MADHYA PRADESH ELECTRICITY REGULATORY COMMISSION

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

Determination of True-up of Aggregate Revenue Requirement (ARR) for FY 2018-19

Petition No. 54/2019

PRESENT:

S.P.S. Parihar, Chairman

Mukul Dhariwal, Member

Shashi Bhushan Pathak, Member

IN THE MATTER OF:

Determination of True-up of Aggregate Revenue Requirement (ARR) for FY 2018-19 based on the True-up Petitions 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
AB	Aerial Bunched
APTEL	Appellate Tribunal for Electricity
ARR	Aggregate Revenue Requirement
AS	Additional Surcharge
AT&C	Aggregate Technical and Commercial
ATPS	Amarkantak Thermal Power Station
BPSA	Bulk Power Supply Agreement
CAGR	Compounded Annual Growth Rate
CEA	Central Electrical Authority
CERC	Central Electricity Regulatory Commission
CFA	Cash Financial Assistance
CGS	Central Generating Station
CHPS	Chambal Hydro Power Scheme
COD	Commercial Date of Operation
CPP	Captive Power Plants
CSD	Consumer Security Deposit
CSS	Cross Subsidy Surcharge
CTPS	Chandrapur Thermal Power Station
CWIP	Capital Works in Progress
DA	Dearness Allowance
DISCOM	Distribution Company
DPS	Delayed Payment Surcharge
DSM	Demand Side Management
DTPS	Durgapur Thermal Power Station
DTR	Distribution Transformer
DVC	Damodar Valley Corporation
EA 2003	Electricity Act, 2003
EHT	Extra High Tension
ER	Eastern Region
FCA	Fuel Cost Adjustment
FI	Financial Institution
FY	Financial Year
GAAP	Generally Accepted Accounting Principles
GC	Group Captive
GFA	Gross Fixed Asset
GoI	Government of India
GoMP	Government of Madhya Pradesh
GPP	Gas Power Plant

GST	Goods and Service Tax
GTIS	Group Term Insurance Scheme
HP	Horsepower
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
KAPS	Kakrapar Atomic Power Station
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
MTPS	Mejia Thermal Power Plant
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
RGGVY	Rajiv Gandhi Grameen Vidyutikaran Yojana
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
TAPS	Tarapur Atomic Power Station
TBT	Terminal Benefit Trust
ToD	Time of Day
TPS	Thermal Power Station
UDAY	Ujjwal DISCOM Assurance Yojana
UMPP	Ultra-Mega Power Plant
VAT	Value Added Tax
WR	Western Region
WRPC	Western Regional Power Committee

A1: ORDER

(Passed on this 24th Day of May, 2021)

1.1 This order relates to the Petition No. 54/2019 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 M.P. Power Management Company Ltd., Jabalpur, respectively (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 Orders for FY 2018-19 (hereinafter referred to as Tariff Orders).

1.2 The Commission has reviewed the operational and financial performance parameters of the DISCOMs for FY 2018-19. 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 2018-19 on 3rd May, 2018, 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 (herein referred to as MYT Regulations, 2015).

1.4 As per the MYT Regulations 2015, DISCOMs were required to file their Petitions for True-up of ARR for FY 2018-19 by 31st November, 2019. Further, as per directives of Hon'ble APTEL in the Judgment of 11th 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 However, DISCOMs had not filed their True-up Petition for FY 2018-19 within the stipulated time. After, rigorous pursuance, the Petitioners filed the True-up Petition for above financial year. Thereafter, a motion hearing was conducted on the 21st of January, 2020. On preliminary examination of the Petition, the Commission observed that the Petition was grossly deficient on several accounts. The Commission vide its Order dated 25th January, 2020 and vide letter dated 28th February, 2020 directed the Petitioners to file the revised Petition after incorporating the data gaps.

1.6 In response DISCOMs requested for time extension till 15th July, 2020 for submission of the requisite information. Subsequently, DISCOMs filed the revised Petition on 15th July, 2020 along with the requisite information.

1.7 The motion hearing on the revised Petition No.54/2019 was held on the 9th November 2020 and during the course of the hearing, the Commission admitted the Petition.

Notification of true-up proposals for public information

1.8 The public notices were published on 8th December, 2020 by the Petitioners in Hindi and English newspapers for inviting comments/objections from various stakeholders. The details of the publications are as follows:

Table 1: List of Newspapers- Public Notice

DISCOM	FY 2018-19 True-Up (Petition No. 54/2019)
East DISCOM	The Hitavada
	Dainik Bhaskar
	Pradesh Today
Central DISCOM	The Pioneer
	Dainik Patrika
	Dainik Raj Express
West DISCOM	Times of India
	Dainik Nayi Duniya
	Dainik Dabang Duniya

1.9 The last date for filing the comments / suggestions / objections by the stakeholders was 31st December, 2020. In response, the Commission received comments / suggestions / objections from the stakeholders within the stipulated time.

Hearings

1.10 In order to provide ample opportunity to the stakeholders to present their views before the Commission, the Public Hearing was held on 5th January, 2021 through video conferencing. A list of stakeholders who submitted their suggestions/ comments / observations on the Petitions before the Commission in person or through written submission, is annexed to this Order as **Annexure-1.**

Summary of Petitions

1.11 The summary of the True-up of FY 2018-19 Petition submitted by the Petitioners is given below:

Table 2 : Summary of the True-up Petition of DISCOMs for the period from April 2018 to March 2019 – as submitted by the Petitioners (Rs. Crore)

Particulars	FY 2018-19							
	East DISCOM		West DISCOM		Central DISCOM		State	
	Tariff Order	Claimed	Tariff Order	Claimed	Tariff Order	Claimed	Tariff Order	Claimed
Power Purchase Cost / **PGCIL Charges**	6,831.90	7,673.32	8,982.05	9,790.12	5,885.12	8,470.81	21,699.07	25,934.25
Transmission charges including SLDC	821.64	789.89	1,052.90	1,197.91	875.26	995.83	2,749.80	2,983.63

Particulars	FY 2018-19							
	East DISCOM		West DISCOM		Central DISCOM		State	
	Tariff Order	Claimed	Tariff Order	Claimed	Tariff Order	Claimed	Tariff Order	Claimed
O&M Expenses (Net of Capitalisation)	1,703.20	1,280.16	1,677.86	1,579.75	1,584.18	1,179.82	4,965.24	4,039.73
Depreciation	148.46	362.20	104.81	261.33	197.43	346.05	450.70	969.58
Interest & Finance Charges	253.66	246.39	169.38	160.29	324.70	300.24	747.74	706.92
On Project Loans	115.98	199.46	49.04	41.60	222.50	275.52	387.52	516.58
On Working Capital Loans	104.43	72.00	50.53	53.32	44.32	46.26	199.28	171.58
On Consumer Security Deposit	33.25	51.77	69.81	65.37	57.88	54.66	160.94	171.80
Return on Equity	281.91	556.24	177.22	190.17	376.67	608.22	835.80	1,354.63
Bad & Doubtful Debts	2.00	771.35	2.00	762.68	2.00	1,678.07	6.00	3,212.10
Any other expense	0.00	0.00		0.76			0.00	0.76
Total Expenses	**10,042.77**	**11,679.54**	**12,166.22**	**13,943.00**	**9,245.36**	**13,579.06**	**31,454.35**	**39,201.60**
Less: Other income	174.30	337.90	204.75	105.60	212.20	630.75	591.25	1,074.25
Net total Expenses	**9,868.47**	**11,341.64**	**11,961.47**	**13,837.40**	**9,033.16**	**12,948.31**	**30,863.10**	**38,127.35**
Add: Impact of Supplementary bills adjustment for FY 2012-13	242.59	278.42	315.35	358.12	345.49	348.33	903.43	984.87
Total ARR expenses	**10,111.06**	**11,620.06**	**12,276.82**	**14,195.52**	**9,378.65**	**13,296.64**	**31,766.53**	**39,112.22**
Revenue	**10,111.06**	**8,955.73**	**12,277.00**	**13,304.74**	**9,379.00**	**9,680.77**	**31,767.06**	**31,941.24**
Revenue Gap	**0.00**	**2,664.33**	**0.18**	**890.78**	**0.35**	**3,615.87**	**0.53**	**7,170.98**

1.12 The Commission analysed the Truing-up Petition on the basis of the information furnished by the DISCOMs and considering the interest of the consumers in the State, the Commission prudently considered the submission of DISCOMs. After giving due consideration to the norms, methodology, process of determination of expenditure and revenues as elaborated in the MYT Regulations, 2015, the Commission has determined the allowable revenue Gap/Surplus, as detailed in the subsequent Sections of this Order.

1.13 Summary of the True-up of ARR admitted for FY 2018-19 is given below:

Table 3: Revenue (Surplus)/Deficit admitted in True-up of ARR for FY 2018-19(Rs. Crore):

Particulars	East DISCOM		West DISCOM		Central DISCOM		Total for State	
	Claimed	Admitted	Claimed	Admitted	Claimed	Admitted	Claimed	Admitted
INCOME								
Tariff Income	5,765.88	5,810.47	8,033.46	8,165.66	6,526.92	6,527.56	20,326.26	20,503.69
Non-tariff income	337.90	139.69	105.60	176.03	630.75	71.11	1,074.25	386.83
Net other income (excluding delayed payment surcharge)		198.21		94.75		251.35		544.31
Subsidy	3,189.85	3,189.85	5,271.28	5,271.28	3,153.85	3,153.85	11,614.98	11,614.98

Particulars	East DISCOM		West DISCOM		Central DISCOM		Total for State	
	Claimed	Admitted	Claimed	Admitted	Claimed	Admitted	Claimed	Admitted
INCOME								
Total Income (A)	**9,293.63**	**9,338.22**	**13,410.34**	**13,707.73**	**10,311.52**	**10,003.87**	**33,015.49**	**33,049.82**
EXPENSES								
Power Purchase								
Power Purchase Cost	7,673.32	7,081.73	9,790.12	9,455.88	8,470.81	7,636.73	25,934.25	24,174.34
MP Transco Charges	789.89	789.89	1,197.91	1,197.91	995.83	995.83	2,983.63	2,983.63
Total Power Purchase (Incl. Transmission) (B)	**8,463.21**	**7,871.62**	**10,988.03**	**10,653.79**	**9,466.64**	**8,632.56**	**28,917.88**	**27,157.97**
O&M Expenses (Net of Capitalisation)							-	
Employee Expenses	867.65	665.09	1,127.58	711.14	605.88	668.40	2,601.11	2,044.63
DA	58.00	58.00	61.86	61.86	54.35	54.35	174.21	174.21
Terminal Benefits	7.18	44.64	16.79	73.51	6.57	49.62	30.54	167.77
Arrears	-	35.54	65.26	65.26	-	42.10	65.26	142.90
A&G Expenses	136.09	306.15	147.00	129.36	292.49	293.56	575.58	729.08
R&M Expenses	199.79	205.23	149.50	119.30	218.61	83.58	567.90	408.11
Other expenses (including Taxes & MPERC Fees)	11.42	2.40	11.77	2.22	1.92	1.66	25.11	6.27
O&M Expenses Capitalization		(41.75)		(42.09)		(33.61)	-	(117.45)
Provision for Terminal Benefit		70.00		70.00		70.00	-	210.00
Total O&M Expenses (C)	**1,280.13**	**1,345.31**	**1,579.75**	**1,190.57**	**1,179.82**	**1,229.66**	**4,039.70**	**3,765.54**
Other Expenses							-	
Depreciation	362.20	122.25	261.33	106.34	346.05	172.35	969.58	400.94
Interest & Financing Charges on Project Loans **(Net of Capitalisation)**	122.62	52.90	41.60	(40.46)	199.32	149.43	363.54	161.87
Interest on working capital loans	72.00	38.25	53.32	64.18	46.26	26.64	171.58	129.07
Interest on Consumer Security Deposit	51.77	51.77	65.37	65.37	54.66	53.38	171.80	170.52
Return on Equity	556.24	220.30	190.17	172.72	608.22	259.10	1,354.63	652.12
Bad & Doubtful Debts	771.35	-	762.68	-	1,678.07	65.28	3,212.10	65.28
Any Other Expense	-	-	0.76	-	-	-	0.76	-
Total Other Expenses (D)	**1,936.18**	**485.47**	**1,375.23**	**368.15**	**2,932.58**	**726.17**	**6,243.99**	**1,579.79**
Total Expenses E = (B + C + D)	**11,679.52**	**9,702.39**	**13,943.01**	**12,212.51**	**13,579.04**	**10,588.39**	**39,201.57**	**32,503.30**
Revenue Gap F = (E-A)	**2,385.89**	**364.17**	**532.67**	**(1,495.21)**	**3,267.52**	**584.52**	**6,186.08**	**(546.52)**
Add: Impact of Supplementary bills adjustment for FY 2012-13**(G)**	278.42	278.42	358.12	358.12	348.33	348.33	984.87	984.87
Gross Expenses H = (E + G)	**11,957.94**	**9,980.81**	**14,301.13**	**12,570.63**	**13,927.37**	**10,936.72**	**40,186.44**	**33,488.17**
Total Revenue Gap I = (H - A)	**2,664.33**	**642.59**	**890.78**	**(1,137.09)**	**3,615.87**	**932.85**	**7,170.98**	**438.35**

Treatment of Revenue Gap admitted for FY 2018-19

1.14 MP State DISCOMs were reeling under severe financial stress. The accumulated loss level had reached to the level of Rs. 30,282 Crore at the end of FY 2014-15. The outstanding debt level of MP DISCOMs was Rs. 34,739 Crore at the end of September 2015. The Government of India, the Government of Madhya Pradesh and the MP State DISCOMs entered into a tripartite MoU, under Ujwal DISCOM Assurance Yojana (UDAY) on 10.08.2016 in order to improve the efficiency of the MP DISCOMs to enable the operational and financial turnaround of the DISCOMs. Under UDAY, several obligations/commitments were decided for the Parties, i.e., GoI/ GoMP/MP DISCOMs.

1.15 One of the main obligations/commitments of GoMP, which is to be facilitated by GoI under the UDAY scheme, is to take over debt of Rs. 26,055 Crore (75% of the debt as on September 2015, i.e., Rs. 34,739 Crore). The debt to be taken over by the GoMP shall be transferred to the DISCOMs as a mix of grant and equity as described in the following table:

Table 4: Debt take over by GoMP as per UDAY MoU (Rs. Crore)*

Year	Amount	Debt taken over in the form of
FY 2016-17	Rs. 7,568	Equity
FY 2017-18	Rs. 4,622	Grant
FY 2018-19	Rs. 4,622	Grant
FY 2019-20	Rs. 4,622	Grant
FY 2020-21	Rs. 4,621	Grant
Grand Total	**Rs. 26,055**	

**Source: - UDAY MoU signed between MoP, GoMP and MPPMCL for and behalf of MPPKVVCL, MPMKVVCL and MPPoKVVCL*

1.16 Further, apart from above, MP State DISCOMs were mandated to fully/partially issue State Guaranteed bonds for the remaining 25% loan or get them converted into loans or bonds at rate not more than Bank Rate plus 0.1%.

1.17 In order to understand the nature of the debt taken over by the State Government under UDAY scheme, the Commission had conducted several meetings with the nodal officers of the Petitioners. The Commission also directed the Petitioners to submit the details of all the loan taken over under the scheme and the actual year wise grant / equity received from the State Government in accordance to UDAY MoU in FY 2016-17 to FY 2018-19. On the analysis of the information submitted by the Petitioners, it was observed that the loans taken over by the State Government included loans taken for Capital Works, Loans to fund working capital requirements, perpetual loan of the State Governments. In reply the Petitioners submitted that Rs. 12,690 Crore of debt of MP State DISCOMs have been taken over by the State Government upto FY 2018-19, out of which Rs. 7,568 Crore is in the form of equity and Rs. 5,122 Crore is in the form of Grant. Breakup of the same is as follows:

Table 5: Present status of Debt take over by GoMP (Rs. Crore)*

Year	As per UDAY MoU		As per Actuals		
	Amount	Debt taken over in the form of	Grant	Equity	Total
FY 2016-17	7,568	Equity	4011	3557	7568
FY 2017-18	4,622	Grant	611	4011	4622
FY 2018-19	4,622	Grant	500	-	500
FY 2019-20	4,622	Grant	-	-	-
FY 2020-21	4,621	Grant	-	-	-
Grand Total	**26,055**		**5122**	**7568**	**12690**

**Source: - As per UDAY MoU and actuals as submitted by the DISCOMs in reply to data gap.*

1.18 Further, in accordance with Clause 1.1 (h) of UDAY, the GoMP shall take over the future losses of the DISCOMs in a graded manner and shall fund the losses as follows:

Table 6: Loss to be taken over by GoMP*

Year	FY 2016-17	FY 2017-18	FY 2018-19	FY 2019-20	FY 2020-21
Previous Year's DISCOM loss to be taken over by State	0% of the loss of FY 2015-16	0% of the loss of FY 2016-17	5% of the loss of FY 2017-18	10% of the loss of FY 2018-19	25% of the loss of FY 2019-20

**Source: - As per UDAY MoU.*

1.19 In accordance with the above, the State Government has taken over losses for FY 2017-18, FY 2018-19 and FY 2019-20 in FY 2018-19, FY 2019-20 and FY 2020-21 respectively which is as follows:

Table 7: Present Status of Loss take over by GoMP*(Rs Crore)

Year	FY 2018-19	FY 2019-20	Total
Previous Year's DISCOM loss to be taken over by State	253.21	729.95	**1463.16**

**Source: - As per audited accounts of DISCOMs.*

1.20 The Commission carries out the tariff determination exercise based on the norms specified in its MYT Regulations, 2015. Accordingly, any expenditure, which the Commission finds imprudent is not allowed to be recovered by way of tariff. Accordingly, the gap between actual revenue recovery realised by the Petitioners on the basis of tariff determined by the Commission and actual expenses incurred by them during the said year are booked as losses for the year and reflected in the books of accounts. In order to fund these losses, the Distribution Licensees are forced to take short / medium term loans, which again increases their interest burden and is reflected in the subsequent years.

1.21 As per UDAY MoU, the total loan outstanding as on September 2015 was Rs. 34,739 Crore. The debt burden is on account of capex loans, bonds and short terms loans of banks, FIs and GoMP of the DISCOMs. Apparently, the debt burden is also to meet their losses accumulated on account of revenue deficits in previous years. The Commission has observed that one of the major reasons for accumulation of these losses is high actual distribution losses of the Petitioners which are much higher than the distribution losses specified in the Regulations. The Petitioners are also paying for power purchase to cater these increased distribution losses and paying the bills of the generators for procurement of power for meeting out the consumption over and above the normative losses. However, the Petitioners are not able to convert the input energy into desired level of sale and the same is reflecting as revenue loss in their book of accounts and to fund these losses, the Petitioners resort to short and medium term funding's.

1.22 As explained above, the liabilities to be taken over under UDAY scheme are the total liabilities of the DISCOMs, which would comprise the following types of loans:

i. Loans to fund capital projects **(Allowed by the Commission to be recovered through tariff)**;

ii. Loans to fund Working Capital requirements **(Partly allowed by the** Commission **on normative basis to be recovered through tariff)**;

iii. Loans to service losses, which are not admitted by the Commission; and

iv. Loans to service legitimate revenue gap for the year for which truing up is pending **(To be allowed by the Commission at the time of true up).**

1.23 However, as per UDAY MoU, the debt taken over by the GoMP may include loans for any of the purposes listed above. Therefore, any loan taken against the Revenue Gap and/or Capital Loans which the Commission has already approved as part of ARR or allowed its recovery during the Tariff determination and / or truing up exercise, should be adjusted against UDAY grant. Else, the same would lead to double recovery from the Government and the consumers, as the Commission will also be allowing its recovery from consumers as increase in tariff for subsequent years.

1.24 The Commission in the True up Order for FY 2014-15 to FY 2017-18 had adjusted the grant/equity received under the UDAY Scheme against the net Revenue gap for FY 2014-15 to FY 2017-18 as under:

Table 8: Net Revenue Gap admitted on True up of FY 2014-15 to FY 2017-18 (Rs. Crore)

Particulars	Amount
Total Revenue Gap admitted in true up of FY 2014-15 to FY 2017-18 admitted	**13,413.79**
Less: Total Grant / Equity received by DISCOMs under UDAY in FY 2016-17 to FY 2017-18	12,190.00
Net Remaining Revenue Gap	**1,223.79**

1.25 As per the approach adopted by the Commission in the True-up Order for FY 2014-15 to FY 2017-18, the Commission considers it appropriate to reduce the amount of grant/equity received under UDAY from the Revenue Gap admitted by the Commission for FY 2018-19. Accordingly, based on the above, the net revenue gap to be allowed by the Commission for tariff hike in subsequent order shall be as follows:

Table 9: Net Revenue Gap admitted on True up of FY 2018-19 (Rs. Crore)

Particulars	Amount
Total Revenue Gap claimed by the DISCOMs in True up of FY 2018-19	7,170.98
Total Revenue Gap/(Surplus) admitted in true up of FY 2018-19	**438.35**
Less: Total Grant / Equity received by DISCOMs under UDAY in FY 2018-19	500.00
Less: Grant against loss taken over by the Govt. under UDAY in FY 2018-19	253.21

Particulars	Amount
Net Remaining Revenue Gap/(Surplus)	**(314.86)**

1.26 Accordingly, the Commission has admitted the net Revenue Surplus of Rs. 314.86 Crore after true up of FY 2018-19 for passing on the surplus amount in retail supply tariff to be determined by the Commission in ensuing year. Further, the Grant / Equity received by the DISCOMs from FY 2019-20 onwards shall be considered by the Commission in respective year's true ups.

1.27 Ordered as above, read with detailed reasons, grounds and conditions annexed herewith.

Shashi Bhushan Pathak	**Mukul Dhariwal**	**S. P. S. Parihar**
(Member)	**(Member)**	**(Chairman)**

Dated: 24th May, 2021
Place: Bhopal.

A2: TRUE UP OF AGGREGATE REVENUE REQUIREMENT OF FY 2018-19

Analysis of Expenses during the period from April 2018 to March 2019:

Sale of energy

2.1 In the Retail Supply Tariff Order issued on 3rd May, 2018 for FY 2018-19, the Commission admitted the sale of energy for FY 2018-19 as shown in the table below:

Table 10 : Sales admitted in Tariff Order dated 3rd May, 2018 (MU)

DISCOM	East DISCOM	West DISCOM	Central DISCOM	Total
LT Sale	14025	16316	11862	42204
HT Sale	2814	4068	3567	10448
Total Sale	**16,839**	**20,384**	**15,429**	**52,652**

2.2 A comparison of Sales as admitted in Tariff Order, as per the R-15 statements and as claimed in the True-up Petition is given in the table below:

Table 11 : Sales as per Tariff Order, monthly R-15 statement and as filed in True-up Petition for FY 2018-19 (MU)

Particulars		East DISCOM	West DISCOM	Central DISCOM	Total
As admitted in the Tariff Order	LT Sale	14,025.00	16,316.00	11,862.00	42,204.00
	HT Sale	2,814.00	4,068.00	3,567.00	10,448.00
	Total Sale	**16,839.00**	**20,384.00**	**15,429.00**	**52,652.00**
As per monthly R-15 report	LT Sale	11,300.60	15,409.45	11,198.43	37,908.81
	HT Sale	3,379.73	5,189.18	3,833.37	12,401.95
	Total Sale	**14,680.33**	**20,598.63**	**15,031.80**	**50,310.76**
As filed in True-up Petition	LT Sale	11,301.25	15,409.45	11,198.43	37,909.13
	HT Sale	3,379.73	5,189.18	3,833.37	12,402.28
	Total Sale	**14,680.98**	**20,598.63**	**15,031.80**	**50,311.41**

2.3 The Commission has observed that the Sales as filed in the True-up Petitions by DISCOMs is in line with the Annual R-15 statements. However, the sales submitted by the East DISCOM is at variance by 0.65 MU with respect to sales booked in monthly R15 Statements. Accordingly, the Commission in line with the approach followed in previous years, has considered the sales as per the monthly R15 statement for further analysis and approval.

2.4 The Commission had approved the assessment of sale to the unmetered category of rural domestic and agriculture consumers in the tariff order as shown in the table below:

Table 12 : Basis of billing to un-metered consumers

<table>
<tr><th>Assessed units for un-metered rural domestic connections (units per connection per month)</th><th colspan="3">Assessed units for un-metered agricultural connections (units per HP per month)</th><th colspan="3">Assessed units for un-metered agricultural connections (units per HP per month)</th></tr>
<tr><td rowspan="2">Rural</td><td>Category</td><td>Rural</td><td>Urban</td><td>Category</td><td>Rural</td><td>Urban</td></tr>
<tr><td colspan="3">Three Phase</td><td colspan="3">Single Phase</td></tr>
<tr><td>April to March</td><td colspan="3">April to September</td><td colspan="3">April to September</td></tr>
<tr><td rowspan="5">75</td><td>Permanent</td><td>95</td><td>95</td><td>Permanent</td><td>95</td><td>95</td></tr>
<tr><td>Temporary</td><td>195</td><td>220</td><td>Temporary</td><td>205</td><td>230</td></tr>
<tr><td colspan="3">October to March</td><td colspan="3">October to March</td></tr>
<tr><td>Permanent</td><td>170</td><td>170</td><td>Permanent</td><td>180</td><td>180</td></tr>
<tr><td>Temporary</td><td>195</td><td>220</td><td>Temporary</td><td>205</td><td>230</td></tr>
</table>

2.5 On scrutiny of the sales for the unmetered domestic consumers recorded in R-15 statement (basic sale/billing data statement) for FY 2018-19, it has been observed that the actual unmetered sales to domestic consumers is within the benchmark approved by the Commission. Therefore, the Commission has admitted the actual sale to domestic unmetered consumers. However, on scrutiny of the sales to unmetered agricultural consumers recorded in monthly R-15 statement for FY 2018-19, it is observed that the sales to un-metered category of agriculture consumers had been booked in excess of the prescribed monthly benchmarks, when compared with the number of consumers and their load. Accordingly, the Commission has accepted the metered sales as per R-15 statement, whereas the sales to un-metered agricultural consumers has been admitted as per monthly benchmarks prescribed in tariff order for FY 2018-19. A summary of the unmetered sale as per monthly R-15, Sales as per prescribed benchmark and Sales in excess of the prescribed benchmark as observed from the monthly R15 statement is shown in the table below:

Table 13: Summary of sale to the unmetered category booked in excess of the specified benchmark (MU)

DISCOM	Unmetered Sales as per monthly R15	Sales booked in excess of the specified benchmark for un-metered agricultural connections
East	5,493.37	60.98
West	9,024.50	0.22
Central	5,255.87	54.48
State	**19,773.74**	**115.68**

2.6 The details of energy sale as per Tariff Order for FY 2018-19, 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 14 : Energy sale as per Tariff Order for FY 2018-19, as per filing of the DISCOMs and as admitted by the Commission (MU)

Category	East DISCOM			Central DISCOM			West DISCOM			Total for the State		
	As per Tariff Order FY 2018-19	As per True up Petition FY 2018-19	As admitted in True up Order FY 2018-19	As per Tariff Order FY 2018-19	As per True up Petition FY 2018-19	As admitted in True up Order FY 2018-19	As per Tariff Order FY 2018-19	As per True up Petition FY 2018-19	As admitted in True up Order FY 2018-19	As per Tariff Order FY 2018-19	As per True up Petition FY 2018-19	As admitted in True up Order FY 2018-19
LOW TENSION												
LV 1: Domestic	5,513.00	4,138.43	4,138.13	4,739.00	4,329.46	4,329.46	4,302.00	4,214.05	4,214.05	14,554.00	12,681.94	12,681.63
LV 2: Non - Domestic	1,119.00	940.96	940.95	994.00	926.18	926.18	1,135.00	1,094.54	1,094.54	3,248.00	2,961.68	2,961.67
LV 3: Public Water Works and Street lights	578.00	374.10	374.09	383.00	344.72	344.72	548.00	442.70	442.70	1,509.00	1,161.52	1,161.50
LV 4: LT Industrial	510.00	337.78	337.77	308.00	283.27	283.27	619.00	623.05	623.05	1,437.00	1,244.10	1,244.09
LV 5: Agricultural and Allied Activities	6,306.00	5,509.98	5,448.70	5,438.00	5,314.81	5,260.33	9,713.00	9,035.10	9,034.88	21,457.00	19,859.89	19,743.91
LV 6 :E- Vehicle / E- Rickshaws Charging Stations	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
LT Units (MU)	**14,025.00**	**11,301.25**	**11,239.62**	**11,862.00**	**11,198.43**	**11,143.95**	**16,316.00**	**15,409.45**	**15,409.22**	**42,203.00**	**37,909.13**	**37,792.80**
HIGH TENSION												
HV 1: Railway Traction	25.00	0.00	0.00	25.00	0.00	0.00	0.00	0.00	0.00	50.00	0.00	0.00
HV 2: Coal Mines	447.00	465.33	465.33	31.00	27.24	27.24	0.00	0.00	0.00	478.00	492.57	492.56
HV-3: Industrial, Non-Industrial and Shopping Malls	1,919.00	2,521.38	2,521.38	3,093.00	3,429.67	3,429.67	3,641.00	4,479.85	4,479.85	8,653.00	10,430.90	10,430.89
HV-4: Seasonal	8.00	7.97	7.97	2.00	1.67	1.67	13.00	11.40	11.40	23.00	21.04	21.04
HV-5.1: Irrigation, Public Water Works and Other than Agricultural	124.00	123.78	123.78	248.00	222.22	222.22	376.00	654.57	654.57	748.00	1,000.57	1,000.57
HV-6: Bulk Residential Users	291.00	260.70	261.27	168.00	141.35	152.58	32.00	43.37	43.37	491.00	445.42	457.21
HV-7 : Synchronization of Power for Generators Connected to the Grid	0.00	0.57	0.00	1.00	11.23	0.00	6.00	0.00	0.00	7.00	11.80	0.00
HV 8 :E- Vehicle / E- Rickshaws Charging Stations	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
HT Units (MU)	**2,814.00**	**3,379.73**	**3,379.73**	**3,567.00**	**3,833.37**	**3,833.37**	**4,068.00**	**5,189.18**	**5,189.18**	**10,449.00**	**12,402.28**	**12,402.28**
GRAND TOTAL HT + LT	**16,839.00**	**14,680.98**	**14,619.35**	**15,429.00**	**15,031.80**	**14,977.32**	**20,384.00**	**20,598.63**	**20,598.41**	**52,652.00**	**50,311.41**	**50,195.08**

<u>Power Purchase Quantum and Cost</u>

Petitioners' Submission

2.7 The Petitioner have submitted that the energy requirement (MU) admitted in the Tariff Order by the Commission was based on the normative loss trajectory as per MYT Regulations, 2015, which differs from the actual loss levels for FY 2018-19.

2.8 The Petitioners have submitted that the Commission while projecting the power purchase requirement does not consider the quantum of energy sale to other DISCOM's and UI energy at DISCOM's periphery. Also, the losses outside their periphery i.e. losses of MPPTCL and PGCIL is beyond their control and therefore the Petitioners have requested to determine the average per unit rate based on the actual net energy input at DISCOM periphery for sale to retail consumers only. This would also take into account the sale and purchase of electricity between the DISCOM's including UI within the State and also banking of power to other States.

2.9 The Petitioner further submitted that 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 may not change even after the closure of financial year. This would also take into account the sale and purchase of electricity between the DISCOM's including UI within the State and also banking of power to other States. Also, 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 results in erroneous calculation of energy balance and the UI quantum of each DISCOM is left unattended.

2.10 The Petitioners have submitted that they have considered the MPPTCL losses of 2.71% in accordance with the Annual Report on Regulatory Compliance for FY 2018-19. With regard to Inter-State losses, the Petitioners have submitted the Month-wise and Region-wise break-up of losses for FY 2018-19.

2.11 Further, with regard to cost of power purchase, the Petitioners have submitted that the primary reason for increase in power purchase cost is on account of the following reasons:

- Payment of Fuel Cost adjustment on actuals;
- Payment of Renewable Energy Purchase Cost;
- Payment of actual Inter-State and Intra-State transmission charges;
- Payment of UI / DSM charges and MPPMCL charges.

2.12 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, 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 may not change even after the closure of financial year. This would also take into account the sale and purchase of electricity between the DISCOM including UI within the State and also banking of power to other States. It is to be noted that calculation of average per unit losses should not be based on calculated 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.

2.13 The Petitioners have requested the Commission to determine the cost of power purchase to be adjusted (disallowed) in the revenue requirement of the Petitioners' for the quantum of power purchase of disallowed power by applying the basic principle that all such costs and expenses on average basis, would have been avoided by the Petitioner if the quantum of power whose purchase was disallowed by the Commission has not been purchased.

2.14 Based on above, the Petitioners have claimed the power purchase cost as follows:

Table 15: Claimed Power Purchase Cost for FY 2018-19 (Rs. Crore)

Sr. No.	Particulars	East		West		Central		Total	
		Actual	Claimed	Actual	Claimed	Actual	Claimed	Actual	Claimed
1	Distribution Loss Level (%)	30.56%	30.56%	16.89%	16.89%	36.67%	36.67%	27.70%	27.70%
2	Fixed Cost for FY 2018-19	2,649.73	2,649.73	3,335.91	3,335.91	3002.56	3002.56	8,988.20	8,988.20
3	Supplementary Bills of Previous years	146.73	147.88	177.56	178.16	164.43	165.43	488.72	491.47
4	Variable Cost for FY 2018-19 after adjusting the sale of additional power and other income	4,373.45	3736.67	5299.7	5199.68	5,619.53	5,619.53	15,292.68	14,555.88
5	Other Charges (ED, Cess, Heavy Water Charges, Water Charges, MOPA, Insurance, Others etc.)	247.39	211.37	299.49	293.83	269.49	216.48	816.37	721.68
6	Inter State Transmission Charges for FY 2018-19 including SLDC	528.49	528.49	647.78	647.78	598.56	598.56	1,774.83	1,774.83
7	Other Cost of MPPMCL which cannot be apportioned	242.43	242.43	283.76	283.76	271.79	271.79	797.98	797.98
8	Other Adjustment based on	16.35	13.97	(135.34)	(132.78)	118.99	95.58	0.00	-23.23

Sr. No.	Particulars	East		West		Central		Total	
		Actual	Claimed	Actual	Claimed	Actual	Claimed	Actual	Claimed
	Reconciliation with MPPPMCL								
	MPPMCL Cost	**8,204.58**	**7,530.55**	**9908.87**	**9806.34**	**9398.9**	**8345.28**	**27,512.35**	**25,682.17**
A	Sup. Bill of previous years	(13.9)	(13.9)			(9.92)	(9.92)	(23.82)	(23.82)
B	Intra State Transmission Charges for FY 2018-19	786.36	786.36	1,193.38	1,193.38	992.07	992.07	2,971.81	2,971.81
C	Power Purchased Directly by DISCOMs	-	-	-	-	-	-	-	-
D	DSM/UI at Intra State Boundary	158.37	158.37	(12.81)	(12.81)	133.17	133.17	278.73	278.73
E	Reactive Energy Charges	(4.86)	(4.86)	(3.41)	(3.41)	0.82	0.82	(7.45)	(7.45)
	Total	**9137.24**	**8463.21**	**11,090.56**	**10,988.03**	**10,520.26**	**9,466.64**	**30,748.06**	**28,917.88**

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 2018-19 and as per the audited accounts of DISCOMs are given in the table below:

Table 16: Power purchase quantum and cost admitted in Tariff Order and as per the Audited Accounts.

DISCOM	Particulars	Admitted in the tariff order	Actual as per audited accounts
East DISCOM	Power Purchase Quantum (MU)	21,083	22,108.10*
	Power Purchase Cost (Rs. Crore)	7653.55	9,137.24#
West DISCOM	Power Purchase Quantum (MU)	25,218	26,723.33*
	Power Purchase Cost (Rs. Crore)	10,034.94	11,090.75#
Central DISCOM	Power Purchase Quantum (MU)	19,550	24929.60*
	Power Purchase Cost (Rs. Crore)	6,760.38	10,520.26#
Total for the State	**Power Purchase Quantum MU)**	**65,851**	**73,761.03***
	Power Purchase Cost (Rs. Crore)	**24,448.87**	**30,748.25#**

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

 # It includes supplementary power purchase cost of period prior to FY 2018-19.

2.16 Further, on analysis of the data submitted by the Petitioner, it has been observed that the Petitioners have not submitted the complete details of energy balance in format "Schedule 4a" which requires that the Inter State and Intra State losses be separately shown, whereas the Petitioners have submitted figures combining both these losses. Energy balance details as submitted by DISCOMs are shown in the Table below:

Table 17: Energy Balance as filed by DISCOMs for FY 2018-19

S No.	Particulars	East DISCOM	West DISCOM	Central DISCOM	Total for State
1	Total Energy Sale (MU)	14,680.97	20,598.63	15,031.80	50,311.41
2	A. Distribution losses (%)	30.56%	16.89%	36.67%	27.70%
	B. Distribution losses (MU)	6461.92	4,114.78	8,703.87	19,279.64
3	At T-D interface (MU)	**21,176.40**	**24,808.47**	**23,939.86**	**69,924.73**
4	A. Transmission loss of MPPTCL (%)	Not Submitted			
	B. Transmission losses of MPPTCL (MU)				
5	At MP periphery				
6	A. External losses (%)				
	B. External losses (MU)				
7	**Total energy requirement (MU)**	**22,108.10**	**26,723.33**	**24,929.60**	**73,761.03**

2.17 However, for admitting the power purchase cost, the Commission in line with the approach adopted in truing up 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 (say C) to arrive at the total energy requirement, i.e., D=B/(1-C).

2.18 In order to compute the energy balance for DISCOMs, it is necessary to know the loss levels at each stage. Therefore, inter-State transmission, intra-State transmission and distribution losses need to be identified correctly. The intra-State transmission loss has been submitted as 2.71% by MPPTCL in their annual report of regulatory compliance report for FY 2018-19. Accordingly, the same loss level has been considered as the Intra-State transmission losses for the present True-up exercise. The Commission had approved the distribution loss levels for working out power purchase requirement in the Retail Supply Tariff Order for FY 2018-19 as specified in the MYT Regulations, 2015 as shown in the table below:

Table 18: Distribution loss trajectory for FY 2018-19 (%)

Year	East DISCOM	West DISCOM	Central DISCOM
FY 2018-19	16%	15%	17%

2.19 The Commission observed that the Petitioner has submitted the monthly actual external transmission losses (computed based on the weekly losses issued by RLDCs) of Inter-State Transmission System for FY 2018-19. Accordingly, the average losses for FY 2018-19 applicable for Western Region and Eastern Region have been worked out as 3.18% and 1.91%, respectively. The external losses (MU) thus, arrived by multiplying the applicable losses (%) with the power purchase from the respective regions has been apportioned based on the total power purchase (MU) by each DISCOM.

2.20 Based on above, the power purchase requirement admitted by the Commission for FY 2018-19 is shown in the table below:

Table 19: Analysis of Power purchase quantum (MU)

S. No.	Particulars	East DISCOM	West DISCOM	Central DISCOM	Total for State
1	Total Energy Sale (MU)	14,619.35	20,598.41	14,977.32	50,195.08
2	A. Distribution Losses (%)	16.00%	15.00%	17.00%	15.90%
	B. Distribution Losses (MU)	2,784.64	3,635.01	3,067.64	9,487.29
3	At T-D interface (MU)	17,403.98	24,233.42	18,044.97	59,682.37
4	A. Transmission loss of MPPTCL (%)	2.71%	2.71%	2.71%	2.71%
	B. Transmission losses of MPPTCL (MU)	484.79	675.02	502.64	1,662.44
5	At MP periphery	17,888.77	24,908.44	18,547.61	61,344.81
6	External losses (MU)	418.15	484.56	434.90	1,337.61
7	**Net energy requirement (MU)**	**18,306.92**	**25,393.00**	**18,982.50**	**62,682.43**

Power Purchase Cost

2.21 On analysis of the power purchase cost submitted by the Petitioner it was observed that there was variation 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 20: 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	8,463.21	10,988.03	9,466.64	**28,917.88**

Particulars	East DISCOM	West DISCOM	Central DISCOM	Total for the State
As per the audited accounts of DISCOMs	9137.24	11090.75	10520.26	**30,748.25**
As per MPPMCL audited account	8,204.58	9,908.87	9,398.90	**27,512.35**

2.22 The Commission through data gap directed the Petitioners to submit the reconciliation of the power purchase cost as per audited account of DISCOMs and MPPMCL. In reply Petitioner 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 charges and some expenses which has been booked in the audited accounts of MPPMCL of previous year. The reconciliation statement submitted by the Petitioners in revised Petition is shown below:

Table 21: Reconciliation of power purchase cost as per DISCOMs audited account and MPPMCL accounts submitted by the Petitioners (Rs. Crore)

Source of Power Purchase	MU Purchased	Total Capacity Charges	Total Energy Charges	Total FPA charges	Income Tax	ED, Cess, Heavy Water charge, water charges	MOPA, Insurance	Any Other	Total of all Charges
MPPMCL Power Purchase Cost	**73,761.03**	**10,763.03**	**16,614.59**	-	**0.02**	**668.53**	**1.63**	**(535.46)**	**27,512.34**
East DISCOM	22,108.10	3,178.22	4,962.78	-	0.01	203.2	0.53	(140.17)	**8,204.58**
Central DISCOM	24,929.60	3,601.12	5,619.53	-	0.01	219.68	0.48	(41.91)	**9,398.90**
West DISCOM	26,723.33	3,983.68	6,032.28	-	0.01	245.66	0.62	(353.38)	**9,908.87**
Other Supplementary Bills	-	-	**(23.82)**	-	-	-	-	-	**(23.82)**
East DISCOM			(13.9)						**(13.9)**
Central DISCOM			(9.92)						**(9.92)**
West DISCOM			-						-
Power Purchase from others	-	-	**4.62**	-	-	-	-	-	**4.62**
East DISCOM			3.16						**3.16**
Central DISCOM			1.46						**1.46**
West DISCOM			-						-
UI/DSM Charges (Rs Cr)	-	-	**278.73**	-	-	-	-	-	**278.73**
East DISCOM			158.37						**158.37**
Central DISCOM			133.17						**133.17**
West DISCOM			(12.81)						**(12.81)**
Reactive Energy Charges (Rs Cr)	-	-	**(7.45)**	-	-	-	-	-	**(7.45)**
East DISCOM			(4.86)						**(4.86)**

Source of Power Purchase	MU Purchased	Total Capacity Charges	Total Energy Charges	Total FPA charges	Income Tax	ED, Cess, Heavy Water charge, water charges	MOPA, Insurance	Any Other	Total of all Charges
Central DISCOM			0.82						**0.82**
West DISCOM			(3.41)						**(3.41)**
Intra state Transmission Charges (Rs. Cr)	-	-	**2,971.81**	-	-	-	-	-	**2,971.81**
East DISCOM			786.36						**786.36**
Central DISCOM			992.07						**992.07**
West DISCOM			1,193.38						**1,193.38**
SLDC Charges			**11.82**	-	-	-	-	-	**11.82**
East DISCOM			3.53						**3.53**
Central DISCOM			3.76						**3.76**
West DISCOM			4.53						**4.53**
Total Power Purchase Cost as per DISCOM	**73,761.03**	**10,763.03**	**19,850.31**	**-**	**0.02**	**668.53**	**1.63**	**(535.46)**	**30,748.06**
East DISCOM	22,108.10	3,178.22	5,895.45	-	0.01	203.2	0.53	(140.17)	**9,137.24**
Central DISCOM	24,929.60	3,601.12	6,740.89	-	0.01	219.68	0.48	(41.91)	**10,520.26**
West DISCOM	26,723.33	3,983.68	7,213.97	-	0.01	245.66	0.62	(353.38)	**11,090.56**

2.23 Accordingly, 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 also like transmission charges, UI charges etc., has considered power purchase cost as per audited accounts of DISCOMs for further scrutiny as per following section.

2.24 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 2018-19. The total fixed cost for the stations as indicated in this statement is Rs. 8,988.21 Crore, Variable and Other Charges of Rs. 15,462.59 Crore (net of revenue from sale of power and other income), Supplementary Power Purchase Cost is Rs. 488.73 Crore, UI/DSM charge is Rs. 278.73 Crore Other Cost of MPPMCL of Rs. 797.98 Crore and reactive energy charges of Rs. (7.45) Crore. The Commission for computation of allowable Power Purchase Cost.

MPPMCL Cost of Rs. 797.98 Crore

2.25 With regards to the Other Cost of Rs. 797.98 Crore (Rs. 242.43 Crore, Rs. 271.79 Crore and Rs. 283.76 Crore for East, Central and West DISCOM, respectively) included in Power Purchase Cost, which was not apportioned station wise by the Petitioner, the Commission vide letter dated 28th February, 2020, sought details in this regard from the

Petitioner. In response, MPPMCL vide letter dated 15th July, 2020 submitted the requisite details. The breakup of the Other Cost as submitted by the MPPMCL is as follows:

Table 22: Details of Other Cost submitted by the Petitioner for FY 2018-19 (Rs. Crore)

Sr. No.	Particulars	Amount	Details
1	Power Purchase Cost	68.09	Energy bills, which have not been passed to the DISCOMs in their monthly energy bills. Less: Purchase Bills passed through revised base sheet
2	Exchange of Power (Trading Margin)	0.21	Trading Margin paid on power purchase through Exchange
3	Bank Charges	3.19	Charges paid to Bank for LC facility
4	Open Access Charges for Purchase of Power	2.54	Open Access Charges paid for purchase of power
5	Open Access Charge for Banking of Power	85.59	Open Access Charges paid for banking of power
6	Banking of Energy	13.25	Liability towards Banking of Energy
7	Employee benefit Expense (including salary)	65.50	Employee Benefit Expenses of MPPMCL
8	Finance Cost	126.67	Interest paid on working capital loans
9	Other Expenses	22.05	Other A&G related expenses of MPPMCL
10	Depreciation	3.65	Depreciation expenses on MPPMCL assets
11	Exceptional expenses	407.24	
10	**Total**	**797.98**	

2.26 On the analysis of the component-wise details of the Other Cost, it was observed that certain cost / (Revenue) pertains to provisioning for banking of power, surcharge on delayed payment, rebate on sale of power, free electricity to employees and exceptional expenses, which cannot be passed onto the State DISCOMs, therefore, the Commission has disallowed such expenses. Details of Other Expenses, which have not been admitted by the Commission are as follows:

Table 23 : Other expenses in Power Purchase Cost not considered by the Commission for FY 2018-19 (Rs. Crore)

Sl. No.	Particulars	Amount	Reason for Disallowance
1	Banking of Energy	13.25	The amount pertains to provision made for payment of Banking of Energy and hence, no actual payment has been received.

Sl. No.	Particulars	Amount	Reason for Disallowance
2	Surcharge on Delayed Payment	**0.03**	The Commission does not consider any surcharge earned or paid on account of delayed payment.
3	Finance Cost	126.67	These Loans have been taken by MPPMCL for working capital requirement and do not pertain to funding of the Capital Projects 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.
4	Exceptional expenses	407.24	The amount pertains to loss incurred by MPPMCL booked as exceptional item in the audited accounts of FY 2018-19. The Commission has allowed actual expenses towards employee benefit, open access charges, depreciation, administration, margin if paid any and any other bills which could not be passed onto the DISCOMs in monthly bills. However, any loss which in accordance to the provision of Regulations, is not attributable to DISCOMs cannot be allowed to be recovered from consumers of the State. Further, in reply to data gaps, the Petitioners has not provided any detail about the claim of the said amount. Therefore, the Commission has not allowed exceptional item as part of power purchase cost.
	Total	**547.19**	

2.27 Based on above, the admitted MPPMCL cost for FY 2018-19 for each DISCOM which has been apportioned based on the actual claimed MPPMCL cost is shown in the following table:

Table 24: MPPMCL Cost admitted for FY 2018-19 (Rs. Crore)

Sr. No.	Particulars	East DISCOM	West DISCOM	Central DISCOM	Total for State
1	Actual MPPMCL cost as per accounts	242.43	283.76	271.79	**797.98**
2	MPPMCL Cost disallowed	166.24	194.58	186.37	**547.19**
3	**MPPMCL cost admitted**	**76.19**	**89.18**	**85.42**	**250.79**

Other income of MPPMCL of Rs. 574.36 Crore

2.28 The power purchase cost also includes an amount of Rs. 574.36 Crore 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 Petitioners, any income earned by it should also be passed onto them. However, it is observed that majority of other income is towards rebate of prompt payment to generators and since the Commission has admitted the power purchase cost towards normative energy requirement only. Therefore, the Commission has admitted other income in proportion to the admitted energy requirement, which is shown in the table below:

Table 25: Other income of MPPMCL admitted for FY 2018-19

Sr. No.	Particulars	Reference	East DISCOM	West DISCOM	Central DISCOM	Total for State
1	Quantum of Power Purchase Procured as per petition (MUs)	A	22,108.10	26,723.33	24,929.60	73,761.03
2	Actual Other Income (Rs. Crore)	B	174.49	204.24	195.63	574.36
3	Quantum of Power Purchase Admitted (MUs)	C	18,306.92	25,393.00	18,982.50	62,682.43
4	**Other Income of MPPMCL admitted (Rs. Crore)**	**D=B*C/A**	**144.49**	**194.07**	**148.96**	**487.52**

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

2.29 It is observed that the Petitioner has claimed UI / DSM of Rs. 278.73 Crore for FY 2018-19 based on the actual payment towards these charges. Per unit rate of UI / DSM charges paid by the DISCOMs is on higher side signifying indiscipline in power drawl by the DISCOMs. The UI / DSM is not meant for trading of electricity and is mainly an instrument for grid discipline and settling the unintended deviations during the normal course of operations and when the frequency is in normal operating range according to the Electricity Grid Code. Further, additional UI / DSM charges are required to be paid when the DISCOMs draws more power than their scheduled drawl when the grid frequency is low. Accordingly, the Distribution utilities are required to project their demand precisely. Presently, the Commission in this order has admitted pro-rated actual UI / DSM charges to the admitted normative energy requirement for FY 2018-19. However, the Petitioners are directed to reduce their payment towards UI / DSM charges by adopting efficient management, proper scheduling of power etc.

2.30 Similarly, the Commission has admitted the pro-rated reactive energy charges towards admitted normative energy requirement for FY 2018-19 as shown in table below:

Table 26: UI/ DSM and Reactive Energy Charges Admitted for FY 2018-19

Sr. No.	Particulars	Reference	East DISCOM	West DISCOM	Central DISCOM	Total for State
1	Quantum of Power Purchase Procured as per petition (MUs)	A	22,108.10	26,723.33	24,929.60	73,761.03
2	UI / DSM Charge (Rs. Crore)	B	158.37	(12.81)	133.17	278.73
3	Quantum of Power Purchase Admitted (MUs)	C	18,306.92	25,393.00	18,982.50	62,682.43
4	**UI / DSM Charge Admitted (Rs. Crore)**	**D=B/A*C**	**131.14**	**(12.17)**	**101.40**	**220.37**
5	Reactive Energy Charges (Rs. Crore)	E	(4.86)	(3.41)	0.82	(7.45)
6	**Reactive Energy Charges Admitted (Rs. Crore)**	**F=E/A*C**	**(4.02)**	**(3.24)**	**0.62**	**(6.64)**

Supplementary Power Purchase Cost of Rs. 488.73 Crore

2.31 Further, the power purchase booked in the audited account also includes an amount of Rs. 488.73 Crore (Rs. 146.73 Crore of East DISCOM, Rs. 177.56 Crore of West DISCOM and Rs. 164.43 Crore of Central DISCOM) as "supplementary bills raised by the generators for the period prior to 2018-19". However, the scrutiny of the supplementary bill details furnished to the Commission in support of aforesaid claim of Rs. 488.73 Crore has revealed that amount of Rs. (28.35) Crore pertains to period prior to FY 2014-15, whereas Rs. 28.93 Crore, Rs. 22.87 Crore, Rs. 133.95 Crore and 331.33 Crore pertains to FY 2014-15, FY 2015-16, FY 2016-17 and FY 2017-18, respectively.

3.1 The amount of Rs. 488.73 Crore has been accounted for in the audited accounts for FY 2018-19, therefore, it would be appropriate to consider these supplementary bills of the past years in the true up for FY 2018-19. 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. However, it is a matter of concern that the Petitioner has been raising claim on account of supplementary Power Purchase cost for the period from FY 2005-06 onwards in almost all truing up exercise, thereby increasing the power purchase cost exorbitantly. In this regard, the Commission vide deficiency note directed the Petitioner to submit the details of all the supplementary power purchase claimed till date in true up Petitions for FY 2015-16 to FY 2017-18 identifying the reason for the claim along with the justification for not claiming the amount in the said years. The Petitioner has provided some of the details in the reply, which requires further scrutiny. Accordingly, the Commission has not considered the Petitioners' claim towards the supplementary power purchase cost for the period for which true up has already attained finality i.e. upto FY 2013-14 in this

Petition. However, the Commission allows Petitioner to approach the Commission to claim the said amount separately on furnishing of the adequate details. Further, since the Commission has approved true up of FY 2014-15 to FY 2018-19 order, the amount of supplementary power purchase pertaining to FY 2014-15 of Rs. 28.93 Crore, FY 2015-16 of Rs. 22.87, FY 2016-17 of Rs. 133.95 Crore and FY 2017-18 of Rs. 331.33 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, FY 2015-16, FY 2016-17 and FY 2017-18, respectively. Approach adopted by the Commission in approval of power purchase cost towards supplementary bills of FY 2014-15 to FY 2017-18 is as follows:

- Full Fixed Cost allowed except for the fixed cost towards torrent power generating station as per the approach adopted in true up of FY 2014-15 to FY 2017-18 and Fixed Cost towards BLA power station as per true up of FY 2016-17 and FY 2017-18.

- Variable and other cost admitted only for those plants which has been considered as scheduled for meeting the normative energy requirement of FY 2014-15 to FY 2017-18 as per respective true ups.

- Variable and other cost of torrent power generating station not considered as per the approach adopted in true up of FY 2014-15 to FY 2017-18. Further, Variable and other cost of BLA power generating station not considered as per the approach adopted in true up of FY 2016-17 and FY 2017-18

2.32 The working of supplementary power purchase cost is shown as follows:-

Table 27: Supplementary Power Purchase Cost Admitted by the Commission (Rs. Crore)

Sr. No.	Particulars	Reference	East DISCOM	West DISCOM	Central DISCOM	Total for State
1	Fixed Cost as per actual supplementary bills	A	90.98	118.99	94.41	304.37
2	Fixed Cost disallowed towards supplementary bills	B	13.06	12.19	10.99	36.24
3	**Total Fixed Cost allowed towards supplementary bills**	**C=A-B**	**77.92**	**106.80**	**83.42**	**268.13**
4	Variable and Other Cost as per actual supplementary bills	D	65.72	69.68	65.72	201.11
5	Variable Cost disallowed towards supplementary bills	E	3.45	4.43	4.38	12.26
6	**Total Variable Cost allowed towards supplementary bills**	**F=D-E**	**62.26**	**65.25**	**61.34**	**188.85**
7	**Total Power Purchase Cost allowed towards supplementary bills**	**G=C+F**	**140.18**	**172.05**	**144.76**	**456.98**

2.33 The admitted supplementary power purchase cost is shown as follows:-

Table 28: Supplementary Power Purchase Cost Admitted by the Commission (Rs. Crore)

Particulars	Petitioners Claimed				Admitted			
	East DISCOM	West DISCOM	Central DISCOM	Total for State	East DISCOM	West DISCOM	Central DISCOM	Total for State
Supplementary Bills for FY 2014-15 to FY 2017-18	**156.69**	**188.67**	**171.72**	**517.08**	**140.18**	**172.05**	**144.76**	**456.98**

Inter-State Transmission Charges

2.34 The Commission in Retail supply tariff order for FY 2018-19 had admitted the Inter-State transmission charges of Rs. 1,412.01 Crore based on the average actual charges for FY 2014-15 to FY 2016-17. However, the actual inter State transmission charges paid by the DISCOMs in FY 2018-19 is Rs. 1,774.83 Crore. As inter-State transmission charges are uncontrollable for DISCOMs, the Commission has admitted the actual inter State transmission charges of Rs. 1,774.82 Crore as per actuals in true up of FY 2018-19.

Fixed and Variable Cost of generating station

2.35 The Commission has 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 15th 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.

2.36 Accordingly, the Commission has admitted the actual fixed cost as claimed by the Petitioners in line with the methodology prescribed by the Hon'ble APTEL except for the fixed charges for BLA and Torrent Power Station. With regard to power purchase from Torrent Power station, some of the stakeholders have raised the issue with regard that it is against the principles of Merit Order Dispatch (MOD) on the basis of variable cost of generating station. Therefore, in line with the view taken by the Commission in true up for FY 2013-14, 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 BLA power station the Commission in retail tariff order for FY 2018-19 had noted as follows:

"3.33 In view of the Commission's orders dated 22 May, 2015 and 25 July, 2015 in Petition Numbers 16/2014 and 36/2015, respectively the Commission has been disallowing the availability and the cost of generation from Unit number 1&2 of M/s BLA Power. In appeal no. 201 of 2017, Hon'ble APTEL vide order dated 19.04.2018 has remanded the matter to the Commission for determination of tariff for unit no. 1 of BLA Power plant for FY 2016-17 to FY 2018-19 wherein BLA Power has also been directed to appear before the Commission on 28.05.2018. The petition for determination of tariff for unit no. 2 of BLA Power plant is not filed with the Commission. In view of aforesaid status, the availability and the cost of generation from Unit number 1&2 of M/s BLA Power plant as filed by the Petitioner has not been considered in this order."

2.37 Therefore, considering the view taken by the Commission in retail supply tariff order for FY 2018-19 and current status of the same, the Commission has not considered the power purchase cost towards BLA power in this order. Accordingly, the Commission has allowed the actual fixed cost excluding the fixed cost towards torrent and BLA power station.

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

Table 29: Fixed Cost Admitted by the Commission (Rs. Crore)

Particulars	East DISCOM	West DISCOM	Central DISCOM	Total for State
Fixed Cost Admitted in Tariff Order for FY 2018-19	3,157.36	3,786.74	2,925.26	9,869.37
Fixed Cost Claimed in True-up Petition for FY 2018-19	2,649.73	3,335.91	3,002.56	8,988.21
Fixed Cost Admitted in True-up Order for FY 2018-19	2,627.77	3,308.27	2,976.12	8,912.16

2.39 Further, in regard to the Petitioners request for disallowance of power purchase cost for the quantum of power purchase attributable to excess loss in distribution system, the Commission observe no merit. The losses in Intra-State and Inter-State transmission system are beyond the control of the Petitioners, however, these losses would have been very low, if the Petitioners would have achieved the distribution losses as per the target specified by the Commission and restricted its unmetered sale for agriculture and domestic consumers within the norms specified by the Commission. Similarly, computation of pool energy rate (Rs./kWh) based on the actual power purchase cost as per audited accounts and total energy procured by the Petitioner as per DSM/UI account would lead to higher per unit rate due to inclusion of cost of power of costlier plants, which could have been avoided by the Petitioners, if they would have achieved the target loss levels and restricted their sales to unmetered agriculture and domestic consumers within the norms specified by the Commission. Therefore, considering that the Petitioners have not achieved the norms specified by the Commission, the inefficiency of the Petitioners should not be passed on to the consumers of the State.

2.40 Accordingly, the Commission has recomputed the energy charges of the Petitioners' as per the following approach:

- Monthly Energy Requirement 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 network.
- 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. Schedule Energy from BLA and Torrent Power generating station has not been considered.
- Shortfall if any in meeting the energy requirement has been considered to be met through purchase of power from open market at rate equal to energy charge of the last generating station in the MOD.
- Energy charge worked out for each generating station considering the actuals energy and other charges as per the MPPMCL statement on annual basis provided by the Petitioners.

2.41 Based on the above approach, the Commission has computed the energy charges of Rs. 13,053.38 Crore at per unit energy charges of Rs 2.08/kWh.

2.42 Accordingly, the total power purchase cost determined by the Commission for FY 2018-19 is given in the table below:

Table 30: Admitted Power Purchase Cost (Rs. Crore)

Sr. No.	Particulars	Reference	East DISCOM	West DISCOM	Central DISCOM	Total for State
1	Fixed Cost of Power Purchase for FY 2018-19 (Rs. Crore)	A	2,627.77	3,308.27	2,976.12	8,912.16
2	Inter-State Transmission Charges (Rs Crore)	B	528.49	647.77	598.56	1,774.82
3	MPPMCL Cost Admitted (Other cost which can't be apportioned) (Rs Crore)	C	76.19	89.18	85.42	250.79
4	UI / DSM Charge Admitted (Rs. Crore)	D	131.14	(12.17)	101.40	220.37
5	Reactive Energy Charges Admitted (Rs. Crore)	E	(4.02)	(3.24)	0.62	(6.64)
6	Other Income of MPPMCL	F	144.49	194.07	148.96	487.52

Sr. No.	Particulars	Reference	East DISCOM	West DISCOM	Central DISCOM	Total for State
7	**Sub-total**	G= A+B+C+D+E-F	**3,215.08**	**3,835.73**	**3,613.17**	**10,663.98**
8	Pooled variable rate (Rs. / kWh)	H	2.04	2.15	2.04	2.08
9	Quantum of Power Purchase Admitted (MUs)	I	18,306.92	25,393.00	18,982.50	62,682.43
10	Total Variable Cost admitted (Rs. Crore)	**J=H*I/10**	3,726.47	5,448.10	3,878.80	13,053.38
11	**Total Power Purchase Cost Admitted for FY 2018-19 (Rs. Crore)**	**K=G+J**	**6,941.55**	**9,283.83**	**7,491.97**	**23,717.35**
12	**Supplementary Power Purchase Cost for FY 2014-15 to FY 2017-18 (Rs. Crore)**	**L**	140.18	172.05	144.76	456.98
13	**Power Purchase Cost admitted including supplementary bills (Rs. Crore)**	**M=K+L**	**7,081.73**	**9,455.88**	**7,636.73**	**24,174.34**

2.43 It is observed that the total power purchase cost excluding MPPTCL and SLDC charges as admitted in the retail tariff order for FY 2018-19 was Rs. 21,699.08 Crore, whereas in this order the Commission has admitted power purchase cost of Rs. 24,661.86 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 Power Purchase Cost of Rs. 456.98 Crore, which pertains to the period from FY 2014-15 to FY 2017-18;
- Increase in actual Inter State Transmission Charges;
- Increase in UI / DSM charges;
- Increase in MPPMCL cost.

Intra-State Transmission Charges

2.44 Transmission charges admitted in the Retail Tariff Order, Audited Accounts and as filed for FY 2018-19 by East, West and Central DISCOMs including SLDC charges are given in the table below:

Table 31 : Transmission Charges including SLDC charges for FY 2018-19 (Rs. Crore)

Sl. No.	DISCOM	Transmission charges as per tariff order	Transmission charges as per audited accounts	Transmission charges as filed
1	East	821.64	789.89	789.89
2	West	1,052.90	1,197.91	1,197.91

Sl. No.	DISCOM	Transmission charges as per tariff order	Transmission charges as per audited accounts	Transmission charges as filed
3	Central	875.26	995.83	995.83
4	**Total**	**2,749.80**	**2,983.63**	**2,983.63**

2.45 It has been observed from the above table that East, West and Central DISCOMs have claimed charges as per Audited Accounts. Hence, the same has been admitted by the Commission. The admitted transmission charges inclusive of SLDC charge is shown in the Table below:

Table 32 : Transmission Charges admitted by the Commission for FY 2018-19 (Rs. Crore)

Sl. No.	DISCOMs	Transmission charges (including SLDC charges) as per Audited Accounts
1	East	789.89
2	West	1,197.91
3	Central	995.83
	Total	**2,983.63**

<u>Operation and Maintenance (O&M) Expenses</u>

Petitioners' Submission:

2.46 The Commission had admitted the total O&M Expenses as Rs. 4965.24 Crore in the Tariff Order for FY 2018-19. DISCOM-wise break-up of the O&M expenses admitted in the Tariff Order is given in the table below:

Table 33 : O&M Expenses admitted in Tariff Order of FY 2018-19 (Rs. Crore)

Particulars	East DISCOM	West DISCOM	Central DISCOM	Total
O&M Expenses admitted in Tariff Order for FY 2018-19	1703.20	1677.86	1584.18	4965.24

2.47 The Petitioners have submitted that they have claimed the Operation and Maintenance Expense in accordance with the MYT Regulations, 2015.

2.48 The East DISCOM has claimed O&M expenses of Rs 1,321.90 Crore, which comprises employee's expenses of Rs. 966.35 Crore, (expense capitalised is Rs. 33.50 Crore) A&G expenses of Rs 150.32 Crore (expense capitalised is Rs. 5.44 Crore) and R&M expenses of Rs. 205.23 Crore, (expense capitalised is Rs. 5.44 Crore).

2.49 The West DISCOM has claimed O&M expenses of Rs. 1,579.75 Crore, (expense capitalised is Rs. 31.33 Crore) which comprises employee expenses of Rs. 1,271.48 Crore including terminal benefits of Rs.16.79 Crore, A&G expenses of Rs. 158.77 Crore (expense capitalised is Rs. 10.11 Crore), and R&M expenses of Rs. 149.50 Crore (expense capitalised is Rs. 0.64 Crore).

2.50 The Central DISCOM has claimed O&M expenses of Rs. 1,213.43 Crore, which comprises employee expenses of Rs. 700.41 Crore (expense capitalised is Rs. 33.61 Crore) including terminal benefits of Rs. 4.42 Crore, A&G expenses of Rs. 294.41 Crore, and R&M expenses of Rs. 218.61 Crore for FY 2018-19.

2.51 Accordingly, O&M expenses claimed by the Petitioners are shown in the table below:

Table 34 : O&M Expenses claimed by Petitioners for FY 2018-19 (Rs. Crore)

Particulars	East DISCOM	West DISCOM	Central DISCOM
O&M Expenses	1314.72	1562.96	1206.86
Terminal Benefit	7.18	16.79	6.57
Total O&M Expenses claimed	**1321.91**	**1579.75**	**1213.43**

Commission's Analysis on O&M Expenses:

2.52 The Commission had specified norms for O&M expenses in the MYT Regulations, 2015. 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 been not able to keep its operational efficiency in line with the targets specified by the Commission in the Regulations. Accordingly, the Commission in accordance with MYT Regulations, 2015, has decided not to pass the burden of their inefficiencies on the consumers of the States, by considering the norms specified in these Regulation as ceiling norms and thereby allowing O&M expenses on actuals, if the same is lesser as compared to norms specified in the Regulations.

2.53 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. Therefore, the same has been 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 account of FY 2018-19 and has reduced the same from the admitted Operation and Maintenance expenses.

2.54 Further, the Commission 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.

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

Employee Expenses, Terminal Benefits & Arrears

2.56 The Commission has carried out detailed scrutiny of the actual employee expenses excluding DA, arrears, pension and terminal benefit is higher than norms as per the provision of the MYT Regulations, 2015 and has compared the same with the norms specified in the Regulations.

2.57 Further, in accordance with the MYT Regulations, 2015, 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 2018-19. 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 2018-19 and allowed only the actual payment made to employees including leave encashment but excluding pension and gratuity. Further, the Commission has observed that the Petitioner has claimed audit charges under the head of Terminal Benefits, which has not been considered by the Commission under Employee Expenses as the same needs to be managed under the allowed A&G expenses for FY 2018-19. Therefore, the Commission has considered the audited charges under actual A&G expense.

2.58 Based on the above, the Employee Expenses as per actuals and as per the provision of Regulations for FY 2018-19 is shown in the following table:

Table 35: Normative and Actuals Employee Expenses for FY 2018-19 (Rs. Crore)

Sr. No.	Particulars	EAST DISCOM		WEST DISCOM		CENTRAL DISCOM	
		Actual	Normative*	Actual	Normative*	Actual	Normative*
1	Employee Expenses	665.09	1,048.56	711.14	1,099.96	668.40	979.17
2	DA	58.00	58.00	61.86	61.86	54.35	54.35
3	Terminal Benefits	44.64	44.64	73.51	73.51	49.62	49.62
4	Arrears	35.54	35.54	65.26	65.26	42.10	42.10
	Total	**803.28**	**1,186.75**	**911.77**	**1,300.59**	**814.47**	**1,125.24**

*As per the provision of the Regulations

A&G Expenses

2.59 The Commission has analysed the actual A&G expenses and compared the same with the norms specified in the Regulation. Further, with regards to the actual taxes paid to the government, the Commission has considered the actual taxes paid by the DISCOMs except for the entry tax, as the same has been already been considered as part of norms approved for A&G Expense by the Commission.

2.60 The Commission has considered the actual audit charges booked under the head of Terminal Benefits under actual A&G expenses. Further, 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 2018-19 is shown in the following table:

Table 36: Normative and Actual A&G Expenses computed for FY 2018-19 (Rs. Crore)

Sr. No.	Particulars	EAST DISCOM		WEST DISCOM		CENTRAL DISCOM	
		Actual	Normative*	Actual	Normative*	Actual	Normative*
1	A&G Expenses	306.15	192.00	129.36	147.00	293.56	110.00
2	Taxes	1.99	1.99	1.72	1.72	1.27	1.27
3	MPERC Fees	0.41	0.41	0.50	0.50	0.39	0.39
4	**Total**	**308.55**	**194.40**	**131.58**	**149.22**	**295.22**	**111.66**

*As per the provision of the Regulations

R&M Expenses

2.61 The provision for R&M expenses in the MYT Regulations, 2015 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 2018-19. Accordingly, based on the above, R&M Expense as per actual and as per the provision of Regulations for FY 2018-19 is shown in the following table:

Table 37 : Normative and Actuals R&M Expenses computed for FY 2018-19 (Rs. Crore)

DISCOMs	GFA	GFA % as per norms	Actual R&M Expenses	Normative R&M Expenses
East	7,020.82	2.30%	205.23	161.48
West	6,499.84	2.30%	119.30	149.50
Central	9,504.68	2.30%	83.58	218.61
Total	**23,025.34**	**2.30%**	**408.11**	**529.58**

2.62 Accordingly, based on the above analysis, the Commission compared the O&M Expenses computed as per the provision of the Regulations and actual O&M Expense as per audited account of FY 2018-19. Based on the approach detailed above, the Commission has admitted the lower of the O&M computed as per Regulations and as per audited accounts. In view of the above, the admitted O&M expenses for FY 2018-19 are as shown in the following table:

Table 38 : O&M expenses admitted for DISCOMs for FY 2018-19 (Rs. Crore.)

Particulars	Actual	Normative	Admitted
East DISCOM	1,275.31	1,500.87	1,275.31
West DISCOM	1,120.57	1,557.22	1,120.57
Central DISCOM	1,159.66	1,421.90	1,159.66
Total O&M expenses	**3,555.54**	**4,479.99**	**3,555.54**

Provision for Terminal Benefit Trust Fund

2.63 The Commission in Retail Supply Tariff Order for FY 2018-19 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 2018-19. Therefore, the Commission in line with the view taken by the Commission in Retail Supply Tariff Order for FY 2018-19 has allowed the provision for Terminal Benefit of Rs. 210 Crore in this order, which is shown in the following table:

Table 39: Provision for Terminal Benefit admitted by the Commission in FY 2018-19 (Rs. Crore)

Particulars	East DISCOM	West DISCOM	Central DISCOM	Total for State
Provision for Terminal benefits Trust Fund	70	70	70	**210**

<u>Interest on Project Loans</u>

Petitioners' Submission:

2.64 The Petitioners have claimed interest on project loans (inclusive of finance charges) of Rs. 199.46 Crore, Rs. 41.60 Crore and Rs. 275.52 Crore for East, West and Central DISCOM, respectively, based on the methodology adopted by the Commission in previous orders.

Commission's Analysis on Interest on Project Loans:

2.65 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, 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 assets, it cannot be ascertained as to how much loan is related to completed fixed assets and how much is related to capital work in progress.

2.66 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

2.67 In the True up Order for FY 2018-19, the interest on project loans was admitted based on the fixed asset created till 31st March, 2019, on the basis of Audited Accounts for FY 2018-19 subject to its approval in review of the Investment plan approved by the Commission. Accordingly, based on the Commission view in order dated 24.04.2021 in Petition No. 63 of 2017 in the matter of approval of investment plan for East DISCOM for FY 2016-17 to FY 2019-20, a lump sum amount of Rs. 913.25 Crore has been disallowed towards capex in FY 2016-17 to FY 2019-20 for the circles, wherein the East DISCOM was neither able to reduce losses in FY 2019-20 with respect to losses in FY 2018-19 nor have brought down the losses at par with the specified loss trajectory in the Regulations. As the year wise detail of the disallowed GFA is not available, the Commission has considered the 25% of the disallowed GFA during each year of FY 2016-17 to FY 2019-20 (i.e. Rs. 228.31 Crore).

2.68 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 31st March, 2018 has been considered as per the True-up Order of FY 2017-18.

b. Net addition to GFA during FY 2018-19 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 2017-18 as the opening GFA for FY 2018-19.

ii. Further, the Commission has considered the closing consumer contribution and grants for FY 2017-18 as the opening consumer contribution and grants for FY 2018-19. As regards addition in consumer contribution and grants, it is observed that the addition in consumer contribution and grants is not clearly shown in audited accounts of East and Central DISCOM (addition in consumer contribution and grants, net of capitalization amount only available). Therefore, for these DISCOMs, the difference in the opening and closing value of the Consumer Contribution / Grants for FY 2018-19 has been considered as the addition in Consumers Contribution / Grants, whereas the income booked under other income booked towards depreciation created through consumer contribution and grants has been considered as part of other income. For West DISCOM, as the addition in Consumer Contribution and Grant submitted by it in reply to data gaps tallies with the figures available in the accounts, the same has been considered.

c. Equity in excess of 30% of the net GFA added during FY 2018-19, has been considered as normative loan. However, if the actual equity deployed is less than 30% of the net GFA, then actual equity has been considered for computation of RoE. Further, only such equity capital is to be considered which has been actually utilized for creation of asset. The equity so derived has been added to the equity considered at the end of FY 2018-19 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 2018-19. In absence of the actual dates 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.

2.1 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 had considered interest rate on account of Perpetual loans, Public/ SLR Bonds, Debentures and PP Bonds of weighted average of Project Loans whereas the West DISCOM had considered interest rate on Perpetual Loans, Working Capital Loans, SLR Bonds and PP Bonds. The Petitioners were asked to explain the purpose of taking these loans. However, the Petitioners were unable to justify that these loans were taken for funding project specific works. Therefore, the Commission while approving the weighted average rate of interest has not considered these Loans. Accordingly, the Commission has computed the revised weighted average rate of interest for projects specific loans for each DISCOM and admitted the weighted average rate of interest of 6.66%, 7.93% and 6.28% for East, West and Central DISCOMs, respectively.

2.69 It is observed that East, West and Central DISCOMs have claimed Rs. 20.94 Crore, Rs. 10.88 Crore and Rs. 98.37 Crore, respectively, towards finance charges. The Commission after scrutinizing DISCOMs submission with audited accounts has considered only cost of raising funds, bank charges, commitment charges and guarantee/ LC charges. With regards to claim of Central DISCOM, it was observed that the claimed amount of Rs. 98.37 Crore is towards current liability for guarantee charges of Government Loan. Therefore, the Commission has not considered the same and has admitted the actual finance charges as per audited accounts of Rs. 7.31 Crore towards cost of raising funds, bank charges, commitment charges and guarantee/ LC charges. Similarly, the Commission has admitted Finance Charges of Rs. 17.11 Crore, Rs. 10.88 Crore for East and West DISCOMs, respectively. The Commission has not considered East DISCOM's claim towards rebate to consumer on timely payment of Rs. 3.83 Crore claimed under the head of finance charges as this rebate encourages consumers to pay bills timely which improves cash flow of the Petitioners'. Therefore, passing of this rebate as expenses in the ARR will defeat the whole purpose of introducing the rebate. Accordingly, the Commission has not considered the East DISCOM claim of finance charges towards rebate on timely payment.

2.70 Also, the Commission has considered the actual interest and finance charges capitalized as per audited account of FY 2018-19 and has reduced the same from the admitted interest and finance charges.

2.71 Details of interest on project loans along with other finance charges admitted in true-up of FY 2018-19 for DISCOMs are given in the table below:

Table 40 : Interest on Project Loans admitted by the Commission for FY 2018-19 (Rs. Crore.)

Particulars	Legend	East DISCOM	West DISCOM	Central DISCOM	Total for State
Opening Debt associated with GFA (Closing debt as Per FY 2017-18 True-up Order)	**A**	1752.24	642.65	3551.56	5946.46
GFA Addition during the year	B	735.13	1,107.54	625.96	2,468.64
Consumer Deposit and Grants utilized during the year	C	735.13	566.43	596.13	1,897.69
Net GFA Addition during the year	E=B-C	0.00	541.11	29.83	570.95
70% of addition to net GFA considered as funded through debt	**F=70%* E**	**0.00**	**467.67**	**20.88**	**488.56**

Particulars	Legend	East DISCOM	West DISCOM	Central DISCOM	Total for State
Debt repayment during the year (Scheduled)	**G**	**122.25**	**106.34**	**172.35**	**400.94**
Closing debt associated with GFA	**H=A+F-G**	**1629.98**	**1003.99**	**3400.10**	**6034.07**
Average debt associated with Loan	**I=Average (A, H)**	**1691.11**	**823.32**	**3475.83**	**5990.26**
Weighted average rate of interest (%) on all loans as per Petitioner	J	6.66%	7.93%	6.28%	6.61%
Interest on Project Loans	**K=I*J**	**112.63**	**65.29**	**218.28**	**396.20**
Interest Capitalised	L	**(76.84)**	**(116.63)**	**(76.17)**	**(269.64)**
Other Finance cost	M	17.11	10.88	7.31	35.30
Interest cost admitted on project loans in True-Up	**N=K+L+M**	**52.90**	**(40.46)**	**149.43**	**161.87**

<u>Interest on Working capital</u>

Petitioners' Submission:

2.72 East and West DISCOMs have claimed interest on working capital on the basis of norms as specified in the terms and conditions of MYT Regulations, 2015 while Central DISCOM has claimed as actuals as per the Audited Accounts. East, West and Central DISCOMs have claimed interest on working capital as Rs. 71.99 Crore, Rs. 53.32 Cr and Rs. 46.26 Crore, respectively, as against Rs. 104.43 Crore, Rs. 50.53 Crore and Rs. 44.32 Crore, respectively, admitted by the Commission in the Tariff Order for FY 2018-19.

Commission's Analysis on Interest on working capital:

2.73 The Commission has observed that the Central DISCOM has not submitted the working capital requirement separately for the wheeling and retail supply activity, while East and West DISCOMs have submitted working capital requirement separately for the wheeling and retail supply activity.

2.74 The Commission directed the West DISCOM to rectify the discrepancy observed in the interest on working capital. The West DISCOM has submitted the revised claim on interest of working capital of Rs. 53.32 Crore.

2.75 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."

2.76 Accordingly, in line with the approach adopted by the Commission in previous order and in line with the provisions of the Regulations, the Commission has considered Gross Fixed Assets at the start of FY 2018-19 as Rs 7,020.82 Crore, Rs. 6,499.84 Crore and Rs. 9,504.68 Crore for East, West and Central DISCOMs, respectively. One percent of this GFA has been pro-rated to two months to work out the inventory for retail and wheeling activity, 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, as both the activities are undertaken simultaneously by the DISCOMs, 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.

2.77 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."

2.78 Accordingly, for the purpose of interest rate on working capital, State Bank of India Advance Rate as on 1st April 2018, i.e., 13.45% has been considered. The admitted interest on working capital is shown in the table below:

Table 41 : Interest on Working Capital admitted by the Commission for FY 2018-19 (in Rs. Crore)

Sl. No.	Particulars	Months	East DISCOM	West DISCOM	Central DISCOM	Total for State
For wheeling activity						
A)	1/6th of annual requirement of inventory for previous year	2	9.36	8.67	12.67	30.70
B)	1/12th of total O&M expenses	1	106.28	93.38	96.64	296.29
C)	Total Working capital (A+B)		115.64	102.05	109.31	327.00
D)	Rate of Interest		13.45%	13.45%	13.45%	13.45%
E)	**Interest on Working capital**		**15.55**	**13.73**	**14.70**	**43.98**
For Retail Sale activity						
A)	1/6th of annual requirement of inventory for previous year	2	2.34	2.17	3.17	7.68
B)	Receivables equivalent to 2 months average billing	2	1,500.05	2,239.49	1,613.57	5,353.11
C)	1/12th of power purchase expenses	1	590.14	787.99	636.39	2,014.53
D	Consumers Security Deposit		743.48	1,078.58	891.58	2,713.63
E)	Total Working capital (A+B-C-D)		168.77	375.09	88.76	632.63
F)	Rate of Interest		13.45%	13.45%	13.45%	13.45%
G)	**Interest on Working capital**		**22.70**	**50.45**	**11.94**	**85.09**
	Summary					
	For wheeling activity		**15.55**	**13.73**	**14.70**	**43.98**
	For Retail Sale activity		**22.70**	**50.45**	**11.94**	**85.09**
	Total Interest on working Capital		**38.25**	**64.18**	**26.64**	**129.07**
	Total Interest on working Capital admitted		**38.25**	**64.18**	**26.64**	**129.07**

Interest on Consumer Security Deposit

Petitioners' Submission:

2.79 Petitioners have claimed interest on consumer security deposit as per their Audited Accounts for FY 2018-19. East, West and Central DISCOMs have claimed Rs. 51.77 Crore, Rs. 65.37 Crore and Rs. 54.66 Crore, respectively, as against Rs. 33.25 Crore, Rs. 69.81 Crore and Rs. 57.88 Crore, respectively, admitted by the Commission in the Tariff Order for FY 2018-19.

Commission's Analysis on Consumer Security Deposit:

2.80 As per the Regulation 31.9 of the MYT Regulations, 2015, interest on consumer security deposit shall be considered at the rate specified by the Commission. In the Tariff Order for FY 2018-19, the Commission admitted the interest on consumer security deposit @ 6.75%.

2.81 The Commission has admitted the interest amount on consumer security deposit as per the Audited Accounts of the DISCOMs for FY 2018-19. Summary of interest on consumer security deposit admitted in the Tariff Order, claimed in the True-up Petitions and admitted in this True up Order for FY 2018-19 is shown in table below:

Table 42 : Interest on Consumer Security Deposit admitted for FY 2018-19 (Rs. Crore)

Particulars	East DISCOM	West DISCOM	Central DISCOM	Total for State
Admitted in tariff order for FY 2018-19	33.25	69.81	57.88	160.94
Claimed in true up Petition for FY 2018-19	51.77	65.37	54.66	171.80
As per Audited Accounts for FY 2018-19	51.77	65.37	53.38	170.52
Admitted in this true-up order	**51.77**	**65.37**	**53.38**	**170.52**

Return on Equity

Petitioners' Submission:

2.82 Petitioners have claimed return on equity @ 16%. East, West and Central DISCOMs have claimed return on equity as Rs. 556.24 Crore, Rs 190.17 Crore, Rs 608.22 Crore, respectively, as against Rs. 281.91 Crore, Rs 177.22 Crore, Rs 376.67 Crore, respectively, admitted by the Commission in the Tariff Order for FY 2018-19.

Commission's Analysis on Return on Equity:

2.83 As explained in the section of Interest on Project Loans, the equity contribution has been considered as 30% on the net GFA addition during FY 2018-19, if the actual equity deployed is more than 30% of the net GFA. Further, only that equity capital is required to be considered, which has been utilized for funding of the project.

Accordingly, the Commission directed the Petitioners to submit the actual funding of the GFA addition for FY 2018-19. In its reply, all the DISCOMs submitted the funding details for FY 2018-19. Accordingly, the actual 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.

2.84 Closing equity of FY 2017-18 as admitted by the Commission in True-up Order of FY 2017-18 has been considered as opening value of equity for FY 2018-19. 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 43 : Return on Equity admitted for FY 2018-19 (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 2017-18)	1376.86	1,042.79	1,614.90	4,034.55
2	GFA Addition during the year	735.13	1,107.54	625.96	2,468.64
3	Consumer Deposit and Grants utilized during the year	735.13	566.43	596.13	1,897.69
4	Net GFA Addition during the year	0.00	541.11	29.83	570.95
5	Actual Equity Addition	15.54	73.44	114.20	203.18
6	30% of addition to net GFA considered as funded through equity	0.00	162.33	8.95	171.28
7	Net GFA considered as funded through equity (Min (5,6))	0.00	73.44	8.95	82.39
8	Closing Equity Considered for FY 2018-19	1,376.86	1,116.23	1,623.85	4,116.94
9	Average Equity identified with GFA and considered for FY 2018-19	1,376.86	1,079.51	1,619.37	4,075.74
10	**RoE @16% admitted in True-up of FY 2018-19**	**220.30**	**172.72**	**259.10**	**652.12**

<u>Depreciation</u>

Petitioners' Submission:

2.85 The Petitioners have submitted that the depreciation has been computed as per the methodology specified in the MYT Regulations, 2015 on the basis of the opening GFA as on 1st of April 2018 as per audited balance sheet and actual addition to GFA during FY 2018-19. The Petitioners have submitted that as per the Second Amendment to MPERC (Recovery of expenses and other charges for providing Electric Line or Plant used for the purpose of giving Supply) (Revisions-I) Regulations, 2009 (RG-31(I) of

2009), the manner of the recognition of asset created through consumer contribution as well as depreciation thereon has been elaborated. Further, Accounting Standard 12, provides guidance on the asset created through government grant. Accordingly, as per provisions of the Regulations, DISCOM can charge depreciation on the full amount of asset and amortize the corresponding amount from grant to the P&L account. Therefore, treatment given by the DISCOM in the accounts is in line with the Regulations (RG-31) and prevailing Accounting Standards.

2.86 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). Further, 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 Petitioner (West DISCOM) has considered the Depreciation for FY 2018-19.

2.87 Accordingly, the Petitioners have claimed net depreciation of Rs. 362.20 Crore, Rs. 261.33 Crore and Rs. 346.05 Crore for East, West and Central DISCOM, respectively, as against Rs. 148.46 Crore, Rs. 104.81 Crore and Rs. 197.43 Crore, respectively, as approved by the Commission in Tariff Order for FY 2018-19.

Commission's analysis on depreciation:

2.88 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.

2.89 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.

2.90 The Commission has observed that claims against depreciation by the DISCOMs have not been duly substantiated by the detailed Fixed Asset Registers in the format prescribed by the Commission to ensure that claims made are only against those assets, which have not been fully depreciated. DISCOMs in the past also did not submit these details despite repetitive directions of the Commission. Accordingly, in order to reprimand the Petitioners, the Commission in truing up for FY 2018-19 has allowed the same depreciation rate as approved in Tariff Order for FY 2018-19, i.e., 2.44%, 2.81%, and 2.44% for East, West and Central DISCOMs, respectively. 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 2018-19 is as shown in the table below:

Table 44 : Depreciation admitted by the Commission (Rs. Crore)

Particulars	**East DISCOM**	**West DISCOM**	**Central DISCOM**	**Total for State**
Opening GFA on 1 April, 2018 (Closing GFA net of consumer contribution & grants as per true-up order of FY 2017-18)	5010.33	3,513.87	7,048.50	15,572.71
Add: GFA Added during the year	735.13	1,136.49	625.96	2,497.59
Less: Deductions during the year	0.00	28.95	0.00	28.95
Less: Consumer Contribution and grants during the year	761.08	566.43	596.13	1,923.64
Net GFA addition during the year	0.00	541.11	29.83	570.95
Closing GFA on 31st March, 2019	5,010.33	4,054.99	7,078.33	16,143.66
Average GFA	5,010.33	3,784.43	7,063.42	15,858.18
Rate of Depreciation	2.44%	2.81%	2.44%	2.53%
Depreciation admitted by the Commission	**122.25**	**106.34**	**172.35**	**400.94**

Other items of ARR

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

<u>Bad and doubtful debts</u>

Petitioners' Submission:

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

Table 45 : Bad Debts claimed by DISCOMs (Rs. Crore)

DISCOM	Bad Debts as per tariff order	Bad Debts as per audited accounts	Bad Debts claimed
East	2.00	771.35	771.35
West	2.00	762.68	762.68
Central	2.00	1678.07	1678.07

Commission's Analysis on Bad and Doubtful debts:

2.93 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 through data gaps directed the DISCOMs to submit the details of bad debts claimed. In reply to the queries, DISCOMs have submitted as below:

(a) East DISCOM submitted that amount written off against the scheme of Mukhya Mantri Bakaya Bijali Bill Mafi Yojna 2018 (MMBBMY) only for the LT consumers registered Shramik and BPL consumers is Rs 1265.32 Crore comprising principal amounting to Rs. 987.95 Crore and surcharge amounting to Rs. 277.37 Crore. Rs. 771.35 Crore comprising 50% arrears of principal amounting to Rs. 493.975 Crore and 100% arrears of surcharge amounting to Rs. 277.37 Crore have been written off during the year. 50% arrears of principal amounting to Rs. 493.975 Crore have been transferred to receivables from State Government.

(b) West DISCOM submitted that in FY 2018-19 amount of Rs.762.68 Crore has been written off by the Company in accordance with letter issued by GoMP.

(c) Central DISCOM submitted that the amount written off against Mukhya Mantri Bijli Bill Maafi Yojana is Rs.1292.84 Crore, whereas against LT demand withdrawal is Rs.76.38 Crore and against expected credit loss is Rs.308.85 Crore.

2.94 From above, it can be observed that majority of the debt has been written off against a scheme or LT withdrawal / false demand, whereas some write off is against dues. Further, principal amount written off under any scheme or withdrawn / false demand shall as the same has been waived off at the Petitioners own behest.

2.95 With regards to write off against dues, it is observed that none of the DISCOMs have provided any details about the efforts made for the recovery of the dues or approval taken from the Board of Directors. Accordingly, the Commission has admitted Bad Debts against these dues. The admitted bad debts for FY 2018-19 are shown as follows:

Table 46: Bad Debts admitted by the Commission for FY 2018-19 (Rs. Crore)

Particulars	East DISCOM	West DISCOM	Central DISCOM	Total for the State
Debt written against scheme	493.98	523.78	1292.84	**2310.60**
Demand Withdrawn / false demand	0.00	0.00	76.38	**76.38**
Surcharge written Off	277.37	238.90	0.00	**516.27**
Written off against dues	0.00	0	308.85	**308.85**
Total	771.35	762.68	1678.07	**3212.10**
Debt written off under consideration	0.00	0.00	308.85	**308.85**
1% of sales revenue	**58.10**	**81.62**	**70.20**	**209.92**
Admitted	**0.00**	**0.00**	**70.20**	**70.20**

<u>Any other expense</u>

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

2.96 West DISCOM has claimed Rs. 0.76 Crore under Sundry expenses. DISCOM's claims under misc. losses & write-offs / sundry expenses / net prior period charges – (credits)/ extra ordinary items are shown in the table below:

Table 47 : Misc. Losses & Write-offs / Sundry Expenses / Net Prior Period Charges / (Credit)/ Extra Ordinary Items claimed by DISCOMs (Rs. Crore)

Particulars	East DISCOM	West DISCOM	Central DISCOM	Total for State
Misc. Losses & Write-offs	0.00	0.00	0.00	0.00
Net Prior Period Charges / (Credit)	0.00	0.00	0.00	0.00
Extra Ordinary Items excluding Liability of wheeling charges towards MPPTCL written off	0.00	0.00	0.00	0.00
Sundry Expenses/Miscellaneous Losses	0.00	0.76	0.00	0.76
Total other expenses claimed in this true-up	**0.00**	**0.76**	**0.00**	**0.76**

Commission's Analysis

2.97 The Commission directed DISCOMs to submit the details of misc. losses & write-offs / sundry expenses / net prior period charges – (credits) claimed in the Petitions. East, West and Central DISCOMs submitted their responses.

2.98 Considering the above submission of DISCOMs, the Commission has undertaken detailed head wise analysis of Misc. Losses & Write-offs / Sundry Expenses / Net Prior Period Charges / (Credit) as claimed in the Petition and provided in the Audited Accounts of the DISCOMs.

2.99 Accordingly, the Commission after verifying expenses from the audited accounts of the West DISCOM has admitted the miscellaneous losses & write-offs / sundry expenses / net prior period charges – (credits) and has admitted nil expenses considering the fact that the Commission has already allowed the expenses pertaining to addition in GFA in accordance with the Regulations.

Revenue from Sale of Power

Petitioners' Submission:

2.100 The Commission had admitted the projection of Sales as 16,839 MU, 20,384 MU and 15,430 MU at revenue of Rs. 10,111 Crore, Rs. 12,276 Crore and Rs. 9,380 Crore for East, West and Central DISCOMs, respectively, in the Retail Supply Tariff order for FY 2018-19. As against the same, the Sales filed are 14,680.97 MU, 20,598 MU and 15,031.80 MU at revenue of Rs. 8,955.73 Crore, Rs. 13,304.74 Crore and Rs. 9,680.70 Crore for East, West and Central DISCOMs, respectively.

Commission's Analysis

2.101 The Petitioners in their Audited Accounts have booked the revenue from sale of power excluding subsidy and other income as Rs. 5,765.88 Crore, Rs. 7,958.82 Crore and Rs. 6,526.92 Crore for East, West and Central DISCOMs, respectively.

2.102 The Commission understands that the Petitioners had implemented Retail Tariffs as per the Tariff Order issued by the Commission on 3rd May, 2018 and based on the same the following revenue has been booked in the audited accounts excluding subsidy and other income. Further, the Commission has also considered recoveries from theft/ malpractices of Rs. 44.59 Crore, Rs. 206.84 Crore and Rs. 0.64 Crore for East, West and Central DISCOMs, respectively, as part of revenue from sale of power.

Table 48 : 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
Revenue from sale of power	5,810.47	8,165.66	6,527.56	**20,503.69**

2.103 Further, the Commission also recognizes that the Petitioners have received tariff subsidy from State Government other than the revenue from sale of power as reported in the audited balance sheets. DISCOMs have also received Other Income and Non-Tariff Income during FY 2018-19 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

2.104 In addition to the above, revenue from sale of power, the Non-Tariff Income has been considered separately as stated below for all the three DISCOMs as per their respective Audited Accounts:

Table 49 : 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)	92.92	95.86	33.73	222.51
2	Income from Wheeling Charges	0.40	10.85	1.33	12.58
3	Meter Rent	46.37	69.32	36.05	151.74
	Total Non-Tariff Income	**139.69**	**176.03**	**71.11**	**386.83**

Subsidy from State Government

2.105 The Petitioners Audited Accounts for FY 2018-19 reveals that tariff subsidy to the tune of Rs. 3,189.85 Crore, Rs. 5,271.28 Crore and Rs. 3153.85 Crore has been received from the Government of Madhya Pradesh by 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 50 : Subsidy considered as per Audited Accounts (Rs. Crore)

Particulars	East DISCOM	West DISCOM	Central DISCOM	Total for State
Subsidy received from GoMP	3,189.85	5,271.28	3,153.85	**11,614.98**

<u>Other Income</u>

Petitioners' Submission:

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

Table 51 : Other Income as submitted by the Petitioners (Rs. Crore)

Sr. No.	Particulars	East DISCOM	West DISCOM	Central DISCOM
A	**Income from Investment, Fixed Deposits**			
	Interest on Staff loans & advances	0.00	0.19	0.03
	Interest on FDRs/Investment	15.8	71.47	54.82
A	**Sub-Total (A)**	15.8	71.66	54.85
B	**Other Non-Tariff Income**			
	Delayed Payment Surcharge	0.00	179.33	621.02
	Interest & penal interest on advance to suppliers		2.58	1.82
	Interest from banks	0.03	0.00	0.13
	Utility charges	0.00	0.00	6.42
	Scrap sales	0.00	19.04	0.00
	Lease rent	0.00	0.00	0.4
	Income from staff welfare activities	0.00	0.02	0.00
	Deferred income (consumer contribution)	113.77	0.00	135.99
	RGGVY-Amortisation of Deferred income	0.00	169.41	0.00
	Misc. services/receipts	47.72	0.62	0.00
	Profit on sale of stores	0.00	0.00	9.40
	Income from trading (other than electricity)	20.89	0.83	0.00
	Other miscellaneous income	0.00	0.00	32.94

Sr. No.	Particulars	East DISCOM	West DISCOM	Central DISCOM
	Other Subsidy	0.00	0.00	181.85
B	**Sub-total (B)**	**182.41**	**371.83**	**989.97**
C	**Total Other Income (A+B)**	**198.21**	**443.49**	**1044.82**
D	**Total Other Income (excluding DPS)**	**198.21**	**264.16**	**423.80**

Commission's Analysis

2.107 The Commission has not considered the Delayed Payment Surcharge as part of income of DISCOMs as per the Regulations as any additional interest on working capital for the delayed payment is also not considered by the Commission.

2.108 For West DISCOM the Commission has computed depreciation on the net asset addition after reducing grants and consumer contribution from the actual gross asset addition during the year. Therefore, the Commission has not considered the other income booked towards the depreciation for assets created through consumer contribution and grants. However, for East and Central DISCOM as the proper details of the consumer contribution and grants were not available, the Commission has considered the other income booked towards the depreciation for assets created through consumer contribution and grants.

2.109 The Commission has also not considered the waived off amount by MPPTCL towards liability of wheeling charges on DISCOMs in other income as this amount is not booked as expense in Intra-state transmission charges.

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

Table 52 : Other Income as Admitted by Commission (Rs. Crore)

Sr. No.	Particulars	East DISCOM	West DISCOM	Central DISCOM
A	**Income from Investment, Fixed & Call Deposits**			
	Interest on Staff loans & advances	0.00	0.19	0.03
	Interest on FDRs/Investment	15.80	71.47	54.82
A	**Sub-Total (A)**	**15.80**	**71.66**	**54.85**
B	Delayed Payment Surcharge	**239.63**	**179.33**	**621.02**
C	**Other Non-tariff Income**			
	Interest & penal interest on advance to suppliers	0.00	2.58	1.82
	Interest from banks	0.03	0.00	0.13
	Income from staff welfare activities	0.00	0.02	0.00

Sr. No.	Particulars	East DISCOM	West DISCOM	Central DISCOM
	Deferred income (consumer contribution)	113.77	0.00	135.99
	Misc. services/receipts/ any other income	68.61	20.49	49.16
	Profit on sale of stores	0.00	0.00	9.40
C	**Sub-total (C)**	**182.41**	**23.09**	**196.50**
D	**Total Other Income (A+B+C)**	**437.84**	**274.08**	**872.37**
E	**Total Other Income (D-B)**	**198.21**	**94.75**	**251.35**

2.111 Accordingly, the Commission admits the actual Other Income of Rs. 198.21 Crore, Rs 94.75 Crore, and Rs 251.35 Crore for East, West and Central DISCOMs, respectively, as per audited balance sheet excluding the components as discussed above.

2.112 Based on above discussion, the total revenue admitted by the Commission for the period April, 2018 to March, 2019 is mentioned in the table below:

Table 53 : Total Revenue, Non-Tariff Income and Subsidy admitted (Rs. Crore)

DISCOM	Revenue from sale of power	Non-Tariff income	Revenue subsidies from GoMP	Other income (excluding DPS)	Total revenue income admitted for true-up
East	5,810.47	139.69	3,189.85	198.21	**9,338.22**
West	8,165.66	176.03	5,271.28	94.75	**13,707.73**
Central	6,527.56	71.11	3,153.85	251.35	**10,003.87**
Total	**20,503.69**	**386.83**	**11614.98**	**544.31**	**33,049.82**

<u>Revenue Surplus / (Deficit)</u>

2.113 Based on the scrutiny of various cost components regarding revenue income and expenditures of DISCOMs, the Commission has determined the following Surplus / (Deficit) for the period April 2018 to March 2019 for recovery by the Licensees through retail tariffs in future years:

Table 54: Revenue Surplus/(Deficit) allowed in True-up of ARR for FY 2018-19 (Rs. Crore)

Particulars	East DISCOM		West DISCOM		Central DISCOM		Total for State	
	Claimed	Admitted	Claimed	Admitted	Claimed	Admitted	Claimed	Admitted
INCOME								
Tariff Income	5,765.88	5,810.47	8,033.46	8,165.66	6,526.92	6,527.56	20,326.26	20,503.69
Non-tariff income	337.90	139.69	105.60	176.03	630.75	71.11	1,074.25	386.83
Net other income (excluding delayed payment surcharge)		198.21		94.75		251.35		544.31
Subsidy	3,189.85	3,189.85	5,271.28	5,271.28	3,153.85	3,153.85	11,614.98	11,614.98

Particulars	East DISCOM		West DISCOM		Central DISCOM		Total for State	
	Claimed	**Admitted**	**Claimed**	**Admitted**	**Claimed**	**Admitted**	**Claimed**	**Admitted**
INCOME								
Total Income (A)	**9,293.63**	**9,338.22**	**13,410.34**	**13,707.73**	**10,311.52**	**10,003.87**	**33,015.49**	**33,049.82**
EXPENSES								
Power Purchase								
Power Purchase Cost	7,673.32	7,081.73	9,790.12	9,455.88	8,470.81	7,636.73	25,934.25	24,174.34
MP Transco Charges	789.89	789.89	1,197.91	1,197.91	995.83	995.83	2,983.63	2,983.63
Total Power Purchase (Incl. Transmission) (B)	**8,463.21**	**7,871.62**	**10,988.03**	**10,653.79**	**9,466.64**	**8,632.56**	**28,917.88**	**27,157.97**
O&M Expenses (Net of Capitalisation)							-	
Employee Expenses	867.65	665.09	1,127.58	711.14	605.88	668.40	2,601.11	2,044.63
DA	58.00	58.00	61.86	61.86	54.35	54.35	174.21	174.21
Terminal Benefits	7.18	44.64	16.79	73.51	6.57	49.62	30.54	167.77
Arrears	-	35.54	65.26	65.26	-	42.10	65.26	142.90
A&G Expenses	136.09	306.15	147.00	129.36	292.49	293.56	575.58	729.08
R&M Expenses	199.79	205.23	149.50	119.30	218.61	83.58	567.90	408.11
Other expenses (including Taxes & MPERC Fees)	11.42	2.40	11.77	2.22	1.92	1.66	25.11	6.27
O&M Expenses Capitalization		(41.75)		(42.09)		(33.61)	-	(117.45)
Provision for Terminal Benefit		70.00		70.00		70.00	-	210.00
Total O&M Expenses (C)	**1,280.13**	**1,345.31**	**1,579.75**	**1,190.57**	**1,179.82**	**1,229.66**	**4,039.70**	**3,765.54**
Other Expenses							-	
Depreciation	362.20	122.25	261.33	106.34	346.05	172.35	969.58	400.94
Interest & Financing Charges on Project Loans **(Net of Capitalisation)**	122.62	52.90	41.60	(40.46)	199.32	149.43	363.54	161.87
Interest on working capital loans	72.00	38.25	53.32	64.18	46.26	26.64	171.58	129.07
Interest on Consumer Security Deposit	51.77	51.77	65.37	65.37	54.66	53.38	171.80	170.52
Return on Equity	556.24	220.30	190.17	172.72	608.22	259.10	1,354.63	652.12
Bad & Doubtful Debts	771.35	-	762.68	-	1,678.07	65.28	3,212.10	65.28
Any Other Expense	-	-	0.76	-	-	-	0.76	-
Total Other Expenses (D)	**1,936.18**	**485.47**	**1,375.23**	**368.15**	**2,932.58**	**726.17**	**6,243.99**	**1,579.79**
Total Expenses E = (B + C + D)	**11,679.52**	**9,702.39**	**13,943.01**	**12,212.51**	**13,579.04**	**10,588.39**	**39,201.57**	**32,503.30**
Revenue Gap F = (E-A)	**2,385.89**	**364.17**	**532.67**	**(1,495.21)**	**3,267.52**	**584.52**	**6,186.08**	**(546.52)**
Add: Impact of Supplementary bills adjustment for FY 2012-13 **(G)**	278.42	278.42	358.12	358.12	348.33	348.33	984.87	984.87
Gross Expenses H = (E + G)	**11,957.94**	**9,980.81**	**14,301.13**	**12,570.63**	**13,927.37**	**10,936.72**	**40,186.44**	**33,488.17**
Total Revenue Gap I = (H - A)	**2,664.33**	**642.59**	**890.78**	**(1,137.09)**	**3,615.87**	**932.85**	**7,170.98**	**438.35**

A3: PUBLIC OBJECTIONS AND COMMENTS ON LICENSEES' TRUE-UP PETITION FOR FY 2018-19

Date of publication of public notice in newspapers: 10th December, 2020
Last date for receiving the objections: 31st December, 2020
Date of public hearing: 05th January, 2021

In response to the public notices issued, the objections received against the Petitions filed by the West, East and Central DISCOMs

Suggestions from the objectors, response of the DISCOMs, and the Commission's views thereon are summarized in the following paragraphs.

ISSUE No. 1: Rejection of Petition on account of delayed filing

Issue Raised by Objectors

Revised Petitions are barred by Limitation Act, as stated by the Hon'ble Supreme Court in the case of A.P. Power Coordination Committee Vs Lanco Kondapalli Ltd. (2016) 3SCC 468. Further, the stakeholder cited Para 31 of the Judgment, where Hon'ble Supreme Court held that a claim coming before the Commission cannot be entertained or allowed if it is barred by limitation prescribed for an ordinary suit before the Civil Court.

Further, the stakeholder submitted that as per the MYT Regulations, 2015, DISCOMs were required to file their respective Petitions for True-up of ARR for FY 2018-19 by 31st October 2019 in prescribed format. However, the Petitioners have neither submitted details in the prescribed format nor the Petition by 31st October, 2019. Moreover, as per directives of Hon'ble APTEL in the Judgment of 11th November 2011 in the matter of O.P. No.1 of 2011, the above Petition was required to be filed by October, 2019. Further, the stakeholder submitted that the effects of decision of the Commission were to be included in the Retail Tariff Order for FY 2020-21, which has already been passed by the Commission.

Further, the stakeholder submitted that the Commission did not initiate Suo-Motu Proceedings for the True-up FY 2018-19 as directed by Hon'ble APTEL vide Order of 11th November 2011 in the matter of O.P. No.1 of 2011. Hence, citing above details the stakeholder requested the Commission that the Petition is not admissible.

Response from DISCOM:

Although, the issue of the delayed filing of the Petition has been raised, stakeholder has not indicated any prejudice caused to him due to such delayed filing. The Commission always approves the prudent cost only in accordance with the Regulations, so there should be no grievance to any persons in the matter. There were the genuine reasons beyond the control of the Petitioner behind the delayed filing of the Petitions. The True-up Order for FY 2017-18 was not available, which was necessary for filing of the Petition for 2018-19. Further the

Commission is duly empowered to condone any such delay. The Judicial pronouncement quoted by the stakeholder is not applicable in the present circumstances of the case. Directions of the Hon'ble APTEL are also quoted out of context and such direction was issued to protect the interest of the DSICOM by allowing speedy recovery of the prudent cost from consumers. As regards to the formats, the Petitioners have filed the True-up Petition for FY 2018-19 in the prescribed formats.

Commission's Views:

The Commission has noted the submission of the stakeholders and agrees that there has been substantial delay in filing of the True-up Petitions by the Licensees. Therefore, the Commission has not allowed any carrying cost on the Revenue Gap/(Surplus) admitted on True up for FY 2018-19.

ISSUE No. 2: Increase in Tariff

Issue Raised by Objectors

The stakeholder requested the Commission to provide reliefs and grants to all the power consumers of the State. Further, it was submitted that if the proposed claim amount in True up Petition gets accepted then the "Hike in Tariff Rates" will ultimately result in burdening the already overburdened consumers and that would be unbearable for many to pay out. Moreover, in neighbouring States of Maharashtra and Chhattisgarh various benefits have been provided on account of impact of COVID-19 and lockdown. Hence, it was requested to the Commission to deny the Petitioners' claim.

Response from DISCOM:

The Petitioners have filed the True-up Petition of ARR for FY 2018-19 as per the principles laid down in the MYT Regulations, 2015.

With regards to relief due to COVID-19 pandemic, it is not the subject matter of present Petition. In case of occurrence of any Force Majeure event, consumer may avail remedy under appropriate provisions of MP Electricity Supply Code, 2013.

Commission's Views:

The Commission has observed that the issue raised by the Stakeholder is not related to the subject matter of the present Petition. However, the Commission has observed that the Central / State government has extended various reliefs to the consumers of the State.

ISSUE No. 3: Past burdens

Issue Raised by Objectors:

The Petitioners file their True-up Petition for each financial year and present their claims from past and demand its recovery under the upcoming Tariff Orders. This whole system of True up claims, causes a huge gap between the date of an expense being caused and the date on which it gets recovered, this ultimately brings a cost burden from past to all the present consumers.

The Petitioners in the Petition have claimed a short fall of Rs.7,170.98 Crore for FY 2018-19. Further, the stakeholder submitted that the object of True up is to claim increase on account of circumstances beyond control. Beside this, from the facts and figures submitted in True up Petition, it is observed that True up Petition is used as a source of revenue. Moreover, since, FY 2018-19 is already over, old losses will now be recovered from the consumers in current year. True up Petitions from FY 2014-15 to FY 2017-18 are also pending before the Commission. Any new industry who commences production in FY 2021-22 will have to bear the burden of True-up and this additional burden will result in existential crisis for Industry and future Industrialization will also be adversely affected.

Therefore, the stakeholder requested that a system like True up claims should be altered in a way that it should prevent all the present and future consumers from bearing such high Tariff charges consisting of both past and present amounts and that even if there is any pending claim present under Petitioners' account, the same should be passed only to the factual limits and affordable power of all category consumers. Further, the stakeholder suggested that True up shortfall can be converted to Regulatory Assets and or a one-time settlement must be made by the Government to convert it in equity.

Further, the stakeholder submitted that the Petition should be dismissed without allowing any amount in True-up. However, if the Commission considers some amount to be allowed in some different heads, the same may not be allowed in the ARR for further years as the same will result into overall increase in tariff. Therefore, it is suggested that the same be recovered in the similar manner as FCA is being recovered.

Response from DISCOM:

The Petitioners have filed the True-up Petition for FY 2018-19 as per the principles laid down in the MYT Regulations, 2015. Further, each component of ARR claimed by the DISCOM is explained in the Petition itself and duly tallied with the audited accounts. Further, determination of tariff and burdening any class of consumers by Tariff hike is not a subject matter of present True-up Petition.

Commission's Views:

The Commission has admitted the cost after undertaking detailed prudence check of claims submitted by the DISCOMs in accordance with the provisions of the MYT Regulations, 2015 along with Retail supply Tariff Order passed for FY 2018-19 and audited accounts, which have been detailed in respective chapters of this Order.

ISSUE No. 4: Methodology adopted to determine Power Purchase Cost

Issue Raised by Objectors:

The Petitioners have filed their objection towards the methodology adopted by the Commission to determine the power purchase cost and have also proposed a new method to determine the same. Further, the stakeholder submitted that the rules and Regulations for determination of power purchase cost has already been established and amended from time to time keeping the law and interests of all the stakeholders in balance. Moreover, the proposed methodologies are not only contrary to the prevailing laws but are also created by Petitioners to favour their own individual sake ignoring the established grounds of laws and Regulations and trying to shift the unwanted burden towards the consumers. Besides this, the stakeholder cited Clause 27 of the MYT Regulations, 2015, which clearly interprets that the currently followed methods and practices are well thought of and therefore, should not be altered favouring the DISCOMs proposal and the variation in the claimed amount should be strictly denied.

Response from DISCOM:

The Petitioners have proposed the methodology in line with the Judgment of Hon'ble APTEL to consider average cost of power procurement for long-term and short-term sources instead of considering average cost of long-term supply. The Petitioner has provided in detail, the rationale for proposing the said methodology.

Commission's Views

The Commission has determined the power purchase cost as per the provisions of the MYT Regulations, 2015 and its amendments thereof and the approach adopted by the Commission has detailed in respective chapter of this order.

ISSUE No. 5: Banking of Power

Issue Raised by Objectors:

According to the State Energy Accounts for FY 2018-19, the Petitioners have provided a total of 417.5 Crore units to other States in the form of banking of power for the month of October 2018 to February 2019 in 5 months and have withdrawn 286.8 Crore units from other States for which expenses is at Rs.1.25 per unit. Further, it is not mentioned in the Petition that Rs.360 Crore has been spent in the form of Open Access and Other legal charges.

In Tariff Order for FY 2018-19, there is a mention that every month the Commission approves estimated energy availability, which reveals that for 11 out of 12 months, electricity was surplus which usually happens in other years as well. However, without notice of the Commission about 400 Crore units of electricity valuing about Rs.2,000 Crore was sold on credit under Banking. Whereas, in recovery about Rs.500 Crore has been spent under the head of power purchase cost. Hence, it appears that the Petitioners under the Open Access charge of Banking have included other costs so that Banking can be justified. Further, banking of 130 Crore units of electricity valuing about Rs.600 Crore has not appeared in accounts produced by the Petitioners, which is not justified.

Response from DISCOM:

The Commission in its various Tariff Order of past years has pointed out that the Merit Order has revealed that in some months the availability remains unutilized by the DISCOMs even after considering the Intra-DISCOM trade. The Commission has therefore, suggested that the DISCOM should use this surplus energy for banking with other States so that the shortfall, if any, in the requirement in the Rabi season could be met from such banked power itself, i.e., without any cost implications.

Regarding this issue, it is clarified that MPPMCL banks some surplus power to the States having power deficit and the same is taken back during the peak/Rabi season (i.e., October to January). While doing such banking, only the Open Access/Transmission charges are borne by the utilities and by doing such arrangement costs associated with purchase of power during the peak season is saved.

In banking arrangement during FY 2018-19, 397 Crore units were banked from March 2018 to September 2018 whereas 292 Crore units were taken back from Oct. 2018 to Feb. 2019. The injection charges from July to Sept. months of FY 2018-19 were around 8.5 paise per unit whereas the withdrawal charges during the October to December month were 23.45 paise per unit. It is pertinent to mention here that even if electricity was purchased in short-term, same charges would have been payable. For banking, Open Access charges are payable according to the Open Access Regulations, 2008. According to the provisions of the Open Access Regulations 2008, 75 percent of the amount received in the short-term has to be adjusted in the bills of long-term open access consumers. Theoretically, PGCIL recovers the overall expense from the long-term contracts. Hence, computation of expense at Rs. 1.25 per unit of expense is completely hypothetical and baseless.

Further, MP demand of power is more than its availability during peak seasons (November to February), at that time additional demand of power is met by banking. It is inevitable to have production capacity at the same time to meet the demand of the system. Even in case of availability of monthly energy being more than average demand, it is not possible to meet the peak demand. Therefore, it is not appropriate to compare the actual demand (MW) with the availability of monthly energy.

Although the Commission in its Tariff Order for FY 2018-19 has mentioned that there will be a surplus energy availability during every month the year, the actual availability (MW) differs with the projections due to the following reasons:

- Due to the shutdown of any thermal power plant the total availability of energy reduces.
- Availability of Hydel energy is dependent on the water level and the amount of rainfall, which is received in the month of October of the financial year.
- There is an uncertainty in the availability of Renewable Energy, while the estimated calculations by the Commission are based on the information of the previous year.

Therefore, due to the reasons stated as above, it is not necessary that the estimated surplus energy would be available during the real-time operation. It is worth mentioning here that in 397 Crore units, 215 Crore units energy taken in the banking previous year, has been returned.

Moreover, year-wise calculation of the banking cycle is not possible as the energy imported from banking arrangement mostly during Rabi season, is exported during the next year. The difference of import-export is 105 Crore units, the stakeholder is considering this difference as 130 Crore units. Whereas, such difference in banking arrangement is up to the rate of return of premium only. In this type of arrangement there is an exchange of power in lieu of power, therefore, the allegation of the stakeholder that electricity valuing to about Rs. 600 Crore is not appearing in accounts produced, is not correct. Similarly, the allegation of selling of about 400 Crore units of energy on credit is also not correct.

Management of energy as per the energy requirement for all the three distribution companies of State is done by MPPMCL through long-term, short-term power purchase and banking. Further, the expenses incurred on banking of power are the Open Access charges only. It is relevant to reiterate here that the main reason of banking is to meet the peak load of Rabi Season (November to January). Banking is normally done with States and utilities who have their seasonal load profile complementary to MP load profile. States like Punjab, Haryana, Delhi, West Bengal, Chhattisgarh normally have peak demand in hot and humid Kharif seasons whereas MP has peak load occurring in Rabi Seasons. Further, the frequent outages of thermal units may lead to supply disruptions if suitable banking arrangement is not in place. Hence, banking is justifiable for maintaining the adequate supply hours during the peak of Rabi season.

Commission's Views:

The Commission has admitted the Open Access charges paid for banking of power and has disallowed any liability towards banking of energy after conducting due diligence and detailed prudence check of the claim submitted by the DISCOMs, which has been detailed in respective chapters of this order.

ISSUE No. 6: Power Purchase Cost

Issue Raised by Objectors:

The Commission in Tariff Order for FY 2018-19 approved electricity demand of 65,851 MU valued at Rs. 24,448.87 Crore. Whereas in True up Petition, the Petitioners have claimed Power Purchase of 73,761 MU valued at Rs. 28,917.88 Crore. Thus, the Petitioners have claimed additional Rs.4,469 Crore in True up Petition, which is not unjustified.

Further, the stakeholder has observed that Schedule-2 (D) mentioned in the Petition reveals that Inter-State Transmission Charges & Loss works out to Rs.3.60 per unit and Self-Owned Power Generating Station is at Rs. 4.92 per unit.

The Petitioners have recovered FCA from time to time as approved by the Commission. Hence, any further claim for increase in fuel cost is not justified.

The Petitioners have purchased 16 MU from BLA Power at Rs. 13.74 Crore, which is unauthorized and average rate works out at Rs. 8.58 per unit. Moreover, in 2017 the Commission had dismissed Petition of DISCOMs in the absence of agreement, against this appeal was filed to Hon'ble APTEL, which was remanded to the Commission with certain directions and against which the Commission has filed Appeal to Hon'ble Supreme Court, which is pending. Beside this, the Petitioners in FY 2017-18 had paid Rs. 38.74 Crore to BLA without scheduling power, which appears illegal and requested the Commission to investigate.

The Petitioner have purchased 192.8 Crore units from Lanco Amarkantak though Power Trading Company at Rs.703.82 Crore and the average rate works out at Rs. 3.65 per unit. For the transmission of this electricity, it is mentioned that additional cost of Rs.73.60 Crore as Inter-State Transmission fees has been paid. Therefore, at State periphery the cost works out at Rs. 4.33 per unit, which is neither in accordance with PTC Agreement dated 30th May, 2005 nor with power agreement dated 26th November, 2012. Hence, the Commission is requested to ascertain the factual position.

There is 69.23 MU of inexpensive electricity available with the J.P. Nagri power plant. However, the Petitioners have scheduled only 44.34 MU. Therefore, the stakeholder requested the Commission to examine facts and provide justice.

The Petitioner has purchased 75.3 Crore units from Jhabua power at Rs. 371.85 Crore and the average power purchase rate without Inter State Transmission fees and Transmission loss works out at Rs. 4.94 per unit. Further, the transporting coal rail line, which was proposed has not been completed. Hence, excess payment was made. Therefore, the Commission may examine this issue.

The Petitioners have purchased expensive power from Torrent Power even though power was surplus in FY 2018-19. Further, the power purchase and the inter-State Transmission Charges works out to about Rs. 2,600 Crore. Therefore, justification may be sought from the Petitioners.

The Petitioners have purchased expensive power from Kahalgaon power plant. Hence, the power purchase to Madhya Pradesh from Eastern Region and other Regions may also be investigated.

The Petitioners have purchased expensive solar power of 1,778 MU at Rs.1,013.23 Crore and the average rate works out at Rs.5.70 per unit. Further, RUMSL has three private companies for which the PPA is at Rs. 2.93 per unit. Therefore, Solar Energy purchase has not been demonstrated properly and hence, may be examined.

The Petitioners purchased power from the wind power generating station which has not been demonstrated properly. Therefore, the Commission is requested to investigate their correctness.

The Petitioner has claimed Rs. 488.73 Crore and Rs. 2,382 Crore as supplementary bills and no details have been mentioned. Similarly, Rs. 797.98 Crore has been claimed as other cost and no details have been given. Therefore, the Commission is requested to examine it thoroughly.

The Petitioner has made payment to MPPGCL, NTPC and other power generating stations without supporting documents. Therefore, the supporting documents may be verified for Coal Bills.

The Petitioners have not mentioned and accounted for supply from Rihand and Matatila HPS from which 45 MW and 25 MW power, respectively, is allocated to the State. Therefore, in case of non-supply, there is provision for compensation every year by 31st March. The

Petitioners in this regard have not stated anything. Further, this needs to be accounted as the Petitioners have shown this as surplus availability, which has to be altered and thereby affects the true up exercise.

The Petitioners has not accounted and mentioned an amount of Rs. 1600 Crore, which was outstanding against Rajasthan against which some settlement has been done and the State is getting some 47 MW power from Rajasthan DISCOMs.

The availability of power in actual will be much more after adding the availability from Rihand, Matatila, Sardar Sarovar NHPC and supply from Rajasthan as per settlement made by Petitioner. Therefore, the Commission is requested to apply standard normative distribution loss and Inter-State loss on the basis of actual requirement and then only power purchase cost should be allowed in the interest of justice.

Additional power purchase cost was approved for adjustment by the Commission on 12th January, 2017 in order to comply with the Hon'ble APTEL Judgment in Appeal No. 276, 270, 272 and 234/2014 dated 15th September, 2015. Accordingly, the Petitioners filed the ARR for making this adjustment, in which the entire State had about Rs. 24,500 Crore power purchase cost. However, the Petitioners have reported expenditure of Rs. 29,000 Crore in true-up Petition. Therefore, it is clear from the submission that about Rs. 4,500 Crore is on account of additional power purchase cost. Hence, the Commission is requested to investigate this additional power purchase cost.

Response from DISCOM:

The Petitioners in the Petition have already mentioned that the Distribution licensee has to meet the power demand of consumers as per the relevant provisions of the Electricity Act, 2003 under the obligation to supply provision. Therefore, quantum of power purchase may not be restricted on the basis of normative loss levels. Under any given operating conditions of the power system, the quantum of energy and the power demand are more or less uncontrollable variables. For the purpose of tariff determination, the average power purchase cost per unit based on the prudent cost of the licensee should be considered. This means that variable cost based on average power purchase cost per unit on the quantum of power based on normative loss should be passed on to the consumer and any cost in excess of that shall be borne by the licensee. In any case, the full fixed cost element of the power purchase cost should also be passed on to the consumer as a legitimate cost. This methodology shall maintain proper balance between the interests of the consumers and the licensee, as it is based on overall averaging method, so that impact of all the factors over an annual cycle are covered and distributed equitably.

The Energy requirement of 65,851 MU approved by the Commission has been worked out based on normative loss levels, whereas the actual loss levels of the licensees are more. The Petitioners in their true-up Petition have indicated ex-bus requirement of 73,761.03 MU based on actual loss level of the licensees and have computed the Power purchase cost considering the variable cost based on normative loss level as per the existing methodology of the Commission.

The contention of the stakeholder extracted from the schedule-2 (D) is not clear and hence, no comment can be offered.

As regards the contention of the stakeholder that further claim for increase in Fuel Cost is not justified, it is clarified that the Commission in its Tariff Order provides the fixed cost and variable rates of all the plants from whom the availability of energy is considered in the Petition. The variable rates of Coal & Oil fuel generators change dynamically owing to change in fuel prices and hence, the Commission has laid a mechanism of levying Fuel cost adjustment, in its Tariff Order. Besides changes in fuel prices there are other components like water charges, taxes, etc., due to which variable charges of the generator changes. Further change in fixed and variable charges may also occur due to change in law. The generators used to bill the charges either through regular or supplementary bills. Thus, after considering the change in fuel prices through FCA, still some claims of the generators need to be considered in the True-up Petitions of the licensees. Further, determination of FCA is in accordance with the provision of Section 62(4) of the Electricity Act, 2003.

Based on the Order dated 19th April, 2018 passed by the Hon'ble APTEL in Appeal no. 201/2017 filed by M/s BLA against the Commission's order dated 02nd June, 2017 passed in Petition No. 13/2017, MPPMCL had made payment to M/s BLA in May, 2018. It is true that against the dated 19th April, 2018 of Hon'ble APTEL, the Commission has also filed civil Appeal No. 5733/2018 before Hon'ble Supreme Court which is currently under consideration. The order of Hon'ble APTEL has not been stayed yet. Hon'ble Supreme Court of India in IA 1659/2019 filed by M/s BLA in Civil Appeal No. 5733/2019 allowed the IA in terms of the prayer of M/s BLA and removed earlier capped rate of Rs 2.18 per unit and allowed the payment based on actual energy charge rate. Hence, in view of order dated 19th April, 2018 of Hon'ble APTEL and order dated 11th January. 2019 of Hon'ble Supreme Court, energy from Unit-I and Unit-II of M/s BLA is scheduled on Merit order basis as per the Regulations of the Commission. According to APTEL's order dated 19th April, 2018, the continuation of the tariff, which was affected in the light of the order of the Commission, has been restored. As the matter is sub-judice in the Hon'ble Supreme Court, it is not appropriate to make any further comment at present.

A Settlement Agreement was signed between MPPMCL, PTC and Lanco Amarkantak on 16th October, 2012. Pursuant to the said Agreement, MPPMCL filed a Petition No.78/2012 before the Commission seeking approval of purchase of power from PTC India Limited under the PSA dated 30th May, 2005 signed between the erstwhile MPSEB & PTC, which has been sourced from 300 MW Unit I of Lanco Amarkantak Power Ltd. under the PPA dated 11th May, 2005 signed between PTC and Lanco. The Commission vide order dated 1st Dec'2012 accorded approval to the above power procurement and determined indicative fixed charge and indicative energy charge for M/s Lanco for FY 2012-13 as per the Tariff Regulations of CERC. Therefore, it is pertinent to mention that in the Regulations of the CERC, there is no limit on the maximum rate of power. Further, no proviso regarding capping of tariff is there in the

Electricity Act, 2003. The Commission, in para 11 of the order dated 01st December, 2012 passed in Petition No. 78/2012, has also mentioned that the CERC Regulations regarding determination of generation tariff does not provide capping of tariff. Moreover, in FY 2018-19 the power from M/s Lanco Pvt. Ltd. has been procured at the regulated tariff and provisional payment of fixed charge and variable charge has been made under the Settlement Agreement dated 16th October, 2012 and as per the Tariff Regulations FY 2014-2019 of CERC. Further, in FY 2018-19 power from Station of M/s Lanco has been procured following the MOD as per the Regulations of the Commission.

As regards J.P Nigrie, the State Govt. is authorized to offtake 7.5% of total energy generated from JP Nigrie at discounted rates. Here it is pertinent to mention that the 7.5% energy indicated is based on the expected generation from full capacity of the plant but in the real time operation it changes due to change in generation. The JP Nigrie Power Company indicates this 7.5% energy of expected generation from its plant one day ahead in R-0. However, in real time 7.5% of the generated energy only is received by the GoMP which is scheduled fully through the respective requisition R-1.

As regards Jhabua Power, per unit rate of Rs 4.94 mentioned in the objection is inclusive of capacity charges. The Energy charge rate is Rs 2.44 per unit. In two-part tariff concept, the capacity charges for the tied-up capacity has to be borne by the licensee irrespective of whether any power is procured or not. Regarding allegation of shortage in coal transportation due to incomplete work of Rail line, it is clarified that whatever power was scheduled by MPPMCL was fulfilled by the generator.

As regards costly electricity purchased from Torrent Power dated 16th January, 2007, a Power Sale Agreement (PSA) for procurement of power from Torrent Power Ltd (TPL) was signed between M/s PTC India Ltd and MP Trading Co. Ltd (Now M.P. Power Management Co. Ltd.) for supply of 50 to 100 MW from project for 25 years for State of MP. In view of the terms of agreement for procurement of power the CERC vide order 06th October, 2005 had determined the tariff for FY 2014-2019. Accordingly, during FY 2018-19, in view of grave necessity of power during the peak load season minimal power has been procured based on the MOD. Payment of cost of power purchased has been made as per the tariff determined by CERC.

As regards the costly electricity from Kahalgaon, a total 453.50 MU of energy has been procured from Kahalgaon in different months of FY 2018-19. The power has been procured looking to the incident demand strictly following the MOD.

As regards the costly rates of solar power, the Petitioner has a Renewable Purchase Obligation since beginning. In order to fulfil these obligations, the Petitioner has signed long-term PPAs with Solar plants of early stages whose PPA rate are high owing to their initial cost of installations. As the Petitioners have to honour all such PPAs and fulfil the Renewable Obligations, the Petitioner in their True up petition for FY 2018-19, has considered the average rate of all the tied-up solar plants. The stakeholder is comparing the average rates of all Renewable sources (including those of early times) with the PPA rate of RUMS, which is not rational.

As regards the costly wind power sources, there are around 270 wind generators whose PPAs exists with the Petitioner. It is not possible to give the details of all such generators in the Petition. The Petitioner, while computing the power purchase cost considers the average rate of Non-solar renewable sources. However, the Petitioner used to supplement the detailed list of all the wind Generator to the Commission as and when required.

The cost incurred in the supplementary bills of the Generators is the prudent cost of the Petitioners. The Petitioner provides the detailed breakup of Supplementary Bills of the Generators to the Commission separately. Other cost included in power purchase cost is related to MPPMCL cost, which cannot be apportioned station-wise. Brief details of other Costs have been provided to the Commission

The Petitioner has submitted the bills of all the Generators as supporting documents. The Commission may verify the same.

The calculation of the cost of power purchase is as per the instructions given in the order passed in Appeal No. 258/2012 by the Hon'ble APTEL. The distribution companies challenged the True-up Orders for the FY 2008-09, FY 2009-10, FY 2010-11 and FY 2011-12 and sought relief before the Hon’ble APTEL in Appeal Nos. 276, 270, 271 and 234/2014. Thereby, the Hon’ble APTEL vide Order dated 15th September, 2015, partially passed decision in favour of the Appeal. In compliance of APTEL’s Judgment, the Commission vide Order dated 12th January, 2017 allowed additional power purchase cost for the above years, which was included in the FY 2017-18 Tariff Order.

The additional power purchase cost was allowed by the Commission in the Order dated 12th January, 2017 for True-up Order of the FY 2008-09, FY 2009-10, FY 2010-11 and FY 2011-12 in the revenue requirement for FY 2017-18. Therefore, it is incorrect to state this as an adjustment.

Regarding the difference between the approved power purchase cost in the Tariff Order and the actual power purchase cost incurred in the True-up Petition for FY 2018-19, there is a principle that the revenue requirement is calculated on the basis of past sales and the energy requirement. Further, the cost of purchasing power is calculated by following the Merit Order Dispatch principle based on the availability of power from the central power generating stations allotted to the Petitioners and the long-term contract sources. However, during the actual operation, power purchase is possible only on the basis of actual availability of energy from different sources.

Commission’s Views:

The Commission considering the submissions made by the stakeholders and view taken by the Commission and as in order for True Up of FY 2013-14, has not considered the cost of power purchase from M/s Torrent Power for FY 2018-19. Further, the Commission in line with the view taken in retail tariff order for FY 2018-19 has not considered the power purchase cost for the power purchased from BLA Power.

Also, the Commission has admitted the power purchase cost towards the normative power purchase requirement computed considering the admitted normative sales grossed up with the allowable loss levels as per the provisions of the Regulations. The detailed methodology adopted by the Commission for admittance of power purchase cost has been detailed in the respective chapter of this order.

ISSUE No. 7: Recovery of Cross Subsidy Charges and Additional Surcharge

Issue Raised by Objectors:

There is no party-wise Cross subsidy surcharge and additional surcharge details available to verify whether full amount has been accounted for or not and therefore, the Commission is requested to verify the details. Further, the stakeholder suggested that the True up shortfall may be converted into Regulatory Assets or into one-time settlement by Government to convert it in equity.

Further, the DISCOMs are recovering cross subsidy surcharge and additional surcharge from the open access consumers, which has not been mentioned and accounted by the Petitioners.

Response from DISCOM:

The cross-subsidy surcharge and additional surcharge have been duly accounted for. It is not possible to provide the billing details of the parties in the Petition, however, as and when the Commission requires the same, the Petitioner provides the same as additional information to the Petition.

Further, suggestion of stakeholder for conversion of revenue shortfall into Regulatory Assets and or one-time settlement by Government to convert in to equity is also not subject matter of instant Petition.

Commission's Views:

The Commission has prudently considered the revenue from sale of power, other income and non tariff income booked in the audited accounts of the Petitioners in accordance with the provision of the Regulations, which has been detailed in relevant section of this Order.

ISSUE No.8: Bad Debts and doubtful debts

Issue Raised by Objectors:

The Petitioners have claimed Rs 3,212.10 Crore as bad and doubtful debt in True up Petition, which should not be allowed due to various reasons. The Petitioners claim is 1047% higher than the amount admitted by the Commission in retail supply tariff order for FY 2018-19. Further, the Petitioners have not stated any reasons for such abnormal increase and also have not stated about the efforts made for recovery of these debts.

The Petitioners claim of bad and doubtful debts in the Petition is in contravention to the provisions of MYT Regulations, 2015 and the principles adopted by the Commission in the Tariff Orders. Therefore, the Petitioners claim may be rejected.

Response from DISCOM:

The MYT Regulations, 2015, provides for the bad and doubtful debt and same is claimed as per actual written off basis. Further, the Commission considers the claim of the DISCOM only after prudence check.

The Petitioners have submitted the district wise breakup of the amount booked as bad and doubtful debts before the Commission and same has been mentioned in Note no. 43 of the Audited Accounts for FY 2018-19.

Commission's Views:

The Commission has not considered any bad debt towards demand withdrawal or any amount waived off under the government schemes. Further details of the approach adopted for admittance of bad and doubtful debt has been appropriately dealt in relevant section of this Order.

ISSUE No. 9: Depreciation

Issue Raised by Objectors:

The Petitioners have claimed depreciation amount as per their books of accounts, owing to the wrongful adoption of methodology. Further, the stakeholder submitted that the Commission admits depreciation in accordance with the provisions in the MYT Regulations, 2015, which is in the nature of subordinate legislation and therefore has force and efficacy of law. Therefore, the contentions of the Petitioners are arbitrary in contravention to the notified Regulations and is devoid of any merits. Therefore, the Petitioners claim may be rejected.

Response from DISCOM:

Depreciation has been claimed in accordance with MYT Regulations, 2015.

Commission's Views:

The Commission has admitted the Depreciation as per the provisions of the MYT Regulations, 2015 and as per the view taken by the Commission in retail supply tariff orders for FY 2018-19 after conducting due diligence, which has been appropriately dealt in relevant section of this Order.

ISSUE No. 10: Unmetered Connections

Issue Raised by Objectors:

The issue of unmetered connections in the State continues as the actual power consumption in rural areas remains unaccounted as 6,80,187 lakh number of domestic connections are unmetered and power bills are issued on average basis. Moreover, 2,12,432 number of distribution transformers (DTRs) are not fitted with meters that supply power to unmetered agriculture connections. This causes huge losses to power distribution companies which finally gets transferred to the end consumers. Further, in rural areas under the jurisdiction of the East

DISCOMs, West DISCOMs and Central DISCOMs there are 3,71,289, 1,79,006 and 1,29,892 unmetered domestic connections and 62,248, 77,086 and 73,098 DTRs without meters, respectively.

Further, for such agricultural connections, the farmers are charged for the capacity of irrigation pumps they declare to use like 3 HP, 5 HP, etc. instead of charging them for their actual consumption by installing meters. Moreover, the Commission itself has urged many times to DISCOMs to attain 100% meterization of rural domestic consumers and agriculture DTRs at the earliest so that the actual consumption gets properly accounted. Therefore, the Commission is requested to take strict action under this matter and the DISCOMs must install meters and have regular reading so that actual bills are issued to the farmers for the agriculture connections.

Response from DISCOM:

DISCOMs are complying with all the directives issued by the Commission in Tariff order. The progress in respect of these directives is being regularly submitted before the Commission.

Commission's Views

The Commission has taken note of the stakeholder suggestion and Petitioner's submission and has observed that the progress of the DISCOMs is unsatisfactory. The Commission monitors meterisation progress through quarterly reports. The Commission in this order has admitted the sale to unmetered domestic and agriculture consumers in accordance to the norms specified in Retail Supply Tariff Order of FY 2018-19, which has been detailed in relevant section of this order.

ISSUE No. 11: Distribution Losses

Issue Raised by Objectors:

For the West DISCOM, Transmission & Distribution Losses are comparatively very less to the other two DISCOMs, but the burden is equally borne by all the consumers, which is incorrect, whereas the losses occurring specifically from power and intensive industries are as low as 2.05% to 3.00% which is why no T&D loss burden should be passed on to power intensive industries, on the contrary they may be provided more concession in power rates.

Further, stakeholder observed that the Distribution Losses of the DISCOMs are 16% for East DISCOM, 17% for Central DISCOM and 15% for West DISCOM. In spite of repeated directions from the Commission, the East & Central DISCOMs have not been able to reduce T&D Losses around normative level as fixed by the Commission, which is utter disobedience of Orders, and strict action should be taken. Further, the Petitioner has submitted in Para 3.4 that for Distribution Losses and Commercial Losses, consumers are responsible. Considering this analogy, the excess distribution loss has been calculated at Rs.508.33 Crore by including in power purchase cost. Moreover, True up Petitions for FY 2018-19 is True up of Tariff Order FY 2018-19. Therefore, switching over to another method is prohibited and standard once applied in tariff order FY 2018-19 cannot be altered and request of the Petitioners should be rejected.

Besides this, the stakeholder suggested that the Commission must order for different area different Tariff scheme among all the three DISCOMs, so that the purpose for which these three DISCOMs and the Management Company was once individualized in the past can now be fulfilled to its fullest. The same system has been adopted by many States like Maharashtra and others, which is working very beneficially for their states. Opting for this model of tariff determination would allow the Commission to provide extra attention to areas where high rate of T&D losses is occurring and there by penalizing the wrongdoers only and not the whole lot.

Response from DISCOM:

In the present True-up Petition for FY 2018-19, power purchase cost has been determined based on the normative distribution losses approved in MYT Regulations, 2015 and actual power purchase bills aligned duly with audited accounts. As such claim of burdening of any class of consumers by higher T&D losses is devoid of merit.

The Petitioners submitted that as of March, 2013, the number of consumers was 36.18 lakh and as on January, 2021 it is 69.20 lakh. It is clear that the no. of consumer has increased by 74%. This increase is mainly on account of rural consumers connecting with the distribution network. The consumer density in the rural areas is low due to which long lines have to be constructed, which impacts transmission and distribution lines. Further, the Petitioner listed out the various efforts made to reduce the line losses.

Commission's Views:

The Commission has taken note of the above submissions and directs the Petitioners to take appropriate steps to reduce distribution losses. However, for the purpose of determination of True-up for FY 2018-19, the Commission has considered distribution losses at normative levels, as specified in MYT Regulations, 2015, thereby not allowing any impact of higher actual distribution losses on consumers.

ISSUE No. 13: Difference in estimated ARR and True-up

Issue Raised by Objectors:

The stakeholder has observed that after execution of management agreements from June, 2012 by MPPMCL the variation between the ARR and True-up is increasing. Further, recovering the amount of shortfall approved in True up Petition from consumers in ensuing year tariff is neither justified nor rational as per business principles.

Response from DISCOM:

The True-up Petition for FY 2018-19 have been filed before the Commission as per MYT Regulations, 2015 and all the components claimed in True-up Petition are in accordance with MYT Regulations, 2015 supported by audited accounts. Any recovery of shortfall in revenue from the consumers is not the subject matter of instant True-up Petition.

Commission's Views:

The Commission has admitted the ARR and revenue gap with due diligence and detailed prudence check of the claim submitted by the DISCOMs as per the provision of the Regulations, which has been detailed in respective chapters of this Order.

ISSUE No. 14: Various True-up component cost

Issue Raised by Objectors:

The Petitioners have spent Rs.1099.96 Crore for leave travel assistance and Rs.147 Crore for advertisement expenses. Therefore, as a business concern this facility should have been stopped and these funds should have been diverted for Meterization.

Response from DISCOM:

The claim of stakeholder that Rs.1099.96 Crore has been approved and spent for Leave Travel Assistance and Rs. 147 Crore has spent on Advertisement is devoid of merit. The aforesaid claims are with respect to Employee cost and A&G expenses respectively in the instant Petition, which has been approved by the Commission in MYT Regulations, 2015 and claimed accordingly. The detail of Employee cost is available in the Schedule No. 8(b) and A&G cost available in Schedule No.9 attached with the Petition.

Commission's Views:

The Commission has admitted the Employee and A&G Expenses after conducting due diligence and detailed prudence check of the claim submitted by the DISCOMs, which has been detailed in earlier chapters of this order.

ISSUE No. 15: Submission of Revised Petition without Affidavit

Issue Raised by Objectors:

The Petitioners have submitted the revised Petition without any affidavit, which is in contravention to the provisions of MPERC Conduct of Business Regulations and MYT Regulations, 2015.

Response from DISCOM

The Petitioners have submitted the affidavit before the Commission with revised Petition.

Commission's views

The Commission has taken note of the stakeholder objection and Petitioners' submission. Further, the Commission would like to mention that the revised True-up Petition was admitted along with the affidavit.

ISSUE No. 16: Theft and unauthorized use of Electricity

Issue Raised by Objectors:

The Petitioners have not indicated and accounted for the amount received under the head of unauthorized use of electricity and theft.

Response from DISCOM:

The Petitioner has not submitted the reply on this issue.

Commission's Views:

The Commission has considered the recovery against theft and unauthorised use of electricity as part of revenue from sale of power.

ISSUE No. 17: Return on Equity

Issue Raised by Objectors:

The methodology of computing GFA and equity have been stated in the Commission's Tariff Order for FY 2017-18, which was not contested/opposed by the Petitioners during the specified time and therefore has attained conformity. Besides this, the Tariff Order is also in the nature of subordinate legislation and has become part of law and any change in the methodology of computing equity at this stage is not sustainable under law at the time of true up for the FY 2018-19.

Further, the Petitioners deficit claim of ROE of Rs.518.82 Crore in the Petition is in contravention to the provisions of MYT Regulations, 2015 and is devoid of any merits. Therefore, the Petitioners claim may be rejected.

Response from DISCOM:

The Petitioners have claimed ROE as per the provisions of MYT Regulations, 2015. Further, Petitioner has considered the closing equity associated with actual GFA, and the equity component of GFA addition equal to 30% of net addition in FY 2018-19 has been considered as the equity addition.

Commission's Views:

The Commission has allowed Return on Equity in accordance with the provisions of the MYT Regulations, 2015 which has been appropriately dealt in relevant section of this Order.

ISSUE No. 18: Excluding income from various income like Power Factor surcharge, TMM charge, late fee

Issue Raised by Stakeholders:

All the other income earned from Power Factor Surcharges, TMM should be considered by the Commission.

Response from DISCOM

In accordance with MYT Regulations, 2015 issued by the Commission, all types of income are included on the basis of audited financial statements of the Company. In the Petition, Tables 40 and 41 have description of revenue from sale of electricity and Table 39 has description of Other income. Further, item wise details of other income have been given in Schedule No. 2 of the format annexed to the Petition.

In respect of income from late fees, it is stated that income from late fees has not been considered as income in accordance with the MYT Regulations, 2015 issued by the Commission. Therefore, the present Petition has been filed accordingly.

Commission's Views

The Commission has prudently considered the revenue from sale of power, other income and non tariff income booked in the audited accounts of the Petitioners in accordance with the provision of the Regulations, which has been detailed in relevant section of this Order. Further, the Commission has not considered revenue from Delayed Payment Surcharge as other income in accordance to the provision of the MYT Regulations, 2015.

Annexure -I

Table 55: List of Objectors

Sr. No.	Name of the objector
East DISCOM	
1.	Shri. P.G Najpandey M/s Nagrik Upbhokta Margdarsak Manch, 6/47, Ramnagar Adhartal, Jabalpur
2.	Shri Rajendra Agrawal 1995/A Gyan Vihar Colony, Narmada Road, Jabalpur -4802002 Shri Rajesh Choudhary 101 D.N Jain Shopping Complex, Jabalpur-482002
3.	Shri. Himanshu Khare M/s Jabalpur Chamber of Commerce & Industry, Moti Building, Ashok Marg, Cantt, Jabalpur
4.	Shri. D. Khandelwal 960, Napier Town Jabalpur
West DISCOM	
5.	Shri. Sunil Kantilal Ji Jain 7/548-A, Kasturba Nagar, Ratlam
6.	Shri Pawan Shinghania M/s Rathi Iron & Steel Industries Ltd 103, Laxmi Tower, 576, M.G. Road, Indore-452001
7.	Shri Pawan Shinghania M/s Jaideep Ispat & Alloys Pvt. Ltd. 103, Laxmi Tower, 576, M.G. Road, Indore-452001
8.	Shri. S.M Jain M/s All India Induction Furnaces Association 67, Industrial Area, Mandsaur – 458001
9.	Shri. S.M Jain M/s Venus Alloys Pvt. Ltd. 67, Industrial Area, Mandsaur – 458001
Central DISCOM	
10.	Shri M.C Bansal Justice for Public Cause Foundation Trust (JPCFT) Flat No. 402, Sapphire Block, Nikhil Nestles, Near Ashima Mall, Hoshangabad Road, Jatkhedi, Bhopal-462026