

**MADHYA PRADESH ELECTRICITY REGULATORY COMMISSION**

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



**ORDER ON TRUE-UP OF ARR FOR FINANCIAL YEAR 2011-12**

**Period –From April 2011 to March 2012**

**Petition Nos. 30/2013– MP Poorv Kshetra Vidyut Vitaran Co. Ltd.  
31/2013– MP Paschim Kshetra Vidyut Vitaran Co. Ltd.  
29/2013 – 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 2011-12 based on the true-up applications filed by Madhya Pradesh Poorv Kshetra Vidyut Vitaran Company Ltd. (East Discom), Madhya Pradesh Madhya Kshetra Vidyut Vitaran Company Ltd. (Central Discom) and Madhya Pradesh Paschim Kshetra Vidyut Vitaran Company Ltd. (West Discom) under Multi Year tariff Principles.**

**Represented amongst others by (Petitioners) –**

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

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

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

**P.K Singh,  
C.E (Commercial)**

**G.K Sharma,  
C.E (Commercial)**

**B.S Khanooja,  
A.G.M (Commercial)**

**ORDER***(Passed on this 22<sup>nd</sup> Day of July 2014)*

This order relates to the petition numbers 30/2013, 31/2013 and 29/2013 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 the 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 2011 to March 2012 in the distribution and retail supply tariff order issued on May 23, 2011.

- As regards annual performance review (APR), the Commission has reviewed the operational and financial performance parameters of the Discoms for FY 2011-12. 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**

- The Commission passed the retail supply tariff order for FY 2011-12 on May 23, 2011 in accordance with MPERC (Terms and conditions for determination of tariff for supply and wheeling of electricity and methods and principles of fixation of charges) Regulations, 2009 (hereinafter referred to as the "regulations") notified by the Commission on January 22, 2010. As per the regulations, Discoms were required to file their respective petitions for true-up of ARR for FY 2011-12 by October 31, 2012. Further, as per directives of Hon'ble APTEL in the judgment of November 11, 2011 in the matter of O.P. No.1 of 2011, the Discoms are required to file their true-up petitions for respective years regularly. Discoms did not file their true-up petitions for FY 2011-12 in stipulated time. Vide letter dated 23/02/2013, the Commission directed the Discoms to file the true-up petitions for FY 2011-12 by 31/03/2013. Since the Discoms did not respond within the stipulated time, the Commission again directed the Discoms to file true-up petitions by 15<sup>th</sup> April, 2013. Central Discom requested further time extension up to 13<sup>th</sup> May, 2013. The Commission accepted the request and vide letter dated 17<sup>th</sup> April 2013 directed the Discoms to file requisite petitions by 15<sup>th</sup> May 2013. Discoms filed true-up petitions for the period from April 1, 2011 to March 31, 2012 as given below:-

**Table 1 : Details of petition filing**

S.No.	Name of Discoms	Petition No.	Filed on
1.	East Discom	30/2013	May 20, 2013
2.	West Discom	31/2013	May 24, 2013
3.	Central Discom	29/2013	May 15, 2013

- Earlier, the Commission had scheduled hearing 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 agriculture consumers in the State on February 5, 2013 and April 9, 2013, respectively. Relevant extracts of the Commission's order dated April 9, 2013 are reproduced below which explains 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 petitioners 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 benchmarks 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 admitted 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."

5. On this premise a detailed scrutiny of the petitions was carried out. The petitions were found deficient in respect of vital information/data required for carrying out the true-up exercise. The Discoms had also not furnished the requisite information to enable the Commission to comply with the aforementioned directions of the Hon'ble APTEL. The Commission observed that the Discoms had booked sales in excess of prescribed benchmarks during FY 2011-12 on account of additional supply to agriculture un-metered connections as filed in the true up petitions , similar to that of the true up petitions for FY 2008-09, FY 2009-10 and FY 2010-11. Discoms were directed to provide relevant and necessary data/ information / documents and methodology adopted to book consumption in excess of benchmarks. Motion hearings on the petitions filed by East and Central Discoms were held on 01/06/2013 and on the petition filed by West Discom on 18/06/2013. Vide daily order dated 04/06/2013 (for East and Central Discoms) and 19/06/2013 (for West Discom) the Commission conveyed the deficiencies and directed Discoms to file required information with complete requisite details by 30/06/2013 and 15/07/2013 respectively. Discoms sought time extension for filing the additional information up to 30<sup>th</sup> July 2013 which the Commission accepted. East and Central Discoms filed the information on 29/07/2013 and West Discom on 30/07/2013.
6. The additional information was examined by the Commission. It was observed that despite specific directives, Discoms did not submit the details required which would aid the Commission in validating the claims with regard to quantum of sale in excess of the prescribed benchmarks for unmetered connections. The Commission has not been in a position to undertake the requisite analysis of Discoms' claims for sale in excess of the benchmarks. 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 Discoms.
7. During further scrutiny the Commission observed that the petitions still lack some requisite information to validate the true-up claims submitted by the Discoms. In this regard, the Discoms were further directed to submit 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 their responses on December 16, 2013, while West Discom submitted it on December 13, 2013. It was also observed that data /information related to power purchase through MPPMCL required validation. A meeting was convened with the representatives of the MPPMCL on December 27, 2013 to seek the necessary clarifications/ information.

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

8. Public notices were issued on August 8, 2013 and on August 9, 2013 for inviting comments/objections from various stakeholders by August 31, 2013.
9. In response, comments/suggestions from several stake holders were received.

**Hearings**

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

**Gist of petitions**

11. Gist of the true-up petitions submitted by Discoms is given below:

**Table 2 : Snapshot of the True-up petitions filed by Discoms for the period April 11 to March 12 (Rs. Crore)**

Particulars	East		West		Central	
	Admitted in tariff order for FY 2011-12	True-up Claims for FY 2011-12	Admitted in tariff order for FY 2011-12	True-up Claims for FY 2011-12	Admitted in tariff order for FY 2011-12	True-up Claims for FY 2011-12
Power Purchase Cost	2408.19	3717.83	3800.59	4481.92	2586.54	4027.04
Transmission Cost (including SLDC charges)	371.30	377.04	447.59	450.09	400.10	
O&M Expenses (net of Expenses Capitalised) including MPERC fees	601.09	778.46	557.16	622.43	551.10	620.04
Interest on Loan & Finance Charges	55.40	126.80	20.88	114.23	62.30	155.42
Interest on Working Capital	0.00		0.00		0.00	0.00
Interest on Consumer Security Deposit	25.44		36.83		27.73	31.39
Depreciation	61.37	117.01	61.08	107.34	62.74	124.39
Return on Equity	108.23	204.62	98.35	131.30	107.63	213.61
Bad & Doubtful Debts	0.00	35.81	0.00	29.62	0.00	57.52
Other Expenses	0.00	(54.75)	0.00	(48.16)	0.00	496.56
Gross ARR	3631.02	5302.81	5022.48	5888.77	3798.14	5725.97
Less: Other Income	105.00	126.53	120.00	48.14	75.00	151.92
Net ARR	3526.02	5176.29	4902.48	5840.62	3723.14	5574.05
Add Sardar Sarovar order diff.	22.37	22.37	30.43	0.00	24.95	0.00
Add MP Genco FY 07-08 True up	62.59	62.59	89.98	0.00	62.32	0.00
<b>Total ARR for FY 2011-12</b>	<b>3610.98</b>	<b>5261.25</b>	<b>5022.89</b>	<b>5840.62</b>	<b>3810.41</b>	<b>5574.05</b>
Revenue from sale of power	3,610.41	3685.86	5,024.05	5276.95	3,809.48	3872.90
<b>Revenue (Gap)/Surplus over ARR of FY 2011-12</b>	<b>(0.57)</b>	<b>(1575.38)</b>	<b>1.16</b>	<b>(563.67)</b>	<b>(0.93)</b>	<b>(1701.15)</b>
Total (gap)/surplus before Carrying cost	(0.57)	(1575.38)	1.16	(563.67)	(0.93)	(1701.15)
Carrying cost on (gap)/surplus				(103.24)		
<b>Total (gap)/surplus for FY 2011-12</b>	<b>(0.57)</b>	<b>(1575.38)</b>	<b>1.16</b>	<b>(666.91)</b>	<b>(0.93)</b>	<b>(1701.15)</b>



12. The Commission analyzed the petitions of Discoms for true-up of ARR for FY 2011-12, 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 future Annual Revenue Requirement of the Discoms. Summary of the true-up of ARR as admitted for FY 2011-12 is given below:

**Table 3: Revenue Surplus/(Deficit) admitted in True-up of ARR for FY 2011-12 (Rs. Crore)**

Particulars	East Discom	West Discom	Central Discom	Total For State
<b>INCOME</b>				
<b>Revenue from Sale of Power</b>				
Tariff Income	3380.11	4479.59	3187.55	11047.25
Non-tariff income (meter rent, recoveries for theft of power, wheeling/U.I. charges recovery, Misc. charges from consumers)	67.79	108.19	142.02	318.00
Other Income	194.42	245.07	467.77	907.26
Less : Delayed Payment Surcharge	134.71	175.00	327.01	636.72
Subsidy	305.75	689.18	543.32	1538.25
<b>Total Income (A)</b>	<b>3813.36</b>	<b>5347.03</b>	<b>4013.65</b>	<b>13174.05</b>
<b>EXPENSES</b>				
<b>Power Purchase</b>				
Power Purchase Cost	3176.43	4264.95	3136.88	10578.25
MP Transco Charges	377.04	450.09	418.96	1246.09
<b>Total Power Purchase (Incl. Transmission) (B)</b>	<b>3553.47</b>	<b>4715.04</b>	<b>3555.84</b>	<b>11824.34</b>
<b>O&amp;M Expenses (Net of Capitalisation)</b>				
Employee Expenses	440.54	413.28	389.69	1243.52
Arrears	33.37	31.31	29.52	94.20
A&G Expenses	77.87	68.34	73.84	220.06
R&M Expenses	52.00	54.45	53.30	159.76
Other expenses (including Taxes & MPERC Fees)	2.30	3.92	1.30	7.52
Incentives/dis-incentives	-	(20.88)	(11.52)	(32.40)
<b>Total O&amp;M (C)</b>	<b>606.09</b>	<b>550.42</b>	<b>536.13</b>	<b>1692.65</b>
<b>Other Expenses</b>				
Depreciation	46.48	54.94	44.43	145.85
Interest & Financing Charges on Project Loans	31.91	59.92	47.96	139.79
Interest and Finance Charges on working capital loans	0.00	1.63	0.00	1.63
Interest on Consumer Security Deposit	24.49	27.43	31.39	83.31
Return on Equity	95.09	115.91	94.91	305.91
Bad & Doubtful Debts	0.00	0.00	0.00	0.00
Any Other Expense	0.67	100.34	12.46	(87.21)
Tax	0.00	0.00	0.00	0.00

Particulars	East Discom	West Discom	Central Discom	Total For State
Total Other Expenses (D)	198.65	159.49	231.14	589.28
Total Expenses E = (B + C + D)	4,358.21	5,424.95	4,323.11	14106.27
Revenue Surplus / (Gap) F = (A-E)	(544.84)	(77.92)	(309.46)	(932.23)

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

-sd-  
**(Alok Gupta)**  
**Member**

-sd-  
**(A. B. Bajpai)**  
**Member**

-sd-  
**(Rakesh Sahni)**  
**Chairman**

Dated: 22<sup>nd</sup> July 2014  
Place: Bhopal



**TABLE OF CONTENTS**

<b>1. Analysis of Expenses during the period April 2011 to MARCH 2012 .....</b>	<b>11</b>
<b>Sale of energy admitted in tariff order and filed in true-up petitions.....</b>	<b>11</b>
<b>Power Purchase Quantum and Cost.....</b>	<b>18</b>
<b>Transmission Charges.....</b>	<b>29</b>
<b>Operation and Maintenance (O&amp;M) Costs.....</b>	<b>31</b>
<b>Interest &amp; Finance Charges.....</b>	<b>35</b>
Interest on Project Loans.....	36
Interest on Working capital.....	41
Interest on Consumer Security Deposits.....	42
<b>Return on Equity .....</b>	<b>42</b>
<b>Depreciation .....</b>	<b>43</b>
<b>Other items of ARR.....</b>	<b>48</b>
<b>Bad and doubtful debts .....</b>	<b>48</b>
<b>Any other expense.....</b>	<b>50</b>
<b>2. Revenue from Sale of Power .....</b>	<b>51</b>
<b>Sale of Power.....</b>	<b>52</b>
<b>Non tariff income .....</b>	<b>53</b>
<b>Subsidy and grants .....</b>	<b>53</b>
<b>Other Income .....</b>	<b>54</b>
<b>3. REVENUE SURPLUS / (Deficit) admitted .....</b>	<b>56</b>
<b>4. Public Objections and Comments on Licensees' Petitions: .....</b>	<b>57</b>

**List of Tables**

<i>Table 1 : Details of petition filing</i>	1
<i>Table 2 : Snapshot of the True-up petitions filed by Discoms for the period April 11 to March 12 (Rs. Crore)</i>	5
<i>Table 3: Revenue Surplus/(Deficit) admitted in True-up of ARR for FY 2011-12 (Rs. Crore)</i>	6
<i>Table 4: Sales as projected by Discoms for FY 2011-12 in tariff petitions</i>	11
<i>Table 5 : Sales admitted in retail supply tariff order for FY 2011-12 (in MU)</i>	11
<i>Table 6: Normative distribution loss trajectory as per regulations (%)</i>	11
<i>Table 7 : Sales as per tariff order, monthly R-15 statements and as filed in true up petitions for FY 2011-12 (MUs)</i>	12
<i>Table 8 : Benchmarks for assessment of consumption for un-metered consumers</i>	12
<i>Table 9: Summary of sales to the unmetered category booked in excess over the prescribed benchmark (MU)</i>	13
<i>Table 10 : Sales as per tariff order, as per true-up petitions and as admitted in true-up</i>	17
<i>Table 11: Power Purchase as claimed by the Discoms for FY 2011-12</i>	19
<i>Table 12: Variation in power purchase quantum and cost as submitted by the petitioners (MU)</i>	19
<i>Table 13: Power purchase from various sources by Discoms through MP Tradeco in FY 2011-12</i>	21
<i>Table 14: Power Purchase by Discoms as per MP Tradeco statement in FY 2011-12</i>	21
<i>Table 15: Energy Balance as filed by Discoms for FY 2011-12</i>	21
<i>Table 16: Power purchase quantum and cost admitted in tariff order and claimed in true-up as per the audited accounts.</i>	22
<i>Table 17: Distribution loss reduction trajectory for FY 2011-12 (%)</i>	23
<i>Table 18: Analysis of Power purchase quantum (MU)</i>	23
<i>Table 19: Details of source wise power purchase as filed for FY 2011-12</i>	24
<i>Table 20: Component-wise explanation for other costs in power purchase cost as submitted by MP Tradeco</i>	26
<i>Table 21: Other expenses in power purchase not considered by the Commission for FY 2011-12</i>	27
<i>Table 22: Admitted Power Purchase Cost</i>	29
<i>Table 23 : Transmission Charges as admitted in the tariff order for FY 2011-12 (Rs. Crore)</i>	29
<i>Table 24: MP Transco charges for FY 2011-12 as submitted by East Discom (Rs. Crore)</i>	30
<i>Table 25: SLDC charges for FY 2011-12 as submitted by East Discom</i>	30
<i>Table 26 : Transmission Charges as filed for FY 2011-12 (Rs. Crore)</i>	31
<i>Table 27 : O&amp;M Cost admitted in tariff order of FY 2011-12 (Rs. Crore)</i>	31
<i>Table 28 : O&amp;M Expenses claimed by Licensees as per audited accounts of FY 2011-12 (Rs. Crore)</i>	31
<i>Table 29 : Norms for O&amp;M cost for FY 2011-12 (in Crore)</i>	32
<i>Table 30 : R&amp;M Expenses computed by the Commission for FY 2011-12 (Rs. Crore)</i>	33
<i>Table 31 : Admitted incentives/ disincentives on the basis of increase/decrease in metered sales</i>	34
<i>Table 32 : O&amp;M expenditure admitted for FY 2011-12 (Rs. Crore.)</i>	34
<i>Table 33 : Interest and finance charges claimed (Rs. Crore)</i>	35
<i>Table 34 : Interest on Project Loans Claimed by East Discom (Rs. Crore)</i>	36
<i>Table 35 : Interest on Project Loans as per audited accounts submitted by West Discom (Rs. Crore)</i>	37
<i>Table 36 : Interest on Project Loans Claimed by Central Discom (Rs. Crore)</i>	38
<i>Table 37 : Interest on Project Loans admitted by the Commission (Rs. Crore.)</i>	40
<i>Table 38 : Interest on Working Capital admitted by the Commission (Amount in Rs. Crore)</i>	41

<i>Table 39 : Interest on Consumer Security Deposit admitted ( Rs. Crore)</i>	42
<i>Table 40 : Return on Equity admitted by the Commission (Rs. Crore)</i>	43
<i>Table 41 : Details of GFA for FY 2011-12 (Rs. Crore)</i>	43
<i>Table 42 : Details of Depreciation claimed by East Discom for FY 2011-12 (Rs. Crore)</i>	44
<i>Table 43 : Details of GFA for FY 2011-12 (Rs. Crore)</i>	45
<i>Table 44 : Details of Depreciation as per audited accounts submitted by West Discom for FY 2011-12 (Rs. Crore)</i>	45
<i>Table 45 : Details of Depreciation claimed by West Discom (Rs. Crore)</i>	46
<i>Table 46 : Details of GFA for FY 2011-12 (Rs. Crore)</i>	46
<i>Table 47 : Opening Accumulated Depreciation, Additions/Withdrawal during the Year and Closing Accumulated Depreciation of Central Discom (Rs. Crore)</i>	47
<i>Table 48 : Depreciation admitted (Rs. Crore)</i>	48
<i>Table 49 : Bad Debts claimed by Discoms (Rs. Crore)</i>	49
<i>Table 50 : Segregation of actual Bad Debts submitted by Discoms (Rs. Crore)</i>	49
<i>Table 51 : Misc. Losses &amp; Write-offs / Sundry Expenses / Net Prior Period Charges / (Credit) claimed by Discoms (Rs. Crore)</i>	50
<i>Table 52 : Misc. Losses &amp; Write-offs / Sundry Expenses / Net Prior Period Charges / (Credit) admitted by the Commission (Rs. Crore)</i>	51
<i>Table 53 : Revenue from sale of power as per Audited accounts</i>	52
<i>Table 54 : Break up of non tariff income (Rs. Crore)</i>	53
<i>Table 55 : Subsidy and Grants (Rs. Crore)</i>	53
<i>Table 56 : Other Income as per audited accounts of the distribution Companies (Rs. Crore.)</i>	54
<i>Table 57 : Total revenue, non-tariff income and subsidy admitted (Rs. Crore.)</i>	55
<i>Table 58 : Revenue Surplus / (Deficit) admitted in True-up of ARR for FY 2011-12 (Rs. Crore)</i>	56
<i>Table 59 : List of Objectors</i>	57

## 1. ANALYSIS OF EXPENSES DURING THE PERIOD APRIL 2011 TO MARCH 2012

### *Sale of energy admitted in tariff order and filed in true-up petitions*

- 1.1 East Discom, West Discom and Central Discom had filed their tariff petitions registered vide numbers 93/10, 97/10 and 91/10, respectively, for determination of distribution and retail supply tariff for FY 2011-12. Discoms in the above petitions had projected the sales as shown in the table below:

**Table 4: Sales as projected by Discoms for FY 2011-12 in tariff petitions**

Particulars	East Discom	West Discom	Central Discom	Total
Sales projected for FY 2011-12 in tariff petitions	8385	11481	8983	28849

- 1.2 Sale projections admitted in the retail supply tariff order for FY 2011-12, is shown in the table below:

**Table 5 : Sales admitted in retail supply tariff order for FY 2011-12 (in MU)**

Particulars	East Discom	West Discom	Central Discom	Total
LT Sale	5282	7307	5890	18479
HT Sale	2772	3964	2525	9261
<b>Total Sale</b>	<b>8053</b>	<b>11270</b>	<b>8416</b>	<b>27739</b>

- 1.3 Power purchase requirement of the Discoms was computed by the Commission based on the admitted sales grossed up with normative distribution loss level specified in the regulations as shown in the table below

**Table 6: Normative distribution loss trajectory as per regulations (%)**

Particulars	East Discom	West Discom	Central Discom
<b>Loss target</b>	<b>27%</b>	<b>24%</b>	<b>29%</b>

- 1.4 Actual sales filed in the true-up petitions by Discoms are at variance with the sales admitted by the Commission in tariff order for FY 2011-12. While scrutinizing the sales filed in the true-up petitions, the Commission has also taken in to the consideration the audited accounts and annual & monthly R-15 statements of Discoms for FY 2011-12. It has been observed that Discoms in their annual accounts have not indicated the actual sales made in FY 2011-12. A comparison of sales as admitted in tariff order, as per R-15 statements and filed in the true up petitions is given in the table below:

**Table 7 : Sales as per tariff order, monthly R-15 statements and as filed in true up petitions for FY 2011-12 (MUs)**

Particulars	East Discom	West Discom	Central Discom	Total
As admitted in tariff order	8053.00	11270.00	8416.00	27739.00
As per monthly R-15 reports	7644.02	12225.96	8577.15	28447.13
As filed in true-up petitions	8178.01	12225.96	8577.15	28981.12

- 1.5 From the table above, it is evident that the sales figures filed in the true up petitions by West Discom and Central Discom are same as recorded in the monthly R-15 statements. In case of East Discom, the sales quantum captured in the monthly R15 statements is less as compared to sales quantum filed in the true up petition.
- 1.6 The Commission directed East Discom to submit Justification for variation in the sales as filed in the true-up petition compared to monthly R15 statements.
- 1.7 East Discom replied that the sales of 8178.01 MU claimed in the petition is as per the energy audit report of the company. In the monthly R-15 report, 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 8178.01 MU as filed in the petition for undertaking the true-up of FY 2011-12.
- 1.8 Benchmarks for assessment of sale to the unmetered categories of domestic and agriculture consumers prescribed in the tariff order for FY 2011-12 are shown in the table below:

**Table 8 : Benchmarks for assessment of consumption for un-metered consumers**

Benchmarks for assessment of sale for un-metered domestic connections (units per connection per month)		Benchmarks for assessment of sale for un-metered agricultural connections (units per HP per month)					
Urban	Rural	Category	Rural	Urban	Category	Rural	Urban
		Three Phase			Single Phase		
April to March		April to May			April to May		
77	30	Permanent	40	70	Permanent	50	70

Benchmarks for assessment of sale for un-metered domestic connections (units per connection per month)		Benchmarks for assessment of sale for un-metered agricultural connections (units per HP per month)					
		Temporary	155	175	Temporary	170	190
		June to September			June to September		
		Permanent	55	100	Permanent	65	100
		Temporary	155	175	Temporary	170	190
		October to March			October to March		
		Permanent	150	170	Permanent	160	180
		Temporary	155	175	Temporary	170	190

1.9 Scrutiny of the sales figures recorded in the annual R-15 statement and the monthly R15 statements (the basic sales/billing data statement) for FY 2011-12 reveals that sales to unmetered category of domestic and agriculture consumers have been booked in excess of the prescribed benchmarks when compared to the number of consumers and their load. It has been observed that:

- 1) 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 2011-12 have variations.
- 2) Total sale of energy recorded in monthly R-15 reports varies compared to sale of energy calculated on the basis of benchmarks prescribed for assessment of sale to un-metered categories of domestic and agriculture consumers.

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

**Table 9: Summary of sales to the unmetered category booked in excess over the prescribed benchmark (MU)**

Discom	Unmetered sales as per monthly R15 statements	Unmetered sales (calculated as per prescribed Benchmark)	Sales booked in excess over the prescribed benchmark
East	1634.49	1500.20	134.28
West	4511.94	4395.34	116.61
Central	2201.45	1898.99	302.46

1.11 The Commission had disallowed 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 have been 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 petitioners’ 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 petitioners’ 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.”*

- 1.12 Aggrieved with disallowing of excess sales over the prescribed benchmark of unmetered categories in the truing up order for FY 2006-07, Discoms filed an Appeal before the Hon’ble ATE. The Hon’ble ATE in the Judgment dated March 4, 2011 in Review Petition No. 10 of 2010 in Appeal No. 145 of 2009 held that:

*“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.”*

- 1.13 In the Judgment dated November 4, 2011 in Appeal No. 150 of 2010, the Hon’ble ATE further stated as follows:

*“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*



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*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.”*

- 1.14 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.
- 1.15 Accordingly, in order to ascertain the factual position, the Commission directed the Discoms to submit requisite details/ data/ information with relevant documents to authenticate their claims for sales in excess of prescribed benchmarks for the unmetered consumer categories for FY 2011-12 vide letter number MPERC/RE/2013/2761 dated 23/10/2013.
- 1.16 In response, East Discom and West Discom had 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.
- 1.17 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.
- 1.18 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 bench-mark and accordingly sales as claimed in the petition may be admitted.
- 1.19 Central Discom submitted that the Commission had fixed the norms for unmetered consumption for billing purpose and not for sale. 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.”*

- 1.20 Although 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 2011-12 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 2011-12.
- 1.21 Moreover, information merely indicating availability of supply hours at the EHV substation level would not suffice, as the 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.
- 1.22 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. 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. 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.

- 1.23 It is obvious from the foregoing situation that the Commission is not in a position to carry out prudence check of additional sales with respect to computation of consumption of the un-metered 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.
- 1.24 In view of the above, the Commission has admitted sales to un-metered domestic and agricultural consumers as per benchmarks prescribed for assessment for these categories.
- 1.25 Details of energy sales as admitted in tariff order for FY 2011-12, as per true-up filing of the Discoms and as admitted by the Commission for the purpose of this true up order are given in the following table:-

**Table 10 : 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 2011-12	As per true up petition FY 2011-12	As admitted in true up order FY 2011-12	As per tariff order FY 2011-12	As per true up petition FY 2011-12	As admitted in true up order FY 2011-12	As per tariff order FY 2011-12	As per true up petition FY 2011-12	As admitted in true up order FY 2011-12	As per tariff order FY 2011-12	As per true up petition FY 2011-12	As admitted in true up order FY 2011-12
<b>LOW TENSION</b>												
LV 1: Domestic Consumers	2,546	1,869	1,848	2,754	2,544	2,516	2,490	2,064	2,038	7,790	6,477	6,403
LV 2: Non - Domestic	408	457	457	688	640	640	526	532	532	1,622	1,628	1,628
LV 3: Public Water Works and Streetlights	244	209	209	173	209	209	224	236	236	641	654	654
LV 4: Industry	239	227	227	415	444	444	213	204	204	867	874	874
LV 5: Agricultural Consumers	1,844	2,168	2,054	3,277	4,494	4,406	2,437	2,794	2,517	7,558	9,456	8,977
<b>LT Units (MU)</b>	<b>5,282</b>	<b>4,929</b>	<b>4,794</b>	<b>7,307</b>	<b>8,331</b>	<b>8,215</b>	<b>5,890</b>	<b>5,829</b>	<b>5,527</b>	<b>18,478</b>	<b>19,089</b>	<b>18,536</b>
<b>HIGH TENSION</b>												
HV 1: Railway Traction	529	570	570	443	401	401	713	760	760	1,685	1,732	1,732
HV 2: Coal Mines	514	486	486	0	0	0	34	33	33	548	519	519
HV-3.1: Industrial												
HV-3.2: Non-Industrial	1,282	1,821	1,821	3,074	3,148	3,148	1,551	1,702	1,702	5,907	6,670	6,670
HV-4: Seasonal	5	6	6	8	9	9	1	2	2	14	17	17
HV-5.1: Public Water Works												
HV 5.2: HT Irrigation	71	70	70	223	285	285	79	99	99	373	454	454
HV-6: Township and Residential Colony	371	294	294	9	7	7	147	152	152	527	453	453

Category	East Discom			West Discom			Central Discom			Total for the State		
	As per tariff order FY 2011-12	As per true up petition FY 2011-12	As admitted in true up order FY 2011-12	As per tariff order FY 2011-12	As per true up petition FY 2011-12	As admitted in true up order FY 2011-12	As per tariff order FY 2011-12	As per true up petition FY 2011-12	As admitted in true up order FY 2011-12	As per tariff order FY 2011-12	As per true up petition FY 2011-12	As admitted in true up order FY 2011-12
HV-7: Bulk Supply to Exemptees	0	2	2	206	45	45	0	0	0	206	47	47
<b>HT Units (MU)</b>	<b>2,772</b>	<b>3,249</b>	<b>3,249</b>	<b>3,964</b>	<b>3,895</b>	<b>3,895</b>	<b>2,525</b>	<b>2,748</b>	<b>2,748</b>	<b>9,260</b>	<b>9,892</b>	<b>9,892</b>
<b>GRAND TOTAL HT + LT</b>	<b>8,053</b>	<b>8,178</b>	<b>8,044</b>	<b>11,270</b>	<b>12,226</b>	<b>12,109</b>	<b>8,416</b>	<b>8,577</b>	<b>8,275</b>	<b>27,738</b>	<b>28,981</b>	<b>28,428</b>
Adjustment in Sales on account of variation in sales as per Monthly R15 statements and as filed in the petition			-534			0			0			-534
<b>Net TOTAL HT + LT</b>	<b>8,053</b>	<b>8,178</b>	<b>7,510</b>	<b>11,270</b>	<b>12,226</b>	<b>12,109</b>	<b>8,416</b>	<b>8,577</b>	<b>8,275</b>	<b>27,738</b>	<b>28,981</b>	<b>27,894</b>

### *Power Purchase Quantum and Cost*

#### **Licensees' Submission**

- 1.26 Power purchase quantum claimed by the Discoms in the true-up petitions is less by 954.04 MUs, 1410.53 MUs and 1075 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. 1309.64 Crore (East Discom), Rs. 681.33 Crore (West Discom) and Rs. 1021.54 Crore (Central Discom).
- 1.27 Discoms submitted that the power purchase quantum (MU) admitted in the tariff order by the Commission was based on the loss trajectory as per regulations which differs from the actual loss levels. Discoms further submitted that there is wide variation in source wise per unit power purchase rate actually billed by MP Tradeco and that admitted by the Commission in retail supply tariff order for FY 2011-12.
- 1.28 East Discom submitted that the power purchase cost for FY 2011-12 also includes the cost of Rs. 405.26 Crore towards the supplementary bills raised by MP Tradeco pertaining to previous years. East Discom further submitted that MP Tradeco had raised a bill amounting to Rs. 179.84 Crore towards other costs and also given credit of Rs 124.38 Crore towards other income. With the implementation of ABT in the State, MP Tradeco had given a credit of Rs. 2.87 Crore pertaining to reactive energy charges of FY 2011-12.
- 1.29 In view of the above, East Discom has submitted that audited accounts indicate Rs 3587.95 Crore towards power purchase cost. This cost comprises cost of power purchased from other sources to the tune of Rs. 1.24 Crore and cost of power purchased from MP Tradeco to the tune of Rs. 3586.70 Crore. East Discom further submitted that a credit amount of Rs. 197.45 Crore for intra-Discom sale/purchase of power for FY 2010-11 is also considered in power purchase costs of FY 2011-12 in their audited accounts and the power purchase costs have been reduced to the extent of this credit amount. East Discom submitted that since the bills to this cost have been

received after the closure of annual account for FY 2010-11; therefore, the impact of the same has been accounted in the annual accounts for FY 2011-12. Since, this cost is related to the tariff period for FY 2010-11, therefore, it would be appropriate not to consider this cost for the determination of true-up for FY 2011-12 and the same may be considered in true-up for FY 2010-11. Once this credit amount is transferred from 2011-12 to FY 2010-11 and power purchase cost of FY 2010-11 is reduced to this extent, the cost of power purchase for FY 2011-12 will go up by the same amount. East Discom's actual power purchase cost for FY 2011-12 works out as Rs. 3785.40 Crore (Rs 3587.95 Crore + Rs. 197.45 Crore).

- 1.30 Comparison of quantum and cost of the power purchase during FY 2011-12 as per tariff order, as per audited accounts and as claimed in true-up petitions is shown in the table below:

**Table 11: Power Purchase as claimed by the Discoms for FY 2011-12**

Sl. No.	Distribution company	As per tariff order (A)		As per audited accounts (B)		As claimed in True-up petitions (C)		Variation (C) – (A)	
		MUs	Rs. Crore	MUs*	Rs. Crore	MUs	Rs. Crore	MUs	Rs. Crore
1	East Discom	11,886.00#	2,408.19	-	3587.95	12,840.04	3,717.83	954.04	1,309.64
2	West Discom	15,807.00	3,800.59	-	4481.92	17,217.53	4,481.92	1,410.53	681.33
3	Central Discom	12,718.00	2,586.54	-	3608.08	13,793.00	3,608.08	1,075.00	1,021.54
	<b>Total for State</b>	<b>40,411.00</b>	<b>8,795.32</b>	<b>-</b>	<b>11,677.95</b>	<b>43,850.57</b>	<b>11,807.83</b>	<b>3,439.57</b>	<b>3,012.51</b>

# East Discom in its petition considered the admitted power purchase quantum as 11867 MU as against 11886 MU admitted by the Commission in the tariff order for FY 2011-12

\* Power purchase quantum for FY 2011-12 has not been mentioned in audit accounts of Discoms for FY 2011-12

- 1.31 The Government of Madhya Pradesh had issued orders for the re-allocation of the generation capacities amongst the three Discoms of the State vide notification dated May 18, 2011. The Discoms through East Discom have submitted a detailed statement of quantum of power purchase and cost as paid to MP Tradeco in FY 2011-12. MP Tradeco statement submitted by the East Discom indicates the data / information of power purchased during the year from different sources along with the detailed breakup of variable charges, fixed charges and other expenses. It has been observed that there are variations in the quantum and cost of power purchased as per Audited Accounts of Discoms, as claimed by the Discoms in their petitions and as per MP Tradeco statement. This is shown in the table below:

**Table 12: Variation in power purchase quantum and cost as submitted by the petitioners (MU)**

Particulars	East Discom		West Discom		Central Discom	
	MU	Rs Crore	MU	Rs Crore	MU	Rs Crore
As filed in petition	12,840.04	3,717.83	17,217.53	4,481.92	13,793.00	3,608.08
As per the Tradeco Statement^	11,686.57	3,793.54	17,694.35	4,700.11	13,371.08	4,073.17
<b>As per the audited accounts*</b>	<b>-</b>	<b>3,785.40#</b>	<b>-</b>	<b>4,481.92</b>	<b>-</b>	<b>3,608.08</b>

\*Audited accounts do not indicate the Power Purchase quantum.

# After adding the credit amount of Rs. 197.45 Crore already considered in FY 2010-11 true up order.

- 1.32 The Commission directed Discoms to submit justifications/reasons for variations in power purchase quantum and cost.

- 1.33 In response, East Discom submitted that variation in the power purchase cost is due to the fact that the MP Tradeco statement has not accounted for cost related to reactive energy charges, prior period charges, UI charges and power purchase from mini/micro hydro electric projects etc. As regard the variation in power purchase quantum, East Discom submitted that in the MP Tradeco statement, the quantum of energy purchased was 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. East Discom submitted that as per MP Tradeco statement, out of 13989.04 MU of scheduled energy allocated to East Discom, 275.31 MU were sold to other states and 2027.16 MU have been sold to other Discoms. Thus actual energy purchase for East Discom was 11686.57 MU only. However, as per SEA prepared by SLDC and available at the time of filing the petition 873.69 MU has been allocated to East Discom towards sale of energy to other Discoms in place of 2027.16 MU as appearing in MP Tradeco statement. Therefore 12840.04 MU (13989.04-275.31-873.69) of power purchase has been considered in the petition. East Discom further submitted that this quantum of power purchase does not include UI energy and energy purchased from mini/micro hydel stations. If UI energy and energy purchase from Mini-micro Hydel stations is factored in the total energy purchase for FY 2011-12 comes out to be 12692.93 MU (12875.71-187.04+4.26).
- 1.34 West Discom submitted that the total power purchase cost as per audited accounts was Rs. 4481.92 Crore. West Discom further submitted that as per the bills issued by MP Tradeco the total power purchase quantum is 17217.53 MU and the same has been claimed in the petition.
- 1.35 Central Discom submitted that the power purchase quantum of 13793 MU as shown in the petition has been taken from the State Energy Account. However as per power purchase bills received the power purchase quantum comes out to be 14267 MU. As regard the power purchase cost Central Discom submitted that note 27 and note 34 of the audited accounts indicate the power purchase cost and prior period charges of Rs. 3608 Crore and 333.83 Crore, thus the total power purchase cost comes out to be Rs. 3941 Crore.
- 1.36 The Commission analysed the submissions of Discoms of power purchase claims. The Commission observed that the Discoms have followed different methods for claiming the power purchase quantum for FY 2011-12. The Commission is of the view that a common method should be considered for claiming the power purchase by all the Discoms. Thus, maintaining a consistent approach, as it had considered in previous years' true ups, the Commission has considered the power purchase as indicated in the audited accounts of the Discoms for FY 2011-12 also.
- 1.37 Power purchase details submitted by the Discoms for FY 2011-12 reveal that MP Tradeco has purchased 42752.00 MU (including UI, short term power and the power sold outside the State) on behalf of Discoms from different generators. Summary of the power purchase for FY 2011-12 as per the MP Tradeco statement is shown in the Table below:



**Table 13: Power purchase from various sources by Discoms through MP Tradeco in FY 2011-12**

S. no.	Particulars	Power Purchase (MU)
1	MPPGCL	16833.14
2	NHDC (ISP + OHP) + SSP + Bargi (NVDA)+DVC (Chandrapur) +HEG (Tawa)+HEG (Mandideep)+DVC (Mejia)+Torrent+ISP (NVDA)	8782.38
3	CPP + Wind	278.28
4	Central Sector (Eastern Region)	310.85
5	Central Sector (Western Region)	16142.81
6	Short Term Power	1285.23
7	Total Energy Purchased	43632.69
8	Energy Sold	880.69
9	<b>Net Energy Purchased</b>	<b>42752.00</b>

1.38 Discom-wise break-up of power purchase quantum and cost as per MP Tradeco statement is given below:

**Table 14: Power Purchase by Discoms as per MP Tradeco statement in FY 2011-12**

East Discom		West Discom		Central Discom		Total for State	
MUs	Rs. Crore	MUs	Rs. Crore	MUs	Rs. Crore	MUs	Rs. Crore
11686.57	3793.54	17694.35	4700.11	13371.08	4073.17	42752.00	12566.82

1.39 It has been further observed that except Central Discom, the other Licensees have not submitted the complete details of energy balance in format "schedule 4a" of their petitions. Energy balance details as submitted by Discoms are shown in the Table below:

**Table 15: Energy Balance as filed by Discoms for FY 2011-12**

S No.	Particulars	East Discom	West Discom	Central Discom
1	Total Energy Sale (MU)	8178.01	12225.96	8577.15
2	A. Distribution losses (%)	30.40%	25.07%	33.16%
	B. Distribution losses (MU)	3571.16	4090.85	4255.21
3	At T-D interface (MU)	11749.17	16316.81	12832.36
4	A. Transmission loss of MPPTCL (%)		3.89%	3.74%
	B. Transmission losses of MPPTCL (MU)		659.99	498.58
5	At MP periphery			13,330.94
6	External losses (%)			3.35%
	External losses (MU)			462.06
7	<b>Net energy requirement (MU)</b>		16,976.80	13,793.00



**Commission's Analysis of Power Purchase Requirement**

1.40 Details of power purchase including Inter-state transmission charges and losses as admitted in the distribution and retail supply tariff order for FY 2011-12 and as per the audited accounts of Discoms are given in the table below:

**Table 16: 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)	11,886.00 <sup>^</sup>	12,840.04*	954.04
	Power Purchase Cost (Rs. Crs.)	2,408.19	3,785.40#	1,377.21
West Discom	Power Purchase Quantum (MUs)	15,807.00	17,217.53*	1,410.53
	Power Purchase Cost (Rs. Crs.)	3,800.59	4,481.92	681.33
Central Discom	Power Purchase Quantum (MUs)	12,718.00	13,793.00*	1,075.00
	Power Purchase Cost (Rs. Crs.)	2,586.54	3,608.08	1,021.54
Total for the State	Power Purchase Quantum (MUs)	40,411.00	43,850.57	3,439.57
	Power Purchase Cost (Rs. Crs.)	8,795.32	11,875.40	3,080.08

<sup>^</sup> East Discom in its petition considered the admitted power purchase quantum as 11867 MU as against 11886 MU.

\* Considered equal to Power Purchase quantum as petitioned.

# After adding the credit amount of Rs. 197.45 Crore already considered in FY 2010-11.

1.41 While estimating the power purchase quantum, the Commission has followed the principle of grossing up sales 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 Discoms have been grossed up by the normative Loss levels (say Y) to arrive at the power required at 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.  $D = B / (1 - C)$ .

- 1.42 In order to compute the energy balance for Discoms, it is necessary to know the loss levels at each stage. Therefore, inter-state transmission, intra-state transmission and distribution losses need to be identified correctly. The intra-state transmission loss as considered in the true-up order of MPPTCL for FY 2011-12 is 3.51%. Accordingly, the same loss level has been considered for the present true-up exercise. The Commission had considered the distribution loss levels for working out power purchase requirement in the retail supply tariff order for FY 2011-12 as specified in the regulations which are shown in the table below:

**Table 17: Distribution loss reduction trajectory for FY 2011-12 (%)**

Year	East Discom	West Discom	Central Discom
<b>FY 2011-12</b>	<b>27%</b>	<b>24%</b>	<b>29%</b>

- 1.43 The Commission directed the Discoms to submit details of the actual external transmission losses of Power Grid system. However, Discoms did not submit these details.
- 1.44 Therefore, transmission losses of Power Grid system have been computed separately for Eastern Region and Western Region stations based on the weekly losses for FY 2011-12 as available on website of NLDC. Accordingly, the average losses for FY 2011-12 applicable for western region and eastern region have been worked out as 3.61% and 2.69% respectively.
- 1.45 Power purchase requirement as per approach described above is shown in the table below:

**Table 18: Analysis of Power purchase quantum (MU)**

S. No.	Particulars	East Discom	West Discom	Central Discom	Total for State
1	Total Energy Sale (MU)	7509.74	12109.36	8274.69	27,893.79
2	A. Distribution Losses (%)	27%	24%	29%	26%
	B. Distribution Losses (MU)	2777.57	3824.01	3379.80	9,981.39
3	At T-D interface (MU)	10287.31	15933.36	11654.50	37,875.17
4	A. Transmission loss of MPPTCL (%)	3.51%	3.51%	3.51%	3.51%
	B. Transmission losses of MPPTCL (MU)	374.22	579.61	423.95	1,377.78
5	At MP periphery	10661.53	16512.97	12078.45	39,252.95
6	A. External losses (%)	1.38%	1.38%	1.38%	1.38%
	B. External losses (MU)	149.48	231.52	169.35	550.35
<b>7</b>	<b>Net energy requirement (MU)</b>	<b>10811.01</b>	<b>16744.49</b>	<b>12247.80</b>	<b>39,803.30</b>

**Power purchase from all sources**

1.46 The Commission had admitted power purchase cost of Rs 8795.32 Crore for Discoms in the retail supply tariff order for FY 2011-12. The Commission considered around 273 MU (3 MUs for East Discom, 255 MUs for West Discom, 15 MUs for Central Discom) at the cost of Rs. 81.84 Crore (Rs. 0.78 Crore for East Discom, Rs. 76.64 Crore for West Discom, Rs. 4.42 Crore for Central Discom) as short term power requirement at the rate of Rs. 2.997 per kWh in the tariff order for FY 2011-12. Based on the submissions of Discoms it has been observed that the actual power purchase for FY 2011-12 includes short term power purchase of 1285.23 MUs at Rs. 550.16 Crore.

1.47 The summary of source-wise power purchase as submitted by Discoms are shown in table below:

**Table 19: Details of source wise power purchase as filed for FY 2011-12**

S. No.	Source	Total Energy Purchased (MU)	Total Fixed charges (Rs. Crore)	Total Variable Charges including FPA and Other charges (Rs. Crore)	Income Tax/FBT (Rs. Crore)	Total Charges (Rs. Crore)
<b>I</b>	<b>NTPC</b>					
1	KSTPS	3170.21	149.93	277.66	0.02	427.61
2	VSTPS - I	3151.63	189.47	593.16	0.00	782.63
3	VSTPS-II	2288.82	174.09	394.43	0.00	568.52
4	VSTPS-III	1896.81	204.22	331.59	0.00	535.81
5	Kawas	572.34	91.38	146.28	0.00	237.66
6	Gandhar	460.77	95.56	109.56	0.00	205.12
7	SIPAT II	1554.22	178.43	156.27	0.00	334.70
8	SIPAT I	328.99	49.43	31.79	0.00	81.22
9	KAPP	864.55	0.00	200.61	0.10	200.71
10	TARAPUR	1378.47	0.00	399.51	-16.06	383.44
11	KSTPS III	476.00	75.14	38.76	0.00	113.90
	Total NTPC WR	16142.81	1207.66	2679.63	-15.95	3871.34
1	Kahalgaon II	310.85	50.68	74.72	0.00	125.40
	Total NTPC ER	310.85	50.68	74.72	0.00	125.40
	Total NTPC(WR+ER)	16453.66	1258.34	2754.35	-15.95	3996.74
<b>II</b>	<b>Purchase from Other Sources</b>					
1	NHDC-Indira Sagar	3277.48	516.14	105.25	45.31	666.70
2	SSP	2423.83	160.15	228.67	0.00	388.81
3	OMKARESHWAR	1365.79	288.88	38.21	23.17	350.26
4	ISP NVDA	11.34	0.00	6.04	0.00	6.04
5	HEG Mandideep	26.95	0.00	6.03	0.00	6.03
6	HEG Tawa	36.49	0.00	9.76	0.00	9.76
7	Others 2 Wind	278.28	0.00	104.97	0.00	104.97
8	DVC (Mejia)	677.42	86.71	179.45	0.00	266.17
9	DVC (Chandrapur)	376.41	76.79	55.95	0.00	132.74
10	Bargi NVDA	15.38	0.00	7.06	0.00	7.06
11	Torrent	571.29	76.93	140.00	0.00	216.94
12	IEX/PXI Purchase	490.25	0.00	219.12	0.00	219.12

S. No.	Source	Total Energy Purchased (MU)	Total Fixed charges (Rs. Crore)	Total Variable Charges including FPA and Other charges (Rs. Crore)	Income Tax/FBT (Rs. Crore)	Total Charges (Rs. Crore)
13	Knowledge Infra	40.56	0.00	19.71	0.00	19.71
14	NTPCVVN	62.78	0.00	25.36	0.00	25.36
15	Tata Power	178.15	0.00	70.61	0.00	70.61
16	GUVNL	9.69	0.00	5.33	0.00	5.33
17	PTC	265.94	0.00	112.69	0.00	112.69
18	Global Energy	196.51	0.00	82.87	0.00	82.87
19	Shree Cement	34.81	0.00	12.70	0.00	12.70
20	ASN Industries	4.83	0.00	1.19	0.00	1.19
21	RDM Care	1.70	0.00	0.56	0.00	0.56
	Others-Total (II)	10345.89	1205.61	1431.55	68.48	2705.63
A	Grand Total other than Genco(I+II)	26799.55	2463.94	4185.90	52.53	6702.37
I	MP Genco – Thermal					
1	ATPS Chachai (240MW)	375.68	24.34	49.19	0.00	73.53
2	ATPS-Chachai (210MW)	1559.19	176.21	173.98	0.00	350.19
3	STPS Sarni	4180.95	227.72	697.78	0.00	925.49
4	SGTPS Birsingpur	4047.93	303.71	901.70	0.00	1205.41
5	SGTPS Birsingpur (500MW)	3505.55	368.54	735.21	0.00	1103.75
	M.P. Genco Thermal-Total (I)	13669.31	1100.52	2557.85	0.00	3658.37
II	MPGenco – Hydrel					
1	Gandhi Sagar	145.30	2.04	12.38	0.00	14.42
2	R P Sagar	181.48	0.00	27.40	0.00	27.40
3	Jawahar Sagar	137.21	0.00	20.72	0.00	20.72
4	Pench	291.00	6.39	8.59	0.00	14.98
5	Ban Sagar (I+II+III)	1516.52	55.35	137.99	0.00	193.33
6	Jhinna HPS	95.40	4.70	13.23	0.00	17.93
7	Brinsingpur Hydro	44.41	2.01	6.09	0.00	8.10
8	Bargi	530.08	5.46	23.04	0.00	28.49
9	Rajghat	58.52	1.88	7.55	0.00	9.42
10	Madhikheda HPS	163.91	11.12	38.07	0.00	49.19
	M.P. Genco Hydrel Total (II)	3163.84	88.95	295.04	0.00	383.99
B	MP Genco Total (I+II)	16833.14	1189.47	2852.90	0.00	4042.37
C	Total Power Purchased (A+B)	43632.69	3653.41	7038.80	52.53	10744.74
D	Total Inter-State transmission charges	0.00	632.99	1.37	0.00	634.36
E	Total cost for energy purchase (C+D)	43632.69	4286.40	7040.17	52.53	11379.10
F	Supplementary Bills	0.00	0.00	1292.30	0.00	1292.30
G	Total cost for energy purchase including	43632.69	4286.40	8332.47	52.53	12671.41

S. No.	Source	Total Energy Purchased (MU)	Total Fixed charges (Rs. Crore)	Total Variable Charges including FPA and Other charges (Rs. Crore)	Income Tax/FBT (Rs. Crore)	Total Charges (Rs. Crore)
	supplementary bills (E+F)					
H	Other costs passed to DISCOMs - which cannot be apportioned station wise	0.00	0.00	587.01	0.00	587.01
I	Total cost for energy purchase (G+H)	43632.69	4286.40	8919.48	52.53	13258.41
J	Less: Other Income	0.00	0.00	406.29	0.00	406.29
K	Less: Sale of Power	880.69	0.00	285.31	0.00	285.31
<b>L</b>	<b>Net Total Purchase cost(I-J-K)</b>	<b>42752.00</b>	<b>4286.40</b>	<b>8227.88</b>	<b>52.53</b>	<b>12566.82</b>

1.48 As may be seen from the foregoing Discoms had purchased short term power of 1285.23 MU during FY 2011-12. Moreover, as per audited accounts Discoms purchased 43703.46 MU from various sources. However, overall power purchase requirement on the basis of normative losses comes out to 39803.30 MU which could have been met from long term sources only. Since, based on the normative parameters, there would have not been any requirement of short term power procurement in FY 2011-12, no charges on this account have been considered.

1.49 As may also be observed from the above table that the total power purchase cost also includes a significant cost of Rs. 585.01 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 official wherein the component wise explanation was provided by MP Tradeco. The same is summarized in the table below:

**Table 20: Component-wise explanation for other costs in power purchase cost as submitted by MP Tradeco**

Sl. No.	Particulars	Amount (Rs. Crore)	Explanation
1	Rebate on sale of power	1.71	Discount given to traders for timely payment of bill for selling of power
2	O & M Receivable from Maharashtra (credit bill)	2.18	Cost pertaining to JV Generation Project
3	CAG audit fees provision made	0.01	MPPMCL cost related to A&G '
4	Depreciation charged	0.02	Depreciation expense of MPPMCL
5	A & G Expenses	2.29	MPPMCL cost related to A&G '
6	Salary Exp	7.16	Salary expenses of MPPMCL
7	Cash mechanism exp.	0.06	Share of MPPMCL of the expenses of MPSEB
8	Commitment charges	0.01	Charges paid to ADB for non drawal of loans
9	Depreciation	0.03	Depreciation expense of MPPMCL

Sl. No.	Particulars	Amount (Rs. Crore)	Explanation
10	Interest on NHDC Loan	8.44	Securitization of amount paid on account of revision of Tariff by CERC
11	Medical reimbursement	0.06	MPPMCL cost related to A&G '
12	O&M payable	240.87	Cost pertaining to JV Generation Project
13	Payment to job contractors	0.14	MPPMCL cost related to A&G '
14	Professional fee	0.23	MPPMCL cost related to A&G '
15	Bank charges against payments	9.40	LC Charges paid to Banks for providing LC to long term power supplier
16	Surcharge on delayed payments	7.10	Delayed payment of power purchase to the Generators.
17	LC charges	0.40	LC Charges provided to long term power suppliers
18	Trading Margin on Banking	3.31	Charges paid to traders for Banking of power
19	Open Access on Purchase of power	13.19	Charges paid to traders for purchasing short term power
20	Open Access on Banking of power	45.66	Charges paid to traders for Banking of power
21	Open Access on Sale of power	10.71	Charges paid to traders pertaining to short term sale
22	Rebate allowed on sale of Power	0.32	Discount given to traders for timely payment of bill for selling of power
23	Power Purchase Bills not passed through monthly Bills	224.58	Power Purchase bills which have not been passed to the Discoms in their monthly energy bills. This includes deemed purchase of shared generation project of Rs 161 Crore
24	A& G (Already passed in monthly Discom bill)	12.00	This cost has already been reduced in power purchase bills
25	Adjustment entry (Bills Vs accounts for feb'12 addl. sale)	0.11	Credit of excess sales passed to Discom in the monthly Discoms energy bills
26	Adjustment entry ( Bills Vs accounts)	-2.96	Adjustment of excess purchases passed to Discom in the monthly Discoms energy bills

1.50 Details shown in the preceding table indicate that certain charges related to the provision for banking and penal charges for delayed payment have been included in power purchase cost. The Commission has not considered such charges in this true-up. Details of related expenses which have not been admitted by the Commission, are shown in the table below:

**Table 21: Other expenses in power purchase not considered by the Commission for FY 2011-12**

Sl. No.	Particulars	Amount (Rs. Crore)	Reason for Disallowance
1	Surcharge on delayed payments	7.10	The Commission does not consider any surcharge earned or paid on account of delayed payment.
2	Open Access on Purchase of power	13.19	Pertains to short term charges thus the Commission has not considered the same



- 1.51 It may further be observed that the power purchase cost also includes the other income of Rs. 406.29 Crore which has been adjusted in the total power purchase cost as claimed by the Discoms. The other income also includes Rs 240.87 Crore as O&M expenses included in the other charges. The total power purchase cost as claimed by Discoms also includes the revenue from the sale of energy outside MP for about 880.69 MUs at Rs. 285.31 Crore. The Commission has accepted this income and revenue earned by the Discoms during FY 2011-12.
- 1.52 As discussed earlier the power purchase costs as per Tradeco Statement, as filed by the Discoms in their petitions and as per the audited accounts of Distribution Licensees are at variance. Justifications submitted by the Discoms for such variation in the power purchase cost for FY 2011-12 do not properly reconcile or link the power purchase costs considered in the audited accounts. 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.
- 1.53 Further, the Discoms were required to link up the station-wise power purchase cost with the cost indicated in their audited accounts. The Discoms did not submit the 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.
- 1.54 Further East Discom submitted that in the audited accounts of FY 2011-12, a credit amount of Rs 197.45 Crore pertaining to FY 2010-11 got adjusted due to receipt of bills after finalisation of audited accounts for FY 2010-11. The Commission has considered this credit adjustment in the power purchase costs in the true up of FY 2010-11. Simultaneously equal debit adjustment needs to be made in the power purchase costs of audited accounts of FY 2011-12. Thus, the actual power purchase cost considered for FY 2011-12 is Rs. 3785.40 Crore (Rs 3587.95 Crore + Rs 197.45 Crore).
- 1.55 The Commission has noted that the Distribution licensees had procured power in excess of the requirement based on the normative losses. Similar situation had arisen during the true-up exercise of previous years. Hence, the Commission has decided to adopt the same approach as followed for the true-up of previous years. 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 procured by the Discoms to arrive at power purchase cost for the admitted quantum of energy, excluding the other expense disallowed by the Commission.
- 1.56 As mentioned earlier, the audited accounts of the Discoms do not indicate the actual power purchase quantum; the Commission in the absence of the actual power purchase quantum mentioned in the audited accounts has considered the actual ex-bus power purchase quantum as submitted by the Discoms in their petitions. The power purchase cost as admitted by the Commission is given in the table below:



**Table 22: Admitted Power Purchase Cost**

Particulars	East Discom	West Discom	Central Discom	Total for State
Total Energy Procured as per petition (MUs)	12692.93	17217.53	13793.00	43703.46
Cost of Power Purchase including Inter-State Transmission Charges as per audited accounts (Rs. Crore)	3785.40	4481.92	3608.08	11875.40
Less: Other Expenses not admitted (Rs. Crore)	6.22	7.15	6.92	20.29
Total Cost of Power Purchase for FY 2011-12 (Rs. Crore)	3779.18	4474.77	3601.16	11855.11
Energy procured from Short Term Sources (MUs)	372.12	513.96	399.14	1285.23
Energy Procured from Long Term Sources (MUs)	12320.81	16703.57	13393.86	42418.23
Cost of Short Term Power Purchase (Rs. Crore)	159.16	220.25	170.75	550.16
Power Purchase Cost from Long Term Power (Rs. Crore)	3620.03	4254.52	3430.41	11304.95
Per Unit Cost of Long Term Power (Rs. / kWh)	2.94	2.55	2.56	2.67
Quantum of Power Purchase Admitted (MUs)	10811.01	16744.49	12247.80	39803.30
Total Power Purchase Cost admitted (in Rs. Crore)	3176.43	4264.95	3136.88	10578.25
Power Purchase Cost as per tariff order (Rs. Crore)	1849.39	2945.20	2303.44	7098.03

**Transmission Charges**

1.57 The Commission has admitted the transmission charges (including SLDC charges) of Rs. 1218.99 Crore in the tariff order for FY 2011-12. Discom wise details are shown in the table below:

**Table 23 : Transmission Charges as admitted in the tariff order for FY 2011-12 (Rs. Crore)**

Sl. No.	Discoms	Transmission Charges for FY 2011-12
1	East Discom	371.30
2	West Discom	447.59
3	Central Discom	400.10
	Total	1218.99

1.58 East Discom submitted that the Commission had allowed Rs 369.26 Crore towards MP transmission charges for FY 2011-12 in the tariff order. Details of MP Transco charges as booked in its audited accounts of FY 2011-12 are shown below:

**Table 24: MP Transco charges for FY 2011-12 as submitted by East Discom (Rs. Crore)**

Sl. No.	Particulars	Amount
1	Transmission Charges for FY 2011-12	264.22
2	Unbilled incentive charges for April, 2011	0.04
3	Incentive charges for previous month	4.48
4	Pass through terminal benefits	105.04
5	Supplementary bill for credit of short term open access transmission charges for FY 2009-10 and FY 2010-11	-4.82
6	Total MP Transco Charges as per Annual accounts of FY 2011-12	368.95

1.59 East Discom further submitted that in the tariff order for FY 2011-12, the Commission had admitted Rs 2.04 Crore towards SLDC charges. East Discom submitted that as against the same, it has paid the SLDC charges for the period FY 2006-07 to FY 2011-12 in FY 2011-12. East Discom submitted that it has not claimed the SLDC charges pertaining to the prior periods in relevant true-up petitions of previous years. In view of the above East Discom requested to admit additional cost on account of SLDC charges of Rs 6.05 Crore over and above the cost already admitted in tariff order FY 2011-12 as shown in the Table below:

**Table 25: SLDC charges for FY 2011-12 as submitted by East Discom**

Sl. No.	Particulars	Amount (Rs. Crore)
1	FY 2006-07	0.72
2	FY 2007-08	1.12
3	FY 2008-09	0.48
4	FY 2009-10	1.74
5	FY 2010-11 (First Half)	1.02
6	FY 2010-11 (Second Half)	1.02
7	FY 2011-12 (First Half)	0.99
8	FY 2011-12 (Second Half)	0.99
	<b>Total SLDC Charges</b>	<b>8.09</b>

1.60 West Discom submitted that as against the admitted transmission charges of Rs. 447.59 Crore, the transmission cost as per the bills received was Rs. 450.09 Crore which also includes SLDC charges of Rs 2.30 Crore pertaining to prior period but booked in accounts of FY 2011-12. In view of the above the West Discom has requested true-up of Rs. 2.50 Crore for the transmission charges.

1.61 Central Discom in its petition has compared the actual intra-state transmission charges with the total transmission charges including inter-state charges admitted by the Commission in retail supply tariff order for FY 2011-12. However, as per the formats Central Discom has submitted that the actual intra-state transmission cost for FY 2011-12 was Rs. 418.96 Crore.

1.62 As per the audited accounts for FY 2011-12 the amount as paid towards the transmission charges of MP Power Transmission company Ltd. is given in the table below:

**Table 26 : Transmission Charges as filed for FY 2011-12 (Rs. Crore)**

Sl. No.	Discom	Total transmission charges as per tariff order for FY 2011-12	Actual transmission charges as per audited account	Difference of transmission charges as claimed in true up
1	East Discom	371.30	377.03	5.73
2	West Discom	447.59	450.09	2.50
3	Central Discom	400.10	418.96	18.86
4	Total	1218.99	1246.08	27.09

- 1.63 The Commission observed that the additional transmission charges claimed by Discoms towards taxes, incentives and terminal benefits are as per the provisions of the regulations / Acts. Thus in view of the same the Commission has admitted the actual transmission charges as per the audited account of FY 2011-12 as indicated in the table above.

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

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

- 1.64 The Commission had admitted the total Operation and Maintenance (O&M) Cost of Rs. 1709.35 Crore in the retail supply tariff order for FY 2011-12. Discom-wise break-up of the O&M costs admitted in the tariff order is given in the table below:

**Table 27 : O&M Cost admitted in tariff order of FY 2011-12 (Rs. Crore)**

Particulars	East Discom	West Discom	Central Discom	Total
<b>O&amp;M Cost admitted in tariff order for FY 2011-12 (including MPERC fees)</b>	<b>601.09</b>	<b>557.16</b>	<b>551.10</b>	<b>1709.35</b>

- 1.65 Discoms have not claimed the O&M expenses based on norms in accordance with regulations.
- 1.66 O&M expenses as claimed by the Discoms on the basis of their audited accounts are shown in the table below:

**Table 28 : O&M Expenses claimed by Licensees as per audited accounts of FY 2011-12 (Rs. Crore)**

Particulars	East Discom	West Discom	Central Discom	Total
O&M Expenses as per audited accounts (Less capitalization) including MPERC fees	778.46	622.43	620.04	2020.93

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

- 1.67 The Commission has considered O&M expenses as per norms specified in the regulations. These norms are fixed on the basis of metered sales and GFA of Distribution Licensees. Further, Discoms have to claim taxes to be paid to the Government or Local Authorities and fees to be paid to MPERC on the actual basis. Payment of arrears is admissible as specified in the regulations. Norms for employee expenses, A&G expenses and arrears of salary as per 6<sup>th</sup> pay Commission subject to true up, as per regulations are given in the table below:

**Table 29 : Norms for O&M cost for FY 2011-12 (in Crore)**

O&M charges	East Discom	West Discom	Central Discom
Employee expenses excluding arrears	440.54	413.28	389.69
Arrears	33.37	31.31	29.52
A&G	77.87	68.34	73.84

- 1.68 Further in accordance with clause 32.9 of regulations any gain or loss in actual O&M expenses from the norms will be retained by the Discoms.
- 1.69 Discoms have claimed terminal benefits in their petitions, which are only the provisions in the audited accounts. As per clauses 32.6 and 32.7 of regulations:-

*“32.6. Employees transfer to Companies from MPSEB is yet to take place. Actuarial analysis for assessment of present level of unfunded terminal liabilities and segregation of this liability for pensioners, past service rendered by employees on rolls and current provision for serving employees is yet to be completed. The scheme for funding this unfunded liability and operationalising Terminal Benefit Trust Fund has been pronounced by the State Government.*

*32.7. As per the Commission's view, the funds needed for pension contribution of existing employees i.e. current liability for each Year alone should be admitted in the employee cost of the M.P. Transmission Company Ltd., M.P. Generating Company Ltd., and three distribution companies. The Commission, in the intervening period, has been allowing funds needed for actual pension payment and other terminal benefits like gratuity. With the rapid increase in pension bills, its impact on tariff is progressively going up. This arrangement of allowing actual pension payment has become unsustainable and will have to be discontinued in near future. In view of the above, the Commission in the MYT Regulations for Transco had directed that an actuarial analysis for determining pension liability of pensioners as also for service already rendered by existing employees on one hand and current provision needed for each fiscal year commencing from FY 2010-11 for serving employees on other hand, be got conducted for each Year and findings be reported to the Commission. The M.P. Transmission Company Limited had been charged with carrying out this activity by Sept, 2009. It has now been informed that this activity is likely to be completed by February, 2010. The Commission, based on outcome of actuarial analysis, will take a comprehensive view and will firm up a*

*strategy to meet this unfunded liability. The Commission, while finalising the above, shall also take into consideration the various arrangements made in other States for meeting this liability as also the views of all stakeholders.”*

- 1.70 Further, in the third amendment notified on March 28, 2011 in MPERC (Terms & Conditions for Determination of Transmission tariff) regulations, 2009, it has been provided that the pension liability and other terminal benefits for FY 2010-11 and FY 2011-12 shall be pass through in the ARR of the MPPTCL. A relevant clause 27.6(e) of the amendment is reproduced below:

*“(e) The above expenses at (d) towards Pension liability and other terminal benefits for FY 2010-11 and FY 2011-12 shall be a pass through in Aggregate Revenue Requirement for the purpose of determination of tariff of the MP Power Transmission Company Limited for the respective financial years on provisional basis.”*

- 1.71 Accordingly, the Commission does not find it appropriate to consider any provisioning made by the Discoms under the head “Terminal Benefits to Employees” in their true up petitions for FY 2011-12 as the liability on this account has been considered under transmission charges.
- 1.72 The Commission has considered other expenses including taxes paid to the Government and fees paid to MPERC as per the audited accounts of the Discoms.
- 1.73 The Commission has considered the R&M expenses as per regulations at the rate of @ 2% for East and West Discom and 2.3% for Central Discom on the opening GFA of the relevant financial year. Accordingly, the Commission has computed the Discom wise R&M expenses as given in the table below:

**Table 30 : R&M Expenses computed by the Commission for FY 2011-12 (Rs. Crore)**

<b>DISCOM</b>	<b>Opening GFA of FY 2011-12</b>	<b>R&amp;M norms in % of opening GFA</b>	<b>R&amp;M expenses admitted</b>
East	2,600.22	2.00%	52.00
West	2,722.70	2.00%	54.45
Central	2,317.26	2.30%	53.30
<b>Total</b>	<b>7640.18</b>		<b>159.76</b>

- 1.74 Further in accordance with the clause 32.11 of regulations, incentives/ disincentives for increase/ reduction in metered sale has to be provided. Relevant section of the regulations is reproduced below:

*“32.11 Incentive/ disincentive for increase/ reduction in metered sale shall be provided. Discom wise incentives/ disincentives based on the present level of metered sale shall be as follows:*

- 1. In case of MP Poorv Kshetra Vidyut Vitaran Co. Ltd., for every 1% increase in metered sales, expressed as percentage of total sale, from 80 % (present level*

of metered sale), an incentive of Rs.3.27 Crore shall be provided. Similarly a disincentive for every 1% increase in un-metered sale from 20% shall also be applicable at the rate of Rs.3.27 Crore.

2. In case of MP Madhya Kshetra Vidyut Vitaran Co. Ltd., for every 1% increase in metered sales, expressed as percentage of total sale, from 81% (present level of metered sale), an incentive of Rs.2.88 Crore shall be provided. Similarly a disincentive for every 1% increase in un-metered sale from 19% shall also be applicable at the rate of Rs.2.88 Crore.

3. In case of MP Paschim Kshetra Vidyut Vitaran Co. Ltd., for every 1% increase in metered sales, expressed as percentage of total sale, from 70% (present level of metered sale), an incentive of Rs.3.48 Crore shall be provided. Similarly a disincentive for every 1% increase in un-metered sale from 30% shall also be applicable at the rate of Rs.3.48 Crore... ”

1.75 Accordingly, the Commission has computed the incentives/disincentives on the basis of increase/decrease in metered sales as compared to total sales as filed is shown in the table below:

**Table 31 : Admitted incentives/ disincentives on the basis of increase/decrease in metered sales**

Discom	FY 2011-12					
	Metered sales admitted (MU)	Total sales admitted (MU)	% of Metered sales	% of base sales as per regulation	Incentive/ disincentive per % increase/ decrease (Rs. Crore)	Disincentive (Rs. Crore)
East	6,009.53	7,509.74	80.00%	80.00%	3.27	0.00
West	7,714.02	12,109.36	64.00%	70.00%	3.48	(20.88)
Central	6,375.70	8,274.69	77.00%	81.00%	2.88	(11.52)

1.76 O&M expenses admitted by the Commission as per norms specified in the regulations are shown in the following table:-

**Table 32 : O&M expenditure admitted for FY 2011-12 (Rs. Crore.)**

Particulars	East Discom	West Discom	Central Discom	Total
R&M Expenses	52.00	54.45	53.30	159.75
Employees Expenses	440.54	413.28	389.69	1,243.52
Arrears	33.37	31.31	29.52	94.20
A&G Expenses	77.87	68.34	73.84	220.06
Other expenses (Taxes, fees etc.)	2.30	3.92	1.30	7.52
Disincentive	-	(20.88)	(11.52)	(32.40)
<b>O&amp;M expenses admitted in truing up</b>	<b>606.09</b>	<b>550.42</b>	<b>536.13</b>	<b>1692.65</b>

**Interest & Finance Charges**

- 1.77 The interest and finance charges comprise (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.
- 1.78 East and Central Discoms have claimed the interest on project loans on the basis of audited accounts, while West Discom has stated that they have claimed it as per the norms specified in regulations as shown in the Table below:

**Table 33 : Interest and finance charges claimed (Rs. Crore)**

Interest & Finance Charges	East Discom	West Discom	Central Discom	State
<b>Interest on Loan</b>				
State Government Loans	6.69			6.69
NABARD				0
APDRP				0
R-APDRP	13.91		15.61	29.52
ADB	7.17		8.74	15.91
PFC-RTL	1.82		2.13	3.95
PFC-STL				0
PFC				0
REC Loan + Interest on Society REC deposit	31.12		13.54	44.66
HUDCO	17.68		6.82	24.5
JBIC REC Loan	9.37		5.7	15.07
Bonds (SLR)				0
SBI	4.72			4.72
PMGY Loan	converted to perpetual loan			0
MNP loan				0
Market Loan				0
SSTD/TSP/SCSP			2.11	2.11
Debenture			20.75	20.75
Interest on Feeder separation			4.83	4.83
Penal interest on GoMP Loan	0.06		0.31	0.31
<b>Total</b>	<b>92.54</b>	<b>70.55</b>	<b>80.54</b>	<b>243.63</b>
Interest on Consumers Deposits	24.49	27.43	31.39	83.31
<b>Total</b>	<b>117.03</b>	<b>97.98</b>	<b>111.93</b>	<b>326.94</b>
Interest on borrowings for Working Capital	47.84	2.3	54.67	104.81
<b>Total</b>	<b>164.87</b>	<b>100.28</b>	<b>166.60</b>	<b>431.75</b>
Cost of raising finance and bank charges	2.53	13.95	30.70	47.18
<b>Total</b>	<b>167.40</b>	<b>114.23</b>	<b>197.30</b>	<b>478.93</b>
Less: Interest Capitalized	40.60		42.13	82.73
<b>Net Total</b>	<b>126.80</b>	<b>114.23</b>	<b>155.17</b>	<b>396.20</b>



**Interest on Project Loans****Licensees' submission:**

1.79 East Discom, West Discom and Central Discom have claimed interest on project loan as Rs. 54.47 Crore, Rs. 84.50 Crore and Rs. 69.11 Crore as against Rs. 55.40 Crore, Rs. 20.88 Crore and Rs. 62.30 Crore admitted in tariff order for FY 2011-12. The Commission observed that East and Central Discoms have claimed the interest on project loans on the actual basis, while as per submission of the West Discom, their claim is as per the norms specified in regulations. Interest on project loans as per audited accounts are shown in the table below:

**Table 34 : Interest on Project Loans Claimed by East Discom (Rs. Crore)**

<b>Sr. No.</b>	<b>Particulars</b>	<b>As Claimed (A)</b>	<b>Admitted in tariff order (B)</b>	<b>Variance (A-B)</b>
	Interest Charge on State Govt. Loans, Bonds and Advances			
<b>I</b>	Interest charges on loans from the State Government	2.13		
<b>Ii</b>	Interest charges on Bonds	4.55		
<b>Iii</b>	Interest charges on Foreign Currency Loans/Credits			
<b>Iv</b>	Interest charges on debentures			
<b>I</b>	<b>Total</b>	<b>6.69</b>		
	Interest on Long-term Loans / Credits from the FIs/Banks/Organizations approved by the State Government			
	Secured			
<b>i</b>	ADB			
<b>ii</b>	Bank Commission			
<b>iii</b>	PFC-RTL	1.82		
<b>iv</b>	PFC-STL			
<b>v</b>	HUDCO	17.68		
<b>vi</b>	ADB(2324 IND)	2.26		
<b>vii</b>	ADB(2347 IND)	0.55		
<b>viii</b>	Loan from SBI	4.72		
<b>ix</b>	Loan from REC-RGGVY			
	REC FS	10.48		
<b>x</b>	Loan from REC-JBIC	9.37		
	<b>MPSEB Generic Loan (Bifurcated in FY 2009)</b>			
	<b>New Loans</b>			
<b>xii</b>	ADB 2520	1.50		
<b>xiii</b>	ADB 2764	0.19		
<b>xiv</b>	ADB 2732	0.00		

Sr. No.	Particulars	As Claimed (A)	Admitted in tariff order (B)	Variance (A-B)
	<b>Un-Secured</b>			
xvii	REC	20.64		
xviii	RAPDRP-PFC	13.91		
	APDRP Loan			
xix	PMGY Loan			
xx	MNP Loan			
Xxi	NABARD			
Xxii	Market Loan			
Xxiii	EAP (ADB)	2.67		
<b>II</b>	<b>Total</b>	<b>85.79</b>		
<b>III</b>	<b>Penal interest</b>	<b>0.06</b>		
<b>IV</b>	<b>Total I+II+III</b>	<b>92.54</b>	<b>53.54</b>	
<b>V</b>	<b>Cost of raising finance and bank charges chargeable to Capital Account</b>	<b>2.53</b>	<b>1.85</b>	<b>0.68</b>
<b>VI</b>	<b>Grand total of interest &amp; finance charges-IV+V</b>	<b>95.07</b>	<b>55.40</b>	<b>39.67</b>
<b>VII</b>	<b>less: Interest and finance charges capitalised</b>	<b>40.60</b>		
<b>VIII</b>	<b>Net total of interest &amp; finance charges-VI-VII</b>	<b>54.47</b>	<b>55.40</b>	<b>(0.93)</b>

*Table 35 : Interest on Project Loans as per audited accounts and as claimed by West Discom (Rs. Crore)*

Sr. No.	Particulars	Actual	As claimed	Admitted in tariff order	Variance
<b>A I</b>	<b>Interest charges on State Govt. Loans, Bonds And Advances</b>				
	1 Interest charges on loans from the State Government	15.97			
	2 Interest charges on Bonds	23.74			
	<b>Total of I</b>	<b>39.71</b>			
<b>I</b>	<b>Interest on Long Term Loans / Credits from the FIs/banks/organisations approved by the State Government</b>				
	1 REC	27.44			
	2 PFC	15.22			
	3 ADB	0.00			
	4 GPF	8.10			
	5 Other / (Rebate)	0.87			
	<b>Total of II</b>	<b>51.63</b>			

Sr. No.	Particulars	Actual	As claimed	Admitted in tariff order	Variance
	<b>Total of A : I + II</b>	<b>91.34</b>	<b>70.55</b>	<b>16.29</b>	<b>75.05</b>
<b>B</b>	<b>a</b> <b>Cost of raising finance &amp; Bank Charges on project loans</b>	<b>13.33</b>	13.95	4.59	<b>8.74</b>
	<b>b</b> Discount to consumers for timely payment of bills	<b>0.62</b>			
<b>C</b>	<b>Grand total of interest &amp; finance charges: A + B</b>	<b>105.30</b>	<b>84.50</b>	<b>20.88</b>	<b>84.42</b>
<b>D</b>	<b>Less: Interest &amp; finance charges chargeable to Capital Account</b>	<b>11.06</b>			<b>11.06</b>
<b>E</b>	<b>Net total of interest &amp; finance charges on Project Loans C-D</b>	<b>94.23</b>	<b>84.50</b>	<b>20.88</b>	<b>73.35</b>

*Table 36 : Interest on Project Loans Claimed by Central Discom (Rs. Crore)*

Sr. No.	Source	Actual (A)	Admitted in the tariff order (B)	Variance (A-B)
	<b>Interest on Loan</b>			
1	Penal interest on GOMP Loan	0.31		
2	REC Loan + Interest on society REC deposits	13.54		
3	ADB	5.48		
4	PFC-RTL	2.13		
5	HUDCO	6.82		
6	RAPDRP-A	4.36		
7	RAPDRP-B	11.25		
8	SSTD/TSP/SCSP	2.11		
9	Interest on Debenture	20.75		
10	REC-JBIC	5.70		
11	ADB-II	2.85		
12	ADB Feeder Separation	0.21		
13	Interest on feeder separation	4.83		
14	ADB counterpart funding	0.20		
A	Total Project Loan	80.54		
B	Less: IFC Capitalized	42.13		
I	Net interest charges (A-B)	38.41	60.62	22.21
II	Cost of raising finance and bank charges	30.70	1.67	(29.03)
	<b>Total (I+II)</b>	<b>69.11</b>	<b>62.30</b>	<b>(6.81)</b>

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

1.80 The Commission has examined the claims of the Discoms as per their filing in true-up petitions and their audited accounts. As per clauses 29.1 to 29.9 of the regulations, for

allowing interest and finance charges all loans shall be identified with the assets capitalised till the relevant year. In absence of the information related to mapping of loans with specific assets, it is not possible to identify the portion of loan with the fixed assets completed and the portion of loan related to capital works in progress.

- 1.81 Further clause 19.1 of regulations stipulates 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**

- 1.82 In the true-up order of distribution and retail supply ARR for FY 2010-11, the interest on project loans was admitted on the fixed asset created till March 31, 2011 on the basis of audited accounts for FY 2010-11. 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:

- a. Allocation of fixed assets into debt and equity as on March 31, 2011 has been considered as per the true-up order of FY 2010-11.
- b. Net addition to GFA during FY 2011-12 has been worked out after subtracting the consumer contribution amount from total addition to GFA as available in the audited accounts of the Discoms.
  - i. The Commission after detailed scrutiny of audited accounts of Licensee's for FY 2011-12 observed that the Central Discom's closing GFA of Rs. 2317.26 Crore in FY 2010-11 is not matching with the opening GFA of Rs. 2398.80 Crore in FY 2011-12. The Commission is of the view that closing figures of previous year accounts must match with the opening of the current year. Therefore, the Commission has considered closing GFA of FY 2010-11 as the opening GFA for FY 2011-12. The Commission has considered the difference amount of closing GFA of FY 2010-11 and opening GFA of FY 2011-12 of the audited accounts as the addition during FY 2011-12.
  - ii. The Commission further observed that West Discom's closing consumer contribution and grants for FY 2010-11 is not matching with the opening consumer contribution and grants for FY 2011-12. On the basis of above discussion, the Commission considered the closing consumer contribution and grants for FY 2010-11 as the opening consumer contribution & grants for FY 2011-12. The Commission considered the difference amount of closing consumer contribution & grants of FY 2010-11 and opening consumer contribution & grants of FY 2011-12 as the addition during FY 2011-12.
- c. 30% of the net addition to GFA during FY 2011-12 has been considered as funded through equity and added to the total equity considered at the end of FY 2010-11, as per the true-up order for FY 2010-11.
- 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 2010-11.

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.

- 1.83 In accordance with the clause 29.3 of the regulations debt repayments equal to the depreciation admitted for that year have been taken. As regards weighted average interest rate, the Commission directed the Discoms to submit the actual weighted average interest rate of long term loans for FY 2011-12. In response, East, West and Central Discoms submitted weighted average interest rate as 8.37%, 10.30% and 8.97% respectively. After due scrutiny of the submissions of Discoms, the Commission has admitted the weighted average interest rate as 8.37%, 9.77% and 8.97%, for East, West and Central Discoms respectively.
- 1.84 Other finance charges have been claimed as Rs. 2.53 Crore for East Discom, Rs. 13.95 Crore for West Discom and Rs. 30.70 Crore for Central Discom. After due scrutiny of the Discoms submissions with their audited accounts, the Commission has considered cost of raising funds, bank charges, commitment charges and guarantee/ LC charges only. Accordingly, the Commission admitted the other charges of Rs. 2.36 Crore, Rs. 13.33 Crore and Rs. 15.74 Crore for East, West and Central discom, respectively.
- 1.85 Details of Interest on project loans admitted in true-up of FY 2011-12 for Discoms is given in the table below:

**Table 37 : Interest on Project Loans admitted by the Commission (Rs. Crore.)**

Particulars		East Discom	West Discom	Central Discom	Total for State
<b>Opening Debt associated with GFA</b> (as on 31 <sup>st</sup> March 2011 as per FY 2010-11 true-up order)	A	224.76	474.98	201.47	901.22
GFA Addition during the year	B	573.47	490.48	779.32	1,843.27
Consumer Deposit and Grants utilized during the year	C	140.60	461.49	265.30	867.39
Net GFA Addition during the year	D=B-C	432.87	28.99	514.02	975.88
<b>70% of addition to net GFA considered as funded through debt</b>	E=70%*D	303.01	20.29	359.81	683.12
<b>Debt repayment during the year (equal to depreciation )</b>	F	46.48	54.94	44.43	145.85
<b>Closing debt associated with GFA</b>	G=A+E-F	481.30	440.34	516.86	1,438.49
<b>Average debt associated with Loan</b>	H=Averag e(A,G)	353.03	457.66	359.16	1,169.85
Weighted average rate of interest (%) on all loans as per Petitioner	I	8.37%	9.77%	9.97%	9.26%
<b>Interest on Project Loans</b>	J=H*I	29.55	46.59	32.22	108.36
Other finance cost	K	2.36	13.33	15.74	31.43
<b>Interest cost admitted on project loans in True-Up</b>	L=J +K	31.91	59.92	47.96	139.79

**Interest on Working capital****Licensees' submission:**

- 1.86 East and Central Discoms have claimed interest on working capital as per the audited accounts, while West Discom stated to have claimed it on the basis of norms specified in regulations. East, West and Central Discoms have claimed interest on working capital as Rs. 47.84 Crore, Rs. 2.30 Crore and Rs. 54.67 Crore respectively.

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

- 1.87 As per clause 34.1 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 working capital loan based on normative figures. For the purpose of interest rate on working capital, interest rate of State Bank of India Advance Rate as on 1<sup>st</sup> April of relevant year shall be taken. The Commission has observed that East and West Discoms have not submitted the working capital requirement separately for the wheeling and retail supply activity, while Central Discom has submitted it separately for the wheeling and retail supply activity. For working out the interest 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, it has computed the interest on working capital in accordance with the provisions of regulations as shown in the table below:

**Table 38 : 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)	26.00	27.23	23.17	76.40
A(i)	1/6 <sup>th</sup> of Annual requirement of inventory	4.33	4.54	3.86	12.73
B	O&M expense admitted by the Commission in this True-up	606.09	550.42	536.13	1,692.65
B(i)	1/12 <sup>th</sup> of above O&M expenses	50.51	45.87	44.68	141.05
<b>C</b>	<b>Total Annual Revenue including subsidy and other income excludes ED,Cess</b>				
C(i)	Receivables equivalent to 2 months average billing	705.12	874.45	673.39	2,252.96
D	Power Purchase expenses	3,176.43	4,264.95	3,136.88	10,578.25
D(i)	1/12th of power purchase expenses	264.70	355.41	261.41	881.52
E	Consumer Security Deposit	606.76	556.87	559.50	1,723.12
F	Total Working capital (A(i)+B(i) + C(i) – D(i)- E)	(111.50)	12.57	(98.97)	(197.90)
<b>G</b>	<b>Rate of Interest</b>	<b>13.00%</b>	<b>13.00%</b>	<b>13.00%</b>	<b>13.00%</b>
	<b>Interest on Working capital</b>	<b>(14.49)</b>	<b>1.63</b>	<b>(12.87)</b>	<b>(25.73)</b>
<b>H</b>	<b>Interest on Working capital admitted</b>	<b>0.00</b>	<b>1.63</b>	<b>0.00</b>	<b>1.63</b>



## Interest on Consumer Security Deposits

### Licensees' submission:

1.88 Discoms have claimed interest on consumer security deposit as per their audited accounts. East, West and Central Discoms have claimed Rs. 24.49 Crore, Rs. 27.43 Crore and Rs. 31.39 Crore respectively as against Rs. 25.44 Crore, Rs. 36.83 Crore and Rs. 27.73 Crore admitted by the Commission in the tariff order for FY 2011-12.

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

1.89 As per the clause 29.9 of regulations, interest on consumer security deposit shall be considered at the rate specified by the Commission. In the tariff order for FY 2011-12 the Commission admitted the interest on consumer security deposit @ 6%. The Commission has observed that the actual interest rate as per audited accounts of the Discoms is less than 6%. Therefore, the Commission admits the interest amount on consumer security deposit as per the audited accounts of the Discoms considering that some portion of security deposit held may not be eligible for payment of interest. Summary of interest on consumer security deposit admitted in the tariff order, claimed in the true-up petitions and admitted in this true up order for FY 2011-12 is shown in table below:

**Table 39 : Interest on Consumer Security Deposit admitted ( Rs. Crore)**

Particulars	East Discom	West Discom	Central Discom	Total
Admitted in tariff order for FY 2011-12	25.44	36.83	27.73	90.00
Claimed in true up petition for FY 2011-12	24.49	27.43	31.39	83.31
<b>Admitted in this true-up order as per Audited Balance Sheet</b>	<b>24.49</b>	<b>27.43</b>	<b>31.39</b>	<b>83.31</b>

## Return on Equity

### Licensees' submission:

1.90 Return on equity @ 16% as Rs. 204.62 Crore, Rs 131.30 Crore, Rs 213.61 Crore have been claimed by East, West and Central Discom respectively as against Rs. 108.23 Crore, Rs 98.35 Crore, Rs 107.63 Crore admitted in the tariff order for FY 2011-12.

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

1.91 As explained in section of the item of Interest and Finance charges the equity contribution has been considered as 30% on the net GFA addition during FY 2011-12. Closing equity of FY 2010-11 as admitted by the Commission in true-up order of FY 2010-11 has been considered as opening value of equity for FY 2011-12. Further, the rate of return on equity has been considered as per regulations@ 16%. The computation of return on equity as admitted is shown in the table below:

**Table 40 : Return on Equity admitted by the Commission (Rs. Crore)**

S. No.	Particulars	East Discom	West Discom	Central Discom	Total
1	<b>Opening equity identified with GFA as on 31/03/2011 as per true-up order of 2010-11</b>	<b>529.41</b>	<b>720.08</b>	<b>516.08</b>	<b>1,765.57</b>
2	GFA Addition during the year	573.47	490.48	779.32	1,843.27
3	Consumer Deposit and Grants utilized during the year	140.60	461.49	265.30	867.39
4	Net GFA Addition during the year	432.87	28.99	514.02	975.88
5	30% of addition to net GFA considered as funded through equity (As on 31st March 2012)	129.86	8.70	154.21	292.76
6	Closing equity considered for return FY 2011-12	659.27	728.78	670.29	2,058.34
7	Average equity identified with GFA and considered for Return for FY 2011-12	594.34	724.43	593.18	1,911.96
8	<b>RoE @16% admitted in true-up of FY 2011-12</b>	<b>95.09</b>	<b>115.91</b>	<b>94.91</b>	<b>305.91</b>

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

- 1.92 East Discom 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 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.
- 1.93 On the basis of the audited accounts for FY 2011-12, East Discom claimed opening balance of the fixed assets as on April 1, 2011 as Rs. 2600.22 Crore, addition during the year of Rs. 573.47 Crore thus closing balance of the fixed assets as Rs. 3173.69 Crore. Depreciation claimed by East Discom in true-up petition is Rs. 117.01 Crore as against the depreciation of Rs. 61.37 Crore admitted in the tariff order for FY 2011-12. Details of GFA as per audited accounts are given in the Table below:

**Table 41 : Details of GFA for FY 2011-12 (Rs. Crore)**

Sr. No.	Particulars	Opening balance of GFA as on 01.04.2011	Change during the year (additions / deductions)	Closing Balance of GFA as on 31.03.2012
1	Land & Land rights	1.66	0.09	1.75
2	Leaseholds	0.58	0.00	0.58
3	Building and Civil	28.59	7.26	35.85

Sr. No.	Particulars	Opening balance of GFA as on 01.04.2011	Change during the year (additions / deductions)	Closing Balance of GFA as on 31.03.2012
	Works			
4	Hydraulic Works	9.64	0.00	9.64
5	Other Civil Works	2.76		2.76
6	Plant & Machinery	684.80	86.88	771.68
7	Line Cable Networks etc.	1,675.33	267.90	1943.23
8	Vehicles	2.99		2.99
9	Furniture & fixtures	2.44	0.04	2.48
10	Office Equipments	8.10	18.49	26.59
11	Expenditure on Assets not belonging to company	183.33	192.90	376.23
12	<b>Total (1 to 11)</b>	<b>2,600.22</b>	<b>573.47</b>	<b>3173.69</b>

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

**Table 42 : Details of Depreciation claimed by East Discom for FY 2011-12 (Rs. Crore)**

Sr.No	Particulars	Opening balance of Depreciation as on 01.04.2011	Change during the year (additions / deductions)	Closing Balance of Depreciation as on 31.03.2012
1	Land, Land rights and lease hold	0.21	0.02	0.23
2	Building and Civil Works	10.42	1.03	11.45
3	Hydraulic Works	8.12	0.12	8.24
4	Other Civil Works	1.81	0.11	1.92
5	Plant & Machinery	340.22	37.23	377.45
6	Line Cable Networks etc.	1,020.17	76.57	1,096.74
9	Vehicles	2.69	0.08	2.77
10	Furniture & fixtures	1.83	0.00	1.83
11	Office Equipments	6.08	1.87	7.95
12	<b>Total (1 to 11)</b>	<b>1,391.55</b>	<b>117.01</b>	<b>1,508.56</b>

#### West Discom:

1.95 West Discom 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.

- 1.96 On the basis of the audited accounts for FY 2011-12, West Discom claimed opening balance of the fixed assets as on April 1, 2011 as Rs. 2722.70 Crore, addition during the year of Rs. 490.47 Crore thus closing balance of the fixed assets as Rs. 3213.17 Crore. Submission of West Discom for depreciation is given in the table below :

**Table 43 : Details of GFA for FY 2011-12 (Rs. Crore)**

Sr. No.	Particulars	Opening balance of GFA as on 01.04.2011	Change during the year (additions / deductions)	Closing Balance of GFA as on 31.03.2012
1	Land & Land rights	4.87	0.65	5.52
2	Building and Civil Works	72.94	3.57	76.51
3	Hydraulic Works	7.13	0.00	7.13
4	Other Civil Works	3.32	0.00	3.31
5	Plant & Machinery	1072	296.66	1368.66
6	Line Cable Networks etc.	1546.37	110.83	1657.20
9	Vehicles	5.27	0.00	5.27
10	Furniture & fixtures	2.60	0.19	2.79
11	Office Equipments	8.19	2.29	10.48
12	Asset under RGGVY Scheme	-	76.28	76.28
	<b>Total (1 to 12)</b>	<b>2722.70</b>	<b>490.47</b>	<b>3213.17</b>

- 1.97 Details of depreciation as per audited accounts submitted by West are shown in the Table below:

**Table 44 : Details of Depreciation as per audited accounts submitted by West Discom for FY 2011-12 (Rs. Crore)**

Sr.No.	Particulars	Opening balance of Depreciation as on 01.04.2011	Change during the year (additions / deductions)	Closing Balance of Depreciation as on 31.03.2012
1	Land, Land rights and lease hold	0.13	0.03	0.16
2	Building and Civil Works	20.59	2.47	23.06
3	Hydraulic Works	3.94	0.30	4.24
4	Other Civil Works	1.96	0.09	2.05
5	Plant & Machinery	538.47	53.02	591.49
6	Line Cable Networks etc.	1,025.82	62.77	1,088.59
9	Vehicles	4.64	0.04	4.68
10	Furniture & fixtures	1.79	0.10	1.89
11	Office Equipments	4.33	0.53	4.86
12	Asset under RGGVY Scheme	-	1.01	1.01
13	Total (1 to 12)	<b>1,601.67</b>	<b>120.35</b>	<b>1,722.02</b>

- 1.98 Depreciation claimed by the West Discom in true-up petition as per regulations is Rs. 107.34 Crore as against the deprecation of Rs. 61.08 Crore admitted in the tariff order for FY 2011-12. Details of depreciation claimed are shown in the table below:

**Table 45 : Details of Depreciation claimed by West Discom (Rs. Crore)**

Sr. No.	Particulars	Actual as per provision of the regulation (A)	Admitted in the tariff order (B)	Variance (A-B)
1	Land and Building rights	0.03		
2	Building & Civil Works	2.49		
3	Hydraulic Works	0.28		
4	Other Civil Works	0.10		
5	Plant & Machinery	50.04		
6	Line Cable Networks etc.	53.79		
7	Vehicles	0.02		
8	Furniture & Fixtures	0.07		
9	Office Equipments	0.52		
	<b>Total</b>	<b>107.34</b>	<b>61.08</b>	<b>46.26</b>

**Central Discom:**

- 1.99 On the basis of the audited accounts for FY 2011-12, Central Discom claimed opening balance of the fixed assets as on April 01, 2011 as Rs. 2398.80 Crore, addition during the year of Rs. 697.78 Crore thus closing balance of the fixed assets as Rs. 3096.57 Crore. Details of GFA addition submitted by the Central Discom are shown in the table below:

**Table 46 : Details of GFA for FY 2011-12 (Rs. Crore)**

S. No.	Particulars	Opening balance of GFA as on 01.04.2011	Change during the year (additions / deductions)	Closing Balance of GFA as on 31.03.2012
1	Land and Building rights	7.99	-	7.99
2	Building & Civil Works	25.66	16.45	42.12
3	Hydraulic Works	1.33	-	1.33
4	Other Civil Works	1.02	0.06	1.08
5	Plant & Machinery	1023.88	221.54	1245.41
6	Line Cable Networks etc.	1241.47	313.72	1555.19
7	Vehicles	3.38	0.03	3.40
8	Furniture & Fixtures	2.17	0.18	2.35
9	Office Equipments	10.36	1.42	11.78
10	Any other items ( Asset not belonging to the Company)	81.54	134.96	216.49
11	Intangible Assets	-	9.42	9.42
	<b>Total</b>	<b>2398.80</b>	<b>697.78</b>	<b>3096.57</b>

1.100 Central Discom 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. 124.39 Crore as against the depreciation of Rs. 62.74 Crore admitted in the tariff order for FY 2011-12. Details of depreciation claimed by the Central Discom are shown in the table below:

**Table 47 : 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 01.04.2011	Change during the year (additions / deductions)	Closing Balance of Depreciation as on 31.03.2012
1	Land & Land rights	0.68	0.10	0.78
2	Building and Civil Works	10.82	0.68	11.50
3	Hydraulic Works	1.03	0.03	1.06
4	Other Civil Works	0.55	0.02	0.57
5	Plant & Machinery	492.73	42.86	535.59
6	Line Cable Networks etc.	823.75	66.78	890.53
7	Vehicles	3.24	0.07	3.31
8	Furniture & fixtures	1.43	0.07	1.50
9	Office Equipments	4.79	1.09	5.88
10	CWIP transferred to Fixed Assets/RGGVY Assets	1.85	11.16	13.01
11	Intangible Assets		1.53	1.53
12	<b>Total (1 to 11)</b>	<b>1340.87</b>	<b>124.39</b>	<b>1465.26</b>

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

1.101 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 historical cost.*
- b. *Depreciation rates for determination of allowable depreciation shall be as per Annexure-III of the Regulation.*

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



1.103 The Commission has observed that the depreciation submitted by East and Central Discoms is not as per regulations, while West Discom has claimed it as per regulations. The Commission directed East and Central Discoms for submission of depreciation claims as per regulations. They did not submit the same. The Commission observed that claims against depreciation by the Discoms have not been duly substantiated by the detailed asset wise registers to ensure that claims made are only against those assets which have not been fully depreciated. Discoms in the past also did not submit these details despite repetitive directions. The Commission observed that the East, West and Central Discoms have claimed depreciation @ 5.30%, 4.38% and 5.59%, respectively, which is quite higher than the depreciation rate considered by the Commission in the previous years' truing up. Thus any sudden change in the weighted average depreciation rate would not be prudent for consideration. Accordingly, the Commission in this truing up order 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 truing up order for FY 2010-11. The Commission further states that a final view would be taken as and when detailed Fixed Asset Register would be filed. The Commission has considered GFA addition net of consumer contribution and grants as discussed in Para 1.82 (b) of this truing-up order, for the computation of depreciation for FY 2011-12 as shown in the table below:

**Table 48 : Depreciation admitted (Rs. Crore)**

Particulars	East Discom	West Discom	Central Discom	Total
<b>Opening GFA on 1 April, 2011 (Closing GFA net of consumer contribution &amp; grants as per true-up order of FY 2010-11)</b>	<b>1,975.96</b>	<b>2,438.17</b>	<b>1,964.34</b>	<b>6,378.47</b>
Add: GFA Added during the year	573.47	490.48	779.32	1,843.27
Less: Consumer Contribution and grants during the year	140.60	461.49	265.30	867.39
<b>Closing GFA on 31 March, 2012 (net of consumer contribution &amp; grants)</b>	<b>2,408.84</b>	<b>2,467.16</b>	<b>2,478.34</b>	<b>7,354.34</b>
Average GFA	2,192.40	2,452.67	2,221.33	6,866.40
<b>Rate of Depreciation</b>	<b>2.12%</b>	<b>2.24%</b>	<b>2.00%</b>	<b>2.12%</b>
<b>Depreciation admitted in this true up order</b>	<b>46.48</b>	<b>54.94</b>	<b>44.43</b>	<b>145.85</b>

### ***Other items of ARR***

1.104 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. These components are analyzed in the following sections:

### ***Bad and doubtful debts***

#### **Licenseses' submission:**

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

**Table 49 : 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	35.81	144.53	180.34
West	29.62	264.42	294.04
Central	0.00	57.52	57.52

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

1.106 It is observed from the above table that East Discom has actually written-off Rs. 35.81 Crore as bad debts out of total bad debts charged to P&L account as Rs. 180.34 Crore and remaining amount of Rs. 144.53 Crore is the provisioning for bad debt. West Discom has actually written-off Rs. 29.62 Crore as bad debts charged to P&L account out as Rs. 294.04 Crore and remaining amount of Rs. 264.42 Crore is the provisioning for bad debts. Central Discom has written-off Rs. 57.52 Crore as provisioning for bad debt out of total amount of Rs. 57.52 Crore charged to P&L account.

1.107 The regulations provide to admit bad debts as 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 by East and West Discoms are lower than the maximum permissible limit i.e. 1% of sales revenue as specified in the regulations, while Central Discoms has written-off bad debts more than the maximum permissible limit specified in the regulations.

1.108 Vide letter dated October 24, 2013, the Commission directed Discoms to submit details of actual bad debt written-off and delayed payment surcharge.

1.109 Responses submitted by Discoms indicate that there is variation in the expenses claimed in their petitions and the subsequent submissions. As per the responses to the query, East, West and Central Discoms have 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 50 : 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	8.51	0.00	45.63	54.14
Principal amount written off under any scheme	27.30	29.62	0.66	57.58
Principal amount written off without any scheme	0.00	0.00	0.00	0.00
<b>Total actual bad debt written off</b>	<b>35.81</b>	<b>29.62</b>	<b>46.29</b>	<b>111.72</b>

1.110 The Commission has already taken a view in truing up order for previous years 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 at their own behest.

1.111 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 Discoms

***Any other expense***

**Misc. Losses & Write-offs / Sundry Expenses / Net Prior Period Charges / (Credit)  
Licensees' submission:**

1.112 Discoms claims under misc. losses & write-offs / sundry expenses / net prior period charges – (credits) are shown in the table below:

**Table 51 : Misc. Losses & Write-offs / Sundry Expenses / Net Prior Period Charges / (Credit) claimed by Discoms (Rs. Crore)**

Particulars	East Discom	West Discom	Central Discom	Total
Misc. Losses & Write-offs	0.67	3.96	0.00	4.63
Net Prior Period Charges / (Credit)	(55.42)	(52.12)	496.56	389.02
<b>Total other expenses claimed in this true-up</b>	<b>(54.75)</b>	<b>(48.16)</b>	<b>496.56</b>	<b>393.65</b>

1.113 The Commission directed Discoms to submit the details of misc. losses & write-offs / sundry expenses / net prior period charges – (credits) claimed in the petitions. East, West and Central Discom submitted their responses. West and Central Discom have re-submitted the details as available in their audited annual accounts without any further explanations or details. East Discom provided further details of other expenses.

1.114 East Discom submitted that it has considered excess provision for interest and finance charges of prior periods Rs. 43.04 Crore due to liability related to loan as it had not been converted into perpetual loan. Hence this liability was transferred to misc. receipt in FY 2011-12. East Discom further submitted that in FY 2011-12 amounts of Rs. 10.72 Crore, excess provisions provided under the head of bonus payable is withdrawn.

1.115 Considering the above submissions of Discoms, the Commission undertook 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.

1.116 As regards other expenses claimed by East Discom, the Commission observed that East Discom has claimed excess provisions for interest and finance charges as Rs 43.04 Crore and other excess provisions for prior periods as Rs. 12.53 Crore. East Discom further claimed administrative expenses of Rs. 0.15 Crore as prior period expenses. The Commission is of the view that as trueing up of previous years has already been completed based on the prudence check of the expenditure mentioned in the audited accounts it would not be prudent to consider administrative expenses of previous years of Rs. 0.15 Crore, excess provisions for interest and finance charges of Rs 43.04 Crore and other excess provisions for prior periods of Rs. 12.53. Thus, the

Commission has admitted miscellaneous losses, surcharge and write off of Rs 0.67 Crore only.

- 1.117 As regards other expenses claimed by West Discom, the Commission observed that West Discom has considered employee related credits Rs. 0.04 Crore, interest expenses as Rs 48.58 Crore, tax credits as Rs. 0.03 Crore, prior period depreciation expense as Rs 3.66 Crore under the head of prior period adjustments, which the Commission has not considered as it has already undertaken truing up of previous years based on the prudence check of the audited accounts. Thus, the Commission has considered miscellaneous losses, surcharge and write off as Rs 3.34 Crore, sundry expense as Rs 0.62 Crore and other income pertaining to prior period as Rs 104.30 Crore.
- 1.118 As regards other expenses claimed by Central Discom, the Commission noticed that Central Discom has considered interest income as Rs 13.55 Crore, arrears of salary as Rs. 124.75 Crore, power purchase of Rs 333.83 Crore, other expenses of Rs 1.85 Crore and interest expenses as Rs 39.07 Crore. The Commission has considered arrears of salary as per regulations. Items of other credits and expenses of prior period had already been determined in previous years' true up orders. Other expenses of Rs 1.85 Crore and loss to stocks on account of fire as Rs 10.61 Crore only pertaining to prior periods have been considered in this true up.
- 1.119 Accordingly, the Commission after verifying remaining expenses from the audited accounts of the Discoms admits the miscellaneous losses & write-offs / sundry expenses / net prior period charges – (credits) as shown in the table below:

**Table 52 : 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
<b>Miscellaneous losses&amp; Write-offs</b>	<b>0.67</b>	<b>3.34</b>	<b>0.00</b>	<b>4.01</b>
<b>Sundry Expenses</b>	<b>0.00</b>	<b>0.62</b>	<b>0.00</b>	<b>0.62</b>
<b>Net prior period charges</b>	<b>0.00</b>	<b>(104.30)</b>	<b>12.46</b>	<b>(91.84)</b>
Other expense related to prior periods	0.00	0.00	1.85	1.85
Other items pertaining to prior period expenses	0.00	(104.30)	0.00	(104.30)
loss to stocks on account of Fire	0.00	0.00	10.61	10.61
<b>Total other expenses admitted by the Commission</b>	<b>0.67</b>	<b>(100.34)</b>	<b>12.46</b>	<b>(87.21)</b>

#### Carrying Cost:

- 1.120 West Discom has also claimed the carrying cost of Rs. 103.24 Crore on the projected revenue gap of Rs. 563.67 Crore in this true-up. 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**

2.135 The East Discom in the tariff petition for FY 2011-12 had projected the sales as 8385 MUs considering the proposed revision in benchmarks for assessment of unmetered sales. The Commission did not admit the proposal for revision in the said benchmarks and had reworked the sales. The Commission admitted projected sales of 8053 MU at a revenue of Rs. 3610 Crore. As against the same, the sales filed by the East Discom in the True up petition for FY 2011-12 are 8178.01 MU at revenue of Rs. 3685.86 Crore including the subsidy of Rs. 305.75 Crore and provision of Rs. 45.30 Crore made for unbilled revenue in the books of account.

#### **West Discom**

2.136 The West Discom in the tariff petition for FY 2011-12 had projected the sales as 11481 MUs considering the proposed revision in benchmarks for assessment of unmetered sales. The Commission did not admit the proposal for revision in the said benchmarks. The Commission had reworked the sales projections and admitted the sales of 11270 MU at the revenue of Rs. 5024 Crore. As against the same, the sales filed by the West Discom in the True up petition for FY 2011-12 are 12225.96 MU at revenue of Rs. 5168.77 Crore including the subsidy of Rs. 689.18 Crore.

#### **Central Discom**

2.137 The Central Discom in the tariff petition for FY 2011-12 had projected the sales as 8983 MUs considering the proposed revision in the benchmarks for assessment of unmetered sales. The Commission did not admit the proposed revision in the said benchmarks. The Commission reworked the sales projections and admitted the sales of 8416 MU at the revenue of Rs. 3809 Crore. As against the same, the sales filed by the Central Discom in the True up petition for FY 2011-12 are 8577.15 MU at revenue of Rs. 3730.87 Crore including the subsidy of Rs. 543.32 Crore.

### **Commission's Analysis**

2.138 Revenue from sale of power excluding subsidy and other income has been Rs. 3380.11 Crore, Rs. 4479.59 Crore and Rs. 3187.55 Crore for East, West and Central distribution Companies respectively. As per their submission in the petitions, Discoms had implemented retail tariffs in accordance with the provisions of tariff order FY 2011-12. Following revenue has been booked in the audited accounts:

**Table 53 : Revenue from sale of power as per Audited accounts**

Particulars	East Discom	West Discom	Central Discom	Total
Revenue from sale of power (Rs. Crore)	3380.11	4479.59	3187.55	11047.25

2.139 Discoms have received tariff subsidy from state Government other than the revenue from sale of power as reported in the audited balance sheets. Discoms have also received other income and non-tariff income during FY 2011-12 as booked in the audited accounts. Thus, in addition to the revenue from sale of power, the Commission has also considered the following revenue, as reported in audited accounts, for this true-up exercise and as discussed subsequently:

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

### *Non tariff income*

2.140 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 54 : Break up of non tariff income (Rs. Crore)**

<b>Sr. No.</b>	<b>Particulars</b>	<b>East Discom</b>	<b>West Discom</b>	<b>Central Discom</b>	<b>Total</b>
1	Misc. charges from consumers	23.56	38.17	27.01	88.74
2	Income from wheeling charges/UI receivable	0.13	5.07	77.43	82.63
3	Meter rent	31.12	38.97	30.04	100.13
4	Recoveries for theft of power/malpractice	12.98	25.98	7.54	46.50
<b>5</b>	<b>Total non tariff income</b>	<b>67.79</b>	<b>108.19</b>	<b>142.02</b>	<b>318.00</b>

### *Subsidy and grants*

2.141 Audited accounts for FY 2011-12 reveal that the revenue subsidy of Rs. 305.75 Crore, Rs. 689.18 Crore and Rs. 543.32 Crore has been received from the Government of Madhya Pradesh by East, West and Central Discom respectively. The Commission has considered this amount in the income of 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 55 : Subsidy and Grants (Rs. Crore)**

<b>Particulars</b>	<b>East Discom</b>	<b>West Discom</b>	<b>Central Discom</b>	<b>Total</b>
Subsidy and Grants received from GoMP in Rs. Crore	305.75	689.19	543.32	1538.25



**Other Income****Licensees' Submission**

2.142 The other income as per the audited accounts of the Discoms is shown in the table below.

**Table 56 : Other Income as per audited accounts of the distribution Companies (Rs. Crore.)**

Sr. No.	Particulars	East Discom	West Discom	Central Discom
<b>A</b>	<b>Income from Investment, Fixed &amp; Call Deposits</b>			
	Interest on Staff loans & advances	0.10	0.04	0.34
	Interest on FDRs/Investment	20.44	13.42	20.61
<b>A</b>	<b>Sub-Total (A)</b>	<b>20.54</b>	<b>13.46</b>	<b>20.95</b>
<b>B</b>	<b>Other Non tariff Income</b>			
	Delayed payment surcharge	134.71	175.00	327.01
	Interest & penal interest on advance to suppliers	0.01	8.51	0.53
	Interest from banks	0.00	0.00	0.54
	Utility charges	0.00	0.00	7.84
	Scrap sales	0.00	1.73	0.00
	Lease rent	0.00	0.00	0.15
	Staff recoveries	0.03	0.00	0.18
	Income from staff welfare activities	0.00	0.01	0.00
	Deferred income (consumer contribution)	12.01	18.53	0.00
	Misc services/receipts	39.13	30.05	104.91
	Profit on sale of stores	0.00	0.00	5.66
	Income from trading (other than electricity)	0.00	3.50	0.00
	Income from RGGVY depreciation	0.00	0.00	11.16
	Supervision charges	0.00	12.81	0.00
<b>B</b>	<b>Sub-total (B)</b>	<b>185.89</b>	<b>250.14</b>	<b>457.98</b>
<b>C</b>	<b>Total other income (A+B)</b>	<b>206.43</b>	<b>263.60</b>	<b>478.93</b>
<b>D</b>	<b>Total other income (excluding DPS )</b>	<b>71.72</b>	<b>88.60</b>	<b>151.92</b>

2.143 The Commission has not considered the delayed payment surcharge as part of income of the Discoms as per regulations as any additional interest on working capital for the delayed payment is also not considered.

2.144 The Commission has also not considered the deferred income as the Commission has considered the depreciation on the consumer contribution and grants. Further, the Commission has also not considered income from RGGVY depreciation as the Commission has computed depreciation on the net asset addition after reducing grants and consumer contribution from the actual gross asset addition during the year.

2.145 Accordingly, the Commission admits the actual other income of Rs. 59.71 Crore, Rs 70.07 Crore, and Rs 140.76 Crore for East, West and Central Discoms as per audited balance sheet.

2.146 Based on preceding explanation, the total revenue admitted by the Commission for the period April, 2011 to March, 2012 is shown in the table below:

**Table 57 : Total revenue, non-tariff income and subsidy admitted (Rs. Crore.)**

<b>Name of the distribution Company</b>	<b>Revenue from sale of power</b>	<b>Non-tariff income</b>	<b>Revenue subsidies from GoMP</b>	<b>Other income (excluding DPS)</b>	<b>Total revenue income admitted for true-up</b>
East Discom	3380.11	67.79	305.75	59.71	<b>3813.36</b>
West Discom	4479.59	108.19	689.18	70.07	<b>5347.03</b>
Central Discom	3187.55	142.02	543.32	140.76	<b>4013.65</b>
<b>Total</b>	<b>11047.25</b>	<b>318.00</b>	<b>1538.25</b>	<b>270.54</b>	<b>13174.05</b>

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

3.1 Based on the scrutiny of various cost components regarding revenue income and expenditures of the Discoms, the Commission considers the following surplus / (deficit) for the period April' 11 to March' 12 for recovery by the Licensees through retail tariffs in future, as shown in the table below:

**Table 58 : Revenue Surplus / (Deficit) admitted in True-up of ARR for FY 2011-12 (Rs. Crore)**

Particulars	East Discom	West Discom	Central Discom	Total For State
<b>INCOME</b>				
<b>Revenue from Sale of Power</b>				
Tariff Income	3380.11	4479.59	3187.55	11047.25
Non-tariff income (meter rent, recoveries for theft of power, wheeling/U.I. charges recovery, Misc. charges from consumers)	67.79	108.19	142.02	318.00
Other Income	194.42	245.07	467.77	907.26
Less : Delayed Payment Surcharge	134.71	175.00	327.01	636.72
Subsidy	305.75	689.18	543.32	1538.25
<b>Total Income (A)</b>	<b>3813.36</b>	<b>5347.03</b>	<b>4013.65</b>	<b>13174.05</b>
<b>EXPENSES</b>				
<b>Power Purchase</b>				
Power Purchase Cost	3176.43	4264.95	3136.88	10578.25
MP Transco Charges	377.04	450.09	418.96	1246.09
<b>Total Power Purchase (Incl. Transmission) (B)</b>	<b>3553.47</b>	<b>4715.04</b>	<b>3555.84</b>	<b>11824.34</b>
<b>O&amp;M Expenses (Net of Capitalisation)</b>				
Employee Expenses	440.54	413.28	389.69	1243.52
Arrears	33.37	31.31	29.52	94.20
A&G Expenses	77.87	68.34	73.84	220.06
R&M Expenses	52.00	54.45	53.30	159.76
Other expenses (including Taxes & MPERC Fees)	2.30	3.92	1.30	7.52
Incentives/dis-incentives	-	(20.88)	(11.52)	(32.40)
<b>Total O&amp;M (C)</b>	<b>606.09</b>	<b>550.42</b>	<b>536.13</b>	<b>1692.65</b>
<b>Other Expenses</b>				
Depreciation	46.48	54.94	44.43	145.85
Interest & Financing Charges on Project Loans	31.91	59.92	47.96	139.79
Interest and Finance Charges on working capital loans	0.00	1.63	0.00	1.63
Interest on Consumer Security Deposit	24.49	27.43	31.39	83.31
Return on Equity	95.09	115.91	94.91	305.91
Bad & Doubtful Debts	0.00	0.00	0.00	0.00
Any Other Expense	0.67	(100.34)	12.46	(87.21)
Tax	0.00	0.00	0.00	0.00
<b>Total Other Expenses (D)</b>	<b>198.65</b>	<b>159.49</b>	<b>231.14</b>	<b>589.28</b>
<b>Total Expenses G = (B + C + D)</b>	<b>4,358.21</b>	<b>5,424.95</b>	<b>4,323.11</b>	<b>14106.27</b>
<b>Revenue Surplus / (Gap) H = (A-G)</b>	<b>(544.84)</b>	<b>(77.92)</b>	<b>(309.46)</b>	<b>(932.23)</b>

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

**Date of publication of public notice in newspapers:** 8<sup>th</sup> & 9<sup>th</sup> August 2013

**Last date for receiving the objections:** 31<sup>st</sup> August, 2013

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

*Table 59 : List of Objectors*

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

**Date of public hearing:** 02<sup>nd</sup> 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 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 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 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.

**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 submitted that the true-up petition has been submitted before the Commission strictly as per Formats prescribed in the Regulations.
- 2) Central Discom 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 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 did not respond.

**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 submitted that the interest on working capital has been claimed in the petition based on the provisions of the regulations and audited accounts. They 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 trueing up.

**Issue No. 5: Depreciation**

**Issue raised by objector:**

- 1) As West Discom 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 submitted that the depreciation claimed in the petition is as per the provision of the regulation.

**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 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 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 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:-

<b>Year</b>	<b>Consumption (in MUs)</b>
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: Renewable Purchase Obligation**

**Issue raised by objector:**

- 1) The impact of RPO compliance may be factored in power purchase cost.
- 2) Since on behalf of Discoms, MP Power Management Company had not made arrangements for purchase of balance power from renewable energy sources to meet the RPO, the Discoms should have purchased the Renewable Energy Certificate(s) to meet the balance RPO obligation for FY 2011-12.
- 3) The cost of renewable energy or the Certificates may be considered at the forbearance price as indicated by CERC in its Order dated August 23, 2011.

**Response from Petitioner:**

- 1) Central Discom submitted that true-up petition has been filed based on the difference between actual and MPERC approved figures for energy procurement hence, factoring of impact of RPO compliance has not been accounted for in true up costs.
- 2) West Discom submitted that the said petition has been filed strictly in accordance with the regulations. The suggestion on power purchase quantum is not in line with the contemporary regulation of the submitted true-up and hence cannot be accepted.

**Commission's view:**

It may not be prudent to consider the notional cost of renewable purchase obligation while carrying out the truing up if the Discoms had not purchased adequate energy from renewable energy sources for FY 2011-12.

**Issue No. 9: 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 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 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. 10: 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 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 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. 11: 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 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.

**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. 12: 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. 13: 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 be admitted after the list is made public.

**Response of Discoms:**

- 1) West Discom submitted that the details of actual bad and doubtful debt written off have already been given in the petition.
- 2) Central Discom 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. 14: Taxes**

**Issue raised by objector:**

Only the Actual statutory payments of tax may be allowed.

**Response of Discoms:**

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

**Issue No. 15:** 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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