

**MADHYA PRADESH ELECTRICITY REGULATORY COMMISSION**

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



**Determination of True-up of Aggregate Revenue Requirement (ARR) for FY 2021-22**

**Petition No. 83/2022**

**PRESENT:**

**S.P.S. Parihar, Chairman**

**Gopal Srivastava, Member (Law)**

**P.K Chaturvedi, Member (Technical)**

**IN THE MATTER OF:**

**Determination of True-up of Aggregate Revenue Requirement (ARR) for FY 2021-22 based on the True-up Petition filed by the Distribution Licensees namely Madhya Pradesh Poorv Kshetra Vidyut Vitaran Company Limited (East DISCOM), Madhya Pradesh Paschim Kshetra Vidyut Vitaran Company Limited (West DISCOM), Madhya Pradesh Madhya Kshetra Vidyut Vitaran Company Limited (Central DISCOM), and M.P. Power Management Company Limited (MPPMCL).**

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## List of Abbreviations

A&G	Administrative and General Expenses
APTEL	Appellate Tribunal for Electricity
ARR	Aggregate Revenue Requirement
AS	Additional Surcharge
AT&C	Aggregate Technical and Commercial
BPSA	Bulk Power Supply Agreement
CAGR	Compounded Annual Growth Rate
CEA	Central Electrical Authority
CERC	Central Electricity Regulatory Commission
CGS	Central Generating Station
COD	Commercial Date of Operation
CPP	Captive Power Plants
CSD	Consumer Security Deposit
CSS	Cross Subsidy Surcharge
CWIP	Capital Works in Progress
DA	Dearness Allowance
DBST	Differential Bulk Supply Tariff
DISCOM	Distribution Company
DPS	Delayed Payment Surcharge
DSM	Deviation Settlement Mechanism
DTR	Distribution Transformer
EA 2003	Electricity Act, 2003
EHT	Extra High Tension
ER	Eastern Region
FCA	Fuel Cost Adjustment
FI	Financial Institution
FY	Financial Year
GC	Group Captive
GFA	Gross Fixed Asset
GoI	Government of India
GoMP	Government of Madhya Pradesh
GPP	Gas based Power Plant
GST	Goods and Service Tax
GTIS	Group Term Insurance Scheme
HP	Horse Power
HPS	Hydro Power Station
HT	High Tension
IDC	Interest during Construction
IEX	Indian Energy Exchange

IND-AS	Indian Accounting Standards
ISPS	Indira Sagar Power Station
IPDS	Integrated Power Development Scheme
IPP	Independent Power Producer
kV	kilo Volt
kVA	kilo Volt Ampere
kVAh	kilo Volt Ampere hour
kW	kilo Watt
kWh	kilo Watt hour
LED	Light Emitting Diode
LT	Low Tension
MD	Maximum Demand
MOD	Merit Order Despatch
MoP	Ministry of Power
MP	Madhya Pradesh
MPERC	Madhya Pradesh Electricity Regulatory Commission
MP Genco or MPPGCL	Madhya Pradesh Power Generating Company Limited
MPPMCL	MP Power Management Company Limited
MPPTCL	Madhya Pradesh Power Transmission Company Limited
MPSEB	Madhya Pradesh State Electricity Board
MU	Million Unit
MVA	Mega Volt Ampere
MW	Mega Watt
MYT	Multi-Year Tariff
NHDC	Narmada Hydroelectric Development Corporation
NPS	New Pension Scheme
NTPC	NTPC Limited
O&M	Operation & Maintenance
OA	Open Access
OHP	Omkareshwar Hydro Project
PAF	Plant Availability Factor
PF	Provident Fund
PGCIL	Power Grid Corporation of India Ltd.
PLF	Plant Load Factor
PoC	Point of Connection
PPA	Power Purchase Agreement
PPCA	Power Purchase Cost Adjustment
PTR	Power Transformer
PWW	Public Water Works
PXIL	Power Exchange India Limited
R&M	Repair & Maintenance

RBI	Reserve Bank of India
RoE	Return on Equity
RPO	Renewable Purchase Obligation
SAC	State Advisory Committee
SBI	State Bank of India
SEZ	Special Economic Zone
SGTPS	Sanjay Gandhi Thermal Power Station
SLDC	State Load Dispatch Centre
SSP	Sardar Sarovar Project
STPS	Super Thermal Power Station
TP	Tariff Policy
TBT	Terminal Benefit Trust
ToD	Time of Day
TPS	Thermal Power Station
UDAY	Ujjwal DISCOM Assurance Yojana
UI	Unscheduled Interchange
UMPP	Ultra-Mega Power Plant
VAT	Value Added Tax
WR	Western Region
WRPC	Western Regional Power Committee

**A1: ORDER**

*(Passed on this 20<sup>th</sup> Day of March, 2023)*

- 1.1 This order relates to the Petition No. 83/2022 filed by Madhya Pradesh Poorv Kshetra Vidyut Vitaran Company Ltd., Madhya Pradesh Paschim Kshetra Vidyut Vitaran Company Ltd., Madhya Pradesh Madhya Kshetra Vidyut Vitaran Company Ltd. and Madhya Pradesh Power Management Company Ltd., Jabalpur (hereinafter referred to as East DISCOM, West DISCOM, Central DISCOM and MPPMCL, respectively, and collectively as Petitioners or Distribution Licensees or Distribution Companies or DISCOMs) before Madhya Pradesh Electricity Regulatory Commission (hereinafter referred to as MPERC or the Commission). The Petition has been filed by the Distribution Licensees seeking the True-up of Aggregate Revenue Requirement (ARR) determined by the Commission in its Retail Supply Tariff Order for FY 2021-22 (hereinafter referred to as Tariff Order).
- 1.2 The Commission has reviewed the operational and financial performance parameters of the DISCOMs for FY 2021-22. The Commission has finalized this Order based on the review and analysis of the audited accounts, past records, submissions, information/clarifications submitted by the Petitioners, and views expressed by the Stakeholders.

**Procedural history**

- 1.3 The Commission had issued the Retail Supply Tariff Order for FY 2021-22 on 30<sup>th</sup> June, 2021, in accordance with MPERC (Terms and conditions for determination of tariff for supply and wheeling of Electricity and methods and principles for fixation of charges) Regulations, 2015 and its 3<sup>rd</sup> Amendment (herein referred to as MYT Regulations, 2015 and amendments thereof or Tariff Regulations).
- 1.4 As per the MYT Regulations, 2015 and amendments thereof, DISCOMs were required to file Petition for True-up of ARR for FY 2021-22 by 30<sup>th</sup> November, 2022. Further, as per directives of Hon'ble APTEL in the Judgment dated 11<sup>th</sup> November, 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.
- 1.5 The Petitioners vide letter dated 29<sup>th</sup> November, 2022, filed their true up Petition for FY 2021-22. Thereafter, the Commission held the motion hearing on 06<sup>th</sup> December, 2022 and admitted the Petition.
- 1.6 Based on the analysis of the Petition, the Commission communicated additional data requirements vide letter dated 22<sup>nd</sup> December, 2022. Thereafter, the Commission vide letter dated 28<sup>th</sup> December, 2022 received communication from Petitioners for extension of time by 18 days for submission of additional information to fill data gaps. The Commission vide letter dated 03<sup>rd</sup> January, 2023 allowed 7 days additional time for furnishing the additional information to fill data gaps.



- 1.7 The Petitioners submitted the consolidated additional information vide letter dated 10<sup>th</sup> January, 2023.

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

- 1.8 The public notices were approved by the Commission on 28<sup>th</sup> December, 2022 for publication by the Petitioners in Hindi and English newspapers for inviting comments /objections/ suggestions from various stakeholders. Details of the publications are as follows:

*Table 1: List of Newspapers- Public Notice*

DISCOM	FY 2021-22 True-Up
	(Petition No. 83/2022)
East DISCOM	Dainik Bhaskar, Jabalpur, Hindi
	Deshbandhu, Satna, Hindi
	Dainik Bhaskar, Sagar, Hindi
	Hitvada, Jabalpur, English
Central DISCOM	Times of India, Bhopal, English
	Nav Bharat, Gwalior, Hindi
	Raj Express, Bhopal, Hindi
	Dainik Jagran, Gwalior, Hindi
West DISCOM	Patrika, Indore, Hindi
	Free Press Journal, Indore, English

- 1.9 The last date for filing the comments / suggestions / objections by the stakeholders was 19<sup>th</sup> January, 2023. In response, the Commission received comments / suggestions / objections from two (2) stakeholders within the stipulated time.

**Hearings**

- 1.10 In order to provide ample opportunity to the stakeholders to present their views before the Commission, Public Hearing was held on 27<sup>th</sup> January, 2023 through video conferencing. A list of stakeholders who submitted their suggestions/ comments / objections on the Petition before the Commission in person or through written submission, is annexed to this Order as **Annexure-1**.

**Disclaimer for Rounding**

- 1.11 In this Order certain numbers as a whole, upto several decimal places have been rounded up or down. Therefore, there may be discrepancies between the totals of the individual numbers shown in the tables upto 2 decimal places and numbers given in the corresponding analyses in the text of this order.

**Summary of Petition**

1.12 Summary of the True-up Petition of FY 2021-22 submitted by the Petitioners is given below:

**Table 2 : Summary of the True-up Petition of DISCOMs for the period from April 2021 to March 2022 – as submitted by the Petitioners (Rs. Crore)**

Particulars	FY 2021-22							
	East DISCOM		West DISCOM		Central DISCOM		State	
	Tariff Order	Claimed	Tariff Order	Claimed	Tariff Order	Claimed	Tariff Order	Claimed
<b>Power Purchase Cost including Inter-State Transmission Charges</b>	<b>8,207.11</b>	<b>8,906.44</b>	<b>14,516.72</b>	<b>14,617.47</b>	<b>7,931.48</b>	<b>9,833.24</b>	<b>30,655.30</b>	<b>33,357.16</b>
Intra-State Transmission Charges including SLDC Charges	1,204.83	1,287.38	1,446.06	1,744.92	1,434.79	1,685.73	4,085.68	4,718.04
<b>O&amp;M Expenses</b>	<b>1,536.68</b>	<b>1,253.08</b>	<b>1,379.64</b>	<b>1,303.39</b>	<b>1,487.35</b>	<b>1,251.02</b>	<b>4,403.67</b>	<b>3,807.49</b>
Depreciation	209.76	262.02	127.60	309.67	268.38	352.06	605.73	923.75
<b>Interest &amp; Finance Charges</b>	<b>395.09</b>	<b>351.75</b>	<b>202.81</b>	<b>247.24</b>	<b>490.42</b>	<b>495.80</b>	<b>1,088.32</b>	<b>1,094.79</b>
<i>On Project Loans</i>	262.48	256.26	144.87	179.53	327.23	398.24	734.58	834.03
<i>On Working Capital Loans</i>	92.74	47.07	0.00	12.79	119.86	53.19	212.60	113.05
<i>On Consumer Security Deposit</i>	39.88	48.42	57.94	54.92	43.33	44.37	141.14	147.72
Return on Equity	360.92	254.80	217.64	187.55	407.38	282.95	985.95	725.30
Bad & Doubtful Debts	2.00	-	2.00	2.00	2.00	1.12	6.00	3.12
Other Expenses	0.00	-	-	2.09	-	-	0.00	2.09
<b>Total Expenses</b>	<b>11,916.39</b>	<b>12,315.47</b>	<b>17,892.46</b>	<b>18,414.33</b>	<b>12,021.81</b>	<b>13,901.92</b>	<b>41,830.66</b>	<b>44,631.72</b>
Less: Other income and Non Tariff Income	290.20	91.84	150.30	195.97	314.46	207.92	754.97	495.73
<b>Net Total Expenses</b>	<b>11,626.19</b>	<b>12,223.63</b>	<b>17,742.16</b>	<b>18,218.36</b>	<b>11,707.34</b>	<b>13,694.00</b>	<b>41,075.69</b>	<b>44,135.99</b>
Add: Revenue Gap of MP Transco True-up of FY 2018-19	242.04	-	310.16	-	257.83	-	810.03	0.00
Less: Revenue Surplus of MP Genco on True-up of FY 2018-19	(109.82)	-	(137.27)	-	(145.12)	-	(392.21)	0.00
Add: Revenue Gap for DISCOMs for FY 2014-15 to FY 2017-18	1,237.19	1,237.19	(2,401.10)	(1,618.41)	2,387.70	1,605.01	1,223.79	1,223.79
Add: Revenue Gap for DISCOMs for FY 2018-19	356.32	356.32	(1,290.49)	(1,290.49)	619.31	619.31	(314.86)	(314.86)
<b>Total ARR Expenses</b>	<b>13,351.92</b>	<b>13,817.14</b>	<b>14,223.46</b>	<b>15,309.46</b>	<b>14,827.07</b>	<b>15,918.32</b>	<b>42,402.44</b>	<b>45,044.92</b>
Revenue	<b>13,351.92</b>	<b>11,380.93</b>	<b>14,223.46</b>	<b>16,426.40</b>	<b>14,827.07</b>	<b>13,961.71</b>	<b>42,402.44</b>	<b>41,769.04</b>
<b>Revenue Gap</b>	<b>0.00</b>	<b>2,436.21</b>	<b>0.00</b>	<b>1,116.94</b>	<b>0.00</b>	<b>1,956.61</b>	<b>0.00</b>	<b>3,275.88</b>

1.13 The Commission observed that there has been inadvertent error in the table 8 of Retail Supply Tariff Order for FY 2021-22 as regard to allocation of True-up amount of Rs. 1,223.79 Crore pertaining to FY 2014-15 to FY 2017-18 among the DISCOMs. Accordingly, the revised allocation of aforesaid True-up amount among DISCOMs has been shown in the Table below:

**Table 3 : Revised allocation of True-up amount of FY 2014-15 to FY 2017-18 (Rs. Crore)**

Revenue Gap for True-up of FY 2014-15 to FY 2017-18	East DISCOM	West DISCOM	Central DISCOM	State
Allocation in Retail Supply Tariff Order for FY 2021-22	1,237.19	(2,401.10)	2,387.70	1,223.79
Corrected	1,237.19	(1,618.40)	1,605.00	1,223.79

1.14 The Commission analysed the True-up Petition on the basis of information furnished by the DISCOMs, audited accounts, past records, and views expressed by the Stakeholders. After giving due consideration to the norms, methodology, process of determination of expenditure and revenues as elaborated in the MYT Regulations, 2015 and amendments thereof, and keeping in view interest of the consumers, the Commission determined allowable revenue Gap/Surplus, as detailed in the subsequent Sections of this Order.

1.15 Summary of the True-up of ARR admitted for FY 2021-22 is given below:

**Table 4: Revenue Gap admitted in True-up of ARR for FY 2021-22 (Rs. Crore):**

Particulars	East DISCOM		West DISCOM		Central DISCOM		State	
	Claimed	Admitted	Claimed	Admitted	Claimed	Admitted	Claimed	Admitted
<b>Power Purchase Cost including Inter-State Transmission Charges</b>	<b>8,906.44</b>	<b>7,010.49</b>	<b>14,617.47</b>	<b>16,590.03</b>	<b>9,833.24</b>	<b>8,592.54</b>	<b>33,357.16</b>	<b>32,193.06</b>
Intra-State Transmission Charges including SLDC Charges	1,287.38	1,287.38	1,744.92	1,744.92	1,685.73	1,685.73	4,718.04	4,718.04
<b>O&amp;M Expenses</b>	<b>1,253.08</b>	<b>1,248.47</b>	<b>1,303.39</b>	<b>1,300.33</b>	<b>1,251.02</b>	<b>1,249.18</b>	<b>3,807.49</b>	<b>3,797.99</b>
Depreciation	262.02	179.89	309.67	100.25	352.06	205.73	923.75	485.87
<b>Interest &amp; Finance Charges</b>	<b>351.75</b>	<b>364.21</b>	<b>247.24</b>	<b>243.31</b>	<b>495.80</b>	<b>486.54</b>	<b>1,094.79</b>	<b>1,094.06</b>
<i>On Project Loans</i>	256.26	252.17	179.53	188.39	398.24	365.77	834.03	806.33
<i>On Working Capital Loans</i>	47.07	63.62	12.79	0.00	53.19	76.39	113.05	140.02
<i>On Consumer Security Deposit</i>	48.42	48.42	54.92	54.92	44.37	44.37	147.72	147.72
Return on Equity	254.80	253.11	187.55	186.12	282.95	282.43	725.30	721.65
Bad & Doubtful Debts		0.00	2.00	0.00	1.12	0.00	3.12	0.00
Other Expenses		0.00	2.09	2.08		0.00	2.09	2.08
<b>Total Expenses admitted</b>	<b>12,315.47</b>	<b>10,343.54</b>	<b>18,414.33</b>	<b>20,167.05</b>	<b>13,901.92</b>	<b>12,502.15</b>	<b>44,631.72</b>	<b>43,012.75</b>
Less: Other income + Non-Tariff Income	91.84	<b>91.84</b>	195.97	<b>195.97</b>	207.92	<b>207.92</b>	495.73	<b>495.73</b>
<b>ARR Admitted</b>	<b>12,223.63</b>	<b>10,251.70</b>	<b>18,218.36</b>	<b>19,971.09</b>	<b>13,694.00</b>	<b>12,294.23</b>	<b>44,135.99</b>	<b>42,517.02</b>
Add: Revenue Gap of MP Transco True-up of FY 2018-19	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Less: Revenue Surplus of MP Genco on True-up of FY 2018-19	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Add: Revenue Gap for DISCOMs for FY 2014-15 to FY 2017-18	1,237.19	1,237.19	(1,618.40)	(1,618.40)	1,605.00	1,605.00	1,223.79	1,223.79
Add: Revenue Gap for DISCOMs for FY 2018-19	356.32	356.32	(1,290.49)	(1,290.49)	619.31	619.31	(314.86)	(314.86)
<b>ARR Admitted including True ups</b>	<b>13,817.14</b>	<b>11,845.22</b>	<b>15,309.46</b>	<b>17,062.20</b>	<b>15,918.32</b>	<b>14,518.54</b>	<b>45,044.92</b>	<b>43,425.95</b>
Revenue	<b>11,380.93</b>	<b>11,389.64</b>	<b>16,426.40</b>	<b>16,426.40</b>	<b>13,961.71</b>	<b>13,961.71</b>	<b>41,769.04</b>	<b>41,777.75</b>
<b>Revenue Gap</b>	<b>2,436.21</b>	<b>455.58</b>	<b>1,116.94</b>	<b>635.80</b>	<b>1,956.61</b>	<b>556.83</b>	<b>3,275.88</b>	<b>1,648.21</b>

- 1.16 Accordingly, the Commission has admitted the net Revenue Gap of Rs.1,648.21 Crore after true up of FY 2021-22 for passing on the revenue gap amount in retail supply tariff to be determined by the Commission for the subsequent years.
- 1.17 Ordered as above, read with detailed reasons, grounds and conditions annexed herewith.

**Sd/-**  
**P.K Chaturvedi**  
**Member (Technical)**

**Sd/-**  
**Gopal Srivastava**  
**Member (Law)**

**Sd/-**  
**S. P. S. Parihar**  
**Chairman**

Dated: 20<sup>th</sup> March, 2023  
Place: Bhopal.

## A2: TRUE UP OF AGGREGATE REVENUE REQUIREMENT OF FY 2021-22

### Analysis of Expenses during the period from April 2021 to March 2022:

#### Sale of energy

2.1 A comparison of Sales as admitted in Tariff Order issued on 30<sup>th</sup> June, 2021 for FY 2021-22, as per R-15 statements (basic sale/billing data statement) and as claimed in the True-up Petition is given in the table below:

*Table 5 : Sales as per Tariff Order, monthly R-15 statement and as filed in True-up Petition for FY 2021-22 (MU)*

Sales		East DISCOM	West DISCOM	Central DISCOM	Total
<b>As admitted in the Tariff Order</b>	LT	15,802.32	18,559.57	15,745.13	50,107.02
	HT	3,676.45	5,951.69	4,528.25	14,156.39
	<b>Total</b>	<b>19,478.78</b>	<b>24,511.26</b>	<b>20,273.38</b>	<b>64,263.42</b>
<b>As per monthly R-15 report</b>	LT	13,880.48	18,567.47	16,469.29	48,917.24
	HT	3,352.76	5,991.87	4,415.73	13,760.36
	<b>Total</b>	<b>17,233.24</b>	<b>24,559.34</b>	<b>20,885.02</b>	<b>62,677.60</b>
<b>As filed in True-up Petition</b>	LT	13,880.48	18,567.47	16,469.29	48,917.24
	HT	3,352.76	5,991.87	4,415.73	13,760.36
	<b>Total</b>	<b>17,233.24</b>	<b>24,559.34</b>	<b>20,885.02</b>	<b>62,677.60</b>

2.2 The Commission has observed that the Sales as filed in the True-up Petition by DISCOMs is in line with the Annual and monthly R-15 statements. Accordingly, the Commission in line with the approach followed in previous years, has considered the sales as per monthly R15 statement for further analysis and approval.

2.3 The Commission had approved assessed units for unmetered category of rural domestic and agriculture consumers in the tariff order as shown in the table below:

*Table 6 : Basis of billing to un-metered consumers*

Assessed units for un-metered rural domestic connections (units per connection per month)	Assessed units for un-metered agricultural connections (units per HP per month)					
	Category			Category		
Rural	Rural	Urban	Rural	Urban	Urban	
	Three Phase			Single Phase		
FY 2021-22	April to September			April to September		
75	Permanent	95	95	Permanent	95	95
	Temporary	195	220	Temporary	205	230

Assessed units for un-metered rural domestic connections (units per connection per month)	Assessed units for un-metered agricultural connections (units per HP per month)					
	October to March			October to March		
	Permanent	170	170	Permanent	180	180
Temporary	195	220	Temporary	205	230	

2.4 On scrutiny of the sales for the unmetered domestic consumers recorded in monthly R-15 statements for FY 2021-22, it has been observed that the actual monthly unmetered sales to domestic consumers for West DISCOM is within the monthly benchmark approved by the Commission, whereas for East and Central DISCOMs, it is higher in few months. Therefore, the Commission has admitted the sales to domestic unmetered consumers as reported in the monthly R-15 statements of West DISCOM. For East and Central DISCOMs, the Commission has disallowed the sales of 15.68 MU booked in excess on monthly norms as per R-15 statements. A summary of the unmetered sales as per monthly R-15 statements and Sales in excess of the specified benchmark as observed from the monthly R-15 statements is shown in the table below:

*Table 7: Summary of sale to the unmetered domestic category booked in excess of the specified benchmark (MU):*

DISCOM	Unmetered Sales as per monthly R15	Sales booked in excess of the specified benchmark
East	307.31	14.02
West	28.97	0.00
Central	302.87	1.67
<b>State</b>	<b>639.15</b>	<b>15.68</b>

2.5 Further, on scrutiny of the monthly sales to unmetered agricultural consumers recorded in monthly R-15 statements for FY 2021-22, it is observed that the sale to un-metered category of agriculture consumers has been booked in excess of the specified monthly benchmarks, when compared with the number of consumers and their load. Accordingly, the Commission has admitted the metered sales as per R-15 statements, whereas the sales to un-metered agricultural consumers has been admitted as per the monthly benchmarks specified in tariff order for FY 2021-22. A summary of the unmetered sales as per monthly R-15 statements and Sales in excess of the specified benchmark as observed from the monthly R-15 statements is shown in the table below:

*Table 8: Summary of sale to the unmetered agriculture category booked in excess of the specified benchmark (MU)*

<b>DISCOM</b>	<b>Unmetered Sales as per monthly R15</b>	<b>Sales booked in excess of the specified benchmark</b>
East	6,633.27	51.20
West	10,546.68	24.93
Central	8,957.17	116.54
<b>State</b>	<b>26,137.12</b>	<b>192.66</b>

- 2.6 The details of energy sales as per Tariff Order for FY 2021-22, as per True up Petition of the DISCOMs and as admitted by the Commission for the purpose of the True-up are given in the following table: -

Table 9 : Energy sales as per Tariff Order for FY 2021-22, as per filing of the DISCOMs and as admitted by the Commission (MU)

Category	East Discom			West Discom			Central Discom			Total for the State		
	As per Tariff Order FY 2021-22	As per True Up Petition FY 2021-22	As admitted in True Up Order FY 2021-22	As per Tariff Order FY 2021-22	As per True Up Petition FY 2021-22	As admitted in True Up Order FY 2021-22	As per Tariff Order FY 2021-22	As per True Up Petition FY 2021-22	As admitted in True Up Order FY 2021-22	As per Tariff Order FY 2021-22	As per True Up Petition FY 2021-22	As admitted in True Up Order FY 2021-22
<b>LOW TENSION</b>												
LV 1: Domestic	6,432	5,447	5,445	5,803	5,724	5,724	6,095	5,718	5,704	18,330	16,889	16,874
LV 2: Non-Domestic	1,103	986	986	1,363	1,137	1,137	1,153	1,023	1,023	3,619	3,146	3,146
LV 3: Public Water Works and Street lights	386	385	385	430	458	458	431	397	397	1,247	1,240	1,240
LV 4: LT Industrial	402	411	411	683	674	674	371	296	296	1,456	1,381	1,381
LV 5: Agricultural and Allied Activities	7,478	6,652	6,600	10,280	10,574	10,549	7,694	9,036	8,919	25,453	26,261	26,068
LV 6 :E- Vehicle / E-Rickshaws Charging Stations	1	0	0	1	0	0	1	0	0	3	0	0
<b>LT Units (MU)</b>	<b>15,802</b>	<b>13,880</b>	<b>13,828</b>	<b>18,560</b>	<b>18,567</b>	<b>18,543</b>	<b>15,745</b>	<b>16,469</b>	<b>16,339</b>	<b>50,107</b>	<b>48,917</b>	<b>48,709</b>
<b>HIGH TENSION</b>												
HV 1: Railway Traction	55	0	0	0	0	0	55	0	0	111	0	0
HV 2: Coal Mines	501	466	466	0	0	0	25	23	23	526	489	489
HV-3: Industrial, Non-Industrial and shopping malls	2,689	2,475	2,475	4,851	4,938	4,938	4,007	3,951	3,951	11,546	11,364	11,364
HV-4: Seasonal	9	9	9	10	10	10	2	2	2	21	21	21
HV-5: Irrigation, Public Water Works and Other than Agricultural	161	166	166	1,048	995	995	280	285	285	1,489	1,445	1,445
HV-6: Bulk Residential Users	259	235	235	27	28	28	155	153	153	441	416	416
HV-7 : Synchronization of Power for Generators Connected to the Grid	0	1	1	15	21	21	0	3	3	16	24	24
HV 8:E- Vehicle / E-Rickshaws Charging Stations	2	0	0	1	1	1	3	0	0	6	1	1
<b>HT Units (MU)</b>	<b>3,676</b>	<b>3,353</b>	<b>3,353</b>	<b>5,952</b>	<b>5,992</b>	<b>5,992</b>	<b>4,528</b>	<b>4,416</b>	<b>4,416</b>	<b>14,156</b>	<b>13,760</b>	<b>13,760</b>
<b>GRAND TOTAL HT + LT (MU)</b>	<b>19,479</b>	<b>17,233</b>	<b>17,180</b>	<b>24,511</b>	<b>24,559</b>	<b>24,534</b>	<b>20,273</b>	<b>20,885</b>	<b>20,754</b>	<b>64,263</b>	<b>62,678</b>	<b>62,469</b>



**Power Purchase Quantum and Cost**  
**Petitioners' Submission**

- 2.7 The Petitioners have submitted that the energy requirement (MU) admitted in the Tariff Order for FY 2021-22 by the Commission was based on the normative loss trajectory as per MYT Regulations, 2015 and amendments thereof, which differs from the actual loss levels for FY 2021-22.
- 2.8 The Petitioners have submitted that they do not have any material control on the losses outside their periphery i.e. M.P. Transco and PGCIL losses as they are external to their periphery and involve complex interconnected grid. Therefore, as per their submission it will be appropriate to determine average per unit rate based on the net actual energy input at DISCOM periphery for sale to retail consumers only, which is more authentic and definite in nature and which may not change even after the closure of financial year. This would also take into account the sale and purchase of electricity between the DISCOMs including UI within the State and also banking of power, sale of surplus energy through IEX and sale to MPAKVN. Petitioners also submitted that, the calculation of average per unit rate should not be based on purchase at ex-bus, which may be revised by way of reconciliation of regional/State Energy Accounts even after the closure of the financial year for which true-up has already been carried out. This may result in erroneous calculation of energy balance and the UI quantum of each DISCOM is left unattended.
- 2.9 Further, the Petitioners have submitted that they have considered the MPPTCL losses of 2.63% as reported by MPPTCL for FY 2021-22. With regard to Inter-State losses, the Petitioners have submitted the actual Month-wise break-up of losses as reported during the FY 2021-22 as per CERC (Sharing of Inter State Transmission Charges and Losses) Regulations, 2020 notified on 04<sup>th</sup> May, 2020.
- 2.10 Energy balance details as submitted by DISCOMs are shown in the Table below:

**Table 10: Energy Balance as filed by DISCOMs for FY 2021-22**

Sr. No.	Particulars	UoM	East DISOCM	West DISCOM	Central DISCOM	State
1	Actual Sales	MUs	17,233.24	24,559.33	20,885.02	62,677.59
2	Normative Loss	%	16.00%	14.00%	17.00%	15.57%
3	Input at T&D Periphery (3 = 1/(1-2))	MUs	20,515.76	28,557.36	25,162.68	74,235.80
4	MP Transco Loss – Approved	%	2.63%	2.63%	2.63%	2.63%
5	Input at G-T Interface (5= 3/(1-4))	MUs	21,069.90	29,328.70	25,842.33	76,240.93
6	Inter- State Transmission Losses	MUs	378.00	526.17	463.62	1367.80
<b>7</b>	<b>Power Purchase Requirement (7 =5+6)</b>	<b>MUs</b>	<b>21,447.90</b>	<b>29,854.88</b>	<b>26,305.95</b>	<b>77,608.73</b>

- 2.11 The Petitioners have submitted that the deviation in power purchase quantum and cost as per actuals and as approved in Retail Supply Tariff Order dated 30<sup>th</sup> June, 2021 is on account of the following reasons:
- Payment of fixed and variable charges for Essar, BLA and Sugan Torrent Power Generating Stations.
  - Payment of actual Fuel Cost Adjustment (FCA)
  - Payment of Supplementary bills of previous financial years
  - Payment of actual Inter-State and Intra-State transmission charges
- 2.12 Further, the Petitioners have submitted that Renewable Energy Cost was incurred to meet the RPO targets as specified by the Commission in Sixth Amendment to MPERC (Co-generation and generation of electricity from Renewable sources of energy) (Revision-I) Regulations, 2010.
- 2.13 The Petitioners in line with the MYT Regulations, 2015 have claimed the power purchase cost to the extent of normative distribution loss targets specified by the Commission. Further, the Petitioners submitted that they have filed an appeal before the Hon'ble APTEL in DFR No. 458 of 2021 against various issues including treatment of Power Purchase cost by the Commission in determining the true-up of FY 2014-15 to FY 2020-21 which is at variation with the approach adopted by the Commission in the true-up of FY 2013-14. Considering that the aforesaid appeal is pending before the Hon'ble APTEL and the matter is sub-judice the Petitioners have claimed Power Purchase cost supposedly in line with the Commission's methodology adopted in True up Order for FY 2013-14 without adjusting the Renewable Power Purchase Cost in variable charges.
- 2.14 Based on the submissions stated above, the Petitioners have claimed the power purchase cost as follows:

**Table 11: Claimed Power Purchase Cost for FY 2021-22 (Rs. Crore)**

Sr. No.	Particulars	UoM	East DISOCM	West DISCOM	Central DISCOM	State
1	Actual Ex-bus Energy Procured during the year	MUs	24,914.74	28,834.41	28,551.69	82,300.84
2	Cost of Power Purchase as per Audited Accounts	Rs Crores	10,671.06	16,096.42	11,787.58	38,555.06
3	Supplementary Bills of Previous FYs	Rs Crores	472.79	531.08	535.11	1,538.98
4	Net Power Purchase Cost (4 = 2-3)	Rs Crores	10,198.27	15,565.34	11,252.47	37,016.08
5	Fixed Cost	Rs Crores	3,354.33	3,866.19	3,768.02	10,988.53
6	Inter Transmission Charges	Rs Crores	853.87	984.17	959.18	2,797.22
7	Intra Transmission Charges including SLDC Charges	Rs Crores	1,287.38	1,744.92	1,685.73	4,718.04
8	Other Cost of MPPMCL which cannot be apportioned	Rs Crores	240.83	264.88	265.19	770.90
9	Renewable Energy Cost for Meeting the RPO	Rs Crores	1,032.12	1,189.62	1,159.41	3,381.15
10	Variable Cost (10 = 4-5-6-7-8-9)	Rs Crores	3,429.74	7,515.56	3,414.95	14,360.24

Sr. No.	Particulars	UoM	East DISCOM	West DISCOM	Central DISCOM	State
11	Pooled Variable Rate (11=10/1*1000)	Paisa/kWh	137.66	260.65	119.61	174.48
12	Quantum of Power Purchase as per Normative Losses	MUs	21,447.90	29,854.88	26,305.95	77,608.73
13	Variable Cost proposed to be Admitted (13=11*12/1000)	Rs Crores	2,952.50	7,781.54	3,146.34	13,880.38
14	Supplementary Bills of Previous FYs added back	Rs Crores	472.79	531.08	535.11	1,538.98
15	<b>Total Power Purchase Cost proposed to be Admitted (15 = 5+6+7+8+9+13+14)</b>	<b>Rs Crores</b>	<b>10,193.83</b>	<b>16,362.40</b>	<b>11,518.98</b>	<b>38,075.19</b>

### Commission's Analysis of Power Purchase Requirement and Cost

#### Power Purchase Requirement

2.15 Details of power purchase including Inter-State transmission charges and losses as admitted in the Retail Supply Tariff Order for FY 2021-22 and as per the audited accounts of DISCOMs are given in the table below:

**Table 12: Power purchase quantum and cost admitted in Tariff Order and as per the Audited Accounts.**

DISCOM	Particulars	Admitted in the tariff order	Actual as per audited accounts
East DISCOM	Power Purchase Quantum (MU)	24,222.27	24,914.74*
	Power Purchase Cost (Rs. Crore)	8,207.11	9,383.68#
West DISCOM	Power Purchase Quantum (MU)	29,771.36	28,834.41*
	Power Purchase Cost (Rs. Crore)	14,516.72	14,351.49#
Central DISCOM	Power Purchase Quantum (MU)	25,514.14	28,551.69*
	Power Purchase Cost (Rs. Crore)	7,931.48	10,101.85#
<b>Total for the State</b>	<b>Power Purchase Quantum MU)</b>	<b>79,507.87</b>	<b>82,300.84*</b>
	<b>Power Purchase Cost (Rs. Crore)</b>	<b>30,655.30</b>	<b>33,837.02#</b>

\* As Power Purchase quantum is not reflected in Audited Accounts, considered equal to as per Petitioner Submission.

# It includes supplementary power purchase cost of period prior to FY 2021-22.

2.16 With regard to Petitioners submission on change in methodology for computation of power purchase quantum and cost, it is pertinent to mention that the Commission has been directing the Licensees time and again to reduce their losses. However, except West DISCOM, the actual losses for other two DISCOMs are very high as compared to normative losses. If the Petitioners were able to achieve the normative distribution losses as approved by the Commission, not only would they have saved power purchase cost towards procurement of additional power for meeting high distribution losses but also have saved cost towards Intra and Inter-State transmission losses. Further, the Commission cannot pass on the burden of inefficiency of the DISCOMs on the

consumers of the State. Therefore, the Commission has continued with the approach adopted for determination of power purchase cost in previous true up orders.

2.17 For admitting the power purchase cost, the Commission in line with the approach adopted in true up orders of previous years has computed the normative power purchase requirement by following the principle of grossing up sales with normative loss levels which is narrated below:

- i. The admitted actual sales (say X) made by the DISCOMs have been grossed up by the normative Distribution 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 (MUs) (say C) to arrive at the total energy requirement, i.e.,  $D=(B+C)$ .

2.18 In order to compute the energy balance for DISCOMs, it is necessary to know the loss levels at each stage. Therefore, apart from normative distribution losses, Inter-State transmission and Intra-State transmission losses need to be identified correctly. The Commission had approved the distribution loss levels for working out power purchase requirement in the Retail Supply Tariff Order for FY 2021-22 as per MYT Regulations, 2015 and amendments thereof as shown in the table below:

**Table 13: Distribution loss trajectory for FY 2021-22 (%)**

<b>Particulars</b>	<b>East DISCOM</b>	<b>West DISCOM</b>	<b>Central DISCOM</b>
<b>Distribution Loss</b>	16%	14%	17%

2.19 Accordingly, the Commission has considered the Distribution Loss for FY 2021-22 as specified in the Regulations. Further, the Intra-State transmission loss for FY 2021-22 has been considered as 2.63% as submitted by MPPTCL in their annual report of regulatory compliance for FY 2021-22.

2.20 The Commission observed that the Petitioners have submitted the external transmission losses of Inter-State Transmission System for FY 2021-22 as approved in the Retail Supply Tariff Order for FY 2021-22. The Commission has considered ISTS on all India average basis as per the clause 10 of the CERC (Sharing of Inter State Transmission Charges and Losses) Regulations, 2020.

- 2.21 The Inter-State transmission losses from April, 2021 to March 2022 (52 weeks) has been considered on all India Average basis. The external losses (MU) are thus, arrived by multiplying the applicable losses (%) with the power purchase from the respective regions and external losses so arrived have been apportioned based on the total power purchase (MU) by each DISCOM.
- 2.22 Based on above, the power purchase requirement admitted by the Commission for FY 2021-22 is shown in the table below:

**Table 14: Admitted Power Purchase Requirement for FY 2021-22 (MU)**

S. No.	Particulars	East DISCOM	West DISCOM	Central DISCOM	Total for State
1	Total Energy Sale (MU)	17,180.38	24,534.41	20,754.47	62,469.25
2	A. Distribution Losses (%)	16.00%	14.00%	17.00%	15.57%
	B. Distribution Losses (MU)	3,272.45	3,993.97	4,250.92	11,517.34
<b>3</b>	<b>At T-D interface (MU)</b>	<b>20,452.83</b>	<b>28,528.38</b>	<b>25,005.39</b>	<b>73,986.60</b>
4	A. Transmission loss of MPPTCL (%)	2.63%	2.63%	2.63%	2.63%
	B. Transmission losses of MPPTCL (MU)	552.44	770.56	675.40	1,998.41
<b>5</b>	<b>At State periphery</b>	<b>21,005.27</b>	<b>29,298.94</b>	<b>25,680.79</b>	<b>75,985.00</b>
6	External losses (MU)	<b>491.02</b>	<b>701.20</b>	<b>593.17</b>	<b>1,785.38</b>
<b>7</b>	<b>Net Energy Requirement (MU)</b>	<b>21,496.29</b>	<b>30,000.14</b>	<b>26,273.96</b>	<b>77,770.38</b>

**Power Purchase Cost**

- 2.23 On analysis of the power purchase cost submitted by the Petitioners, variation was observed between the power purchase cost booked as per audited accounts of the DISCOMs and MPPMCL account. A comparison of power purchase cost as per the Petition, as per audited accounts of DISCOMs and MPPMCL is shown in the table below:

**Table 15: Comparison of power purchase cost as submitted by the Petitioners (Rs. Crore)**

Particulars	East DISCOM	West DISCOM	Central DISCOM	Total for the State
As filed in Petition	10,193.82	16,362.40	11,518.98	<b>38,075.19</b>
As per the audited accounts of DISCOMs	10,671.06	16,096.41	11,787.58	<b>38,555.05</b>
As per MPPMCL audited account	9,459.77	14,456.53	9,920.59	<b>33,836.89</b>

- 2.24 The Commission identified data gaps and directed the Petitioners to submit the reconciliation of the power purchase cost as per audited account of DISCOMs and MPPMCL. In reply Petitioners submitted the reconciliation statement, which shows that the major variation is due to additional expenses booked in the audited accounts of

DISCOMs pertaining to Intra State transmission charges, SLDC charges, UI/DSM charges, Reactive Charges and some expenses which have been booked in the audited accounts of MPPMCL of previous year. The reconciliation statement submitted by the Petitioners in order to fill data gaps is shown below:

**Table 16: Reconciliation of power purchase cost as per DISCOMs audited account and MPPMCL accounts submitted by the Petitioners (Rs. Crore)**

Sr. No.	Particulars	East DISCOM	West DISCOM	Central DISCOM	State
1	Fixed cost	3,354.33	3,866.19	3,768.02	10,988.53
2	Previous years' supplementary bills of Generators	472.79	531.08	535.11	1,538.98
3	Variable cost	5,768.98	6,649.31	6,480.46	18,898.75
4	Sale of additional power to MPAKVNL	71.51	-	90.42	161.93
5	Sale of additional power to IEX, Railways and other etc	607.02	-	767.62	1,374.64
6	Other Income of MPPMCL	219.71	241.65	241.94	703.30
7	Renewable Energy Cost for Meeting the RPO	1,032.12	1,189.62	1,159.41	3,381.15
8	Variable cost after adjusting Sale of additional Power & Other income, Renewable Cost (8=3-4-5-6-7)	3,838.62	5,218.03	4,221.08	13,277.73
9	Other Charges (Total FPA charges +Income Tax + ED, Cess, Heavy Water charge, water charges + MOPA, Insurance + Any Other charges)	321.73	370.83	361.41	1,053.98
10	Other costs passed to DISCOMs - which cannot be apportioned station wise	240.83	264.88	265.19	770.90
11	Inter-State Transmission charges	853.87	984.17	959.18	2,797.22
12	Cost based on Reconciliation of MPPMCL	38.76	17.98	(28.34)	28.40
<b>13</b>	<b>Power Purchase Cost</b>	<b>10,153.06</b>	<b>12,442.78</b>	<b>11,241.05</b>	<b>33,836.89</b>
14	Reconciliation of Discom Bill Amount	693.29	(1,977.32)	1,264.09	(19.94)
<b>15</b>	<b>MPPMCL Cost as per the Balance sheet of DISCOMs</b>	<b>9,459.77</b>	<b>14,420.10</b>	<b>9,976.96</b>	<b>33,856.83</b>
16	Power Purchase from others	4.64		0.83	5.47
17	UI/DSM Charges	(67.93)	(69.06)	123.19	(13.80)
18	Reactive Energy Charges	(12.80)	0.46	0.87	(11.48)
19	Intra state Transmission Charges	1,285.03	1,739.92	1,682.93	4,707.88
20	SLDC Charges	2.35	5.01	2.80	10.16
<b>21</b>	<b>Total Power Purchase Cost proposed to be allowed</b>	<b>10,671.06</b>	<b>16,096.41</b>	<b>11,787.58</b>	<b>38,555.05</b>
<b>22</b>	<b>Total Power Purchase Cost as per Balance sheets of DISCOMs</b>	<b>10,671.06</b>	<b>16,096.41</b>	<b>11,787.58</b>	<b>38,555.05</b>

2.25 The Commission in line with the approach adopted in previous true up orders and considering that the DISCOMs have made some payments directly to other entities like transmission charges, UI charges etc., has considered power purchase cost as per audited accounts of DISCOMs upon further scrutiny as per following paras.

2.26 While scrutinizing the power purchase costs as indicated in the audited accounts of the DISCOMs, the Commission has observed that in support of their claim, the Petitioners have furnished a statement indicating month-wise and station-wise details of power purchase quantum and costs (fixed cost, variable charges, other charges/costs) with DISCOM-wise apportionment for corroborating the figures in audited accounts for FY 2021-22. The total fixed cost for the stations as indicated in this statement is Rs. 10,988.53 Crore, Variable and Other Charges as Rs. 17,712.86 Crore (excluding revenue from sale of power to Railways/MPIDC and through IEX and by way of other income), Inter State transmission charges as Rs. 2,797.22 Crore, Supplementary Power Purchase Cost as Rs. 1,538.98 Crore, UI/DSM charge as Rs. (13.80) Crore, Other Cost of MPPMCL as Rs. 770.90 Crore, reactive energy charges as Rs. (11.48) Crore, Other Bills adjustment of DISCOMs as Rs. 28.40 Crore, Cost due to reconciliation of bills as Rs. 19.94 Crore and Inter-State Power Purchase as Rs. 5.47 Crore. Based on the submissions of Petitioners, the Commission has computed allowable Power Purchase Cost in the following para.

**MPPMCL Cost**

2.27 With regard to the Other Costs of Rs. 770.90 Crore {Rs. 240.83 Crore, Rs. 264.88 Crore and Rs. 265.19 Crore for East, West and Central DISCOMs, respectively} included in Power Purchase Cost, which was not apportioned station wise by the Petitioners, the Petitioners have submitted component-wise break up of this cost along with the Petition as follows:

**Table 17: Details of Other Costs submitted by the Petitioners for FY 2021-22  
(Rs. Crore)**

Sr. No.	Particulars	Amount
1	Power Purchase Cost	(30.37)
2	Bank Charges	3.61
3	Open Access Charges on Banking Of Power	6.06
4	Banking of Energy	275.32
5	Employee Benefit Expenses	66.19
6	Finance Cost	220.59
7	Other Expenses	219.28
8	Depreciation	10.21
9	IEX expenses on purchase	0.01
10	Open Access Charges on Medium Term Purchase of Power	0.01
<b>11</b>	<b>Total</b>	<b>770.90</b>

2.28 On analysis of the component-wise details of the Other Costs, it is observed that certain cost / (Revenue) pertains to provisioning for banking of power, Interest on State Govt. Loan, Interest on Deposits and Working Capital Demand Loan, which cannot be passed on to the State DISCOMs, therefore, the Commission has disallowed such costs. Costs, which have not been admitted by the Commission as other costs are as follows:

**Table 18 : Other Costs in Power Purchase Cost not considered by the Commission for FY 2021-22 (Rs. Crore)**

Sl. No.	Particulars	Amount	Reason for Disallowance
1	Banking of Energy	275.32	The amount pertains to provision made for payment of Banking of Energy, and hence, no actual payment has been made.
2	Finance Cost	215.80	Interest on State Govt. Loan, Interest on Deposits and Working Capital Demand Loan has been disallowed as these loans have been taken by MPPMCL for working capital requirement and do not pertain to funding of the DISCOMs. Since the Commission has already allowed the DISCOMs normative Interest on Working Capital, it would not be appropriate to allow finance cost to MPPMCL, separately.
	<b>Total</b>	<b>491.13</b>	

2.29 Based on above, the admitted MPPMCL cost for FY 2021-22 for DISCOMs which has been apportioned based on the actual claimed MPPMCL cost is shown in the following table:

**Table 19: MPPMCL Cost admitted for FY 2021-22 (Rs. Crore)**

Sr. No.	Particulars	State
1	Actual MPPMCL Cost (as submitted)	<b>770.90</b>
2	MPPMCL Cost disallowed	<b>491.13</b>
<b>3</b>	<b>MPPMCL Cost Admitted</b>	<b>279.77</b>

**Other income of MPPMCL**

2.30 An amount of Rs. 703.30 Crore is subtracted from power purchase cost towards Other income / rebate received by MPPMCL. Since, the Commission has allowed to pass on the expenses of MPPMCL towards its operation and maintenance to the DISCOMs, any income earned by it should also be considered appropriately. However, it is observed that majority of other income is towards rebate of prompt payment received from generators and credit adjustments on power purchase bills. As the Commission has admitted the power purchase cost towards normative energy requirement only, the other income is also admitted in proportion to the admitted energy requirement for DISCOMs. Other income of MPPMCL admitted by the Commission in true up of FY 2021-22 is as follows:

**Table 20: Other income of MPPMCL admitted for FY 2021-22**

Sr. No.	Particulars	Reference	State
1	Quantum of Power Purchase Procured as per petition (MUs)	A	82,300.84
2	Actual Other Income (Rs. Crore)	B	703.30
3	Quantum of Power Purchase Admitted (MUs)	C	77,770.38
<b>4</b>	<b>Other Income of MPPMCL admitted (Rs. Crore)</b>	<b>D=B*C/A</b>	<b>664.59</b>



**Unscheduled Interchange (UI) / Deviation Settlement Mechanism (DSM) and Reactive Energy Charges**

- 2.31 It is observed that the Petitioners have claimed UI / DSM of Rs. (13.80) Crore for FY 2021-22 based on the actual payment towards these charges. Similar to the approach adopted for approving the other income of MPPMCL above, the Commission has admitted pro-rated actual UI / DSM charges to the admitted normative energy requirement for DISCOMs.
- 2.32 Similarly, the Commission has admitted the pro-rated reactive energy charges towards admitted normative energy requirement for DISCOMs.
- 2.33 Admitted UI / DSM charges and reactive energy charges for FY 2021-22 is shown in table below:

**Table 21: UI/ DSM and Reactive Energy Charges Admitted for FY 2021-22**

Sr. No.	Particulars	Reference	State
1	Quantum of Power Purchase Procured as per petition (MUs)	A	82,300.84
2	UI / DSM Charge (Rs. Crore)	B	(13.80)
3	Quantum of Power Purchase Admitted (MUs)	C	77,770.38
4	<b>UI / DSM Charge Admitted (Rs. Crore)</b>	<b>D=B*C/A</b>	<b>(13.04)</b>
5	Reactive Energy Charges (Rs. Crore)	E	(11.48)
6	<b>Reactive Energy Charges Admitted (Rs. Crore)</b>	<b>F=E*C/A</b>	<b>(10.85)</b>

**Supplementary Bills**

- 2.34 The power purchase cost booked in the audited accounts also includes an amount of Rs. 1,538.98 Crore (Rs. 472.79 Crore of East DISCOM, Rs. 531.08 Crore of West DISCOM and Rs. 535.11 Crore of Central DISCOM) as “supplementary bills for the period prior to FY 2021-22”. On scrutiny of the supplementary bills, the details furnished to the Commission in support of aforesaid claim of Rs. 1,538.98 Crore pertain to following years:-

**Table 22: Supplementary Bills submitted by the Petitioners (Rs. Crore)**

FYs	East DISCOM	West DISCOM	Central DISCOM	State
<b>FY 2003-04</b>	2.72	2.08	2.15	6.95
<b>FY 2004-05</b>	8.01	6.13	6.35	20.49
<b>FY 2008-09</b>	7.11	7.77	6.47	21.34
<b>FY 2013-14</b>	0.00	0.00	0.00	0.00
<b>FY 2014-15</b>	4.06	4.19	4.17	12.41
<b>FY 2015-16</b>	2.70	2.47	2.99	8.16
<b>FY 2016-17</b>	9.67	9.48	9.51	28.67
<b>FY 2017-18</b>	7.51	4.08	8.20	19.79
<b>FY 2018-19</b>	66.46	89.65	80.82	236.94
<b>FY 2019-20</b>	52.27	60.01	56.08	168.36
<b>FY 2020-21</b>	312.29	345.22	358.36	1015.86
<b>Total</b>	<b>472.79</b>	<b>531.08</b>	<b>535.11</b>	<b>1538.98</b>

- 2.35 The amount of Rs. 1,538.98 Crore has been accounted in the audited accounts for FY 2021-22, therefore, the Commission considered it appropriate to examine these supplementary bills of the past years in the true up for FY 2021-22. In this regard, the Commission identified data gaps and directed the Petitioners to submit the details of the supplementary bills claimed in true up Petition for FY 2021-22 identifying the reasons for the claim along with the justification for not claiming the amount in the previous years. The Petitioners have provided the details along with the affidavit mentioning that the amount claimed in the supplementary bills in true-up for FY 2021-22 have not been claimed in earlier True-up Petitions.
- 2.36 Since in the past years' true up orders, the power purchase cost of a year was admitted on the basis of the actual metered sale, normative un-metered sale and normative losses of that year; the year wise claims of the power purchase cost have been worked out accordingly.
- 2.37 The Commission in Petition No-62/2017 dated 25<sup>th</sup> April, 2018 had not admitted the supplementary power purchase claim for the period prior to 1<sup>st</sup> June, 2005 as the retail supply tariff orders were issued for MP State Electricity Board. The relevant extract of the order has been reproduced below:-  
***“(ii) Rs. (-)1.26 Crore for the period prior to 01/06/2005:***  
  
***Since this amount pertains to the period prior to the formation of the independent companies wherein the retail supply tariff orders were issued for MP State Electricity Board and since there had not been any tariff regulations in vogue, the true up was not carried out. Hence, prudence of such claims has not been established.”***
- 2.38 Accordingly, the Commission has not considered the Petitioners' claim of Rs. 27.44 Crore towards the supplementary power purchase cost for the period prior to 1<sup>st</sup> June, 2005.
- 2.39 In regard to the claims pertaining to the FY 2008-09 and FY 2013-14 it has been noted that petitioners' claims for these years are in accordance with the approach adopted by the Commission for respective years' true ups. Therefore, the corresponding cost has been considered and approved in this Order.
- 2.40 Further, since the Commission has approved true up of FY 2014-15 to FY 2020-21 order, the amount of supplementary power purchase and Inter-State Transmission pertaining to FY 2014-15 of Rs. 12.41 Crore, FY 2015-16 of Rs. 8.16 Crore, FY 2016-17 of Rs. 28.67 Crore, FY 2017-18 of Rs. 19.79 Crore, FY 2018-19 of Rs. 236.94 Crore, FY 2019-20 of Rs. 168.36 Crore and FY 2020-21 of 1,015.86 Crore has been considered for approval in this order. The Commission has reworked this amount based on the actual metered sale, normative un-metered sale and normative losses admitted in true up of FY 2014-15 to FY 2020-21 respectively. Approach adopted by the

Commission in approval of power purchase cost towards supplementary bills of FY 2014-15 to FY 2020-21 is as follows:

- ❖ Full Fixed Cost allowed except for the fixed cost towards BLA power generating station as per the approach adopted in true up of FY 2017-18 and FY 2019-20.
- ❖ Variable and other cost admitted only for those plants, which have been considered as scheduled for meeting the normative energy requirement of FY 2014-15 to FY 2020-21 as per respective true ups.
- ❖ Variable and other cost of torrent power generating station is not considered as per the approach adopted in true up of FY 2014-15 to FY 2020-21. Further, Variable and other cost of BLA power generating station is not considered as per the approach adopted in true up of FY 2017-18 and FY 2019-20

2.41 The Commission has approved supplementary bills towards Inter State Transmission after exercising prudence checks. The details of break-up of supplementary bills as admitted by the Commission are shown as follows:-

**Table 23: Supplementary Bills Admitted by the Commission (Rs. Crore)**

Sr. No.	Particulars	Reference	State
1	Fixed Cost as per actual supplementary bills	A	752.11
2	Fixed Cost disallowed towards supplementary bills	B	4.36
<b>3</b>	<b>Total Fixed Cost allowed towards supplementary bills</b>	<b>C=A-B</b>	<b>747.74</b>
4	Variable and Other Cost as per actual supplementary bills	D	786.88
5	Variable Cost disallowed towards supplementary bills	E	47.42
<b>6</b>	<b>Total Variable Cost allowed towards supplementary bills</b>	<b>F=D-E</b>	<b>739.45</b>
<b>7</b>	<b>Total Power Purchase Cost allowed towards supplementary bills</b>	<b>G=C+F</b>	<b>1,487.19</b>

**Inter-State Transmission Charges**

2.42 The Commission in Retail supply tariff order for FY 2021-22 had admitted the Inter-State transmission charges of Rs. 2,874.15 Crore based on 4-years CAGR of 5.75% for projecting the Inter-State transmission charges for FY 2021-22. However, the actual Inter State transmission charges paid by the DISCOMs in FY 2021-22 is Rs. 2,797.22 Crore. Inter-State transmission charges are uncontrollable for DISCOMs and the Commission has admitted the actual inter State transmission charges of Rs. 2,797.22 Crore as per actuals in true up of FY 2021-22.

**Fixed and Variable Cost of Generating Station**

2.43 The Commission noted that DISCOMs had procured power in excess of admitted energy requirement computed based on norms specified in the MYT Regulations and methodology adopted in previous orders. 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 by taking cognizance of the Judgment of the Hon'ble APTEL dated 15<sup>th</sup> September 2015 in Appeal nos. 234, 270,

271 and 276 of 2014, in the matter of True-up Orders of previous years issued by the Commission. Accordingly, the power purchase cost has been determined by considering:

- i. Full fixed cost for the generating stations meeting the power purchase requirement of the DISCOMs and
- ii. The cost for short term power and variable cost of long term power together for deriving the average rate to be applied on the admitted quantum of power purchase requirement.

2.44 The Commission has thus admitted the actual fixed cost as claimed by the Petitioners in line with the methodology laid down by the Hon'ble APTEL except for the fixed charges for Essar Power and Torrent Power Station. With regard to power purchase from Torrent Power station, one of the stakeholder has raised the issue regarding purchase of costlier power against the principles of Merit Order Dispatch (MOD) on the basis of variable cost of generating station. Further, the Petitioners have not submitted any details of the conditions agreed in the power purchase agreement with Torrent Power before the Commission for approval. Therefore, in line with the view taken by the Commission in true ups of previous years, the Commission has considered it appropriate to keep in abeyance the quantum of power purchase from Torrent Power stations and its cost. Further, with regard to Essar power station the Commission in retail supply tariff order for FY 2021-22 had noted as follows:

*“2.55 Further, availability from Essar power as concessional energy submitted in the Petition is not in accordance with the Commission’s Order dated 4th May, 2016 in SMP No 51/2015. Therefore, the availability as proposed by the petitioners for FY 2021-22 has not been considered in this Order. Also, the Commission has not considered the availability and the cost there on for the Sugem Torrent Generating Station in view of past practice followed by the Commission in its Retail Supply Tariff Orders from 2016-17 onwards, since, the Petitioners could not respond satisfactorily to the Commission’s queries through separate communications with regard to PPA. However, the Petitioner is at liberty to approach the Commission with a separate Petition in this regard.”*

2.45 Considering the view taken by the Commission in retail supply tariff order for FY 2021-22 and in view of the current status being the same, the Commission has not considered the power purchase cost towards Essar power Stations and Sugem Torrent Generating Station in this order. Accordingly, the Commission has allowed the actual fixed cost excluding the fixed cost towards Essar Power and Torrent Sugem power stations.

2.46 The summary of fixed charges as considered by the Commission is shown in table below:

**Table 24: Fixed Cost Admitted by the Commission (Rs. Crore)**

Particulars	State
Fixed Cost Admitted in Tariff Order for FY 2021-22	11,490.69
Fixed Cost Claimed in True-up Petition for FY 2021-22	10,988.53
<b>Fixed Cost Admitted in True-up Order for FY 2021-22</b>	<b>10,953.37</b>

- 2.47 The losses in Intra-State and Inter-State transmission system are beyond the control of the Petitioners, however, impact of these losses would have been lower, had the Petitioners achieved distribution losses as per the target specified by the Commission. Similarly, computation of pool energy rate (Rs./kWh) on the basis of actual power purchase cost as per audited accounts and total energy procured by the Petitioners as per DSM/UI account would lead to higher per unit rate due to inclusion of cost of power from costlier plants. This could have been avoided by the Petitioners, had they achieved the target loss levels and restricted their sales to unmetered agriculture and domestic consumers within the norms specified by the Commission. Considering that the Petitioners have not achieved the norms specified by the Commission, the inefficiency of the Petitioners cannot be passed on to the consumers of the State.
- 2.48 Further, with regard to Petitioners' submission for not considering cost of Renewable Energy power in computation of energy charges, the Commission opines that as per the present methodology adopted by the Commission, the energy charges are approved based on Merit Order Despatch (MOD) principle. As the Renewable Energy (RE) power plants are having Must Run Status, there is no disallowance of power purchase cost towards RE procurement.
- 2.49 Accordingly, the Commission has computed the energy charges of the Petitioners as per the following approach:
- Monthly Energy Requirement is computed considering the monthly energy sales admitted by the Commission grossed up with admitted loss levels of Distribution System, Intra-State and Inter-State transmission System.
  - To meet this monthly energy requirement, scheduled energy of each generating stations has been considered as per monthly State Energy Account. Scheduling of the generating stations has been considered as per the monthly MOD issued by MPSLDC. Scheduled Energy from Essar and Torrent Power generating station has not been considered. Accordingly, the Variable charges for energy worked out based on MOD principle have been considered.
  - Shortfall if any in meeting the energy requirement has been considered to be met through purchase of power from open market at a rate equal to energy charge of the last generating station in the MOD.

- Energy charge worked out for each generating station considering the actual energy and other charges as per the MPPMCL statement on annual basis provided by the Petitioners.

- 2.50 Based on the above approach, the Commission has computed the energy charges of Rs. 17,363.98 Crore at per unit rate of Rs 2.23/kWh.
- 2.51 Accordingly, the total power purchase cost determined by the Commission for FY 2021-22 is given in the table below:

**Table 25: Admitted Power Purchase Cost (Rs. Crore)**

Sr. No.	Particulars	Reference	State
1	Fixed Cost of Power Purchase for FY 2021-22 (After deducting Torrent and Essar) (Rs. Crore)	A	10,953.37
2	Energy Charge Rate (Rs. / kWh)	B	2.23
3	Quantum of Power Purchase Admitted (MUs)	C	77,770.38
4	Total Energy Charges admitted (Rs. Crore)	D=B*C/10	17,363.98
5	Inter-State Transmission Charges (Rs Crore)	E	2,797.22
6	MPPMCL Cost (Other cost which can't be apportioned) (Rs Crore)	F	279.77
7	UI / DSM Charge Admitted (Rs. Crore)	G	(13.04)
8	Reactive Energy Charges Admitted (Rs. Crore)	H	(10.85)
9	Less: Other Income of MPPMCL	I	664.59
10	Supplementary Bills (Rs. Crore)	J	1,487.19
<b>11</b>	<b>Total Power Purchase Cost Admitted for FY 2020-21 (Rs. Crore)</b>	<b>K=A+D+E+F+G+H-I+J</b>	<b>32,193.06</b>

- 2.52 It is observed that the total power purchase cost excluding MPPTCL and SLDC charges as admitted in the retail tariff order for FY 2021-22 was Rs. 30,655.30 Crore, whereas in this order the Commission has admitted power purchase cost of Rs. 32,193.06 Crore. The major reason for this increase is as follows:

- Increase in variable charges due to upward revision in energy charges of the generating stations;
- Inclusion of Supplementary bills of previous financial years
- Increase in MPPMCL cost.

- 2.53 The Petitioners have filed an Appeal before the Hon'ble APTEL against the approach adopted in treatment of power purchase cost while approving the true ups for FY 2014-15 to FY 2018-19 which is still pending. The Commission in this order has adopted the same approach as adopted in the true-up orders of FY 2014-15 to FY 2020-21.

**Intra-State Transmission Charges**

- 2.54 Intra-State Transmission charges admitted in the Retail Supply Tariff Order, Audited Accounts and as filed for FY 2021-22 by East, West and Central DISCOMs including SLDC charges are given in the table below:

**Table 26 : Intra-State Transmission Charges including SLDC charges for FY 2021-22  
(Rs. Crore)**

DISCOM	As per tariff order for FY 2021-22	As per audited accounts of FY 2021-22	Claimed
East	1,204.83	1,287.38	1,287.38
West	1,446.06	1,744.92	1,744.92
Central	1,434.79	1,685.73	1,685.73
<b>Total</b>	<b>4,085.68</b>	<b>4,718.04</b>	<b>4,718.04</b>

2.55 It has been observed from the above table that East, West and Central DISCOMs have claimed charges as per Audited Accounts. As the actual Intra-State transmission charges claimed by the Petitioners are found to be prudent, hence the Commission has admitted the same. The admitted Intra-State transmission charges inclusive of SLDC charge are shown in the Table below:

**Table 27 : Intra-State Transmission Charges including SLDC charges admitted by the Commission for FY 2021-22 (Rs. Crore)**

Sl. No.	DISCOM	Admitted
1	East	1,287.38
2	West	1,744.92
3	Central	1,685.73
<b>4</b>	<b>Total</b>	<b>4,718.04</b>

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

#### **Petitioners' Submission:**

2.56 The Commission had admitted the total O&M Expenses as Rs. 4,403.67 Crore in the Tariff Order for FY 2021-22. DISCOM-wise break-up of the O&M expenses admitted in the Tariff Order is given in the table below:

**Table 28 : O&M Expenses admitted in Tariff Order of FY 2021-22 (Rs. Crore)**

Particulars	East DISCOM	West DISCOM	Central DISCOM	Total
O&M Expenses	1,536.68	1,379.64	1,487.35	4,403.67

2.57 The Petitioners have submitted that they have filed an appeal before the Hon'ble APTEL in DFR No. 458 of 2021 against the various issues including treatment of Operation and Maintenance expenses. Considering that the aforesaid appeal is pending before the tribunal and the matter is sub-judice, the Petitioners in the present true-up petition have claimed the O&M expenses as per actuals only. The Petitioners have not claimed the saving in O&M expenses in this Petition on account of actual expense being lower than the approved norms.

2.58 The O&M expenses claimed by the Petitioners are shown in the table below:

**Table 29 : O&M Expenses claimed by Petitioners for FY 2021-22 (Rs. Crore)**

<b>Particulars</b>	<b>East DISCOM</b>	<b>West DISCOM</b>	<b>Central DISCOM</b>	<b>State</b>
Employee Expenses	888.76	771.43	817.75	2,477.95
Dearness Allowance	81.62	83.40	96.78	261.80
Terminal Benefits	77.74	180.22	96.31	354.26
Arrears	0.00	0.00	0.00	0.00
A&G Expenses	113.60	132.27	130.40	376.27
Other Expenses (Rates & Taxes etc)	1.27	2.48	5.41	9.16
MPERC Fee	0.46	0.58	0.48	1.52
R&M Expenses	120.27	152.89	126.36	399.52
O&M Expenses Capitalised	(30.64)	(19.88)	(22.47)	(72.99)
<b>Total O&amp;M Expenses claimed</b>	<b>1,253.08</b>	<b>1,303.39</b>	<b>1,251.02</b>	<b>3,807.49</b>

**Commission’s Analysis on O&M Expenses:**

2.59 The Commission had specified norms for O&M expenses in the MYT Regulations, 2015 and amendments thereof. It is pertinent to mention that Regulation 46 of Tariff Regulations, 2015 specifies that the Commission may deviate from the norms specified in the Tariff Regulations, 2015. The relevant extract of the Regulation has been reproduced below:-

***“46. Deviation from norms***

*The Distribution Tariff to be recovered by the Distribution Licensees from the consumers may also be determined by the Commission in deviation of the norms specified in these Regulations.”*

2.60 These norms were fixed on the basis of past audited figures of the Distribution Licensees. The rationale behind fixing these norms was to promote competition, adoption of commercial principles, efficient working of the Distribution Licensees and protection of Consumer’s interest. However, it is observed that the Petitioners have not been able to keep their operational efficiency in line with the targets specified by the Commission in the Regulations. In view of the spirit of MYT Regulations, 2015 and amendments thereof, the Commission has decided not to pass burden of their inefficiencies on the consumers of the State, by considering the norms specified in these Regulations as ceiling norms and allowing overall O&M expenses on actuals only, if the same is lesser as compared to norms specified in the Regulations.

2.61 The Preamble of the Electricity Act, 2003 (36 of 2003) cites measures of protecting interest of consumers as salient feature of the legislation. Section 61(d) of the Electricity Act, 2003 lays down guiding principle in regard of safeguarding of consumers’ interest



and at the same time, recovery of the cost of electricity in a reasonable manner. The actual cost incurred on O&M expenses by the Distribution Licenses is below the norms and by allowing such actual cost, the Commission is adhering to the principle laid down under section 61(d) of the Electricity Act, 2003.

2.62 Recently, Hon'ble Supreme Court in a judgement in Civil Appeal 684 of 2021 (Maharashtra State Electricity Distribution Company Limited Versus Adani Power Maharashtra Limited & Ors.) has observed that the Hon'ble CERC and Hon'ble APTEL after examining the material on record, has appropriately allowed expenses as per the Regulations or actuals, whichever is lower. The relevant paragraphs of the judgement are reproduced below:-

*“120. It could thus be seen that two expert bodies i.e. the CERC and the learned APTEL have concurrently held, after examining the material on record, that the factors of SHR and GCV should be considered as per the Regulations or actuals, whichever is lower. The CERC as well as the State Regulatory bodies, after extensive consultation with the stakeholders, had specified the SHR norms in respective Tariff Regulations. In addition, insofar as GCV is concerned, the CEA has opined that the margin of 85-100 kcal/kg for a non-pit head station may be considered as a loss of GCV measured at wagon top till the point of firing of coal in boiler.*

.....  
*153. In the present case, the learned APTEL has also held that SHR and GCV has to be taken into consideration as per the ‘actual’ or the Tariff Regulations, whichever is lower and as such, balanced the interests of generators as well as consumers. ”*

2.63 Further in accordance with the MYT Regulations, 2015 dearness allowance, pension and terminal benefits, taxes to be paid to the Government or Local Authorities and fees to be paid to MPERC is allowable on actual basis. The same has been duly considered by the Commission on actual basis. Also, the Commission has considered the actual Operation and Maintenance expenses capitalized during the year as per the audited accounts of FY 2021-22 and has reduced the same from the admitted Operation and Maintenance expenses.

2.64 The Commission also observed that some DISCOMs are booking expenses towards contractual employees under employee expenses, whereas some are booking it under the A&G Expenses. Therefore, the Commission has considered the lesser of the actual O&M expenses as per the audited accounts vis-a-vis normative O&M expenses in totality.

2.65 Accordingly, based on the above, the component-wise analysis is shown in the following paragraphs.

**Employee Expenses, Terminal Benefits & Arrears**

- 2.66 The Commission has carried out detailed scrutiny of the actual employee expenses, excluding DA, arrears, pension and terminal benefits, and compared the same with the norms specified in the MYT Regulations, 2015 and amendments thereof.
- 2.67 In accordance with the MYT Regulations, 2015 and amendments thereof, the DISCOMs are eligible to claim DA, terminal benefits, incentives paid to Employees on actuals. Accordingly, the Commission has considered the DA on actuals for FY 2021-22. As regards the issue of expenses against terminal benefits for the MPSEB/successor entities as well as pension payments to pensioners, the Commission has considered the terminal benefits and pension expenses on “Pay as you go” principle under the transmission charges. Therefore, the Commission has not considered any provisioning made under the head “Terminal Benefits to Employees” in this True-up for FY 2021-22 and allowed only the actual payment made to employees including leave encashment but excluding pension and gratuity. Further, the Commission has observed that the Petitioners have claimed free/ concessional electricity to employees of Rs. 9.50 Crore (Rs.4.81 Crore, Rs. 3.05 Crore and Rs. 1.84 Crore for East, West and Central DISCOMs respectively), under the head of employee expenses, which has not been considered by the Commission under Employee Expenses as per the approach adopted by the Commission in pervious true-up orders.
- 2.68 Based on the above, the Employee Expenses as per actuals and as per the provision of Regulations for FY 2021-22 is shown in the following table:

**Table 30: Normative and Actuals Employee Expenses for FY 2021-22 (Rs. Crore)**

Sr. No.	Particulars	EAST DISCOM		WEST DISCOM		CENTRAL DISCOM	
		Actual	Normative*	Actual	Normative*	Actual	Normative*
1	Employee Expenses	884.14	913.00	768.37	801.00	815.92	814.00
2	DA	81.63	81.63	83.40	83.40	96.78	96.78
3	Terminal Benefits	77.74	77.74	180.22	180.22	96.31	96.31
4	Arrears	0.00	0.00	0.00	0.00	0.00	0.00
	<b>Total</b>	<b>1,043.51</b>	<b>1,072.37</b>	<b>1,032.00</b>	<b>1,064.62</b>	<b>1,009.00</b>	<b>1,007.09</b>

\*As per the provisions of the Regulations

**A&G Expenses**

- 2.69 The Commission has analysed the actual A&G expenses and compared the same with the norms specified in the Regulations. Further, with regards to the actual taxes paid to the government, the Commission has considered the actual taxes paid by the DISCOMs.
- 2.70 The Commission has observed that the MPERC Fees claimed by the Petitioner is in line with actual fees paid to the Commission. Therefore, the Commission has considered

the same. Accordingly, based on the above, A&G expenses as per actual and as per the provision of Regulations for FY 2021-22 are shown in the following table:

**Table 31: Normative and Actual A&G Expenses computed for FY 2021-22 (Rs. Crore)**

Sr. No.	Particulars	EAST DISCOM		WEST DISCOM		CENTRAL DISCOM	
		Actual	Normative*	Actual	Normative*	Actual	Normative*
1	A&G Expenses	113.60	121.00	132.27	114.00	130.40	106.00
2	Rates & Taxes	1.27	1.27	2.48	2.48	5.41	5.41
3	MPERC Fees	0.46	0.46	0.58	0.58	0.48	0.48
<b>4</b>	<b>Total</b>	<b>115.33</b>	<b>122.73</b>	<b>135.32</b>	<b>117.06</b>	<b>136.29</b>	<b>111.89</b>

\*As per the provision of the Regulations

### R&M Expenses

2.71 The provision for R&M expenses in the MYT Regulations, 2015 and amendments thereof is @ 2.3% on the opening GFA of the financial year for all DISCOMs. The Commission has also analysed the actual R&M expenses as per the audited accounts for FY 2021-22. Accordingly, based on the above, R&M expenses as per actual and as per the provision of Regulations for FY 2021-22 are shown in the following table:

**Table 32 : Normative and Actuals R&M Expenses computed for FY 2021-22 (Rs. Crore)**

DISCOMs	GFA	GFA % as per norms	Actual R&M Expenses	Normative R&M Expenses
East	11,392.20	2.30%	120.27	262.02
West	8,745.71	2.30%	152.89	201.15
Central	12,428.75	2.30%	126.36	285.86
<b>Total</b>	<b>32,566.66</b>	<b>2.30%</b>	<b>399.52</b>	<b>749.03</b>

### Provision for Terminal Benefit Trust Fund

2.72 The Commission in Retail Supply Tariff Order for FY 2021-22 had considered an amount of Rs. 210 Crore towards Pension and Terminal Benefit Trust Fund (liabilities provision) which is to be contributed by the DISCOMs to the Registered Terminal Benefits Trust for FY 2021-22 as per the approach adopted by the Commission in previous orders. Accordingly, the Commission has allowed the provision of Rs. 210 Crore towards Terminal Benefits in this order, which is shown in the following table:

**Table 33: Provision for Terminal Benefit admitted by the Commission in FY 2021-22 (Rs. Crore)**

Particulars	East DISCOM	West DISCOM	Central DISCOM	Total for State
Provision for Terminal benefits Trust Fund	70.00	70.00	70.00	<b>210.00</b>

2.73 In view of the above, the Commission compared the O&M Expenses computed as per the provision of the Regulations and actual O&M Expenses as per audited accounts of FY 2021-22. The Commission observed that overall actual O&M Expenses are lesser than Normative Expenses. Based on the approach detailed above, the Commission has admitted the lesser of the total actual O&M expenses as per the audited accounts vis-a-vis normative O&M expenses. In view of the above, the admitted O&M expenses for FY 2021-22 are as shown in the following table:

**Table 34 : O&M expenses admitted for DISCOMs for FY 2021-22 (Rs. Crore)**

Particulars	East DISCOM			West DISCOM			Central DISCOM		
	Actual	Normative	Admitted	Actual	Normative	Admitted	Actual	Normative	Admitted
Employee Expenses	884.14	913.00	884.14	768.37	801.00	768.37	815.92	814.00	815.92
DA	81.63	81.63	81.63	83.40	83.40	83.40	96.78	96.78	96.78
Terminal Benefits	77.74	77.74	77.74	180.22	180.22	180.22	96.31	96.31	96.31
A&G Expenses	113.60	121.00	113.60	132.27	114.00	132.27	130.40	106.00	130.40
Rates & Taxes etc.	1.27	1.27	1.27	2.48	2.48	2.48	5.41	5.41	5.41
MPERC Fee	0.46	0.46	0.46	0.58	0.58	0.58	0.48	0.48	0.48
R&M Expenses	120.27	262.02	120.27	152.89	201.15	152.89	126.36	285.86	126.36
O&M Expenses Capitalised	(30.64)	(30.64)	(30.64)	(19.88)	(19.88)	(19.88)	(22.47)	(22.47)	(22.47)
<b>Total O&amp;M Expenses</b>	<b>1,248.47</b>	<b>1,426.48</b>	<b>1,248.47</b>	<b>1,300.33</b>	<b>1,362.95</b>	<b>1,300.33</b>	<b>1,249.18</b>	<b>1,382.36</b>	<b>1249.18</b>

**Table 35 : O&M expenses admitted for State for FY 2021-22 (Rs. Crore.)**

Particulars	State		
	Actual	Normative	Admitted
Employee Expenses	2,468.43	2,528.00	2,468.43
Dearness Allowance	261.81	261.81	261.81
Terminal Benefits	354.26	354.26	354.26
A&G Expenses	376.27	341.00	376.27
Rates & Taxes etc.	9.16	9.16	9.16
MPERC Fee	1.52	1.52	1.52
R&M Expenses	399.52	749.03	399.52
O&M Expenses Capitalised	(72.99)	(72.99)	(72.99)
<b>Total O&amp;M Expenses</b>	<b>3,797.99</b>	<b>4,171.80</b>	<b>3,797.99</b>

2.74 Further, the Petitioners have filed an Appeal before the Hon'ble APTEL against the approach adopted in approval of Operation and Maintenance Expenses in true-up of previous years which is still pending. The Commission has adopted the same approach as adopted in the true-up orders of FY 2014-15 to FY 2020-21.

**Return on Equity**

**Petitioners' Submission:**

- 2.75 Petitioners have claimed return on equity @ 16%. East, West and Central DISCOMs have claimed return on equity as Rs. 254.8 Crore, Rs 187.55 Crore and Rs 282.95 Crore, respectively, as against Rs. 360.92 Crore, Rs 217.64 Crore and Rs 407.38 Crore, respectively, admitted by the Commission in the Tariff Order for FY 2021-22.
- 2.76 Further, the Petitioners submitted that the Commission in previous True-up Orders has considered the whole of the consumer contribution and grant received by the Licensee on global basis towards financing of capitalization during the year and due to this the net GFA addition has been reduced. As per submission of the Petitioners this tantamount to lower equity consideration than the actual as ceiling of maximum 30% of equity infusion is linked to net GFA addition excluding consumer contribution and grant. Hence, due to such approach, even if the actual equity infusion by licensee remains within the ceiling of 30%, it would qualify for the equity balance of the year. This will have recurring impact on the ARR of DISCOMs. Therefore, the Petitioners requested the Commission to revise its approach and consider the consumer contribution and grant on the basis of utilization or funding pattern.

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

- 2.77 The equity contribution has been considered as 30% on the net GFA addition during FY 2021-22, if the actual equity deployed is more than 30% of the net GFA. Further, only that equity capital is considered, which has been utilized for funding of the project. Accordingly, as per the approach adopted in the previous true-up orders the actual equity deployed has been considered subject to equity addition being within 30% of the net GFA. Any equity in excess of the 30% of the net GFA has been considered as normative loan.
- 2.78 Closing equity of FY 2020-21 as admitted by the Commission in True-up Order of FY 2020-21 has been considered as opening value of equity for FY 2021-22. Further, the rate of return on equity has been considered as per the MYT Regulations, 2015 @ 16%. The computation of return on equity as admitted is shown in the table below:

**Table 36 : Return on Equity admitted for FY 2021-22 (Rs. Crore)**

S. No.	Particulars	East DISCOM	West DISCOM	Central DISCOM	Total for State
1	Opening Equity identified with GFA (Closing equity as per True-up Order of FY 2020-21)	1,581.91	1,163.24	1,724.36	4,469.51
2	GFA Addition during the year	545.54	121.46	700.25	1,367.25
3	Consumer Deposit and Grants utilized during the year	545.54	121.46	428.10	1,095.10

**True-up Order on ARR of DISCOMs for FY 2021-22**

S. No.	Particulars	East DISCOM	West DISCOM	Central DISCOM	Total for State
4	Net GFA Addition during the year	-	-	272.15	272.15
5	Actual Equity Addition	21.20	26.00	132.28	179.48
6	30% of addition to net GFA considered as funded through equity	-	-	81.64	81.64
7	Net GFA considered as funded through equity (Min (5,6))	-	-	81.64	81.64
8	Closing Equity Considered for FY 2021-22	1,581.91	1,163.24	1,806.00	4,551.16
9	Average Equity identified with GFA and considered for FY 2021-22	1,581.91	1,163.24	1,765.18	4,510.33
<b>10</b>	<b>RoE @16% admitted in True-up of FY 2021-22</b>	<b>253.11</b>	<b>186.12</b>	<b>282.43</b>	<b>721.65</b>

2.79 Further, with regard to the Petitioners' request to revisit the approach and consider the consumer contribution and grant on the basis of utilisation or funding pattern in true up of FY 2021-22, it is observed that the Petitioners had filed the review Petition of True-up order of FY 2020-21 (P. No. 38/2022) to revisit the above said approach. The Commission has disallowed the claim. The relevant extract from the order passed by the Commission is reproduced below:-

*“6.2.1 The Commission adopted the approach, wherein efficient utilization of fund is to be considered and based on that principles the Commission has considered the consumers contribution and grants received during the year as utilized during the year. The rationale behind adopting this approach is to ensure efficient management of funds, since the consumers contribution and grants are free of cost to the licensees and hence it is expected that the licensees must utilise consumers contribution and grants first and fund the balance capitalisation through debt and equity.*

*6.2.2 In light of above there is no error apparent and this issue does not qualify for review.”*

2.80 The Commission had been adopting the same approach in all its previous true up orders which have already attained finality. Accordingly, the Commission opines not to reopen settled issues in instant true up order.

**Depreciation**

**Petitioners' Submission:**

2.81 The Petitioners in this True-up Petition have claimed depreciation on net asset addition after reducing grants and consumer contribution utilized during the year from the actual gross asset addition during the year.

2.82 Further, the petitioners have submitted that they have not claimed deferred income which is in accordance with the Accounting standard 12 as well as with the

Commission's previous true-up orders. Regarding treatment of Grant, the Petitioners submitted that the Accounting Standard 12 of Institute of Chartered Accountants of India laydown principle as under:

*“Government grants related to specific fixed assets should be presented in the balance sheet by showing the grant as a deduction from the gross value of the assets concerned in arriving at their book value. Where the grant related to a specific fixed asset equals the whole, or virtually the whole, of the cost of the assets, the asset should be shown in the balance sheet at a nominal value. Alternatively, government grant related to depreciable fixed assets may be treated as deferred income which should be recognized in the profit and loss statement on a systematic and rational basis over the useful life of the asset, i.e., such grant should be allocated to income over the periods and in the proportion in which depreciation on those assets is charges.”*

- 2.83 The Petitioners have also submitted that the Accounting Standards issued by the Chartered Accountants of India provides for two methods for treatment of the grant identifiable to the asset. Under first alternative, the gross block is reduced by the amount of grant and the depreciation is provided on reduced gross block. Under second alternative, depreciation is provided on the total gross block but the amount equal to the depreciation on the specific assets related to grant is shown as income in the respective year in the Profit and Loss Account and would be deductible from the tariff. The Petitioners have claimed GFA addition and depreciation as per the first method.
- 2.84 The Petitioners submitted that though treatment of grant for the purpose of depreciation is different in both the alternatives but the net impact on tariff on account of depreciation is same under both of the alternatives.
- 2.85 Further, the Petitioners have claimed Depreciation as charged in the books of the Petitioners for the Assets capitalized during the year and at the beginning of the year consistent with the rates of depreciation specified in MYT Regulations, 2015 (except West DISCOM). The West DISCOM adopted the rate of depreciation notified by the Commission in Regulations from the FY 2010-11 as per the clarification issued by the Ministry of Corporate Affairs vide general circular No 31/2011 dated 31st May 2011. Since, DISCOMs adopted depreciation rates specified in the Regulations only from FY 2010-11, a separate depreciation model was used to consider depreciation as per Regulations since FY 2006-07. Accordingly, the Petitioners have considered the Depreciation for FY 2021-22.
- 2.86 As regard to consideration of depreciation rate in Tariff Orders, the Petitioners submitted that the depreciation has been charged in the books of the DISCOMs for the Asset capitalization during the year is consistent with the rates of depreciation specified in MYT Regulations, 2015 and amendment thereof. Therefore, in case the Commission is not satisfied with the Asset Register prepared by the DISCOMs, then it may adopt the methodology as adopted for allowing the normative interest on project loan wherein

the interest rate is arrived based on the actual weighted average interest rate. Similarly, the Commission may work out the actual weighted average depreciation rate as per audited accounts which could be then applied on the average GFA as admitted by the Commission to arrive at the allowable depreciation for the year. This will help DISCOMs in managing their debt service obligation at least to the extent of GFA admitted. Further, it is pertinent to mention that the Commission in the MYT Order dated 31<sup>st</sup> March, 2022 has adopted similar method wherein it has considered weighted average depreciation rate (i.e., 4.95%, 3.78% and 4.65% for East, West and Central DISCOMs, respectively) derived based on Fixed Asset Register submitted by the DISCOMs for the purpose of calculation of depreciation.

- 2.87 Based on the submissions as above, the Petitioners requested the Commission to approve the depreciation as claimed by the Petitioners which is in line with the Audited Accounts. Alternatively, if the Commission is not satisfied with the Fixed Asset Register and inclined to approve depreciation independent of Fixed asset register, then at least consider the actual weighted average depreciation rate as per Audited Accounts.
- 2.88 Accordingly, the Petitioners have claimed depreciation of Rs. 262.02 Crore, Rs. 309.67 Crore and Rs.352.06 Crore for East, West and Central DISCOMs, respectively, as against Rs. 209.76 Crore, Rs. 127.60 Crore and Rs.268.38 Crore, respectively, as approved by the Commission in Tariff Order for FY 2021-22.

**Commission's analysis on depreciation:**

- 2.89 The Commission in Regulation 32 of the MYT Regulations, 2015 has specified the following methodology for computation of depreciation:
- a. *The value base for the purpose of depreciation shall be the capital cost of the assets as admitted by the Commission.*
  - b. *The approved/accepted cost shall include foreign currency funding converted to equivalent rupee at the exchange rate prevalent on the date of foreign currency actually availed.*
  - c. *The salvage value of the asset shall be considered as 10% and depreciation shall be allowed up to maximum of 90% of the capital cost of the asset.*
  - d. *Land other than land held under lease shall not be a depreciable asset and its cost shall be excluded from the capital cost while computing depreciable value of the asset.*
  - e. *Depreciation shall be calculated annually based on 'straight line method' and at rates specified in Annexure II to these Regulations for the assets of the Distribution System declared in commercial operation after 31/03/2016. Provided that, the remaining depreciable value as on 31st March of the Year closing after a period of 12 Years from Date of Commercial Operation shall be spread over the balance useful life of the assets.*



- 2.90 The Commission in its True-up Order for FY 2005-06 dated January 16, 2008 clarified that irrespective of the accounting practice followed by the utilities, the Commission will allow depreciation as per the depreciation rates specified in the Regulations.
- 2.91 The Commission has observed that the Petitioners have submitted Fixed Assets Registers upto FY 2021-22. However, the same does not comply with the formats specified by the Commission. On further analysis it is also observed that the Petitioners have not been able to link the individual asset details with its cost in years prior to FY 2021-22 in Fixed Asset Registers. The Petitioners have provided the quantity against the assets in cumulative manner, separately.
- 2.92 During Technical Validation Session for True-up FY 2020-21 and MYT Order for FY 2022-23 to FY 2026-27, the Petitioners informed the Commission that from FY 2020-21 onwards, they are keeping record of the individual assets separately and accordingly, the Petitioner's shall be submitting the Fixed Asset Registers in the desired format during the next true up petitions. The Commission had taken note of the Petitioner submission. Further, the Commission directed the Petitioners to submit the Fixed Assets Registers as per format specified by the Commission in next Tariff Petition for FY 2023-24 and true-up petition for FY 2021-22. However, the Petitioners have failed to submit the Fixed Asset Registers as per the specified format in true up petition for FY 2021-22.
- 2.93 Therefore, the Commission has computed the weighted average depreciation rate (i.e., 4.81%, 4.25% and 4.58% for East, West and Central DISCOMs, respectively) derived on the basis of Fixed Asset Registers submitted by the DISCOMs for FY 2021-22, which has been considered for computation of depreciation for FY 2021-22. However, the Commission has disallowed 50% of depreciation amount in this order on account of non-submission of Fixed Asset Registers as per the format specified by the Commission' and due to non-compliance of the Commission's directives.
- 2.94 Accordingly, considering GFA addition (net of consumer contribution and grants) as discussed in "Interest & Finance Charges" Section of this Order, the admitted depreciation for FY 2021-22 is as shown in the table below:

**Table 37 : Depreciation admitted by the Commission for FY 2021-22 (Rs. Crore)**

Sr. No.	Particulars	East DISCOM	West DISCOM	Central DISCOM	Total for State
1	Opening GFA on 1 <sup>st</sup> April, 2021 (Closing GFA net of consumer contribution & grants as per true-up order of FY 2020-21)	7,479.99	4,717.74	8,847.59	21,045.32
2	Add: GFA Added during the year	545.54	176.50	700.25	1,422.29
3	Less: Deductions during the year	-	55.04	-	55.04
4	Less: Consumer Contribution and grants during the year	797.00	259.92	428.10	1,485.02

<b>Sr. No.</b>	<b>Particulars</b>	<b>East DISCOM</b>	<b>West DISCOM</b>	<b>Central DISCOM</b>	<b>Total for State</b>
5	<i>Net GFA addition during the year</i>	-	-	272.15	272.15
6	Closing GFA on 31 <sup>st</sup> March, 2021	7,479.99	4,717.74	9,119.74	21,317.46
7	<b>Average GFA</b>	7,479.99	4,717.74	8,983.66	21,181.39
8	Rate of Depreciation (%)	4.81%	4.25%	4.58%	4.59%
9	<b>Depreciation admitted by the Commission@50%</b>	<b>179.89</b>	<b>100.25</b>	<b>205.73</b>	<b>485.87</b>

### **Interest on Project Loans**

#### **Petitioners' Submission:**

- 2.95 The Petitioners have submitted that the Commission in previous True-up Orders has considered Consumer Deposit and Grants received during the year as utilized during the year. This has resulted in perpetual loss to the Petitioners and has a recurring impact on the ARR of Discoms, as the same would never form part of the Opening Equity /Debt/Net GFA of the subsequent Financial Year. Therefore, treating the amount towards consumer contribution and grant received as mean of financing capitalization en-bloc is a wrong accounting practice. Therefore, the Petitioners requested the Commission that entire amount as received during the year towards consumer contribution and grant may not be treated as means of financing capitalization during the year.
- 2.96 The Petitioners submitted that they have adopted following methodology for calculation of interest on project loan for the purpose of true-up of FY 2021-22:
- ❖ The closing values of GFA, debt and equity as admitted in the True-up Order of FY 2020-21 has been considered as opening values of GFA, debt and equity for FY 2021-22
  - ❖ Net addition to GFA during FY 2021-22 has been worked out by subtracting the amount utilized from consumer contribution and grants during the year.
  - ❖ Equity in excess of 30% of the net GFA added during FY 2021-22, has been considered as normative loan. Further, only such equity capital is to be considered which has been actually utilized for creation of asset. If the actual equity deployed is less than 30% of the net GFA, then actual equity has been considered for computation of RoE. The equity so derived has been added to the equity considered at the end of FY 2021-22.
  - ❖ Balance of net addition to GFA has been considered as having been funded through debt and added to the total opening values of debt for FY 2021-22.
  - ❖ In accordance with Regulation 31.3 of the MYT Regulations, 2015, debt repayment is considered equal to the depreciation claimed for the year.
- 2.97 The Petitioners have submitted that the rate of interest has been considered based on the actual loan portfolio of the respective DISCOMs in line with the Tariff Regulations,

2015. The interest on project loans has been computed based on the average of the opening and closing normative loans for the financial year.

- 2.98 Further, the West DISCOM has submitted that it has refinanced its existing loans from Rural Electricity Corporation (REC) with Punjab National Bank (PNB) which has resulted in saving of Rs. 140.08 Crore. The cost associated with such refinancing is Rs. 39.90 Crore and hence the net saving is Rs. 100.18 Crore. As per Regulation 31.7 of Tariff Regulations, the Petitioners have considered cost of refinancing and the saving of Rs 33.39 Crore (out of Rs. 100.18 Crore) under other finance charges during FY 2021-22. The remaining saving of Rs. 66.78 Crore is passed on to the end consumer in Truing up of FY 2021-22.
- 2.99 Accordingly, the Petitioners have claimed interest on project loans (inclusive of finance charges) of Rs. 256.26 Crore, Rs. 179.53 Crore and Rs. 398.24 Crore for East, West and Central DISCOMs, respectively as against Rs. 262.48 Crore, Rs 144.87 Crore and Rs 327.23 Crore, respectively, admitted by the Commission in the Tariff Order for FY 2021-22.

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

- 2.100 The Commission has examined the claims of DISCOMs from their filings and Audited Accounts. As per Regulations 31.1 to 31.9 of the MYT Regulations, 2015 and amendments thereof, for allowing interest and finance charges, all loans shall be identified for the assets capitalized till the relevant year. In the absence of information related to loan mapping with particular asset, it cannot be ascertained as to how much loan is related to completed fixed assets and how much is related to capital work in progress.
- 2.101 Further, Regulation 21.1 of the MYT Regulations, 2015 specifies 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**

- 2.102 In this True up Order for FY 2021-22, interest on project loans has been considered based on the fixed asset created till 31<sup>st</sup> March, 2022, as per Audited Accounts of FY 2021-22 and as per Capital Expenditure Plan approved by the Commission.
- 2.103 The Commission has adopted the methodology for allocating the admitted Gross Fixed Assets (GFA) addition during the year into debt and equity in accordance to the provision of the Regulations as explained below:

- a. Allocation of fixed assets into debt and equity as on 31<sup>st</sup> March, 2021 has been considered as per the True-up Order of FY 2020-21.
- b. Net addition to GFA during FY 2021-22 has been worked out after subtracting the amount received towards consumer contribution and grants during the year from total addition to GFA as available in the audited accounts of DISCOMs:
  - i. The Commission has considered closing GFA admitted in the True-up Order for FY 2020-21 as the opening GFA for FY 2021-22.
  - ii. Further, the Commission has considered the closing consumer contribution and grants for FY 2020-21 as the opening consumer contribution and grants for FY 2021-22. As regards addition in consumer contribution and grants, the Petitioners have submitted details of the addition in consumer contribution and grants in reply to information sought for filling data gaps and accordingly, the same has been considered for true up.
- c. Equity in excess of 30% of the net GFA added during FY 2021-22, has been considered as normative loan. Further, only such equity capital is ~~to be~~ considered which has been actually utilized for creation of asset. If the actual equity deployed is less than 30% of the net GFA, then actual equity has been considered for computation of RoE. The equity so derived has been added to the equity considered at the end of FY 2020-21 and balance net addition to GFA has been considered as funded through debt.
- 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 2020-21. In absence of the actual debts of capitalization of individual assets, interest on project loans has been computed based on the average of the opening and closing loans for the financial year.

2.104 In accordance with Regulation 31.3 of the MYT Regulations, 2015, debt repayment is equal to the depreciation admitted for that year. As regards the weighted average rate of interest for the computation of interest on loans, the Commission has verified the weighted average rate of interest on project loans for East, West and Central DISCOMs and observed that East DISCOM computation is in order. However, the Commission observed that the West DISCOM has considered interest rate on account of Perpetual loans, Public/ SLR Bonds, PP Bonds and Interest on Working Capital Loans in weighted average of Project Loans whereas the Central DISCOM has considered interest rate on Perpetual Loans, Working Capital Loans, and PP Bonds. The Commission while approving the weighted average rate of interest has not considered these Loans as the Petitioners have not been able to establish their linkage to project

specific works. Thus, approach is in line with the approach taken in previous true-up orders.

- 2.105 Accordingly, the Commission has computed the revised weighted average rate of interest for projects specific loans for West and Central DISCOMs and admitted the weighted average rate of interest of 7.17%, 7.74% and 7.76% for East, West and Central DISCOMs, respectively.
- 2.106 It is observed that East, West and Central DISCOMs have claimed Rs. 1.32 Crore, Rs.86.04 (i.e. Rs 12.56 Crore as Bank Charges, Rs.40.09 Crore as commitment and refinancing charges and Rs.33.39 Crore as sharing of saving due to refinancing) and Rs. 4.63 Crore, respectively, towards finance charges. The Commission after scrutinizing DISCOM's submission with audited accounts has considered only cost of raising funds, bank charges, commitment charges, refinancing charges and guarantee/LC charges. West DISCOM has claimed refinancing of its existing Rural Electricity Corporation (REC) loans from Punjab National Bank (PNB). The Commission observed that West DISCOM has claimed refinancing cost and pass through of 1/3rd net saving in accordance with Regulation 31.7 of the MYT Regulations, 2015 and amendments thereof. Therefore, the Commission has considered the same and has admitted the actual finance charges as per audited accounts.
- 2.107 Further, with regard to the Petitioners' request to revisit the approach and consider the consumer contribution and grant on the basis of utilisation or funding pattern in true up of FY 2021-22, it is observed that the Petitioners had earlier filed the review Petition of True-up order of FY 2020-21 (P. No. 38/2022) to revisit the above said approach. The Commission has disallowed the claim. The relevant extract from the order passed by the Commission is reproduced below:-

*“6.2.1 The Commission adopted the approach, wherein efficient utilization of fund is to be considered and based on that principles the Commission has considered the consumers contribution and grants received during the year as utilized during the year. The rationale behind adopting this approach is to ensure efficient management of funds, since the consumers contribution and grants are free of cost to the licensees and hence it is expected that the licensees must utilise consumers contribution and grants first and fund the balance capitalisation through debt and equity.*

*6.2.2 In light of above there is no error apparent and this issue does not qualify for review.”*

- 2.108 Further, the Commission had being adopting the same approach in all its previous true up orders which have already attained finality. Accordingly, the Commission opines not to reopen settled issues in instant true up order.

2.109 Based on the above, interest on project loans along with other finance charges admitted in true-up of FY 2021-22 for DISCOMs is given in the table below:

**Table 38 : Interest on Project Loans admitted by the Commission for FY 2021-22 (Rs. Crore.)**

Particulars	Legend	East DISCOM	West DISCOM	Central DISCOM	Total for State
Opening Debt associated with GFA (Closing debt as per FY 2020-21 True-up Order)	A	3,587.28	1,372.34	4,663.22	9,622.85
GFA Addition during the year	B	545.54	121.46	700.25	1,367.25
Consumer Deposit and Grants utilized during the year	C	545.54	121.46	428.10	1,095.10
Net GFA Addition during the year	E=B-C	-	-	272.15	272.15
Addition of Equity admitted (See Table No. 36 Sr.No.7)	F	-	-	81.64	81.64
Net GFA considered as funded through debt	G=E-F	-	-	190.50	190.50
Debt repayment during the year (See Table No.37 Sr. No.9)	H	179.89	100.25	205.73	485.87
Closing debt associated with GFA	I=A+G-H	3,407.39	1,272.09	4,648.00	9,327.48
<b>Average debt associated with Loan</b>	<b>J=Average (A, I)</b>	3,497.34	1,322.22	4,655.61	9,475.16
Weighted average rate of interest (%) on all loans as per Petitioner	K	7.17%	7.74%	7.76%	7.54%
<b>Interest on Project Loans</b>	<b>L=J*K</b>	250.85	102.35	361.13	714.33
Other Finance cost	M	1.32	52.65	4.63	58.60
Sharing of savings due to refinancing			33.39		
<b>Interest cost admitted on project loans in True-Up</b>	<b>O=L+M</b>	<b>252.17</b>	<b>188.39</b>	<b>365.77</b>	<b>806.33</b>

### Interest on Working Capital

#### **Petitioners' Submission:**

2.110 DISCOMs have claimed interest on working capital on the basis of norms specified in the terms and conditions of MYT Regulations, 2015. East, West and Central DISCOMs have claimed interest on working capital as Rs. 47.07 Crore, Rs. 12.79 Crore and Rs. 53.19 Crore, respectively, as against Rs. 92.74 Crore, Rs. 0.00 Crore and Rs. 119.86 Crore, respectively, admitted by the Commission in the Tariff Order for FY 2021-22.

#### **Commission's Analysis on Interest on Working Capital:**

2.111 Regulation 22 of the MYT Regulations, 2015, specifies the methodology for the computation of working capital requirement for the Distribution Licensees as follows:

#### ***"22. Working capital***

22.1. *Following shall be included in the Working capital for supply activity of the Licensee:*

*(i) Receivables of two months of average billing reduced by power purchase cost of one month and any consumer security deposit,*

*(ii) O&M expenses for one month, and*

*(iii) Inventory (meters, metering equipment, testing equipment are particularly relevant in case of supply activity) for 2 months based on annual requirement for previous year.*

22.2. *Following shall be included in the Working capital for wheeling activity of the Licensee:*

*(i) O&M expenses for one month, and*

*(iii) Inventory (excluding meters, etc. considered part of supply activity) for 2 months based on annual requirement considered at 1% of the gross fixed assets for previous year.*

22.3. *The norms described above shall be applicable for each year of the tariff period.”*

2.112 In line with the approach adopted by the Commission in previous orders and in line with the provisions of the Regulations, the Commission has considered Gross Fixed Assets at the start of FY 2021-22 as Rs 11,392.20 Crore, Rs.8,745.71 Crore and Rs.12,428.75 Crore for East, West and Central DISCOMs, respectively as per Table No.32. One percent of this GFA has been pro-rated to two months to work out the inventory for retail and wheeling activity put together, which has been further divided into wheeling and retail inventory in the ratio of 80:20 in line with the approach adopted in the last True-up Order. The consumer security deposit has been considered as discussed in the section on interest on consumer security deposit. Values of other elements of working capital have been considered based on the expenses admitted by the Commission in the relevant sections of this order. Further as noted in previous true up orders also, both the activities are undertaken simultaneously by the DISCOMs and the available resources are common for both. Therefore, the Commission has taken working capital requirement together for wheeling and retail activities. Accordingly, the Commission has only considered one Month O&M Expense towards the wheeling activity only.

2.113 Further, Regulation 36 of the MYT Regulations, 2015 specifies as follows for the computation of interest on working capital:

**“36. Interest charges on working capital**

*Working capital shall be computed as provided in these Regulations and Rate of interest on working capital shall be equal to the State Bank of India Advance Rate as on April 1 of the relevant Year. The 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 borrowed in excess of the working capital loan computed on normative basis.”*

2.114 Accordingly, for the purpose of interest rate on working capital, State Bank of India Advance Rate as on 1<sup>st</sup> April 2021, i.e., 12.15% has been considered. The admitted interest on working capital is shown in the table below:

**Table 39 : Interest on Working Capital admitted by the Commission for FY 2021-22  
(in Rs. Crore)**

Sl. No.	Particulars	Month(s)	East DISCOM	West DISCOM	Central DISCOM	Total for State
<b>For wheeling activity</b>						
A)	1/6 <sup>th</sup> of annual requirement of inventory for previous year	2	15.19	11.66	16.57	43.42
B)	1/12 <sup>th</sup> of total O&M expenses	1	104.04	108.36	104.10	316.50
C)	Total Working capital (A+B)		119.23	120.02	120.67	359.92
D)	Rate of Interest		12.15%	12.15%	12.15%	12.15%
E)	<b>Interest on Working capital</b>		<b>14.49</b>	<b>14.58</b>	<b>14.66</b>	<b>43.73</b>
<b>For Retail Sale activity</b>						
A)	1/6 <sup>th</sup> of annual requirement of inventory for previous year	2	3.80	2.92	4.14	10.86
B)	Receivables equivalent to 2 months average billing	2	1,898.27	2,737.73	2,326.95	6,962.96
C)	1/12 <sup>th</sup> of power purchase expenses	1	584.21	1,382.50	716.05	2,682.76
D)	Consumers Security Deposit		913.45	1,575.97	1,106.97	3,596.39
E)	Total Working capital (A+B-C-D)		404.41	(217.82)	508.08	694.67
F)	Rate of Interest		12.15%	12.15%	12.15%	12.15%
G)	<b>Interest on Working capital</b>		<b>49.14</b>	<b>(26.47)</b>	<b>61.73</b>	<b>84.40</b>
<b>Summary</b>						
	For wheeling activity		14.49	14.58	14.66	43.73
	For Retail Sale activity		49.14	(26.47)	61.73	84.40
	<b>Total Interest on working Capital Admitted</b>		<b>63.62</b>	<b>0.00</b>	<b>76.39</b>	<b>140.02</b>



### **Interest on Consumer Security Deposit**

#### **Petitioners' Submission:**

2.115 The Petitioners have claimed interest on consumer security deposit as per their Audited Accounts for FY 2021-22. East, West and Central DISCOMs have claimed Rs. 48.42 Crore, Rs. 54.92 Crore and Rs. 44.37 Crore, respectively, as against Rs. 39.88 Crore, Rs. 57.94 Crore and Rs. 43.33 Crore, respectively, admitted by the Commission in the Tariff Order for FY 2021-22.

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

2.116 The Commission observed that the Petitioners have claimed interest on consumer security deposit as per the Audited Accounts.

2.117 Accordingly, the Commission has admitted the interest amount on consumer security deposit as per the Audited Accounts of the DISCOMs for FY 2021-22.

2.118 Summary of interest on consumer security deposit admitted in the Tariff Order, claimed in the True-up Petition and admitted in this True up Order for FY 2021-22 is shown in table below:

**Table 40 : Interest on Consumer Security Deposit admitted for FY 2021-22 (Rs. Crore)**

<b>Particulars</b>	<b>East DISCOM</b>	<b>West DISCOM</b>	<b>Central DISCOM</b>	<b>Total for State</b>
Admitted in tariff order for FY 2021-22	39.88	57.94	43.44	141.14
Claimed in true up Petition for FY 2021-22	48.42	54.92	44.37	147.72
As per Audited Accounts for FY 2021-22	48.42	54.92	44.37	147.72
<b>Admitted in this true-up order</b>	<b>48.42</b>	<b>54.92</b>	<b>44.37</b>	<b>147.72</b>

### **Other items of ARR**

2.119 Apart from the above discussed components, there are certain other items, which form part of the ARR. These include bad and doubtful debts, other miscellaneous expenditure, any prior period expenses / credits, income tax and fringe benefit tax. These components are analysed in the following section:

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

#### **Petitioners' Submission:**

2.120 DISCOMs have claimed the bad and doubtful debts as shown in the table below:

**Table 41 : Bad Debts claimed by DISCOMs (Rs. Crore)**

<b>DISCOM</b>	<b>Bad Debts as per tariff order</b>	<b>Bad Debts claimed</b>
East	2.00	0.00
West	2.00	2.00
Central	2.00	1.12

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

- 2.121 The MYT Regulations, 2015, provide for admission of bad debts as amount actually written-off subject to the maximum of 1% of the revenue from sale of power. The Commission observed that East DISCOM has not made any claim towards bad and doubtful debts. Accordingly, the Commission has not considered any bad and doubtful debts for East DISCOM.
- 2.122 Central DISCOM submitted that the claimed amount of Rs. 1.12 Crore is towards the bad debt actually written off mainly on account of false demand raised in previous years against the two permanently disconnected HT connections.
- 2.123 West DISCOM submitted that in FY 2021-22, Rs. 559.62 Crore has been written off by the Distribution Licensee under “Mukhyamantri Vidyut Billo Main Rahat Yojana – 2022”. As against this, West DISCOM submitted claim of Rs. 2 Crore as per Tariff Order of FY 2021-22.
- 2.124 From above, it has been observed that majority of the debt has been written off against a scheme or demand withdrawal at their own behest and therefore, the Commission does not find it appropriate to admit bad and doubtful debt as proposed by the Petitioners.
- 2.125 Accordingly, the Commission has admitted bad and doubtful debts for FY 2021-22, which is shown as follows:

**Table 42: Bad and Doubtful Debts admitted by the Commission for FY 2021-22 (Rs. Crore)**

<b>Particulars</b>	<b>East DISCOM</b>	<b>West DISCOM</b>	<b>Central DISCOM</b>	<b>Total for the State</b>
Written off against dues	0.00	0.00	0.00	0.00
1% of sales revenue	113.90	164.26	139.62	417.78
<b>Bad and Doubtful debts Admitted</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>

## **Other Expenses**

### **Petitioners' Submission:**

2.126 West DISCOM has claimed Rs. 2.08 Crore against Other expenses, which are shown in the table below:

**Table 43 : Other Expenses claimed by DISCOMs (Rs. Crore)**

<b>Particulars</b>	<b>East DISCOM</b>	<b>West DISCOM</b>	<b>Central DISCOM</b>	<b>Total for State</b>
Sundry Expenses/Miscellaneous Losses	0.00	1.65	0.00	1.65
Other Miscellaneous Expenses/Losses written off	0.00	0.44	0.00	0.44
<b>Total other expenses claimed in this true-up</b>	<b>0.00</b>	<b>2.08</b>	<b>0.00</b>	<b>2.08</b>

### **Commission's Analysis**

2.127 The Commission after verifying expenses from the audited accounts of the West DISCOM has admitted other expenses of Rs. 2.08 Crore as the same pertains to O&M expenses, which has been admitted by the Commission on actual basis.

## **Revenue from Sale of Power**

### **Petitioners' Submission:**

2.128 The Commission had admitted the projection of Sales as 19,478.78 MU, 24,511.26 MU and 20,273.38 MU at revenue of Rs. 13,351.92 Crore, Rs. 14,223.46 Crore and Rs. 14,827.07 Crore for East, West and Central DISCOMs, respectively, in the Retail Supply Tariff order for FY 2021-22. As against the same, the Sales filed are 17,233.24 MU, 24,559.34 MU and 20,855.02 MU at revenue of Rs. 11,380.93 Crore, Rs. 16,426.40 Crore and Rs. 13,961.71 Crore for East, West and Central DISCOMs, respectively.

### **Commission's Analysis**

2.129 The Petitioners in their Audited Accounts have booked the revenue from sale of power excluding subsidy and other income as Rs. 5,804.83 Crore, Rs. 8,481.55 Crore and Rs. 7,035.10 Crore for East, West and Central DISCOMs, respectively.

2.130 The Commission has considered the following revenue which were booked in the audited accounts excluding subsidy and other income. Further, the Commission has also considered revenue from recoveries against theft/ malpractices as part of revenue from sale of power.

**Table 44 : Revenue from sale of power excluding subsidy and other income as per Audited Accounts (Rs. Crore)**

Particulars	East DISCOM	West DISCOM	Central DISCOM	Total for State
<b>Revenue from sale of power</b>	<b>5,804.83</b>	<b>8,481.55</b>	<b>7,035.10</b>	<b>21,321.48</b>

The Commission also recognizes tariff subsidy by State Government as other than the revenue from sale of power as reported in the audited accounts. DISCOMs have received Other Income and Non-Tariff Income during FY 2021-22 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**

2.131 In addition to the above, the Non-Tariff Income has been considered as stated below for all the three DISCOMs as per their respective Audited Accounts:

**Table 45 : Break up of Non-Tariff Income (Rs. Crore)**

Sr. No.	Particulars	East DISCOM	West DISCOM	Central DISCOM	Total for State
1	Misc. charges from consumers (Including Supervision Charges)	77.81	26.92	41.42	146.14
2	Meter Rent	0.00	0.06	0.26	0.32
3	Income from Wheeling Charges	0.93	4.81	0.00	5.74
	<b>Total Non-Tariff Income</b>	<b>78.74</b>	<b>31.78</b>	<b>41.68</b>	<b>152.20</b>

**Subsidy by State Government**

2.132 As per Audited Accounts for FY 2021-22 tariff subsidy by State Govt is Rs. 5,584.81 Crore, Rs. 7,944.85 Crore and Rs. 6,926.61 Crore for East, West and Central DISCOMs, respectively. Accordingly, the Commission has considered this amount as the income of the Petitioners, as it is a part of the revenue from sale of power to the subsidized consumers, which is shown as follows:

**Table 46 : Subsidy considered as per Audited Accounts (Rs. Crore)**

Particulars	East DISCOM	West DISCOM	Central DISCOM	Total for State
<b>Subsidy by GoMP</b>	<b>5,584.81</b>	<b>7,944.85</b>	<b>6,926.61</b>	<b>20,456.26</b>

**Other Income**

**Petitioners' Submission:**

2.133 The Other Income claimed by the Petitioners is mentioned in the table below.

*Table 47 : Other Income as submitted by the Petitioners (Rs. Crore)*

Sr. No.	Particulars	East DISCOM	West DISCOM	Central DISCOM
<b>A</b>	<b>Income from Investment, Fixed Deposits</b>			
	Interest on Staff loans & advances	1.21	0.04	0.02
	Interest on FDRs/Investment	0.08	22.77	20.82
<b>A</b>	<b>Sub-Total (A)</b>	<b>1.29</b>	<b>22.81</b>	<b>20.84</b>
<b>B</b>	<b>Other Non-Tariff Income</b>			
	Interest & penal interest on advance to suppliers	-	0.06	-
	Interest from banks	7.39	-	-
	Scrap sales	-	10.97	-
	Income from staff welfare activities	-	0.02	-
	Misc. services/receipts	-	126.56	-
	Profit on sale of stores	-	-	11.51
	Income from trading (other than electricity)	19.95	3.77	-
	Miscellaneous income	(15.53)	-	27.68
	Other Subsidy	-	-	106.20
<b>B</b>	<b>Sub-total (B)</b>	<b>11.81</b>	<b>141.37</b>	<b>145.40</b>
<b>C</b>	<b>Total Other Income (A+B)</b>	<b>13.10</b>	<b>164.18</b>	<b>166.24</b>

**Commission's Analysis**

2.134 The Commission has not considered the Delayed Payment Surcharge (DPS) as part of income of DISCOMs as per the Regulations

2.135 Accordingly, the other income as admitted by Commission is shown as follows:

*Table 48 : Other Income as Admitted by Commission (Rs. Crore)*

Sr. No.	Particulars	East DISCOM	West DISCOM	Central DISCOM
<b>A</b>	<b>Income from Investment, Fixed Deposits</b>			
	Interest on Staff loans & advances	1.21	0.04	0.02
	Interest on FDRs/Investment	0.08	22.77	20.82
<b>A</b>	<b>Sub-Total (A)</b>	<b>1.29</b>	<b>22.81</b>	<b>20.84</b>
<b>B</b>	<b>Other Non-tariff Income</b>			
	Interest & penal interest on advance to suppliers	-	0.06	-
	Interest from banks	7.39	-	-
	Scrap Sales / Profit on sale of stores	0.00	10.97	11.51

Sr. No.	Particulars	East DISCOM	West DISCOM	Central DISCOM
	Income from staff welfare activities	-	0.02	-
	Income from Trading (Other than Electricity)	19.55	3.77	-
	Miscellaneous income	(15.53)	-	27.68
	Other Subsidy	-	-	106.20
<b>B</b>	<b>Sub-total (B)</b>	<b>11.81</b>	<b>141.37</b>	<b>145.40</b>
<b>C</b>	<b>Total Other Income (C=A+B)</b>	<b>13.10</b>	<b>164.18</b>	<b>166.24</b>

2.136 Accordingly, the Commission admits the actual Other Income of Rs. 13.10 Crore, Rs 164.18 Crore, and Rs 166.24 Crore for East, West and Central DISCOMs, respectively, as per audited accounts.

2.137 Based on above discussion, the total revenue admitted by the Commission for the period April, 2021 to March, 2022 is mentioned in the table below:

**Table 49 : Total Revenue including Subsidy from Sale of Power admitted at approved tariff (Rs. Crore)**

DISCOM	Revenue from sale of power	Revenue subsidies from GoMP	Total Revenue admitted for true-up
East	5,804.83	5,584.81	11,389.64
West	8,481.55	7,944.85	16,426.40
Central	7,035.10	6,926.61	13,961.71
<b>Total</b>	<b>21,321.48</b>	<b>20,456.26</b>	<b>41,777.75</b>

**Table 50 : Other Income and Non-Tariff Income admitted (Rs. Crore)**

DISCOM	Non-tariff income	Other income (excluding DPS)	Total Income admitted for true-up
East	78.74	13.10	91.84
West	31.78	164.18	195.97
Central	41.68	166.24	207.92
<b>Total</b>	<b>152.20</b>	<b>343.52</b>	<b>495.73</b>

**DBST (Differential Bulk Supply Tariff)**

2.138 In previous true up orders, the Commission has been approving the power purchase for each DISCOM as per the approved normative energy requirement. It has been observed that the Government of Madhya Pradesh vide gazette notification dated 21<sup>st</sup> March, 2016 had allocated all the stations to MPPMCL for further allocation of power purchase cost among all the three DISCOMs. Accordingly, MPPMCL implemented DBST methodology from January, 2020. Under DBST overall Power Purchase Cost of all the three DISCOMs is being distributed on the basis of Revenue available with DISCOMs for power purchase and in-proportion of their energy requirement.

2.139 As the power purchase for all three DISCOMs is being managed by MPPMCL, it is necessary to approve power purchase cost in equitable way to approve uniform tariff across the DISCOMs in the State. Accordingly, the Commission has allocated power purchase cost among the three DISCOMs based on DBST methodology for true-up of FY 2021-22 as shown in the table below:

**Table 51: Differential Bulk Supply Tariff admitted in True-up of FY 2021-22 (Rs. Crore)**

Particulars	Reference	East DISCOM	West DISCOM	Central DISCOM	State
<b>Revenue from Approved Tariff (Rs. Crore)</b>	<b>A</b>	<b>11,389.64</b>	<b>16,426.40</b>	<b>13,961.71</b>	<b>41,777.75</b>
<b>Other Costs of ARR of DISCOMs (Expenses other than Power Purchase Cost) (Rs. Crore)</b>	<b>B</b>	<b>3,547.35</b>	<b>(1,272.76)</b>	<b>4,240.26</b>	<b>6,514.86</b>
O&M Expenses		1,248.47	1,300.33	1,249.18	<b>3,797.99</b>
Depreciation		179.89	100.25	205.73	<b>485.87</b>
Interest & Finance Charges					
<i>On Project Loans</i>		252.17	188.39	365.77	<b>806.33</b>
<i>On Working Capital Loans</i>		63.62	0.00	76.39	<b>140.02</b>
<i>On Consumer Security Deposit</i>		48.42	54.92	44.37	<b>147.72</b>
Return on Equity		253.11	186.12	282.43	<b>721.65</b>
Bad & Doubtful Debts		0.00	0.00	0.00	<b>0.00</b>
Other Expenses		0.00	2.08	0.00	<b>2.08</b>
Less: Other income and Non-Tariff Income		91.84	195.97	207.92	<b>495.73</b>
Revenue Gap of DISCOM True-up for FY 2014-15 to FY 2018-19		1,593.51	(2,908.89)	2,224.31	<b>908.93</b>
<b>Intra-State Transmission Charges including SLDC (Rs. Crore)</b>	<b>C</b>	<b>1,287.38</b>	<b>1,744.92</b>	<b>1,685.73</b>	<b>4,718.04</b>
<b>Aggregated Amount available with DISCOMs for Power purchase (Rs. Crore)</b>	<b>D=A-B-C</b>	<b>6,554.91</b>	<b>15,954.23</b>	<b>8,035.71</b>	<b>30,544.86</b>
<b>Total Power Purchase Cost (Rs. Crore)</b>	<b>E</b>				<b>32,193.06</b>
<b>Revenue Gap/(Surplus) (Rs. Crore)</b>	<b>F=E-D</b>				<b>1,648.21</b>
<b>Ex- Bus Energy Requirement (MU)</b>	<b>G</b>	<b>21,496.29</b>	<b>30,000.14</b>	<b>26,273.96</b>	<b>77,770.38</b>
% Allocation as per Ex- Bus Energy Requirement		28%	39%	34%	100%
<b>Allocation of Revenue Gap/(Surplus) as per Ex-Bus Energy Requirement (Rs. Crore)</b>	<b>H</b>	<b>455.58</b>	<b>635.80</b>	<b>556.83</b>	<b>1,648.21</b>
<b>Power Purchase Cost for DISCOMs (Rs. Crore)</b>	<b>I=H+D</b>	<b>7,010.49</b>	<b>16,590.03</b>	<b>8,592.54</b>	<b>32,193.06</b>

**Revenue Surplus / (Deficit)**

2.140 Based on the scrutiny of various cost components regarding revenue income and expenditures of DISCOMs, the Commission has determined the following Surplus / (Deficit) for FY 2021-22 for the Licensees:

**Table 52: Revenue Gap admitted in True-up of ARR for FY 2021-22 (Rs. Crore)**

Particulars	East DISCOM		West DISCOM		Central DISCOM		State	
	Claimed	Admitted	Claimed	Admitted	Claimed	Admitted	Claimed	Admitted
<b>Power Purchase Cost including Inter-Transmission Charges</b>	<b>8,906.44</b>	<b>7,010.49</b>	<b>14,617.47</b>	<b>16,590.03</b>	<b>9,833.24</b>	<b>8,592.54</b>	<b>33,357.16</b>	<b>32,193.06</b>
Intra-State Transmission Charges including SLDC Charges	1,287.38	1,287.38	1,744.92	1,744.92	1,685.73	1,685.73	4,718.04	4,718.04
<b>O&amp;M Expenses</b>	<b>1,253.08</b>	<b>1,248.47</b>	<b>1,303.39</b>	<b>1,300.33</b>	<b>1,251.02</b>	<b>1,249.18</b>	<b>3,807.49</b>	<b>3,797.99</b>
Depreciation	262.02	179.89	309.67	100.25	352.06	205.73	923.75	485.87
<b>Interest &amp; Finance Charges</b>	<b>351.75</b>	<b>364.21</b>	<b>247.24</b>	<b>243.31</b>	<b>495.80</b>	<b>486.54</b>	<b>1,094.79</b>	<b>1,094.06</b>
<i>On Project Loans</i>	256.26	252.17	179.53	188.39	398.24	365.77	834.03	806.33
<i>On Working Capital Loans</i>	47.07	63.62	12.79	0.00	53.19	76.39	113.05	140.02
<i>On Consumer Security Deposit</i>	48.42	48.42	54.92	54.92	44.37	44.37	147.72	147.72
Return on Equity	254.80	253.11	187.55	186.12	282.95	282.43	725.30	721.65
Bad & Doubtful Debts		0.00	2.00	0.00	1.12	0.00	3.12	0.00
Other Expense		0.00	2.09	2.08		0.00	2.09	2.08
<b>Total Expenses admitted</b>	<b>12,315.47</b>	<b>10,343.54</b>	<b>18,414.33</b>	<b>20,167.05</b>	<b>13,901.92</b>	<b>12,502.15</b>	<b>44,631.72</b>	<b>43,012.75</b>
Less: Other income + Non-Tariff Income	91.84	<b>91.84</b>	195.97	<b>195.97</b>	207.92	<b>207.92</b>	495.73	<b>495.73</b>
<b>ARR Admitted</b>	<b>12,223.63</b>	<b>10,251.70</b>	<b>18,218.36</b>	<b>19,971.09</b>	<b>13,694.00</b>	<b>12,294.23</b>	<b>44,135.99</b>	<b>42,517.02</b>
Add: Revenue Gap of MP Transco True-up of FY 2018-19	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Less: Revenue Surplus of MP Genco on True-up of FY 2018-19	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Add: Revenue Gap for DISCOMs for FY 2014-15 to FY 2017-18	1,237.19	1,237.19	(1,618.40)	(1,618.40)	1,605.00	1,605.00	1,223.79	1,223.79
Add: Revenue Gap for DISCOMs for FY 2018-19	356.32	356.32	(1,290.49)	(1,290.49)	619.31	619.31	(314.86)	(314.86)
<b>ARR Admitted including True ups</b>	<b>13,817.14</b>	<b>11,845.22</b>	<b>15,309.46</b>	<b>17,062.20</b>	<b>15,918.32</b>	<b>14,518.54</b>	<b>45,044.92</b>	<b>43,425.95</b>
Revenue	<b>11,380.93</b>	<b>11,389.64</b>	<b>16,426.40</b>	<b>16,426.40</b>	<b>13,961.71</b>	<b>13,961.71</b>	<b>41,769.04</b>	<b>41,777.75</b>
<b>Revenue Gap</b>	<b>2,436.21</b>	<b>455.58</b>	<b>1,116.94</b>	<b>635.80</b>	<b>1,956.61</b>	<b>556.83</b>	<b>3,275.88</b>	<b>1,648.21</b>

2.141 Accordingly, the Commission has admitted the net Revenue Gap of Rs. 1,648.21 Crore after true up of FY 2021-22 for passing on the revenue gap amount in retail supply tariff to be determined by the Commission for the subsequent years.



**A3: PUBLIC OBJECTIONS AND COMMENTS ON LICENSEE'S TRUE-UP PETITION FOR FY 2021-22**

**Date of publication of public notice in newspapers:** 28<sup>th</sup> December, 2022

**Last date for receiving the objections:** 19<sup>th</sup> January, 2023

**Date of public hearing:** 27<sup>th</sup> January, 2023

In response to the public notices issued, comments / objections were received from 2 (Two) stakeholders against the Petition filed by the East, West and Central DISCOMs.

The suggestions/comments/objections received from various stakeholders have been given due consideration by the Commission, however, salient suggestions/comments / objections related to the Petition have been grouped together according to the nature of the suggestions/comments /objections and are summarized in this Section. Some of the issues raised by the stakeholders, which do not relate to True-up are not discussed in this Chapter.

***ISSUE No. 1: Supplementary Bills under Power Purchase***

**Issue Raised by Stakeholder:**

The Petitioners have claimed supplementary bills of Rs. 1,538.98 Crore without providing any details of the same. The Commission every year after detail analysis approves the true-up petition as per audited accounts of distribution companies. Hence, above said claim being unclear, doubtful and in view of the order passed by the Commission in true-up petition for FY 2019-20 is disallowable.

**Response from Petitioners:**

The supplementary bills claimed by the Petitioners are the energy bills towards energy supplied in pervious years by the generating stations to MPPMCL. The generating stations send the revised energy bills to MPPMCL which are of past months or past years. The amount towards these revised bills has been claimed as supplementary bills in true-up petition. Generating Station wise and year wise details of supplementary bills claimed in true-up petition for FY 2021-22 have been submitted to Commission.

**Commission's Views:**

The Commission after exercising prudence check has admitted Rs. 1,487.19 Crore towards the supplementary bills. The approach adopted by the Commission has been discussed in Power Purchase Quantum and Cost chapter of this Order.

***ISSUE No. 2: Power Purchase Cost***

**Issue Raised by Stakeholder:**

The Petitioners have already claimed generating station wise power purchase cost with details in table 11 of the Petition. However, in addition to above, the Petitioners have separately claimed Rs. 770.90 Crore attributable to other costs as part of power purchase cost shown at table 11(h) which appears opaque and unclear.

Power purchase cost of Rs. 5.47 Crore towards Inter State direct power purchase against nil power procurement quantum claimed by the Petitioners under table 11 of the Petition needs to be disallowed.

The Petitioners under table 11 in the Petition have claimed power purchase from wind energy and solar energy as 3,764.57 MUs and 4,122.11 MUs costing Rs 2,021.14 Crore and Rs.1,303.40 Crore respectively, with average per unit cost of Rs. 5.36 per unit for wind and Rs.3.16 per unit for Solar. However, the Petitioners have not submitted the unit/plant wise details.

The Petitioners under table 11 of the Petition have claimed purchase of 12.29 MUs from NTPC Kawas gas-based power plant costing Rs. 86.89 Crore and 29.42 MUs from NTPC Gandhar gas-based power plant costing Rs 94.84 Crore. The per unit cost workout to Rs.70.70 and Rs. 32.23 respectively. The Petitioners should expedite the process of closure of the PPAs executed with these plants.

As per Petitioners submission under table 11(K) the average rate towards sale of 474.01 MUs to MPIDC workout to Rs. 3.41 per unit while as per table 11(L) the average rate towards sale of 2,983.31 MUs through IEX, PXIL and to Railways & Others workout to Rs. 4.60 per unit. It appears that difference of Rs.1.19 per unit have resulted in revenue loss of Rs 56.40 Crore towards sale of MPIDC. Further, stakeholder submitted that without any allotment order / circular 60 MW of power has been allowed to MPIDC.

**Response from Petitioners:**

The Petitioners submitted that they have claimed only the actual power purchase cost in true-up petition in accordance with Regulation 27.7 of the MYT Regulations 2015. Further the Petitioners have not claimed power purchase cost beyond the normative loss.

Power purchase related details towards purchase of Inter State direct power purchase by the DISCOMs does not fall under SEA. Therefore, this information is given in table 11 of the Petition. However, the details in this regard have been submitted to the Commission.

Due to voluminous data of 270 wind power plants and 40 solar power plants, the Petitioners have provided only the total quantum of unit and average rate in the Petition in place of

unit/plant wise details. It is further submitted that these plants being renewable in nature have been kept under must run status.

The Commission vide order dated 02<sup>nd</sup> November, 2021 has passed an order in P.No. 43/2021 and allowed the Petitioners to relinquish the entire allocation capacity of 140 MW from NTPC Kawas (Gas) and 117 MW from NTPC Gandhar (Gas) Stations. Thereafter, the State Government has also requested the Central Government to de-allocate the entire capacity from aforesaid generating station. Subsequently, Ministry of Power vide letter dated 23<sup>rd</sup> August, 2022 has requested other States to indicate their interest in reallocation of the aforesaid relinquished capacity.

40 MW of power from MPPGCL generating stations was allocated to MPIDC by Energy Department, GoMP on March 30, 2016. Subsequently, on March 19, 2016 a bulk power supply agreement was signed between MPPMCL with MPIDC and accordingly, the electricity supply rate for MPIDC was determined by working out weighted average rate of allocated MPPGCL thermal power generating stations of MP State on the basis of approved tariff, comprising trading margin of 4 paise per unit and excluding Transmission and SLDC charges which are to be paid separately by MPIDC.

**Commission's Views:**

The Power Purchase Cost has been examined and admitted in this order by the Commission in accordance to the provisions under the MYT Regulations, 2015 and amendments thereof, Annual Audited Accounts of the Petitioners for FY 2021-22 and other supplementary submissions filed by the Petitioners and other documents placed on record by the Petitioners before the Commission.

As regard to 60 MW capacity allocation to MPIDC the Commission has taken the cognisance of MPPMCL letter date 29.06.2021 whereby MPPMCL has enhanced the allocation from 55 MW to 60 MW on long term basis under bulk Power Supply Agreement dated 29.03.2016 from MPPGCL power generating stations to MPIDC.

***ISSUE No. 3: Intra-State Transmission Cost***

**Issue Raised by Stakeholder:**

The Petitioners under table 11 of the Petition has claimed Rs. 4,707.88 Crore as Intra-State transmission charges whereas the Commission in MYT Tariff order of MP Transco has approved Rs. 4,072.6 Crore for FY 2021-22. Further, MPPTCL have filed true-up petition of FY 2021-22 claiming the difference between the approved amount and actual expenditure incurred. In view of this, the claim of Petitioners amounts to double recovery and should be disallowed by the Commission.

**Response from Petitioners:**

The Petitioners submitted that the actual transmission charges have been claimed in the true-up petition.

**Commission's Views:**

The Intra-State Transmission charges have been examined and admitted in this order by the Commission in accordance to the provisions under the MYT Regulations, 2015 and amendments thereof, Annual Audited Accounts of the Petitioners for FY 2021-22 and other supplementary submissions filed by the Petitioners and other documents placed on record by the Petitioners before the Commission. Further, the Commission after exercising prudence check observed that there has not been any double counting of Intra-State Transmission Charges.

***ISSUE No. 4: Distribution Loss***

**Issue Raised by Stakeholder:**

The Petitioners under table 10 in the Petition have claimed actual distribution losses of 27.40 % for East DISCOM and 24.67% for Central DISCOM while their normative losses are 16% and 17% respectively whereas the actual losses of West DISCOM are lower than the normative losses specified in MYT Regulations, 2015 and amendment thereof. The actual losses of West DISCOM should be considered for computation of energy requirement.

**Response from Petitioners:**

The Petitioners submitted that they have claimed distribution losses as per MYT Regulations, 2015 and amendment thereof.

**Commission's Views:**

For the purpose of determination of True-up for FY 2021-22, the Commission has considered distribution losses at normative levels, as specified in MYT Regulations, 2015 and amendments thereof, thereby not allowing any impact of higher distribution losses on consumers.

For West DISCOM, the Commission has considered normative losses as per the provision of the MYT Regulations, 2015 and amendments thereof, which specifies that if the DISCOM is able to achieve faster reduction of Distribution losses, the gain thus made shall be allowed to be retained by the Licensee to incentivise their operations.

***ISSUE No. 5: Depreciation***

**Issue Raised by Stakeholder:**

The Petitioners have claimed depreciation of Rs 318.02 Crores contrary according to the provisions of the MYT Regulations 2015. Therefore, the stakeholder requested the Commission to compute the amount of depreciation as per the provisions of MYT Regulation, 2015 and as per the approach adopted by the Commission in pervious true-up orders and disallow the claim of the Petitioners.

**Response from Petitioners:**

The Petitioners submitted that in Retail Supply Tariff order for FY 2021-22 the Commission has allowed depreciation of Rs. 605.73 Crore against Rs. 1,211.46 Crore and the Petitioners were directed that the remaining amount would be sanctioned after submission of Fixed Asset Registers before the Commission. Accordingly, the Petitioners submitted the FAR to the Commission.

**Commission's Views:**

The Commission has admitted the Depreciation excluding the assets created through consumer contribution and grants as per the provisions of the MYT Regulations, 2015 and amendments thereof. Although, the Petitioners have submitted the Fixed Asset Registers, however, the same doesn't comply with the formats specified by the Commission. Therefore, the Commission has allowed only 50% of depreciation amount in this order on account of non-submission of Fixed Asset Registers as per the format specified by the Commission and also due to non-compliance of the Commission's directives.

***ISSUE No. 6: Cross subsidy and Additional surcharge***

**Issue Raised by Stakeholder:**

The Petitioners have not mentioned Cross Subsidy Surcharge and Additional Surcharge amounting to Rs.300 Crore approximately in the Petition. Thus, this amount should be taken in consideration while determining the True-up.

**Response from Petitioners:**

The amount of Cross Subsidy Surcharge and Additional Surcharge is included under "Revenue from operation" in the balance sheet.

**Commission's Views:**

The Commission has examined the audited accounts of the Petitioners and have considered the income from Cross Subsidy Surcharge and Additional Surcharge as part of Revenue for True-up of FY 2021-22.

***ISSUE No. 7:Banking of Power***

**Issue Raised by Stakeholder:**

The stakeholder requested the Commission to disallow the power purchase cost related to Torrent Power as it was not allowed by the Commission in Retail Supply Tariff Order for FY 2021-22.

The Petitioners have neither proposed any specific proposal for banking transactions in their Retail Supply or true-up petition nor sought any approval from the Commission in this regard. In spite of that, they intend to seek approval of Open Access charges on account of banking transactions in ARR of true-up which appears incorrect.

**Response from Petitioners:**

Power from Torrent generating Station is mostly purchased during the Rabi season when the energy requirement of Madhya Pradesh is high.

The Petitioners submitted that the Commission has suggested that the distribution companies should utilize the surplus power for banking with other States so that the shortfall, if any (Rabi season) requirement can be met from such banked power. The information related to banking related Open Access Charges etc. are included in the head of "Other Cost", and its information has been presented to the Commission.

**Commission's Views:**

The Commission has not considered the power purchase cost towards Torrent Generating Station in this order.

Regarding banking transactions, the Commission has admitted the Open Access charges paid for banking of power and has not considered any liability/ income towards banking of energy after exercising prudence check of the claim submitted by the Petitioners, which has been detailed in respective chapters of this order.

***ISSUE No. 8: Sale and Treatment of Surplus Power***

**Issue Raised by Stakeholder:**

There is huge power surplus in Madhya Pradesh and hence back down charges of around Rs 4,000 Crores are being paid to power generating stations every year.

Another, stakeholders requested the Commission to disallow Rs. 2,500 Crore towards fixed charges on account of backdown.

**Response from Petitioners:**

The availability of surplus power depends on the factors such as demand situation of MP-State, availability of surplus energy with MPPMCL in time blocks, Demand-Supply position in the power sector etc. Hence, there may be surplus in some time blocks and deficit in some time block. Therefore, when there is no requirement of power, the generating stations are backdown. Further, the Petitioners do not have control over the availability of power generating stations and demand of the consumers.

**Commission's Views:**

The Power Purchase Cost has been examined and admitted in this order by the Commission in accordance to the provisions under the MYT Regulations, 2015 and amendments thereof, Annual Audited Accounts of the Petitioners for FY 2021-22 and other supplementary submissions filed by the Petitioners and other documents placed on record by the Petitioners before the Commission.

***ISSUE No. 9: Repair & Maintenance Cost***

**Issue Raised by Stakeholder**

In Retail Supply Tariff Order for FY 2021-22 Rs. 733.51 Crore as R&M expenses was approved by the Commission against which Petitioners have utilized only Rs. 394.27 Crore which means that the Petitioners are lacking in matter of consumer services.

**Response from Petitioners:**

The Petitioners submitted that due to capital projects implemented by DISCOMs over the years, the quality and capacity of distribution system have increased substantially and continues efforts are being made by the DISCOMs to provide better services to the consumers.

**Commission's Views:**

The Commission compared the O&M Expenses computed as per the provision of the Regulations and actual O&M Expenses as per audited accounts of FY 2021-22. The Commission observed that overall actual O&M Expenses are lesser than Normative Expenses. Accordingly, the Commission has admitted the lesser of the total actual O&M expenses as per the audited accounts vis-a-vis normative O&M expenses, which has been detailed in respective chapters of this order.

***ISSUE No. 10: Withdrawal of Bill***

**Issue Raised by Stakeholder**

The Petitioners have suffered huge losses due to withdrawal of electricity bills of Rs.5,000 Crore under scheme and the same has not been shown as bad debt while filing this true-up petition and pervious true-up petition of FY 2019-20 & FY 2020-21.

**Response from Petitioners:**

The Petitioners submitted that as MYT Regulations, actual bad debt written off is allowed to be considered in true-up petition. Accordingly, the Petitioners have filed a true-up petition wherein only actual bad debt written off has been shown. However, any provision made on account of bad debt is shown in the audited accounts of the Licensee.

**Commission's Views:**

The bad and doubtful debts have been examined by looking into Annual Audited Accounts of the Petitioners for FY 2021-22 and other supplementary submissions filed by the Petitioners and other documents placed on record by the Petitioners before the Commission and dealt with in accordance to the provisions under the MYT Regulations, 2015 and amendments thereof.

**Annexure -I**

<b>Sr. No.</b>	<b>Name</b>	<b>Name and Address of the Stakeholders</b>
<b>East DISCOM</b>		
1.	Shri. Rajendra Agarwal	1995/A Gyan Vihar, Narmada Road, Jabalpur - 482008
<b>Central DISCOM</b>		
2.	Shri. M C Bansal	M/s Justice for Public Cause Foundation Trust, Flat No. 402, Sapphire Block, Nikhil Nestles