

MADHYA PRADESH ELECTRICITY REGULATORY COMMISSION

4th and 5th Floor, Metro Plaza, Bittan Market, Bhopal - 462 016



ORDER ON TRUE-UP OF ARR FOR FINANCIAL YEAR 2009-10

Period –From April 2009 to March 2010

**Petition Nos. 92/2012 – MP Poorv Kshetra Vidyut Vitaran Co. Ltd.
79/2012 – MP Paschim Kshetra Vidyut Vitaran Co. Ltd.
38/2012 – MP Madhya Kshetra Vidyut Vitaran Co. Ltd.**

PRESENT:

Rakesh Sahni, Chairman

A.B. Bajpai, Member

Alok Gupta, Member

IN THE MATTER OF:

Determination of true-up of Aggregate Revenue Requirement for FY 2009-10 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 (Discoms) –

**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, CE

Shri Kailash Shiva, CE

Shri A.R. Verma, GM& SE

ORDER

(Passed on this 12th Day of June, 2014)

This order relates to the petition numbers 92/2012, 79/2012 and 38/2012 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 “Discoms”) before Madhya Pradesh Electricity Regulatory Commission (hereinafter referred to as “MPERC” or the “Commission”). These petitions have been filed by the Discoms seeking the true-up of Aggregate Revenue Requirement (ARR) determined by the Commission for the period from April, 2009 to March, 2010 in the distribution and retail supply tariff order issued on July 29, 2009.

2. As regards Annual Performance Review (APR), the Commission has reviewed the operational and financial performance parameters of the Discoms for FY 2009-10. The Commission has finalized 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**

3. The Commission passed retail supply tariff order for FY 2009-10 on July 29, 2009 in accordance with the MPERC (Terms and conditions for determination of tariff for distribution and retail supply of electricity and methods and principles for fixation of charges), Regulations, 2006 notified by the Commission on November 10, 2006 hereinafter referred to as the “regulations”. As per the regulations, Discoms were required to file true-up petitions for true-up of ARR for FY 2009-10 by October 31, 2010. Central Discom filed the requisite petition on May 05, 2012 (No. 38/2012), West Discom on October 30, 2012 (No. 79/2012) and East Discom on December 27, 2012 (No. 92/2012).
4. During scrutiny the petitions were found deficient in respect of vital information/data required for carrying out the true-up exercise. Motion hearing on the petition filed by Central Discom was held on 30/06/2012. The Commission directed Central Discom to file the revised petition with complete requisite details on each item of ARR after due reconciliation and verification of data, vide Order dated 02/07/2012. In response, Central Discom submitted the additional information along with revised petition on 29/01/2013.
5. The Commission held the motion hearing on the petition filed by West Discom on 24/11/2012. The petition was found deficient with regard to information/ data on various items of ARR. The Commission directed West Discom to file the revised petition along with requisite details on each item of ARR after due reconciliation and verification of data, vide order dated 29/11/2012. In response, West Discom filed additional information along with revised petition on 18/04/2013. Motion hearing on the revised petition filed by East Discom was held on

05/02/2013. The Commission admitted the petition and directed the Discoms to file some additional information, vide Order dated 08/02/2013. East Discom filed the reply on 03/04/2013.

6. Meanwhile, the Commission scheduled hearings in true up petitions of Discoms for FY 2007-08 and FY 2008-09 in order to comply with the directions of Hon'ble APTEL in the matter of assessment of consumption in excess of prescribed benchmarks to un-metered agricultural consumers in the state on February 5, 2013 and April 09, 2013 respectively. Relevant extracts of the Commission's order dated April 9, 2013 are reproduced below which explain the situation:

“

2. *Hon'ble APTEL had given directions to the Commission, in its order while deciding appeal no. 150/2010 that **the Commission may assess the additional supply based on the additional hours of actual supply made to agriculture after scrutinising the records of the distribution licensees and the State Load Dispatch Centre or any other method that it may like to adopt.***

3. *During the hearing on 05.02.2013, the Commission observed that the data submitted by the petitioner in support of their claim of additional supply to un-metered agricultural consumers was grossly inadequate to lead to any conclusion. The only argument that appears to be decipherable is that the extra hours of supply during the rabi season should lead to pro-rata assessment over the bench marks prescribed by the Commission for the relevant months. The Commission gave another opportunity to the petitioners to present details in the next 45 days with directions that they establish their claim of sales in addition to the prescribed benchmarks with related data/ information/ evidence indicating feeder wise details of hours of supply vis-à-vis sale booked giving the methodology for arriving at such figures so that Commission could examine the prudence of such claim.*

4. *During the hearing on 9.4.2013, the distribution companies did not submit any new relevant data or information or document or any other evidence which could establish their claim for quantum of additional supply to the agricultural un-metered consumers due to additional hours of supply. The distribution companies also did not submit the methodology adopted or working calculations made by them to arrive at the quantum of sale claimed in addition to the prescribed benchmarks.*

5. *The Commission finds the argument of sale in addition to the prescribed benchmarks unacceptable at this juncture, in the absence of submission of supporting data. Since the petitioners have booked additional sales to unmetered agricultural consumers they need to furnish the methodology of calculation based on monthly and daily details of 11 kV feeder-wise number of hours of supply. SLDC data alone in this regard cannot convince the Commission that each distribution feeder was indeed actively supplying electricity to*

unmetered (or, for that matter, metered) agricultural consumers for the entire duration that the EHT lines showed supply.

6. The Commission had already stated earlier that assessment of actual supply in excess of bench marks is a detailed exercise for which comprehensive data is required. This data should be read from duly recorded details of actual hours of supply on each feeder. In the absence of such data, the Commission would not be able to convince itself of the petitioners' contention.

7. Section 55 of the Electricity Act, 2003 provides a clear mandate for supply of electricity through a correct meter. There is hardly any metering in agricultural consumers' connections of the state. Taking a considerate view on the pleadings of the Distribution companies, the Commission had directed metering on the agricultural predominant distribution transformers so that the use by un-metered agricultural consumers could be fairly assessed. The Distribution companies, in spite of repeated directions, have failed to achieve any significant progress nor have they submitted any proper analysis of duly authenticated consumption data of these DTRs meters which could lead to a fair assessment of consumption. The Commission observes that while the Distribution companies have failed to comply with the directions of the Electricity Act, 2003 with regard to metering, they have also not taken adequate steps to ensure that the alternate interim arrangement as directed by the Commission is implemented. Several meetings with the top management of the Distribution Companies in the past have failed to evoke reasonable results. The assurances given time and again by the Distribution Companies have not materialized. The segment of un-metered consumption is growing every year which is highly undesirable and is against the law. The notion that the Distribution companies are trying to book some portion of their distribution losses under the garb of sale to un-metered agricultural consumers appears to be a reality. This belief is further strengthened by the fact that the situation as of now i.e. in the year 2013 as compared to the period of this true up of 2007-08 has not changed substantially. Individual agricultural consumers are not being provided with meters nor is there appears to be any serious effort to install meters on the agricultural DTRs. In addition, it was observed during the ARR/ Tariff determination exercise for FY 2013-14 that there are about 17 lakh un-metered domestic consumers in the rural area. It appears that un-metered connections are being willfully allowed to continue. On one hand the Discoms claim additional supply to unmetered consumers on account of extra hours of supply while on the other they do not seem to be willing to provide meters on unmetered connections so that actual consumption gets recorded. Such a situation is detrimental to the interests of the honest paying consumers of the state as well as of the Distribution Companies themselves. The Commission is of the firm view that the consumers should not be made to pay for the inefficiencies of the Distribution Companies.

8. *The Commission is convinced that the petitioners are not in a position to furnish any further information which would aid a proper consideration of true up claims. Under these circumstances the Commission has decided to proceed with the true up exercise on the basis of information available on record. Further action as per regulations be initiated.*”

7. The Commission observed that the Discoms had booked sales in excess of prescribed benchmarks during FY 2009-10 based on the claimed additional supply to agricultural un-metered connections, as filed in the true-up petitions. This issue is similar to that of the true up petitions for FY 2008-09. Discoms were directed to provide relevant and necessary data/information / documents and methodology adopted by them to assess consumption in excess of benchmarks. In spite of specific directives, the Discoms didn't submit details required to undertake the analysis. Accordingly, in the present true-up exercise, the Commission has considered sale to unmetered categories of consumers as per prescribed benchmarks. The Commission shall review the matter of sales in excess of prescribed benchmark on account of additional supply, as and when requisite details are submitted by the Discoms.
8. During scrutiny of these true-up petitions, the Commission observed that the petitions still lack some information to validate the true-up claims submitted by the Discoms. In this regard, the Discoms were further directed to submit some additional information related to power purchase, reconciliation of sales, reconciliation of revenue, O&M expenses, interest on project loan, depreciation, bad debt, income tax and other expenses. East Discom and Central Discom submitted replies on December 16, 2013, while West Discom submitted reply on December 13, 2013. It was also observed that certain data /information related to power purchase through MPPMCL required validation. Accordingly, a meeting was held with the representatives of the MPPMCL on December 27, 2013 to seek the necessary clarifications/ information.

Notification of true-up proposals for public information

9. Public notices in the matter were issued on August 8, 2013 and on August 9, 2013 by the Discoms for inviting comments/objections from various stakeholders by August 31, 2013.
10. In response to the public notice, comments/suggestions from several stake holders were received. List of the objectors is attached as Annexure 1.

Hearings

11. A public hearing was held on September 2, 2013 at the Commission's office in Bhopal. The comments/objections/suggestions given by the objectors were heard by the Commission and have been appropriately considered.

Gist of petitions

12. Gist of the true-up petitions for FY 2009-10 submitted by the Licensees is shown in the table below:

Table I : Snapshot of the true-up petitions filed by Discoms for the period April 09 to March 10 (Rs. Crore)

Particulars	East		West		Central	
	Admitted in tariff order for FY 2009-10	True up Claims for FY 2009-10	Admitted in tariff order for FY 2009-10	True up Claims for FY 2009-10	Admitted in tariff order for FY 2009-10	True up Claims for FY 2009-10
Power Purchase Cost	1908.84	2495.38	3054.91	3399.84	1926.20	2,410.86
Transmission Cost	198.69	329.66	254.49	257.68	218.28	352.34
O&M Expenses (net of Expenses Capitalised)	483.10	576.41	539.76	558.19	458.17	563.30
Interest on Loan & Finance Charges	49.20	84.45	29.50		33.53	
Interest on Working Capital	6.02	71.52	6.72	80.00	5.70	111.95
Interest on Consumer Security Deposit	23.58	15.79	34.03		23.88	
Depreciation	45.37	112.87	52.09	50.79	43.03	97.80
Return on Equity	68.64	89.17	75.79	79.36	61.05	101.97
Bad & Doubtful Debts	26.50	109.68	37.2	38.31	28.86	148.43
Other Expenses	0.00	362.32	0.00	122.3	0.00	192.53
Gross ARR	2809.94	4247.25	4084.49	4586.47	2798.7	3,979.18
Less: Other Income	50.20	82.92	43.86	21.04	48.86	18.96
Net ARR	2759.74	4164.33	4040.63	4565.43	2749.84	3,960.22
Revenue from sale of power	2649.21	2643.66	3718.92	3641.88	2884.56	2,915.97
Revenue (Gap)/Surplus over ARR of FY 2009-10	(110.53)	(1520.67)	(321.71)	(923.56)	134.72	(1,044.25)
Additional cost as per true up Order for FY 2007-08 dated 13.04.10 clause no. 1.45 allowable power purchase cost	0.00	0.00	0.00	(201.45)	0.00	0.00
Additional cost as per SMP 28/08 Additional Power purchase cost allowed vide order dated 31.01.2009	0.00	0.00	0.00	(8.51)	0.00	0.00
True-up of Power Purchase of FY 2005-06	(6.39)	(6.39)	0.00	0.00	(7.83)	0.00
True-up of Retail supply tariff order of FY 2006-07	128.86	128.86	341.00	0.00	(115.4)	0.00

Particulars	East		West		Central	
	Admitted in tariff order for FY 2009-10	True up Claims for FY 2009-10	Admitted in tariff order for FY 2009-10	True up Claims for FY 2009-10	Admitted in tariff order for FY 2009-10	True up Claims for FY 2009-10
Total (gap)/surplus before Carrying cost	11.94	(1398.20)	19.29	(1133.52)	11.49	0.00
True-up of MP Genco order for FY 2006-07	(11.97)	(11.97)	(18.8)	0.00	(12.18)	0.00
Carrying cost on (gap)/surplus	0.00	0.00	0.00	(563.85)	0.00	0.00
Total (gap)/surplus at approved FY 2009-10 tariff	(0.03)	(1410.17)	0.49	(1697.37)	(0.69)	(1,044.25)

13. The Commission has analyzed the petitions of Discoms for true-up of ARR for FY 2009-10. The response of Discom representatives on the issues raised by the consumer associations and individual consumers/objectors were heard. After giving due consideration to the methodology and process of determination of expenditure and revenues as elaborated in the regulations, the Commission has determined the admissible revenue deficit / surplus, as detailed in the subsequent sections of this order. Quantum of revenue deficit or surplus, as the case may be, shall be adjusted in the subsequent Annual Revenue Requirement of the Discoms. Summary of the true-up of ARR as admitted for FY 2009-10 is given below:

Table II: Revenue Surplus/(Deficit) admitted in true-up of ARR for FY 2009-10 (Rs. Crore)

Particulars	East Discom	West Discom	Central Discom	Total For State
INCOME				
Revenue from Sale of Power				
Tariff Income	2,452.87	3,045.84	2,142.01	7640.72
Non-tariff income (meter rent, recoveries for theft of power, wheeling/U.I. charges recovery, Misc. charges from consumers)	45.85	74.24	394.79	514.88
Other Income	227.89	188.37	182.66	598.92
Less : Delayed Payment Surcharge	197.23	158.09	163.71	519.03
Subsidy	190.79	521.79	379.17	1091.75
Total Income (A)	2720.17	3672.16	2934.93	9327.26
EXPENSES				
Power Purchase				
Power Purchase Cost	2276.70	3237.62	1980.67	7494.99
MP Transco Charges	329.66	257.68	352.33	939.67
Total Power Purchase (Incl. Transmission) (B)	2606.36	3495.30	2333.00	8434.66

Particulars	East Discom	West Discom	Central Discom	Total For State
O&M Expenses (Net of Capitalisation)				
Employee Expenses	382.19	343.89	349.12	1075.20
A&G Expenses	52.26	36.75	37.63	126.64
R&M Expenses	23.11	35.99	27.27	86.37
Total O&M (C)	457.56	416.63	414.02	1288.21
Other Expenses				
Depreciation	37.38	40.29	38.20	115.87
Interest & Financing Charges on Project Loans	12.83	14.72	20.58	48.13
Interest and Finance Charges on working capital loans	0.00	0.00	0.00	0.00
Interest on Consumer Security Deposit	15.79	23.51	16.98	56.29
Return on Equity	65.18	73.95	69.97	209.10
Bad & Doubtful Debts	0.00	0.00	0.00	0.00
Any Other Expense	0.79	0.02	0.42	1.23
Tax	0.00	0.00	0.00	0.00
Total Other Expenses (D)	131.97	152.49	146.15	430.61
Total Expenses E = (B + C + D)	3,195.88	4,064.42	2,893.17	10153.48
Revenue Surplus / (Gap) F = (A-E)	(475.71)	(392.26)	41.76	(826.21)
Additional revenue (Gap)/Surplus due to true-up of MP DISCOMs for the period April, 2006 to March, 2007 (G)	128.86	341.00	(115.40)	354.46
Power Purchase Cost reserved by MPERC in true-up order for FY 2005-06 (H)	(6.39)	(8.51)	(7.83)	(22.73)
Net Surplus / (Gap) I = (F+G+H)	(353.24)	(59.77)	(81.47)	(494.48)

14. Ordered as above, read with attached detailed reasons, grounds and conditions.

(Alok Gupta)
Member

(A. B. Bajpai)
Member

(Rakesh Sahni)
Chairman

Dated: 12th June, 2014
Place: Bhopal

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1. ANALYSIS OF EXPENSES DURING THE PERIOD APRIL 2009 TO MARCH 2010

Sale of energy admitted in tariff order and filed in true-up Petitions

1.1 The petitioners viz. East Discom, West Discom and Central Discom filed their tariff petitions registered vide number 76/08, 72/08 and 73/08 respectively for determination of distribution and retail supply tariff for FY 2009-10. Sale projections made in these petitions are as shown in the table below:

Table 1: Sales projected by Discoms for FY 2009-10 in tariff petitions (MUs)

Particulars	East Discom	West Discom	Central Discom	Total
Sales projected for FY 2009-10 in tariff petitions	6916	10384	7640	24940

1.2 Sales admitted in the retail supply tariff order FY 2009-10, are shown in the table below:

Table 2 : Sales admitted in retail supply tariff order FY 2009-10 (in MU)

DISCOM	East Discom	West Discom	Central Discom	Total
LT Sale	3998.36	6938.78	5209.35	16146.49
HT Sale	2916.17	3445.55	2431.67	8793.39
Total Sale	6914.53	10384.33	7641.02	24939.88

1.3 Net power purchase requirement of the Discoms was computed by the Commission based on the admitted sales grossed up with normative distribution loss levels.

1.4 Discoms have filed actual sales in the true-up petitions. Actual sales have been less by about 9% than the projected sales admitted in retail supply tariff order for FY 2009-10. While scrutinizing the sales filed in the true-up petitions, the Commission has also taken into consideration the audited accounts and annual & monthly R-15 statements of Discoms for FY 2009-10. A comparison of sale of energy as admitted in the tariff order, audited accounts, R-15 statements and filed in the true-up petitions is given in the table below:

Table 3 : Sales as per tariff order, audited accounts, monthly R15 statement and filed in true up petitions for FY 2009-10 (MUs)

Particulars	East Discom	West Discom	Central Discom	Total
As admitted in tariff order	6914.53	10384.33	7641.02	24939.88
As per audited Accounts (Energy Sale)	6410.00	9219.10	6942.76	22571.86
As per monthly R-15 report	6389.82	9219.10	6942.39	22551.31
As filed in true-up petitions	6409.69	9219.10	6942.39	22571.19

- 1.5 From the table above, it is evident that the sale of energy for all the three Discoms as admitted by the Commission in the tariff order for FY 2009-10 is more than the sales figures recorded in the audited accounts as well as their monthly R-15 statements.
- 1.6 It is further noted that the quantum of sale as filed in the present true-up petitions of West Discom and Central Discom is the same as recorded in their monthly R-15 statements. In case of East Discom the sale as indicated in the monthly R15 statement is less than the sale as filed in the true up petition and audited accounts.
- 1.7 The Commission directed East Discom to submit justification for variation in the figures of sales as filed in the true-up petition and annual aggregate of monthly R-15 statements.
- 1.8 East Discom replied that the sale of 6409.69 MU of energy claimed in the petition is as per the energy audit report of the company. In the monthly R-15 reports, residual corrections/adjustments of energy consumption of the unmetered consumers as per energy audit report are not made. These residual corrections are essential, as it is not possible to properly capture the influence of various unforeseeable and uncontrollable factors on monthly basis. This exercise can be carried out retrospectively only after a general qualitative and quantitative appraisal of the status at the end of a yearly load cycle. In view of the above, East Discom requested the Commission to consider the sales of 6409.69 MU as filed in the petition for undertaking the true-up of FY 2009-10.
- 1.9 Benchmarks for assessment of sale to the unmetered categories of domestic and agriculture consumers prescribed in the tariff order for FY 2009-10 are shown in the table below:

Table 4 : Benchmarks for assessment of consumption for un-metered consumers

Rate of assessment of un-metered domestic connections (units per connection per month)		Rate of assessment of units for un-metered agricultural connections (units per HP per month)		
Urban	Rural	Category	Rural	Urban
April to March		April to July		
77	30	Permanent	100	130
		Temporary	130	150
		August to September		
		Permanent	40	70
		Temporary	155	175
		October to March		
		Permanent	120	150
		Temporary	155	175

- 1.10 Scrutiny of the sales figures recorded in the annual R-15 statement and monthly R-15 statements submitted by the Discoms (the basic sales/billing data statement) for FY 2009-10, reveals that the booking of sales to unmetered category of domestic and agriculture consumers has been made in excess of the prescribed benchmarks when compared to the number of consumers and their load. It has been observed that:

- (i) Total sales as per the “sum of monthly data aggregated for the financial year” reported in monthly R-15 reports and annual data as per final annual R-15 reports for FY 2009-10 have variations.
- (ii) Total sale recorded in monthly R-15 reports varies compared to sale calculated on the basis of benchmarks prescribed for assessment of sale to un-metered categories of domestic and agriculture consumers.

1.11 Summary of the sales booked to the unmetered categories of connections in excess of prescribed benchmarks is shown in the table below:

Table 5: Summary of sales to the unmetered category booked in excess over the prescribed benchmark for FY 2009-10 (MU)

Discom	Unmetered sales as per monthly R15 statements	Unmetered sales (calculated as per prescribed Benchmarks)	Sales booked in excess of the prescribed benchmarks
East	1299.58	1192.72	106.86
West	3040.27	2928.99	111.27
Central	1899.92	1313.80	586.11
Total	6239.77	5435.51	804.24

1.12 The Commission had disallowed the sales in excess of the benchmarks booked by the Discoms in true-up order dated June 16, 2009 for FY 2006-07. The Commission was not convinced with the fact that excess sales in unmetered categories were booked on account of extra hours of supply made to agriculture consumers or the consumption recorded in sample meters. The relevant section of the truing up order is reproduced below:

“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 cannot 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.”

- 1.13 Aggrieved with disallowing of excess sales over the prescribed benchmark for unmetered categories in the truing up order for FY 2006-07, Discoms filed an appeal before the Hon'ble APTEL. The Hon'ble APTEL in the judgment dated March 4, 2011 in Review Petition No. 10 of 2010 against appeal no. 145 of 2009 held as follows:

“17. In our opinion if the State Commission has to give an appropriate order providing for subsidy by the State Government, it would be necessary for the State Commission to apply prudence check to assess the additional energy supply made to unmetered agriculture consumers. The State Commission may assess the additional energy based on additional hours of actual supply made to agriculture following the directions of the State Government after scrutinizing the records of the distribution licensee and State Load Dispatch Centre or any other method that it may like to adopt. Learned counsel for the Respondent/ distribution licensee submitted some documents regarding additional supply to agriculture consumer but we find that these are not adequate to establish the additional supply made to unmetered agriculture consumers.

18. We direct the State Commission to pass an appropriate order keeping in view the above clarifications”

- 1.14 The Hon'ble ATE further stated as follows in the Judgment dated November 4, 2011 in Appeal No. 150 of 2010:

“9. The learned Counsel for the State Commission has ventured to justify the impugned order. However, we are not able to agree with those arguments except that the State Commission has to apply prudence check with respect of computation of consumption of the un-metered agriculture consumers due to additional hours of supply compared to the normative consumption based on the restricted hours of supply as directed in our order dated 4.3.2011 in RP No.10 of 2010. The State Commission may assess the additional supply based on the additional hours of actual supply made to agriculture after scrutinising the records of the distribution licensees and the State Load Dispatch Centre or any other method that it may like to adopt. Therefore, we deem it fit to allow the Appeal in respect of the issues 1 to 3 in terms of judgment in 145 of 2010 dated 19.5.2010 with the above directions. Accordingly, ordered.”

- 1.15 Since the issue of determination of sales in excess of the prescribed benchmarks to unmetered categories is similar to that of the true ups of FY 2006-07 and FY 2007-08, the Commission has taken due cognizance of the directions of the Hon'ble APTEL in the matter. Accordingly, in order to ascertain the factual position, vide letter number MPERC/RE/2013/2761 dated 23/10/2013, the Commission directed the Discoms to submit requisite details/ data/ information with relevant documents to authenticate their claim for sales in excess of prescribed benchmarks for the unmetered consumer categories for FY 2009-10.

- 1.16 In response, East Discom and West Discom, submitted that the Commission had fixed the norms in respect of un-metered category of consumers in the tariff order for the purpose of billing only and not for restricting sales to such consumers. The tariff order did not impose any restriction on the quantum of units to be supplied to consumers or otherwise the hours of supply for metered as well as un-metered categories. Discoms further submitted that for un-metered category the Commission had not provided any formula for accounting of the realistic consumption. The Commission had provided norms only for assessment of consumption of un-metered categories of consumers for billing purpose. Therefore, it is not appropriate to compare the realistic consumption with the normative parameter meant for billing purpose and hence the revenue income for such cases cannot be compared with the realistic consumption. The quantum of supply to agricultural consumers varies depending upon rainfall and demand for irrigation from time to time. If the quantum of supply is less than the assessed units, then there would be no refund to the agricultural consumers. Similarly, if the quantum of supply is more than the assessed units, there cannot be any demand on the agricultural consumers to pay more for such additional use. It is, therefore, absolutely clear that the assessed consumption is for the billing purpose on the basis of load of the consumers in HP per month irrespective of the actual quantum of supply i.e. it may be less or more than the assessed units. Discoms further submitted that the economy of Madhya Pradesh predominantly depends upon agriculture with majority of irrigation pumps being run on electricity. Discoms submitted that they had made efforts to supply maximum power to the farmers for extended hours during the rabi season.
- 1.17 Discoms further submitted that the information regarding month wise actual average supply hours; demand met etc. as provided by SLDC has already been submitted before the Commission. Therefore, consumption should not be limited on the basis of the billing benchmark and sales as claimed in the petition may be approved.
- 1.18 Central Discom submitted that the Commission had fixed the norms for unmetered consumption for billing purpose and not for sale vide letter dated December 16, 2013. Central Discom also quoted the following para from the Hon'ble ATE's judgment in Appeal No. 145 of 2009,
- “We conclude that no restriction is placed on Appellants to supply beyond 100/130 units per HP per month. Rather clause 3.6 required that supply not to be unduly restricted.”*
- 1.19 Although the East and West Discoms claimed to have submitted the information regarding month wise actual average supply hours, demand met etc. as provided by SLDC to the Commission, on perusal it is observed that the said information for FY 2009-10 has not been submitted with their response. The Commission has observed that the Discoms have not substantiated the quantum of sales in excess of prescribed benchmarks to the un-metered categories of consumers with proper justification / documents/ data/ information/ methodology in case of true-up exercise for FY 2009-10

- 1.20 Moreover, information merely indicating availability of supply hours at the EHV substation level would not suffice, as agricultural consumption would depend on the supply actually available at the 11/0.4 kV DTR secondary side, the requirement of power depending on the season/ off season, ground water availability etc. Discoms did not submit the details as to how they have been able to arrive at the quantum of assessed sale claimed for unmetered category of consumers. Unless they submit the detailed methodology and the calculations of assessments of energy sale claimed by them along with supporting documents, the Commission would not be in a position to ascertain the authenticity of their claims.
- 1.21 The Commission has been repeatedly pursuing the matter with Discoms to ensure proper metering on all connections to comply with the spirit of the Electricity Act, 2003 under section 55. The response of the Discoms has been very poor in this regard in the period intervening since the enactment of the Electricity Act, 2003. They did not take enough initiative to comply with the directions of the Electricity Act, 2003 resulting in huge backlog of connections lying unmetered. Moreover, a number of new connections were released without providing meters, further worsening the situation. In absence of metering, it is not possible to record actual consumption. The plea of the Discoms that the Commission has not provided any formula to account for realistic consumption is devoid of merit. There would have been no need for assessment had the Discoms provided meters as per the time lines stipulated in the Electricity Act, 2003. No formula can provide for capturing realistic consumption of unmetered connections when there are so many varying factors impacting consumption. The Discoms also did not care to install meters on adequate sample size of agricultural predominant DTRs despite specific and persistent instructions. Consumption recorded in such meters would have given an idea of realistic consumption to a fair approximation. The Commission cannot allow arbitrary adjustments in sales unless it is sure that the losses are not booked under the garb of excess sales. It would not be acceptable to burden honest paying consumers without proper validation of actual sales.
- 1.22 It is obvious from the foregoing that the Commission is not in a position to carry out prudence check of additional sales with respect to computation of consumption of the unmetered agriculture consumers due to additional hours of supply compared to the consumption assessed on prescribed benchmarks. Therefore, the Commission has considered the sales as per prescribed benchmarks for un-metered categories of connections for the purpose of this true up order. However, if the Discoms submit requisite information in future in support of their claim for additional supply to un-metered categories of connections, the Commission shall give it due consideration.
- 1.23 In view of the above, the Commission has admitted the sale to un-metered domestic and agricultural consumers as per benchmarks prescribed for assessment for these categories.
- 1.24 Details of energy sales as admitted in tariff order for FY 2009-10, as per true-up filing of the Discoms and as admitted by the Commission for the purpose of the true up are given in the following table:-

Table 6 : Sales as per tariff order, as per true-up petitions and as admitted in true-up

Category	East Discom			West Discom			Central Discom			Total for the State		
	As per Tariff Order FY 2009-10	As per True up Petition FY 2009-10	As admitted in True up Order FY 2009-10	As per Tariff Order FY 2009-10	As per True up Petition FY 2009-10	As admitted in True up Order FY 2009-10	As per Tariff Order FY 2009-10	As per True up Petition FY 2009-10	As admitted in True up Order FY 2009-10	As per Tariff Order FY 2009-10	As per True up Petition FY 2009-10	As admitted in True up Order FY 2009-10
LOW TENSION												
LV 1: Domestic Consumers	1665	1458	1451	1961	1845	1844	2346	1599	1576	5972	4903	4870
LV 2: Non - Domestic	325	342	342	504	475	475	542	410	410	1371	1226	1226
LV 3: Public Water Works and Streetlights	185	179	179	155	146	146	138	181	181	477	506	506
LV 4: Industry	209	197	197	451	368	368	250	183	183	909	747	747
LV 5: Agricultural Consumers	1614	1368	1249	3868	3066	2956	1934	2320	1757	7417	6753	5962
LT Units (MU)	3998	3544	3417	6939	5900	5788	5209	4692	4106	16146	14136	13312
HIGH TENSION												
HV 1: Railway Traction	400	465	465	319	379	379	764	678	678	1483	1522	1522
HV 2: Coal Mines	508	484	484	0	0	0	38	33	33	546	516	516
HV-3: Industrial/Non-Industrial	1184	1159	1173	2647	2543	2543	1345	1326	1326	5176	5028	5042
HV-4: Seasonal	5	5	5	10	8	8	2	1	1	17	14	14
HV-5: Public Water Works/HT Irrigation	71	76	62	230	203	203	102	77	77	403	356	343
HV-6: Township and Residential Colony	329	257	306	0	8	8	58	126	126	387	390	440

Category	East Discom			West Discom			Central Discom			Total for the State		
	As per Tariff Order FY 2009- 10	As per True up Petition FY 2009- 10	As admitt ed in True up Order FY 2009-10	As per Tariff Order FY 2009-10	As per True up Petition FY 2009-10	As admitt ed in True up Order FY 2009- 10	As per Tariff Order FY 2009-10	As per True up Petition FY 2009-10	As admitt ed in True up Order FY 2009- 10	As per Tariff Order FY 2009- 10	As per True up Petitio n FY 2009- 10	As admitt ed in True up Order FY 2009- 10
HV-7: Bulk Supply to Exemptees	421	421	371	239	178	178	121	10	10	781	609	559
HT Units (MU)	2916	2866	2866	3446	3319	3319	2432	2250	2250	8793	8435	8435
GRAND TOTAL HT + LT	6915	6410	6283	10384	9219	9108	7641	6942	6356	24940	22571	21747

Power Purchase Quantum and Cost

Licensees' Submission

- 1.25 Power purchase quantum claimed by the Discoms in the true-up petitions is less by 445.16 MUs, (-) 1149.13 MUs and 237.70 MUs in respect of East Discom, West Discom, and Central Discom respectively as compared to the quantum admitted in the tariff order. However, the cost of power purchase has gone up by Rs. 586.54 Crore (East Discom), Rs. 344.93 Crore (West Discom) and Rs. 484.66 Crore (Central Discom).
- 1.26 Discoms submitted that the Power Purchase Quantum (MU) admitted in the tariff order was based on the loss trajectory laid down by the GoMP vide letter dated December 28, 2006. Actual losses differ with the loss trajectory laid down by the GoMP. Discoms further submitted that there is wide variation in source wise per unit power purchase rate actually billed by MP Tradeco and that admitted in tariff order dated July 29, 2009.
- 1.27 East Discom submitted that the power purchase cost for FY 2009-10 also includes the supplementary bills raised by MP Tradeco for Rs. 65.07 Crore and Rs. 98.81 Crore pertaining to power purchase cost for FY 2006-07 and FY 2007-08 respectively. East Discom submitted that such cost had not been considered by the Commission during the truing up exercise of FY 2007-08 as the same had not been reflected in the audited accounts.
- 1.28 East Discom in its petition further submitted that MP Tradeco had raised the revised energy bill for the energy supplied during the period FY 2008-09 and a credit of Rs 214.19 Crore has been given. Further MP Tradeco had also raised supplementary bill for an amount of Rs 39.27 Crore for energy supplied during FY 2008-09.

- 1.29 Thus, the net credit amount of Rs 174.93 Crore pertaining to FY 2008-09 is included in the annual accounts of FY 2009-10 . East Discom submitted that in its true-up petition for FY 2008-09 it had already stated that due to late receipts of bills from MP Tradeco, such credit amount could not be incorporated in the annual accounts of FY 2008-09. Further, East Discom in its true-up petition for FY 2008-09 had also prayed that since this credit is related with FY 2008-09, therefore the same may be considered while deciding the true-up petition for FY 2008-09 and may not be considered while deciding the true-up petition for FY 2009-10.
- 1.30 East Discom further submitted that MP Tradeco vide invoice no. TRADECO/DISCOM-EZ/Supplementary bill/FY 2009-10 dated September 13, 2010 had raised supplementary bill on finalization of MP Tradeco's accounts for FY 2009-10 and had given a credit of Rs 30.47 Crore. East Discom submitted that since this bill was received by East Discom after finalisation of annual accounts which cannot be restated, therefore, this bill was accounted for in the annual accounts of the company for FY 2010-11. Since this bill is related with the power purchase cost for FY 2009-10, therefore, this bill amount may be considered while deciding the true-up for FY 2009-10 and may not be considered while deciding the true-up for FY 2010-11.
- 1.31 In view of the above, East Discom submitted that the audited accounts of the East Discom indicate Rs. 2448.50 Crore towards Power Purchase cost which also includes the supplementary bills of Rs 65.07 Crore for FY 2006-07 and Rs 98.81 Crore for FY 2007-08. However, as submitted above MP Tradeco had given the credit of Rs 174.93 Crore for power purchase cost related to FY 2008-09 and Rs 30.47 Crore for power purchase cost related to FY 2009-10. Therefore, actual cost of power purchase for FY 2009-10 works out to be Rs. 2592.96 Crore (2448.50+174.93-30.47).
- 1.32 A comparison of quantum and cost of power purchase during FY 2009-10 as per tariff order, as per audited accounts and as claimed in true-up petitions is shown in the table below:

Table 7: Power Purchase quantum and cost of the Licensees for FY 2009-10

Sl. No.	Distribution Licensee	As per tariff order (A)		As per audited accounts (B)		As filed in true-up petitions (C)		Variation in tariff order and true-up claims(C)-(A)	
		MUs	Rs. Crore	MUs	Rs. Crore	MUs	Rs. Crore	MUs	Rs. Crore
1	East Discom	10,032	1,840	10,403	2,449	10,478	2,495	445	587
2	West Discom	14,777	3,055	13,628	3,377	13,628	3,400	1,149	345
3	Central Discom	12,287	1,926	12,525	2,411	12,525*	2,411	238	485
	Total for State	37,096	6,890	36,556	8,237	36,630	8,306	-466	1,416

*Ex-bus power purchase as per audited accounts of Central Discom.

- 1.33 The Government of Madhya Pradesh had issued notification dated June 16, 2009 for allocation of the generation capacities amongst the three Discoms of the State. The Discoms through East Discom submitted the statement of quantum of power purchase and cost as paid to MP Tradeco in FY 2009-10. The MP Tradeco statement submitted by East Discom indicates the data / information of power purchase made during the year, from different sources along with the breakup of variable charges, fixed charges and other expenses. It has been observed that there are variations in the quantum and cost of power purchase in the Audited Account, as claimed by the Discoms in their petitions and as per MP Tradeco statement. This is shown in the table below:

Table 8: Variation in Power Purchase quantum and Cost as submitted by the Discoms (MU)

Particulars	East Discom		West Discom		Central Discom	
	MU	Rs Crore	MU	Rs Crore	MU	Rs Crore
As filed in petition	10477.52	2495.38	13627.54	3399.84	12525.10*	2410.86
As per the Tradeco Statement [^]	10648.78	2482.48	12599.13	2916.51	12981.57	2230.19
As per the audited accounts	10403.00	2592.96#	13627.54	3377.44	12525.10	2410.86

**Ex-bus power purchase as per audited accounts of Central Discom.*

After adding the credit amount of Rs. 174.93 Crore already considered in FY 2008-09 and subtracting the credit amount of Rs. 30.47 Crore reflected in accounts of FY 2010-11 but pertaining to FY 2009-10 excluding PGCIL Charges, which have been shown in the Transmission Charges by East Discom

[^]87.55 MU related to energy banking and exchange has been apportioned among three Discoms on the basis of the cost as in the MP Tradeco Statement, quantum has not been apportioned

- 1.34 The Commission directed Discoms to submit justifications/reasons for variations in power purchase quantum and cost.
- 1.35 In response, East Discom has submitted that the variation in the power purchase cost is due to the fact that the MP Tradeco statement has not accounted for certain cost related to prior period charges, UI charges and power purchase from mini/micro hydro electric projects, vide letter dated December 16, 2013. As regard the variation in power purchase quantum, East Discom submitted that the MP Tradeco statement has mentioned energy purchased based on energy indicated in the bills received from various generators, therefore energy quantum indicated in the MP Tradeco statement does not tally with the energy indicated in SEA. As per the MP Tradeco's statement energy purchase of 10618.26 MU's has been indicated. This energy does not include UI energy and energy purchased from mini/micro stations. East Discom submitted that during FY 2009-10 it has under-drawn 145.39 MU and also purchased 4.66 MU from mini/micro hydel projects. Thus total energy input i.e. 10477.53 MU (10618.26-145.39+4.46) has been claimed in the petition. East Discom further, submitted that in the audited accounts the purchase of 10403 MU's of energy has been indicated which was based on the SEA and UI available at the time of finalization of annual accounts.

- 1.36 However, after the finalization of accounts of East Discom, SLDC has revised SEA. As per the revised SEA available till date, the ex-bus energy purchase for FY 2009-10 is 10547.96 MU. As per the latest UI statement of SLDC for the period November, 2009 to March, 2010 the scheduled energy during FY 2009-10 at Discom periphery is 4540.65 MU against which the actual drawal is 4385.12 MU. Thus total energy of 155.53 MU was utilized by the other Discoms through UI. If UI energy (at Discom periphery) and energy purchase (at Discom periphery) from Mini-micro Hydel stations of East Discom is factored in the total energy purchase for the FY 2009-10 comes out to be 10396.89 MU (10547.96- 155.53+4.46).
- 1.37 West Discom has submitted that the total power purchase cost as per audited accounts was Rs. 3399.84 Crore (Rs. 3377.44 Crore as per schedule 6 of annual accounts and Rs. 22.41 Crore as per schedule 18 of annual accounts) as informed vide letter dated December 13, 2013. West Discom further submitted that as per the bills issued by MP Tradeco the total power purchase units are 13627.54 MU and the same is indicated in the audited accounts and in the petition.
- 1.38 Central Discom has submitted that the MP Tradeco has intimated vide letter no. 514 dated November 28, 2013 that they have again revised the power purchase quantum to 12851 MU instead of 12935 MU, as informed vide letter dated December 16, 2013. Central Discom submitted that the quantum and cost as shown in the audited accounts of the company may be treated as authentic.
- 1.39 The Commission has analysed the submissions made by the three Discoms regarding the power purchase quantum and cost claimed in the petitions. It has been observed that the three Discoms have followed different methods for claiming the power purchase for FY 2009-10. The Commission is of the view that a common approach should be considered for determining the power purchase of all the three Discoms. Thus, maintaining a consistent approach, the Commission has considered the power purchase as indicated in the audited accounts of the Discoms.
- 1.40 West Discom submitted that the power purchase cost as per the audited accounts is Rs. 3399.84 Crore which also includes cost of Rs. 22.41 Crore as indicated in schedule 18 of the annual accounts. The Commission has observed that Rs. 22.41 Crore in schedule 18 of the audited accounts is a provision towards cost of power purchase in previous years and not actual purchase during FY 2009-10. Provisioning of cost is not admissible as pass through unless it is actually incurred. The Commission has considered the actual power purchase cost for West Discom as per the schedule 6 "PURCHASE OF POWER" for the purpose of trueing-up.
- 1.41 As per the power purchase statement submitted by the Discoms for FY 2009-10, MP Tradeco had purchased 36229.48 MU (including UI, and the power sold outside the State) on behalf of Discoms from different generators. Summary of power purchase for FY 2009-10 as per the MP Tradeco statement is shown in the Table below:

Table 9: Power Purchase from various sources by Discoms through MP Tradeco in FY 2009-10

S. no.	Particulars	Power Purchase (MU)
1	MPPGCL	15404.17
2	NHDC (ISP + OHP) + SSP + Bargi+DVC+HEG (Tawa)	5111.46
3	CPP + Wind	182.67
4	Central Sector (Eastern Region)	362.12
5	Central Sector (Western Region)	14685.12
6	Bilateral	536.89
7	Total Energy Purchased	36282.44
8	Energy Sold	140.51
9	Net Energy Purchased	36141.93
10	Energy Banking and Exchange	87.55
11	Total	36229.48

1.42 Thus, MP Tradeco had supplied 36229.48 MU at a cost of Rs. 7629.18 Crore. The Discom wise break-up is given below:

Table 10: Power Purchase by Discoms as per MP Tradeco Statement in FY 2009-10

East Discom		West Discom		Central Discom		Total for State	
MUs	Rs. Crore	MUs	Rs. Crore	MUs	Rs. Crore	MUs	Rs. Crore
10648.78	2482.48	12599.13	2916.51	12981.57	2230.19	36229.48	7629.18
29.39%		34.78%		35.83%		100.00%	

1.43 In addition to the above, East Discom submitted that it has also procured 4.66 MUs from mini/micro hydro stations at Rs. 1.32 Crore.

1.44 The Discoms have not submitted the complete energy balance in “schedule 4a” in their respective petitions formats. East Discom has included the intra-Discom trading separately in their energy balance; West Discom has not submitted the MPPTCL losses and PGCIL losses separately. Central Discom has claimed PGCIL losses as high as 9.12 %. The energy balance filed by the Discoms is shown in the table below:

Table 11: Energy Balance filed by Distribution Licensees for FY 2009-10

S. no.	Particulars	East Discom	West Discom	Central Discom	Total for State
1	Total Energy Sale (MU)	6,409.69	9,219.10	6,942.39	22,571.18
2	A. Distribution Losses (%)	33.45%	28.62%	35.15%	
	B. Distribution Losses (MU)	3,221.92	3,696.08	3,762.91	10,680.90
3	At T-D Interface (MU)	9,631.61	12,915.17	10,705.30	33,252.08
4	Intra-Discom Trading	-145.39			-145.39
5	A. Transmission Loss of MPPTCL (%)	4.69%	5.23%	4.11%	

S. no.	Particulars	East Discom	West Discom	Central Discom	Total for State
6	B. Transmission Losses of MPPTCL (MU)	480.99	712.37	458.85	1,652.20
	At MP Periphery	10,257.99	13,627.54	11,164.15	35,049.68
7	External Losses (%)	2.10%	0.00%	9.12%	
8	External Losses (MU)	219.53	0.00	1,119.85	1,339.38
	Net Energy Requirement (MU)	10,477.52	13,627.54	12,284.00	36,389.06

1.45 It may be observed from the above table that as against the total power purchase requirement of 36389.06 MUs as filed by the Discoms, as per Tradeco statement the total power purchase quantum during FY 2009-10 is 36234.14 MU (36229.48 MU + 4.66 MU). The Discoms have considered the actual distribution losses instead of normative loss levels as per GoMP notification. The percentage of external losses (PGCIL losses) is also not uniform for all the three Discoms.

Commission's Analysis of Power Purchase Requirement

1.46 The Commission has scrutinized the variation in power purchase requirement as admitted in the retail supply tariff order dated July 29, 2009 vis-à-vis the actual power purchase as per the audited accounts. Details of power purchase including inter-state transmission charges and losses as admitted by the Commission in the retail supply tariff order for FY 2009-10 and as per the audited accounts of the Discoms are given in the table below:

Table 12: Power purchase quantum and cost admitted in tariff order and claimed in true-up as per the audited accounts.

Discom	Particulars	Admitted in the tariff order (B)	Actual as per audited accounts (A)	Difference claimed in true-up (A)-(B)
East Discom	Power Purchase Quantum (MUs)	10,032.36	10,403.00	370.64
	Power Purchase Cost (Rs. Crore)	1,908.84	2592.96 [#]	684.12
West Discom	Power Purchase Quantum (MUs)	14,776.67	13,627.54	-1,149.13
	Power Purchase Cost (Rs. Crore)	3,054.91	3,377.44*	322.53
Central Discom	Power Purchase Quantum (MUs)	12,287.40	12,525.10	237.70
	Power Purchase Cost (Rs. Crore)	1,926.20	2,410.86	484.66
Total for the State	Power Purchase Quantum (MUs)	37,096.43	36,555.64	-540.79
	Power Purchase Cost (Rs. Crore)	6,889.95	8,381.26	1,491.31

After adding the credit amount of Rs. 174.93 Crore already considered in FY 2008-09 and subtracting the credit amount of Rs. 30.47 Crore reflected in accounts of FY 2010-11 but pertaining to FY 2009-10

* West Discom has claimed power purchase cost of Rs. 3399.84 Crore including short provision for power purchase in previous years.

- 1.47 The Commission has followed the principle of grossing up the sale with normative loss levels for working out power purchase requirement in accordance with the provisions of the regulations, as narrated below;
- i. The admitted 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 at 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, the quantum (B) is grossed up by the actual external losses (say C) to arrive at the total energy requirement i.e. $D=B/(1-C)$.
- 1.48 In order to compute the energy balance for Discoms, it is necessary to know the loss levels at each stage. Therefore, inter-state transmission losses, intra-state transmission losses and distribution losses need to be identified correctly. The intra-State transmission loss as indicated in the true-up order of MPPTCL for FY 2009-10 is 4.19%. Accordingly, this loss level has been considered for the current true-up exercise. The Commission had considered the normative distribution loss levels for Discoms as laid down by GoMP vide letter dated December 28, 2006 in tariff order for FY 2009-10 for calculation of energy requirement for each Discom.

Table 13: GoMP specified Distribution Loss reduction trajectory for FY 2009-10 (%)

Year	East Discom	West Discom	Central Discom
FY 2009-10	26.50%	25.50%	34.00%

- 1.49 With regard to external transmission losses of Power Grid system, the Commission directed the Distribution licensees to submit the details of the actual losses in MUs as well as in percentage.
- 1.50 In absence of such details submitted by the Discoms the transmission losses of Power Grid system, have been computed separately for Eastern Region and Western Region stations. Based on the weekly loss levels for FY 2009-10, as available on website of NLDC, the Commission has computed the average losses applicable for western and eastern region as 5.70% and 2.90% respectively.
- 1.51 Power purchase requirement as per approach described above for the three Discoms is shown in the table below:

Table 14: Analysis of Power purchase Quantum (MU)

S. No.	Particulars	East Discom	West Discom	Central Discom	Total for State
1	Total Energy Sale (MU)	6282.96	9107.82	6356.28	21,747.07
2	A. Distribution Losses (%)	26.50%	25.50%	34%	28.47%
	B. Distribution Losses (MU)	2265.29	3117.44	3274.45	8,657.18
3	At T-D Interface (MU)	8548.25	12225.27	9630.73	30,404.25
4	A. Transmission Loss of MPPTCL (%)	4.19%	4.19%	4.19%	4.19%
	B. Transmission Losses of MPPTCL (MU)	373.84	534.64	421.17	1,329.65
5	At MP Periphery	8922.08	12759.91	10051.90	31,733.90
6	External Losses for drawal of WR and ER stations (MU)	214.41	306.64	241.56	762.62
7	Net Energy Requirement (MU)	9136.50	13066.55	10293.47	32,496.51

Power purchase from all sources

- 1.52 The Commission had admitted power purchase cost of Rs 6889.95 Crore for the Discoms in the retail supply tariff order for FY 2009-10. The Commission considered around 79.96 MU for West Discom at the cost of Rs. 11.14 Crore as Short term power requirement at the rate of Rs. 1.39 per kWh in the tariff order for FY 2009-10. Based on the submissions of the Discoms it has been observed that the actual power purchase for FY 2009-10 does not include any short term power purchase.
- 1.53 Summary of source-wise power purchase details submitted by Discoms are shown in the table below:

Table 15: Details of source wise Power Purchase as filed for FY 2009-10

S. No	Source	Capacity	MP Share	Total Energy Purchased	Total Fixed charges	Total Variable Charges including FPA and Other charges	Income Tax/FBT	Total Charges
I	NTPC	(MW)	(MW)	(MU)	(Rs. Crore)	(Rs. Crore)	(Rs. Crore)	(Rs. Crore)
1	KSTPS	2100.00	429.24	3481.67	86.81	278.29	26.75	391.85
2	VSTPS – I	1260.00	406.05	3164.01	99.93	451.55	32.98	584.46
3	VSTPS-II	1000.00	289.93	2338.66	118.05	326.11	31.60	475.76
4	VSTPS-III	1000.00	218.05	1813.93	135.59	252.14	23.66	411.39
5	Kawas	656.20	151.17	781.38	55.75	180.67	13.47	249.88
6	Gandhar	657.39	128.22	709.00	68.75	143.77	22.90	235.43
7	SIPAT II	1000.00	161.05	1275.84	102.53	116.39	0.00	218.92
8	KAPP	440.00	100.94	204.70	0.00	44.20	0.09	44.29
9	TARAPUR	1080.00	199.49	915.93	0.00	250.68	0.00	250.68
	Total NTPC WR	9193.59	2084.14	14685.12	667.41	2043.80	151.46	2862.66
1	FSTPS	1600.00	14.24	31.78	1.34	7.09	0.60	9.03
2	TSTPS	1000.00	8.93	19.04	1.12	2.42	0.58	4.13
3	KHSTPS I	840.00	7.34	12.88	0.75	2.41	0.22	3.39
4	KHSTPS II	1500.00	87.00	298.43	21.39	48.52	0.00	69.91
	Total NTPC ER	4940.00	117.51	362.12	24.61	60.44	1.40	86.46
	Total NTPC(WR+ ER)	14133.59	2201.65	15047.24	692.02	2104.24	152.86	2949.12
II	Purchase from Bilateral Power							
1	RSEB (Chambal, Satpura)	0.00	0.00	536.89	0.00	196.70	0.00	196.70
III	Purchase from Other Sources							
1	NHDC-Indira Sagar	1000.00	1000.00	2113.03	508.63	13.54	0.00	522.17
2	SSP	1450.00	826.50	1395.20	193.68	81.59	0.00	275.27
3	OMKARESHWAR	520.00	520.00	1163.45	233.67	47.98	0.00	281.65
4	BARGI (NVDA)	10.00	10.00	2.97	0.00	1.52	0.00	1.52
5	Others 1 CPP	0.00	0.00	18.71	0.00	3.52	0.00	3.52
6	Others 2 Wind	0.00	0.00	163.97	0.00	60.51	0.00	60.51
7	HEG Tawa	0.00	0.00	37.43	0.00	11.30	0.00	11.30
8	DVC	200.00	200.00	399.40	0.00	115.82	0.00	115.82
	Others-Total (III)	3180.00	2556.50	5294.14	935.98	335.79	0.00	1271.77

S. No	Source	Capacity	MP Share	Total Energy Purchased	Total Fixed charges	Total Variable Charges including FPA and Other charges	Income Tax/FBT	Total Charges
A	Grand Total other than MPGenco(I+II+III)	17313.59	4758.15	20878.27	1628.00	2636.73	152.86	4417.59
I	MP Genco – Thermal							
1	ATPS Chachai (240MW)	290.00	290.00	521.35	35.83	64.71	0.00	100.54
2	ATPS-Chachai (210MW)	210.00	210.00	1052.09	90.75	186.00	0.00	276.75
3	STPS Sarni	1142.50	1017.50	5212.78	276.90	717.24	0.00	994.14
4	SGTPS Birsingpur	840.00	840.00	3871.63	282.05	512.54	0.00	794.59
5	SGTPS Birsingpur (500MW)	500.00	500.00	3182.55	348.43	362.61	0.00	711.05
	M.P. Genco Thermal-Total (I)	2982.50	2857.50	13840.40	1033.96	1843.11	0.00	2877.07
II	MPGenco – Hydel							
1	Gandhi Sagar	115.00	57.50	64.13	1.72	7.23	0.00	8.95
2	R P Sagar	172.00	86.00	61.72	0.00	9.32	0.00	9.32
3	Jawahar Sagar	99.00	49.50	66.58	0.00	10.05	0.00	10.05
4	Pench	160.00	106.67	259.77	6.63	8.15	0.00	14.78
5	Ban Sagar (I+II+III)	405.00	405.00	854.54	64.19	75.41	0.00	139.60
6	Jhinna HPS	20.00	20.00	3.32	1.12	0.30	0.00	1.41
7	Brinsingpur Hydro	20.00	20.00	21.06	3.19	1.35	0.00	4.55
8	Bargi	90.00	90.00	174.65	5.42	10.24	0.00	15.66
9	Rajghat	45.00	22.50	46.04	2.73	6.95	0.00	9.68
10	Madhikheda HPS	60.00	60.00	11.96	3.82	3.38	0.00	7.20
	M.P. Genco Hydel Total (II)	1186.00	917.17	1563.77	88.82	132.38	0.00	221.20
III	Total Tax for Genco (III)	0.00	0.00	0.00	0.00	0.00	0.09	0.09
B	MP Genco TOTAL (I+II+III)	4168.50	3774.67	15404.17	1122.78	1975.49	0.09	3098.35
C	Total Power Purchased (A+B)	21482.09	8532.82	36282.44	2750.77	4612.22	152.95	7515.94
D	Total Inter-State transmission charges (PGCIL)	0.00	0.00	0.00	0.00	352.71	0.00	352.71

S. No	Source	Capacity	MP Share	Total Energy Purchased	Total Fixed charges	Total Variable Charges including FPA and Other charges	Income Tax/FBT	Total Charges
E	Total Cost for energy purchase (C+D)	21482.09	8532.82	36282.44	2750.77	4964.92	152.95	7868.65
F	Suppl Bills (Prior to 2009-10)	0.00	0.00	0.00	0.00	60.81	0.00	60.81
G	Net Banking	0.00	0.00	87.55	0.00	11.81	0.00	11.81
H	Total Cost for energy purchase (E+F+G)	21482.09	8532.82	36369.99	2750.77	5037.54	152.95	7941.26
I	Other costs passed to Discoms - which cannot be apportioned station wise	0.00	0.00	0.00	0.00	190.76	0.00	190.76
J	Total Cost for Energy Purchase (H+I)	21482.09	8532.82	36369.99	2750.77	5228.30	152.95	8132.02
K	Less: Other Income	0.00	0.00	0.00	0.00	421.55	0.00	421.55
L	Less: Sale of Power	0.00	0.00	140.51	0.00	81.30	0.00	81.30
M	Power Purchase from Mini/Micro	0.00	0.00	4.66	0.00	1.32	0.00	1.32
N	Net Total Purchase cost	21482.09	8532.82	36234.14	2750.77	4726.77	152.95	7630.50

1.54 The aforementioned submissions of Discoms have been examined. As may be observed from the above table the total power purchase cost also includes a significant cost of Rs. 190.76 Crore as “other costs passed to Discoms which cannot be apportioned station wise”. The Commission sought clarification on each of the cost heads included in the above mentioned charges billed by MP Tradeco (Now MPPMCL). A meeting was held on December 27, 2013 with their officials in which the component wise explanation was provided by MP Tradeco which is summarized in the table below:

Table 16: Component-wise explanation for other cost in power purchase cost as submitted by MP Tradeco

Sl. No.	Particulars	Rs Cr	Explanation
I	Direct cost		
1	Short Term Energy Purchase	-0.13	Pertaining to short term power purchase
2	NPCIL Water Cess	0.04	Pertaining to NPCIL water cess

Sl. No.	Particulars	Rs Cr	Explanation
3	Open Access	30.03	Charges paid to various traders for banking of power
4	Trading Margin	3.73	Charges paid to traders for Banking of power
5	Short Term Open Access Consumers	-12.82	Income received on surrender of corridor to other parties
6	Surcharge on delayed payment	2.30	Delayed payment of power purchase to the Generators.
7	Bank Charges	16.97	Letter of Credit Charges and other bank charges pertaining to power purchase. Ledger Account has been submitted for the same.
8	Application Fees for Securing Open Access	0.01	Charges paid to traders for securing open access
9	L C Charges	0.91	Charges paid to NTPC for LC given to NTPC
10	R kavh	0.87	Charges paid for Reactive Energy generated by Non-Conventional Energy Sources
11	Operating & Maintenance Charges	103.62	Cost pertaining to JV Generation Project
12	Total of other cost(A)	145.53	
II	Indirect Expenses on Energy Purchase		
1	Open Access Charges on Sales	0.02	Charges paid to PTC and Lanco pertaining to short term sale
2	Fees to IEX on Sales	0.11	Fees paid to exchange for Short term sale of power
3	Fees to PXI on Sales	0.03	Feed paid to exchanges for short term sale of power
4	Scheduling & Operating Expenses on Sales - IEX	1.52	Transmission charges paid to IEX pertaining to Short term sale of power
5	Scheduling & Operating Expenses on Sales - PXI	0.52	Transmission charges paid to PXIL pertaining to Short term sale of power
6	Interest Paid to NHDC	31.78	Securitization of amount paid on account of revision of Tariff by CERC
7	Interest Paid to PGCIL (UI)	0.10	Surcharge for non-timely payment of Bill
8	Interest Paid to CBI Loan	1.92	Interest paid to Bank for providing over draft facility
9	Rebate on Sale of Power	0.03	Amount paid to trader for timely payment of bill for selling of power
10	SLDC Consent Fee	0.04	Payment made to SLDC for securing corridor for open access
	Total of other cost(B)	36.08	

Sl. No.	Particulars	Rs Cr	Explanation
III	Other Cost		
1	A&G	1.90	MPPMCL cost related to A&G
2	Salary	7.22	Salary expenses of MPPMCL
3	Depreciation	0.03	Depreciation expense of MPPMCL
	Total of other cost(C)	9.15	
	Total (A + B + C)	190.76	

- 1.55 Details shown in the preceding table indicate that Discoms have included charges related to the short term power purchase and penal charges for delayed payment. The Commission has not considered these charges in this true up as there has been no short term power purchase during 2009-10. Details of related expenses which have not been considered by the Commission, are shown in the table below:

Table 17: Other expenses in power purchase not considered by the Commission for FY 2009-10

S.No.	Particulars	Rs Cr	Reason for disallowance
I	Direct cost		
1	Short Term Energy Purchase	(0.13)	These charges pertain to short-tem power purchase. The Commission observed that in FY 2009-10 there is no short term power purchase thus any expense in this regard has not been considered in this true up order.
2	Surcharge on delayed payment	2.30	The Commission has not considered the surcharge pertaining to delayed payment as per the provisions of the regulations.
	Total of other cost(A)	2.17	
II	Indirect Expenses on Energy Purchase		
1	Interest Paid to PGCIL (UI)	0.10	The Commission has not considered the interest levied on account of delayed payment as per the provisions of the regulations.
	Total of other cost(B)	0.10	
	Total	2.27	

- 1.56 It may further be observed that the Power purchase cost also reckons the other income of Rs. 421.55 Crore which has been adjusted in the total power purchase cost as claimed by the Discoms. The total power purchase cost as claimed by the Discoms also includes the revenue from the sale of energy outside MP for about 140.51 MUs at Rs. 81.30 Crore. The Commission has accepted such income and revenue earned by the Distribution companies during FY 2009-10.

- 1.57 As discussed earlier there is a variation in the power purchase cost as per the Tradeco Statement, as filed by the Discoms in their petitions and as per the audited accounts of Distribution Licensees. Justifications submitted by the Discoms for such variation in the power purchase cost for FY 2009-10 are not found acceptable. It is pertinent to point out that it is necessary to reconcile and remove any aberrations that arise out of such variations to maintain consistency of approach in order to determine prudent costs.
- 1.58 Further, the Discoms were required to link up the station-wise power purchase cost with the cost indicated in their audited accounts. Discoms did not submit details / documents to match the power purchase cost as indicated in their audited accounts vis-a-vis source wise details furnished by MP Tradeco. In view of the fact that the whole true up exercise is based on the audited accounts of the Discoms, the Commission has decided to admit the power purchase cost as per the audited accounts of the Discoms.
- 1.59 East Discom submitted that in the audited accounts for FY 2008-09, an amount of Rs 174.93 Crore pertaining to FY 2009-10 got added, which may not be considered in the power purchase cost for FY 2008-09. Since this cost was not considered by East Discom in the power purchase cost for FY 2009-10 in their audited accounts, therefore, it needs to be considered for FY 2009-10. East Discom has further submitted that an amount of Rs 30.47 Crore pertaining to cost for FY 2010-11 was inadvertently added in the audited accounts for FY 2009-10. Therefore, the Commission has deducted Rs 30.47 Crore and added Rs.174.93 Crore in the power purchase cost as indicated in the audited accounts of 2009-10. Thus, the power purchase cost that has been considered for FY 2009-10 is Rs. 2592.96 Crore (2448.50+174.93-30.47) for East Discom.
- 1.60 The Commission has noted that the Discoms had procured power in excess of requirement based on the normative losses. Similar situation had arisen during the true-up exercise for FY 2006-07 and FY 2007-08. Hence, the Commission has decided to adopt the same approach as followed for the true-up for FY 2006-07 and FY 2007-08. The power purchase requirement has been worked out on the basis of admitted sales grossed up by normative loss levels and considering actual PGCIL losses. The Commission has decided to apply the pooled cost of long term power (excluding the other expense disallowed by the Commission) 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 shown in the table below:

Table 18: Admitted Power Purchase Cost

Particulars	East Discom	West Discom	Central Discom	Total for State
Total Energy Procured as per audited accounts (MUs)	10403.00	13627.54	12525.10	36555.64
Cost of Power Purchase including Inter-State transmission charges as per audited accounts (Rs. Crore)	2592.96	3377.44	2410.86	8381.26
Less: Other expenses not admitted (Rs. Crore)	0.67	0.81	0.78	2.27
Total cost of power purchase for FY 2009-10 (Rs. Crore)	2592.29	3376.63	2410.08	8379.00
Energy procured form short term sources	0.00	0.00	0.00	0.00

Particulars	East Discom	West Discom	Central Discom	Total for State
(MUs)				
Energy procured from long term sources (MUs)	10403.00	13627.54	12525.10	36555.64
Power purchase cost for long term power (Rs. Crore)	2592.29	3376.63	2410.08	8379.00
Per unit cost of long term power (Rs. / kWh)	2.49	2.48	1.92	2.29
Quantum of power purchase admitted (MUs)	9136.50	13066.55	10293.47	32496.51
Total power purchase cost admitted (in Rs. Crore)	2276.70	3237.62	1980.67	7494.99

Transmission Charges

- 1.61 The Commission admitted the transmission charges of Rs. 671.46 Crore in the tariff order for FY 2009-10. Discom wise details are shown in the table below:

Table 19 : Transmission charges admitted in the tariff order for FY 2009-10 (Rs. Crore)

Sl. No.	Name of the Discom	Transmission Charges for FY 2009-10
1	East Discom	198.69
2	West Discom	254.49
3	Central Discom	218.28
4	Total	671.46

- 1.62 East Discom has submitted that the tariff order for MPPTCL for FY 2009-10 was issued on January 11, 2010 i.e. after the issue of retail supply tariff order for FY 2009-10. Therefore, the Commission might have estimated the MPPTCL charges provisionally in the retail supply tariff order for FY 2009-10. Further, the Commission has determined the transmission charges to the tune of Rs 320.40 Crore in respect of East Discom for FY 2009-10 in tariff order for MPPTCL. Since the liability towards MP Transco charges for FY 2009-10 has not come up during finalization of annual accounts for FY 2009-10, Rs 130.02 Crore has been considered as provisional expenditure. Therefore, this amount will not be accounted for in the annual accounts of FY 2010-11 when such bills were received from MP Transco.
- 1.63 Thus in view of the above, East Discom has requested the Commission that an amount of Rs. 329.66 Crore may be considered for the true-up of FY 2009-10. East Discom has prayed that additional cost on account of Transmission charges to the tune of Rs.130.97 Crore be allowed over and above the cost already admitted in tariff order for FY 2009-10.

- 1.64 West Discom has submitted that as against the admitted amount of Rs. 254.49 Crore the transmission cost as per the bills received was Rs. 255.72 Crore and SLDC charges were Rs. 1.96 Crore. Therefore, West Discom has requested the true-up of Rs. 3.19 Crore for the transmission charges over and above the cost admitted in the retail supply tariff order for FY 2009-10.
- 1.65 Central Discom has not submitted the details of the transmission charges separately for intra-State Transmission and has submitted the total transmission charges including the inter-State Transmission charges.
- 1.66 As per the audited accounts for FY 2009-10 the payment towards the transmission charges of MP Power Transmission Company Ltd. is shown in the table below:

Table 20 : Transmission Charges as claimed in true-up for FY 2009-10 (Rs. Crore)

Sl. No.	Discoms	Total Transmission charges admitted as per tariff order for FY 2009-10	Transmission charges as per audited account	Difference as claimed for true up
1	East Discom	198.69	329.66	130.97
2	West Discom	254.49	257.68	3.19
3	Central Discom	218.28	352.33	134.05
4	Total	671.46	939.67	268.21

- 1.67 East Discom has provided the reason for the difference between the actual and the admitted transmission charges i.e. Rs. 0.95 Crore towards incentive and Rs. 130.02 Crore towards provisioning included in the audited accounts of FY 2009-10. West and Central Discoms did not provide any details in this regard.
- 1.68 The Commission has observed that the additional transmission charges towards taxes and incentives are as per the provisions of the regulations / Acts. Further, it has been observed that provision for an amount of Rs 130.02 Crore has been made in the accounts of FY 2009-10 while the bills for the same have been received in FY 2010-11. East Discom has submitted that although the bills were received in FY 2010-11 but the same have not been included in the true up of power purchase cost of FY 2010-11 and thus may be considered for inclusion in FY 2009-10 true-up. The Commission has admitted the actual Transmission charges as booked in their audited accounts of FY 2009-10 as indicated in the table above.

Operation and Maintenance (O&M) Costs

Licenseses' submission:

- 1.69 The Commission had admitted the total Operation and Maintenance Cost as Rs. 1480.45 Crore in the retail supply tariff order for FY 2009-10. Discom wise O&M costs admitted in the tariff order are shown in the table below:

Table 21 : O&M Cost admitted in tariff order for FY 2009-10 (Rs. Crore)

Particulars	East Discom	West Discom	Central Discom	Total
O&M Cost admitted in tariff order for FY 2009-10 (including MPERC Fees)	483.10	539.76	458.17	1481.03

- 1.70 Discoms have claimed the Operation and Maintenance expenses based on norms in accordance with regulations except Central Discom which has claimed O&M expenses as per actual. 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, Discoms have referred to clause 2.20 of the regulations stating that 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. Norms for O&M as per regulation are shown in the table below:

Table 22 : Norms for O&M cost for FY 2009-10

O&M charges (Rs. In lakhs)*	FY 2009-10
For Metered Consumers (Rs Lakh/1000 Consumer)	7.31
For Metered Sales (Rs Lakh/MU)	2.64
For HT Network length (Rs Lakh/100 ckt km)	18.00
For Transformation (33/11kV) (Rs Lakh/MVA)	1.72

*These norms excludes terminal benefits to be paid to the employees, taxes to be paid to the Govt. or local authorities and fees to be paid to MPERC, which the distribution licensee shall claim separately

- 1.71 The O&M expenses claimed by the licensees as per above norms are given in the table below:

Table 23 : Normative O&M Expenses as claimed for FY 2009-10

Sl. No.	Particulars	East Discom	West Discom	Central Discom
I	Metered consumers (nos.) – opening	1824936.00	2154864.00	1649503.00
ii	Metered consumers (nos.) – closing	1849074.00	2405858.00	1712102.00
I	Average Metered consumers (nos.) - (average of i and ii above)	1837005.00	2280361.00	1680802.50
II	O&M expenses Rs. Lakh per '000 metered consumers as per regulation	7.31	7.31	7.31
A	Sub-total O&M expenses (I*II/1000)(Rs. Crore)	134.29	166.69	122.87
I	Metered sales (MU) – previous year	4614.40	5538.00	4742.60
ii	Metered sales (MU) - year in question (for which true-up is sought)	5090.24	6179.00	5042.48
I	Average sales (MU) - average of i and ii above	4852.32	5858.50	4892.54
II	O&M expenses Rs. Lakh per MU metered sales as per regulation	2.64	2.64	2.64

Sl. No.	Particulars	East Discom	West Discom	Central Discom
B	Sub-total O&M expenses (I*II) (Rs. Crore)	128.10	154.66	129.16
i	Ckt-kms of HT (33kV and 11kV) lines - as at end of previous year	77618.70	67162.00	68121.57
ii	Ckt-kms of HT (33kV and 11kV) lines - as at end of year in question	81151.70	71052.00	72606.58
I	Average ckt-kms of HT lines - (average of i and ii above)	79385.20	69107.00	70364.08
II	O&M expenses Rs. Lakh per 100 ckt-km of HT lines as per regulation	18.00	18.00	18.00
C	Sub-total O&M expenses (I*II/100) (Rs. Crore)	142.89	124.39	126.66
i	Cumulative transformation capacity of 33/11kV transformers in MVA - end of previous year	4803.90	5825.00	4496.90
ii	Cumulative transformation capacity of 33/11kV transformers in MVA - end of year in question	5083.90	6040.00	4942.15
I	Average transformation capacity - (average of i and ii above)	4943.90	5932.50	4719.53
II	O&M expenses Rs. Lakh per MVA as per regulation	1.72	1.72	1.72
D	Sub-total O&M expenses (I*II) (Rs. Crore)	85.04	102.04	81.18
E	Other Expenses not covered under the Norms (MPERC Fees, Taxes to Govt. and Local Bodies etc.) (Rs. Crore)	3.29	1.94	0.41
F	Terminal Benefit(Rs. Crore)	82.81	8.45	
G	Total O&M expenses (A+B+C+D+E+F) (Rs. Crore)	576.41	558.19	460.27

1.72 The O&M expenses as per audited accounts submitted by Discoms are shown in the table below:

Table 24 : O&M Expenses as per audited accounts for FY 2009-10 (Rs. Crore)

Particulars	East Discom	West Discom	Central Discom
O&M Expenses as per audited accounts (Less capitalization)	566.61	915.83	563.30

1.73 It has been observed that East Discom and West Discom have claimed normative O&M expenses, whereas Central Discom has claimed O&M expenses as per audited accounts as shown in the table below:

Table 25 : O&M Expenses claimed by Discoms for FY 2009-10 (Rs. Crore)

Particulars	East Discom	West Discom	Central Discom
O&M Expenses	576.41	558.19	563.30

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

- 1.74 The Commission is of the view that while framing regulations on terms and conditions of determination of tariff, 2006 for Generation, Transmission and Distribution companies the O&M expenditure norms specified by the Commission for Generation, Transmission and Distribution companies might have been understated for the Generation and Transmission Companies and overstated for the Distribution companies. Therefore, the Commission has decided to follow a consistent approach of allowing actual O&M expenditure incurred during FY 2009-10 after exercising prudence check as the same approach has been adopted for the true up of FY 2007-08 as evident from Para 1.58 stated below:

“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.”

- 1.75 O&M expenses admitted by the Commission in the tariff order for FY 2009-10, claimed in the true-up petitions and actual O&M expenses as per the audited accounts are given in the table below:

Table 26: O&M expenditure admitted in tariff order vis-a-vis claimed in true-up petition and audited accounts (Rs. Crore.)

Particulars	East Discom	West Discom	Central Discom	Total
Admitted in tariff order for FY 2009-10 (Based on norms)	483.10	539.76	457.59	1480.45
Amount as per norms submitted by petitioner	576.41	558.19	460.27	1594.87
Amount claimed in true-up petition	576.41	558.19	563.30	1697.90
As per audited accounts (Less capitalization)	566.61	915.83	563.30	2045.74

- 1.76 The head wise break-up of O&M expenses amongst Employee cost, R&M expenses and A&G expenses as per the audited accounts is shown in the table below:

Table 27 : Head wise O&M Expenses as per audited accounts for FY 2009-10 (Rs. Crore)

Heads of O&M (Net of Capitalization)	East Discom	West Discom	Central Discom	Total
R & M	23.11	35.99	27.27	86.37
Employee cost	466.12	807.95	479.58	1753.65
A& G	77.38	71.89	56.45	205.72
TOTAL	566.61	915.83	563.30	2045.74

- 1.77 The Commission has undertaken prudence check of the actual expenditure as mentioned in the audited accounts of the Discoms for FY 2009-10. East, West and Central Discoms have claimed Terminal Benefits of Rs 82.81 Crore, Rs. 8.45 Crore and Rs. 130.31 Crore, respectively under the employee costs. The Commission has observed that as per audited accounts of East, West and Central Discoms, the totals of Gratuity, provision of Gratuity, Pension Payments, provision for Pension Payments, Annuity under Terminal Benefits, provision for Terminal Benefits are Rs. 83.94 Crore, Rs. 296.85 Crore and Rs. 130.43 Crore, respectively.
- 1.78 Discoms 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 already discussed this issue in true-up Order for FY 2007-08 in Para 1.61 that the Discoms had only made the provisions in the audited accounts. Further, while undertaking true up exercise of Transmission tariff order for FY 2009-10, the Commission had admitted Rs. 386.46 Crore towards the Terminal Benefits, which includes the share of Terminal Benefits for all successor Companies of MPSEB. The Commission has observed that the actual payments made for pension and terminal benefits to all pensioners/retirees of erstwhile MPSEB and its successor entities have already been admitted to MPPTCL and no funds had been transferred to terminal benefit trust by these Companies. Therefore, the Commission does not find it appropriate to consider any provisioning made under the head “Terminal Benefits to Employees” in this true up. The Commission has not admitted the amount of Rs. 83.94 Crore, Rs. 296.85 Crore and Rs. 130.43 Crore against terminal benefits for East, West and Central Discoms,

- 1.79 It is further observed that in the schedules of employee cost in the audited accounts, expense booked under salaries by West Discom is Rs 449.50 Crore while in its Format 8b it has submitted that salaries actually paid are only Rs.282.29 Crore and remaining amount of Rs. 167.21 is a provisional amount. The Commission has considered actual salary amount paid under employee expense. It is further observed that in the schedules of employee cost in the audited accounts, Bonus and Ex-gratia of Rs.0.04 Crore for East Discom, Rs. 0.15 Crore for West Discom and Rs. 0.22 Crore for Central Discom have been included. However, the breakup of this amount in terms of Bonus paid as per statutory requirement and Ex-gratia paid to employees ineligible for Bonus has not been mentioned. In this regard, the Commission asked Discoms to submit the break-up of the above expense. In response, the details submitted by the Discoms are shown in the table below:

Table 28 : Segregation of bonus and ex-gratia entry given under employee cost schedule of audited accounts in to bonus, ex-gratia and expenditure on productivity incentive (Rs. Crore)

Particulars	East Discom	West Discom	Central Discom
Bonus	0.23	0.15	0.19
Ex-gratia	0.00	0.00	0.01
Expenditure on productivity incentive	0.00	0.00	0.02
Total	0.23	0.15	0.22

- 1.80 The Commission is of the view that the Bonus is admissible as employee cost, ex-gratia and expenditure of incentive is not admissible under employee cost as the same should be paid out of RoE / profit. Considering this principle, the Commission has considered the bonus amount of Rs. 0.23 Crore, Rs. 0.15 Crore, and Rs. 0.19 Crore respectively for East, West and Central Discom.
- 1.81 As regards A&G expenses, audited accounts of East, West and Central distribution companies have shown "insurance" expenses under the "Administrative and General Expenses" schedule as Rs. 9.39 Crore, Rs. 15.55 Crore and Rs. 10.11 Crore respectively. The Discoms have stated that these are provisions and no expense has actually been incurred against this head. Therefore, the Commission has not admitted any insurance expenses.
- 1.82 Audited accounts of East, West and Central Discoms indicate expenses against the "Allocation of Common Expenses from MPSEB" under the "Administrative and General Expenses" schedule of Rs. 15.73 Crore, Rs. 19.59 Crore and Rs. 8.71 Crore respectively. The Commission had already made it clear in FY 2007-08 truing-up order to the successor Companies of the erstwhile Board that it will not admit any expenses for meeting the expenses of the Board as the latter has already been unbundled into five Companies and the Board. Therefore, in the present case the claim of MPSEB expenses has not been admitted.

- 1.83 The Commission has admitted the R&M expenses (net of Capitalisation) of Rs 23.11 Crore, Rs 35.99 Crore and Rs 27.27 Crore for East, West and Central Discom as per audited accounts.
- 1.84 Based on the above, the Commission admits the O&M expenses (net of Capitalisation) which have actually been incurred by the distribution licensees (as per their audited accounts except the terminal benefits to employees, ex-gratia, insurance, allocation of common expenses of MPSEB) as shown in the following table:-

Table 29 : O&M expenditure admitted in the true-up (Rs. Crore.)

Particulars	East Discom	West Discom	Central Discom	Total
R&M Expenses (As per audited Accounts) - Net of Capitalisation	23.11	35.99	27.27	86.37
Employees expenses - Net of capitalization	466.12	640.74	479.58	1,586.44
Less: Terminal Benefits Expenses	83.94	296.85	130.43	511.22
Less: Ex-Gratia and Expenditure on productivity incentive	0.00	0.00	0.03	0.03
Total Employees Expenses	382.19	343.89	349.12	1,075.20
A&G Expenses (As per audited Accounts) - Net of capitalization	77.38	71.89	56.45	205.72
Less: Insurance	9.39	15.55	10.11	35.05
Less: Common Expenses of MPSEB	15.73	19.59	8.71	44.03
Total A&G Expenses	52.26	36.75	37.63	126.64
Grand total admitted by Commission in this true-up	457.56	416.63	414.02	1,288.21

Interest & Finance Charges

- 1.85 The interest and finance charges comprise of (i) interest on project specific loans, (ii) the interest charges on consumer security deposits, (iii) the interest charges on working capital loans and (iv) the cost of raising finance and other charges from the lending agencies.
- 1.86 As per audited accounts, Interest & Finance Charges claimed by East, West, and Central Discoms in the true-up petition are shown in the table below :

Table 30 : Interest and finance charges claimed in the petition as per audited accounts (Rs. Crore)

Interest & Finance Charges	East Discom	West Discom	Central Discom
Interest on Loan			
State Government Loans	32.93		25.98
NABARD			0.76
APDRP			13.10
R-APDRP			2.68

Interest & Finance Charges	East Discom	West Discom	Central Discom
ADB	4.42		6.22
PFC-RTL			2.68
PFC	3.59		
REC Loan + Interest on Society REC deposit	13.50		7.01
HUDCO	21.25		
JBIC REC Loan	6.70		3.09
Bonds (SLR)			
Total	82.39	27.17	61.42
Interest on Consumers Deposits	15.79	23.51	16.98
Total	98.18	50.68	78.42
Interest on Borrowings for Working Capital	71.72	7.08	75.53
Total	169.91	57.77	153.95
Cost of Raising Finance and bank charges	1.85	22.15	1.67
Other Charges(Discount to consumers on timely repayment)		0.08	
Interest on Overdue principal			
Total	171.76	80.00	155.62
Less: Interest Capitalized			43.67
Net Total	171.76	80.00	111.95

Interest on Project Loans

Licensees' submission:

- 1.87 East and Central Discoms have claimed the interest on project loans on the basis of audited accounts, while West Discom has claimed as per the norms specified in the regulations. Details of claims submitted by Discoms are as follows:

Table 31 : Interest on Project Loans claimed by East Discom (Rs. Crore)

Sr. No.	Source	As Claimed (A)	Allowed in the tariff order (B)	Variance (A-B)
On New Long Term Loans				
1	REC	2.81		
2	ADB	1.75		
3	REC-JBIC	6.70		
4	HUDCO	21.25		

Sr. No.	Source	As Claimed (A)	Allowed in the tariff order (B)	Variance (A-B)
On Existing Long Term Loans				
5	PFC	3.59		
6	REC	10.69		
7	ADB	2.67		
8	GoMP-APDRP, NABARD, WB	32.93		
9	Interest Charges on Project Loan	82.39	45.08	37.31
10	Add other finance charges	1.85	4.12	(2.27)
11	Less: Interest Capitalized			
12	Net Interest and Finance on project loan	84.24	49.20	35.04

Table 32 : Interest on Project Loans as per audited accounts submitted by West Discom (Rs. Crore)

Sr. No.	Particulars	As per audited A/c (A)	Allowed in tariff order (B)	Variance (A-B)
1	Interest on State Government Loans	38.73		
2	REC Loans	5.55		
3	PFC Loans	8.37		
4	Loan from MPSEB			
5	Bond	0.50		
6	Debenture(PP)			
7	JBIC-REC Loan	3.60		
8	Total Interest on Project Loan	56.75		
9	Other charges	4.59		
10	Grand Total of Interest on Project loans	61.34		
11	Interest and Finance charges capitalised	30.39		
12	Net Total of Interest & Finance charges	30.95	29.50	1.45

Table 33 : Interest on Project Loans claimed by Central Discom (Rs. Crore)

S. No.	Source	As Claimed (A)	Allowed in the tariff order (B)	Variance (A-B)
Interest on Loan				
1	GoMP Loans	25.98		
2	REC LOAN + Interest on society REC deposits	7.01		
3	NABARD	0.76		
4	APDRP	13.10		

S. No.	Source	As Claimed (A)	Allowed in the tariff order (B)	Variance (A-B)
5	ADB	5.48		
6	PFC-RTL	2.68		
7	REC-JBIC	3.09		
8	ADB-II	0.64		
9	R-APDRP	2.68		
A	Interest on Project Loan	61.42		
B	Less: IFC Capitalized	43.67		
I	Net Interest Charges (A-B)	17.75	31.94	(14.19)
II	Cost of raising finance and bank charges	1.67	1.59	(0.08)
	Total Interest on Project Loan (I+II)	20.42	33.54	(13.12)

Commission's Analysis on Interest on Project Loans:

- 1.88 The Commission has examined the claims of the Discoms as per their filing in true-up petitions and their audited accounts. As per clause 2.10 to 2.13 of the regulations, interest and finance charges are admissible for loans which can be linked with the assets capitalised till FY 2009-10. The regulations further stipulate that interest and finance charges on works under progress shall be excluded and shall be considered as part of capital cost of the assets after capitalisation. In absence of information related to loans mapping with specific 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.
- 1.89 Further, clause 2.5 of regulations, states that debt-equity ratio shall be 70:30 for calculation of interest on loan and for return on equity. Accordingly, the Commission has adopted the following principles for computing interest on project loans.

Principles adopted for calculation of interest on project loans

- 1.90 In the true-up order for distribution and retail supply tariff order for FY 2008-09, the interest on project loans was admitted on the fixed asset created till March 31, 2009 on the basis of audited accounts for FY 2008-09. The Commission has adopted the same methodology for allocating the Gross Fixed Assets (GFA) addition during the year into debt and equity as explained below:
- Allocation of fixed assets into debt and equity as on March 31, 2009 has been considered as per the true-up Order of FY 2008-09.
 - Net addition to GFA during FY 2009-10 has been worked out after subtracting the consumer contribution amount from total addition to GFA as available in the audited accounts of the Discoms. The Commission, after detailed scrutiny of audited accounts

of Licensees for FY 2009-10, observed that GFA addition during the year for East Discom is Rs. 252.39 Crore, which is less than consumer contribution and grants received as Rs. 288.43 Crore during the year. Therefore, consumer contribution and grants have been considered equivalent to GFA addition and the remaining consumer contribution and grants of Rs. 36.04 Crore are carried-forward to FY 2010-11.

- (c) 30% of the net addition to GFA during FY 2009-10 has been considered as funded through equity and added to the total equity considered at the end of FY 2008-09, as per the true-up order for FY 2008-09.
- (d) Balance of net addition to GFA has been considered as having been funded through debt and added to the total debt considered at the end of FY 2008-09. 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.

- 1.91 In accordance with the clause 2.10 of regulations, scheduled debt repayments as submitted by Discoms in format-Sch. 11 have been considered for computing the interest and finance charges. Actual repayments have not been considered since there had been defaults in repayment of principal by the Licensee during FY 2009-10. In reply to query of the Commission regarding weighted average interest rate for FY 2009-10, East, West and Central Discom have submitted the weighted average interest rate as 7.06%, 10.29% and 6.77%, respectively which has been considered by the Commission.
- 1.92 Discoms have claimed other finance charges of Rs. 1.85 Crore for East Discom, Rs. 4.59 Crore for West Discom and Rs. 1.67 Crore for Central Discom, respectively, as per audited accounts which have been admitted
- 1.93 Discom wise interest on project loans computation and the details of expenses admitted are shown in the table below:

Table 34 : Interest on Project Loans admitted by Commission (Rs. Crore.)

Particulars		East Discom	West Discom	Central Discom	Total for State
Opening Debt associated with GFA (as on 31 st March 2009 as per FY 2008-09 true-up order)	A	195.52	110.76	329.16	635.44
GFA Addition during the year	B	252.39	75.40	173.24	501.03
Consumer Deposit and Grants utilized during the year	C	288.43	42.99	96.39	427.81
Consumer Deposit and Grants utilized during the year considered by the Commission	D	252.39	42.99	96.39	391.77
Net GFA Addition during the year for admitting interest charges and return on equity	E=B-D	0.00	32.41	76.85	109.26

70% of addition to net GFA considered as funded through debt	F=70%*E	0.00	22.69	53.79	76.48
Debt repayment during the year (Scheduled)	G	80.08	47.25	153.48	280.81
Closing debt associated with GFA	H=A+F-G	115.44	86.20	229.47	431.11
Average debt associated with Loan	I=Average(A,H)	155.48	98.48	279.31	533.28
Weighted average rate of interest (%) on all loans as per petitioner	J	7.06%	10.29%	6.77%	
Interest on Project Loans	K=I*J	10.98	10.13	18.91	40.02
Other Finance cost	L	1.85	4.59	1.67	8.11
Interest cost admitted on project loans in true-Up	M=K+L	12.83	14.72	20.58	48.13

Interest on Working capital

Licenses' submission:

- 1.94 East and Central Discoms have claimed interest on working capital as per the audited accounts while West Discom has claimed on the basis of norms specified in regulations,. East, West and Central Discoms have claimed Rs. 71.52 Crore, Rs. 7.08 Crore and Rs. 75.53 Crore as against Rs. 6.02 Crore, Rs. 6.72 Crore and Rs. 5.70 Crore admitted by the Commission in the tariff order for FY 2009-10.

Commission's Analysis on Interest on working capital:

- 1.95 As per clause 2.26 of the regulations, 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 normative working capital loan. Interest rate equivalent to short-term prime lending rate of State Bank of India as on 1st April of relevant year plus 2% shall be taken for working out the interest cost on working capital. The Commission has observed that Discoms have not submitted the separate working capital requirement for the wheeling and retail supply activity. For working out the interest expense on working capital, the Commission has considered the GFA, O&M expenses, power purchase expenses, consumer security deposit as admitted by the Commission in this true up Order. Accordingly, the Commission has computed the interest on working capital as shown in the table below:

Table 35 : Interest on Working Capital admitted by the Commission (Amount in Rs. Crore)

Sl. No.	Particulars	East Discom	West Discom	Central Discom	Total
A	Annual requirement of inventory (1% of Opening GFA)	19.44	19.86	20.45	59.75
A(i)	1/6 th of Annual requirement of inventory	3.24	3.31	3.41	9.96
B	O&M expense admitted by the Commission in this true-up	457.56	416.63	414.02	1,288.21
B(i)	1/12 th of above O&M expenses	38.13	34.72	34.50	107.35
C	Total Annual Revenue including subsidy and other income excludes ED, Cess				
C(i)	Receivables equivalent to 2 months average billing	519.90	659.98	413.24	1,593.12
D	Power Purchase expenses	2,276.70	3,237.62	1,980.67	7,494.99
D(i)	1/12 th of power purchase expenses	189.72	269.80	165.06	624.58
E	Consumer Security Deposit	385.64	448.77	513.24	1,347.65
F	Total Working capital (A(i)+B(i) + C(i) – D(i)- E)	(14.10)	(20.56)	(227.15)	(261.81)
G	Rate of Interest	14.25%	14.25%	14.25%	14.25%
H	Interest on Working capital	(2.01)	(2.93)	(32.37)	(37.31)
I	Interest on Working capital admitted	0.00	0.00	0.00	0.00

Interest on Consumer Security Deposits

Licenses' submission:

- 1.96 Discoms have claimed interest on consumer security deposit as per the audited accounts. East, West and Central Discoms have claimed Rs. 15.79 Crore, Rs. 23.51 Crore and Rs. 16.98 Crore as against Rs. 23.58 Crore, Rs. 34.03 Crore and Rs. 23.88 Crore, respectively, admitted by the Commission in the tariff order for FY 2009-10.

Commission's Analysis on Consumer Security Deposit:

- 1.97 As per the clause 2.11 of regulation, interest on consumer security deposit shall be considered at the rate specified by the Commission. The Commission admitted the interest on consumer security deposit @ 6% in the tariff order for FY 2009-10. The Commission has observed that the actual interest claims as per audited accounts of the Discoms are less than 6% of security deposit held which may be due to the reason that some portion of SD held is not eligible for interest payment. Therefore, the Commission has admitted the interest amount on consumer security deposit as per the audited accounts of the Discoms. Summary of interest on consumer security deposits admitted in tariff order, claimed in the true-up petition and admitted in this true up is given in table below:

Table 36 : Interest on Consumer Security Deposit admitted (Amount in Rs. Crore)

Particulars	East Discom	West Discom	Central Discom	Total
Admitted in tariff order for FY 2009-10	23.58	34.03	23.88	81.49
Claimed in true up petition for FY2009-10	15.79	23.51	16.98	56.29
Admitted in this true-up order as per audited Accounts	15.79	23.51	16.98	56.29

Return on Equity**Licensees' submission:**

- 1.98 Discoms have claimed return on equity @ 14%. East, West and Central Discoms have claimed return on equity @ 14% as Rs. 89.17 Crore, Rs 79.36 Crore and Rs 101.97 Crore as against Rs. 68.64 Crore, Rs 75.79 Crore and Rs. 61.05 Crore, respectively, admitted by the Commission in the tariff order for FY 2009-10.

Commission's Analysis on Return on Equity:

- 1.99 As explained in the section on the item of Interest and Finance charges the equity contribution has been considered as 30% on the net GFA addition during FY 2009-10. Opening value of equity for FY 2009-10 has been considered as closing value of equity for FY 2008-09 as admitted by the Commission and 30% of net GFA addition has been considered as equity addition during the year. Further rate of return on equity has been considered as per regulations, @ 14%. The computation of return on equity as admitted is shown in the table below:

Table 37 : Return on Equity (Amount in Rs. Crore)

S. No.	Particulars	East Discom	West Discom	Central Discom	Total
1	Opening Equity identified with GFA as on 31/03/2009 as per true-up order of FY 2008-09	465.57	523.33	488.26	1476.09
2	30% of addition to net GFA considered as funded through equity (As on 31st March 2010)	0.00	9.72	23.05	32.78
3	Closing Equity Considered for Return from addition during FY 2009-10	465.57	533.05	511.31	1508.86
4	Average Equity identified with GFA and considered for Return for FY 2009-10	465.57	528.19	499.79	1492.48
5	RoE @14% admitted in true-up of FY 2009-10	65.18	73.95	69.97	209.10

Depreciation**Licensees' Submission:****East Discom:**

- 1.100 East 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 March 29, 1994. It has further submitted that wherever rates of depreciation as per above circular are lower than the rates of depreciation specified under Schedule XIV of the Companies Act, 1956, the rates of depreciation specified under Schedule XIV of the Companies Act, 1956, the Companies Act rates have been adopted.
- 1.101 On the basis of the audited accounts for FY 2009-10, East discom has claimed opening balance of the fixed assets as on April 1, 2009 as Rs. 1944.26 Crore, addition during the year of Rs. 252.39 Crore thus closing balance of the fixed assets as Rs. 2196.64 Crore. Depreciation claimed by East Discom in true-up petition is Rs. 109.08 Crore as against the depreciation admitted in the tariff order for FY 2009-10 of Rs. 45.37 Crore. Details of GFA as per audited account are shown in the Table below:

Table 38 : Details of GFA of East Discom for FY 2009-10 (Rs. Crore)

Sr. No.	Particulars	Opening balance of GFA as on 01.04.2009	Change during the year (additions / deductions)	Closing Balance of GFA as on 31.03.2010
1	Land & Land rights	2.16	0.00	2.16
2	Building and Civil Works	19.81	3.71	23.51
3	Hydraulic Works	9.64	0.00	9.64
4	Other Civil Works	2.73	0.03	2.76
5	Plant & Machinery	514.45	76.10	590.55
6	Line Cable Networks etc.	1353.63	150.78	1504.40
7	Vehicles	2.98	0.00	2.99
8	Furniture & fixtures	2.08	0.12	2.19
9	Office Equipments	7.72	0.27	8.00
10	Expenditure on Assets not belonging to company	29.07	21.37	50.44
11	Total (1 to 10)	1944.26	252.38	2196.64

1.102 Details of Depreciation claimed by East Discom are as follows:

Table 39 : Details of Depreciation claimed by East Discom for FY 2009-10 (Rs. Crore)

Sr.No.	Particulars	Opening balance of Depreciation as on 01.04.2009	Change during the year (additions / deductions)	Closing Balance of Depreciation as on 31.03.2010
1	Land, Land rights and lease hold	0.17	0.02	0.19
2	Building and Civil Works	6.81	2.76	9.57
3	Hydraulic Works	7.76	0.23	7.99
4	Other Civil Works	1.62	0.10	1.72
5	Plant & Machinery	264.24	43.15	307.39
6	Line Cable Networks etc.	898.08	61.94	960.02
7	Vehicles	2.63	0.04	2.67
8	Furniture & fixtures	1.64	0.12	1.76
9	Office Equipments	4.72	0.73	5.45
10	Total (1 to 9)	1187.66	109.08	1296.74

West Discom:

1.103 West Discom has submitted that for accounting purpose it has considered depreciation of fixed assets based on straight line method provided in the Central Government's circular No. S. O. 266 (E) dated March 29, 1994. West Discom further submitted that it has claimed depreciation based on regulations.

1.104 On the basis of the audited accounts for FY 2009-10, West Discom has claimed opening balance of the fixed assets as on April 1, 2009 as Rs. 1985.91 Crore, addition during the year of Rs. 75.39 Crore thus closing balance of the fixed assets is Rs. 2061.71 Crore. The submission of the West Discom about GFA addition during FY 2009-10 is shown in the table below :

Table 40 : Details of GFA of West Discom for FY 2009-10 (Rs. Crore)

Sr. No.	Particulars	Opening balance of GFA as on 01.04.2009	Change during the year (additions / deductions)	Closing Balance of GFA as on 31.03.2010
1	Land & Land rights	4.87	0.00	4.87
2	Building and Civil Works	33.34	2.85	36.19
3	Hydraulic Works	6.56	0.00	6.56
4	Other Civil Works	2.89	0.00	2.89
5	Plant & Machinery	668.42	20.52	688.94
6	Line Cable Networks etc.	1255.08	51.68	1306.76
7	Vehicles	5.27	0.00	5.27

Sr. No.	Particulars	Opening balance of GFA as on 01.04.2009	Change during the year (additions / deductions)	Closing Balance of GFA as on 31.03.2010
8	Furniture & fixtures	2.13	0.16	2.29
9	Office Equipments	7.34	0.18	7.52
10	Total (1 to 9)	1985.91	75.40	2061.31

- 1.105 Details of opening accumulated depreciation, addition during the year, withdrawal during the year and closing balance of the accumulated depreciation on Fixed Assets on Straight Line Method provided in the Central Government Circular No. S.O.266 (E) dated 29th March, 1994 is shown in the table below:

Table 41 : 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 01.04.2009	Change during the year (additions / deductions)	Closing balance of Depreciation as in 31.03.2010
1	Land & Land rights	0.09	0.01	0.10
2	Building and Civil Works	14.31	0.98	15.28
3	Hydraulic Works	3.45	0.11	3.56
4	Other Civil Works	1.75	0.08	1.83
5	Plant & Machinery	378.53	30.64	409.16
6	Line Cable Networks etc.	877.18	61.81	938.98
7	Vehicles	4.56	0.06	4.62
8	Furniture & fixtures	1.67	0.06	1.73
9	Office Equipments	3.16	0.79	3.94
10	Total (1 to 9)	1284.71	94.53	1379.24

- 1.106 Depreciation claimed by West Discom as per regulations is Rs. 50.79 Crore as against the depreciation admitted in the tariff order for FY 2009-10 of Rs. 52.09 Crore. Details of depreciation claimed is shown in the table below:

Table 42 : Details of Depreciation claimed by West Discom (Rs. Crore)

Sr. No.	Particulars	As per MPERC regulation (A)	Allowed in the tariff order (B)	Variance (A-B)
1	Land and Building rights	0.02		
2	Building & Civil Works	0.63		
3	Hydraulic Works	0.16		
4	Other Civil Works	0.05		
5	Plant & Machinery	14.98		
6	Line Cable Networks etc.	34.50		

Sr. No.	Particulars	As per MPERC regulation (A)	Allowed in the tariff order (B)	Variance (A-B)
7	Vehicles	0.04		
8	Furniture & Fixtures	0.04		
9	Office Equipments	0.38		
	Total	50.79	52.09	-1.30

Central Discom:

1.107 On the basis of the audited accounts for FY 2009-10, Central Discom has claimed opening balance of the fixed assets as on April 01, 2009 as Rs. 2044.61 Crore, addition during the year of Rs. 173.24 Crore thus closing balance of the fixed assets is Rs. 2217.85 Crore. Details submitted by the Central Discom are shown in the table below:

Table 43 : Details of GFA for FY 2009-10 (Rs. Crore)

S. No.	Particulars	Opening balance of GFA as on 01.04.2009	Change during the year (additions / deductions)	Closing Balance of GFA as on 31.03.2010
1	Land and Building rights	7.98	0.01	7.99
2	Building & Civil Works	21.83	2.84	24.67
3	Hydraulic Works	1.33	0.00	1.33
4	Other Civil Works	1.02	0.00	1.02
5	Plant & Machinery	880.14	89.35	969.49
6	Line Cable Networks etc.	1119.04	79.13	1198.17
7	Vehicles	3.38	0.00	3.38
8	Furniture & Fixtures	1.81	0.31	2.12
9	Office Equipments	8.08	1.60	9.68
	Total	2044.61	173.24	2217.85

1.108 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 March 29, 1994. Central Discom further submitted that wherever rates of depreciation as per above circular are lower than the rates of depreciation specified under Schedule XIV of the Companies Act, 1956, the Companies Act rates have been adopted. Depreciation claimed by the Central Discom in true-up petition is Rs. 97.80 Crore as against the depreciation of Rs. 43.03 Crore admitted in the tariff order for FY 2009-10. Details of depreciation claimed by the Central Discom are shown in the table below:

Table 44 : Opening Accumulated Depreciation, Additions/Withdrawal during the Year and Closing Accumulated Depreciation of Central Discom (Rs. Crore)

S. No.	Particulars	Opening balance of Depreciation as on 01.04.2009	Change during the year (additions / deductions)	Closing balance of Depreciation as on 31.03.10
1	Land & Land rights	0.55	0.03	0.58
2	Building and Civil Works	9.53	0.86	10.38
3	Hydraulic Works	0.97	0.03	1.00
4	Other Civil Works	0.50	0.03	0.53
5	Plant & Machinery	400.92	41.48	442.40
6	Line Cable Networks etc.	715.23	54.33	769.56
7	Vehicles	3.03	0.03	3.06
8	Furniture & fixtures	1.23	0.09	1.32
9	Office Equipments	2.40	0.92	3.33
10	Total (1 to 9)	1,134.36	97.80	1232.16

Commission's analysis on depreciation claims:

1.109 The Commission has specified the following methodology for computation of depreciation in the regulations :

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

1.110 Depreciation rates given in the above regulations are same as the depreciation rates specified in Central Electricity Regulatory Commission (CERC) regulations. However, depreciation claimed by the Discoms are based on Central Government's circular No. S. O. 266 (E) dated March 29, 1994 except by West Discom, which has claimed depreciation based on regulations. In the true-up order for FY 2005-06 dated January 16, 2008 the Commission had clarified that irrespective of the accounting practice followed by the Discoms , the Commission will admit depreciation as per the depreciation rates specified in the tariff regulations.

1.111 As regards depreciation rate, the Commission has observed that the depreciation claims by East and Central Discoms have not been as per regulations, while West Discom has claimed it as per regulations.

1.112 The Commission directed East and Central Discom to submit depreciation claims as per regulations. Central Discom accordingly has submitted working of depreciation claims of Rs. 42.34 Crore, while East Discom did not submit the same.

1.113 The Commission has observed that depreciation claimed by the Discoms has not been duly substantiated with the detailed asset wise registers to ensure that claims made are only against those assets which have not been fully depreciated. Discoms also did not submit these details despite repetitive directions in the past. The Commission has observed that the East, West and Central Discoms have claimed depreciation rates of 5.01%, 3.37% and 4.83% respectively which are higher than the depreciation rates considered by the Commission in FY 2007-08 true-up order. Thus, any abrupt change in the weighted average depreciation rate would not be prudent for consideration. Accordingly, in this true-up order the Commission has considered the same depreciation rate i.e. 2.12%, 2.24%, and 2.00% for East, West and Central Discom, as considered in the true up order for FY 2007-08. The Commission further states that a final view would be taken as and when detailed Fixed Asset Register is filed. The Commission has considered GFA addition net of Consumer contribution and grants as discussed in Para 1.90 (b) of this true-up order, for the computation of depreciation for FY 2009-10 as shown in the table below:

Table 45 : Depreciation expenses admitted (Rs. Crore)

Particulars	East Discom	West Discom	Central Discom	Total for State
Opening GFA on 1 April, 2009 (Closing GFA as per true-up Order of FY 2008-09)	1763.17	1782.31	1871.59	5,413.49
Add: GFA Added during the year	252.39	75.40	173.24	501.03
Less: Consumer Contribution and grants added during the year	252.39	42.99	96.39	391.77
Closing GFA on 31 March, 2010	1763.17	1814.72	1948.44	5,522.75
Average GFA	1763.17	1798.52	1910.02	5,468.12
Rate of Depreciation	2.12%	2.24%	2.00%	2.12%
Depreciation admitted by the Commission	37.38	40.29	38.20	115.87

Other items of ARR

1.114 There are certain other items which form part of the Aggregate Revenue Requirement. These include bad debts, other miscellaneous expenditure, any prior period expenses / credits, income tax and fringe benefit tax etc. These components are analyzed in the following section:

Bad and doubtful debts

Licensees' submission:

1.115 Discoms have claimed the bad and doubtful debts as per the audited accounts as shown in the table below:

Table 46 : Bad Debts claimed by Discoms (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	109.68	109.68
West	38.31	239.30	277.61
Central	0.00	148.43	148.43

Commission's Analysis on Bad and Doubtful debts:

- 1.116 It has been observed from the above table that East Discom has not actually written-off any bad debts. Entire expense of bad debts charged to P&L account is provisioning only and not actual. Central Discom also has not actually written-off any bad debt and has made provisioning only in P&L account. West Discom has claimed to have actually written-off Rs. 38.31 Crore as bad debts out of a total of Rs. 277.61 Crore charged to P&L account.
- 1.117 Regulations provide bad debts against the amount actually written-off subject to the maximum of 1% of the sales revenue. The Commission has noted that bad and doubtful debts actually written off for West Discom are lower than the maximum permissible limit i.e. 1% of sales revenue as specified in the regulations while the East and Central Discoms have not actually written-off any bad debts.
- 1.118 The Commission directed Discoms to submit the details of actual bad debt written-off and delayed payment surcharge vide letter dated October 24, 2013. Response received from Discoms indicates variation in the expenses claimed in the petition and the subsequent submission. In their responses to the query, East, West and Central Discom submitted segregation of actual bad and doubtful debt into delayed payment surcharge written off, principal amount written off under any scheme or otherwise, as shown in the table below:

Table 47 : Segregation of actual Bad Debts submitted by Discoms (Rs. Crore)

Actual bad debt written off	East Discom	West Discom	Central Discom	State
Delayed payment surcharge	4.13	16.59	38.15	58.87
Principal amount written off under any scheme mooted by Discoms	0.00	0.00	3.26	3.26
Principal amount actual written off other than any scheme	0.00	0.00	0.00	0.00
Total actual bad debt written off	4.13	16.59	41.41	62.13

- 1.119 As regards delayed payment surcharge, the Commission had taken a view that the surcharge is not an income therefore the written-off amount against it shall also not be considered as expense. The Commission has also not considered principal amount written off under any scheme as it has been waived off the company at its own behest.

- 1.120 Discoms have neither stated the efforts they made for recovery of the principal amount nor given any reasoning for such waiver except that waiver has been made under some scheme. Accordingly, no expenses are admitted against actual bad and doubtful debts for East, West and Central Discom.

Any other expenses

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

Licensees' submission:

- 1.121 Discoms have claimed the following expenses under misc. losses & write-offs / sundry expenses / net prior period charges – (credits) as shown in the table below:

Table 48 : Misc. Losses & Write-offs / Sundry Expenses / Net Prior Period Charges / (Credit) claimed by Discom (Rs. Crore)

Particulars	East Discom	West Discom	Central Discom	Total
Misc. Losses, Surcharge written off & Write-offs	4.92	2.26	0.42	7.60
Net Prior Period Charges / (Credit)	196.70	120.03	192.11	508.84
Extra ordinary credits (including losses on account of flood, fire, cyclone etc)	160.70	0.00	0.00	160.70
Total other expenses claimed in this true-up	362.32	122.30	192.53	677.15

Commission's Analysis:

- 1.122 The Commission has observed that Discoms have not provided any details with regard to other expenses claimed. In this regard, vide letter dated October 24, 2013, the Commission directed Discoms to submit details of claims of expenses against misc. losses & write-offs / sundry expenses / net prior period charges – (credits). In response, West and Central Discom have re-submitted the expenses figures of break-up of items as available in their audited annual accounts with no further details or explanation. The Commission has given due consideration for admitting the expenses based on the details furnished by the Discoms.
- 1.123 East Discom has submitted that the interest amount of Rs. 174.90 Crore is on account of default in payment of ED and Cess to State Government, for FY 2005-06, FY 2006-07, FY 2007-08, FY 2008-09 and up to September 30, 2009, which is converted in to equity vide GoMP letter no. F-5-09/2008/13 dated March 31, 2010 and consequently, the same has been shown under prior period expenditure in the audited accounts of the company. Remaining amount claimed under prior period charges is the interest and finance charges of Rs. 20.35 Crore as interest due on State Govt. loan for FY 2008-09 accounted for in FY 2009-10.
- 1.124 East Discom has further submitted that sundry expenses also include amount of surcharge of Rs. 4.13 Crore waived off under Krishak Rahat Yojna and Suvudha Yojna schemes.

- 1.125 East Discom has submitted that as per the new actuarial valuation report dated February 19, 2010, the incremental liability of pension and gratuity for the service from June 2005 till the date of valuation amounting to Rs. 160.70 Crore is provided in the audited accounts for FY 2009-10 and is shown under schedule of extra ordinary items.
- 1.126 Considering above submissions of the Discoms, the Commission has undertaken detailed head wise analysis of Misc. Losses & Write-offs / Sundry Expenses / Net Prior Period Charges / (Credit) as claimed in the petition and mentioned in the audited accounts of the Discoms.
- 1.127 As regards the other expenses , the Commission has observed that East Discom has claimed interest and finance charges under prior period charges relating to previous years as Rs 196.70 Crore on account of default payment of ED and Cess and interest due to State Govt. Loan for FY 2008-09. The Commission has not considered the interest and finance charges of Rs 196.70 Crore as the Commission does not deem it appropriate to consider any claim on account of default in payment and also that the true up of expenses of previous years till FY 2008-09 have already been undertaken based on the audited accounts.
- 1.128 As regards pension and gratuity of Rs 160.70 Crore claimed by East Discom under extra ordinary items, the Commission has not considered the claim of pension and gratuity in this true up order as terminal benefits are being considered in transmission charges and accordingly amount of Rs 386.46 Crore has already been provided in the true up order of MP Transmission Company Ltd. for FY 2009-10.
- 1.129 As regards claim of Rs 4.92 Crore on account of Misc. Losses, Surcharge written off, the Commission has not considered surcharge written off under Krishak Rahat Yojna & Suvidha Yojna of Rs 4.13 Crore as claimed by East Discom under miscellaneous losses as surcharge has been waived off by the company. Moreover, as receipts against surcharge are not considered as income its waiver is also not considered as expense. Accordingly, the Commission in this true-up Order has admitted only Sundry expenses/miscellaneous losses of Rs 0.79 Crore for East Discom.
- 1.130 As regards other expenses claimed by West Discom, the Commission observed that West Discom has considered following items under net prior period charges:

Table 49 : Details of prior period expenses of West Discom

SL No	Particular	Amount (Rs Crore)
1	Receipts from consumers	5.36
2	Excess provision for interest and finance charges	(0.05)
3	Other excess provision	(2.80)
4	Other income	2.24
5	Operating expenses	0.0015
6	Employee cost	0.61

SL No	Particular	Amount (Rs Crore)
7	Interest and other finance	115.34
8	Administrative expenses	3.81

- 1.131 It can be observed from the above that prior-period charges claimed by West Discom are pertaining to O&M and interest related, which the Commission has provided based on the audited accounts in the truing up of previous years. Further, it is observed that prior period charges also included other income of Rs 2.24 Crore for which the Discom has not provided any further details. The Commission has, therefore, considered other income of Rs 2.24 Crore as mentioned in the audited accounts.
- 1.132 Further, the Commission has admitted miscellaneous losses write off and sundry expenses of Rs 2.26 Crore as claimed by West Discom.
- 1.133 In view of the above, the Commission has considered Rs 2.24 Crore and Rs 2.26 Crore as net prior period charges and miscellaneous losses write off and sundry expense in other expenses in this true up order for West Discom.
- 1.134 The Commission has observed that Central Discom has claimed Rs. 192.11 Crore as net prior period charges, which includes additional provision for penal interest as Rs 95.50 Crore and additional provision for family pension as Rs 96.61 Crore. The Commission has observed that these charges are only provisions and no actual expenditure has been incurred. Thus, the Commission has not considered any prior period charges for Central Discom.
- 1.135 As regards, misc. losses and write-off amount of Rs 0.42 Crore claimed by Central Discom, the Commission has considered the same as claimed.
- 1.136 Accordingly, the Commission admits the expenses against the miscellaneous losses & write-offs / sundry expenses / net prior period charges – (credits) as shown in the table below:

Table 50 : Misc. Losses & Write-offs / Sundry Expenses / Net Prior Period Charges / (Credit) admitted by the Commission (Rs. Crore)

Particulars	East Discom	West Discom	Central Discom	Total
Miscellaneous losses& Write-offs	0.79	2.21	0.42	3.42
Sundry Expenses		0.05		0.05
Net prior period charges				
Other income related to prior periods		(2.24)		(2.24)
Extra ordinary items	0.00	0.00	0.00	0.00
Total other expenses admitted by the Commission	0.79	0.02	0.42	1.23

Treatment of true-up (Gap)/Surplus of DISCOMs for the period April, 2006 to March, 2007

1.137 The Commission had included the Surplus/(Gap) of the Discoms admitted in the true-up of FY 2006-07 in the tariff order for FY 2009-10 which was Rs. 128.86 Crore, Rs. 341.00 Crore and Rs. (115.40) Crore, respectively for East, West and Central Discoms are . Discoms aggrieved by disallowance of some of their claims in the above mentioned true-up order of FY 2006-07 filed a common Appeal No. 145/2009 with the Hon'ble APTEL. The extract of ATE Judgment regarding common Appeal No. 145/2009 is shown below:

“ ...

11. It would neither be logical nor desirable to load the subsidizing consumers further for the additional power purchase cost for additional supply made to unmetered agriculture consumers. It will also not be correct to recover the same from unmetered agriculture consumers as the year in question is already over and the electricity bills have been raised on them according to the tariff prevailing in the FY 2006-07 as decided by the State Commission in the tariff order dated 31.3.2006.

12. The additional supply to agriculture was given by the distribution licensees on the directions of the State Government and, therefore, it is logical that the additional power purchase cost has to be borne by the State Government as subsidy to the distribution licensees.

14. In this case, the State Commission had fixed the tariff in March 2006. Subsequently, in November, 2006, the State Government directed the distribution licensees to enhance supply to agriculture which necessitated purchase of additional power over and above that approved by the State Commission in the ARR. Thus the cost of power purchase for additional energy should be borne by the State Government in the form of subsidy to the distribution licensee. In our opinion, the distribution licensees should have requested the State Government for payment of subsidy to recover the cost of additional power before implementing the revised schedule of supply to agriculture consumers. This was not done and the Distribution Licensees implemented the directions without demanding any upfront subsidy. The State Commission did not come into the picture as the directions were given by the State Government directly to the SLDC/distribution licensees.

17. In our opinion if the state commission has to give an appropriate order providing for subsidy by the State Government, it would be necessary for the state commission to apply prudence check to assess the additional energy supply made to unmetered agriculture consumers. The state commission may assess the additional energy based on additional hours of actual supply made to agriculture following the directions of the state government after scrutinizing the records of the distribution licensee and state load dispatch centre or any other method that it may like to adopt. Learned counsel for the respondent/ distribution licensee submitted some documents regarding additional supply to agriculture consumer but we find that these are not adequate to establish the additional supply made to unmetered agriculture consumers.

18. We direct the state commission to pass an appropriate order keeping in view the above clarifications.”

- 1.138 In compliance with Judgment passed by Hon'ble APTEL against Appeal No. 145/2009 the Commission passed an order on September 22, 2012, in which it has determined the additional power purchase cost on account of the assessed additional supply made to unmetered agriculture consumers by the Discoms as per directions of the State Government. Since the difference on account of cost of power purchase for additional energy has to be borne by the State Government in form of subsidy to the Discoms, this cost is not recoverable from the consumers in terms of Paras 11, 12, 14, 17 and 18 of the Judgment issued by Hon'ble APTEL. Therefore, the net revenue surplus/deficit as determined in the impugned true-up order dated June 16, 2009 shall remain unchanged in so far as its impact on recovery from the consumers is concerned.
- 1.139 Accordingly, the Commission has considered for East, West and Central Discoms the surplus/(deficit) approved in the truing up of FY 2006-07 as Rs. 128.86 Crore, Rs. 341.00 Crore and Rs. (115.40) Crore, respectively, in the true-up order for FY 2009-10.

Power Purchase Cost reserved in true-up order for FY 2005-06

- 1.140 West Discom has submitted that vide review order of true-up for FY 2005-06 dated January 31, 2009 the Commission allowed additional power purchase cost of Rs. 8.51 Crore. Relevant text of Para 12 of the said order are as under:
- “Since the West Distribution Company has not filed any review petition on the Commission's Order dated January 16, 2008, this additional cost in respect of West Distribution Company, Indore would be considered as and when it is claimed by West Distribution Company, duly supported by the audited statements.”*
- 1.141 West Discom has further claimed the above power purchase cost amounting to Rs. 8.51 Crore in the ARR for FY 2012-13; however the Commission did not consider the same. West Discom has requested the additional power purchase cost amounting to Rs. 8.51 Crore.
- 1.142 Vide tariff order dated July 29, 2009, the Commission, had included the power purchase cost for East and Central Discoms as Rs. 6.39 Crore and Rs. 7.83 Crore, respectively.
- 1.143 Accordingly, the Commission has considered the amount of East, West and Central Discoms of Rs. 6.39 Crore, Rs 8.51 Crore and Rs. 7.83 Crore in the true-up order for FY 2009-10.

Short-Term Power Purchase Cost of Rs. 201.45 Crore for FY 2006-07

- 1.144 West Discom has claimed the actual expenditure towards power purchase cost for FY 2006-07 to be allowed in true up for FY 2009-10. The Commission has already included this amount in true-up order of FY 2008-09. Therefore, Rs. 201.45 Crore has not been considered in this true-up order for FY 2009-10.

Carrying Cost

Carrying cost on Power Purchase Cost of Rs. 201.45 Crore claimed by West Discom

- 1.145 West Discom has submitted that the Commission had disallowed power purchase cost for FY 2006-07 in true up order for FY 2007-08, which has resulted in delay in realization of Rs. 201.45 Crore. Accordingly a carrying cost of Rs 147.31 Crore has been claimed by West Discom towards power purchase cost of Rs 201.45 Crore, as shown in the table below:

Table 51 : Carrying cost claimed by the West Discom (Rs. Crore)

Years	Interest Rate on Working capital loans as per true-up/ ARR of the respective year	Amount not yet allowed	Carrying cost
FY 2007-08 (Half year)	14.25%	201.45	14.35
FY 2008-09	14.25%	201.45	28.71
FY 2009-10	14.25%	201.45	28.71
FY 2010-11	11.75%	201.45	23.67
FY 2011-12	11.75%	201.45	23.67
FY 2012-13	14.00%	201.45	28.20
Total			147.31

- 1.146 The Commission is of the view that West Discom's claim of Rs 147.31 Crore as carrying cost is not legitimate as the Discom itself had not provided sufficient information on account of admission of Rs 201.45 Crore as power purchase cost at the time of issuing the order for true-up of ARR for FY 2007-08. As the Discom submitted the details of power purchase cost afterwards, the Commission considered the same in the true up order for FY 2008-09. Accordingly, the Commission has not considered the carrying cost of Rs 147.31 Crore claimed by West Discom.

Carrying cost regarding power Purchase Cost of Rs. 8.51 Crore

- 1.147 West Discom has submitted that power purchase cost amounting to Rs 8.51 Crore was recognized in the review order of true-up for FY 2005-06 dated January 31, 2009 but was not passed as it was not claimed by West Discom. The power purchase cost admitted to the other two Discoms vide same order was allowed by the Commission in the ARR for FY 2009-10. However, power purchase cost admitted to the West Discom has not been allowed till date. This has resulted in delay in realization of Rs. 8.51 Crore. Therefore, West Discom has requested the same in the true up of FY 2009-10 along with the carrying cost of Rs 4.40 Crore. The computation of the same is shown in the table below:

Table 52 : Carrying cost claimed by the West Discom (Rs. Crore)

Years	Interest Rate on Working capital loans as per true-up/ ARR of the respective year	Amount not yet allowed	Carrying cost
FY 2009-10	14.25%	8.51	1.21
FY 2010-11	11.75%	8.51	1.00
FY 2011-12	11.75%	8.51	1.00
FY 2012-13	14.00%	8.51	1.19
Total			4.40

1.148 The Commission is of the view that claim of West Discom is not legitimate as the delay occurred in admission is due to non-submission/ delayed submission of adequate information by West Discom. Therefore, the Commission has not considered the same.

Carrying Cost of remaining revenue gap of present true-up Order

1.149 West Discom has claimed carrying cost on balance revenue gap of Rs 923.56 Crore for FY 2009-10 to FY 2012-13 amounting to Rs. 412.14 Crore. The computation of the carrying is shown in the table below:

Table 53 : Carrying cost claimed by the West Discom (Rs. Crore)

Year	Interest Rate on Working capital loans as per ARR of the respective year	Amount	Carrying cost
FY 2009-10 (Half year)	14.25%	923.56	65.80
FY 2010-11	11.75%	923.56	108.52
FY 2011-12	11.75%	923.56	108.52
FY 2012-13	14.00%	923.56	129.30
Total			412.14

1.150 The Commission is of the view that the claim of West Discom in this regard is not legitimate. The delay has occurred due to non-submission of true-up petition in time and also delay in submission of requisite / adequate information by West Discom. Therefore, the Commission has not considered the same.

2. REVENUE FROM SALE OF POWER

Sale of Power

East Discom

- 2.1. The Commission had admitted the 6914.54 MUs sales at the revenue of Rs. 2649.21 Crore for various categories of consumers in the Distribution and Retail Supply tariff order for FY 2009-10. The licensee couldn't achieve the projected sales. Actual sales as filed were 6409.69 MUs and the revenue was Rs. 2643.66 Crore including subsidy of Rs. 190.79 Crore and provision of Rs. 103.25 Crore made for unbilled revenue in the books of account.

West Discom

- 2.2. The Commission had admitted the 10384.33 MUs sales at the revenue of Rs. 3718.92 Crore for various categories of consumers in the Distribution and Retail supply tariff order for FY 2009-10. The licensee couldn't achieve the projected sales. The actual sales as filed were 9219.10 MUs and the revenue was Rs. 3567.64 Crore including tariff subsidy of Rs. 521.79 Crore.

Central Discom

- 2.3. The Commission had admitted the 7641.01 MUs sales at the revenue of Rs. 2884.56 Crore for various categories of consumers in the Distribution and Retail supply tariff order for FY 2009-10. The licensee couldn't achieve the projected sales. The actual sales as filed were 6942.39 MUs and the revenue was Rs. 2521.18 Crore including subsidy.

Commission's Analysis

- 2.4. Discoms have booked the revenue from sale of power excluding subsidy and other income to the tune of Rs. 2452.87 Crore, Rs. 3045.84 Crore and Rs. 2142.01 Crore for East, West and Central Discoms, respectively as per their audited accounts.
- 2.5. As per the petitions, Discoms had implemented retail tariffs in accordance with the provisions of the tariff order FY 2009-10. Based on the same the following revenue has been booked in the audited accounts.

Table 54 : Revenue from sale of power as per audited accounts

Particulars	East Discom	West Discom	Central Discom	Total
Revenue from sale of power (Rs. Crore)	2452.87	3045.84	2142.01	7640.72

2.6. Discoms have received tariff subsidy from State Government other than the revenue from sale of power as reported in the audited accounts. Discoms have also received other income and non-tariff income during FY 2009-10 as shown in the audited accounts. Thus, in addition to the revenue from sale of power, the Commission has also considered the following income, as reported in audited accounts, for this true-up exercise:

- Non-tariff income
- Subsidy received from State Govt.
- Other income

Non tariff income

2.7. In addition to the revenue from sale of power, the non-tariff income has been considered separately as stated below as per audited accounts:

Table 55 : Non tariff income (Rs. Crore)

Sr. No.	Particulars	East Discom	West Discom	Central Discom	Total
1	Misc. charges from consumers	19.08	25.56	18.99	63.63
2	Income from wheeling charges	0.13	3.29	349.46	352.88
3	Meter rent	21.05	26.20	22.07	69.31
4	Recoveries for theft of Power/Malpractice	5.60	19.19	4.26	29.05
5	Total non tariff income	45.85	74.24	394.79	514.88

Subsidy and Grants

2.8. Audited accounts for FY 2009-10 reveal the receipts of revenue subsidy of Rs. 190.79 Crore, Rs. 521.79 Crore and Rs. 379.17 Crore from the Government of Madhya Pradesh by East, West and Central Discom respectively. The Commission has considered this amount in the income of the Discoms being a part of the revenue from sale of power to the subsidized consumers in this true-up order as shown in the table below.

Table 56 : Subsidy and Grants (Rs. Crore)

Particulars	East Discom	West Discom	Central Discom	Total
Subsidy and Grants received from GoMP	190.79	521.79	379.17	1091.75

Other Income

Licensees' Submission

2.9. Discoms have claimed other income as per audited accounts as shown in the table below.

Table 57 : Other Income Claimed (as per audited accounts) by Discoms (Rs. Crore.)

Sr. No.	Particulars	East Discom	West Discom	Central Discom
A	Income from Investment, Fixed & Call Deposits			
	Interest on Staff loans & advances	1.05	0.07	0.06
	Interest on FDRs/Investment	7.35	7.62	2.75
	Sub-Total (A)	8.40	7.69	2.81
B	Other Non tariff Income			
	Delayed Payment Surcharge	197.23	158.09	163.71
	Interest & Penal Interest on Advance to Suppliers	0.00	2.60	0.08
	Interest from Banks	0.01	0.00	0.15
	Scrap Sales	0.00	0.00	0.06
	Lease Rent	0.00	0.00	0.11
	Staff Recoveries	0.00	0.00	5.20
	Income from Staff Welfare activities	0.03	0.00	0.00
	Misc Services/Receipts	22.22	17.67	10.27
	Profit on Sale of Stores	0.00	0.00	0.29
	Income from Trading (Other than Electricity)	0.00	2.32	0.00
	Sub-Total (B)	219.49	180.69	179.86
C	Total Other Income (A+B)	227.89	188.38	182.67
D	Total Other Income (excluding DPS)	30.66	30.29	18.96

- 2.10. The Commission has not considered the delayed payment surcharge as part of income of the Discoms in accordance with the regulations, 2006 as any additional interest on working capital for the delayed payment is also not considered.
- 2.11. Accordingly, the Commission admits the actual other income of Rs. 30.66 Crore, Rs 30.29 Crore, and Rs 18.96 Crore for East, West and Central Discoms as per audited accounts.
- 2.12. Based on the preceding explanation, the total revenue income admitted by the Commission for the period April, 2009 to March, 2010 is shown in the table below:

Table 58 : Total Revenue, Non-tariff Income and Subsidy admitted (Rs. Crore.)

Name of the Discom	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	2,452.87	45.85	190.79	30.66	2,720.17
West Discom	3,045.84	74.24	521.79	30.29	3,672.16

Name of the Discom	Revenue from sale of power	Non-tariff Income	Revenue Subsidies from GoMP	Other income (excluding DPS)	Total Revenue income admitted for true-up
Central Discom	2,142.01	394.79	379.17	18.96	2,934.93
Total	7,640.72	514.88	1,091.75	79.90	9,327.26

3. REVENUE SURPLUS / (DEFICIT) ADMITTED

- 3.1. Based on the scrutiny of various cost components regarding revenue income and expenditure of the Discoms, the Commission considers the following surplus / (deficit) for the period from April' 2009 to March' 2010 as allowable for pass through in the ARR for subsequent period, for recovery by the Licensee through retail tariffs as shown in the table below:

Table 59 : Revenue Surplus / (Deficit) admitted in true-up of ARR for FY 2009-10 (Rs. Crore)

Particulars	East Discom	West Discom	Central Discom	Total For State
INCOME				
Revenue from Sale of Power				
Tariff Income	2,452.87	3,045.84	2,142.01	7640.72
Non-tariff income (meter rent, recoveries for theft of power, wheeling/U.I. charges recovery, Misc. charges from consumers)	45.85	74.24	394.79	514.88
Other Income	227.89	188.37	182.66	598.92
Less : Delayed Payment Surcharge	197.23	158.09	163.71	519.03
Subsidy	190.79	521.79	379.17	1091.75
Total Income (A)	2720.17	3672.16	2934.93	9327.26
EXPENSES				
Power Purchase				
Power Purchase Cost	2276.70	3237.62	1980.67	7494.99
MP Transco Charges	329.66	257.68	352.33	939.67
Total Power Purchase (Incl. Transmission) (B)	2606.36	3495.30	2333.00	8434.66
O&M Expenses (Net of Capitalisation)				
Employee Expenses	382.19	343.89	349.12	1075.20
A&G Expenses	52.26	36.75	37.63	126.64
R&M Expenses	23.11	35.99	27.27	86.37
Total O&M (C)	457.56	416.63	414.02	1288.21
Other Expenses				
Depreciation	37.38	40.29	38.20	115.87
Interest & Financing Charges on Project Loans	12.83	14.72	20.58	48.13
Interest and Finance Charges on working capital loans	0.00	0.00	0.00	0.00
Interest on Consumer Security Deposit	15.79	23.51	16.98	56.29
Return on Equity	65.18	73.95	69.97	209.10
Bad & Doubtful Debts	0.00	0.00	0.00	0.00
Any Other Expense	0.79	0.02	0.42	1.23

Particulars	East Discom	West Discom	Central Discom	Total For State
Tax	0.00	0.00	0.00	0.00
Total Other Expenses (D)	131.97	152.49	146.15	430.61
Total Expenses E = (B + C + D)	3,195.88	4,064.42	2,893.17	10153.48
Revenue Surplus / (Gap) F = (A-E)	(475.71)	(392.26)	41.76	(826.21)
Additional revenue (Gap)/Surplus due to true-up of MP DISCOMs for the period April, 2006 to March, 2007 (G)	128.86	341.00	(115.40)	354.46
Power Purchase Cost reserved by MPERC in true-up Order for FY 2005-06 (H)	(6.39)	(8.51)	(7.83)	(22.73)
Net Surplus / (Gap) I = (F+G+H)	(353.24)	(59.77)	(81.47)	(494.48)

4. PUBLIC OBJECTIONS AND COMMENTS ON LICENSEES' PETITIONS:

Date of publication of public notice in newspapers: 8th & 9th August 2013

Last date for receiving the objections: 31st August, 2013

- 4.1 In response to the public notices issued by the Discoms, the objections received against the petition filed by the West, East and Central Discoms were only four. The list of the objectors is given below:

Table 60 : List of Objectors

Sl. No.	Name of the Objector
1.	M/s Ujas Energy Ltd.
2.	Electricity Consumer Society
3.	Vardhman Yarns
4.	The Madhya Pradesh Textile Mills Association

Date of public hearing: 02nd September, 2013

- 4.2 Suggestions from the objectors and response of the Discoms thereon are summarized in the following paragraphs.

Issue No. 1: Excess Expenditure

Issue raised by objector:

- 1) ARR components were achievable with reasonable efficiencies. However, the Discoms had failed to achieve the reasonable efficiencies in operations.
- 2) The Commission has been revising the retail tariffs almost every year since 2001. These tariffs were fixed based on approved ARR which takes in to account past performance and reasonable efficiencies. Thus, the true up costs if any should have been marginal surplus or deficit..

Response of Discoms:

- 1) West Discom has submitted that the cost claimed in the petition is based on the provision of the tariff regulations and annual audited accounts of the Company. Further justification and explanation regarding each element of the Cost has also been given in the petition.
- 2) Central Discom has submitted that the figures approved in tariff order are based on the estimation and the actual expenditure would be different on account of various reasons which have been elaborated in the true up petition.
- 3) East Discom has not submitted any response.

Commission's view:

The Commission has undertaken detailed analysis of the reasons submitted by the Discoms for the increase in actual expenses of the ARR components vis-a-vis the ARR admitted by the Commission in the tariff order for admitting the expenses in true up in accordance with the regulations. Thus, the Commission has admitted the cost based on normative levels after due prudence check of expenses claimed in true up of ARR.

Issue No. 2: Reconciliation of figures with the annual accounts

Issue raised by objector:

- 1) True up costs have been prepared as per regulations and the actual costs have been taken from the audited accounts, thus the following needs to be clearly brought out through the statement of Profit & Loss Accounts as per Accounts:
 - a) The revenue such as delayed payment surcharge etc. has not been considered.
 - b) Subsidies from State Government should be reconciled with State Govt. accounts.
 - c) Some expenditure has been considered as notional and not actual.
- 2) True up cost may also reflect a statement of cash losses incurred and how these are met such as deferring payment to supplier defaulting on payment of interest and principle amount of loans etc. Gap must also be reflected in the defaults and the same should be considered as a part of true up amount.

Response of Discoms:

- 1) West Discom has submitted that the true-up petition has been submitted before the Commission strictly as per Formats prescribed in the Regulations.
- 2) Central Discom has submitted that the
 - a. Revenue has been charged as per regulations.
 - b. Subsidies from State Government are reconciled with State Government.
 - c. All the expenses in the Books have been taken on accrual basis.
- 3) Central Discom has also submitted that the Company's Books of Accounts have been prepared on accrual basis. It is therefore difficult to match these with cash losses incurred.

Commission's view:

The Commission agrees with the submission of the Discoms that it is not possible to match the true-up expenses filed in the petition with the audited accounts. However, the Commission has carried out the detailed prudence check of each item of the expenditure as per regulations and has not considered any provisioning of expense in the accounts of Discoms .

Issue No. 3: Realistic submissions for future

Issue raised by objector:

The Commission may direct the Discoms to make the realistic submissions for future years.

Response of Discoms:

Discoms have not submitted the reply.

Commission's view:

The Commission has noted the suggestion.

Issue No. 4: Interest on working capital

Issue raised by objector:

The interest on Working capital is notional and may not be allowed.

Response of Discoms:

Discoms have submitted that the interest on working capital has been claimed in the petition based on the provisions of the regulations and audited accounts. It has been further submitted that the actual interest on working capital is much higher than the amount claimed in the petition.

Commission's view:

The Commission has computed the interest on Working capital as per regulations while carrying out the truing up.

Issue No. 5: Depreciation

Issue raised by objector:

- 1) As West Discom has submitted that the Depreciation is not a cash flow it may be limited to what is allowed in the approved ARR.
- 2) Depreciation should be admitted as per Company's Act 1956 and not on the basis of Generally Accepted Accounting Principles and accounting standards as submitted by the Central Discom.

Response of Discoms:

- 1) West Discom has submitted that the depreciation claimed in the petition is as per the provision of the regulation.
- 2) Central Discom has not submitted the reply.

Commission's view:

The Commission has computed the depreciation expense as per the regulations based on GFA addition admitted during the year.

Issue No. 6: Return on Equity**Issue raised by objector:**

The return on equity be limited to the extent admitted in the tariff order.

Response of Discoms:

West and Central Discoms have submitted that the return on equity claimed in the petitions is as per the provisions of the tariff regulations. Further, in the tariff order, Return on Equity was admitted based on estimated equity component of capitalization of assets. However, in the true-up order, Return on Equity should be allowed by considering the actual capitalization of assets.

Commission's view:

The Commission has computed the revised Return on Equity as per the regulations based on actual GFA addition admitted during the year.

Issue No. 7: Revenue & Other Income**Issue raised by objector:**

- 1) Other income figures are not consistent and need to be checked. The delayed payment surcharge may be considered as income as it will reduce deficit significantly.
- 2) A certain rate of realization per unit is admitted by the Commission in the tariff order. It is seen that the actual rate is much lower in spite of the increase in H.T. consumption, lowering of agriculture consumption and a large amount available as state Government subsidy.

Response of Discoms:

- 1) West Discom has submitted that the other income shown in the petition is based on audited accounts of the Company. It has further submitted that the Revenue amount shown in the petition is based on the audited accounts of the Company.
- 2) Central Discom has submitted that as per regulations , the Delayed Payment Surcharge is not considered as income. It has further submitted it is not correct to say that agriculture consumption is lowering which may be observed from the following figures:-

Year	Consumption (in MUs)
2011-12	2790.11
2010-11	2536.98
2009-10	2305.27
2008-09	2209.40

Moreover as far as the subsidy from the Government is concerned, it is mainly tariff subsidy i.e. subsidy on account of the subsidized billing to those consumers for which GoMP is willing to give subsidy.

Commission's view:

The Commission has undertaken head wise detailed prudence check of the other income submitted by the Discoms in the petition as well as in the audited accounts. The other income has been admitted accordingly.

As regards Delayed Payment Surcharge, the Commission agrees with the submission of Discoms that Delayed Payment Surcharge cannot be considered as revenue as per regulations as Commission does not allow any additional interest on working capital for the delayed payment by Discoms.

Issue No. 8: Power Purchase and Transmission Charges

Issue raised by objector:

- 1) True up amount claimed by the Discoms and the cost of power purchased is very high. It is quite evident that during FY 2009-10 and FY 2011-12 either Distribution losses have increased than the prescribed trajectory or power have been purchased at higher cost than the approved by the Commission. The Commission may examine the excess power drawl and cost of power purchased before deciding the claim of Discoms.
- 2) Following may be clarified regarding the abnormal increase in the Power Purchase cost:
 - a) Whether increase in the power purchase was approved by the Commission?
 - b) Whether the power purchase costs are reasonable?
 - c) If penalties for overdrawn power are levied these are within reasonable limits.
 - d) Whether any such costs already allowed to Generation & Transmission company and considered in ARR?
 - e) Whether the T & D losses were within prescribed limits?

Response of Discoms:

- 1) The Discoms have submitted that the
 - (i) Power purchases are approved / allowed by the Commission.
 - (ii) Power Purchase cost is reasonable.
 - (iii) Overdrawn power is within reasonable limits.
 - (iv) Power Purchase cost pertains to Generation & Transmission Companies.
 - (v) The Licensee is trying its level best to curb the T&D losses.

Discoms have further submitted that the approved ARR presents projections on the basis of previous years' actual data while the true-up is based on actual data for a particular year. Hence there may be variation between data shown in True-up and admitted ARR in the tariff order. The power purchase cost varied due to variation in inflation etc. Further reasons observed for the variation in claimed power purchase cost in true-up with respect to admitted cost in tariff order are as under:

- (i) Being a distribution licensee, it is obligatory for Discoms to provide supply as per the requirement of the consumer. Thus the quantum of power purchase also varies.
- (ii) It can be observed from the power purchase cost that in some cases charges based on actual and paid to the generating stations are different than admitted in tariff order.

Commission's view:

The Commission has admitted the power purchase quantum and cost after undertaking detailed prudence check of the power purchase submitted by the Discoms as detailed in preceding sections of the Order.

Issue No. 9: Operation & Maintenance (O&M) Cost

Issue raised by objector:

- 1) The Commission may consider and approve the O&M claim as per the norms of the relevant of the regulations.
- 2) The Commission may allow the Operation & Maintenance Costs as the lowest of the following two:
 - a) O& M costs as per regulations with GFA calculations fully checked.
 - b) Actual O & M costs, however the increase in A&G expenses and R&M expenses may not be allowed.

Response of Discoms:

- 1) West Discom has submitted that the cost claimed in the petition is based on the provision of the regulation and audited annual accounts of the Company. Further justification and explanation regarding each element of the Cost has also been given in the petition.
- 2) Central Discom has submitted that the O&M Expenses should be allowed at the actual basis.

Commission's view:

The Commission has admitted actual O&M cost after undertaking prudence check of the details submitted by the Discoms as elaborated in the preceding sections of this order.

Issue No. 10: Interest & Finance Charges

Issue raised by objector:

The Interest & Finance Charges are normative figures considering 70% as loan net of consumer's contribution. As regard the same, the lowest of the following may be allowed as Interest & Finance Charges:

- a) The charges approved in tariff order.

- b) The actual payment

Response of Discoms:

West Discom has submitted that the interest and finance charges claimed in the petition are as per the provisions of the regulation and audited accounts of the company.

East and Central Discom have not submitted any reply.

Commission's view:

The Commission has computed the Interest and Finance charges as per the regulations based on approved GFA addition as detailed in relevant sections of the Order.

Issue No. 11: Interest on Consumer Security Deposits

Issue raised by objector:

The Commission may permit the interest on consumer security deposits in accordance to Security Deposit, regulation, 2005 along with its amendments.

Response of Discoms:

Discoms have not submitted any reply.

Commission's view:

The Commission has admitted the Interest on Consumer security deposit as per regulations.

Issue No. 12: Bad and Doubtful Debts

Issue raised by objector:

- 1) Actual bad and doubtful debts waived off may be allowed as 1% in accordance to the relevant regulations.
- 2) List of bad and doubtful debts actually waived off be admitted after the list is made public.

Response of Discoms:

- 1) West Discom has submitted that the details of actual bad and doubtful debt written off have already been given in the petition.
- 2) Central Discom has submitted that as per the accounts policies, the bad and doubtful debts are accounted for in the financial statements.

Commission's view:

The Commission has admitted the Bad and Doubtful Debts as per regulations duly applying prudence check as detailed in the relevant preceding section of this order.

Issue No. 13: Taxes

Issue raised by objector:

Only the Actual statutory payments of tax may be allowed.

Response of Discoms:

Discoms have submitted that the true-up filing is based on the actual expenses and the same may be allowed as legitimate expenses.

Commission's view:

For trueing up purpose the Commission has considered the actual income tax paid by the Discoms.

Issue No. 14: Financial Position of Discoms.

Issue raised by objector:

- 1) Tariff was fixed based on admitted ARR which takes into consideration past performance and efficiency, thus the true up claims is on a very higher side. This shows a very grim financial position of the Discoms which requires immediate attention to improve their financial status. The Commission may examine the true up petitions as per relevant regulation, Guidelines and their directive on the ARR for the period of true up.
- 2) Such a significant gap concludes that the Discoms have become financially sick and beyond redemption. As regard the same, it is suggested to
 - a) Declare the Discoms sick and procedures similar to Board for Industrial & Financial Reconstruction be initiated.
 - b) Approach the power ministry for financial restructuring. The loss burden can then be shared by State and Central Govt. and the banks. The consumers will be spared of the burden.
 - c) Form a high level Committee comprising of power sector experts be appointed to find out reasons of failure and suggest remedial measures.

Response of Discoms:

Discoms have not submitted any reply.

Commission's view:

While carrying out the truing up the Commission has carried out detailed analysis including reasons submitted by Discoms for variations in admitted and actual expenditure and has admitted the expenses against various items of ARR after undertaking prudence check of the actual expenditure submitted by the Discoms. Other issues mentioned by the objector do not relate directly to the subject petition, which is a truing up exercise for the past period.

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