35	9676.17	30038.96
6	External Losses (MU)	205.13	272.00	238.34	715.47
7	Net Energy Requirement (MU)	8843.57	11996.35	9914.51	30754.43

1.34 Accordingly for East, West and Central Distribution Companies, the power purchase requirement of 8843.57 MUs, 11996.35 MUs and 9914.51 MUs respectively is admitted for the purpose of this true up.

### **Power purchase from all sources**

- 1.35 Based on the submissions made by the petitioners and subsequent discussions held with the Distribution Companies on 20<sup>th</sup> January, 2010 and 18<sup>th</sup> March 2010 on the issues of power procurement from different sources, the Commission has analyzed the power procured through various sources by MP Tradeco on behalf of the three Distribution Companies.
- 1.36 The petitioners in their initial filings had not provided the complete information regarding quantum and cost of power purchased from all the sources. The Commission in its order sheet of 20<sup>th</sup> January 2010 directed the Distribution Companies to file comprehensive details of the power purchased by MP Tradeco on their behalf.
- 1.37 The Commission vide Tariff Order dated 30<sup>th</sup> March 2007 for FY 2007-08 had allowed power purchase cost of Rs 5,529.58 Crore for all three Distribution Companies generating stations wise. This had included about 1602.25 MW power from the new generating stations (as indicated in the GoMP notification of 14<sup>th</sup> March 2007) which were expected to be commissioned during 2007-08. About 2743.28 MUs (879.14 MUs for East Discom, 551.73 MUs for West Discom and 1312.41 MUs for Central Discom) at the cost of Rs. 503.91 Crore (Rs. 161.49 Crore for East Discom, Rs. 101.35 Crore for West Discom and Rs. 241.07 Crore for Central Discom) had been included in the approved power purchase quantum and cost of the Distribution Companies from these sources in the Tariff Order for FY 2007-08 as “Short term purchase – MP Tradeco” at the rate of Rs.1.84 per kWh. As the filings of the Distribution Companies were short of information required to substantiate such details, they were directed to file complete details of the power purchased.

1.38 In response the East Discom with the help of MP Power Trading Company Ltd. filed the information for the entire State indicating that the power purchase quantum was 35591.55 MUs at the cost of Rs. 6,880.22 Crore. It contains the sale of energy outside MP of 573.32 MUs at Rs.293.50 Crore. In addition the information indicates that there was deemed sale of Rs.23.55 Crore and other income of Rs.226.75 Crore, which were not substantiated with further details. The power purchase is inclusive of short term power purchase of 419.91 MUs at Rs.273.55 Crore and UI charges paid for 364.34 MUs at the cost of Rs.311.39 Crore. The power purchase cost also includes an amount of Rs. 94.09 Crore of prior period bills. An amount of Rs. 291.44 Crore has also been indicated as other costs for arrangement of energy banking and exchange and also the MP Tradeco charges. Gist of the same is given in table below:

**Table 16 : Details of source wise Power Purchase as filed for FY 2007-08**

Sl No	Source	Plant Cap. (MW)	MP's Share (%)	MP's Share (MW)	MU Purchased / Generated (ex-bus)	Total Fixed Cost (Rs Crs.)	Total Taxes Paid (Rs. Crore)	Total Variable and other Charges Rs. Crs.)	All Charges Total (Rs.Crs.)
<b>I</b>	<b>NTPC</b>								
1	KSTPS (2100/448.88 )	2100	21.37%	448.77	3538.81	86.01	59.01	222.79	367.81
2	VSTPS - I (1260/420.12 )	1260	33.34%	420.08	3080.83	98.18	117.06	329.01	544.25
3	VSTPS-II (1000/301.22 )	1000	30.12%	301.20	2280.80	135.27	30.15	239.55	404.97
4	VSTPS-III ( 1000/223.4)	500	22.85%	114.25	1635.10	103.24	18.88	166.21	288.32
5	Kawas (656.20/158.50)	656.2	24.15%	158.53	842.98	53.53	33.85	409.86	497.25
6	Gandhar ( 657.39/135.7 )	657.39	20.64%	135.70	779.39	83.02	0.00	152.84	235.86
7	SIPAT	0	0.00%	0.00	0.04	0.0000	0.00	0.00	0.0023
8	KAPP ( 440/105.54 MW)	440	23.98%	105.54	414.60	0.00	12.34	84.73	97.07
9	TARAPUR (1080/210.78)	1080	19.51%	201.28	803.17	0.00	3.99	226.49	230.48
	<b>Total NTPC WR</b>	<b>7693.59</b>		<b>1885.35</b>	<b>13375.71</b>	<b>559.25</b>	<b>275.28</b>	<b>1831.48</b>	<b>2666.01</b>
1	FSTPS (1600/21.44)			16.09	131.53	6.28	0.80	16.30	23.38
2	TSTPS (1000/13.4)			10.09	88.21	4.91	0.00	6.27	11.19
3	KHSTPS (840/11.17)			23.81	73.09	3.79	0.00	10.02	13.82
	<b>Total NTPC ER</b>			<b>49.99</b>	<b>292.83</b>	<b>14.99</b>	<b>0.80</b>	<b>32.59</b>	<b>48.38</b>
	<b>NTPC-Total (I)</b>	<b>11133.59</b>		<b>1935.34</b>	<b>13668.54</b>	<b>574.24</b>	<b>276.08</b>	<b>1864.07</b>	<b>2714.40</b>
<b>II</b>	<b>Bilateral Power Purchase</b>								
1	RSEB (Chambal,Satpura)				416.80	0.00		134.43	134.43
2	UPPCL (Rihand,Matatila,Rajghat)				0.00	0.00		0.00	0.00
3	DVC				28.74	8.34		0.00	8.34
4	MSEB(Pench)				0.00	0.00		0.00	0.00
5	GridCo (Hirakud)				0.00	0.00		0.00	0.00
	<b>Bilateral-Total (III)</b>				<b>445.54</b>	<b>8.34</b>		<b>134.43</b>	<b>142.77</b>
<b>III</b>	<b>Other Sources</b>								
1	NHDC-Indra Sagar	1000	100.00%	1000.00	2714.73	403.76	32.81	172.55	609.12
2	SSP ( 1450/826.5)	1450	57.00%	826.50	2484.08	0.00	0.00	255.86	255.86
3	OMKARESHWAR	520	100.00%	520.00	686.94	107.45	5.57	37.14	150.16
4	BARGI				2.29	0.00	0.00	1.21	1.21
5	Others 1 (Wind & CPP)				81.00	0.00		19.78	19.78
6	Others 2 (Short-Term purchase)				419.91	0.00		273.55	273.55
7	Others 3 (UI)				364.34	0.00		311.39	311.39
	<b>Others-Total (III)</b>	<b>2970</b>	<b>0.00%</b>	<b>2346.50</b>	<b>6753.29</b>	<b>511.21</b>	<b>38.38</b>	<b>1071.47</b>	<b>1621.06</b>

<b>A</b>	<b>Grand Total (Other then State)</b>	<b>14103.59</b>		<b>4281.84</b>	<b>20867.37</b>	<b>1093.79</b>	<b>314.46</b>	<b>3069.97</b>	<b>4478.22</b>
<b>I</b>	<b>MP Genco - Thermal</b>								
1	ATPS Chachai(290.00MW)	50	100.00%	50.00	964.37	41.20		117.18	158.37
2	ATPS-Chachai-PH2	240	100.00%	240.00	0.00	0.00		0.00	0.00
3	ATPS-Chachai-PH3	0	0.00%	0.00	0.00	0.00		0.00	0.00
4	STPS Sarni (1142.5 MW)	312.5	60.00%	187.50	6171.68	180.87		848.25	1029.11
5	STPS-Sarani-PH2	410	100.00%	410.00	0.00	0.00		0.00	0.00
6	STPS-Sarani-PH3	420	100.00%	420.00	0.00	0.00		0.00	0.00
7	SGTPS Birsingpur(840 MW)	420	100.00%	420.00	4647.29	276.26		474.02	750.28
8	SGPTS-Bir'pur-PH2	420	100.00%	420.00	0.00	0.00		0.00	0.00
9	SGTPS Birsingpur(500 MW)	500	100.00%	500.00	682.34	0.00		183.11	183.11
	<b>Thermal-Total (I)</b>	<b>2772.5</b>		<b>2647.50</b>	<b>12465.68</b>	<b>498.32</b>		<b>1622.55</b>	<b>2120.87</b>
<b>II</b>	<b>MPGenco - Hydel</b>								
1	Gandhi Sagar (50%) 115 MW	115	50.00%	57.50	250.93	5.59		3.49	9.07
2	R P Sagar (50%) 172 MW	172	50.00%	86.00	333.16	0.00		50.31	50.31
3	Jawahar Sagar (50%) 99 MW	99	50.00%	49.50	213.67	0.00		32.26	32.26
4	Pench (66.66%)160 MW	160	66.67%	106.67	281.46	8.95		5.40	14.35
5	Ban Sagar 60+30 MW	315	100.00%	315.00	1237.73	92.92		9.99	102.91
6	Bansagar Tons HPS-Silpara	30	100.00%	30.00	0.00	0.00		0.00	0.00
7	Bansagar Tons HPS-Devloned	60	100.00%	60.00	0.00	0.00		0.00	0.00
8	Jhinna HPS 20 MW	20	100.00%	20.00	16.96	16.57		1.94	18.51
9	Brinsingpur Hydro 20 MW	20	100.00%	20.00	34.28	3.93		0.38	4.31
10	Bargi 90 MW	90	100.00%	90.00	428.27	9.69		0.37	10.06
11	Raghat (50%) 45 MW	45	50.00%	22.50	25.14	6.72		0.62	7.34
12	Matatila HPS	0	0.00%	0.00	0.00	0.00		0.00	0.00
13	Madhikheda HPS 40 MW	40	100.00%	40.00	10.22	24.69		3.15	27.84
14	Mini-Micro HPS	0	0.00%	0.00	0.00	0.00		0.00	0.00
	<b>Hydel Total (II)</b>	<b>1166</b>		<b>897.17</b>	<b>2831.81</b>	<b>169.05</b>		<b>107.92</b>	<b>276.98</b>
	Total Tax for Genco (III)						<b>0.42</b>		0.42
<b>B</b>	<b>MP Genco GENERATION TOTAL (I+II+III)</b>	<b>3938.5</b>	<b>0.00%</b>	<b>3544.67</b>	<b>15297.49</b>	<b>667.37</b>	<b>0.42</b>	<b>1730.48</b>	<b>2398.27</b>
<b>C</b>	<b>Total Power Purchased (A+B)</b>	<b>18042.09</b>	<b>0.00%</b>	<b>7826.52</b>	<b>36164.87</b>	<b>1761.16</b>	<b>314.88</b>	<b>4800.45</b>	<b>6876.49</b>
D	Suppl. Bills of previous years							94.09	94.09
E	Total Inter-State transmission charges (PGCIL)							162.00	162.00
<b>F</b>	<b>Total energy input to MP system (C-E)</b>								<b>7132.58</b>
<b>G</b>	<b>Other costs passed to DISCOMs - which cannot be apportioned station wise- see annexure 'A' enclosed</b>							<b>291.44</b>	<b>291.44</b>
<b>H</b>	<b>TOTAL COST FOR ENERGY PURCHASE (H+I)</b>								<b>7424.02</b>
<b>I</b>	<b>Less: Sale of Power</b>				<b>-573.32</b>			<b>-293.50</b>	<b>-293.50</b>
<b>J</b>	<b>Less: Deemed Sale</b>							<b>-23.55</b>	<b>-23.55</b>
<b>K</b>	<b>Less: Other Income</b>							<b>-226.75</b>	<b>-226.75</b>
<b>L</b>	<b>Net Total Purchase cost and energy input to DISCOMs</b>				<b>35591.55</b>	<b>1761.16</b>	<b>314.88</b>	<b>4804.18</b>	<b>6880.22</b>

1.39 The aforementioned submissions of the Licensees have been examined in detail. During scrutiny it has been observed that the details of power purchase as filed in the petitions in terms of costs as well as energy are on the basis of bills raised by MP Tradeco on the Distribution Companies. The MP Tradeco had not allocated the energy on the basis of the GoMP order of 14<sup>th</sup> March 2007, wherein the GoMP had notified the percentage share of each Distribution Company with regard to different generating stations supplying the power to the State of Madhya Pradesh. The Licensees had therefore been directed to file the power procurement details as per the GoMP notification of 14<sup>th</sup> March 2007.

- 1.40 Further the details of deemed sale, other income and other costs were not furnished. The scrutiny of the bills filed for substantiating the quantum and cost of energy purchased also revealed that the total cost of purchase filed by the Distribution Companies includes the bills of power purchase for the year 2007-08 which were raised in subsequent months of 2008-09 and 2009-10. The Distribution Licensees were not able to establish the cost of power purchased as filed, with that of the bills raised by the different generating sources during 2007-08. However, the Distribution Licensees filed the details of the invoices raised by the MP Tradeco to them which had been claimed forming the base of the power purchase cost as indicated in the audited accounts of the Distribution Companies. The Distribution Companies were directed to file additional information and other clarifications on the issues related with the power purchase vide Commission's letter no. 644 of March 11, 2010. A meeting had also been convened on 18<sup>th</sup> March, 2010 to discuss the issues with the Distribution Companies.
- 1.41 The East Discom vide its submission bearing no. 1800 of 17<sup>th</sup> March, 2010 on affidavit filed the information to the Commission. The matter had been discussed with the representatives of the Distribution Companies and also the MP Tradeco on 18<sup>th</sup> March, 2010. On the basis of the information / data filed and substantiated with the appropriate documents such as copies of the bills etc. by the East Discom collected from MP Tradeco for the entire State, it has been observed that the net quantum of power purchase was 35891.56 MUs and the cost of this quantum of power was Rs.6742.49 Crore after considering the sale of power of 573 MUs at Rs.293 Crore and also net of energy banking and exchange (net of Export-import) of 259.39 MUs. However, this includes procurement of the short term power of 419.90 MUs at Rs.274.29 Crore.
- 1.42 The analysis of power purchase has revealed that net energy input in the State of MP was 35891.56 MUs while as per the audited accounts of Distribution Licensees the cumulative quantum of power purchased was 35895.69 MUs during FY 2007-08. Further, the power purchase cost as per the audited accounts was Rs.6607.48 Crore as against Rs. 6742.49 Crore as per the information filed to the Commission.
- 1.43 The whole true up exercise is based on the audited accounts of the Distribution Licensees. The Distribution Licensees are required to link up the station-wise power purchase cost with the same as indicated in their audited accounts. The Distribution Licensees failed to link-up the station wise power purchase cost with their audited accounts. On the basis of the details filed to the Commission the following situation has emerged:

**Table 17 : Power Purchase Cost for FY 2007-08**

Particulars	East Discom	West Discom	Central Discom	Total for State
Power Purchase Cost as per Audited Accounts (Rs. Crore)	1976.80	2618.16	2012.52	6607.48
Power Purchase Cost as per the information filed to the Commission (Rs. Crore)	2092.25	2657.27	1992.97	6742.49

- 1.44 As already indicated in the paragraph 1.39 above that the power purchase cost in the audited accounts of the Distribution Companies was on the basis of the amount recovered by MP Tradeco. The MP Tradeco had issued the monthly bills to the Distribution Companies on the basis of the per unit cost as indicated in the Commission's tariff order for FY 2007-08 separately for each Company plus difference of the cost paid by MP Tradeco to various sources and cost recovered by MP Tradeco from Distribution Licensees. As the Distribution Companies were not able to establish the relationship between the power purchase cost as indicated in their audited accounts and as filed by them as per the source wise details furnished by MP Tradeco through the East Discom, the Commission has decided to admit the power purchase cost as per the audited accounts of the Distribution Licensees.
- 1.45 The detailed scrutiny of the information filed to substantiate the power purchase cost as indicated in the audited accounts of the Distribution Companies revealed that the West Discom had included Rs.201.45 Crore as short term power purchase for FY 2006-07 for which no further details have been submitted in the petition. This amount has, therefore, not been considered in this true up and shall be considered as and when proper justification for its admissibility is submitted by the said Discom. This amount has been reduced from the power purchase cost as indicated in the audited accounts of West Discom.
- 1.46 The Commission has noted that the power purchase for FY 2007-08 was not allowed as per the merit order. The Distribution Licensees had procured more power than their requirement based on the normative losses. The similar situation had arisen during the true-up exercise for FY 2006-07. Hence, the Commission has decided to follow the same approach as had been considered for the true-up of the year 2006-07 and has decided to apply the pooled cost of long term power procured by the Distribution Licensees to arrive at power purchase cost for the admitted quantum of energy. The power purchase cost as admitted by the Commission is given below:

**Table 18 : Admitted Power Purchase Cost**

Particulars	East Discom	West Discom	Central Discom	Total for State
Total Energy Procured as per Audited Accounts (Rs. Crore)	10,432.00	13,605.52	11,858.17	35,895.69
Cost of Power Purchase including Inter- State Transmission Charges as per Audited Accounts (Rs. Crore)	1,976.80	2,618.16	2,012.52	6,607.48
Less Power Purchase Cost of 2006-07 Short Term (Rs. Crore)	0.00	201.45	0.00	201.45
Total Cost of Power Purchase for FY 2007-08 (Rs. Crore)	1,976.80	2,416.71	2,012.52	6,406.03
Energy procured from Short Term Sources (MUs)	121.06	156.24	142.60	419.90
Energy Procured from Long Term Sources (MUs)	10310.94	13449.28	11715.57	35475.79
Cost of Short Term Power Purchase (Rs. Crore)	79.08	102.06	93.15	274.29
Power Purchase Cost for Long Term Power (Rs. Crore)	1897.72	2314.65	1919.37	6333.19
Per Unit Cost of Long Term Power (Rs. / kWh)	1.84	1.72	1.64	1.79
Quantum of Power Purchase Admitted (MUs)	8843.57	11996.35	9914.51	30754.43
<b>Total Power Purchase Cost admitted (in Rs. Crore)</b>	<b>1627.65</b>	<b>2064.60</b>	<b>1624.30</b>	<b>5,316.55</b>
Power Purchase Cost as per Tariff Order (Rs. Crore)	1,749.88	2,064.73	1,714.97	5,529.58
True-Up (Rs. Crore)	-122.23	-0.13	-90.67	-213.03

### **Transmission Charges**

- 1.47 The Commission, vide its order of March 13, 2006 determined the transmission charges of Rs. 644.71 Crore to be recovered from Distribution Companies in FY 2007-08. Later on the Commission trued-up the transmission tariff order for FY 2005-06 and an amount of Rs. 94.12 Crore was added by Commission's Transmission Tariff Order of March 1, 2007. Hence, for FY 2007-08 the Commission allowed total transmission charges to be recovered from the Distribution Companies of the amount of Rs. 738.83 Crore. The Distribution Company wise details are indicated in the table below:

**Table 19 : Transmission Charges as applicable for FY 2007-08 (Rs. Crore)**

Sl. No.	Name of the Distribution Company	Transmission Charges for FY 2007-08	True – up Amount of Transmission Charges for FY 2005-06	Total Transmission Charges to be recovered during FY2007-08
1	East Discom	190.86	27.97	218.83
2	West Discom	244.35	35.44	279.79
3	Central Discom	209.50	30.71	240.21
5	<b>Total</b>	<b>644.71</b>	<b>94.12</b>	<b>738.83</b>

- 1.48 The Distribution Companies in their respective petitions have submitted that the MP Power Transmission Company recovered the aforementioned charges from them during the year. In addition the MP Power Transmission Company Ltd. also raised the fringe benefit tax for the year 2005-06, 2006-07 and 2007-08, incentive for 2006-07 and income tax for 2006-07 and 2007-08. The Transmission Company had also given 50% credit of the amount received on account of inter-State short term open access transaction for the year 2006-07. As per the audited accounts for FY 2007-08 the amount as paid towards the transmission charges of MP Power Transmission Company Ltd. is given in the table below:

**Table 20 : Transmission Charges as Filed for FY 2007-08 (Rs. Crore)**

Sl. No.	Distribution Company	Total Transmission Charges to be recovered during FY2007-08	Actual Transmission Charges Claimed as per Audited Account	Difference of Transmission Charges as claimed for true up
1	East Discom	218.83	227.44	8.61
2	West Discom	279.79	298.45	18.66
3	Central Discom	240.21	247.83	7.62
5	<b>Total</b>	<b>738.83</b>	<b>773.72</b>	<b>34.89</b>



- 1.49 The East Discom provided the break-up of Rs. 8.61 Crore i.e. the difference of transmission charges claimed towards the fringe benefit tax, income tax and incentive. The other two Distribution Companies i.e. West and Central Distribution Companies has not given the details.
- 1.50 The Commission observed that the MP Transmission Company had claimed the amount towards taxes and incentives as per the provisions of the regulations / Acts. Hence the Commission admits the claim Rs. 34.89 Crore as indicated above towards the true up of intra-State transmission charges as claimed by the Distribution Companies. The Company wise amount is indicated in the table above.

### ***Operation and Maintenance (O&M) Costs***

#### **Licensees' submission:**

- 1.51 The Commission had allowed the total Operation and Maintenance Cost as Rs. 1154.41 Crore. The Distribution Company wise break-up of the O&M costs is given in the table below:

**Table 21 : O&M Cost Allowed for FY 2007-08 (Rs. Crore)**

Particulars	East Discom	West Discom	Central Discom	Total
O&M Cost Allowed in Tariff Order for FY 2007-08 (Rs. Crore)	363.96	455.69	334.76	1,154.41

- 1.52 Licensees, in their petitions claimed the Operation and Maintenance expenses based on norms as given in 'The Madhya Pradesh Electricity Regulatory Commission (Terms and Conditions for Determination of Tariff for distribution and retail supply of electricity) Regulations, 2006. These norms are based on the number of metered consumers, metered sales, total network length at 11kV and 33kV, voltage levels and allowable multipliers for each parameter for the year under consideration. Also, in their submission, Distribution Companies referred to Clause 2.20 of the Terms and Conditions of Determination of Tariff Regulation, 2006 stating "*these norms exclude terminal benefits to be paid to employees, taxes to be paid to the Government or Local Authorities and fees to be paid to MPERC.*" The Norms are given in the table below:

**Table 22 : Norms for O&M cost FY 2007-08**

O&M charges (Rs. In lakhs)*	FY 2007-08	FY 2008-09	FY 2009-10
<i>For Metered Consumers (Rs Lakh/1000 Consumer)</i>	6.50	6.90	7.31
<i>For Metered Sales (Rs Lakh/MU)</i>	2.35	2.49	2.64
<i>For HT Network length (Rs Lakh/100 ckt km)</i>	16.00	17.00	18.00
<i>For Transformation (33/11kV) (Rs Lakh/MVA)</i>	1.53	1.62	1.72

- 1.53 On the basis of the norms as indicated above the O&M expenses as claimed by the Licensees are given in the table below:

**Table 23 : Normative O&M Expenses as Filed for FY 2007-08 (Rs. Crore)**

Sl. No.	Particulars	East Discom	West Discom	Central Discom
I	Metered consumers (nos.) – opening	1,777,144	1,924,584	1,508,539
ii	Metered consumers (nos.) – closing	1,808,848	2,085,441	1,579,385
I	Average Metered consumers (nos.) - (average of i and ii above)	1,792,996	2,005,013	1,543,962
II	O&M expenses Rs. Lakh per '000 metered consumers as per Regulation	6.50	6.10	6.50
<b>A</b>	<b>Sub-total O&amp;M expenses (I*II/1000) (Rs. Lakh)</b>	<b>11,654</b>	<b>12,231</b>	<b>10,036</b>
i	Metered sales (MU) – previous year	4,273	5,684	4,108
ii	Metered sales (MU) - year in question (for which true-up is sought)	4,614	5,362	4,468
I	Average sales (MU) - average of i and ii above	4,444	5,523	4,288.26
II	O&M expenses Rs. Lakh per MU metered sales as per Regulation	2.35	2.21	2.35
<b>B</b>	<b>Sub-total O&amp;M expenses (I*II) (Rs. Lakhs)</b>	<b>10,442</b>	<b>12,206</b>	<b>10,077</b>
i	Ckt-kms of HT (33kV and 11kV) lines - as at end of previous year	72,101	64,214	64,323
ii	Ckt-kms of HT (33kV and 11kV) lines - as at end of year in question	73,727	65,699	66,180
I	Average ckt-kms of HT lines - (average of i and ii above)	72,914	64,957	65,251.41
II	O&M expenses Rs. Lakh per 100 ckt-km of HT lines as per Regulation	16.00	15.10	16.00
<b>C</b>	<b>Sub-total O&amp;M expenses (I*II/100) (Rs. Lakh)</b>	<b>11,666</b>	<b>9,808</b>	<b>10,440</b>
i	Cumulative transformation capacity of 33/11kV transformers in MVA - end of previous year	3,199	5,121	3,446
ii	Cumulative transformation capacity of 33/11kV transformers in MVA - end of year in question	3,767	5,431	3,865
I	Average transformation capacity - (average of i and ii above)	3,483	5,276	3,655
II	O&M expenses Rs. Lakh per MVA as per Regulation	1.53	1.44	1.53
<b>D</b>	<b>Sub-total O&amp;M expenses (I*II) (Rs. Lakh)</b>	<b>5,329</b>	<b>7,597</b>	<b>5,592</b>
<b>E</b>	<b>Total O&amp;M expenses in Rs. Lakh (A+B+C+D)</b>	<b>39,091</b>	<b>41,842</b>	<b>36,146</b>
<b>F</b>	<b>Total O&amp;M expenses in Rs. Crore (as per norms)</b>	<b>390.91</b>	<b>418.42</b>	<b>361.46</b>
<b>G</b>	<b>Other Expenses not covered under the Norms (MPERC Fees, Taxes to Govt. and Local Bodies etc.) Rs. Crore</b>	<b>3.01</b>	<b>2.00</b>	<b>0.71</b>
<b>H</b>	<b>Terminal Benefit</b>	<b>84.62</b>	<b>62.80</b>	<b>68.39</b>
<b>I</b>	<b>Grand Total</b>	<b>478.54</b>	<b>483.23</b>	<b>429.86</b>

1.54 The Commission had also directed to provide the actual amount of O&M expenses along with aforementioned information the Distribution Companies submitted the following information:

**Table 24 : O&M Expenses as per Audited Accounts for FY 2007-08 (Rs. Crore)**

Particulars	East Discom	West Discom	Central Discom
<b>O&amp;M Expenses as per Audited Accounts (Rs in Crore)</b>	<b>451.90</b>	<b>401.11</b>	<b>402.47</b>

**Commission's View and Analysis on Operation and Maintenance Costs:**

- 1.55 In the true-up petitions, all the three petitioners have claimed O&M expenses on normative basis. However, there appears some mistake while arriving to the grand total by Central Discom. It should be Rs.430.56 Crore instead of 429.86 Crore. In respect of West Discom, it has been observed that while calculating the O&M expenses the West Discom had taken the norms other than specified by the Commission without any reason indicating in the petition.
- 1.56 The terms and conditions for determination of generation tariff applicable for the tariff period 2006-07 to 2008-09 provides for payment of O&M expenses on normative basis. Similar provisions exist in the terms and conditions of Transmission and Distribution tariff also. However, the Commission, while issuing the order dated 19<sup>th</sup> March, 2008 on True-up of Transmission Tariff for FY 2006-07 had approved the actual O&M expenses mentioning the following in paragraph 5.13,
- “The Commission understands that the increase in the employee expenses during FY 2006-07 was due to the wage revision and revision in the Dearness Allowances as declared by the State Government. The petitioner has no control over such decisions. This is an uncontrollable factor for the Transmission Licensee. Hence, the Commission approves the revised employee expenses of Rs.98.58 Crore. But at the same time, the Commission has to safeguard the interest of the consumers. The MPPTCL should, therefore, ensure that rise in the employee cost is compensated by increased productivity of the employees”.*
- 1.57 Thus, the Commission had consciously allowed O&M expenses based on actual in the petition for true-up of transmission and Generation tariffs for the year 2006-07. Further, it has been observed that actual O&M expenses of the Distribution Companies in FY 2007-08 are lower than the expenses worked out on normative basis.
- 1.58 Taking a comprehensive view of the actual O&M expenses vis-à-vis normative expenses of MP Power Transmission Co. Ltd., MP Power Generating Co. Ltd and the three Distribution Companies and also keeping in view that these O&M expenses have employee expenses as the major component and further that employee wages are decided common for all Companies, it is seen that the actual expenses are more than the normative expenses in the cases of Generation and Transmission Companies, while these are less than the normative in the case of Distribution Companies. The Commission is of the view that the norms prescribed by the Commission for O&M expenditure while framing the Regulations on terms and conditions of tariff for Generation, Transmission and Distribution Companies might have been understated for the Generation and Transmission Companies and overstated for the Distribution Companies. This could be due to the fact that the Regulations on terms and conditions of tariff were framed just after unbundling of power utilities from erstwhile MPSEB and the actual break up of total O&M expenses for generation, transmission and distribution segments was not available. Therefore, the base figures for computation of norms for O&M expenditure were taken from the common base of erstwhile MPSEB and apportioned among generation/transmission/distribution segments on the basis of information made available at that time. The Commission has decided to follow a consistent approach of allowing actual O&M expenditure incurred during FY 2007-08 after exercising the prudent check, as has also been done for the true up of 2006-07 for the Distribution Companies.

**Analysis of the O&M Expenses:**

1.59 The O&M expenses as allowed by the Commission in the Tariff Order for FY 2007-08, as filed and claimed in the true-up petitions filed by the petitioners and as per the audited accounts are given below:

**Table 25 : O&M expenditure Allowed in Tariff Order vis-a-vis claimed in true-up petition and audited accounts (Rs. Crore.)**

Particulars	East Discom	West Discom	Central Discom	Total
Allowed in Tariff Order for FY 2007-08 (Based on norms)	363.96	455.69	334.76	<b>1,154.41</b>
Amount Claimed in True-up (Based on norms)	478.55	483.23	429.86	<b>1,391.64</b>
Actual as per Audited Accounts	451.90	401.11	402.47	<b>1,255.48</b>

1.60 The Commission has examined the actual expenditure towards the O&M from the audited accounts of the Distribution Companies for the year 2007-08. The head wise break-up of O&M among Employee cost, R&M expenses and A&G expenses as per the audited accounts are given in the table below:

**Table 26 : O&M Expenses head wise for FY 2007-08 (Rs. Lakh)**

Heads of O&M (Net of Capitalization)	East Discom	West Discom	Central Discom	Total
R & M (Rs. Lakh)	3025.88	2976.62	3010.89	9013.39
Employee cost (Rs. Lakh)	35726.18	31792.11	31619.71	99138
A& G (Rs. Lakh)	6437.75	5342.1	5616.32	17396.17
<b>TOTAL (Rs. Lakh)</b>	<b>45189.81</b>	<b>40110.83</b>	<b>40246.92</b>	125547.56

1.61 Audited accounts for FY 2007-08 in respect of East, West and Central Distribution Companies have shown expenses under the “Terminal Benefits to Employees” in “Employees’ costs” schedule to the tune of Rs. 86.43 Crore, Rs. 62.80 Crore and Rs. 67.69 Crore respectively. The East and Central Distribution Companies in their petitions have requested that in accordance with the “MPSEB Terminal Benefits Fund Rules, 2006”, the successor Companies of erstwhile MPSEB are required to contribute in “MPSEB Terminal Benefit Trust”. The Commission has noted that the Distribution Companies had only made the provisions in the audited accounts. Further, the Distribution Companies have not substantiated the details of Terminal Benefit as indicated in their audited accounts with the information that any part of complete amount shown against Terminal Benefit had been paid actually by the Distribution Companies. Further, the Commission while truing up exercise of Transmission Tariff Order for 2007-08 had allowed Rs. 238.54 Crore towards the Terminal Benefits, which includes the share of Terminal Benefits for other successor Companies of MPSEB. The Commission observes that the actual payments made for pension and terminal benefits to all pensioners/retirees of erstwhile MPSEB have already been allowed to MPPTCL. Further, no funds were transferred to terminal benefit trust by these Companies. The provisions made under the “Terminal Benefits to Employees” are therefore not admitted in this true up.

- 1.62 In the Schedules of Employee Cost in the audited accounts of the Distribution Companies, Bonus and Ex-gratia of Rs.4.81 Crore for East Discom, Rs. 3.45 Crore for West Discom and Rs.3.40 Crore for Central Discom is included. Breakup of this in terms of Bonus paid as per statutory requirement and Ex-gratia paid to employees ineligible for Bonus is not furnished. It is seen that Bonus payment is very nominal as is evident from East Discom's account for FY 2006-07. The amount paid towards Bonus is Rs. 26,045. While Bonus is admissible as employee cost, ex-gratia is not admissible as employee cost and should have been paid out of RoE / profit. Considering this a nominal amount of Rs. 1 Lakh is only admitted out of the expense shown towards Bonus / Ex-gratia.
- 1.63 Audited annual accounts of East, West and Central Distribution Companies have shown "insurance" expenses under the "Administrative and General Expenses" schedule to the tune of Rs. 8.84 Crore, Rs. 10.43 Crore and Rs. 9.24 Crore respectively. While seeking clarifications, the petitioners have clarified that these are provisions and no amount has actually been incurred against this head. The Commission has not admitted any expenses against this head.
- 1.64 Audited annual accounts of East, West and Central Distribution Companies have shown "Allocation of Common Expenses from MPSEB" under the "Administrative and General Expenses" schedule of Rs. 8.80 Crore, Rs. 11.01 Crore and Rs. 8.09 Crore respectively. The Commission had already made it clear to the successor Companies of the erstwhile Board that it will not allow any expenses incurred by them for meeting the expenses of the Board as the later has already been disintegrated into five Companies and the Board had been entrusted with the responsibility of a Trading Licensee. In fact, this responsibility has been given to a trading company MPPTCL. Therefore, in the present case the expense claimed by the Distribution Licensees for meeting MPSEB expenses has not been admitted.
- 1.65 Based on the above, the Commission admits the amount (net of capitalization) which has been actually incurred by the Distribution Companies (as per their audited accounts except the terminal benefits to employees, ex-gratia, insurance, allocation of common expenses from MPSEB), of Rs. 343.03 Crore for East Discom, Rs. 313.42 Crore for West Discom and Rs. 314.05 Crore for Central Discom as shown in the following table:-

**Table 27 : O&M expenditure Admitted (Rs. Crore.)**

Particulars	East Discom	West Discom	Central Discom	Total
R&M Expenses (As per Audited Balance Sheet) - Net of Capitalisation	30.26	29.77	30.11	<b>90.13</b>
Employees expenses (As per Audited Balance Sheet) - Net of Capitalisation	357.26	317.92	316.20	<b>991.38</b>
Less: Terminal Benefits Expenses	86.43	62.8	67.69	<b>216.92</b>
Less: Ex-Gratia	4.80	3.45	3.40	<b>11.65</b>
Total Employees Expenses	<b>266.03</b>	<b>251.67</b>	<b>245.11</b>	<b>762.81</b>
A&G Expenses (As per Audited Balance Sheet) - Net of Capitalisation	64.38	53.42	56.16	<b>173.96</b>
Less: Insurance	8.84	10.43	9.24	<b>28.51</b>
Less: Common Expenses of MPSEB	8.80	11.01	8.09	<b>27.90</b>
Total A&G Expenses	<b>46.74</b>	<b>31.98</b>	<b>38.83</b>	<b>117.55</b>
<b>Grand Total</b>	<b>343.03</b>	<b>313.42</b>	<b>314.05</b>	<b>970.50</b>
<b>Amount admitted by Commission in this true-up</b>	<b>343.03</b>	<b>313.42</b>	<b>314.05</b>	<b>970.50</b>
Amount Allowed in Tariff Order for 2007-08	363.96	455.69	334.76	<b>1154.41</b>
Amount of True-up difference	-20.93	-142.27	-20.71	<b>-183.91</b>

### ***Interest & Finance Charges and Return on Equity***

- 1.66 The interest and finance charges comprise of interest on project specific loans, the interest charges on Consumer Security Deposits, the interest charges on working capital loans and the cost of raising finance and other charges from the lending agencies.
- 1.67 As per the audited annual financial statement, details of Interest & Finance Charges are as follows:

**Table 28 : Interest and finance charges as per Audited Accounts (Rs. Crore)**

<b>Interest &amp; Finance Charges</b>	<b>East Discom</b>	<b>West Discom</b>	<b>Central Discom</b>	<b>Total</b>
<b>Interest on Loan</b>				
MPSEB Loans	30.24	55.57	37.92	123.73
Interest on State Govt. Loans		15.08		15.08
REC loans under RGGVY Scheme	0.73			0.73
NABARD	0.06		0.03	0.09
APDRP	2.50		4.36	6.86
ADB	5.12		6.85	11.97
PFC-RTL	6.41	10.38	6.02	22.81
PFC-STL	7.82			7.82
Penal Interest in respect of Capital Liabilities		2.77		2.77
ADB Loan	0.08			0.08
REC Loan	19.18	5.69	7.85	32.72
HUDCO	3.62			3.62
JBIC REC Loan		0.01		0.01
Interest on Society REC deposit			1.89	1.89
<b>Total</b>	<b>75.76</b>	<b>89.50</b>	<b>64.92</b>	<b>230.18</b>
Interest on Consumers Deposits	10.85	16.20	13.58	40.63
<b>Total</b>	<b>86.61</b>	<b>105.70</b>	<b>78.50</b>	<b>270.81</b>
Interest on Borrowings for Working Capital	30.09	44.03	16.57	90.69
<b>Total</b>	<b>116.70</b>	<b>149.73</b>	<b>95.07</b>	<b>361.50</b>
Cost of Raising Finance	2.10			2.10
Other Charges	2.02	2.25	1.60	5.87
Less- Rebate in Interest on Timely Repayment		0.01		0.01
<b>Total</b>	<b>120.82</b>	<b>151.99</b>	<b>96.67</b>	<b>369.48</b>
Less: Interest & Finance Charges Capitalized	30.78	50.64	48.71	130.13
<b>Net Total</b>	<b>90.04</b>	<b>101.35</b>	<b>47.96</b>	<b>239.35</b>

## Interest on Project Loans

### Licensees' submission:

1.68 In its true-up filing East Discom, West Discom and Central Discom have claimed Rs. 46.03 Crore, 84.59 Crore and 51.49 Crore as against Rs. 3.93 Crore, 11.46 Crore and 5.70 Crore allowed in Tariff Order. The details of interest on project loans claimed by petitioners are as follows:

**Table 29 : Interest on Project Loans Claimed by East Discom (Rs. Crore)**

Sr. No.	Source	As filed in the true-up petition as audited figures* (A)	Allowed in the Tariff Order (B)	Variance (A-B)
<b>A</b>	<b>On new Long Term Loans</b>			
1	ADB Loan (Tranches II & SBI CPF)	0.08		
2	REC	0.33		
3	REC-JBIC	0.4		
4	HUDCO	3.62		
	<b>Total</b>	<b>4.43</b>		
<b>B</b>	<b>On Existing Long Term Loans</b>			
1	PFC	14.23		
2	REC	19.18		
3	ADB	5.12		
4	GoMP-APDRP, NABARD, WB	2.54		
5	MPSEB Generic Loans	30.24		
	<b>Total</b>	<b>71.31</b>		
	<b>Total (A+B)</b>	<b>75.74</b>	5.57	70.17
	<b>Cost of Raising Finance</b>	<b>4.13</b>	3	1.13
	Less: Interest Capitalized	<b>30.78</b>		30.78
	<b>Net Interest and Finance Charges on Project Loans</b>	<b>49.09</b>	<b>8.57</b>	<b>40.52</b>

*\*The total amount claimed does not match with the audited accounts*

**Table 30 : Interest on Project Loans Claimed by West Discom (Rs. Crore.)**

Sr. No.	Source	As filed in the true-up petition as audited figures* (A)	Allowed in the Tariff Order (B)	Variance (A-B)
1	State Govt. Loans (including ADB, NABARD ,APDRP)	15.08		
2	REC	5.69		
3	PFC	10.38		
4	MPSEB Generic	55.57		
5	JBIC-REC Loan	0.01		
	<b>Total</b>	<b>86.73</b>		
	Less : Interest & Finance charges capitalised	50.64		
	<b>Net Interest</b>	<b>36.09</b>	17.09	<b>19</b>
	Less: Rebate in Interest for Timely Repayment	0.01		
	Add: Other finance charges	2.25	3	<b>-0.75</b>
	Add: Interest on overdue principal	2.77		
	<b>Total Interest</b>	<b>41.10</b>	<b>20.09</b>	<b>21.01</b>

*\*The total amount claimed does not match with the audited accounts*

**Table 31 : Interest on Project Loans Claimed by Central Discom (Rs. Crore)**

Sr. No.	Source	As filed in the true-up petition as audited figures* (A)	Allowed in the Tariff Order (B)	Variance (A-B)
1	MPSEB Generic Loan	37.92		
2	REC Loan	7.85		
3	NABARD	0.03		
4	APDRP	4.36		
5	ADB	6.85		
6	PFC -RTL	6.02		
7	<b>Total project loan</b>	<b>63.03</b>		
8	interest on society REC deposit	1.89		
9	<b>Total</b>	<b>64.92</b>		
10	Less IFC capitalised	48.71		
11	<b>Net Interest</b>	<b>16.21</b>	8.34	<b>7.87</b>
14	Add. Other finance charges	1.60	1.04	<b>0.56</b>
15	<b>Total Interest</b>	<b>17.81</b>	<b>9.38</b>	<b>8.43</b>



### **Commission's Analysis on Interest on Project Loans:**

1.69 The Commission has examined the claims of the Distribution Companies from its filing and its audited annual financial statements. As per Regulations 2.10 to 2.13 of the Terms and Conditions of Determination of Tariff Regulation 2006, for allowing interest all loans shall be identified with the assets created. It further states that interest and finance charges on works in progress shall be excluded and be considered as part of the capital cost. In the absence of information related to loans mapping with particular assets, it cannot be ascertained as to how much loan is related to completed fixed assets and how much is related to capital work in progress. Regulation 2.5 of the Terms and Conditions of Determination of Tariff Regulation 2006, states that debt-equity ratio shall be 70:30 for calculation of interest on loan and for return on equity. However, the Commission has adopted the following principles for working interest on project loans

#### **Principles adopted for calculation of interest on project loans**

- 1.70 In the True-up order for Distribution and Retail Supply Tariff Order for FY 2006-07, the interest on project loans was allowed on the fixed asset created till 31<sup>st</sup> March 2007 on the basis of audited balance sheet for FY 2006-07. The Commission has adopted the same process for allocating the gross fixed assets (GFA) into debt and equity:
- (a) Allocation of fixed assets as on 31<sup>st</sup> March 2007 into debt and equity was taken as per the true-up order 2006-07.
  - (b) Net addition to GFA during FY 2007-08 was worked out after subtracting the consumer contribution amount from total addition to GFA, as available from the audited accounts of the Distribution Companies.
  - (c) 30% of the net addition to GFA during FY 2007-08 had been considered as funded through equity and added to the total Equity in GFA (considered at the end of FY 2006-07), as per the True-up Order for FY 2006-07.
  - (d) Balance of net addition to GFA is considered as having been funded through debt and added to the total debt in GFA considered at the end of FY 2006-07. In absence of the actual dates of capitalization of individual assets, 50% of the net addition to GFA is considered for allowing Interest on project loans, so that the principle of pro-rata basis can be followed.
  - (e) Scheduled debt repayments has been subtracted from the total debt identified with completed assets as computed from above. Actual repayments had not been considered since there had been defaults in repayment of principal by the Licensee during FY 2007-08.

- 1.71 Also in the tariff order for FY 2009-10, the weighted average interest rate of all loans as on 31<sup>st</sup> March 2008 was taken. On that basis, the weighted average interest rate as 11.15% p.a., 9.27% p.a. and 8.81% p.a. for East Discom, West Discom and Central Discom respectively has been taken for FY 2007-08.
- 1.72 Same principles and process are being adopted for allowing the interest on project loans for true-up of FY 2007-08. Other Charges related to interest and finance charges (as appearing in the audited annual financial statements of the Distribution Companies in interest and finance charges schedule) of Rs. 4.13 Crore of East Discom, 2.25 Crore of West Discom and Rs. 1.60 Crore of Central Discom have been claimed by the Distribution Companies. The Commission admits the same with interest on project loans. Thus, the interest on project loans being admitted in true-up 2007-08 comes out to be Rs. 15.19 Crore, Rs. 17.24 Crore and Rs. 12.09 Crore for East, West and Central Distribution Companies respectively. The allocation and calculation of interest on project loans is presented in the table below:

**Table 32 : Interest on Project Loans Admitted by Commission (Rs. Crore.)**

S. No.	Particulars	East Discom	West Discom	Central Discom	Total for State
1	Addition to GFA during FY 2007- 08 (as per audited balance sheet)	194.35	127.45	345.15	<b>666.95</b>
2	Consumer Contribution during FY 2007-08 (as per audited balance sheet)	6.98	15.39	5.55	<b>27.92</b>
3	Net addition to GFA during FY 2007-08 (3 = 1-2)	187.37	112.06	339.60	<b>639.03</b>
4	30% of addition to net GFA considered as funded through equity (4 = 3*30%)	56.21	33.62	101.88	<b>191.71</b>
5	Balance addition to net GFA during the year : funded through debt (5 = 3-4)	131.16	78.44	237.72	<b>447.32</b>
6	50% of the Balance addition to net GFA: funded through debt (6=5*50%)	65.58	39.22	118.86	<b>223.66</b>
7	Debt associated with GFA as on 31st March 2007 (True-up 2006-07 Order)	156.55	216.12	94.40	<b>467.07</b>
8	Debt repayment Due during FY08	122.89	93.61	75.98	<b>292.48</b>
9	Total debt associated with GFA as on 31st Mar 08 (9=6+7-8)	99.24	161.73	137.28	<b>398.25</b>
10	Weighted average rate of interest (%) on all loans as on 31.03.08	11.15%	9.27%	8.81%	
11	Interest on Project Loans (11 = 9*10)	11.07	14.99	12.09	<b>38.15</b>
12	Other Charges	4.12	2.25	1.60	<b>7.97</b>
<b>13</b>	<b>Interest cost admitted on project loans in True-Up FY 2007-08 (13=11+12)</b>	<b>15.19</b>	<b>17.24</b>	<b>13.69</b>	<b>46.12</b>
14	Interest and Finance charges on project loans allowed in Tariff Order dated 31.03.07	8.57	20.09	9.38	<b>38.04</b>
15	True-up difference	6.62	-2.85	4.31	<b>8.08</b>

### **Interest on Working capital**

#### **Licensees' submission:**

- 1.73 East Discom has claimed interest on working capital of Rs. 30.09 Crore on the basis of audited accounts. As per tariff order for FY 2007-08 Rs. 4.09 Crore had been allowed. In response to the Commission's direction to submit the details in this regard as per the norms specified in the Terms and Condition of Distribution Tariff Regulation 2006, the East Discom has not submitted any information. It has replied that as the details of accounting transactions were not maintained on the basis of on business segment hence segregation of loan and interest on working capital in wheeling and retail sale activity for the year 2007-08 is very difficult under the present system.
- 1.74 West Discom has claimed interest on working capital of Rs. 44.03 Crore on the basis of audited accounts as against Rs.5.10 Crore allowed in tariff order FY 2007-08. West Discom has submitted the details of working of interest on working capital as per the norms specified by the Commission. The interest on working capital for wheeling activity has been worked out as Rs.6.43 Crore and for Retail Supply activity Rs. 24.20 Crore. The total interest on working capital has been indicated as Rs. 30.63 Crore on the basis of the norms.
- 1.75 Central Discom has indicated interest on working capital of Rs. 16.57 Crore as per the audited accounts for FY 2007-08. The Commission had allowed Rs.3.79 Crore in tariff order FY 2007-08. Central Discom has not submitted the details of working of interest on working capital as per the norms specified by the Commission. The interest on working capital has been worked out as Rs.20.88 Crore on the basis of the norms.

#### **Commission's Analysis on Interest on working capital:**

- 1.76 As per regulation 2.26 of the Terms and Conditions of Determination of Tariff Regulation 2006, interest on working capital shall be payable on normative basis notwithstanding that the licensee has not taken working capital loan from any outside agency or has exceeded the working capital loan based on normative figures. For the purpose of interest rate on working capital, interest at the rate of short-term prime lending rate of State Bank of India as on 1<sup>st</sup> April of relevant year plus 2% shall be taken.

1.77 The East Discom has not furnished the details of the calculation for determining the working capital requirement. Central Discom has not separated working capital requirement on the basis of the wheeling activity and retail supply activity. West Discom in its additional information has furnished separate working for wheeling and retail supply activities but without substantiation. While scrutinising the details, it has been observed that the amount of consumer security deposit as indicated in the audited accounts of Central Discom and the interest as shown again in its audited accounts do not substantiate each other. The Central Discom through a subsequent submission dated 17<sup>th</sup> March'2010 informed that actual closing balance of security deposit is Rs.409.31 Crore as on 31<sup>st</sup> March, 2008. In case of West Discom in its Schedule 27 "Security Deposits from Consumers" for the year 2007-08 the total amount of Security deposit from Consumers is indicated as Rs. 500.71 Crore. In addition to this an amount of Rs. 182.05 Crore has been shown as liability towards agricultural consumers advance received. The net of the security deposit is indicated as Rs.321.73 Crore. The Commission has considered Rs.500.71 Crore for the purpose of considering the consumer security deposit for working out the working capital requirement of West Discom. This is corroborated by the fact that interest on consumer security deposit by West Discom is highest amongst the three Distribution Companies and rate of interest is common to three Distribution Companies which has been mandated by the Commission. The Commission has made the following working to determine the working capital requirement and interest thereon.

**Table 33 : Interest on Working Capital Requirements (Amount in Rs. Crore)**

Sl. No.	Particulars	East Discom	West Discom	Central Discom	Total
A	1/6th of annual requirement of inventory for previous year (opening GFA as per balance sheet of 2007-08 )*	2.41	2.80	2.24	7.44
B	O&M expenses admitted by the Commission in this true up	343.02	313.42	314.05	970.49
B i)	1/12th of above O& M expenses	28.58	26.12	26.17	80.87
C	Receivables				
C i)	Annual Revenue (from wheeling charges and retail tariffs and charges) (Taken as per Audited accounts) includes subsidy and other income excludes ED, CESS	2142.91	2806.49	2263.90	7213.30
C ii)	Receivables equivalent to 2 months average billing	357.15	467.75	377.32	1202.22
D	Power Purchase expenses (As admitted by the Commission)	1627.65	2064.60	1624.30	<b>5316.55</b>
D i)	1/12th of power purchase expenses	135.64	172.05	135.36	443.05
E	Consumer Security Deposit (Average of Opening and Closing)	303.96	480.87	372.48	<b>1157.31</b>
F	<b>Total Working capital requirement as calculated [A + B i) + C ii) - D i) - E]</b>	-51.45	-156.26	-102.11	-309.82
G	<b>Interest (14.25%)</b>	-7.33	-22.27	-14.55	-44.15
H	<b>Interest on Working capital admitted in true-up</b>	0.00	0.00	0.00	<b>0.00</b>
I	<b>Interest on working capital allowed in Tariff Order dated 30.03.07</b>	4.09	5.10	3.79	<b>12.98</b>
J	<b>True-up difference</b>	-4.09	-5.10	-3.79	-12.98

## Interest on Consumer Security Deposits

### Licensees' submission:

- 1.78 East Discom has claimed Rs. 19.57 Crore as interest on consumer security deposits for the year 2007-08. It is indicated by the East Discom that out of Rs.19.57 Crore, Rs. 10.85 Crore is for year 2007-08 as per the audited accounts. Balance amount of 8.72 Crore is for the year 2006-07 which was for 2006-07 but could not be taken into accounts due to some clerical mistake, has not been taken to interest account for the year 2007-08 as envisaged last year. Hence the East Discom has prayed to allow Rs. 19.57 Crore in the true-up. The interest on consumer security deposit was allowed to the tune of Rs. 20.81 Crore in the tariff order.
- 1.79 West Discom has indicated that the amount of interest on consumer security deposit as per the audited accounts is Rs. 16.20 Crore as against Rs. 27.22 Crore allowed in tariff order FY 2007-08.
- 1.80 Central Discom has claimed Rs.13.58 Crore as per audited accounts against Rs. 21.00 Crore, as allowed in tariff order for FY 2007-08.

### Commission's Analysis on Consumer Security Deposit:

- 1.81 As per the clause 2.11 of Commission's Terms and Conditions of Determination of Tariff Regulation 2006, interest on consumer security deposit shall be considered at the rate specified by the Commission. In the tariff order 2007-08 the Commission allowed the interest on consumer security deposit @ 6%. The actual interest as per the audited accounts of the Distribution Companies is less than 6%. Hence the Commission admits the interest amount on consumer security deposit as per the audited accounts of the Distribution Companies. The contention of East Discom with regard to balance amount of 8.72 Crore to be considered in this year is not acceptable to Commission. It should be a valid entry in the audited accounts for enabling the legitimate claim.
- 1.82 The summary of interest on consumer security deposits allowed by the Commission is given in table below:

**Table 34 : Interest on Consumer Security Deposit Admitted (Amount in Rs. Crore)**

Particulars	East Discom	West Discom	Central Discom	Total
Claimed in true up petition for FY2007-08	19.57	16.21	13.58	<b>49.36</b>
Admitted in this true-up Order as per Audited Balance Sheet	10.85	16.20	13.58	<b>40.64</b>
Allowed in Tariff Order dated 30.03.07 for FY 2007-08	20.81	27.22	21.00	<b>69.03</b>
<b>True-up difference</b>	<b>-9.96</b>	<b>-11.01</b>	<b>-7.42</b>	<b>-28.39</b>

## Return on Equity

### Licensees' submission:

- 1.83 The East Discom has indicated pre-tax return on equity of Rs. 94.28 Crore including an amount of Income tax and education cess of 33.90%. The return on equity @ 14% (post tax) is claimed in the petition as Rs. 62.32 Crore. The return on equity was allowed to East Discom of Rs.45.74 Crore in the tariff order for FY 2007-08.
- 1.84 The West Discom has claimed the return on equity @ 14% (post tax) as Rs. 91.58 Crore. The return on equity was allowed to West Discom of Rs.65.09 Crore in the tariff order for FY 2007-08.
- 1.85 The Central Discom has claimed the return on equity @ 16% as Rs. 79.47 Crore. The return on equity was allowed to Central Discom of Rs.44.93 Crore in the tariff order for FY 2007-08.

### Commission's Analysis on Return on Equity:

- 1.86 The process of identification of debt and equity on fixed assets has already explained in the paragraphs related to deliberations on interest charges on project loans. This process has resulted in total equity identified with GFA as at the end of FY 2007-08 as shown in the table below. The Return on Equity as allowed for FY 2007-08 true-up is then determined by applying the rate of 14% as specified in Commission's regulation.

**Table 35 : Return on Equity** (Amount in Rs. Crore)

S. No.	Particulars	East Discom	West Discom	Central Discom	Total
1	Total Equity identified with GFA as on 31/03/2007 as per True-up order of 2006-07	372.13	496.58	331.26	<b>1199.97</b>
2	30% of addition to net GFA considered as funded through equity (As on 31st March 2008)	56.211	33.618	101.88	<b>191.709</b>
3	Equity Considered for Return from addition during 2007-08 (50% of above)	28.11	16.81	50.94	<b>95.85</b>
4	Equity identified with GFA and considered for Return for FY 2007-08	400.24	513.39	382.20	<b>1295.82</b>
<b>5</b>	<b>RoE @14% admitted in True-up of FY 2007-08</b>	<b>56.03</b>	<b>71.87</b>	<b>53.51</b>	<b>181.42</b>
6	RoE allowed in Tariff Order FY2007-08	45.74	65.09	44.93	<b>155.76</b>
7	True-up difference	10.29	6.78	8.58	<b>25.66</b>

- 1.87 The Commission allows return on equity of Rs. 56.03 Cores, Rs. 71.87 Crore and Rs. 53.51Crore for East, West and Central Distribution Companies respectively.

## ***Depreciation***

### **Licensees' Submission:**

#### **East Discom:**

- 1.88 In the true-up petition, the East Discom has claimed depreciation on fixed assets based on a straight line method provided in the Central Government's circular No. S. O. 266 (E) dated 29<sup>th</sup> March, 1994. Wherever, rates of depreciation as per circular above are lower than the rates of depreciation specified under Schedule XIV of the Companies Act, 1956, the Companies Act rates have been adopted. As per the accounting policy of the Licensee for the assets added during the year, the depreciation is provided on proportionate basis from the date the assets are available for use. The cases in which the date of Commissioning is not known, depreciation is provided for six months.
- 1.89 On the basis of the audited accounts for FY 2007-08, the Licensee has claimed opening balance of the fixed assets as on 01.04.2007 as Rs. 1444.71 Crore, addition during the year of Rs. 194.35 Crore thus closing balance of the fixed assets coming to Rs. 1639.06 Crore. Depreciation claimed by the East Discom in true-up petition is Rs. 102.22 Crore as against the depreciation allowed in the tariff order for FY 2007-08 of Rs. 52.17 Crore. Thus the actual depreciation claim for the period FY 2006-07 is more by Rs. 50.05 Crore.
- 1.90 The submission of the **East Discom** is given as under:

**Table 36 : Opening GFA, Additions and Closing GFA for FY 2007-08 (Rs. Crore)**

Sl. No.	Particulars	Opening balance of GFA as on 01.04.2007	Change during the year (additions / deductions)	Closing Balance of GFA as on 31.03.2008
1	Land & Land rights	2.02	0.15	2.17
2	Building and Civil Works	15.58	6.42	22.00
3	Hydraulic Works	9.67	0.00	9.67
4	Other Civil Works	2.83	0.02	2.85
5	Plant & Machinery	323.82	62.46	386.28
6	Line Cable Networks etc.	1079.88	120.61	1200.49
7	Communication equipment	0.00	0.00	0.00
8	Meters, including metering equipment	0.00	0.00	0.00
9	Vehicles	2.95	0.02	2.97
10	Furniture & fixtures	1.68	0.02	1.70
11	Office Equipments	6.27	0.88	7.15
12	<b>Total (1 to 11)</b>	<b>1444.70</b>	<b>190.58</b>	<b>1635.28</b>

1.91 Details of opening accumulated depreciation, addition during the year, withdrawal during the year and closing balance of the accumulated depreciation are as follows:

**Table 37 : Opening Accumulated Depreciation, Additions/Withdrawal during the Year and Closing Accumulated Depreciation of East Discom (Rs. Crore)**

Sr. No.	Particulars	Opening balance of Depreciation as on 01.04.2007	Additions during the year	Closing balance of Depreciation as on 31.03.08
1	Land & Land rights	0.12	0.01	0.13
2	Building and Civil Works	11.68	0.48	12.16
3	Hydraulic Works	7.13	0.16	7.29
4	Other Civil Works	1.38	0.08	1.46
5	Plant & Machinery	219.7	20.09	239.79
6	Line Cable Networks etc.	709.95	80.7	790.65
7	Communication equipment	0.00	0.00	0.00
8	Meters, including metering equipment	0.00	0.00	0.00
9	Vehicles	2.71	0.02	2.73
10	Furniture & fixtures	1.51	0.01	1.52
11	Office Equipments	2.8	0.67	3.47
12	<b>Total (1 to 11)</b>	<b>956.98</b>	<b>102.22</b>	<b>1059.2</b>
13	Depreciation capitalized	0.00	0.00	0.00
14	<b>Net Depreciation (12-13)</b>	<b>956.98</b>	<b>102.22</b>	<b>1059.2</b>

**West Discom:**

1.92 In the trueing –up petition, the West Discom has claimed depreciation on fixed assets based on straight line method provided in the Central Government’s circular No. S. O. 266 (E) dated 29<sup>th</sup> March, 1994. Wherever, rates of depreciation as per circular above are lower than the rates of depreciation specified under Schedule XIV of the Companies Act, 1956, the Companies Act rates have been adopted. As per the accounting policy of the Licensee for the assets added during the year no depreciation is provided during the year.

1.93 On the basis of the audited accounts for FY 2007-08, the Licensee has claimed opening balance of the fixed assets as on 01.04.2007 as Rs. 1677.77 Crore, addition during the year of Rs. 127.45 Crore thus closing balance of the fixed assets coming to Rs. 1805.22 Crore. Depreciation claimed by the West Discom in true-up petition is Rs. 75.91 Crore as against the depreciation allowed in the tariff order for FY 2007-08 of Rs. 62.96 Crore. Thus the actual depreciation claim for the period FY 2006-07 is more by Rs. 12.95 Crore.

1.94 The submission of the West Discom is given as under:



**Table 38 : Opening GFA, Additions and Closing GFA for FY 2007-08 (Rs. Crore)**

Sr. No.	Particulars	Opening balance of GFA as on 01.04.2007	Change during the year (additions / deductions)	Closing Balance of GFA as on 31.03.2008
1	Land & Land rights	4.96	0.00	4.96
2	Building and Civil Works	30.90	2.19	33.09
3	Hydraulic Works	6.55	0.00	6.55
4	Other Civil Works	2.95	0.00	2.95
5	Plant & Machinery	537.23	46.62	583.85
6	Line Cable Networks etc.	1083.38	77.51	1160.89
7	Communication equipment	0.00	0.00	0.00
8	Meters, including metering equipment	0.00	0.00	0.00
9	Vehicles	5.19	0.00	5.19
10	Furniture & fixtures	1.95	0.05	2.00
11	Office Equipments	4.67	1.08	5.75
12	<b>Total (1 to 11)</b>	<b>1677.78</b>	<b>127.45</b>	<b>1805.23</b>

1.95 Details of opening accumulated depreciation, addition during the year, withdrawal during the year and closing balance of the accumulated depreciation are as follows:

**Table 39 : Opening Accumulated Depreciation, Additions/Withdrawal during the Year and Closing Accumulated Depreciation of West Discom (Rs. Crore)**

Sr. No.	Particulars	Opening balance of Depreciation as on 01.04.2007	Additions during the year	Closing balance of Depreciation as in 31.03.08
1	Land & Land rights	0.06	0.02	0.08
2	Building and Civil Works	11.49	0.92	12.41
3	Hydraulic Works	3.05	0.11	3.16
4	Other Civil Works	1.53	0.08	1.61
5	Plant & Machinery	289.56	21.52	311.08
6	Line Cable Networks etc.	676.33	52.76	729.09
7	Communication equipment	0.00	0.00	0.00
8	Meters, including metering equipment	0.00	0.00	0.00
9	Vehicles	4.67	0.00	4.67
10	Furniture & fixtures	1.46	0.05	1.51
11	Office Equipments	1.64	0.45	2.09
12	<b>Total (1 to 11)</b>	<b>989.79</b>	<b>75.91</b>	<b>1065.70</b>
13	Depreciation capitalized	0.00	0.00	0.00
14	<b>Net Depreciation (12-13)</b>	<b>989.79</b>	<b>75.91</b>	<b>1065.70</b>

**Central Discom:**

- 1.96 In the truing –up petition, the Central Discom has claimed depreciation on fixed assets based on straight line method provided in the Central Government's circular No. S. O. 266 (E) dated 29<sup>th</sup> March, 1994. Wherever, rates of depreciation as per circular above are lower than the rates of depreciation specified under Schedule XIV of the Companies Act, 1956, the Companies Act rates have been adopted. In the accounting policy of the Licensee no treatment has been provided for the assets added during the year.
- 1.97 On the basis of the audited accounts for FY 2007-08, the Licensee has claimed opening balance of the fixed assets as on 01.04.2007 as Rs. 1342.71 Crore, addition during the year of Rs. 345.15 Crore thus closing balance of the fixed assets coming to Rs. 1687.86 Crore. Depreciation claimed by the Central Discom in true-up petition is Rs. 61.33 Crore as against the deprecation allowed in the tariff order for FY 2007-08 of Rs. 49.96 Crore. Thus the actual depreciation claim for the period FY 2006-07 is more by Rs. 11.37 Crore.
- 1.98 The submission of the Central Discom is given as under:

**Table 40 : Opening GFA, Additions and Closing GFA for FY 2007-08 (Rs. Crore)**

Sr. No.	Particulars	Opening balance of GFA as on 01.04.2007	Change during the year (additions / deductions)	Closing Balance of GFA as on 31.03.2008
1	Land & Land rights	0.00	0.00	0.00
2	Building and Civil Works	1.00	0.00	1.00
3	Hydraulic Works			
4	Other Civil Works			
5	Plant & Machinery	24.68	0.00	24.68
6	Line Cable Networks etc.	35.13	11.32	46.45
7	Communication equipment			
8	Meters, including metering equipment			
9	Vehicles			
10	Furniture & fixtures	0.06	0.21	0.27
11	Office Equipments	0.84	1.13	1.97
12	CWIP transferred to Fixed Assets		332.49	332.49
13	Fixed Assets -Transfer vide GOMP notification No.3679/FRS/18/13/2002 dtd 31.05.2005	1281.00	0.00	1281.00
	<b>Total (1 to 13)</b>	<b>1342.71</b>	<b>345.15</b>	<b>1687.86</b>

- 1.99 Details of opening accumulated depreciation, addition during the year, withdrawal during the year and closing balance of the accumulated depreciation are as follows:

**Table 41 : Opening Accumulated Depreciation, Additions/Withdrawal during the Year and Closing Accumulated Depreciation of Central Discom (Rs. Crore)**

Sr. No.	Particulars	Opening balance of Depreciation as on 01.04.2007	Additions during the year	Closing balance of Depreciation as in 31.03.08
1	Land & Land rights	0.00	0.00	0.00
2	Building and Civil Works	0.01	0.04	0.05
3	Hydraulic Works			
4	Other Civil Works			
5	Plant & Machinery	1.04	2.26	3.30
6	Line Cable Networks etc.	1.82	3.98	5.80
7	Communication equipment			
8	Meters, including metering equipment			
9	Vehicles			
10	Furniture & fixtures		0.01	0.01
11	Office Equipments	0.06	0.11	0.17
13	CWIP transferred to Fixed Assets			
14	Fixed Assets -Transfer vide GOMP notification No.3679/FRS/18/13/2002 dtd 31.05.2005	992.86	54.93	1047.79
15	<b>Total (1 to 14)</b>	<b>995.79</b>	<b>61.33</b>	<b>1057.12</b>
16	Depreciation capitalized	0.00	0.00	0.00
17	<b>Net depreciation (15-16)</b>	<b>995.79</b>	<b>61.33</b>	<b>1057.12</b>

**Commission's analysis on depreciation claims:**

1.100 The Commission in its Regulation notified on 10th November 2006 on terms and conditions for determination of tariff for distribution and retails supply of electricity has specified the calculation of depreciation in the following manner:

- (a) *The value base for the purpose of depreciation shall be historical cost.*
- (b) *Depreciation rates for determination of allowable depreciation shall be as per Annexure-I of the Regulation.*

- 1.101 The depreciation rates given in the above Regulation are equivalent to the depreciation rates given as per CERC (Central Electricity Regulatory Commission) Regulation. But depreciation claimed by the Distribution Companies are based on Central Government's circular No. S. O. 266 (E) dated 29<sup>th</sup> March, 1994. Also in its true-up order for FY 2005-06 dated 16<sup>th</sup> January 2008 the Commission had clarified that “ *notwithstanding the accounting practices followed by the Licensees, from FY 2006-07 onwards, the Commission shall adopt the rates of depreciation on assets as specified in the Commission's Regulation on Terms and Conditions of Tariff.*”
- 1.102 During the course of the hearing on 20<sup>th</sup> January 2010, the Commission directed the Distribution Companies to furnish the depreciation for the year 2007-08 on the basis of the rates as specified in the Commission's regulation on terms and conditions of the tariff notified on 10<sup>th</sup> November 2006. The direction was issued through an order of the Commission of January 22, 2010. Along with order a format was also sent to Distribution Companies to furnish the details of the depreciation as per the Commission's regulation on terms and conditions of tariff notified on 10<sup>th</sup> November 2006.
- 1.103 In response, the East Discom has submitted the details of working of the depreciation as per the norms prescribed by the Commission. The East Discom has indicated the amount of depreciation as Rs. 62.39 Crore. The West Discom, vide its submission of 29 January 2010, has submitted a statement indicating the depreciation worked out as per the rates specified in the commission's relevant regulation. The depreciation worked out as Rs.39.01 Crore. Central Discom vide its submission of 05 January 2010 has submitted the revised calculation for depreciation in accordance with the Commission's regulations. The amount of depreciation is indicated as 85.27 Crore.
- 1.104 The Depreciation based on MPERC depreciation rates for East, West and Central Distribution Companies is given as below :

**Table 42 : Depreciation Claims based on MPERC depreciation Rates (Rs. Crore)**

Particulars	East Discom	West Discom	Central Discom
Assets Balance as on 31.03.2007	1,444.70	1,677.78	1,342.71
Assets Balance as on 31.03.2008	1,638.99	1,805.23	1,687.86
Depreciation claim based on MPERC Depreciation Rates as filed	62.39	39.01	85.27
As % of closing balance of GFA as on 31.03.2008	3.81%	2.16%	5.05%

- 1.105 The East, West and Central Distribution Companies have also furnished the details conforming to accumulated depreciation to 90%. In case of East and West Distribution Companies the depreciation claim as per MPERC norms is less than the depreciation as indicated in the audited accounts. While in case of Central Discom the amount of depreciation as per MPERC norms is more than the amount indicated in audited accounts.

1.106 The Commission has scrutinized the details submitted by the Distribution Companies. It has been observed that accumulated depreciation in certain items is more than 90% in case of East Discom. The Central Discom has indicated the assets of Rs. 1281.00 Crore as transferred vide GoMP notification of 31/05/2005 i.e. notification of provisional opening balance sheet. The depreciation on this amount is considered by the Central Discom as per the audited accounts. The filed details are indicated below:

**Table 43 : Depreciation filed as per MPERC Norms (Rs. Crore)**

<b>Sr. No.</b>	<b>Particulars</b>	<b>East Discom</b>	<b>West Discom</b>	<b>Central Discom</b>
1	Land & Land rights	0.00	0.00	0.00
2	Building and Civil Works	0.34	0.57	0.35
3	Hydraulic Works	0.35	0.09	0.07
4	Other Civil Works	0.05	0.05	0.01
5	Plant & Machinery	12.58	10.77	10.26
6	Line Cable Networks etc.	31.53	27.26	19.44
7	Communication equipment	0.00	0.00	0.00
8	Meters, including metering equipment	16.34	0.00	0.00
9	Vehicles	0.53	0.00	0.00
10	Furniture & fixtures	0.38	0.03	0.01
11	Office Equipments	0.30	0.25	0.19
12	Transfer Vide GoMP Notification of 31/05/2005	0.00	0.00	54.93
<b>12</b>	<b>Total (1 to 12)</b>	<b>62.40</b>	<b>39.02</b>	<b>85.27</b>

- 1.107 The Commission has limited the accumulated depreciation of various assets to 90% of Gross Block for East Discom and Central Discom. Further, in case of Central Discom an amount of Rs. 54.93 Crore has been indicated as depreciation on the assets transferred vide GoMP notification No.3679/FRS/18/13/2002 dated 31/05/2005. In the present true-up the Commission has not considered this amount. It would be considered as and when filed in reference to the final opening balance sheets issued by the GoMP. The Commission has admitted Rs. 30.34 Crore towards the depreciation for Central Discom. The depreciation as worked by the West Discom is as per the norms of MPERC, hence the Commission admits the same.
- 1.108 With regard to the depreciation claim of the East Discom, it has been noted that the percentage depreciation with regard to the average gross block of FY 2007-08 is about 4%. This in case of West Discom is 2.24% and 2% for Central Discom as per admitted depreciation. Since the Three Distribution Companies of the State had been carved out from MPSEB and therefore have almost similar asset base, percentage depreciation of average gross block for the year 2007-08 for East Discom i.e. 4% appears to be on higher side when compared with the other two Distribution Companies of the State. The Commission has also noted that all this exercise have been carried out on the basis of the provisional opening balance sheets and the asset bases of the Distribution Companies have changed with the notification of the final opening balance sheets. The Commission has, therefore, for the purpose of this true-up, decided to apply average of the percentages of gross blocks of West and Central Distribution Companies to admit the amount of depreciation for the year 2007-08 for East Discom. The Commission further states that the final view would be taken as and when the affects of the final opening balance sheets would be filed in future true-ups.
- 1.109 The final Depreciation as admitted for FY 2007-08 is given below:

**Table 44 : Depreciation Admitted (Rs. Crore)**

Particulars	East Discom	West Discom	Central Discom	Total
Depreciation as admitted by Commission	32.71	39.02	30.34	102.07
Depreciation as allowed in Tariff Order	52.17	62.96	49.96	165.09
True-up	-19.46	-23.94	-19.62	-63.02

***Other items of ARR***

- 1.110 Apart from the components of expenses discussed above, there are certain other items, which form part of the Aggregate Revenue Requirement. These include provision for bad debts, other miscellaneous expenditure, any prior period expenses / credits, income tax and fringe benefit tax. These are analyzed below:

**Bad and doubtful debts**

**Licensees' submission:**

1.111 As per the audited accounts and True-up petitions of the Licensees, the following amounts under Bad and Doubtful Debts have been charged in the Profit and Loss Accounts:

**Table 45 : Bad Debts claimed by Distribution Companies (Rs. Crore)**

Discom	Bad Debts actually Written off (Current Assets)	Provision for Bad Debts write-off	Total Charged to P&L Account
East	0.00	34.90	34.90
West	17.74	103.00	120.74
Central	17.61	116.81	134.42

**Commission's Analysis on Bad and Doubtful debts:**

- 1.112 From the above table it is clear that East Discom has not actually written-off any bad debts out of total Rs 34.90 Crore charged to P&L account. West Discom has actually written-off Rs. 17.74 Crore of bad debts out of a total of Rs. 120.74 Crore charged to P&L account. In case of Central Discom, it has actually written-off the bad debt of Rs.17.61 Crore out of total amount of Rs. 134.42 Crore charged to P&L account.
- 1.113 The Commission's regulations provide for allowing bad debts as amount actually written-off subject to the maximum of 1% of the sales revenue. The Commission notes that bad and doubtful debts actually written off for West and Central Distribution Companies are lower than the maximum permissible limit (1% of sales revenue) under Commission's regulations, while the East Discom has not actually written-off any bad debts. During the public hearing on 3<sup>rd</sup> March, 2010 one of the objectors pointed out that the amount of surcharge is included in the amount of write off. Since the surcharge is not considered as income therefore the write off of amount against it should also not be considered as prudent expense. The Commission agreed with the view of the objector and directed petitioners to file the details. As per the details filed, the West & Central Distribution Companies have included an amount of 17.74 Crore and 16.35 Crore of surcharge written off under the filing made for actual bad & doubtful debts written off. This amount of surcharge has not been considered as expense and hence disallowed.
- 1.114 The Commission admits the bad and doubtful debts in accordance with its regulation i.e. lesser of the amount actually written off or 1% of revenue from sale of power. The following table gives the amount claimed by licensee in their respective true-up petitions, amount actually written and the month in their respective audited financial statement under the head of Bad and Doubtful Debts.

**Table 46 : Bad Debts Allowed by the Commission (Rs. Crore.)**

Particulars	East Discom	West Discom	Central Discom	Total
Approved in Commission's Tariff Order for FY 2007-08	24.19	29.4	23.58	77.17
Provisioning as per balance sheet	34.90	120.74	134.42	290.06
Claimed by Licensee	34.90	120.74	134.42	290.06
1% of Revenue from sale of Power as per balance sheet	20.32	25.49	20.10	72.13
Actual write-off of bad and doubtful debts	0	17.74	17.61	35.35
Amount of Surcharge included in actual write off	0	17.74	16.35	34.09
<b>Admitted in True-up</b>	0	0	1.26	1.26
<b>True-up difference</b>	<b>-24.19</b>	<b>-29.4</b>	<b>-22.32</b>	<b>-75.91</b>

### Any other expenses

#### Misc. Losses & Write-offs / Sundry Expenses / Net Prior Period Charges / (Credit)

#### Licensees' submission:

1.115 As per the audited accounts and True-up petitions of the Licensees, the following amounts under misc. losses & write-offs / sundry expenses / net prior period charges – (credits) have been claimed in true-up petition:

**Table 47 : Misc. Losses & Write-offs / Sundry Expenses / Net Prior Period Charges / (Credit) claimed by Distribution Companies (Rs. Crore)**

Particulars	East Discom	West Discom	Central Discom	Total
Compensation for injuries and damages	0.34	0.31		
Shortage on physical verification of stock				
Loss on obsolescence of stores				
Write-off of deferred revenue expenditure	0.40			
Amortization of Preliminary expenditure	0.00			
Amortization of preoperative expenses	0.06			
Sundry Expenses		1.27	0.42	1.68
Net Prior Period Charges / (Credit)		-0.36	-0.25	-0.61
Extra ordinary credits ( including losses on account of flood,fire, cyclone etc)				
Other Expenses				
<b>Total other expenses admitted in this true-up</b>	<b>0.80</b>	<b>1.22</b>	<b>0.17</b>	<b>2.18</b>
Approved in Tarff Order	0.00	1.51	0.00	1.51
<b>True-up</b>	<b>0.80</b>	<b>-0.29</b>	<b>0.17</b>	<b>0.67</b>

1.116 The Commission has verified all above expenses from the audited accounts of the Distribution Companies and hereby allows the miscellaneous losses & write-offs / sundry expenses / net prior period charges – (credits) as claimed by the petitioner based on their audited balance sheets respectively. The Commission has admitted these expenses as given below:



**Table 48 : Other Expenses Admitted (Rs. Crore)**

Particulars	East	West	Central	Total
<b>Total other expenses admitted in this true-up</b>	<b>0.80</b>	<b>1.22</b>	<b>0.17</b>	<b>2.18</b>
Approved in Tarff Order	0.00	1.51	0.00	1.51
<b>True-up</b>	<b>0.80</b>	<b>-0.29</b>	<b>0.17</b>	<b>0.67</b>

**Fringe Benefit Tax**

**Licensees' submission:**

1.117 As per the audited accounts and True-up petitions of the Licensees, the following amounts under fringe benefit tax have been claimed:

**Table 49 : Fringe Benefit Tax claimed by Distribution Companies (Rs. Crore)**

Particulars	East	West	Central	Total
Provision for Fringe Benefit Tax	1.00	0.59	0.36	1.95

1.118 The Commission hereby admits the fringe benefit tax as claimed by the petitioner based on their audited balance sheet.

## 2. REVENUE FROM SALE OF POWER

### *Sale of Power*

#### **East Discom**

2.1 The Commission had allowed the sales to various categories of consumers as projected by the East Discom in the Distribution and Retail Supply Tariff Order for FY 2007-08. The Commission allowed 6598 MUs sales at the revenue of Rs. 2419.35 Crore. The Licensee couldn't achieve the projected sales. The actual sales as filed were 6114 MUs and the revenue was Rs. 2129.04 Crore.

#### **West Discom**

2.2 The West Discom projected the sales as 8909 MUs for the year 2007-08. During the scrutiny of the petition it was observed that the West Discom had not worked out the sales to un-metered categories of consumers as per the norms specified by the Commission. It had considered 170 units per HP per month to assess consumption of un-metered agricultural consumers instead of benchmark of 100units per HP per month. The Commission had reassessed the sale to un-metered agricultural consumers and pruned down the sale to 8347 MUs from 8909 MUs reducing the projected sale by 562 MUs. The Commission allowed 8347 MUs sales at the revenue of Rs. 2940.31 Crore. The actual sales as filed were 8445.98 MUs and the revenue was Rs. 2548.60 Crore.

#### **Central Discom**

2.3 The Commission had allowed the sales to various categories of consumers as projected by the Central Discom in the Distribution and Retail Supply Tariff Order for FY 2007-08. The Commission allowed 6504 MUs sales at the revenue of Rs. 2358.38 Crore. The Licensee on a best effort basis couldn't meet the projected sales. The actual sales as filed were 6114 MUs and the revenue was Rs. 2129.04 Crore.

#### **Commission's Analysis**

2.4 The Licensees in their petitions have filed the revenue from sale of power to the tune of Rs. 2031.90 Crore, Rs. 2548.60 Crore and Rs. 2010.26 Crore for East, West and Central Distribution Companies respectively. The above revenue income figures match with annual audited accounts for FY 2007-08.

2.5 The Commission understands the Licensees had implemented retail tariffs as per the Tariff Order issued on 30<sup>th</sup> March 2007. The Commission also recognizes that the petitioners have received tariff subsidy from State Government other than the revenue from sale of power as reported in the audited balance sheets. The Commission has thus accepted the following revenue, as reported in audited accounts, for this true-up exercise:

- Revenue from sale of power
- Non-Tariff income
- Subsidy received from State Govt.
- Other income

**Table 50 : Revenue from sale of power as per Audited accounts**

Particulars	East Discom	West Discom	Central Discom	Total
Revenue from sale of power (Rs. Crore)	1,999.92	2,468.25	1,982.96	6,451.13

### *Non Tariff income*

2.6 The non-tariff income which is part of overall income from sale of power is separately stated below for all the three Distribution Companies as per their respective audited accounts:

**Table 51 : Break up of non tariff income (Rs. Crore)**

Sr. No.	Particulars	East Discom	West Discom	Central Discom	Total
1	Misc. charges from consumers	16.13	18.33	10.87	45.33
2	Income from wheeling charges	0.16	0.77	0	0.93
3	Meter rent	13.46	15.52	12.16	41.14
4	Recoveries for theft of Power/Malpractice	2.23	45.74	3.82	51.79
	<b>Total non tariff income</b>	<b>31.98</b>	<b>80.36</b>	<b>26.85</b>	<b>139.19</b>

### *Subsidy and Grants*

2.7 The Licensees' audited accounts for the financial year 2007-08 reveal the revenue subsidy received from the Government of MP to the tune of Rs. 97.41 Crore, Rs. 235.12 Crore and Rs. 236.34 Crore for East, West and Central Distribution Companies respectively. The Commission has considered this amount in the income of the petitioners being a part of the revenue from sale of power to the subsidized consumers in this true-up Order.

**Table 52 : Subsidy and Grants**

Particulars	East Discom	West Discom	Central Discom	Total
Subsidy and Grants received from GoMP in Rs. Crore	97.41	235.12	236.34	568.87

## ***Other Income***

### **Licensees' Submission**

2.8 All the three Licensees have claimed other income as per their audited accounts as mentioned in the table below.

**Table 53 : Other Income Claimed (as per audited accounts) by Distribution Companies (Rs. Crore.)**

<b>Sr. No.</b>	<b>Particulars</b>	<b>East Discom</b>	<b>West Discom</b>	<b>Central Discom</b>	<b>Total</b>
<b>A</b>	<b>Income from Investment, Fixed &amp; Call Deposits</b>				
1	Interest Income from Investments		2.70		2.7
2	Interest on fixed deposits			1.65	1.65
3	Interest from Banks other than Fixed Deposits	1.64	0.01	0.12	1.77
4	Interest on (any other items)				0
<b>A</b>	<b>Sub-Total (A)</b>	<b>1.64</b>	<b>2.71</b>	<b>1.77</b>	<b>6.12</b>
<b>B</b>	<b>Other Non Tariff Income</b>				
1	Interest on loans and Advances to staff	0.34	0.20	0.05	0.59
2	Interest on Loans and Advances to other Licensee				0
3	Interest on Loans and Advances to Lessors				0
4	Interest on Advances to Suppliers / Contractors				0
5	Income from trading (Other than electricity)		1.63		1.63
6	Gain on Sale of Fixed Assets				0
7	Income/Fee/Collection against staff welfare activities	0.02	0.00		0.02
8	Miscellaneous receipts	11.60	15.28	3.28	30.16
9	Incentive due to Securitization of CPSU Dues				0
10	Delayed payment surcharge (DPS) from consumers	128.42	131.96	148.48	408.86
11	Any other subsidies / grants other than those u/s 65				0
12	Any other (Profit from sale of stores)			0.21	0.21
13	Any other		2.94	12.44	15.38
<b>B</b>	<b>Sub-Total (B)</b>	<b>140.38</b>	<b>152.01</b>	<b>164.46</b>	<b>456.85</b>
<b>C</b>	<b>Total Other Income (A+B)</b>	<b>142.02</b>	<b>154.72</b>	<b>166.23</b>	<b>462.97</b>
<b>D</b>	<b>Total Other Income (excluding DPS ) (C – B10)</b>	<b>13.60</b>	<b>22.76</b>	<b>17.75</b>	<b>54.11</b>

- 2.9 The other income as claimed in the above table includes the non-tariff income from sale of power and net-of Delayed Payment Surcharge (DPS). As per the Commission's views stated at clause 1.32 of tariff order for FY06-07 and also at clause 5.26 of tariff order for FY 07-08, the late payment surcharge has not been considered as income. Accordingly, the Commission is not taking delayed payment surcharge as part of income of the Distribution Companies. The Commission accepts the total actual other income of Rs. 54.11 Crore as per audited balance sheet. The Distribution Company wise break up is mentioned in the table above.
- 2.10 Based on above discussion, the total revenue earned by the Licensees during the period April 2007 to Mar 2008 and admitted by the Commission are as follows:

**Table 54 : Total Revenue, Non-tariff Income and Subsidy admitted (Rs. Crore.)**

Name of the Distribution Company	Revenue from sale of power	Non-Tariff Income	Revenue Subsidies from GoMP	Other income (excluding DPS)	Total Revenue income admitted for true-up
East Discom	1,999.92	31.98	97.41	13.60	2,142.91
West Discom	2,468.25	80.36	235.12	22.76	2,806.49
Central Discom	1,982.96	26.85	236.34	17.75	2,263.90
<b>Total</b>	<b>6,451.13</b>	<b>139.19</b>	<b>568.87</b>	<b>54.11</b>	<b>7,213.30</b>

- 2.11 It is worthwhile to mention here that the Commission vide Tariff Order dated 30<sup>th</sup> March 2007 for FY 2007-08 had considered expected revenue of Rs 7718.04 Crore at revised tariff. The Commission has admitted the revenue for true-up from the audited accounts of the Distribution Companies of Rs.7213.30 Crore. This leaves a gap of Rs.504.74 Crore for the State. The Distribution Company wise break up is given in the table below:

**Table 55 : Revenue / Income – as per Tariff Order and as per True Up (Rs. Crore)**

Particulars	East Discom	West Discom	Central Discom	Total
Expected Revenue at Approved Tariff as per Tariff Order 2007-08	2419.35	2940.31	2358.38	7718.04
Other Income as per Tariff Order 2007-08	57.49	94.25	67.48	219.22
Total Income as Estimated in 2007-08 Tariff Order	2476.84	3034.56	2425.86	7937.26
Revenue as admitted for True-up	2142.91	2806.49	2263.90	7213.30
Difference	-333.93	-228.07	-161.96	-723.96

### 3. REVENUE SURPLUS / (DEFICIT) ADMITTED

3.1 Based on the scrutiny of various cost components regarding revenue income and expenditures of the petitioners, the Commission considers the following surplus / (deficit) for the period April' 07 to March' 08 as allowable for pass through in the ARR of FY 10-11, for recovery by the Licensee through retail tariffs. The amount as shown against each Distribution Licensee shall be added (in case of deficit) and subtracted (in the event of surplus) from the Aggregate Revenue Requirement of FY 2010-11 of such Licensee as approved by the Commission:

**Table 56 : Revenue Surplus / (Deficit) admitted in True-up of ARR for FY 2007-08 (Rs. Crore)**

Particulars	East Discom	West Discom	Central Discom	Total For State
<b>INCOME</b>				
<b>Revenue from Sale of Power</b>				
Tariff Income	1,999.92	2,468.25	1,982.96	<b>6,451.13</b>
Non-tariff income (meter rent, recoveries for theft of power, wheeling/U.I. charges recovery, Misc. charges from consumers)	31.98	80.36	26.85	<b>139.19</b>
Other Income	142.02	154.72	166.23	<b>462.97</b>
Less : Delayed Payment Surcharge	128.42	131.96	148.48	<b>408.86</b>
Subsidy	97.41	235.12	236.34	<b>568.87</b>
<b>Total Income (A)</b>	<b>2,142.91</b>	<b>2,806.49</b>	<b>2,263.90</b>	<b>7,213.30</b>
<b>EXPENSES</b>				
<b>Power Purchase</b>				
Power Purchase Cost	1,627.65	2,064.60	1,624.30	5,316.55
MP Transco Charges	227.44	298.45	247.83	773.72
<b>Total Power Purchase (Incl. Transmission) (B)</b>	<b>1,855.09</b>	<b>2,363.05</b>	<b>1,872.13</b>	<b>6,090.27</b>
<b>O&amp;M Expenses (Net of Capitalisation)</b>				
Employee Expenses	266.03	251.67	245.11	762.81
A&G Expenses	46.74	31.98	38.83	117.55
R&M Expenses	30.26	29.77	30.11	90.13
<b>Total O&amp;M (C)</b>	<b>343.03</b>	<b>313.42</b>	<b>314.05</b>	<b>970.50</b>
<b>Other Expenses</b>				
Depreciation	32.71	39.02	30.34	102.07
Interest & Financing Charges on Project Loans	15.19	17.24	13.69	46.12
Interest and Finance Charges on working capital loans	0.00	0.00	0.00	0.00
Interest on Consumer Security Deposit	10.85	16.2	13.58	40.63
Return on Equity	56.03	71.87	53.51	181.42
Bad & Doubtful Debts	0.00	0.00	1.26	1.26
Any Other Expense	0.80	1.22	0.17	2.18
Tax	1.00	0.59	0.36	1.95
<b>Total Other Expenses (D)</b>	<b>116.58</b>	<b>146.15</b>	<b>112.91</b>	<b>375.63</b>
<b>Total Expenses E = (B + C + D)</b>	<b>2314.70</b>	<b>2822.61</b>	<b>2299.09</b>	<b>7436.40</b>
<b>Revenue Surplus / (Deficit) F = (E - A)</b>	<b>-171.79</b>	<b>-16.12</b>	<b>-35.19</b>	<b>-223.10</b>

#### **4. PUBLIC OBJECTIONS AND COMMENTS ON LICENSEES' PETITIONS:**

**Date of publication of public notice in newspapers:** 12<sup>th</sup> / 13<sup>th</sup> February 2010

**Last date for receiving the objections:** 26<sup>th</sup> February 2010

- 4.1 In response to the public notices issued by the Distribution Licensees, the objections received against the petition filed by the West Discom only. There were only five objectors filed the objections. The list of the objectors is given below:

**Table 57 : List of Objectors**

<b>Sl. No.</b>	<b>Name of the Objector</b>
1.	Shri R.C. Somani, Retired Addl. S.E., MPSEB, Indore
2.	MP Electricity Consumer Society, Indore
3.	Association of Industries, Dewas
4.	All India Induction Furnace Association (MP Chapter), Mandsaur
5.	Association of Industries Madhya Pradesh, Indore

**Date of public hearing:** 3<sup>rd</sup> March 2010.

- Objector:** (1) Shri R.C. Somani on behalf of self, Association of Industries, Dewas & Association of Industries Madhya Pradesh, Indore supported by Shri R.S. Goyal.  
(2) In addition, written objections received from M.P. Electricity Consumer's Society, Indore and All India Furnace (MP Chapter), Mandsaur – None appeared on their behalf.

- 4.2 During the course of the Public Hearing the Distribution Licensees made their submission as given below:

**(a) East Discom**

The representative from East Discom prayed to consider Rs.2097.33 Crore revenue from sale of power, Rs.45.48 Crore other income, Rs.3018.84 Crore as an expenses and net gap of Rs.921.51 Crore. This true up gap amount may be incorporated in ARR for FY10-11 or as the Commission may deem fit for recovery of the same. It is further prayed that Normative O & M expenses to the tune of Rs.478.55 Crore may be considered.

**(b) Central Discom**

The representative from Central Discom prayed to consider Rs.2219.76 Crore revenue from sales of power, Rs.44.59 Crore other income, Rs.3048.36 Crore as an expenses and net gap of Rs.754.10 Crore. It is requested that the gap may be included in the subsequent ARR for recovery of the same. It is prayed by the Company that Normative O & M expenses to the tune of Rs.430 Crore may be allowed.

**(c) West Discom**

The representative from West Discom prayed to consider Rs.2703.37 Crore revenue from sale of power and Rs.3688.81 Crore as an expenses and net gap of Rs.985.44 Crore. It is prayed by the company that Normative O & M expenses to the tune of Rs.483.23 Crore may be allowed.

**4.3 Observations of the Commission :**

The Commission observed that desired detail of month wise variation of Sale statement as per monthly R-15 report with respect to specified benchmark for un-metered domestic & irrigational pump consumption for the year FY2007-08 have not been submitted by the East and Central Discom. In the event of non-submission of information, the Commission has finalized true-up order based on same methodology as adopted in true-up of FY 2006-07.

**4.4 Objection raised by Shri R.C. Somani :**

During the course of hearing, Shri R.C Somani raised the objections on delay in submission of True up petition of FY 2007-08 by the West Discom. It is stated by him that due to this delay, actual effect could not be taken into consideration by the Commission at the time of determination of Tariff for the year FY 2009-10. He raised objection on several other issues which include excess power procurement then approve quantum, high loss level, excess un-metered billing over and above specified benchmark. He requested that the expenses such as interest & finance charges, bed debt should be permitted as per applicable Distribution Tariff Regulation. However, expenses towards O & M should be allowed on actual basis. The provision for Pension Fund/Terminal Benefit Fund may be allowed. The waiver of surcharge under any Scheme (Govt. Scheme or other) may not be included in Bad and Doubtful Debt.

With regard to Delayed Payment Surcharge, he submitted that amount actually collected from surcharge should be considered as revenue earned by the Company and effect may be given in True up petition. The written off amount of delayed payment surcharge should not be considered as an expense under the bad and doubtful debts written off.



Similar issues have also been raised in the submissions of M.P. Electricity Consumer's Society, Indore and All India Furnace (MP Chapter), Mandsaur.

**4.5 Reply made by West Discom:**

In its reply the West Discom submitted that statement of Objector that hike in tariff during FY2009-10 is due to delay in submission of True up petition FY2007-08 is not acceptable. The Objectors claim with regard to the excess power claim of power purchase cost is not acceptable as the power procurement was done by the Licensee as per the requirement and in accordance with the Commission's regulation and Tariff Policy issued by the Govt. of India. Sincere efforts are being made by the Company to curb theft. The O & M expenses, Interest and Finance Charges, Bad and Doubtful debts and Return of Equity have been claimed as per the Regulations. The Delayed payment surcharge may not be considered as income to the Distribution Company.

**4.6 Commission's Views:**

The Commission has directed the Distribution Licensees to strictly adhere to the time lines specified in the regulations for filing of the petitions etc. The Commission is not allowing any carrying cost on the expenses for delay if the petitions are not filed timely. The Commission has followed the same principles on which the true-up of the Distribution and Retail supply tariff Order for FY 2006-07 was finalised for determination of power purchase cost, O&M expenses, Interest and Finance Charges etc. The power purchase is allowed only to the extent of normative T&D losses. All terminal benefits are being paid by the MPPTCL hence, this provisional expense in this true-up has not been admitted. The delayed payment surcharge has not been considered as income for the purpose of determination of revenue gap. The responsibility of meeting the current liabilities of the pension, gratuity and annuity for Pensioners of all the Companies constituted on unbundling of the erstwhile MPSEB has been rested with MPPTCL. These had already been admitted in the Transmission True up of 2007-08; hence the provisions in this regard have not been admitted in this true-up. The written off amount of delayed payment surcharge has not been considered as an expense under the bad and doubtful debts written off.

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