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 2019-20

Petition No. 70/2020

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 2019-20 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
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
CWIP	Capital Works in Progress
DA	Dearness Allowance
DISCOM	Distribution Company
DPS	Delayed Payment Surcharge
DSM	Demand Side Management
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
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
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 12th Day of October, 2021)

1.1 This order relates to the Petition No. 70/2020 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 (hereinafter referred to as East DISCOM, West DISCOM, Central DISCOM and MPPMCL, respectively, and collectively as Petitioners or Distribution Licensees or distribution companies or DISCOMs) before Madhya Pradesh Electricity Regulatory Commission (hereinafter referred to as MPERC or the Commission). The Petition has been filed by the Distribution Licensees seeking the True-up of Aggregate Revenue Requirement (ARR) determined by the Commission in its Retail Supply Tariff Order for FY 2019-20 (hereinafter referred to as Tariff Order).

1.2 The Commission has reviewed the operational and financial performance parameters of the DISCOMs for FY 2019-20. 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 2019-20 on 8th August, 2019, in accordance with MPERC (Terms and conditions for determination of tariff for supply and wheeling of Electricity and methods and principles for fixation of charges) Regulations, 2015 and its 1st Amendment (herein referred to as MYT Regulations, 2015 and its amendments thereof).

1.4 As per the MYT Regulations, 2015 and its amendments thereof, DISCOMs were required to file their Petitions for True-up of ARR for FY 2019-20 by 31st December, 2020. Further, as per directives of Hon'ble APTEL in the Judgment dated 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 Accordingly, the Petitioners' filed their True-up Petition for FY 2019-20 on 7th December, 2020. Thereafter, the Commission held the motion hearing on 19th January, 2021. On analysis of the Petition, the Commission found Petition deficient on many grounds. Therefore, the Commission vide daily order dated 21st January, 2021 directed the Petitioners to incorporate the data gaps and additional information required in the matter and file the revised Petition.

1.6 In accordance to the direction of the Commission, the Petitioners filed the revised Petition on 19th February, 2021. Subsequently, the Commission communicated additional information gaps and data requirements. Thereafter, the Commission held motion hearing and admitted the Petition.

Notification of true-up proposals for public information

1.7 The public notices were issued by the Commission on 28th July, 2021 for publication by the Petitioners in Hindi and English newspapers for inviting comments /objections/ suggestions from various stakeholders. The details of the publications are as follows:

Table 1: List of Newspapers- Public Notice

DISCOM	FY 2019-20 True-Up
	(Petition No. 70/2020)
East DISCOM	Patrika, Jabalpur, Hindi
	Hitvad, Jabalpur, English
	Pradesh Today, Sagar, Hindi
	Dainik Bhaskar,Satna, Hindi
Central DISCOM	Aachran, Gwalior, Hindi
	Nav Dunia, Bhopal, Hindi
	Peoples Samachar, Bhopal, Hindi
	Times of India, Bhopal, English
West DISCOM	Swadesh, Indore, Hindi
	Free Press Journal, Indore, English

1.8 The last date for filing the comments / suggestions / objections by the stakeholders was 20th August, 2021. In response, the Commission received comments / suggestions / objections from nine stakeholders within the stipulated time.

Hearings

1.9 In order to provide ample opportunity to the stakeholders to present their views before the Commission, the Public Hearing was held on 24th August, 2021 through video conferencing. A list of stakeholders who submitted their suggestions/ comments / objections on the Petition before the Commission in person or through written submission, is annexed to this Order as **Annexure-1.**

Summary of Petition

1.10 The summary of the True-up Petition of FY 2019-20 submitted by the Petitioners is given below:

Table 2 : Summary of the True-up Petition of DISCOMs for the period from April 2019 to March 2020 – as submitted by the Petitioners (Rs. Crore)

Particulars	FY 2019-20							
	East DISCOM		West DISC OM		Central DISCOM		State	
	Tariff Order	Claimed	Tariff Order	Claimed	Tariff Order	Claimed	Tariff Order	Claimed
Power Purchase Cost	7,478.94	8,452.18	9,425.45	10,848.83	6,345.27	9,382.24	23,249.66	28,683.24
PGCIL Charges								
Transmission charges including SLDC	822.89	985.63	1,054.50	1,076.17	876.59	894.60	2,753.98	2,956.40
O&M Expenses	1,782.74	1,653.19	1,824.82	1,648.90	1,710.97	1,510.79	5,318.53	4,812.88
Depreciation	133.16	464.37	110.18	289.67	183.08	523.11	426.42	1,277.15
Interest & Finance Charges	273.32	242.95	209.52	195.69	343.43	310.71	826.27	749.35

Particulars	FY 2019-20							
	East DISCOM		West DISC OM		Central DISCOM		State	
	Tariff Order	Claimed	Tariff Order	Claimed	Tariff Order	Claimed	Tariff Order	Claimed
On Project Loans	136.02	142.44	70.50	47.13	224.03	210.21	430.55	399.78
On Working Capital Loans	86.77	43.08	66.62	77.72	51.78	40.86	205.17	161.66
On Consumer Security Deposit	50.53	57.43	72.40	70.84	67.62	59.64	190.55	187.91
Return on Equity	251.80	337.11	186.39	213.45	348.44	345.95	786.63	896.51
Bad & Doubtful Debts	2.00	0.00	2.00	0.11	2.00	0.00	6.00	0.11
Any other expense	0.00	0.00	0.00	2.26	0.00	0.00	0.00	2.26
Total Expenses	**10,744.85**	**12,135.43**	**12,812.85**	**14,275.09**	**9,809.77**	**12,967.40**	**33,367.47**	**39,377.92**
Less: Other income	184.16	366.82	201.66	205.52	184.84	358.39	570.66	930.73
Net total Expenses	**10,560.69**	**11,768.61**	**12,611.19**	**14,069.57**	**9,624.93**	**12,609.01**	**32,796.81**	**38,447.19**
Add: Impact of True up for MP Genco for FY 16-17	21.17		25.34		20.21		66.72	
Add: Impact of True up for MPPTCL for FY 16-17	144.46		185.12		153.89		483.46	
Add: Impact of true up of MP State DISCOMs for FY 2013-14	1,056.48	1,056.48	1,354.00	1,354.00	1,509.00	1,509.00	3,919.48	3,919.48
Add: Impact of True up for MPPGCL for FY 17-18	(188.88)		(226.15)		(180.34)		(595.41)	
Total ARR expenses	**11,593.91**	**12,825.09**	**13,949.49**	**15,423.57**	**11,127.66**	**14,118.01**	**36,671.06**	**42,366.67**
Revenue	**11,593.91**	**10,366.76**	**13,949.49**	**14,914.69**	**11,127.66**	**11,744.09**	**36,671.06**	**37,025.54**
Revenue Gap	**0.00**	**2,458.33**	**0.00**	**508.89**	**0.00**	**2,373.91**	**0.00**	**5,341.13**

1.11 The Commission analysed the True-up Petition on the basis of the information furnished by the DISCOMs and considering the interest of the consumers in the State. After giving due consideration to the norms, methodology, treatment of UDAY scheme, process of determination of expenditure and revenues as elaborated in the MYT Regulations, 2015 and its amendments thereof, the Commission determined the allowable revenue Gap/Surplus, as detailed in the subsequent Sections of this Order.

1.12 Summary of the True-up of ARR admitted for FY 2019-20 is given below:

Table 3: Revenue Gap admitted in True-up of ARR for FY 2019-20(Rs. Crore):

Particulars	East DISCOM		West DISCOM		Central DISCOM		Total for State	
	Claimed	Admitted	Claimed	Admitted	Claimed	Admitted	Claimed	Admitted
INCOME								
Tariff Income	5,773.99	5,778.94	7,904.14	7,904.14	6,624.93	6,624.93	20,303.06	20,308.01
Non-tariff income	366.82	129.25	205.52	103.19	358.39	82.83	930.73	315.27
Net other income (excluding delayed payment surcharge)		73.30		102.27		275.56		451.12
Subsidy	4,592.77	4,592.77	7,010.55	7,010.55	5,119.16	5,119.16	16,722.47	16,722.47
Total Income (A)	**10,733.58**	**10,574.26**	**15,120.20**	**15,120.14**	**12,102.48**	**12,102.48**	**37,956.27**	**37,796.88**
EXPENSES								
Power Purchase								
Power Purchase Cost	8,452.18	8,238.26	10,848.83	10,559.13	9,382.24	9,277.79	28,683.24	28,075.18
MP Transco Charges	985.63	985.63	1,076.17	1,076.17	894.60	894.61	2,956.40	2,956.40

Particulars	East DISCOM		West DISCOM		Central DISCOM		Total for State	
	Claimed	Admitted	Claimed	Admitted	Claimed	Admitted	Claimed	Admitted
Total Power Purchase (Incl. Transmission) (B)	**9,437.81**	**9,223.89**	**11,925.00**	**11,635.30**	**10,276.84**	**10,172.39**	**31,639.65**	**31,031.58**
O&M Expenses (Net of Capitalisation)								
Employee Expenses	1,080.00	801.05	1,133.00	739.01	1,009.00	569.31	3,222.00	2,109.38
DA	92.35	92.35	88.30	88.30	103.11	89.03	283.77	269.69
Terminal Benefits	21.50	15.76	32.71	33.05	36.38	36.57	90.58	85.38
Arrears	54.57	54.59	45.30	45.30	51.35	51.35	151.22	151.24
A&G Expenses	205.00	116.71	157.00	114.97	118.00	313.54	480.00	545.23
R&M Expenses	194.14	181.62	174.65	153.08	186.69	85.31	555.48	420.01
Other expenses (including Taxes & MPERC Fees)	0.63	2.33	12.94	12.94	1.27	1.27	14.83	16.54
O&M Expenses Capitalization	-	(66.90)	-	(39.92)	-	(35.72)	-	(142.54)
Provision for Terminal Benefit	5.00	70.00	5.00	70.00	5.00	70.00	15.00	210.00
Total O&M Expenses (C)	**1,653.19**	**1,267.52**	**1,648.90**	**1,216.74**	**1,510.79**	**1,180.66**	**4,812.88**	**3,664.93**
Other Expenses								
Depreciation	464.37	138.58	289.67	119.04	523.11	192.02	1,277.15	449.64
Interest & Financing Charges on Project Loans **(Net of Capitalisation)**	142.44	75.93	47.13	40.54	210.21	280.45	399.78	396.92
Interest on working capital loans	43.08	48.19	77.72	70.26	40.86	45.86	161.66	164.31
Interest on Consumer Security Deposit	57.43	57.43	70.84	70.84	59.64	61.77	187.91	190.04
Return on Equity	337.11	231.40	213.45	180.56	345.95	263.83	896.51	675.79
Bad & Doubtful Debts	-	-	0.11	0.11	-	-	0.11	0.11
Any Other Expense	-	-	2.26	2.26	-	-	2.26	2.26
Total Other Expenses (D)	**1,044.43**	**551.54**	**701.19**	**483.60**	**1,179.77**	**843.94**	**2,925.39**	**1,879.08**
Total Expenses E = (B + C + D)	**12,135.43**	**11,042.95**	**14,275.09**	**13,335.64**	**12,967.40**	**12,197.00**	**39,377.92**	**36,575.59**
Revenue Gap F = (E-A)	**1,401.85**	**468.69**	**(845.11)**	**(1,784.50)**	**864.91**	**94.51**	**1,421.65**	**(1,221.30)**
Impact of True-up DISCOMs for FY 2013-14 **(G)**	1,056.48	1,056.48	1,354.00	1,354.00	1,509.00	1,509.00	3,919.48	3,919.48
Gross Expenses H = (E + G)	**13,191.91**	**12,099.43**	**15,629.09**	**14,689.64**	**14,476.40**	**13,706.00**	**43,297.40**	**40,495.07**
Total Revenue Gap I = (H - A)	**2,458.33**	**1,525.17**	**508.89**	**(430.50)**	**2,373.91**	**1,603.51**	**5,341.13**	**2,698.18**
Less: Grant against loss taken over by the Govt. under UDAY in FY 2019-20 (J)	**-**	**264.79**	**-**	**51.67**	**-**	**350.79**	**-**	**667.26**
Net Revenue Gap/(Surplus) admitted in true-up of FY 2019-20 (K = I-J)	**-**	**1,260.38**	**-**	**(482.17)**	**-**	**1,252.72**	**-**	**2,030.92**

1.13 Accordingly, the Commission has admitted the net Revenue Gap of Rs. 2,030.92 Crore after true up of FY 2019-20 for passing on the revenue gap amount in retail supply tariff to be determined by the Commission for the subsequent years.

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

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

Dated: 12th October, 2021
Place: Bhopal.

A2: TRUE UP OF AGGREGATE REVENUE REQUIREMENT OF FY 2019-20

Analysis of Expenses during the period from April 2019 to March 2020:

Sale of energy

2.1 In the Retail Supply Tariff Order issued on 8th August, 2019 for FY 2019-20, the Commission admitted the sale of energy for FY 2019-20 as shown in the table below:

Table 4 : Sales admitted in Tariff Order for FY 2019-20 dated 8th August, 2019 (MU)

DISCOM	East DISCOM	West DISCOM	Central DISCOM	Total
LT Sale	14,021	16,227	12,705	42,953
HT Sale	3,614	5,138	3,934	12,686
Total Sale	**17,634**	**21,365**	**16,639**	**55,638**

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 5 : Sales as per Tariff Order, monthly R-15 statement and as filed in True-up Petition for FY 2019-20 (MU)

Particulars		East DISCOM	West DISCOM	Central DISCOM	Total
As admitted in the Tariff Order	LT Sale	14,021	16,227	12,705	42,952
	HT Sale	3,614	5,138	3,934	12,686
	Total Sale	**17,634**	**21,365**	**16,639**	**55,638**
As per monthly R-15 report	LT Sale	12,611	16,836	13,373	42,821
	HT Sale	3,541	5,382	4,011	12,933
	Total Sale	**16,152**	**22,218**	**17,384**	**55,754**
As filed in True-up Petition	LT Sale	12,611	16,836	13,450	42,897
	HT Sale	3,541	5,382	4,011	12,933
	Total Sale	**16,152**	**22,218**	**17,461**	**55,831**

2.3 The Commission has observed that the Sales as filed in the True-up Petition by DISCOMs is in line with the Annual R-15 statements. However, the sales submitted by the Central DISCOM is at variance by 76.89 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 6 : Basis of billing to un-metered consumers

Assessed units for un-metered rural domestic connections (units per connection per month)	Assessed units for un-metered agricultural connections (units per HP per month)			Assessed units for un-metered agricultural connections (units per HP per month)		
Rural	**Category**	**Rural**	**Urban**	**Category**	**Rural**	**Urban**
	Three Phase			**Single Phase**		
April to March	**April to September**			**April to September**		
75	Permanent	95	95	Permanent	95	95
	Temporary	195	220	Temporary	205	230
	October to March			**October to March**		
	Permanent	170	170	Permanent	180	180
	Temporary	195	220	Temporary	205	230

2.5 On scrutiny of the sales for the unmetered domestic consumers recorded in monthly R-15 statement (basic sale/billing data statement) for FY 2019-20, it has been observed that the actual monthly unmetered sales to domestic consumers for West DISCOM is within the monthly benchmarks approved by the Commission, whereas for East and Central DISCOMs it is higher in few months. Therefore, the Commission has admitted the actual sales to domestic unmetered consumers as reported in the monthly R-15 statement of West DISCOM. For East and Central DISCOMs, the Commission has disallowed the sales of 4.81 MU booked in excess on monthly norms as per R15. A summary of the unmetered sales as per monthly R-15 statement and Sales in excess of the specified benchmark as observed from the monthly R-15 statement is shown in the table below:

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

DISCOM	Unmetered Sales as per monthly R15	Sales booked in excess of the specified benchmark for un-metered domestic connections
East	412.21	3.07
West	8.06	0.00
Central	417.45	1.74
State	**837.72**	**4.81**

2.6 Further, on scrutiny of the monthly sales to unmetered agricultural consumers recorded in monthly R-15 statement for FY 2019-20, it is observed that the sale to un-metered category of agriculture consumers has been booked in excess of the specified monthly benchmarks, when compared with the number of consumers and their load. Accordingly, the Commission has accepted the metered sales as per R-15 statement, whereas the sales to un-metered agricultural consumers has been admitted as per the monthly benchmarks specified in tariff order for FY 2019-20. A summary of the unmetered sales as per monthly R-15 statement and Sales in excess of the specified benchmark as observed from the monthly R-15 statement is shown in the table below:

Table 8: 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	6,055.99	52.56
West	9,682.61	0.18
Central	6,685.06	56.22
State	**22,423.66**	**108.96**

2.7 The details of energy sales as per Tariff Order for FY 2019-20, as per True up Petition of the DISCOMs and as admitted by the Commission for the purpose of the True-up are given in the following table: -

Table 9 : Energy sales as per Tariff Order for FY 2019-20, as per filing of the DISCOMs and as admitted by the Commission (MU)

Category	**East DISCOM**			**Central DISCOM**			**West DISCOM**			**Total for the State**		
	Tariff Order	**Claimed**	**Admitted**	**Tariff Order**	**Claimed**	**Admitted**	**Tariff Order**	**Claimed**	**Admitted**	**Tariff Order**	**Claimed**	**Admitted**
LOW TENSION												
LV 1: Domestic	5,780	4,791	4,788	5,455	4,999	4,945	4,472	4,913	4,913	15,707	14,704	14,646
LV 2: Non - Domestic	1,212	1,023	1,023	1,011	1,028	1,014	1,214	1,172	1,172	3,437	3,224	3,210
LV 3: Public Water Works and Street lights	441	353	353	368	378	372	506	415	415	1,315	1,147	1,140
LV 4: LT Industrial	451	369	369	355	295	292	645	642	642	1,451	1,306	1,303
LV 5: Agricultural and Allied Activities	6,135	6,074	6,022	5,515	6,749	6,692	9,390	9,694	9,694	21,040	22,517	22,408
LV 6 :E- Vehicle / E-Rickshawas Charging Stations	1	0	0	1	0	0	1	0	0	3	0	0
LT Units (MU)	**14,020**	**12,611**	**12,555**	**12,705**	**13,450**	**13,316**	**16,227**	**16,836**	**16,836**	**42,952**	**42,897**	**42,707**
HIGH TENSION												
HV 1: Railway Traction	55	0	0	55	0	0	0	0	0	110	0	0
HV 2: Coal Mines	468	477	477	27	25	25	0	0	0	495	503	503
HV-3: Industrial, Non-Industrial and Shopping Malls	2,675	2,662	2,662	3,434	3,585	3,585	4,356	4,549	4,549	10,465	10,797	10,797
HV-4: Seasonal	8	7	7	2	2	2	13	10	10	23	20	20
HV-5.1: Irrigation, Public Water Works and Other than Agricultural	136	134	134	254	243	243	714	781	781	1,104	1,159	1,159
HV-6: Bulk Residential Users	268	259	259	157	155	155	32	27	27	457	441	441
HV-7 : Synchronization of Power for Generators Connected to the Grid	1	0	0	2	0	0	19	13	13	22	13	13
HV 8 :E- Vehicle / E-Rickshaws Charging Stations	2	0		3	0	0	3	1	1	8	1	1
HT Units (MU)	**3,614**	**3,541**	**3,541**	**3,934**	**4,011**	**4,011**	**5,138**	**5,382**	**5,382**	**12,686**	**12,933**	**12,933**
GRAND TOTAL HT + LT	**17,634**	**16,152**	**16,096**	**16,639**	**17,461**	**17,326**	**21,365**	**22,218**	**22,218**	**55,638**	**55,831**	**55,640**

Power Purchase Quantum and Cost
Petitioners' Submission

2.8 The Petitioners 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 and it's amendments thereof, which differs from the actual loss levels for FY 2019-20.

2.9 Owing to any variation in the actual loss level, the expenses towards power purchase is proposed to be shared equally between the distribution licensee and the consumer, as the excessive loss which is a composite of technical & commercial components is not only due to the licensee's inefficiency, in fact an active role of consumers is also required for reduction in the commercial component of the loss. The quantum of power purchase and the costs to be allowed or disallowed should be based on actual quantum of power purchase which is a real authentic and verifiable item and not a derivative or notional item. The quantum of sale comprises of both Metered sales and Un-metered sales. The un-metered sales consist of sale to agricultural pumps & BPL Domestic consumer and such quantum is an estimate only. Therefore, there is an overlapping between un-metered sale and losses, and it is always difficult to determine correctly the percentage of un-metered sale and percentage of losses. Thus, the sales & losses to a certain extent are inter-changeable because of estimation of un-metered sale. The sales as may not therefore be the correct basis for deciding the rate of Power Purchase Cost of DISCOMs.

2.10 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 which may not change even after the closure of financial year. This would also take into account the sale and purchase of electricity between the 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.

2.11 Further, the Petitioners have submitted that they have considered the MPPTCL losses of 2.71%. With regard to Inter-State losses, the Petitioners have submitted the Month-wise and Region-wise break-up of losses for FY 2019-20.

2.12 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:

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

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 10: Claimed Power Purchase Cost for FY 2019-20 (Rs. Crore)

	Power Purchase Cost	East DISCOM		Central DISCOM		West DISCOM		State	
Sr. No.	Particulars	Actual	Claimed	Actual	Claimed	Actual	Claimed	Actual	Claimed
1	Normative loss level	16.00%	16.00%	17%	17%	15.00%	15.00%	15.92%	15.92%
2	Actual loss level	22.52%	22.52%	27.59%	27.59%	11.10%	11.10%	20.19%	20.19%
3	Loss over and above the normative loss	6.52%	6.52%	10.59%	10.59%	(3.90%)	(3.90%)	4.27%	4.27%
4	Fixed cost (Rs. Cr)	3,154.01	3,154.01	3,741.52	3,741.52	3,770.62	3,770.62	10,666.14	10,666.14
5	Previous years' supplementary bills of Generators (Rs Cr)	292.34	293.59	344.14	345.63	359.72	360.97	996.20	1,000.19
6	Variable cost after adjusting Sale of additional Power & Other income (Rs. Cr)	4,345.88	4,062.56	4,994.37	4,465.45	5,259.40	5,464.46	14,599.65	13,992.47
7	Other Charges (Total FPA charges +Income Tax +ED, Cess, Heavy Water charge, water charges +MOPA, Insurance +Any Other charges)	262.71	245.58	302.01	270.02	311.46	323.61	876.18	839.21
8	Other costs passed to DISCOMs - which cannot be apportioned station wise-	(39.60)	(39.60)	(45.54)	(45.54)	(48.64)	(48.64)	(133.78)	(133.78)
9	Inter-state Transmission charges for FY 2019-20 (Rs. Cr)	756.41	756.41	821.38	821.38	992.15	992.15	2,569.94	2,569.94
10	Supplementary Cost based on Reconciliation of MPPMCL (Rs Cr)	(11.91)	(11.13)	(324.75)	(290.36)	338.58	351.78	1.91	50.28

	Power Purchase Cost	East DISCOM		Central DISCOM		West DISCOM		State	
Sr. No.	Particulars	Actual	Claimed	Actual	Claimed	Actual	Claimed	Actual	Claimed
11	**MPPMCL Power Purchase Cost (Rs Cr)**	**8,759.83**	**8,461.42**	**9,833.13**	**9,308.10**	**10,983.29**	**11,214.94**	**29,576.25**	**28,984.46**
12	**Supplementary bills of Previous year**	13.89	13.89	9.93	9.93	(115.58)	(115.58)	(91.77)	(91.77)
13	Power Purchase from others	6.67	6.67	1.60	1.60	-	-	8.27	8.27
14	UI/DSM Charges (Rs Cr)	(20.10)	(20.10)	61.98	61.98	(249.29)	(249.29)	(207.41)	(207.41)
15	Reactive Energy Charges (Rs Cr)	(9.70)	(9.70)	0.62	0.62	(1.25)	(1.25)	(10.33)	(10.33)
16	Intra state Transmission Charges (Rs. Cr)	981.62	981.62	890.33	890.33	1,071.03	1,071.03	2,942.98	2,942.98
17	SLDC Charges	4.01	4.01	4.27	4.27	5.14	5.14	13.43	13.43
18	**Total Power Purchase Cost to be allowed (Rs Cr)**	**9,736.22**	**9,437.81**	**10,801.87**	**10,276.84**	**11,693.34**	**11,925.00**	**32,231.42**	**31,639.64**

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 2019-20 and as per the audited accounts of DISCOMs are given in the table below:

Table 11: 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)	22,001	21,629.79*
	Power Purchase Cost (Rs. Crore)	7,478.94	8,750.59#
West DISCOM	Power Purchase Quantum (MU)	26,341	26,350.11*
	Power Purchase Cost (Rs. Crore)	9,425.45	10,617.17#
Central DISCOM	Power Purchase Quantum (MU)	21,010	24,740.04*
	Power Purchase Cost (Rs. Crore)	6,345.27	9,907.23#
Total for the State	**Power Purchase Quantum MU)**	**69,353**	**73,719.94***
	Power Purchase Cost (Rs. Crore)	**23,249.66**	**29,275.02#**

** 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 2019-20.

2.16 Energy balance details as submitted by DISCOMs are shown in the Table below:

Table 12: Energy Balance as filed by DISCOMs for FY 2019-20

Sr.	Particulars	East DISCOM	West DISCOM	Central DISCOM	State
1	Sales (MU)	16,151.99	22,217.63	17,460.96	55,830.58
2	Actual Distribution Loss (%)	22.52%	11.10%	27.59%	20.19%
3	Actual Distribution Loss (MU)	4,694.45	2,774.38	6,653.19	14,122.01
4	Input at T-D interface- Actual Drawl as per DSM/UI Sheet	20,838.92	24,933.58	24,267.50	70,040.01
5	Input at T-D interface as per Energy Audit/Approved by the Commission	20,846.43	24,992.02	24,114.15	69,952.60
6	Difference of MUs between Energy Audit and Input at T-D interface including Direct Purchase due to BUS Losses	(2.99)	58.43	(153.36)	(97.91)
7	Inter State UI at Discom Periphery	32.31	(737.59)	176.13	(529.14)
8	Total Schedule Energy at T-D interface including UI	20,806.61	25,671.17	24,091.37	70,569.15
9	External & Transmission Losses (MUs)	823.18	678.94	648.67	2,150.79
10	**Ex-Bus Requirement Schedule Energy as per MPPMCL Statement (MU)**	**21,629.79**	**26,350.11**	**24,740.04**	**72,719.94**

2.17 With regard to Petitioner submission on change in methodology for computation of power purchase quantum and cost, it is to be noted that the Commission has been directing the Licensees time and again to reduce their losses. However, except West DISCOM, the actual losses for other two DISCOMs are very high as compared to normative losses. If the Petitioners would have been able to achieve the normative distribution losses as approved by the Commission, not only they would have saved power purchase cost towards procurement of additional power for meeting high distribution losses but also they would have saved cost towards intra and inter state transmission losses. Further, the Commission cannot pass on the burden of the inefficiency of the DISCOMs on the consumers of the State. Therefore, the Commission has continued with the approach adopted for determination of power purchase cost in previous true up orders.

2.18 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).

2.19 In order to compute the energy balance for DISCOMs, it is necessary to know the loss levels at each stage. Therefore, apart from normative distribution losses, inter-State transmission and intra-State transmission losses need to be identified correctly. The intra-State transmission loss has been submitted as 2.59% by MPPTCL in their annual report of regulatory compliance for FY 2019-20. 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 2019-20 as specified in the MYT Regulations, 2015 as shown in the table below:

Table 13: Distribution loss trajectory for FY 2019-20 (%)

Year	East DISCOM	West DISCOM	Central DISCOM
FY 2019-20	16%	15%	17%

2.20 The Commission observed that the Petitioners have submitted the monthly actual external transmission losses (computed based on the weekly losses issued by RLDCs) of Inter-State Transmission System for FY 2019-20. Accordingly, the average losses for FY 2019-20 applicable for Western, Eastern and Northern Region have been worked out as 2.91%, 1.74% and 3.59%, respectively. The external losses (MU) thus, arrived by multiplying the applicable losses (%) with the power purchase from the respective regions have been apportioned based on the total power purchase (MU) by each DISCOM.

2.21 Based on above, the power purchase requirement admitted by the Commission for FY 2019-20 is shown in the table below:

Table 14: Analysis of Power purchase quantum (MU)

S. No.	Particulars	East DISCOM	West DISCOM	Central DISCOM	Total for State
1	Total Energy Sale (MU)	16,096.36	22,217.45	17,326.12	55,639.93
2	A. Distribution Losses (%)	16.00%	15.00%	17.00%	15.92%
	B. Distribution Losses (MU)	3,065.97	3,920.73	3,548.72	10,535.42
3	**At T-D interface (MU)**	**19,162.33**	**26,138.18**	**20,874.84**	**66,175.35**
4	A. Transmission loss of MPPTCL (%)	2.59%	2.59%	2.59%	2.59%
	B. Transmission losses of MPPTCL (MU)	509.50	694.98	555.03	1,759.51
5	**At State periphery**	**19,671.83**	**26,833.15**	**21,429.88**	**67,934.87**
6	External losses (MU)	354.56	390.05	390.95	1,135.56
7	**Net Energy Requirement (MU)**	**20,026.39**	**27,223.21**	**21,820.82**	**69,070.42**

Power Purchase Cost

2.22 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 15: Comparison of power purchase cost as submitted by the Petitioners (Rs. Crore)

Particulars	East DISCOM	West DISCOM	Central DISCOM	Total for the State
As filed in Petition	9,437.81	11,925.00	10,276.84	**31,639.65**
As per the audited accounts of DISCOMs	9,736.22	11,693.34	10,801.87	**32,231.42**
As per MPPMCL audited account	8,759.83	10,983.32	9,833.13	**29,576.28**

2.23 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 16: Reconciliation of power purchase cost as per DISCOMs audited account and MPPMCL accounts submitted by the Petitioners (Rs. Crore)

Sr. No.	Particulars	East DISCOM	West DISCOM	Central DISCOM	State
1	Fixed cost (Rs. Cr)	3,154.01	3,770.62	3,741.52	10,666.15
2	Previous years' supplementary bills of Generators (Rs Cr)	292.34	359.72	344.14	996.20
3	Variable cost (Rs. Cr)	4,714.44	5,733.19	5,415.49	15,863.12
4	Sale of additional power (Rs. Cr)	274.16	357.82	312.55	944.53
5	Other Income (Rs. Cr)	94.41	115.97	108.57	318.95
6	Variable cost after adjusting Sale of additional Power & Other income (Rs. Cr)	4,345.88	5,259.40	4,994.37	14,599.65
7	Other Charges (Total FPA charges +Income Tax +ED, Cess, Heavy Water charge, water charges +MOPA, Insurance +any Other charges)	262.71	311.46	302.01	876.18

Sr. No.	Particulars	East DISCOM	West DISCOM	Central DISCOM	State
8	Other costs passed to DISCOMs - which cannot be apportioned station wise-	(39.6)	(48.64)	(45.54)	(133.78)
9	Inter-state Transmission charges for FY 2019-20 (Rs. Cr)	756.41	992.15	821.38	2,569.94
10	Supplementary Cost based on Reconciliation of MPPMCL (Rs Cr)	(11.91)	338.58	(324.75)	1.92
11	**MPPMCL Power Purchase Cost (Rs Cr)**	**8,759.83**	**10,983.29**	**9,833.13**	**29,576.25**
a	Supplementary Bill consequent to account finalization for the year 18-19	3.01	-	-	3.01
b	Revised Sep-19 Rs.7493300040	13.33	-	-	13.33
c	Supplementary Bill consequent to account finalization for the year 18-19	(0.02)	-	-	(0.02)
d	Revised Oct-19 Rs.6564413098	(2.42)	-	-	(2.42)
e	Supplementary Bills Booked by MPPMCL in FY 2019-20. Bills booked by Discom in FY 2020-21	-	(115.56)	-	(115.56)
f	Supplementary Bills Booked by MPPMCL in FY 2018-19. Bills booked by Discom in FY 2019-20	-	(0.03)	-	(0.03)
g	Supplementary bills of Previous year	-	-	9.9265481	9.93
12	**MPPMCL Cost as per Balance Sheet (Rs Cr)**	**8,773.73**	**10,867.71**	**9,843.06**	**29,484.50**
13	Power Purchase from others	6.67	-	1.6	8.27
14	UI/DSM Charges (Rs Cr)	(20.1)	(249.29)	61.98	(207.41)
15	Reactive Energy Charges (Rs Cr)	(9.70)	(1.25)	0.62	(10.33)
16	Intra state Transmission Charges (Rs. Cr)	981.62	1,071.03	890.33	2,942.98
17	SLDC Charges	4.01	5.14	4.27	13.42
18	**Total Power Purchase Cost As per Balance Sheet (Rs Cr)**	**9,736.22**	**11,693.34**	**10,801.87**	**32,231.42**

2.24 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.

2.25 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 2019-20. The total fixed cost for the stations as indicated in this statement is Rs. 10,666.14 Crore, Variable and Other Charges of Rs. 15,475.83 Crore (net of revenue from sale of power and other income), Inter State transmission charges of Rs. 2,569.94 Crore, Supplementary Power Purchase Cost of Rs. 996.20 Crore, UI/DSM charge of Rs. (207.41) Crore, Other Cost of MPPMCL of Rs. (133.78) Crore and reactive energy charges of Rs. (10.33) Crore. Based on the same, the Commission has computed allowable Power Purchase Cost in the following section.

MPPMCL Cost of Rs. (133.78) Crore

2.26 With regards to the Other Cost of Rs. (133.78) Crore {Rs. (39.60) Crore, Rs. (48.64) Crore and Rs. (45.54) Crore for East, West and Central DISCOM, respectively} included in Power Purchase Cost, which was not apportioned station wise by the Petitioners, the Petitioners has submitted components wise break up of this cost along with the Petition as follows:

Table 17: Details of Other Cost submitted by the Petitioner for FY 2019-20 (Rs. Crore)

Sr. No.	Particulars	Amount	Details
1	Power Purchase Cost	1.02	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)	0.05	Trading Margin paid on power purchase through Exchange
3	Bank Charges	5.20	Charges paid to Bank for Letter of Credit facility
4	Open Access Charge for Banking of Power	135.12	Open Access Charges paid for banking of power
5	Banking of Energy	(531.73)	Liability towards Banking of Energy
6	Employee benefit Expense (including salary)	67.81	Employee Benefit Expenses of MPPMCL
7	Finance Cost	158.43	Interest paid on working capital loans
8	Other Expenses	22.85	Other A&G related expenses of MPPMCL
9	Depreciation	7.48	Depreciation expenses on MPPMCL assets
10	**Total**	**(133.78)**	

2.27 On analysis of the component-wise details of the Other Cost, it is 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 18 : Other expenses in Power Purchase Cost not considered by the Commission for FY 2019-20 (Rs. Crore)

Sl. No.	Particulars	Amount	Reason for Disallowance
1	Banking of Energy	(531.73)	The amount pertains to provision made for payment of Banking of Energy and hence, no actual payment has been received.
2	Employee benefit Expense	0.23	The Commission does not consider any free Electricity to Employees.
2	Surcharge on Delayed Payment	(4.54)	The Commission does not consider any surcharge earned or paid on account of delayed payment.
3	Finance Cost	143.38	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.
	Total	**(392.66)**	

2.28 Based on above, the admitted MPPMCL cost for FY 2019-20 for each DISCOM which has been apportioned based on the actual claimed MPPMCL cost is shown in the following table:

Table 19: MPPMCL Cost admitted for FY 2019-20 (Rs. Crore)

Sr. No.	Particulars	East DISCOM	West DISCOM	Central DISCOM	Total for State
1	Actual MPPMCL cost as per accounts	(39.60)	(48.64)	(45.54)	**(133.78)**
2	MPPMCL Cost disallowed	(116.23)	(142.77)	(133.66)	**(392.66)**
3	**MPPMCL cost admitted**	**76.63**	**94.13**	**88.12**	**258.88**

Other income of MPPMCL of Rs. 318.94 Crore

2.29 The power purchase cost also includes an amount of Rs. 318.94 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 DISCOMs, 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 received from generators and 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 for East and Central DISCOM, whereas for West DISCOM since its actual power purchase is less than the admitted normative energy requirement, its actual share of other income of MPPMCL has been admitted. Other income of MPPMCL admitted by the Commission in true up of FY 2019-20 is as follows:

Table 20: Other income of MPPMCL admitted for FY 2019-20

Sr. No.	Particulars	Reference	East DISCOM	West DISCOM	Central DISCOM	Total for State
1	Quantum of Power Procured as per petition (MUs)	A	21,629.79	26,350.11	24,740.04	72,719.94
2	Actual Other Income (Rs. Crore)	B	94.41	115.97	108.57	318.94
3	Quantum of Power Purchase Admitted (MUs)	C	20,026.39	27,223.21	21,820.82	69,070.42
4	**Other Income of MPPMCL admitted (Rs. Crore)**	**D=B*C/A**	**87.41**	**115.97**	**95.76**	**299.13**

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

2.30 It is observed that the Petitioner has claimed UI / DSM of Rs. (207.41) Crore for FY 2019-20 based on the actual payment towards these charges. Similar to the approach adopted for approving the other income of MPPMCL above, the Commission has admitted pro-rated actual UI / DSM charges to the admitted normative energy requirement for East and Central DISCOM, whereas for West DISCOM, the same has been admitted as per actuals.

2.31 Similarly, the Commission has admitted the pro-rated reactive energy charges towards admitted normative energy requirement for East and Central DISCOM, whereas for West DISCOM, the same has been admitted as per actuals. Admitted UI / DSM charges and reactive energy charges for FY 2019-20 is shown in table below:

Table 21: UI/ DSM and Reactive Energy Charges Admitted for FY 2019-20

Sr. No.	Particulars	Reference	East DISCOM	West DISCOM	Central DISCOM	Total for State
1	Quantum of Power Procured as per petition (MUs)	A	21,629.79	26,350.11	24,740.04	72,719.94

Sr. No.	Particulars	Reference	East DISCOM	West DISCOM	Central DISCOM	Total for State
2	UI / DSM Charge (Rs. Crore)	B	(20.10)	(249.29)	61.98	(207.41)
3	Quantum of Power Purchase Admitted (MUs)	C	20,026.39	27,223.21	21,820.82	69,070.42
4	**UI / DSM Charge Admitted (Rs. Crore)**	**D=B*C/A**	**(18.61)**	**(249.29)**	**54.67**	**(213.23)**
5	Reactive Energy Charges (Rs. Crore)	E	(9.70)	(1.25)	0.62	(10.33)
6	**Reactive Energy Charges Admitted (Rs. Crore)**	**F=E*C/A**	**(8.98)**	**(1.25)**	**0.55**	**(9.68)**

Supplementary Power Purchase Cost of Rs. 996.20 Crore

2.32 Further, the power purchase cost booked in the audited account also includes an amount of Rs. 996.20 Crore (Rs. 292.34 Crore of East DISCOM, Rs. 359.72 Crore of West DISCOM and Rs. 344.14 Crore of Central DISCOM) as "supplementary bills raised by the generators for the period prior to 2019-20".

2.33 The amount of Rs. 996.20 Crore has been accounted for in the audited accounts for FY 2019-20. 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. Therefore, the Commission in line with the approach adopted in previous true up orders has not admitted the supplementary cost towards power purchase for the years for which true up has already been done. However, the Petitioners are at liberty to approach the Commission for approval of supplementary cost through a separate Petition with all the required documents to substantiate its claim.

Inter-State Transmission Charges

2.34 The Commission in Retail supply tariff order for FY 2019-20 had admitted the Inter-State transmission charges of Rs. 1,532 Crore based on the actual charges for FY 2017-18. However, the actual inter State transmission charges paid by the DISCOMs in FY 2019-20 is Rs. 2,569.94 Crore. As inter-State transmission charges are uncontrollable for DISCOMs, the Commission has admitted the actual inter State transmission charges of Rs. 2,569.94 Crore as per actuals in true up of FY 2019-20.

Fixed and Variable Cost of Generating Station

2.35 The Commission noted that DISCOMs had procured power in excess of admitted energy requirement computed based on norms specified in the MYT Regulations and methodology adopted in previous orders. Similar situation had arisen during the True-up exercise of previous years. Hence, the Commission has decided to adopt the same approach as followed for the True-up of previous years by taking cognizance of the Judgment of the Hon'ble APTEL dated 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 regarding purchase of costlier power against the principles of Merit Order Dispatch (MOD) on the basis of variable cost of generating station. Further, the Petitioners have not submitted any details of the conditions agreed in the power purchase agreement with Torrent Power station before the Commission for approval. Therefore, in line with the view taken by the Commission in true ups of previous years, the Commission has considered it appropriate to keep in abeyance the quantum of power purchase from Torrent Power stations and its cost. Further, with regard to BLA power station the Commission in retail tariff order for FY 2019-20 had noted as follows:

"3.35 In view of the Commission's orders dated 22 May, 2015 and 25 July, 2015 in Petition Nos. 16/2014 and 36/2015, respectively, the Commission has been disallowing the availability and the cost of generation from Unit No. 1 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. The aforesaid order has been challenged by the Commission before the Hon'ble Supreme Court in Civil Appeal No. 5733 of 2018 and the same has been admitted and is presently sub-judice before the Hon'ble Supreme Court. The petition for determination of tariff for Unit no. 2 of M/s BLA Power plant was filed by M/s BLA Power before the Commission, but the proceeding in the same has been adjourned since the issue in this petition are commonly sub-judice in the aforesaid Civil Appeal. Therefore, the tariff for Unit No. 2 of M/s BLA power plant has not been determined by the Commission. In view of aforesaid status, the availability and the cost of generation from Unit No. 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 2019-20 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 stations.

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

Table 22: 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 2019-20	3,508.62	4,215.10	3,352.56	11,076.27
Fixed Cost Claimed in True-up Petition for FY 2019-20	3,154.01	3,770.62	3,741.52	10,666.14
Fixed Cost Admitted in True-up Order for FY 2019-20	**3,130.88**	**3,745.10**	**3,714.22**	**10,590.20**

2.39 The losses in Intra-State and Inter-State transmission system are beyond the control of the Petitioners, however, these losses would have been lower, 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 Petitioners' 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 System.

- To meet this monthly energy requirement, scheduled energy of each generating stations has been considered as per monthly State Energy Account. Scheduling of the generating stations has been considered as per the monthly MOD issued by MPSLDC. 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 actual 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. 15,178.20 Crore at per unit energy charges of Rs 2.20/kWh.

2.42 Accordingly, the total power purchase cost determined by the Commission for FY 2019-20 is given in the table below:

Table 23: 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 2019-20 (After deducting Torrent and BLA -1 & 2) (Rs. Crore)	A	3,130.88	3,745.10	3,714.22	10,590.20
2	Inter-State Transmission Charges (Rs Crore)	B	756.41	992.15	821.38	2,569.94
3	MPPMCL Cost (Other cost which can't be apportioned) (Rs Crore)	C	76.63	94.13	88.12	258.88
4	UI / DSM Charge Admitted (Rs. Crore)	D	(18.61)	(249.29)	54.67	(213.23)
5	Reactive Energy Charges Admitted (Rs. Crore)	E	(8.98)	(1.25)	0.55	(9.68)
6	Other Income of MPPMCL	F	87.41	115.97	95.76	299.13
7	**Sub-total**	**G= A+B+C+ D+E-F**	**3,848.92**	**4,464.88**	**4,583.17**	**12,896.97**
8	Variable rate (Rs. / kWh)	H	2.19	2.24	2.15	2.20
9	Quantum of Power Purchase Admitted (MUs)	I	20,026.39	27,223.21	21,820.82	69,070.42
10	Total Variable Cost admitted (Rs. Crore)	J=H*I/10	4,389.34	6,094.24	4,694.61	15,178.20
11	**Total Power Purchase Cost Admitted for FY 2019-20 (Rs. Crore)**	**K=G+J**	**8,238.26**	**10,559.13**	**9,277.79**	**28,075.18**
12	**Supplementary Power Purchase Cost (Rs. Crore)**	**L**	**-**	**-**	**-**	**-**
13	**Power Purchase Cost admitted including supplementary bills (Rs. Crore)**	**M=K+L**	**8,238.26**	**10,559.13**	**9,277.79**	**28,075.18**

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 2019-20 was Rs. 23,249.66 Crore, whereas in this order the Commission has admitted power purchase cost of Rs. 28,075.18 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;
- Increase in actual Inter State Transmission 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 2019-20 by East, West and Central DISCOMs including SLDC charges are given in the table below:

Table 24 : Transmission Charges including SLDC charges for FY 2019-20 (Rs. Crore)

Sl. No.	DISCOM	Transmission charges as per tariff order	Transmission charges as per audited accounts	Transmission charges as filed
1	East	822.89	985.63	985.63
2	West	1,054.50	1,076.17	1,076.17
3	Central	876.59	894.61	894.61
4	**Total**	**2,753.98**	**2,956.40**	**2,956.40**

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 25 : Transmission Charges admitted by the Commission for FY 2019-20 (Rs. Crore)

Sl. No.	DISCOMs	Transmission charges (including SLDC charges) as per Audited Accounts
1	East	985.63
2	West	1,076.17
3	Central	894.61
	Total	**2,956.40**

Operation and Maintenance (O&M) Expenses

Petitioners' Submission:

2.46 The Commission had admitted the total O&M Expenses as Rs. 5,318.54 Crore in the Tariff Order for FY 2019-20. DISCOM-wise break-up of the O&M expenses admitted in the Tariff Order is given in the table below:

Table 26 : O&M Expenses admitted in Tariff Order of FY 2019-20 (Rs. Crore)

Particulars	East DISCOM	West DISCOM	Central DISCOM	Total
O&M Expenses	1,782.74	1,824.82	1,710.97	5,318.54

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

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

Table 27 : O&M Expenses claimed by Petitioners for FY 2019-20 (Rs. Crore)

Particulars	East DISCOM	West DISCOM	Central DISCOM	State
Employee Expenses	1,080	1,133	1,009	3,222
Dearness Allowance	92.35	88.30	103.11	283.77
Terminal Benefits	26.50	37.71	41.38	105.58
Arrears	54.57	45.30	51.35	151.22
A&G Expenses	205	157	118	480
Other Expenses (Rates & Taxes etc)	-	12.43	0.87	13.29
MPERC Fee	0.63	0.51	0.40	1.54
R&M Expenses	194.14	174.65	186.69	555.48
Total O&M Expenses claimed	**1,653.19**	**1,648.90**	**1,510.79**	**4,812.88**

Commission's Analysis on O&M Expenses:

2.49 The Commission had specified norms for O&M expenses in the MYT Regulations, 2015 and its amendments thereof. These norms were fixed on the basis of past audited figures of the Distribution Licensees. The rationale behind fixing these norms was to promote competition, adoption of commercial principles, efficient working of the Distribution Licensees and protection of Consumer's interest. However, it is observed that the Petitioners' have not been able to keep their operational efficiency in line with the targets specified by the Commission in the Regulations. Accordingly, the Commission in accordance with MYT Regulations, 2015 and its amendments thereof, 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.

2.50 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 2019-20 and has reduced the same from the admitted Operation and Maintenance expenses.

2.51 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.

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

Employee Expenses, Terminal Benefits & Arrears

2.53 The Commission has carried out detailed scrutiny of the actual employee expenses, excluding DA, arrears, pension and terminal benefit, and compared the same with the norms specified in the MYT Regulations, 2015 and its amendments thereof .

2.54 Further, in accordance with the MYT Regulations, 2015 and its amendments thereof, the DISCOMs are eligible to claim DA, terminal benefits, incentives paid to Employees on actuals. Accordingly, the Commission has considered the DA on actuals for FY 2019-20. 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 2019-20 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 2019-20. Therefore, the Commission has considered the audit charges under actual A&G expense.

2.55 Based on the above, the Employee Expenses as per actuals and as per the provision of Regulations for FY 2019-20 is shown in the following table:

Table 28: Normative and Actuals Employee Expenses for FY 2019-20 (Rs. Crore)

Sr. No.	Particulars	EAST DISCOM		WEST DISCOM		CENTRAL DISCOM	
		Actual	Normative*	Actual	Normative*	Actual	Normative*
1	Employee Expenses	801.05	1,080	739.01	1,133	569.31	1,009
2	DA	92.35	92.35	88.30	88.30	89.03	89.03
3	Terminal Benefits	15.76	15.76	33.05	33.50	36.57	36.57
4	Arrears	54.59	54.59	45.30	45.30	51.35	51.35
	Total	**963.76**	**1,242.70**	**905.67**	**1,299.66**	**746.26**	**1,185.94**

*As per the provision of the Regulations

A&G Expenses

2.56 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 already been considered as part of norms approved for A&G Expense by the Commission.

2.57 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 2019-20 is shown in the following table:

Table 29: Normative and Actual A&G Expenses computed for FY 2019-20 (Rs. Crore)

Sr. No.	Particulars	EAST DISCOM		WEST DISCOM		CENTRAL DISCOM	
		Actual	Normative*	Actual	Normative*	Actual	Normative*
1	A&G Expenses	116.71	205	114.97	157	313.54	118
2	Rates & Taxes	1.91	1.91	12.43	12.43	0.87	0.87
3	MPERC Fees	0.42	0.42	0.51	0.51	0.40	0.40
4	**Total**	**119.05**	**207.33**	**127.92**	**169.94**	**314.81**	**119.26**

*As per the provision of the Regulations

R&M Expenses

2.58 The provision for R&M expenses in the MYT Regulations, 2015 and its amendments thereof is @ 2.3% on the opening GFA of the financial year for all DISCOMs. The Commission has also analysed the actual R&M expenses as per the audited accounts for FY 2019-20. Accordingly, based on the above, R&M Expense as per actual and as per the provision of Regulations for FY 2019-20 is shown in the following table:

Table 30 : Normative and Actuals R&M Expenses computed for FY 2019-20 (Rs. Crore)

DISCOMs	GFA	GFA % as per norms	Actual R&M Expenses	Normative R&M Expenses
East	7,755.94	2.30%	181.62	178.39
West	7,607.38	2.30%	153.08	174.97
Central	10,130.64	2.30%	85.31	233.00
Total	**25,493.97**	**2.30%**	**420.01**	**586.36**

2.59 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 2019-20. 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 2019-20 are as shown in the following table:

Table 31 : O&M expenses admitted for DISCOMs for FY 2019-20 (Rs. Crore.)

Particulars	East DISCOM			West DISCOM			Central DISCOM		
	Actual	Normative	Admitted	Actual	Normative	Admitted	Actual	Normative	Admitted
Employee Expenses	801.05	1,080.00	801.05	739.01	1,133.00	739.01	569.31	1,009.00	569.31
Dearness Allowance	92.35	92.35	92.35	88.30	88.30	88.30	89.03	89.03	89.03
Terminal Benefits	15.76	15.76	15.76	33.05	33.05	33.05	36.57	36.57	36.57
Arrears	54.59	54.59	54.59	45.30	45.30	45.30	51.35	51.35	51.35
A&G Expenses	116.71	205.00	116.71	114.97	157.00	114.97	313.54	118.00	313.54
Rates & Taxes etc.	1.91	1.91	1.91	12.43	12.43	12.43	0.87	0.87	0.87
MPERC Fee	0.42	0.42	0.42	0.51	0.51	0.51	0.40	0.40	0.40
R&M Expenses	181.62	178.39	181.62	153.08	174.97	153.08	85.31	233.00	85.31
O&M Expenses Capitalised	(66.90)	(66.90)	(66.90)	(39.92)	(39.92)	(39.92)	(35.72)	(35.72)	(35.72)
Total O&M Expenses	**1,197.52**	**1,561.52**	**1,197.52**	**1,146.74**	**1,604.65**	**1,146.74**	**1,110.66**	**1,502.50**	**1,110.66**

Table 32 : O&M expenses admitted for State for FY 2019-20 (Rs. Crore.)

Particulars	State		
	Actual	Normative	Admitted
Employee Expenses	2,109.38	3,222.00	2,109.38
Dearness Allowance	269.69	269.69	269.69
Terminal Benefits	85.38	85.38	85.38
Arrears	151.24	151.24	151.24
A&G Expenses	545.23	480.00	545.23
Rates & Taxes etc.	15.20	15.20	15.20
MPERC Fee	1.34	1.34	1.34
R&M Expenses	420.01	586.36	420.01
O&M Expenses Capitalised	(142.54)	(142.54)	(142.54)
Total O&M Expenses	**3,454.93**	**4,668.67**	**3,454.93**

Provision for Terminal Benefit Trust Fund

2.60 The Commission in Retail Supply Tariff Order for FY 2019-20 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 2019-20. It is observed that all three DISCOMs have only contributed Rs. 5 Crore each in the Terminal Benefit Trust Fund during FY 2019-20. In a separate proceeding in Petition No. 13/2018, the Commission had noted that the Petitioners are not contributing the amount allowed as per tariff order in the terminal Benefit Trust Fund and accordingly directed the Petitioners to create an escrow account and deposit the amount allowed in the previous years. Accordingly, considering the view taken by the Commission in Retail Supply Tariff Order for FY 2019-20 and Petition No. 13/2018, the Commission has allowed the provision for Terminal Benefit of Rs. 210 Crore in this order, which is shown in the following table:

Table 33: Provision for Terminal Benefit admitted by the Commission in FY 2019-20 (Rs. Crore)

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

Return on Equity

Petitioners' Submission:

2.61 Petitioners have claimed return on equity @ 16%. East, West and Central DISCOMs have claimed return on equity as Rs. 337.11 Crore, Rs 213.45 Crore, Rs 345.95 Crore, respectively, as against Rs. 251.80 Crore, Rs 186.39 Crore, Rs 348.44 Crore, respectively, admitted by the Commission in the Tariff Order for FY 2019-20.

Commission's Analysis on Return on Equity:

2.62 The equity contribution has been considered as 30% on the net GFA addition during FY 2019-20, 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, as per the approach adopted in the previous true-up order 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.

2.63 Closing equity of FY 2018-19 as admitted by the Commission in True-up Order of FY 2018-19 has been considered as opening value of equity for FY 2019-20. 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 34 : Return on Equity admitted for FY 2019-20 (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 2018-19)	1,376.86	1,116.23	1,623.85	4,116.94
2	GFA Addition during the year	1,657.43	579.18	1,862.82	4,099.43

S. No.	Particulars	East DISCOM	West DISCOM	Central DISCOM	Total for State
3	Consumer Deposit and Grants utilized during the year	318.78	216.66	280.10	815.54
4	Net GFA Addition during the year	1,338.65	362.52	1,582.72	3,283.89
5	Actual Equity Addition	138.81	24.51	50.15	213.47
6	30% of addition to net GFA considered as funded through equity	401.59	108.76	474.81	985.17
7	Net GFA considered as funded through equity (Min (5,6))	138.81	24.51	50.15	213.47
8	Closing Equity Considered for FY 2019-20	1,515.67	1,140.74	1,674	4,330.41
9	Average Equity identified with GFA and considered for FY 2019-20	1,446.26	1,128.49	1,648.92	4,223.67
10	**RoE @16% admitted in True-up of FY 2019-20**	**231.40**	**180.56**	**263.83**	**675.79**

Depreciation

Petitioners' Submission:

2.64 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 2019 as per audited balance sheet and actual addition to GFA during FY 2019-20. 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.

2.65 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 has considered the Depreciation for FY 2019-20.

2.66 Accordingly, the Petitioners have claimed net depreciation of Rs. 464.37 Crore, Rs. 289.67 Crore and Rs. 523.11 Crore for East, West and Central DISCOMs, respectively, as against Rs. 133.16 Crore, Rs. 110.18 Crore and Rs. 183.08 Crore, respectively, as approved by the Commission in Tariff Order for FY 2019-20.

Commission's analysis on depreciation:

2.67 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.

2.68 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.

2.69 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 and the depreciation is being charged as per the approach specified in the Regulations. 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 2019-20 has allowed the same depreciation rate as approved in Tariff Order for FY 2019-20, 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 2019-20 is as shown in the table below:

Table 35 : Depreciation admitted by the Commission for FY 2019-20 (Rs. Crore)

Sr. No.	Particulars	East DISCOM	West DISCOM	Central DISCOM	Total for State
1	Opening GFA on 1 April, 2019 (Closing GFA net of consumer contribution & grants as per true-up order of FY 2018-19)	5,010.33	4,054.99	7,078.33	16,143.66
2	*Add:* GFA Added during the year	1,657.43	617.00	1,862.82	4,137.25
3	*Less:* Deductions during the year	0.00	37.82	0.00	37.82
4	*Less:* Consumer Contribution and grants during the year	318.78	216.66	280.10	815.54
5	*Net GFA addition during the year*	1,338.65	362.52	1,582.72	3,283.89
6	Closing GFA on 31st March, 2020	6,348.98	4,417.51	8,661.05	19,427.54
7	**Average GFA**	**5,679.66**	**4,236.25**	**7,869.69**	**17,785.60**
8	Rate of Depreciation	2.44%	2.81%	2.44%	2.53%
9	**Depreciation admitted by the Commission**	**138.58**	**119.04**	**192.02**	**449.64**

<u>Interest on Project Loans</u>

Petitioners' Submission:

2.70 The Petitioners have claimed interest on project loans (inclusive of finance charges) of Rs. 142.44 Crore, Rs. 47.13 Crore and Rs. 210.21 Crore for East, West and Central DISCOMs, respectively, based on the methodology adopted by the Commission in previous orders.

Commission's Analysis on Interest on Project Loans:

2.71 The Commission has examined the claims of DISCOMs from their filings and Audited Accounts. As per Regulations 31.1 to 31.9 of the MYT Regulations, 2015 and its amendments thereof, for allowing interest and finance charges all loans shall be identified for the assets capitalized till the relevant year. In the absence of information related to loan mapping with particular 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.

2.72 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

2.73 In this True up Order for FY 2019-20, the interest on project loans has been considered based on the fixed asset created till 31st March, 2020, as per Audited Accounts of FY 2019-20 and as per 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, an amount of Rs. 913.25 Crore has been disallowed towards capex. 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).

2.74 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, 2019 has been considered as per the True-up Order of FY 2018-19.

b. Net addition to GFA during FY 2019-20 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 2018-19 as the opening GFA for FY 2019-20.

ii. Further, the Commission has considered the closing consumer contribution and grants for FY 2018-19 as the opening consumer contribution and grants for FY 2019-20. As regards addition in consumer contribution and grants, East and West DISCOM has submitted details of the addition in consumer contribution and grants in reply to data gaps and accordingly, the same has been considered for true up. For Central DISCOM, it is observed that the addition in consumer contribution and grants has not been properly submitted i.e. addition in consumer contribution and grants has been submitted net of amortisation. Therefore, for Central DISCOM, the difference in the opening and closing value of the Consumer Contribution / Grants for FY 2019-20 has been considered as the addition in Consumers Contribution / Grants, whereas the income booked under other income towards depreciation created through consumer contribution and grants has been considered as part of other income.

c. Equity in excess of 30% of the net GFA added during FY 2019-20, has been considered as normative loan. Further, only such equity capital is to be considered which has been actually utilized for creation of asset. If the actual equity deployed is less than 30% of the net GFA, then actual equity has been considered for computation of RoE. The equity so derived has been added to the equity considered at the end of FY 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.

2.75 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. In reply, the West DISCOM submitted that the DISCOM is paying interest on the perpetual loan from FY 2017-18 onwards and the perpetual loan is received by conversion of liabilities payable to GoMP, which includes loan conversion, ED/Cess Conversion and Sardar Sarovar payable conversion. The DISCOM further submitted that the loan conversion comprises of working capital loan and capital expenditure loan. However, the Petitioner has not submitted the details of these capital expenditure loans and which projects were funded through these loans. Therefore, the Commission while approving the weighted average rate of interest has not considered perpetual Loans.

2.76 With regard to consideration of SLR Bonds and PP Bonds, West DISCOM submitted that these loans were received from MPSEB as opening balance. As it cannot be established that these loans were taken for funding capital expenditure and adequate details of the same is not available. The Commission has not considered these loans in weighted average rate of interest on loan computation. 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 7.91%, 8.78% and 7.97% for East, West and Central DISCOMs, respectively.

2.77 It is observed that East, West and Central DISCOMs have claimed Rs. 14.28 Crore, Rs. 10.36 Crore and Rs. 6.04 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 East DISCOM, it was observed that the claimed amount of Rs. 6.35 Crore is towards penalty on delay in Interest payment. Therefore, the Commission has not considered the same and has admitted the actual finance charges as per audited accounts of Rs. 7.93 Crore towards cost of raising funds, bank charges, commitment charges and guarantee/ LC charges. Similarly, the Commission has admitted Finance Charges of Rs. 10.36 Crore, Rs. 6.04 Crore for West and Central DISCOMs, respectively.

2.78 Also, the Commission has considered the actual interest and finance charges capitalized as per audited account of FY 2019-20 and has reduced the same from the admitted interest and finance charges.

2.79 Details of interest on project loans along with other finance charges admitted in true-up of FY 2019-20 for DISCOMs are given in the table below:

Table 36 : Interest on Project Loans admitted by the Commission for FY 2019-20 (Rs. Crore.)

Particulars	Legend	East DISCOM	West DISCOM	Central DISCOM	Total for State
Opening Debt associated with GFA (Closing debt as Per FY 2018-19 True-up Order)	A	1,629.98	1,003.99	3,400.10	6,034.07
GFA Addition during the year	B	1,657.43	579.18	1,862.82	4,099.43
Consumer Deposit and Grants utilized during the year	C	318.78	216.66	280.10	815.54
Net GFA Addition during the year	E=B-C	1,338.65	362.52	1,582.72	3,283.89
Addition of Equity admitted (See Table No. 34 Sr.No.7)	F	138.81	24.51	50.15	213.47
Net GFA considered as funded through debt	G=E-F	1,119.84	338.01	1,532.57	3,070.42
Debt repayment during the year (See Table No.35 Sr. No.9)	H	138.58	119.04	192.02	449.64
Closing debt associated with GFA	I=A+G-H	2,691.24	1,222.96	4,740.65	8,654.84
Average debt associated with Loan	**J=Average (A, I)**	**2,160.61**	**1,113.47**	**4,070.37**	**7,344.46**
Weighted average rate of interest (%) on all loans as per Petitioner	K	7.91%	8.78%	7.97%	8.08%
Interest on Project Loans	**L=J*K**	**170.90**	**97.76**	**324.41**	**593.08**
Interest Capitalised	M	**(102.90)**	**(67.58)**	**(49.99)**	**(220.48)**
Other Finance cost	N	7.93	10.36	6.04	24.32
Interest cost admitted on project loans in True-Up	**O=L+M+N**	**75.93**	**40.54**	**280.45**	**396.92**

Interest on Working capital

Petitioners' Submission:

2.80 DISCOMs have claimed interest on working capital on the basis of norms as specified in the terms and conditions of MYT Regulations, 2015, East, West and Central DISCOMs have claimed interest on working capital as Rs. 43.08 Crore, Rs. 77.72 Cr and Rs. 40.86 Crore, respectively, as against Rs. 86.77 Crore, Rs. 66.62 Crore and Rs. 51.78 Crore, respectively, admitted by the Commission in the Tariff Order for FY 2019-20.

Commission's Analysis on Interest on working capital:

2.81 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."

2.82 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 2019-20 as Rs 7,755.94 Crore, Rs. 7,607.38 Crore and Rs. 10,130.64 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.

2.83 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."

2.84 Accordingly, for the purpose of interest rate on working capital, State Bank of India Advance Rate as on 1st April 2019, i.e., 13.80% has been considered. The admitted interest on working capital is shown in the table below:

Table 37 : Interest on Working Capital admitted by the Commission for FY 2019-20 (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	10.34	10.14	13.51	33.99
B)	1/12th of total O&M expenses	1	99.79	95.56	92.56	287.91
C)	Total Working capital (A+B)		110.13	105.70	106.06	321.90
D)	Rate of Interest		13.80%	13.80%	13.80%	13.80%
E)	**Interest on Working capital**		**15.20**	**14.59**	**14.64**	**44.42**
For Retail Sale activity						
A)	1/6th of annual requirement of inventory for previous year	2	2.59	2.54	3.38	8.50

Sl. No.	Particulars	Months	East DISCOM	West DISCOM	Central DISCOM	Total for State
B)	Receivables equivalent to 2 months average billing	2	1,728.62	2,485.78	1,957.35	6,171.75
C)	1/12th of power purchase expenses	1	686.52	879.93	773.15	2,339.60
D	Consumers Security Deposit		805.62	1,204.98	961.30	2,971.90
E)	Total Working capital (A+B-C-D)		239.06	403.41	226.28	868.74
F)	Rate of Interest		13.80%	13.80%	13.80%	13.80%
G)	**Interest on Working capital**		**32.99**	**55.67**	**31.23**	**119.89**
	Summary					
	For wheeling activity		**15.20**	**14.59**	**14.64**	**44.42**
	For Retail Sale activity		**32.99**	**55.67**	**31.23**	**119.89**
	Total Interest on working Capital Admitted		**48.19**	**70.26**	**45.86**	**164.31**

<u>Interest on Consumer Security Deposit</u>

Petitioners' Submission:

2.85 Petitioners have claimed interest on consumer security deposit as per their Audited Accounts for FY 2019-20. East, West and Central DISCOMs have claimed Rs. 57.43 Crore, Rs. 70.84 Crore and Rs. 59.64 Crore, respectively, as against Rs. 50.53 Crore, Rs. 72.40 Crore and Rs. 67.62 Crore, respectively, admitted by the Commission in the Tariff Order for FY 2019-20.

Commission's Analysis on Consumer Security Deposit:

2.86 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 2019-20, the Commission admitted the interest on consumer security deposit @ 6%.

2.87 Further, the Commission observed that East and West DISCOMs has claimed interest on consumer security deposit as per the Audited Accounts, whereas Central DISCOMs has considered Interest Rate @ 6.25% and workout interest on consumer security deposit of Rs. 59.64 Crore.

2.88 The Commission has admitted the interest amount on consumer security deposit as per the Audited Accounts of the DISCOMs for FY 2019-20. Summary of interest on consumer security deposit admitted in the Tariff Order, claimed in the True-up Petition and admitted in this True up Order for FY 2019-20 is shown in table below:

Table 38 : Interest on Consumer Security Deposit admitted for FY 2019-20 (Rs. Crore)

Particulars	East DISCOM	West DISCOM	Central DISCOM	Total for State
Admitted in tariff order for FY 2019-20	50.53	72.40	67.62	190.55
Claimed in true up Petition for FY 2019-20	57.43	70.84	59.64	187.91
As per Audited Accounts for FY 2019-20	57.43	70.84	61.77	190.04
Admitted in this true-up order	**57.43**	**70.84**	**61.77**	**190.04**

Other items of ARR

2.89 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:

Bad and doubtful debts

Petitioners' Submission:

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

Table 39 : Bad Debts claimed by DISCOMs (Rs. Crore)

DISCOM	Bad Debts as per tariff order	Bad Debts claimed
East	2.00	0.00
West	2.00	0.11
Central	2.00	0.00

Commission's Analysis on Bad and Doubtful debts:

2.91 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.

2.92 The Commission observed that East and Central DISCOMs have not made any claim amount towards bad and doubtful debts. Accordingly, the Commission has considered nil bad and doubtful debts for both these DISCOMs. West DISCOM has claimed amount of Rs. 0.11 Crore toward bad debts written off from consumers. Accordingly, based on the same, the Commission has admitted bad debts for FY 2019-20, which is shown as follows:

Table 40: Bad and Doubtful Debts admitted by the Commission for FY 2019-20 (Rs. Crore)

Particulars	East DISCOM	West DISCOM	Central DISCOM	Total for the State
Written off against dues	0.00	0.11	0.00	**0.11**

Particulars	East DISCOM	West DISCOM	Central DISCOM	Total for the State
1% of sales revenue	**57.79**	**79.04**	**66.25**	**203.08**
Bad and Doubtful debts Admitted	**0.00**	**0.11**	**0.00**	**0.11**

<u>Any other expense</u>

Petitioners' Submission:

2.93 West DISCOM has claimed Rs. 2.26 Crore against any Other expenses, which are shown in the table below:

Table 41 : Any Other Expenses claimed by DISCOMs (Rs. Crore)

Particulars	East DISCOM	West DISCOM	Central DISCOM	Total for State
Other Expenses	0.00	0.52	0.00	0.52
Sundry Expenses/Miscellaneous Losses	0.00	1.55	0.00	1.55
Other Miscellaneous Expenses/Losses written off	0.00	0.20	0.00	0.20
Total other expenses claimed in this true-up	**0.00**	**2.26**	**0.00**	**2.26**

Commission's Analysis

2.94 The Commission after verifying expenses from the audited accounts of the West DISCOM has admitted any other expenses of Rs. 2.26 as the same pertains to O&M expenses, which has been admitted by the Commission on actual basis.

<u>Revenue from Sale of Power</u>

Petitioners' Submission:

2.95 The Commission had admitted the projection of Sales as 17,635 MU, 21,365 MU and 16,639 MU at revenue of Rs. 11,593.91 Crore, Rs. 13,949.49 Crore and Rs. 11,127.66 Crore for East, West and Central DISCOMs, respectively, in the Retail Supply Tariff order for FY 2019-20. As against the same, the Sales filed are 16,151.99 MU, 22,217.63 MU and 17,460.96 MU at revenue of Rs. 10,366.76 Crore, Rs. 14,914.68 Crore and Rs. 11,744.09 Crore for East, West and Central DISCOMs, respectively.

Commission's Analysis

2.96 The Petitioners in their Audited Accounts have booked the revenue from sale of power excluding subsidy and other income as Rs. 5,773.99 Crore, Rs. 7,904.14 Crore and Rs. 6,624.93 Crore for East, West and Central DISCOMs, respectively.

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

Table 42 : 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	**5,778.94**	**7,904.14**	**6,624.93**	**20,308.01**

2.98 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 accounts. DISCOMs have also received Other Income and Non-Tariff Income during FY 2019-20 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

2.99 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 43 : 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)	82.96	22.82	37.97	143.74
2	Income from Wheeling Charges	0.66	8.98	1.85	11.50
3	Meter Rent	45.63	71.39	43.01	160.03
	Total Non-Tariff Income	**129.25**	**103.19**	**82.83**	**315.27**

Subsidy from State Government

2.100 The Petitioners Audited Accounts for FY 2019-20 reveals that tariff subsidy to the tune of Rs. 4,592.77 Crore, Rs. 7,010.55 Crore and Rs. 5,119.16 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 44 : Subsidy considered as per Audited Accounts (Rs. Crore)

Particulars	East DISCOM	West DISCOM	Central DISCOM	Total for State
Subsidy received from GoMP	4,592.77	7,010.55	5,119.16	**16,722.47**

Other Income

Petitioners' Submission:

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

Table 45 : 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	0.15	0.13
	Interest on FDRs/Investment	0.33	48.71	33.51
A	**Sub-Total (A)**	**0.33**	**48.85**	**33.64**
B	**Other Non-Tariff Income**			
	Delayed Payment Surcharge	0.00	209.44	0.00
	Interest & penal interest on advance to suppliers	0.00	0.81	2.19
	Interest from banks	4.30	0.53	0.05
	Utility charges	0.00	0.00	2.23
	Scrap sales	0.00	7.71	0.00
	Income from staff welfare activities	0.00	0.02	0.00
	Dues Written off by MPPTCL	0.00	204.90	0.00
	Deferred income (consumer contribution)	164.27	0.00	197.51
	RGGVY-Amortisation of Deferred income	0.00	190.33	0.00
	Misc. services/receipts	0.00	42.06	0.00
	Profit on sale of stores	0.00	0.00	8.81

Sr. No.	Particulars	East DISCOM	West DISCOM	Central DISCOM
	Income from trading (other than electricity)	11.75	2.35	0.00
	Miscellaneous income	56.92	0.00	24.71
	Other Subsidy	0.00	0.00	6.42
B	**Sub-total (B)**	**237.24**	**658.14**	**241.92**
C	**Total Other Income (A+B)**	**237.57**	**707**	**275.56**
D	**Total Other Income (excluding DPS)**	**237.57**	**497.56**	**275.56**

Commission's Analysis

2.102 The Commission has not considered the Delayed Payment Surcharge as part of income of DISCOMs as per the Regulations

2.103 For East and 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 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.

2.104 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.

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

Table 46 : 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	0.15	0.13
	Interest on FDRs/Investment	0.33	48.65	33.51
A	**Sub-Total (A)**	**0.33**	**48.79**	**33.64**
B	**Delayed Payment Surcharge**	**262.33**	**209.44**	**626.30**
C	**Other Non-tariff Income**			
	Interest & penal interest on advance to suppliers	0.00	0.81	2.19

Sr. No.	Particulars	East DISCOM	West DISCOM	Central DISCOM
	Interest from banks	4.30	0.53	0.05
	Utility Charges	0.00	0.00	2.23
	Scrap Sales	0.00	7.71	0.00
	Income from staff welfare activities	0.00	0.02	0.00
	Deferred income (consumer contribution)	0.00	0.00	197.51
	Income from Trading (Other than Electricity)	11.75	2.35	0.00
	Misc. services/receipts/ any other income	56.92	42.06	24.71
	Profit on sale of stores	0.00	0.00	8.81
	Other Subsidy	0.00	0.00	6.42
C	**Sub-total (C)**	**72.97**	**53.47**	**241.92**
D	**Total Other Income (A+B+C)**	**335.63**	**311.71**	**901.86**
E	**Total Other Income (D-B)**	**73.30**	**102.27**	**275.56**

2.106 Accordingly, the Commission admits the actual Other Income of Rs. 73.30 Crore, Rs 102.27 Crore, and Rs 275.56 Crore for East, West and Central DISCOMs, respectively, as per audited balance sheet excluding the components as discussed above.

2.107 Based on above discussion, the total revenue admitted by the Commission for the period April, 2019 to March, 2020 is mentioned in the table below:

Table 47 : 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	5,778.94	129.25	4,592.77	73.30	10,574.26
West	7,904.14	103.19	7,010.55	102.27	15,120.14
Central	6,624.93	82.83	5,119.16	275.56	12,102.48
Total	**20,308.01**	**315.27**	**16,722.47**	**451.12**	**37,796.88**

Revenue Surplus / (Deficit)

2.108 Based on the scrutiny of various cost components regarding revenue income and expenditures of DISCOMs, the Commission has determined the following Surplus / (Deficit) for FY 2019-20 for the Licensees:

Table 48: Revenue Gap admitted in True-up of ARR for FY 2019-20 (Rs. Crore)

Particulars	East DISCOM		West DISCOM		Central DISCOM		Total for State	
	Claimed	Admitted	Claimed	Admitted	Claimed	Admitted	Claimed	Admitted
INCOME								
Tariff Income	5,773.99	5,778.94	7,904.14	7,904.14	6,624.93	6,624.93	20,303.06	20,308.01
Non-tariff income	366.82	129.25	205.52	103.19	358.39	82.83	930.73	315.27
Net other income (excluding delayed payment surcharge)		73.30		102.27		275.56		451.12
Subsidy	4,592.77	4,592.77	7,010.55	7,010.55	5,119.16	5,119.16	16,722.47	16,722.47
Total Income (A)	**10,733.58**	**10,574.26**	**15,120.20**	**15,120.14**	**12,102.48**	**12,102.48**	**37,956.27**	**37,796.88**
EXPENSES								
Power Purchase								
Power Purchase Cost	8,452.18	8,238.26	10,848.83	10,559.13	9,382.24	9,277.79	28,683.24	28,075.18
MP Transco Charges	985.63	985.63	1,076.17	1,076.17	894.60	894.61	2,956.40	2,956.40
Total Power Purchase (Incl. Transmission) (B)	**9,437.81**	**9,223.89**	**11,925.00**	**11,635.30**	**10,276.84**	**10,172.39**	**31,639.65**	**31,031.58**
O&M Expenses (Net of Capitalisation)								
Employee Expenses	1,080.00	801.05	1,133.00	739.01	1,009.00	569.31	3,222.00	2,109.38
DA	92.35	92.35	88.30	88.30	103.11	89.03	283.77	269.69
Terminal Benefits	21.50	15.76	32.71	33.05	36.38	36.57	90.58	85.38
Arrears	54.57	54.59	45.30	45.30	51.35	51.35	151.22	151.24
A&G Expenses	205.00	116.71	157.00	114.97	118.00	313.54	480.00	545.23
R&M Expenses	194.14	181.62	174.65	153.08	186.69	85.31	555.48	420.01
Other expenses (including Taxes & MPERC Fees)	0.63	2.33	12.94	12.94	1.27	1.27	14.83	16.54
O&M Expenses Capitalization	-	(66.90)	-	(39.92)	-	(35.72)	-	(142.54)
Provision for Terminal Benefit	5.00	70.00	5.00	70.00	5.00	70.00	15.00	210.00
Total O&M Expenses (C)	**1,653.19**	**1,267.52**	**1,648.90**	**1,216.74**	**1,510.79**	**1,180.66**	**4,812.88**	**3,664.93**
Other Expenses								
Depreciation	464.37	138.58	289.67	119.04	523.11	192.02	1,277.15	449.64
Interest & Financing Charges on Project Loans **(Net of Capitalisation)**	142.44	75.93	47.13	40.54	210.21	280.45	399.78	396.92
Interest on working capital loans	43.08	48.19	77.72	70.26	40.86	45.86	161.66	164.31
Interest on Consumer Security Deposit	57.43	57.43	70.84	70.84	59.64	61.77	187.91	190.04
Return on Equity	337.11	231.40	213.45	180.56	345.95	263.83	896.51	675.79
Bad & Doubtful Debts	-	-	0.11	0.11	-	-	0.11	0.11
Any Other Expense	-	-	2.26	2.26	-	-	2.26	2.26
Total Other Expenses (D)	**1,044.43**	**551.54**	**701.19**	**483.60**	**1,179.77**	**843.94**	**2,925.39**	**1,879.08**
Total Expenses E = (B + C + D)	**12,135.43**	**11,042.95**	**14,275.09**	**13,335.64**	**12,967.40**	**12,197.00**	**39,377.92**	**36,575.59**
Revenue Gap F = (E-A)	**1,401.85**	**468.69**	**(845.11)**	**(1,784.50)**	**864.91**	**94.51**	**1,421.65**	**(1,221.30)**
Impact of True-up DISCOMs for FY 2013-14 **(G)**	1,056.48	1,056.48	1,354.00	1,354.00	1,509.00	1,509.00	3,919.48	3,919.48
Gross Expenses H = (E + G)	**13,191.91**	**12,099.43**	**15,629.09**	**14,689.64**	**14,476.40**	**13,706.00**	**43,297.40**	**40,495.07**
Total Revenue Gap I = (H - A)	**2,458.33**	**1,525.17**	**508.89**	**(430.50)**	**2,373.91**	**1,603.51**	**5,341.13**	**2,698.18**

A3: TREATMENT OF REVENUE GAP ADMITTED FOR FY 2019-20

3.1 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.

3.2 One of the main obligations/commitments of GoMP, which was to be facilitated by GoI under the UDAY scheme, was 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 49: Debt taken 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*

3.3 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%.

3.4 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 loans 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. In reply the Petitioners submitted that Rs. 12,690 Crore of debt of MP State DISCOMs have been taken over by the State Government from FY 2016-17 to 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. 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, and perpetual loan of the State Governments. Breakup of the same is as follows:

Table 50: Present status of Debt taken 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	4,011	3,557	7,568
FY 2017-18	4,622	Grant	611	4,011	4,622
FY 2018-19	4,622	Grant	500	-	500
FY 2019-20	4,622	Grant	-	-	-
FY 2020-21	4,621	Grant	-	-	-
Grand Total	**26,055**		**5,122**	**7,568**	**12,690**

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

3.5 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 51: 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.*

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

Table 52: 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	**983.16**

Source: - As per audited accounts of DISCOMs.

3.7 The Commission carries out the tariff determination exercise based on the norms specified in its MYT Regulations, 2015 and its amendments thereof. Accordingly, any expenditure, which the Commission finds imprudent is not allowed to be recovered by way of tariff. Accordingly, the gap between actual revenue of 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 reflects in the subsequent years.

3.8 As per UDAY MoU, the total loan of the DISCOMS outstanding as on September

2015 was Rs. 34,739 Crore. The debt burden is on account of Capex loans, bonds and short term loans of banks, FIs and GoMP. Apparently, the debt burden is also to meet their losses accumulated on account of revenue deficits in previous years. The Commission 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 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 fundings.

3.9 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).**

3.10 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. The following table shows the Revenue Gap allowed by the Commission for years prior to September 2015 in the tariff for FY 2015-16 and onwards:

Table 53: Revenue Gap admitted by the Commission for period prior to signing of UDAY MoU

True up Year	Revenue Gap Allowed (Rs. Crore)	Recovery allowed in Tariff Order
FY 2009-10	494	FY 2015 -16
FY 2010-11	318	
FY 2011-12	932	
FY 2012-13	1,559	FY 2016-17
FY 2005-06	366	
FY 2006-07	423	FY 2017-18

True up Year	Revenue Gap Allowed (Rs. Crore)	Recovery allowed in Tariff Order
Impact of APTEL complied order for FY 2007-08 to FY 2011-12	1,969	
Supplementary bills adjustments for FY 2012-13	985	FY 2018-19
FY 2013-14	3,919.48	FY 2019-20
FY 2014-15	2,644.99	FY 2021-22
Total	**13,610.47**	

**Source: As per MPERC Tariff Orders*

3.11 The Commission in the True up Orders 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 54: 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**

3.12 Further, the Commission in the True up Order for FY 2018-19 had adjusted the grant/equity received under the UDAY Scheme against the net Revenue gap for FY 2018-19 as under:

Table 55: Net Revenue Gap admitted on True up of FY 2018-19 (Rs. Crore)

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

3.13 As per the approach adopted by the Commission in the True-up Orders for FY 2014-15 to FY 2018-19, 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 2019-20 subject to the limit of Grant received being upto Rs. 13,610.47 Crore. 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 56: Net Revenue Gap admitted on True up of FY 2019-20 (Rs. Crore)

Sr. No	Particulars	Amount
1	Revenue Gaps admitted by the Commission in true ups of FY 2008-09 to FY 2014-15 prior to September 2015 i.e. start of UDAY and allowed recovery through tariff orders issued after loan taken over in FY 2015-16 to FY 2021-22	13,610.47
2	Less: Total Grant / Equity received by DISCOMs under UDAY in FY 2014-15 to FY 2017-18	12,190.00
3	Less: Total Grant / Equity received by DISCOMs under UDAY in FY 2018-19	500.00
4	Less: Grant against loss taken over by the Govt. under UDAY in FY 2018-19	253.21
5	**Remaining Revenue Gap admitted by the Commission for period prior to signing of UDAY MOU (5=1-2-3-4)**	**667.26**
6	Total Revenue Gap claimed by the DISCOMs in True up of FY 2019-20	5,341.13
7	**Total Revenue Gap/(Surplus) admitted in true up of FY 2019-20**	**2,698.18**
8	Less: Grant against loss taken over by the Govt. under UDAY in FY 2019-20 (See Sr. No.5)	667.26*
9	**Net Remaining Revenue Gap/(Surplus) (9=7-8)**	**2,030.92**

**This has been prorated in portion to actual DISCOM wise Grant*

3.14 The Commission has admitted Revenue Gap DISCOM wise after adjustment of Grant against loss taken over by the Govt. under UDAY in FY 2019-20 for true-up of FY 2019-20 as under:

Table 57:Revenue Gap admitted DISCOM Wise for FY 2019-20 (Rs. Crore)

Particulars	East DISCOM	West DISCOM	Central DISCOM	State
Total Revenue Gap/(Surplus) admitted in true up of FY 2019-20	1,525.17	(430.50)	1,603.51	2,698.18
Less: Grant against loss taken over by the Govt. under UDAY in FY 2019-20	264.79	51.67	350.79	667.26
Net Revenue Gap/(Surplus) admitted in true-up of FY 2019-20	**1,260.38**	**(482.17)**	**1,252.72**	**2,030.92**

3.15 Accordingly, the Commission has admitted the net Revenue Gap of Rs. 2,030.92 Crore after true up of FY 2019-20 for passing on the revenue gap amount in retail supply tariff to be determined by the Commission for the subsequent years.

A4: PUBLIC OBJECTIONS AND COMMENTS ON LICENSEES' TRUE-UP PETITION FOR FY 2019-20

Date of publication of public notice in newspapers: 28th July, 2021
Last date for receiving the objections: 20th August, 2021
Date of public hearing: 24th August, 2021

In response to the public notices issued, 9 comments / objections were received against the Petition filed by the West, East and Central DISCOMs.

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

ISSUE No. 1: Regular defaults in Filing timely petitions

Issue Raised by Stakeholders:

As per MYT Regulations, 2015, DISCOMs were required to file Petition for True-up of ARR for FY 2019-20 by 31st October 2020 in prescribed format. However, the Petitioners has not only failed to adhere to the timeline but also not submitted justification for the delay. Further there is no provision in Regulations to extend the date of filing of true-up. DISCOMs have formed habit of filing late true up petition presuming that the timeline will be extended by the Commission. Hence, on this ground, true-up petition deserves to be dismissed.

Response from DISCOM:

As per 2nd amendment to "MPERC Regulation (Terms and Conditions for Determination of Tariff for Supply and Wheeling of Electricity and Methods and Principles for Fixation of Charges) Regulations, 2015" dated 14th November, 2019, last date of filing of True-up Petition for FY 2019-20 was fixed as 31st November, 2020. The True-Up Petition for FY 2019-20 was originally filed on 7th December, 2020. Thus, there is no inordinate delay in filing of petition and the Commission had admitted the same. Further, the Commission always approved the prudent cost only in accordance with the Regulations, so there should be no grievance in this regard.

Commission's Views:

As per 2nd amendment to MYT Tariff Regulations, the Petitioners were required to file true up of FY 2019-20 by 30th November, 2020, however, the Petition was initially filed on 7th December, 2020. As the Petition was deficient on many grounds, the Commission vide daily order dated 21st January, 2021 directed the Petitioners to incorporate the additional information and file the revised Petition. Subsequently, the Petitioner submitted the revised Petition on 19th February, 2021 and the same was admitted by the Commission vide daily order dated 26th February, 2021.

Accordingly, based on the above, it can be observed that the Petitioner has failed to adhere to the timeline specified for filing of the Petition in the Regulations. Therefore, the Commission has not allowed any carrying cost on the Revenue Gap admitted in True up of FY 2019-20.

ISSUE No. 2: Power Purchase Cost Optimization

Issue Raised by Stakeholders:

The Commission had approved 25,657 MU of sale of surplus power, whereas the petitioner was able to sell only 9.65% of the same at 2477 MU in open market (except SEZ). Further, the Petitioners are only able to recover Rs. 807 Crore from sale of surplus power, which is only 9.65% of the target approved revenue of Rs. 9,887.70 crores. Accordingly, based on the above, it is established that the Petitioner has done mismanagement of power.

Further, the Petitioners have backed down 28,330 MU (11,975 MU from MP Generating Company, 11,270 MU from NTPC and 7,915 MU from private generators) in FY 2019-20 for which Rs. 4200 Crore has been paid towards its fixed cost. The cost towards fixed cost of the backed down power should not be passed onto the consumers.

Beside this, the key factor that causes such huge variance on account of surplus power lies with poor management of surplus power in the State as most power procurement by distribution companies is done through long term contracts with power generating companies. These contracts legally bind the distribution companies into paying the generating company a lump sum annual amount for fixed costs, and a per-unit charge to cover variable costs (mostly for fuel). Distribution companies have to pay the fixed charges even if they do not draw power from the generating company for a particular time period. If such surplus cannot be sold, it is backed down, which means power generators lie idle at that time, incurring fixed costs, but generating no electricity. In fact, States are paying for surplus power that they do not use. Fixed cost payments to power generators due to backing down are as high as 15% to 35%. Such costs are eventually borne by the electricity consumers and since distribution companies with surplus power have entered into long-term, legally- binding contracts for power, it is difficult to surrender or re-allocate such capacity. Therefore, the most common strategy to mitigate the cost of surplus power is to ensure its sale. As surplus power is high-cost and seasonal, there are not many takers for it, especially when cheaper power is available in the short-term power market on a day-ahead basis. It is equally true that many distribution companies have not made adequate efforts to sell surplus power on a seasonal or medium-term basis to states that are still facing shortages.

Surplus Power available with the Maharashtra State Electricity Distribution Company is being supply to power deficient distribution companies for 2 months, similar efforts need to be taken by Petitioners' as well, which will help them to reduce the cost of power procurement and also generate revenue from sale of surplus power. The Petitioners' shall also use DEEP platforms for discovery of efficient electricity price for proper management of the sale of surplus power.

Further, industrial consumers are migrating away from distribution companies and directly obtaining power from generators of their choice. Additionally, renewable energy capacity, which is not usually backed down, is growing rapidly with falling prices. Therefore, surplus power with distribution companies is bound to grow and substantial thermal capacity will be backed down in the near future. Already, several recently commissioned plants are being backed down across states. In fact, distribution companies in Gujarat and Maharashtra have even projected backing down of power plants that are yet to be commissioned in the coming years. It is safe to say that many of the recently contracted plants are being built only to be backed down. Unless urgent attention is given to the management of surplus power, it will join the ranks of excessive transmission and distribution losses and excessive cross subsidies as one of the intractable, long-standing problems before the electricity distribution sector in India.

Response from DISCOM:

The Petitioner submitted that from the previous year's trend of actual sale of Power in open market, it can be seen that actual sale of power for FY 2019-20 i.e., 2477 MU is expected, because in real time Power is sold only when market rate is above the power purchase rates of the generator otherwise it may result in increasing the power purchase cost of MPPMCL. The sale of surplus power approved by the Commission i.e., 25,657 MU is difficult to achieve looking at the market rates and real time scenario.

The electricity sold under open access in the last 4 years is 1282.18 MU, 2391.36MU, 3855.89 MU and 3842.99 MU, respectively. Based on the trend of the last few years, the petitioner projects the power to be sold through open access for the coming year.

Once energy requirements are fulfilled then energy is withdrawn so as to ensure that demand can be met during the Rabi season. This arrangement proved to be a good arrangement to ensure availability of electricity to the farmers of the state. If the banking is not done by purchasing power from long-term sources during the rainy season, then it becomes inevitable to purchase electricity from miniaturized power sources according to the demand from Rabi season i.e., from October to February. It is generally seen that the rate of purchase of power from short term sources can be higher as compared to purchase of power from long term sources and during Rabi season the power from these short-term accounts can be higher.

The availability of electricity is also not assured, due to which it may be difficult to ensure the supply of electricity to the farmers. Therefore, it is the right way to ensure the availability of electricity through the banking system itself.

In the state during peak season (November to February) power demand exceeds availability in which additional demand is met through banking. It is essential to have production capacity at the same time to meet the demand of the system. Even if the availability of monthly energy is more than the average demand, the supply of peak demand is not possible.

The Petitioner submitted that suggestion of the stakeholder is appreciable here, and proper efforts are being made for proper management of surplus energy and for reduction in power purchase cost.

Commission's Views:

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.

The Commission appreciates the submission of the stakeholders and directs the Petitioner to explore more avenues to optimise its power purchase cost.

ISSUE No. 3: Banking and Treatment of Surplus Power

Issue Raised by Stakeholders:

The Petitioner has not provided the details of power banked, power returned and the charges incurred towards its transmission cost in the Petition.

The Petitioners has sold surplus power during the Rabi season that Petitioner has received power under banking arrangement. Accordingly, the Petitioner has purchased costly power during lean demand period and provided to other state under banking arrangement, whereas in Rabi season, power received under banking arrangement is sold to exchange at very less rate of Rs. 3.25/kWh.

The Petitioners have accounted for a bank power of 8,175 MUs against the total energy availability of 97,989 MU throughout the year. This indicates the unjustifiable power banking on the part of Petitioners which is being allegedly backed down without a cause or need and has results in unnecessary revenue losses and burden to consumers.

Further, the Commission has correctly showcased that an amount of energy banked at variable rates at which the surplus energy can be sold out at average IEX rates, serves no purpose. The right way for calculating the revenue that can be derived from net surplus energy should be as presented by the Commission, under which Net surplus energy available for sale at variable rate below the average rate of Rs. 3.85/kWh should be taken into account for sale and then to be sold at amount higher than the Average rate and to the least at the average accounted rates (as is done by the Commission in their approved calculation).

The rates proposed by the Petitioners at which the surplus power was being sold is almost 60 Paise/per unit less than the average monthly IEX rates of FY 2018-19. As a matter of fact, as per the directions of the Commission, the surplus power so available with the State should be managed in such a manner and to be sold at such mediums that the best possible outcome from it can be taken out by the DISCOMs. However, DISCOMs are proposing surplus power sale at a rate much lower than the available average rates is not at all justifiable in any scenario.

Further, the Petitioner has not provided the details of revenue earned by the generator on selling the surplus power in power exchange.

Response from DISCOM:

The Petitioner submitted that there is no impact of banking in power purchase cost and ARR of the DISCOMs. Therefore, the details of banking has not been provided in the Petition. The details of Open Access charges incurred for banking of power has been provided to the Commission in MPPMCL other cost details.

The electricity sold under open withdrawal in the last 4 years was 1,282.18 MU, 2,391.36 MU, 3,855.89 MU and 3,842.99 MU respectively. Based on the trend of the last few years, the petitioner determines the power to be sold through open withdrawal for the coming year. 24,657 MU was estimated by the Commission for sale through open clearance, but in real time operation, it is not possible to sell so much electricity through open clearance.

With regards to unnecessary power banking, Petitioner submitted that the Commission in its various Tariff orders of past years has pointed that the merit order has also revealed that in some months the availability remained unutilized by the DISCOMs even after considering the intra-DISCOM trade and hence Commission suggested that the DISCOMs 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.

Banking of Power makes the opportunity to bridge the gap between the scenarios like power deficit and surplus among different utilities for a particular period of time in a year. Banking involves exchange of electricity only and moreover; it increases reliability as seasonal surplus power is banked with the other needy utilities and get back at the time of Rabi season.

Apart from above helps in scheduling low energy cost power throughout the year even after tripping of any major unit and unprecedented increase in demand situation apart from avoiding purchase of short-term power in exigency.

Banking is cashless transaction and only transmission charges are applicable up to regional periphery which are applicable in short term transactions irrespective of banking or purchase. MPPMCL import energy through banking arrangement to cater the system peak demand of Rabi season months from November to February and export the energy during lean demand period i.e., rainy & summer season months from February to September.

The IEX rate for sale of surplus power proposed by the Petitioner is the average of the actual rates of IEX of previous 36 months. Further, MPPMCL sales contingency surplus energy through exchange with is rate above variable charges of on bar plant. The rate considered by Commission based on previous year data which cannot be applicable on current scenario.

Commission's Views:

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

Further, the Commission has admitted the power purchase quantum and cost after undertaking detailed prudence check of the power purchase submitted by the DISCOMs in accordance with the provisions of the retail supply tariff order for FY 2019-20. Further, 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. 4: Power Purchase Cost

Issue Raised by Stakeholders:

As per true up Petition, the cost of power purchase approved in ARR for FY 2019-20 is Rs. 3.44/kWh and actual cost of power purchased is Rs. 4.37/kWh which indicates that the cost of power purchase has increased by Rs. 0.93/kWh, which is 27.03% higher and thus show very substandard planning and management in power purchase. Further, the Petitioner has not provided any reason for the same.

Furthermore, irregularity has been observed in power purchase, such as purchase of wind power from costlier generating plant, costlier power purchase from Torrent power, JP Bina Power Project, BLA Power Unit1&2 and Lanco Amarkantak without agreement, which is not permissible as per Electricity Act as well as MPERC Regulations. Further, the Petitioners have not provided station wise details in the Petition for power purchase from solar power plant. Therefore, requested the Commission to examine the same, seek the justification for procurement of such costlier power and whether approval of the same was taken from the Commission.

The actual quantum of power purchase increased by 3,366.94 MU, whereas the actual sales only increased by 191.60 MU as compared to the quantum approved in Retail Supply Tariff Order. The excess energy of 3,075.34 MU has been purchased due to higher actual losses of the Petitioners as compared to normative losses and therefore the cost (approx. Rs. 1200 Crore) towards the inefficiency of the DISCOMS should not be allowed.

The Petitioner has purchased 3,488.55 MU at a cost of Rs. 1,916.84 Crore from Wind Power Plants. However, the Petitioner has not provided source wise details of the same.

The Petitioner has purchased 21.72 MU of power at a cost of Rs. 52.51 Crore from Torrent Power i.e., at Rs. 24.18/kWh. Similarly, has purchased 526.80 MU of power at a cost of Rs. 543.71 Crore from JP Bina i.e., at Rs. 10.32/kWh. whereas the actual energy charge for power purchase is Rs. 3.39/kWh for JP Bina. This power has been purchased mainly in rainy season i.e., from May 2019 to September 2019, and provided to neighboring State under Banking arrangement, whereas no power has been purchased in Rabi season when peak demand occurs. Further, the Commission in Retail Supply Tariff Order for FY 2019-20 had also not allowed purchase cost for Torrent Power.

The Petitioner has purchased 13.29 MU of power from Unit-1 of BLA Power at a cost of Rs. 20.76 Crore i.e., at Rs. 15.62/kWh. The power from the said generating station has been purchased mainly in rainy season i.e., from May 2019 to September 2019. Further, the Petitioner has purchased 0.36 MU power from Unit-2 of BLA Power at a cost of Rs. 0.29 Crore. Further, the tariff Petitions for approval of tariff for this generating station is still pending before the Commission.

The Petitioner has purchased 1,257.16 MU of power from Lanco Amarkantak at a cost of Rs. 519.56 Crore i.e., at Rs. 4.13/kWh. The Petitioner has also paid Rs. 75.43 Crore towards transmission charges for the said power purchase which translates to Rs. 0.60/kWh. Further, stakeholders submitted that the Petitioner is purchasing this power in accordance with power sale agreement with PTC and paying Rs. 6 Crore as trading margin to it, which is against the provision of the Generation Tariff Regulations.

Availability of power from JP Nigri for FY 2019-20 was 3,465 MU, whereas the Petitioner has only procured 3,250 MU though being the cheapest power.

The Petitioners has shown purchase of 16,140.24 MU at a cost of Rs. 6,697.95 Crore, whereas in actual the Petitioner has scheduled 23,150 MU out of total available power of 35,125 MU. Accordingly, the Petitioner has paid fixed charges of approximately Rs. 1,800 Crore, without purchasing power.

Petitioners should be directed to surrender power from stations which have completed 25 years useful life such as Kawas and Gandhar so that more power can be purchased from MPPGCL stations, which is available within the State.

The Petitioners has claimed supplementary power purchase cost of Rs. 996.20 Crore. However, the Petitioners has not provided any details of the same. Further, Petitioners has submitted that it has followed Merit Order Dispatch (MOD). However, inclusion of energy charges of Rs. 603.25 Crore for prior period raises question on the MOD been followed in previous years.

The Petitioner has received Rs. 207.41 Crore under DSM charges. However, the Petitioner has not provided the details of power under drawl against these charges.

The Petitioner has purchased 281 MU from Rajasthan and 88 MU from Uttar Pradesh, details of which has not been provided in the Petition. However, the Petitioner has included transmission cost towards this power.

Response from DISCOM:

MPPMCL is procuring power on behalf of the DISCOMs and the power procured by the MPPMCL is in accordance with implementation of Merit Order Principles for meeting the demand of the DISCOMs. As the DISCOMs are obligated to supply uninterrupted and quality power. This demand is varied over the seasons in peak seasons the power procured to meet the demand. During the peak season, the MPPMCL is left no other option to procure costliest power from the power exchanges and the rate at the power exchange is not under the control of the DISCOMs.

The Commission in its True up order for FY 2014-15 to FY 2017-18, and True-up Order dated 24.05.2021 mentioned major reasons for increase in power purchase cost. Some of the reasons were as follows: -

For FY 2014-15:

- Increase in Fixed Cost due to allowance of full fixed cost (excluding torrent power) as per Hon'ble APTEL Judgment dated 15th September, 2015 in Appeal Nos. 234, 270, 271 and 276 of 2014;
- Increase in variable charges due to upward revision in energy charges of the generating stations;
- Increase in actual Inter State transmission charges

For FY 2015-16:

- Increase in variable charges due to upward revision in energy charges of the generating stations;
- Inclusion of supplementary Power Purchase cost of Rs. 594.92 Crore, which pertains to the FY 2014-15

Further, East DISCOMs supply electricity to some villages bordering the State of Chhattisgarh from the power sourced from the State, which is shown in this Petition, in addition to this the electricity received from the Bhimgarh-Chargaon-Jatlapur mini hydel project, is also included. The same has been mentioned in Format 4(a) and a copy of the bill is also submitted along with the Petition before the Commission.

The amount of electricity purchase demanded in the True-up Petition is calculated on the basis of distribution losses determined by the Commission, so the difference between the approved distribution loss and the actual distribution loss is not passed on to the consumers. In actual however Power Distribution Companies are making continuous efforts to reduce the distribution losses.

Wind energy is a renewable energy and it does not cause any kind of pollution in the environment, so it has been kept in the must run by the government. The list will be made available of these wind power planets on demand by the Commission.

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 the contract, the power allocation from M/s Torrent Power is to be 50 MW with effect from April 2021. Payment of cost of power purchased has been made as per the tariff determined by CERC dated 24.08.2020 (Petition no. 259/GT/2019). Accordingly, payment of fixed charges is payable by Torrent Power. Keeping in view the interests of the consumers, minimum power has been procured as per the Merit Order Despatch (MOD) from M/s Torrent Power only when absolutely necessary.

MPPMCL has kept the interests of the consumers of the State in mind, as the electricity is purchased in real time only after following the Merit Order Dispatch (MOD) on demand. All the concessional power available is scheduled by MPPMCL in real time.

A Settlement Agreement was signed between MPPMCL, PTC and Lanco Amarkantak on 16th October, 2012. Pursuant to the said Agreement, the capital cost approved by the Commission in the order dated 26.11.2012 is Rs. 1,236.40 crore considering which the fixed charge has been fixed as per the prevailing regulations of the CERC. Presently M/s Lanco Amarkantak has been given provisional payment being made by limiting 90% of the variable charge and fixed charge.

Further, in compliance with the decision of the Hon'ble Appellate Authority dated 19.08.2020, the electricity rates to be purchased from M/s Lanco have been fixed (P.No. 60/2020) vide order dated 24/08/2021. The payment made provisionally will be adjusted as per the order. The Agreement happen between the Petitioner & M/s P.T.C. has been given as Trading Margin.

The State Government is authorized to get 7.5 percent of the energy generated from the JP Nigri project, at a concessional rate. it is worth mentioning that these 7.5 percent energy is shown according to the potential generation from the complete power house, but the production changes in real time. On the basis of potential generation by the Nigri Electricity Company in a day before the power house, 7.5 percent of the energy is shown in the form "R-Zero" but 7.5 percent of the energy produced in real time will be received by the Madhya Pradesh government and is fully scheduled. Further, keeping in mind the interests of the consumers of the state, MPPMCL buys electricity in real time only after following the Merit Order Dispatch

(MOD) on demand. Also, all the concessional power available is scheduled by MPPMCL in real time.

The total number of solar power generators is about 40, if details of the generating station is provided in True-up Petition then the Petition will become very detailed. This is the reason that without giving the details of these solar power plant, their total units and average rate are shown in the True-up petition.

The plant-wise and related year-wise information of the supplementary bills claimed and the calculation of year-wise supplementary bills has been sent to the Commission.

The monthly UI/DSM charge information is available on the website of State Load Despatch Centre and as far as its power quantity is concerned, the copies of the said UI/DSM account have been presented before the Commission.

The Petitioner submitted that purchase from the wind plant is obligation to meet the RPO fixed by the Commission and wind power generators are considered as must run plants and in real time, power is purchased by MPPMCL by following the MoD (Merit Order Dispatch) only.

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. Hon'ble 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, During FY 2019-20 power from Station of M/s Lanco has been procured following the MOD as per the regulations of MPERC.

The Petitioner submits that there are many Solar generators whose PPAs exists with the petitioner and thus it is not possible to give the details of all such generators in the petition. However, the petitioner uses to supplement the detailed list of all the Solar Generator to the Commission as and when required.

The Petitioner submitted that Inter-state sale/purchase of power is not being done within the DISCOMs since all the power has been allocated to MPPMCL.

Further, UI/DSM charges, Reactive Energy Charges etc are the components of power purchase cost and have been incorporated in the True-up Petition FY 2019-20 and all the bill of UI/DSM and Reactive energy have been submitted to the Commission at the filing of the True-Up Petition FY 19-20.

Commission's Views:

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.

With regard to purchase of power from Torrent and BLA Power, the Commission has not admitted power purchase of these stations which has been detailed in the relevant section of this order in detail.

With regard to supplementary power purchase cost for period prior to FY 2019-20, the Commission in this order has not considered the same. However, the Petitioner is at liberty to approach the Commission through a separate Petition along with adequate details to enable Commission to conduct prudence of the same.

ISSUE No. 5: Revenue from Cross Subsidy Charges (CSS) and Additional Surcharge

Issue Raised by Stakeholders:

The Petitioner is not collecting CSS and Additional Surcharge from many Open Access consumers and has not provided its details in the Petition.

No details are available for recovery of cross subsidy surcharge, additional surcharge and additional surcharge from captive power plant in the Petition. Captive Plants are not been charged additional surcharge.

Response from DISCOM:

Cross subsidy surcharge and Additional Surcharge are generally recovered on time. Further submitted that the amount of cross subsidy surcharge and Additional surcharge would be included under "Revenue from operation" heading in the Balance sheet.

Further, Recovery of Additional surcharge is not made from captive power plants, but from open access consumers.

Commission's Views:

The Commission in data gaps had asked the Petitioner to submit the actual revenue from Additional Surcharge and CSS along with its reconciliation with the audited accounts. In reply the Petitioners has submitted that East DISCOM has received revenue of Rs. 0.89 Crore from CSS and Rs. 0.43 Crore Additional Surcharge, Central DISCOM has received revenue of Rs.

18.43 Crore from CSS and Rs. 9.00 Crore from additional surcharge and West DISCOM has received Rs. 18.87 Crore from CSS and Rs. 27.15 Crore from Additional Surcharge. The Petitioners also submitted that the revenue from CSS and Additional Surcharge has been booked under the head of revenue from sale of power in the accounts. The Commission has verified the same from the audited accounts of the Petitioner and found in order. Therefore, the Commission has admitted total revenue of the Petitioners considering the income from CSS and Additional Surcharge.

ISSUE No. 6: Depreciation

Issue Raised by Stakeholders:

The Petitioners have claimed depreciation amount as per their books of accounts, owing to the wrongful adoption of methodology. Further, Petitioners are regular making defaults in maintaining and submitting correct Fixed Asset Register. Therefore, the Petitioners should be penalized and any burden on account for the same should be borne by the Petitioners themselves and should not to be passed towards the consumers of the State.

Further, the Commission should admit depreciation in accordance with the provisions in the MYT Regulations, 2015 and any cost reimbursed/grant in aid, or subsidy should be excluded from the gross cost of the assets for the purposes of determination of depreciation. Further, as per accounting standard and as per provisions of income tax of deprecation grants in aids should not be included.

The Petitioner has claimed a large amount of expense in form of depreciation, but the actual value or the salvage value of that item or whether that item is currently being used or not is not clear, there is complete ambiguity about that.

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 its amendments thereof. However, due to non submission of proper Fixed Asset Register by the Petitioners, the Commission has allowed the depreciation at rates approved by the Commission in retail tariff order for FY 2019-20.

ISSUE No. 7: Distribution Losses

Issue Raised by Stakeholders:

For the Central DISCOM T&D losses approved in ARR is 4,371 MU (20.80 %) and actual T&D Losses as per true-up is 7,279.07 MU (29.42 %) which indicates that the T&D Losses have increase abnormally from approved figures of 20.80 % to 29.42 %, which is higher by 41.44 % and shows poor control on losses.

The Petitioner has not provided any reason or justification for the following mentioned details. Therefore, the Commission is requested to seek the justification for the same and the response to be made available to the stakeholder before hearing.

a) For over 19 years DISCOM's have been giving a consolidated figure of T&D Losses, which are very deceptive and gives substantial room to the DISCOM to manoeuvre the figures to their convenience,
b) The T&D Losses comprises of Technical Losses & Commercial Losses (including thefts) and the true-up petition does not indicate separate figures for Technical & Commercial Losses,
c) It may be difficult for the DISCOM to control over the thefts but the control on technical losses is well within their reach if only had they created an infrastructure to monitor them. The majority of technical losses in the distribution system may be on account of the qualities of DTR's & line conductors. Whether certain measures have been taken to cope up with this
d) The DISCOM has also not submitted any justification(s) for such high losses in their true-up petition and instead are desiring to pass on this additional burden, due to their inefficiency, on the innocent consumers.

Further requested the Commission to seek details from Central DISCOM detailed bifurcations of T&D losses i.e., like technical losses, Theft (Commercial Losses).

The stakeholder also seeks information regarding efforts DISCOM is putting in to maintain losses within approved values and in case they could not achieved how they will be planning to do better in upcoming future.

DISCOMs have suggested adopting alternative methodology for consideration of over and above normal distribution losses, the suggestion should not be considered in view of the provision in the MYT Regulations, 2015.

Response from DISCOM:

The Central DISCOM is planning to implement Smart Meter in a phased manners and the DTR meterisation on smart metering on domestic and agriculture feeders on priority basis. DISCOM has not submitted any deceptive figures of T&D losses to the Commission and only actual figures were submitted to the Commission.

The True-up Petition has been filed as per the principles laid down in the "The Madhya Pradesh Electricity Regulatory commission (Terms and Conditions for Determination of Tariff for Distribution and Retail Supply of Electricity and Methods and Principles for Fixation of charges) Regulations,2015 (RG-35(II) of 2015) dated 17th December 2015 and it's First Amendments dated 30th November 20l8".

Central DISCOM has implemented SCADA in urban areas and the Smart Metering is planned in a phased manner. Further, Continuous efforts are being made to reduce technical losses in

DISCOM. NABL Testing Laboratory has been established in the DISCOM to test the quality standard level of Distribution Transformers, Conductor and Cable. To control the technical losses, the materials i.e., DTR, Conductor cable etc. procured by the DISCOM are being installed in the field after testing. To reduce the technical losses the DISCOM has established R&D cell which is working towards reduce the technical losses

According to the notification of the Ministry of Power, Govt. of India, RRRDS Scheme (Revamped Reform-linked results-based Distribution sector scheme) has been implemented to reduce the AT&C losses of DISCOM. The objectives of the scheme are:

- Improve the quality, reliability and affordability of Power supply to consumers through a financially sustainable and operationally efficient distribution sector.
- Reduce the AT&C losses on Pan-India level to 12-15% by FY 2024-25.
- Reduce the ACS-ARR gap to zero by FY 2024-25 and presently the work of preparing the DPR of the scheme is in progress.

The Commission has issued True-up order by taking T&D losses on normative basis and not on the basis of Actual T&D losses. Hence the Difference between Normative and Actual T&D losses is borne by the DISCOM. The difference amount is not loaded into the Tariff.

The details of income and expenses have been given in the Petition on the basis of Tariff Regulation and audited financial statements. It is also worth mentioning that the distribution losses are not passed on to the consumers by the Commission in excess of the permitted distribution losses in the Tariff Regulations.

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 2019-20, the Commission has considered distribution losses at normative levels, as specified in MYT Regulations, 2015 and its amendments thereof, thereby not allowing any impact of higher actual distribution losses on consumers.

ISSUE No. 10: Differential Bulk Supply Tariff (DBST)

Issue Raised by Stakeholders:

The Petitioner has submitted that from January 2020, DBST has been made applicable. However, the Petitioner has not provided any details about DBST.

Further, the Petitioner has not provided the station wise details of power purchase for the period from January 2020 to March 2020. Therefore, it is requested to the Commission to direct the Petitioner to provide station wise detail for the said period.

Response from DISCOM

The Petitioner has not submitted the reply on this issue.

Commission's Views

The Commission has admitted the power purchase cost in line with the approach followed in previous true up orders.

ISSUE No. 11: Contradictory Figures

Issue Raised by Stakeholders:

DISCOMs have given the details in the total revenue income from the supply of electricity in the Petition. However, there is a contradiction in the figures of income given by the DISCOMs. East DISCOM has reported a total income of Rs. 10,375.64 Crore from sale of 16,151.99 MU electrical power from LT and HT and Central DISCOM has reported a total income of Rs. 11,756.28 crore from sale of 17,460.96 MU of electrical power while West DISCOM, the larger of these two, has reported 22,217.63 MU from sale of electrical power and the total income of only Rs.7,904.14 crore has been reported by the West DISCOM which reveals that data presented is not real and has discrepancies.

East and Central DISCOM have presented subsidies data in a different way and West DISCOM has presented subsidies data in a different way. Regarding this it is not clear whether Commission has given the instructions to present as such or are the three power distribution companies trying to beat each other by competing among themselves even in arbitrariness.

There is a huge difference between tariff order and True-up petition due to which Rs.5341.13 Crores are added extra in the ARR.

Response from DISCOM

The total power sale by the petitioner West Zone Electricity Distribution Company is 22,217.63 million units and the income from the sale of electricity is Rs 14,914.68 crore and the same detail are given in the page number 36 table no. 06 and page no. 67 table no. 38 of the Petition. The details of sale proceeds are given in table number 39 on page number 70. It is to be mentioned here that the above statement of income from sale of electricity has been furnished on the basis of audited financial statements.

The data in Tariff Petition is presented on actual basis based on CAGR computation of previous years and as per Tariff Regulations, whereas in True-up Petition the data is presented on actual basis based on Tariff Regulations and Audited Financial Statements.

In the approval of the petition by the Hon'ble Commission, the relevant procedure described in the Regulations and Electricity Act 2003 is followed. The details of all the expenses including electricity purchase have been provided in the petition. The Hon'ble Commission determines the true-up petition of the licensee only after examining all the relevant records/information related to the petition.

The figures approved in the tariff order passed by the Commission are based on estimates but the figures shown in the True-up petition are real. In real time operation, the demand and availability of electricity keeps on increasing and decreasing, which is not possible to predict, that is why there is a difference in the figures shown in the order approved and the True-up petition.

Commission's Views

The Commission has admitted the tariff income, subsidy from State government and other / Non-Tariff income in accordance to the audited accounts, which have been detailed in respective chapters of this Order.

ISSUE No. 12: Fixed Charges

Issue Raised by Stakeholders:

The distribution companies are ordered to collect charges on various items for the tariff determination Petition of electricity and for the recovery of the expenses incurred for providing the line and plant used for supplying electricity. The companies are charging the charges as per the order but the amount of the charges collected in these items has not been added to the revenue received which is beyond comprehension. Fixed charge based on connected load which is more than 40% of the revenue received from the sale of electricity and there is also a huge revenue income which has also not been added to the revenue income and is thus also beyond comprehension.

With respect to this it is questioned whether this amount of income not the revenue received and if not, then why is it being collected from the consumer and where it has been told to be received and when the rate of electric energy is added by adding the amount of fixed charges to be given in the rate fixation. If the assessment has been done, then how is it correct not to add the amount of fixed charges received to the income received.

Therefore, it is further suggested that the fixed charges and variable charges to be given by the power companies at the time of rate fixation should be determined separately. And the fixed charges to be charged from the electricity consumers should be fixed according to the fixed charges given by the electricity companies and the rates of electricity should be fixed on the basis of variable cost. Or, clear instructions should be given that the fixed charges to be taken from the consumers should be adjusted in the amount of electricity bill and in the form of minimum amount and only the amount of fixed charges should be recovered.

Response from DISCOM

In the petition, both fixed charges and energy charges have been included in the revenue received from the sale of electricity. It is also mentioned that the details of various incomes have been included in the petition on the basis of the audited financial statements.

Commission's Views

The Commission has considered the consumer contribution as per audited accounts and have reduced the same from the Gross Fixed Assets to compute Return on equity, Interest on Loan and depreciation, thereby not allowing the DISCOMs any double recovery from the Consumers. Further, with regard to other income, the same has been considered as per the audited account and has been detailed in relevant section of this order.

ISSUE No. 13: Lack of Information

Issue Raised by Stakeholders:

The Petitioner has not provided details of the interest on project loans and its interest rates. Further, a large amount of finance charges has been claimed in the Petition, but it is not clear for which projects these charges were paid. If this payment has been made for the finance of a project, then the question is whether this project is not included in the budget. Therefore, for this claim, the power companies should be ordered to submit an explanation.

A large amount of interest has been claimed on the working capital, but it is not clear to whom it belongs. Further submitted that for purchase of electricity 45 days are given for pay back without any interest and penalty so no working capital is required.

The company pays the salary of the employees after 1 month and the electricity that is purchased for the line plant is paid to the supplier and the contractor after two months to six months, then this working capital is useful in which working. Therefore, Commission is requested not to accept this claim.

The Petitioner has written in the petition that all the figures have been included in the petition by taking the audited accounts, whereas it has been observed that there are discrepancies in the accounts of all the three distribution companies. The stakeholder further submits that the audit report is not attached with the petition and whether it is possible that audit companies adopt different methods to conduct audit. It is clear that even the Commission cannot confirm the veracity of the claims of the Petitioner. Therefore, Commission is requested to direct the power companies to attach the audited report with the supplementary petition and to ensure that all the documents related to the claims which are being made by the power companies are attached with the petition.

Response from DISCOM

Interest on Project Loan, Depreciation, Finance Charges, Interest on Working Capital has been claimed on the basis of Tariff Regulations 2015 issued by the Commission.

The Commission determines the licensee's true-up petition only after examining all the relevant records/information related to the petition.

Commission's Views

The Commission has allowed Return on Equity, Interest on Loan, Finance Charges, Interest on Working Capital in accordance to the provisions of the MYT Regulations, which has been appropriately dealt in relevant section of this order. However, considering the non-submission of Fixed Asset Register in accordance to the format prescribed by the Commission, Depreciation has been allowed at the same rate as allowed in Retail Tariff Order for respective years.

ISSUE No. 14: Treatment of Revenue Gap

Issue Raised by Stakeholders:

The treatment of revenue gap with Grant received under UDAY should be considered for FY 2019-20 and request the Commission to carry forward that in FY 2020-21 and onwards.

Response from DISCOM

Under Uday scheme loan amount shall be takeover by the GoMP through book adjustment and no amount is to be made available by the government in cash. As the loan liability of the Company is to be reduced under UDAY scheme it will have impact on weighted average interest rate of the Company from FY 2017-18 onwards which is already considered by the DISCOM. It is stated that instant petitions are filed by the DISCOMs as per provision of the Regulation on normative basis.

Commission's Views

The treatment of UDAY Scheme has been considered and appropriately dealt in relevant section of this order.

Annexure -I

Table 58:List of Stakeholders

Sr. No.	Name of the Stakeholders
East DISCOM	
1.	Shri Rajendra Agrawal 1995/A Gyan Vihar Colony, Narmada Road, Jabalpur -4802002 Shri Rajesh Choudhary 101 D.N Jain Shopping Complex, Jabalpur-482002
West DISCOM	
2.	Shri. Sunil Kantilal Ji Jain 7/548-A, Kasturba Nagar, Ratlam
3.	Shri Shubham Jain Jaideep Ispat & Alloys Pvt. Ltd
4.	Shri Shubham Jain Rathi Iron & Steel Industries
5.	Shri. S.M Jain M/s Venus Alloys Pvt. Ltd. 67, Industrial Area, Mandsaur – 458001
Central DISCOM	
6.	Shri. Yogesh Goel Alco Electrostrips Pvt Ltd. Plot No 101, Sector F, Industrial Area, Govindpura, Bhopal – 462023
7.	Shri. C.B. Malpani Association of all industries, Mandideep Plot No. AM-19, Sector B, Industrial Area, Mandideep, Distt. Raisen(M.P.)
8.	Shri. Yogesh Goel Govindpura Industries Association, Industrial Area, Govindpura, Bhopal – 462023
9.	Bhopal Marriage Garden Owners Welfare Association