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 2022-23

Petition No. 68/2023

PRESENT:

S.P.S. Parihar, Chairman

Gopal Srivastava, Member (Law)

Prashant Chaturvedi, Member

IN THE MATTER OF:

Determination of True-up of Aggregate Revenue Requirement (ARR) for FY 2022-23 based on the True-up Petition filed by the Distribution Licensees namely Madhya Pradesh Poorv Kshetra Vidyut Vitaran Company Limited (East DISCOM), Madhya Pradesh Paschim Kshetra Vidyut Vitaran Company Limited (West DISCOM), Madhya Pradesh Madhya Kshetra Vidyut Vitaran Company Limited (Central DISCOM) and M.P. Power Management Company Limited (MPPMCL)

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List of Abbreviations

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

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

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

A1: ORDER

(Passed on this 5th Day of March, 2024)

1.1 This Order relates to the Petition No. 68/2023 filed by Madhya Pradesh Poorv Kshetra Vidyut Vitaran Company Ltd., Madhya Pradesh Paschim Kshetra Vidyut Vitaran Company Ltd., Madhya Pradesh Madhya Kshetra Vidyut Vitaran Company Ltd. and Madhya Pradesh Power Management Company Ltd., Jabalpur (hereinafter referred to as East DISCOM, West DISCOM, Central DISCOM, and MPPMCL, respectively, and collectively as Petitioners or Distribution Licensees or Distribution Companies or DISCOMs) before Madhya Pradesh Electricity Regulatory Commission (hereinafter referred to as MPERC or the Commission). The Petition has been filed by the Distribution Licensees seeking the True-up of Aggregate Revenue Requirement (ARR) determined by the Commission in its Retail Supply Tariff Order for FY 2022-23 (hereinafter referred to as Tariff Order).

1.2 The Commission has reviewed the operational and financial performance parameters of the DISCOMs for FY 2022-23. 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 2022-23 on 31st March 2022, 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, 2021 and its amendments (herein referred to as MYT Regulations, 2021 and amendments thereof or Tariff Regulations).

1.4 As per the MYT Regulations, 2021 and amendments thereof, the DISCOMs were required to file Petition for True-up of ARR for FY 2022-23 by 30th November, 2023. 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 The Petitioners filed their true up Petition for FY 2022-23 on 30th November, 2023. Thereafter, the Commission held the motion hearing on 05th December, 2023 and admitted the Petition.

1.6 Based on the analysis of the Petition, the Commission communicated additional data requirements vide letter dated 04th January, 2024. Thereafter, the Commission vide letter dated 16th January, 2024 received communication from Petitioners for grant of additional time for submission of additional information against data gaps by 30th January, 2024.The Petitioners submitted the consolidated additional information vide their letter dated 15th February, 2024.

Notification of true-up proposals for public information

1.7 The public notices were approved by the Commission on 05th January, 2024 for publication by the Petitioners in Hindi and English newspapers for inviting comments /objections/ suggestions from various stakeholders. Details of the publications are as follows:

Table 1: List of Newspapers- Public Notice

DISCOM	FY 2022-23 True-Up (Petition No. 68/2023)
East DISCOM	Dainik Bhaskar, Jabalpur, Hindi
	Dainik Bhaskar, Sagar, Hindi
	Dainik Bhaskar, Satna, Hindi
	Dainik Bhaskar, Shahdol, Hindi
	The Hitavada, Jabalpur, English
Central DISCOM	Peoples Samachar, Gwalior, Hindi
	Central Chronicle, Bhopal, English
	Patrika, Bhopal, Hindi
West DISCOM	Nav Bharat, Indore, Hindi
	Times of India, Indore, English

1.8 The last date for filing the comments / suggestions / objections by the stakeholders was 30th January, 2024. In response, the Commission received comments / suggestions / objections from one (1) stakeholder within the stipulated time.

Hearings

1.9 In Order to provide ample opportunity to the stakeholders to present their views before the Commission, Public Hearing was held on 06th February, 2024 through video conferencing. Name of stakeholder who have submitted their suggestions/ comments / objections on the Petition before the Commission in person through virtual hearing/written submission, is annexed to this Order as **Annexure-1.**

Disclaimer for Rounding

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

Summary of Petition

1.11 Summary of the True-up Petition of FY 2022-23 submitted by the Petitioners is given below:

Table 2 : Summary of the True-up Petition of DISCOMs for the period from April 2022 to March 2023 – as submitted by the Petitioners (Rs. Crore)

Particulars	FY 2022-23							
	East DISCOM		West DISCOM		Central DISCOM		State	
	Tariff Order	Claimed	Tariff Order	Claimed	Tariff Order	Claimed	Tariff Order	Claimed
Power Purchase Cost including Inter-State Transmission Charges	**7,852.92**	**9,210.69**	**14,918.28**	**16,266.03**	**9,739.79**	**11,752.19**	**32,510.99**	**37,228.92**
Intra-State Transmission Charges including SLDC Charges	1,260.51	1,560.33	1,504.90	1,577.42	1,484.82	1,580.04	4,250.24	4,717.79
O&M Expenses	**1,785.33**	**1,321.76**	**1,599.46**	**1,349.18**	**1,747.01**	**1,282.31**	**5,131.80**	**3,953.25**
Depreciation	290.30	329.31	125.77	313.13	311.28	405.73	727.36	1,048.17
Interest & Finance Charges	**492.63**	**396.02**	**238.79**	**184.76**	**549.94**	**506.54**	**1,281.36**	**1,087.32**
On Project Loans	*383.08*	*280.01*	*156.69*	*113.10*	*428.54*	*386.28*	*968.31*	*779.39*
On Working Capital Loans	*65.95*	*68.73*	*11.85*	*12.49*	*73.82*	*61.84*	*151.61*	*143.07*
On Consumer Security Deposit	*43.62*	*47.28*	*70.25*	*59.17*	*47.82*	*58.41*	*161.44*	*164.86*
Return on Equity	306.24	235.51	183.20	164.98	331.69	269.65	821.12	670.14
Bad & Doubtful Debts	0.00	0.00	0.00	134.97	0.00	0.79	0.00	135.76
Other Expenses	0.00	0.00	0.00	4.17	0.00	0.00	0.00	4.17
Total Expenses	**11,987.94**	**13,053.62**	**18,570.41**	**19,994.65**	**14,164.53**	**15,797.26**	**44,722.88**	**48,845.54**
Less: Other income and Non Tariff Income	199.85	259.60	151.12	218.92	234.73	141.12	585.70	619.63
Net Total Expenses	**11,788.09**	**12,794.02**	**18,419.29**	**19,775.72**	**13,929.80**	**15,656.15**	**44,137.17**	**48,225.88**
Add: Revenue Gap of MP Transco True-up of FY 2019-20*	10.05	0.00	12.34	0.00	11.82	0.00	34.21	0.00
Add: Revenue Surplus of MP Genco True-up of FY 2019-20*	(130.60)	0.00	(164.47)	0.00	(162.05)	0.00	(457.12)	0.00
Add: Revenue Gap for DISCOMs for FY 2019-20	1,260.38	1,260.38	(482.17)	(482.17)	1,252.72	1,252.72	2,030.92	2,030.92
Add: Revenue Gap for DISCOMs for FY 2020-21	63.91	63.91	87.45	87.45	74.39	74.39	225.75	225.75
Total ARR Expenses	**12,991.83**	**14,118.31**	**17,872.43**	**19,381.00**	**15,106.68**	**16,983.25**	**45,970.94**	**50,482.56**
Revenue	12,992.03	13,257.52	17,872.71	18,973.00	15,106.91	15,991.71	45,971.64	48,222.23
Revenue Gap	**(0.20)**	**860.79**	**(0.28)**	**408.00**	**(0.23)**	**991.55**	**(0.71)**	**2,260.34**

** Being already included in power purchase cost and Intra-state Transmission charges.*
Note: In addition to above claim of Rs 155.45 Crore, Rs. 53.73 Crore and Rs. 176.68 Crore is made towards carrying cost for True-Up by East, West and Central DISCOM respectively.

1.12 The Commission analysed the True-up Petition on the basis of information furnished by the DISCOMs, audited accounts, past records, and views expressed by the Stakeholders. After giving due consideration to the norms, methodology, process of determination of expenditure and revenues as elaborated in the MYT Regulations, 2021 and amendments thereof, and keeping in view interest of the consumers, the Commission has determined the allowable Revenue Gap/Surplus, as detailed in the subsequent Sections of this Order.

1.13 Summary of the True-up of ARR admitted for FY 2022-23 is given below:

Table 3: Revenue Gap admitted in True-up of ARR for FY 2022-23 (Rs. Crore)

Particulars	East DISCOM		West DISCOM		Central DISCOM		State	
	Claimed	Admitted	Claimed	Admitted	Claimed	Admitted	Claimed	Admitted
Power Purchase Cost including Inter-Transmission Charges	**9,210.69**	**8,796.90**	**16,266.03**	**16,713.90**	**11,752.19**	**11,368.45**	**37,228.92**	**36,879.25**
Intra-State Transmission Charges including SLDC Charges	1,560.33	1,560.33	1,577.42	1,577.42	1,580.04	1,580.04	4,717.79	4,717.79
O&M Expenses	1,321.76	1,316.92	1,349.18	1,347.13	1,282.31	1,278.29	3,953.25	3,942.33
Depreciation	329.31	338.18	313.13	184.21	405.73	354.05	1,048.17	876.45
Interest & Finance Charges	**396.02**	**378.69**	**184.76**	**180.30**	**506.54**	**480.50**	**1,087.32**	**1,039.49**
On Project Loans	280.01	266.62	113.10	107.77	386.28	362.67	779.39	737.06
On Working Capital Loans	68.73	64.79	12.49	13.35	61.84	59.43	143.07	137.58
On Consumer Security Deposit	47.28	47.28	59.17	59.17	58.41	58.41	164.86	164.86
Return on Equity	235.51	235.51	164.98	162.85	269.65	267.66	670.14	666.03
Bad & Doubtful Debts	0.00	0.00	134.97	38.32	0.79	0.00	135.76	38.32
Other Expense	0.00	0.00	4.17	4.17	0.00	0.00	4.17	4.17
Total Expenses admitted	**13,053.62**	**12,626.53**	**19,994.65**	**20,208.30**	**15,797.26**	**15,329.00**	**48,845.54**	**48,163.83**
Less: Other income and Non-Tariff Income	259.60	257.61	218.92	212.88	141.12	138.86	619.63	609.35
ARR Admitted	**12,794.02**	**12,368.92**	**19,775.72**	**19,995.43**	**15,656.15**	**15,190.13**	**48,225.88**	**47,554.48**
Add: Revenue Gap of MP Transco True-up of FY 2019-20*	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Less: Revenue Surplus of MP Genco on True-up of FY 2019-20*	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Add: Revenue Gap for DISCOMs for FY 2019-20	1,260.38	1,260.38	(482.17)	(482.17)	1,252.72	1,252.72	2,030.92	2,030.92
Add: Revenue Gap for DISCOMs for FY 2020-21	63.91	63.91	87.45	87.45	74.39	74.39	225.75	225.75
ARR admitted including True ups	**14,118.31**	**13,693.21**	**19,381.00**	**19,600.70**	**16,983.25**	**16,517.24**	**50,482.56**	**49,811.15**
Revenue	**13,257.52**	**13,257.52**	**18,973.00**	**18,973.00**	**15,991.71**	**15,991.71**	**48,222.23**	**48,222.23**
Revenue Gap	**860.79**	**435.69**	**408.00**	**627.70**	**991.55**	**525.53**	**2,260.34**	**1,588.92**
Carrying Cost on True-up of FY 2022-23	155.45	91.50	53.73	131.82	176.68	110.36	385.86	333.67
Net Revenue Gap	**1,016.24**	**527.19**	**461.73**	**759.52**	**1,168.23**	**635.89**	**2,646.20**	**1,922.60**

**Being already included in power purchase cost and Intra-state Transmission charges, these are not considered separately.*

1.14 Accordingly, the Commission has admitted the net Revenue Gap of Rs.1,922.60 Crore after true up of FY 2022-23 to be passed through in the retail supply tariff to be determined by the Commission for the subsequent years.

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

Sd/-	Sd/-	Sd/-
Prashant Chaturvedi	**Gopal Srivastava**	**S. P. S. Parihar**
Member	**Member (Law)**	**Chairman**

Dated: 5th March, 2024
Place: Bhopal

A2: TRUE UP OF AGGREGATE REVENUE REQUIREMENT OF FY 2022-23

Analysis of Expenses during the period from April 2022 to March 2023

Sale of Energy

Petitioners' Submission

2.1 Petitioners submitted that in the MYT Regulations, 2021, Sales is defined as uncontrollable in nature, which is beyond the control of the Petitioners. As regards approval of sales mainly for unmetered categories, in the past True-up Orders, the Commission has adopted an approach wherein it has disallowed some portion of the monthly sales to domestic and agricultural unmetered consumers stating that the same has been booked in excess of the monthly norms as approved by the Commission.

2.2 In this regard, the Petitioners submitted that though the booking of unmetered sales is done strictly as per the norms stipulated by the Commission, however, under some circumstances, the same appears to be higher than the norms but corresponds to norms only. It is to be submitted that the Commission considers standalone monthly R-15 statement, and from such R-15 statement, the Commission back calculates the unmetered sales considering the number of consumers and its connected load as recorded in the R-15. As per Petitioner the Commission compares the back calculated sales against the sales actually recorded in the R-15 and disallows the sales in case the sales booked in the standalone monthly R-15 statement are higher than the sales back calculated by the Commission.

2.3 The Petitioners submitted that the reason due to which the sales when back calculated from R-15 Statement considering the number of consumers and connected load, appears to be higher than the norms:

a) In most of the cases, first billing of an unmetered consumer could not be initiated in that particular month in which the connection was served, however, in the subsequent billing cycles, the same consumer is booked cumulatively for two or more months as the case may be, i.e., considering the normative sales of past months and existing month. Due to this, in standalone monthly R-15, it appears to be higher than the norms.

b) When a consumer having arrears becomes permanently disconnected, it still appears in the R-15 as long as it is transferred to the permanently disconnected (PD) ledger, as such the consumer is counted without sales and in such cases, the normative units may not be commensurate with the number of consumers.

c) In R-15 Statement, the connected load of consumer is recorded in kW, which is basically converted from HP load. Further, the actual load as recorded in R-15 is in fraction (e.g. 7.5 HP) for most of the consumers, however, the billing happens with load rounded off to nearest integer in HP or part thereof as stipulated in the Tariff Order.

d) In R-15 Statement, the consumer's load data for Agriculture pump is taken in kW whereas actual billing is done on HP basis as per the norms specified. Thus, the R-15 data provides actual sales on normative basis and load in kW converted from corresponding HP load. When such derived load in kW and sales are taken from R-15 to cross verify the threshold for the normative sales, the same will not match due to the inherent formula/calculation/rounding-off errors.

2.4 Hence, as per submission of the Petitioner though the sales are booked as per norms to individual consumers, when it is back calculated considering the final R-15 data (mainly derived load in kW and number of consumers) the same will not match with actuals and thus, may seem to vary with the norms.

2.5 The Petitioners also submitted that the Commission disallows the sales booked in excess of the stipulated norms, thereby disallowing the corresponding power purchase quantum and hence, cost at normative level. However, revenue from such incremental sales is already booked in the accounts, and are considered for determining the ARR. This has double impact on the ARR of the Petitioners. In case the unmetered sales are to be disallowed, then it is important that a proportionate amount of revenue should also be reduced from the total revenue from sale. Therefore, the Petitioners requested the Commission not to disallow the actual sales booked by the DISCOMs. In case, the Commission wishes to adhere to its approach, then the revenue against such excess sales should also be reduced, as consideration of revenue and disallowing corresponding sales would result in double impact for the Licensee.

2.6 Further, the Petitioners requested the Commission to approve sales as recorded in R-15 statement, i.e., 67,677 MU for the State, 18,554 MU for the East DISCOM, 22,433 MU for the Central DISCOM, and 26,690 MU for the West DISCOM for FY 2022-23.

Commission's Analysis on Sales

2.7 A comparison of Sales as admitted in Tariff Order issued on 31st March, 2022 for FY 2022-23, as per R-15 statements (basic sale/billing data statement), and as claimed in the True-up Petition is given in the table below:

Table 4 : Sales as per Tariff Order, monthly R-15 statement and as filed in True-up Petition for FY 2022-23 (MU)

Sales		**East DISCOM**	**West DISCOM**	**Central DISCOM**	**Total**
As admitted in the Tariff Order	LT	15,565.72	20,690.08	18,176.18	54,431.99
	HT	3,931.69	6,338.21	4,099.75	14.369.65
	Total	**19,497.42**	**27,028.30**	**22,275.93**	**68,801.64**

Sales		**East DISCOM**	**West DISCOM**	**Central DISCOM**	**Total**
As per monthly R-15 report	LT	14,450.39	19,804.23	17,606.67	51,861.29
	HT	4103.50	6,885.93	4,826.33	15,815.76
	Total	**18,553.90**	**26,690.16**	**22,433.00**	**67,677.05**
As filed in True-up Petition	LT	14,450.39	19,804.23	17,606.67	51,861.29
	HT	4103.50	6,885.93	4,826.33	15,815.76
	Total	**18,553.90**	**26,690.16**	**22,433.00**	**67,677.05**

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

2.9 The Commission had approved assessed units for unmetered category of rural domestic and agriculture consumers in the Tariff Order as shown in the table below:

Table 5 : 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)**			
Rural	**Category**	**Rural / Urban**	**Category**	**Rural / Urban**
	Three Phase		**Single Phase**	
FY 2022-23	**April to September**		**April to September**	
75	Permanent	95	Permanent	95
	Temporary	220	Temporary	230
	October to March		**October to March**	
	Permanent	170	Permanent	180
	Temporary	195	Temporary	205

2.10 On scrutiny of the sales for the unmetered domestic consumers recorded in monthly R-15 statements for FY 2022-23, it has been observed that the actual monthly unmetered sales to domestic consumers for DISCOMs is higher in few months. Therefore, the Commission has disallowed the sales of 0.49 MU booked in excess of monthly norms as per R-15 statements. A summary of the unmetered sales as per monthly R-15 statements and Sales in excess of the specified benchmark as observed from the monthly R-15 statements, is shown in the table below:

Table 6: Summary of sale to the unmetered domestic category booked in excess of the specified benchmark (MU):

DISCOM	Unmetered Sales as per monthly R15	Sales booked in excess of the specified benchmark
East	262.71	0.39
West	21.42	0.01
Central	253.37	0.09
State	**537.50**	**0.49**

2.11 Regarding the Petitioners' submissions on agricultural unmetered sales, it was observed that the data regarding sales, number of consumers and connected load in respect of single-phase and three-phase consumers is not available separately in Standard R-15 statement for the true-up period FY 2022-23.

2.12 Further, Petitioners' submitted the sales, number of consumers and connected load in respect of single-phase and three-phase consumers for true up period FY 2022-23, in reply to additional information sought vide the data gaps. The Commission observed that the sales, number of consumers and connected load submitted by the Petitioners in reply to data gaps are not matching with the standard R-15 statement of the Petitioners based on which instant true-up Petition is filed. Hence, the authenticity of the Petitioners' submissions as regards unmetered agriculture sales cannot be ascertained and validated by the Commission. The Commission emphasizes that despite repeated directives to the Petitioners to accurately align the R-15 Statement with the categories, sub-categories, and slabs of the approved Tariff Schedule, and to submit the R-15 reports in accordance with the Tariff Schedule approved by the Commission, the Petitioners are yet to comply with these directives. The Petitioners are also required to minimise the delay in billing of unmetered consumers and transfer of permanently disconnected (PD) consumers to PD ledger. The Petitioners will have to take appropriate measures, so that their claims may be examined with right set of data. Lack of compliance on their part not only translates to operational inefficiency but makes it difficult to conduct prudence checks thoroughly. Therefore, until the Petitioners are able to accurately align the R-15 statement with the categories, sub-categories, and slabs of the approved tariff schedule, and match / reconcile values with Standard R-15 Statements, the Commission is constrained to adopt the approach as followed in all previous True-up Orders for determining excess booking of sales to the unmetered agriculture category based on the Standard R-15 statement.

2.13 On scrutiny of the monthly sales to unmetered agricultural consumers recorded in monthly R-15 statements for FY 2022-23, it is observed that the sale to un-metered category of agriculture consumers has been booked in excess of the specified monthly benchmarks, when compared with the number of consumers and their load. Accordingly, the Commission has admitted the metered sales as per R-15 statements, whereas the sales to un-metered agricultural consumers has been admitted as per the monthly benchmarks specified in the Tariff Order for FY 2022-23. A summary of the unmetered sales as per monthly R-15 statements and Sales in excess of the specified benchmark as observed from the monthly R-15 statements is shown in the table below:

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

DISCOM	Unmetered Sales as per monthly R15	Sales booked in excess of the specified benchmark
East	6,776.72	46.25
West	10,926.95	26.67
Central	9,314.49	89.39
State	**27,018.16**	**162.31**

2.14 Regulation 26.9 of the MYT Regulations, 2021 specifies that at the time of True-up, if actual Average Billing Rate of a particular consumer category in any Circle is lower than 95% of approved Average Billing Rate (ABR) for the said category of consumer and the Petitioner is unable to justify the reasons for the same, the Commission will work out the revised sales of that Circle considering the total actual revenue billed and Average Billing Rate of that category. The relevant extract of the Regulation is reproduced below:

"26.9. At the time of truing up, if actual Average Billing Rate (excluding Electricity Duty and other income) of a particular consumer category in any Circle is lower than 95% of approved Average Billing Rate including Fuel Charge Adjustment for the said category of consumer and the Licensee is unable to justify the reasons for the same, the Commission will work out the revised sales of that circle considering the total actual revenue billed and Average Billing Rate of that category in the tariff order (Revised Sales = total actual revenue billed / ABR for that particular category of the DISCOM). The difference in actual sales submitted by the Licensee and revised sales worked out by the Commission shall be considered as excess sales booked by the Distribution Licensee. The excess sales thus computed shall be reduced from the total actual sales of the Distribution Licensees submitted for the year at the time of truing up:

Provided that the Commission may review this methodology from time to time."

2.15 The Commission has carried out the detailed analysis of the consumer category wise ABR at the Circle level for the DISCOMs and observed that for few of the consumer categories in some Circles the actual ABR was lower than 95% of approved ABR. The justification for lower ABR was submitted by East and West DISCOMs, however, Central DISCOM has not submitted any justification for lower ABR.

2.16 The Commission observed that the reason for variation in ABR for most of the consumer categories for which the actual ABR was lower than 95% of approved ABR was due to various rebates/incentives provided to a respective consumer category as per the Tariff Order. Considering the rebates/incentives provided to various consumer categories, the Commission has considered the threshold of 85% of approved ABR for further analysis and dis-allowance of sales. In case of East and West Discoms, the actual ABR for all the categories was more than 85%. However, in case of Central Discom, in three Circles namely, Rajgarh (O&M), Sehore (O&M) and Vidisha (O&M), the actual ABR was substantially lower than 85% of approved ABR for LV-3 (Public Water Works and Street Light) category.

2.17 Accordingly, the Commission as per Regulation 26.9 of MYT Regulations, 2021 has worked out revised sales for Central DISCOM for three Circles for which the actual ABR was substantially lower than 85% of approved ABR for LV-3 (Public Water Works and Street Light) and no reason was submitted by the DISCOM as was required under MYT Regulations, 2021. The difference in actual sales submitted by the Central DISCOM and revised sales worked out by the Commission has been considered as excess sales booked for Central DISCOM i.e., 20.65 MU.

2.18 The Commission directs the Petitioners to submit the detailed analysis of Circle wise actual ABR with respect to approved ABR for each consumer category as per Regulation 26.9 of MYT Regulations, 2021 from next true-up filing with proper justification and reasons for variation in ABR, wherever observed.

2.19 The details of energy sales as per Tariff Order for FY 2022-23, 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 8 : Energy sales as per Tariff Order for FY 2022-23, as per filing of the DISCOMs, and as admitted by the Commission (MU)

Category	East Discom			West Discom			Central Discom			Total for the State		
	As per Tariff Order FY 2022-23	As per True Up Petition FY 2022-23	As admitted in True Up Order FY 2022-23	As per Tariff Order FY 2022-23	As per True Up Petition FY 2022-23	As admitted in True Up Order FY 2022-23	As per Tariff Order FY 2022-23	As per True Up Petition FY 2022-23	As admitted in True Up Order FY 2022-23	As per Tariff Order FY 2022-23	As per True Up Petition FY 2022-23	As admitted in True Up Order FY 2022-23
LOW TENSION												
LV 1: Domestic	5,950.51	5,656.89	5,656.50	6,637.93	6,117.35	6,117.34	6,633.61	6,116.41	6,116.32	19,222.05	17,890.65	17,890.16
LV 2: Non-Domestic	1,351.71	1,139.05	1,139.05	1,416.71	1,404.44	1,404.44	1,117.64	1,270.21	1,270.21	3,886.06	3,813.70	3,813.70
LV 3: Public Water Works and Street lights	405.75	404.40	404.40	524.95	584.83	584.83	430.98	486.28	465.63	1,361.68	1,475.51	1,454.86
LV 4: LT Industrial	460.43	450.01	450.01	742.06	739.74	739.74	361.87	331.27	331.27	1,564.36	1,521.03	1,521.03
LV 5: Agricultural and Allied Activities	7,397.28	6,799.96	6,753.71	11,367.49	10,957.53	10,930.86	9,630.45	9,402.37	9,312.98	28,395.22	27,159.86	26,997.55
LV 6 :E- Vehicle / E-Rickshaws Charging Stations	0.05	0.08	0.08	0.94	0.34	0.34	1.63	0.12	0.12	2.62	0.54	0.54
LT Units (MU)	**15,565.72**	**14,450.39**	**14,403.75**	**20,690.08**	**19,804.23**	**19,777.55**	**18,176.18**	**17,606.67**	**17,496.53**	**54,431.99**	**51,861.29**	**51,677.83**
HIGH TENSION												
HV 1: Railway Traction	55.32	0.00	0.00	0.00	0.00	0.00	55.32	0.00	0.00	110.64	0.00	0.00
HV 2: Coal Mines	527.23	484.15	484.15	0.00	0.00	0.00	27.23	21.52	21.52	554.46	505.66	505.66
HV-3: Industrial, Non-Industrial and shopping malls	2,900.73	3,174.86	3,174.86	5,179.69	5,710.96	5,710.96	3,539.04	4,312.17	4,312.17	11,619.46	13,197.99	13,197.99
HV-4: Seasonal	12.21	9.78	9.78	10.39	9.59	9.59	2.05	1.00	1.00	24.65	20.36	20.36
HV-5: Irrigation, Public Water Works and Other than Agricultural	185.13	190.70	190.70	1,105.39	1,098.29	1,098.29	315.05	331.37	331.37	1,605.57	1,620.35	1,620.35
HV-6: Bulk Residential Users	247.99	241.48	241.48	25.37	38.64	38.64	153.15	155.09	155.09	426.51	435.21	435.21
HV-7 : Synchronization of Power for Generators Connected to the Grid	0.99	2.55	2.55	16.26	25.74	25.74	4.86	4.28	4.28	22.11	32.56	32.56
HV 8:E- Vehicle / E-Rickshaws Charging Stations	2.10	0.00	0.00	1.12	2.72	2.72	3.04	0.91	0.91	6.26	3.62	3.62
HT Units (MU)	**3,931.69**	**4,103.50**	**4,103.50**	**6,338.21**	**6,885.93**	**6,885.93**	**4,099.75**	**4,826.33**	**4,826.33**	**14,369.66**	**15,815.76**	**15,815.76**
GRAND TOTAL HT + LT (MU)	**19,497.42**	**18,553.90**	**18,507.25**	**27,028.30**	**26,690.16**	**26,663.48**	**22,275.93**	**22,433.00**	**22,322.86**	**68,801.65**	**67,677.05**	**67,493.60**

<u>Power Purchase Quantum and Cost</u>
Petitioners' Submission

2.20 The Petitioners have submitted that the energy requirement (MU) admitted in the Tariff Order for FY 2022-23 by the Commission was based on the normative loss trajectory as per the MYT Regulations, 2021 and amendments thereof, which differs from the actual loss levels for FY 2022-23.

2.21 The Petitioners have submitted that they have undertaken various steps like strengthening of the network infrastructure, addition of network elements and vigorously undertaking the energy audit visits to reduce the losses and to keep a close tab on the losses and stated that they have achieved a significant reduction in distribution losses during the past period and these efforts shall continue and will be enhanced. Petitioners further submitted that the loss reduction is a gradual process and becomes increasingly difficult as the loss levels come down. Therefore, it is very crucial that the loss reduction trajectory should be realistic. The unrealistic loss trajectory would result in substantial financial burden on the Discoms by way of disallowance in power purchase cost.

2.22 The Petitioners have submitted that they have considered the MPPTCL losses of 2.63% as reported by MPPTCL for FY 2022-23. The Petitioners further submitted that they have considered the actual month-wise sales as recorded by the DISCOMs and by considering the actual month-wise losses, the energy requirement at DISCOM periphery is worked out. Further, the energy requirement at DISCOM periphery is then grossed up with intra-State Transmission losses of 2.63% to arrive at monthly energy requirement at State boundary.

2.23 The Petitioners have considered the energy requirement at Ex-Bus as per the State Energy Account (SEA) as available on SLDC website and accordingly, the difference of energy requirement at Ex-Bus and the energy requirement at State Boundary is considered as external PGCIL losses for FY 2022-23.

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

Table 9: Energy Balance as filed by DISCOMs for FY 2022-23

Sr. No.	Particulars	UoM	East DISOCM	West DISCOM	Central DISCOM	State
1	Actual Sales	MU	18,553.90	26,690.16	22,433.00	67,677.05
2	Normative Loss	%	15.75%	14.75%	16.75%	15.70%
3	Input at T&D Periphery (3 = 1/(1-2))	MU	22,022.43	31,308.10	26,946.54	80,277.08
4	MP Transco Loss – Approved	%	2.63%	2.63%	2.63%	2.63%
5	Input at G-T Interface (5= 3/(1-4))	MU	22,617.26	32,153.75	27,674.38	82,445.39
6	Inter-State Transmission Losses	MU	688.97	989.74	832.72	2,511.42
7	**Power Purchase Requirement (7 =5+6)**	**MU**	**23,306.23**	**33,143.48**	**28,507.10**	**84,956.81**

2.25 The Petitioners have submitted that the deviation in power purchase quantum and cost as per actuals and as approved in Retail Supply Tariff Order dated 31st March, 2022 is on account of the following reasons:

- The Commission has approved the source-wise fixed and variable charge in its Tariff Order, which was based on the then prevailing rate. However, due to various reasons beyond the control of the Petitioners, the actual energy charges have increased, leading to variation from approved values.
- Payment of fixed and variable charges for Essar, BLA and Sugen Torrent Power Generating Stations.
- Payment of Supplementary Bills of previous financial years
- Payment of actual Inter-State and Intra-State Transmission Charges.

2.26 The Petitioners submitted that till FY 2013-14, the Commission used to approve the power purchase quantum based on normative loss level, and the cost against the approved power purchase quantum was allowed considering the average power purchase rate or pooled rate of power purchase derived from the actual power procured from all the generators including medium-term and short-term generators. Petitioners stated that the aforesaid method was in consonance with the Hon'ble APTEL's Judgment in Appeal No. 258 of 2012. However, from FY 2014-15 onwards, the Commission adopted a different approach wherein it has started to rework the actual scheduling considering the normative losses and as per the Merit Order Dispatch principles.

2.27 Further, the Petitioners submitted that all the three Discoms and MPPMCL have preferred Appeal No(s). 458 of 2021 and 473 of 2021 before Hon'ble Appellate Tribunal for Electricity against the impugned Orders of MPERC issued for Truing up of FY 2014-15 to FY 2017-18 and FY 2018-19, respectively.

2.28 The Petitioners have claimed power purchase cost as per approach adopted by the Commission in the True-up Order of FY 2021-22 with necessary deviations.

2.29 The Petitioners requested the Commission to consider the normative profiling in tandem with actual loss profiling as submitted by the Petitioners while assessing the month wise Distribution Losses for FY 2022-23.

2.30 The Petitioners submitted they have observed the following shortcomings in the approach adopted by the Commission in its previous True-up Orders:

- Non-factoring of Banking energy
- Non-factoring of sale of surplus energy
- Non-factoring of Technical Minimum Schedule.

2.31 The Petitioners stated that as per the past True-up Orders, the Commission schedules energy of each generating stations as per monthly State Energy Account (SEA) to meet the normative power purchase requirement. In this regard, it is to be noted that the scheduled energy of stations as per SEA also includes energy scheduled towards banking as well as surplus sale. However, the Commission does not factor in the scheduled energy against the generating stations utilized towards banking as well as surplus sale.

2.32 The Petitioners submitted that while adopting the approach towards scheduling of stations to cater the normative power purchase requirement and hence, working of energy charges, the Commission does not factor in the provision of its own "Detailed Operating Procedure (DOP) for Backing Down of Coal unit(s) of the State Generating Stations having 100% installed capacity tied up with MP Power Management Company/DISCOMs of MP and for IPPs as per provision in PPA with MPPMCL for taking such units under Reserve Shut Down on scheduling below Technical Minimum Schedule and part load operation" as approved vide Order dated 29th January, 2020 in accordance with Clause 8.8 (6) of the aforesaid Madhya Pradesh Electricity Grid Code (Revision-II), 2019 issued on 21st June 2019.

2.33 The Petitioners further submitted that MPPMCL/DISCOMs are required to ensure Technical Minimum scheduling for State Gencos and for IPPs as well. Further, the criterion for Technical Minimum Scheduling is squarely applicable for Central Generating Stations also as per relevant Regulations/Code of the Central Electricity Regulatory Commission (CERC) and DOP as approved by the Hon'ble CERC vide its Order No. L-1/219/2017-CERC dated 5th May, 2017. However, as per submission of the Petitioners, the Commission does not factor the Technical Minimum scheduling while estimating the power purchase requirement. Instead, the Commission directly applies the Merit Order Despatch (MOD) Principle on the Energy Available against the Stations. This tantamounts to those stations falling below the MoD rank at which the normative energy requirement (and surplus sale if any) is fulfilled, remaining under backdown or Reserve Shut Down (RSD) throughout the year. As per Petitioners, in actual scenario, it is not possible even when the actual loss of the Licensee remains within the normative range. Due to this approach of the Commission, the Petitioner finds a substantial variation in actual power purchase cost as compared to the approved, which can be seen in the past year True-up of ARR. Such variation is mainly attributed to the Commission's approach. As per Petitioners, the Stations with higher energy charges never get scheduled on MOD. As per Petitioners in actual, they are required to be scheduled for at least 55% of Maximum Continuous Rating (MCR) loading, i.e., on Technical Minimum (TMM).

2.34 The Petitioners submitted that the TMM operation of thermal generating stations ensures the availability of power during time period when renewable power is not available, as once a station is backed down or given RSD, it takes considerable time to get it again on bar. It is submitted that as thermal stations cannot be subjected to start/stop on daily basis and during off peak hours, the scheduling of power is generally done on Technical Minimum basis, which may also result in backing down of cheaper stations. If such costlier power stations are closed down considering the economic facts, power would not be delivered to the consumers due to various constraints. The Petitioners therefore, requested the Commission to factor in the TMM scheduling while estimating the power purchase requirement and hence, cost for FY 2022-23.

2.35 Further, the Petitioners have submitted a methodology wherein it has prepared a consolidated power purchase model for the year considering the actual scenario, i.e., actual monthly losses, actual generating station-wise schedule (after factoring the energy utilized towards banking and surplus sale as explained above) as per State Energy Account duly honouring the technical minimum requirement of 55%, such that the net schedule and cost against each station matches with actual scheduling and actual cost incurred. Thus, the model represents the actual power purchase transactions for FY 2022-23. Now, the actual losses are replaced with normative profiled losses and the resultant cost so arrived is claimed under power purchase expenses for FY 2022-23. The approach proposed by the Petitioners for calculation of Energy Charges is as summarised below:

- Monthly Energy Requirement is computed considering the monthly energy sales as claimed, grossed up with normative monthly loss profiling in tandem with actual monthly loss profiling 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 after factoring the energy utilized towards surplus sale and banking.

- After satisfying the energy available from must run stations, the remaining energy requirement is first met by scheduling of the generating stations up to 55% of their available energy. Shortfall, if any, in meeting the energy requirement after TMM, is fulfilled as per MOD principle over the remaining energy available for schedule. Accordingly, the Variable Charges for energy worked out based on TMM and MOD principle have been considered.

- Shortfall, if any, in meeting the energy requirement has been considered to be met through power purchase from open market.

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

2.36 The Petitioners therefore, submitted that the methodology for power purchase approval should be so designed such that there should not be any disallowance had the actual losses remain within the normative level. The Petitioners therefore, submitted that the power purchase cost should be allowed in two parts, i.e., Part A – which constitutes the components of power purchase that cannot be disallowed on account of excess losses and Part B – which constitutes the components of power purchase that has direct link with excess losses and the same may be disallowed.

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

Table 10: Claimed Power Purchase Cost for FY 2022-23 (Rs. Crore)

Sr. No.	Particulars	Reference	Units	As per MPPMCL Statement	East	Central	West	MP State
Part - A : Power Purchase Cost that cannot be disallowed on account of excess Distribution Losses								
1	Fixed Cost/Capacity Charges of Genco for Power Purchase for FY 2022-23 (Rs. Crore)	A	Rs. Crore	10,803.68	2,853.21	3,443.44	4,507.03	10803.68
2	Inter State Transmission Charges	B	Rs. Crore	3,050.98	805.75	968.65	1,276.58	3050.98
3	Intra State Transmission Charges (including SLDC Charges)	C	Rs. Crore	4,717.79	1,560.33	1,580.04	1,577.42	4717.79
4	Supplementary Bill	D	Rs. Crore	1,709.22	525.73	582.91	600.58	1709.22
5	MPPMCL Cost (Other cost which can't be apportioned)	E	Rs. Crore	192.71	41.48	67.60	83.62	192.71
6	UI / DSM Charge	F	Rs. Crore	(129.10)	(48.18)	(42.40)	(38.51)	(129.10)
7	Reactive Energy Charges	G	Rs. Crore	(8.53)	(10.04)	2.29	(0.79)	(8.53)
8	Inter-state Power Purchase (Direct)	H	Rs. Crore	6.98	5.97	1.01	0.00	6.98
9	Less: Income from Sale of Surplus Power/Other Income including Sale to SEZ	I	Rs. Crore	2,419.09	654.82	784.23	980.04	2419.09
10	Energy Charges of Must Run Stations (Including Hydro & Nuclear Stations)	J	Rs. Crore	6,290.91	1,661.40	1,997.29	2,632.22	6290.91
11	Energy Charges Associated with TMM Scheduling of Gencos	K	Rs. Crore	9,705.15	2,563.09	3,081.27	4,060.79	9705.15
12	ED, Cess, Heavy Water charge, water charges/MoP Insurance/Any Other Cost	L	Rs. Crore	1,352.77	357.26	429.49	566.02	1352.77
13	Total Charges Needs to be allowed had the actual losses would	M=sum(A: H,J:L)-I	Rs. Crore	35,273.47	9,661.18	11,327.38	14,284.92	35,273.47

Sr. No.	Particulars	Reference	Units	As per MPPMCL Statement	East	Central	West	MP State
	have been equal to Normative							
Part - B : Power Purchase Cost that may be disallowed on account of excess Distribution Losses								
14	Actual Quantum of Power Purchase/Schedule as per SEA for FY 2022-23	N	MU	90,205.31	27,249.62	30,619.06	32,336.63	90205.31
15	Normative Power Purchase Quantum	O	MU	-	23,305.17	28,505.68	33,142.96	84953.80
16	Excess Power Purchase Quantum on account of Higher Distribution Losses	P=(N-O)	MU	-	3,944.45	2,113.38	(806.32)	5,251.51
17	Quantum of Energy Scheduled w.r.t. MOD	Q	MU	31,406.70	-	-	-	-
18	Actual Energy Charges Associated with MOD	R	Rs. Crore	8,013.11	2,116.23	2,544.07	3,352.81	-
19	Weighted Average Price of power purchase from MOD Stations	S=R/Q*10	Rs./Units	2.55	-	-	-	-
20	Disallowance due to Excess Scheduling on account of higher Distribution Losses	T=S*P/10	Rs. Crore	-	1,006.39	539.21	(205.73)	1339.87
21	Reapportionment of Losses with Discoms having Higher Losses	U	Rs. Crore	-	-	-	-	0.00
22	Total Energy Charges may be disallowed due to Excess Losses	V=T+U	Rs. Crore	-	1,006.39	539.21	(205.73)	1339.87
22	Normative Energy Charges Associated with MOD	W=R-V	Rs. Crore	-	1,109.84	2,004.86	3,558.54	6673.24
Total Power Purchase Cost claimed for True-up of FY 2022-23								
23	**Total Power Purchase Cost**	**X=M+R or W**	**Rs. Crore**	**43,286.58**	**10,771.02**	**13,332.24**	**17,843.45**	**41,946.71**

Commission's Analysis of Power Purchase Requirement and Cost

Power Purchase Requirement

2.38 Regarding the Petitioners' request to consider the normative profiling in tandem with actual loss profiling as submitted by the Petitioners while assessing the month-wise Distribution Losses for FY 2022-23, it is observed that the Petitioners had filed the review Petition on True-up Order of FY 2021-22 (P. No. 24/2023) to revisit the above said approach. The Commission in its Order dated 07th November, 2023 on Review

Petition filed by the Petitioners decided not to revise the approach and the relevant extract of the Order is reproduced below:

"19. The Commission in its true-up order, has adhered to the established practice of considering Distribution Losses as outlined in the MYT Regulations, 2015 and subsequent amendments. The Commission while allowing the power purchase cost for FY 2021-22 at normative distribution losses has computed the monthly energy requirement at normative distribution losses and applied the MOD principles to allow the power purchase cost corresponding to normative distribution losses on monthly basis. This consistent approach has been applied to previous years' true-up orders as well. The Commission in its Order on trueup for FY 2020-21 has also applied the similar approach and Order on true-up for FY 2020-21 has attained finality. As per CEA (Installation and Operation of Meters) Regulations, 2006 and amendments thereof it is mandatory to install meters on DTRs. Petitioners are yet to comply with CEA Regulations. Despite repeated directives of the Commission to install meters on feeders and DTRs for energy audit and conduct energy audit, DISCOMs have not yet been able to provide satisfactory reports of energy audit. As such the Petitioners have not complied with CEA Regulations and directions of this Commission. Suo Motu proceedings have already been initiated against the Petitioners in the matter of non-compliance. For want of proper energy audit metering and availability of satisfactory energy audit reports loss profiling submitted by the Petitioners in this review Petition cannot be accepted. Commission cannot allow monthly losses assessed by the Petitioners and burden retail consumers with energy charges based on such assumptions."

2.39 The Commission have been adopting the same approach in all its previous True-up Orders, which has already attained finality. The Petitioners are yet to establish reliable and robust energy audit and accounting mechanism in DISCOMs. Losses are yet worked out based not only on normative consumption, but assessed consumption also. If variability based on such assumptions is allowed, it will pass on to the consumers in terms of cost of higher quantum of power purchase. Claims of Distribution Licensee should be backed and supported by data rather than on assumptions. The Commission has therefore decided to continue with the same approach in the instant True-up Order.

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

Commission is for the reasons stated herein continuous with the approach adopted for determination of normative power purchase requirements in previous True-up Orders.

2.41 The Commission has analysed the Petitioners' submission, regarding non-consideration of banking of energy, sale of surplus energy, and technical minimum schedule while applying merit order despatch on monthly basis. The Commission observed that the Petitioners' proposal regarding factoring of banking energy, sale of surplus energy and Technical Minimum Schedule are in accordance with the provisions of the Detailed Operating Procedure (DOP) for backing down of coal unit(s) of the State Generating Stations having 100% installed capacity tied up with MP Power Management Company/DISCOMs of MP and for IPPs as per provision in PPA with MPPMCL for taking such units under RSD on scheduling below Technical Minimum Schedule and part load operation. Therefore, for admitting the power purchase cost by applying month-wise MOD principles i.e., based on the lowest marginal net costs of electricity, the Commission has computed the monthly normative power purchase requirement by following the principle of grossing up sales with normative loss levels and after considering the monthly quantum of energy towards banking of energy and sale of surplus energy.

2.42 Thereafter, the Commission has considered the required monthly normative energy requirement to be met from the scheduled energy of generating stations as per monthly State Energy Account. As per the MOD principles the " MUST RUN" generating stations are scheduled first regardless of their per unit energy charges. After satisfying the energy scheduled from the "MUST RUN" generating stations, the remaining energy requirement is considered to be met by scheduled thermal generating stations upto 55% of scheduled energy of each generating station in accordance with the provisions of the Detailed Operating Procedure (DOP). Thereafter, balance energy requirement is considered to be met through remaining 45% of scheduled energy as per the monthly MOD issued by MPSLDC. Accordingly, the energy charges tor energy requirement on monthly basis have been worked out by applying MOD and TMM principles.

2.43 As the Commission has considered the quantum of sales of surplus energy while computation the total variable cost of power procurement, the Commission has reduced the revenue from sale of surplus energy while approving the Power Purchase Cost. Thus, the Commission has addressed issues raised by the Petitioners in relation to TMM scheduling, banking of energy and sale of surplus energy.

2.44 In order to compute the energy balance for DISCOMs, it is necessary to know the loss levels at each stage. Therefore, apart from normative distribution losses, Inter-State transmission and Intra-State transmission losses need to be identified correctly. The Commission had approved the distribution loss levels for working out power purchase requirement in the Retail Supply Tariff Order for FY 2022-23 as per MYT Regulations, 2021 and amendments thereof as shown in the table below:

Table 11: Distribution loss trajectory for FY 2022-23 (%)

Particulars	East DISCOM	West DISCOM	Central DISCOM
Distribution Loss	15.75%	14.75%	16.75%

2.45 Accordingly, the Commission has considered the Distribution Loss for FY 2022-23 as specified in the MYT Regulations, 2021. Further, the Intra-State transmission loss for FY 2022-23 has been considered as 2.63% as submitted by MPPTCL in their annual report of regulatory compliance for FY 2022-23.

2.46 The Commission has considered the inter-State Transmission System (ISTS) losses on all-India average basis as per Clause 10 of the CERC (Sharing of Inter State Transmission Charges and Losses) Regulations, 2020.

2.47 The ISTS losses from April, 2022 to March 2023 (52 weeks) in MU are arrived at by multiplying the applicable losses (%) with the power purchase from the respective regions and external losses so arrived have been apportioned based on the total power purchase (MU) by each DISCOM.

2.48 Based on above, the power purchase requirement admitted by the Commission for FY 2022-23 is shown in the table below:

Table 12: Admitted Power Purchase Requirement for FY 2022-23 (MU)

S. No.	Particulars	East DISCOM	West DISCOM	Central DISCOM	Total for State
1	Total Energy Sale (MU)	18,507.25	26,663.48	22,322.86	67,493.60
2	A. Distribution Losses (%)	15.75%	14.75%	16.75%	15.69%
	B. Distribution Losses (MU)	3,459.81	4,613.33	4,491.39	12,564.53
3	**At T-D interface (MU)**	**21,967.07**	**31,276.81**	**26,814.25**	**80,058.12**
4	A. Transmission loss of MPPTCL (%)	2.63%	2.63%	2.63%	2.63%
	B. Transmission losses of MPPTCL (MU)	593.34	844.80	724.26	2,162.40
5	**Energy Requirements at State periphery after considering Intra-State Transmission Losses (MU)**	**22,560.41**	**32,121.61**	**27,538.51**	**82,220.52**
6	Energy quantum considered towards Banking and Sale of Surplus energy (MU)	1,881.72	3,092.26	1,942.80	6,916.77
7	**Energy Requirements at State periphery**	**24,442.12**	**35,213.87**	**29,481.31**	**89,137.30**
8	External losses (MU)	699.68	1,008.04	844.72	2,552.43
9	**Net Energy Requirement (MU)**	**25,141.80**	**36,221.90**	**30,326.03**	**91,689.73**

Power Purchase Cost

2.49 On 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 2022-23. The total fixed cost for the stations as indicated in this statement is Rs. 10,803.68 Crore, Variable and Other Charges as Rs. 22,942.85 Crore (excluding revenue from sale of power to Railways/MPIDC and through IEX, PXIL and by way of other income), Inter-State transmission charges as Rs. 3,050.98 Crore, Supplementary Power Purchase Cost as Rs. 1,709.22 Crore, UI/DSM charge as Rs. (129.10) Crore, Other Cost of MPPMCL as Rs. 192.71 Crore, reactive energy charges as Rs. (8.53) Crore and Inter-State Power Purchase as Rs. 6.98 Crore. Based on the submissions of Petitioners, the Commission has computed allowable Power Purchase Cost in the following paragraphs.

MPPMCL Cost

2.50 With regard to the Other Costs of Rs. 192.71 Crore of MPPMCL included in Power Purchase Cost, which was not apportioned station-wise by the Petitioners, the Petitioners submitted in the Technical Validation Session (TVS) that Other Cost pertains to Power Purchase Cost, which MPPMCL was unable to allocate to respective DISCOMs, due to finalisation of audited accounts of DISCOMs.

2.51 Based on the above submission, the Commission finds it prudent to admit MPPMCL Other cost for FY 2022-23 for DISCOMs, which has been apportioned based on the actual claimed MPPMCL cost.

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

2.52 It is observed that the Petitioners have claimed UI / DSM of Rs. (129.10) Crore for FY 2022-23 and Reactive Energy Charges of Rs. (8.53) Crore based on the actual payment towards these charges. As the Commission has admitted the Power Purchase cost considering Banking and Surplus Energy quantum for determining the normative energy requirement, the Commission has admitted actual UI / DSM and Reactive Energy charges for DISCOMs.

Supplementary Bills

2.53 The power purchase cost booked in the audited accounts also includes an amount of Rs. 1,709.22 Crore (Rs. 525.73 Crore of East DISCOM, Rs. 600.58 Crore of West DISCOM and Rs. 582.91 Crore of Central DISCOM) as “supplementary bills for the period prior to FY 2022-23”. On scrutiny of the supplementary bills, the details furnished to the Commission in support of aforesaid claim of Rs. 1,709.22 Crore pertain to following years:-

Table 13: Supplementary Bills submitted by the Petitioners (Rs. Crore)

FYs	East DISCOM	West DISCOM	Central DISCOM	State
FY 2012-13	(0.01)	(0.01)	(0.01)	(0.02)
FY 2014-15	7.73	8.21	6.53	22.48
FY 2015-16	6.98	6.76	5.39	19.13
FY 2016-17	12.49	12.75	11.69	36.93
FY 2017-18	31.47	27.93	28.31	87.71
FY 2018-19	10.63	18.56	11.17	40.35
FY 2019-20	(17.10)	(18.38)	(12.64)	(48.13)
FY 2020-21	21.58	23.86	24.77	70.21
FY 2021-22	451.96	520.90	507.72	1,480.57
Total	**525.73**	**600.58**	**582.91**	**1,709.22**

2.54 The amount of Rs. 1,709.22 Crore has been recorded in the audited accounts for FY 2022-23, therefore, the Commission considered it appropriate to examine these supplementary bills of the past years in the true up for FY 2022-23. In this regard, the Commission identified data gaps and directed the Petitioners to submit the details of the supplementary bills claimed in true up Petition for FY 2022-23, identifying the reasons for the claim along with the justification for not claiming the amount in the previous years. The Petitioners have provided the details along with the affidavit mentioning that the amount claimed in the supplementary bills in true-up for FY 2022-23 have not been claimed in earlier True-up Petitions.

2.55 Since in the past years' True up Orders, the power purchase cost of a year was admitted on the basis of the actual metered sale, normative un-metered sale and normative losses of that year; the year-wise claims of the power purchase cost have been worked out accordingly.

2.56 As regards the claims pertaining to FY 2012-13, it has been noted that Petitioners' claims are in accordance with the approach adopted by the Commission for the respective year' True-up. Therefore, the corresponding cost has been considered and approved in this Order.

2.57 Further, since the Commission has approved true up of FY 2014-15 to FY 2021-22, the amount of supplementary power purchase bills and Inter-State Transmission bills pertaining to FY 2014-15 of Rs. 22.48 Crore, FY 2015-16 of Rs. 19.13 Crore, FY 2016-17 of Rs. 36.93 Crore, FY 2017-18 of Rs. 87.71 Crore, FY 2018-19 of Rs. 40.35 Crore, FY 2019-20 of Rs. (48.13) Crore, FY 2020-21 of 70.21 Crore and FY 2021-22 of Rs. 1,480.57 Crore have been considered for approval in this Order. The Commission has reworked this amount based on the actual metered sale, normative un-metered sale and normative losses admitted in true-up of FY 2014-15 to FY 2021-22, respectively. The approach adopted by the Commission in approval of power purchase cost towards supplementary bills of FY 2014-15 to FY 2021-22 is as follows:

- ❖ Full Fixed Charges have been allowed.
- ❖ Variable and other costs admitted only for those plants, which have been considered as scheduled for meeting the normative energy requirement of FY 2014-15 to FY 2021-22 as per respective years' true-ups.
- ❖ Variable and other cost of Essar Power and Torrent Power generating stations is not considered as per the approach adopted in true up of FY 2014-15 to FY 2021-22. Further, Variable and other cost of BLA Power generating station is not considered as per the approach adopted in true up of FY 2017-18 and FY 2019-20.

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

Table 14: Supplementary Bills Admitted by the Commission (Rs. Crore)

Sr. No.	Particulars	Reference	State
1	Fixed Cost as per actual supplementary bills	A	617.41
2	Fixed Cost disallowed towards supplementary bills	B	-
3	**Total Fixed Cost allowed towards supplementary bills**	**C=A-B**	**617.41**
4	Variable and Other Cost as per actual supplementary bills	D	1,091.81
5	Variable Cost disallowed towards supplementary bills	E	312.50
6	**Total Variable Cost allowed towards supplementary bills**	**F=D-E**	**779.31**
7	**Total Power Purchase Cost allowed towards supplementary bills**	**G=C+F**	**1,396.72**

Inter-State Transmission Charges

2.59 The Commission in Retail Supply Tariff Order for FY 2022-23 had admitted the Inter-State transmission charges of Rs. 2,627.36 Crore. However, the actual Inter-State transmission charges paid by the DISCOMs in FY 2022-23 is Rs. 3,050.98 Crore. Inter-State transmission charges are uncontrollable for DISCOMs and the Commission has admitted the actual inter-State transmission charges of Rs. 3,050.98 Crore as per actuals in true up of FY 2022-23.

Fixed and Variable Cost of Generating Station

2.60 The Commission noted that DISCOMs had procured power in excess of admitted energy requirement computed based on norms specified in the MYT Regulations, 2021 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.

2.61 The Commission has hence, admitted the actual fixed cost as claimed by the Petitioners in line with the methodology laid down by the Hon'ble APTEL except for the fixed charges for Essar Power and Torrent Power Station. Further, the Petitioners have not submitted any details of the conditions agreed in the Power Purchase Agreement with Torrent Power before the Commission for approval. Therefore, in line with the view taken by the Commission in true ups of previous years, the Commission has considered it appropriate to keep in abeyance the quantum of power purchase from Torrent Power stations and its cost. Further, with regard to Essar Power station, the Commission in Retail Supply Tariff Order for FY 2022-23 had noted as follows:

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

2.62 Considering the view taken by the Commission in Retail Supply Tariff Order for FY 2022-23 and in view of the current status being the same, the Commission has not considered the power purchase cost towards Essar Power Stations and Sugen Torrent Generating Station in this Order. Accordingly, the Commission has allowed the actual fixed cost excluding the fixed cost towards Essar Power and Torrent Sugen power stations.

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

Table 15: Fixed Cost Admitted by the Commission (Rs. Crore)

Particulars	State
Fixed Cost Admitted in Tariff Order for FY 2022-23	11,562.43
Fixed Cost Claimed in True-up Petition for FY 2022-23	10,803.68
Fixed Cost Admitted in True-up Order for FY 2022-23	**10,722.23**

2.64 The losses in Intra-State and Inter-State transmission system are beyond the control of the Petitioners, however, impact of these losses would have been lower, had the Petitioners achieved distribution losses as per the target specified by the Commission. Similarly, computation of pool energy rate (Rs./kWh) on the basis of actual power purchase cost as per audited accounts and total energy procured by the Petitioners as per DSM/UI account would lead to higher per unit rate due to inclusion of cost of power from costlier plants. This could have been avoided by the Petitioners, had they achieved the target loss levels and restricted their sales to unmetered agriculture and domestic consumers within the norms specified by the Commission. Considering that the Petitioners have not achieved the norms specified by the Commission, the inefficiency of the Petitioners cannot be passed on to the consumers of the State.

2.65 Accordingly, the Commission has computed the energy charges of the Petitioners as per the following approach:

- Monthly Energy Requirement is computed considering the monthly energy sales admitted grossed up with admitted loss levels of Distribution System, Intra-State and Inter-State transmission System, and factoring the energy utilization towards banking and surplus energy consumption at State Periphery.

- To meet this monthly energy requirement, scheduled energy of generating stations are considered as per monthly State Energy Account.

- Firstly, monthly energy requirement met from energy scheduling form "MUST RUN" generating stations is considered, then the remaining energy requirement is considered to be met by scheduled thermal generating stations upto 55% of scheduled energy of each generating station. Thereafter, balance energy requirement is considered to be met through scheduling remaining 45% as per the monthly MOD issued by MPSLDC. Scheduled energy from Essar and Torrent Power generating station has not been considered. Accordingly, the Variable Charges for energy worked out based on MOD principle is considered.

- Shortfall, if any, in meeting the energy requirement is considered to be met through purchase of power from open market at a rate equal to energy charge of the last generating station in the MOD in accordance with the approach adopted in previous True-Up Orders.

- 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.

2.66 Based on the above approach, the Commission has computed the energy charges of Rs. 24,023.32 Crore at per unit rate of Rs 2.62/kWh.

2.67 Accordingly, the total power purchase cost determined by the Commission for FY 2022-23 is given in the table below:

Table 16: Admitted Power Purchase Cost (Rs. Crore)

Sr. No.	Particulars	Reference	State
1	Fixed Cost of Power Purchase for FY 2022-23 (After deducting Torrent and Essar) (Rs. Crore)	A	10,772.23
2	Energy Charge Rate (Rs. / kWh)	B	2.62
3	Quantum of Power Purchase Admitted (MU)	C	91,689.73
4	Total Energy Charges admitted (Rs. Crore)	D=B*C/10	24,023.32
5	Inter-State Transmission Charges (Rs Crore)	E	3,050.98
6	MPPMCL Cost (Other cost which can't be apportioned) (Rs Crore)	F	192.71
7	UI / DSM Charge Admitted (Rs. Crore)	G	(129.10)
8	Reactive Energy Charges Admitted (Rs. Crore)	H	(8.53)
9	Supplementary Bills (Rs. Crore)	I	1,396.72
10	Less: Income from Sale of Surplus Power/Other Income including Sale to SEZ	J	2,419.09
11	**Total Power Purchase Cost Admitted for FY 2022-23 (Rs. Crore)**	**K=A+D+E+F+G+H+I-J**	**36,879.25**

2.68 It is observed that the total power purchase cost excluding MPPTCL and SLDC charges as admitted in the Retail Tariff Order for FY 2022-23 was Rs. 32,510.99 Crore, whereas in this Order, the Commission has admitted power purchase cost of Rs. 36,879.25 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 and considering the technical minimum of 55% for thermal generating stations;
- Inclusion of Supplementary bills of previous financial years.
- Increase in Inter-State Transmission Charges.

Intra-State Transmission Charges

2.69 Intra-State Transmission charges admitted in the Retail Supply Tariff Order, Audited Accounts and as filed for FY 2022-23 by East, West and Central DISCOMs including SLDC charges are given in the table below:

Table 17:Intra-State Transmission Charges including SLDC charges for FY 2022-23 (Rs. Crore)

DISCOM	As per Tariff Order for FY 2022-23	As per audited accounts of FY 2022-23	Claimed
East	1,260.51	1,560.33	1,560.33
West	1,504.90	1,577.42	1,577.42
Central	1,484.82	1,580.04	1,580.04
Total	**4,250.24**	**4,717.79**	**4,717.79**

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

Table 18 : Intra-State Transmission Charges including SLDC charges admitted by the Commission for FY 2022-23 (Rs. Crore)

Sl. No.	DISCOM	Admitted
1	East	1,560.33
2	West	1,577.42
3	Central	1,580.04
4	**Total**	**4,717.79**

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

Petitioners' Submission:

2.71 The Commission had admitted the total O&M Expenses as Rs. 5,131.80 Crore in the Tariff Order for FY 2022-23. DISCOM-wise break-up of the O&M expenses admitted in the Tariff Order is given in the table below:

Table 19 : O&M Expenses admitted in Tariff Order of FY 2022-23 (Rs. Crore)

Particulars	East DISCOM	West DISCOM	Central DISCOM	Total
O&M Expenses	1,785.33	1,599.46	1,747.01	5,131.80

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

Table 20 : O&M Expenses claimed by Petitioners for FY 2022-23 (Rs. Crore)

Particulars	East DISCOM	West DISCOM	Central DISCOM	State
Employee Expenses	823.60	813.53	804.49	2,441.63
Dearness Allowance	143.70	149.56	138.85	432.11
Terminal Benefits	99.55	102.55	99.64	301.74
A&G Expenses	127.15	129.41	132.33	388.89
Other Expenses (Rates & Taxes etc)	3.05	2.26	2.55	7.85
R&M Expenses	146.81	169.96	120.04	436.80
O&M Expenses Capitalised	(22.10)	(18.07)	(15.58)	(55.75)
Total O&M Expenses claimed	**1,321.76**	**1,349.18**	**1,282.31**	**3,953.25**

Commission's Analysis on O&M Expenses:

2.73 Regulations 36.5 and 36.6 of MYT Regulations, 2021 specifies as follows:-

"36.5 The Distribution Licensee shall submit the actual Employee expenses, Administrative and General expenses and Repairs and Maintenance expenses at the time of true-up.

36.6 The treatment of variation in Employee expenses, Administrative and General expenses and Repairs and Maintenance expenses at the time of true-up shall be as under:

(i)The Commission may allow actual Employee expenses subject to prudence check:

Provided that the expenses incurred towards dearness allowance. NPS expenses, pension, terminal benefits and incentive to be paid to employees shall be allowed at actuals.

(ii) The Commission may allow actual Administrative and General expenses subject to prudence check:

Provided that the taxes payable to the Government and fees to be paid to MPERC shall be allowed at actuals.

(iii) The Commission will allow the actual Repairs and Maintenance expense subject to ceiling normative Repairs and Maintenance expenses."

2.74 The Commission has carried out detailed scrutiny of the actual Employee Expenses, Administrative and General expenses, and Repairs and Maintenance expenses in accordance with the provisions of MYT Regulations, 2021 and amendments thereof. The Commission observed that the Petitioners have claimed actual employee expenses and A&G expenses and R&M expenses as per the Audited Accounts. The same has been duly considered by the Commission on actual basis excluding Petitioners' claim of free/ concessional electricity to employees of Rs. 10.92 Crore (Rs.4.84 Crore, Rs. 2.06 Crore and Rs. 4.03 Crore for East, West and Central DISCOMs, respectively), under the head of employee expenses, which has not been considered by the Commission under Employee Expenses as per the approach adopted by the Commission in pervious True-up Orders.

2.75 Further, in accordance with the MYT Regulations, 2021 and amendments thereof, the DISCOMs are eligible to claim dearness allowance (DA), NPS expenses, pension, terminal benefits, incentive, taxes payable to the Government and fees to be paid to the Commission on actual basis. Accordingly, the Commission has considered the DA, incentive, taxes payable to the Government and fees to be paid to the Commission on actuals for FY 2022-23. 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 2022-23 and allowed only the actual payment made to retired employees including leave encashment but excluding pension and gratuity.

2.76 The Commission has considered the actual Operation and Maintenance expenses capitalized during the year as per the audited accounts of FY 2022-23 and has reduced the same from the admitted Operation and Maintenance expenses.

2.77 The treatment of R&M expenses in the MYT Regulations, 2021 and amendments thereof specifies that the R&M Expenses shall be allowed on actual basis or upto the ceiling normative R&M Expenses. The Commission has analysed the normative R&M Expenses @ 2.3% on the opening GFA of the financial year for all DISCOMs and actual R&M expenses as per the audited accounts for FY 2022-23. Accordingly, based on the above, R&M expenses as per actual and as per the provision of Regulations for FY 2022-23 are shown in the following table:

Table 21 : Normative and Actuals R&M Expenses computed for FY 2022-23 (Rs. Crore)

DISCOMs	GFA	GFA % as per norms	Actual R&M Expenses	Normative R&M Expenses
East	11,937.74	2.30%	146.81	274.57
West	8,867.17	2.30%	169.96	203.94
Central	13,129.00	2.30%	120.04	301.97
Total	**33,933.91**	**2.30%**	**436.80**	**780.48**

2.78 The Commission observed that actual R&M Expenses are lower than the normative expenses for all the three DISCOMs. Therefore, in accordance with the MYT Regulations, 2021, the Commission has admitted the lesser of the actual R&M expenses as per the audited accounts vis-à-vis normative R&M expenses.

Provision for Terminal Benefit Trust Fund

2.79 The Commission in Retail Supply Tariff Order for FY 2022-23 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 2022-23 as per the approach adopted by the Commission in previous Orders. Accordingly, the Commission has allowed the provision of Rs. 210 Crore towards Terminal Benefits in this Order.

2.80 Provision for Terminal Benefit admitted by the Commission in FY 2022-23 is shown in the following table:

Table 22: Provision for Terminal Benefit admitted by the Commission in FY 2022-23 (Rs. Crore)

Particulars	East DISCOM	West DISCOM	Central DISCOM	Total for State
Provision for Terminal benefits Trust Fund	70.00	70.00	70.00	**210.00**

2.81 In view of the above, the admitted O&M expenses for FY 2022-23 are as shown in the following table:

Table 23 : O&M expenses admitted for DISCOMs for FY 2022-23 (Rs. Crore)

Particulars	East DISCOM		West DISCOM		Central DISCOM		State	
	Claimed	Admitted	Claimed	Admitted	Claimed	Admitted	Claimed	Admitted
R&M	146.81	146.81	169.96	169.96	120.04	120.04	436.80	436.80
Employee Expenses	823.60	818.73	813.53	811.47	804.49	800.47	2,441.63	2,430.67
DA	143.70	143.72	149.56	149.56	138.85	138.85	432.11	432.13
Terminal Benefits*	99.55	99.55	102.55	102.55	99.64	99.64	301.74	301.74
A&G Expenses	127.15	127.15	129.41	129.41	132.33	132.33	388.89	388.89
Other Expenses (Rates & Taxes…etc)	3.05	3.05	2.26	2.26	2.55	2.55	7.85	7.85
O&M Expenses Capitalised	(22.10)	(22.10)	(18.07)	(18.07)	(15.58)	(15.58)	(55.75)	(55.75)
Total O&M expenses	**1,321.76**	**1,316.92**	**1,349.18**	**1,347.13**	**1,282.31**	**1,278.29**	**3,953.25**	**3,942.33**

**Terminal Benefits is inclusive of Rs. 70 Crore Provision for Terminal Benefit for each DISCOMs*

Return on Equity

Petitioners' Submission:

2.82 The Petitioners have computed Return on Equity as per Regulation 31 of the Tariff Regulations, 2021, which specifies that Return on Equity is allowable in two parts, i.e., base return on equity of 14% and additional return on equity of 2% subject to achievement of target / performance, which is to be allowed at the time of true-up after prudence check.

2.83 The Petitioners have claimed base return on equity of 14% and East and Central DISCOMs have claimed additional return on equity of 0.75% on account of achievement of target of meterisation as specified under Regulation 31.4 (a) of MYT Regulations, 2021.

2.84 East, West and Central DISCOMs have claimed return on equity as Rs. 235.51 Crore, Rs 164.98 Crore, and Rs 269.65 Crore, respectively, as against Rs. 306.24 Crore, Rs 183.20 Crore and Rs 331.69 Crore, respectively, admitted by the Commission in the Tariff Order for FY 2022-23.

2.85 Further, the Petitioners submitted that the Commission in previous True-up Orders has considered the whole of the consumer contribution and grant received by the Licensee on global basis towards financing of capitalization during the year and due to this the net GFA addition has been reduced. As per submission of the Petitioners, this tantamount to lower equity consideration than the actual as ceiling of maximum 30% of equity infusion is linked to net GFA addition excluding consumer contribution and grant. Hence, due to such approach, even if the actual equity infusion by Licensee remains within the ceiling of 30%, it would qualify for lower equity balance for the year. This will have recurring impact on the ARR of DISCOMs. Therefore, the Petitioners requested the Commission to revise its approach and consider the consumer contribution and grant on the basis of utilization or funding pattern submitted by the Petitioners.

Commission's Analysis on Return on Equity:

2.86 The equity contribution has been considered as 30% on the net GFA addition during FY 2022-23, if the actual equity deployed is more than 30% of the net GFA. Further, only that equity capital is considered, which has been utilized for funding of the project. Accordingly, as per the approach adopted in the previous True-up Orders, the actual equity deployed has been considered subject to equity addition being within 30% of the net GFA. Any equity in excess of the 30% of the net GFA has been considered as normative loan.

2.87 Closing equity of FY 2021-22 as admitted by the Commission in True-up Order of FY 2021-22 has been considered as opening value of equity for FY 2022-23. Further, the rate of return on equity has been considered as per the Regulation 31 of MYT Regulations, 2021. The relevant extract of the Regulation has been reproduced below:

*"**31. Return on Equity.-***

31.1. Return on equity shall be computed in rupee terms, on the paid-up equity capital determined in accordance with Regulation 22.

31.2. Return on Equity shall be allowed in two parts, i.e., Base Return on Equity and Additional Return on Equity linked to actual performance.

31.3. Base Return on Equity shall be allowed at the rate of 14%.

31.4. The Additional Return on Equity shall be allowed at the time of true-up subject to the following:

(a) If the status of metering of rural consumers under the domestic categories is achieved at the levels specified below, the Additional Return on Equity of 0.75% shall be allowed:

Year	*Metering completed as % of total connections*		
	East	***West***	***Central***
FY 2022-23	*92%*	*100%*	*84%*
FY 2023-24	*94%*	*100%*	*88%*
FY 2024-25	*96%*	*100%*	*92%*
FY 2025-26	*98%*	*100%*	*96%*
FY 2026-27	*100%*	*100%*	*100%*

(b) If the total value of capital investment works capitalized in a year is more than 95% of the total approved capitalisation towards approved works for that year, the Additional Return on Equity of 0.75% shall be allowed;

(c) If the actual Repairs and Maintenance expenses in a year is more than 95% of the approved Repairs and Maintenance expenses for that year, the Additional Return on Equity of 0.50% shall be allowed.

31.5. Any expenses on payment of Income Tax paid shall be allowed extra on actual basis on the licensed business of the Distribution Licensee.

…………….”

2.88 As per submission of the Petitioners the level of meterisation of East and Central DISCOMs is 93% and 87% against target of 92% and 84 % respectively. As such, the Commission accepts the claim of an additional return of equity of 0.75% for East and Central DISCOMs of Rs. 11.98 Crore and Rs. 13.61 Crore respectively as per provisions of MYT Regulations, 2021.

2.89 Accordingly, based on the above, Return on Equity admitted for FY 2022-23 is as shown in the table below:

Table 24 : Return on Equity admitted for FY 2022-23 (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 2021-22)	1,581.91	1,163.24	1,806.00	4,551.16
2	GFA Addition during the year	655.42	141.99	365.53	1,162.94
3	Consumer Deposit and Grants utilized during the year	551.51	141.99	307.84	1,001.34
4	Net GFA Addition during the year	103.91	-	57.69	161.60
5	Actual Equity Addition	29.53	30.32	17.31	104.18
6	30% of addition to net GFA considered as funded through equity	31.17	-	17.31	48.48
7	Net GFA considered as funded through equity (Min (5,6))	29.53	-	17.31	46.84
8	Closing Equity Considered for FY 2022-23	1,611.44	1,163.24	1,823.31	4,597.99

S. No.	Particulars	East DISCOM	West DISCOM	Central DISCOM	Total for State
9	Average Equity identified with GFA and considered for FY 2022-23	1,596.68	1,163.24	1,814.65	4,574.57
10	Rate of Return (%)	14.75%	14.00%	14.75%	-
11	**RoE admitted in True-up of FY 2022-23**	**235.51**	**162.85**	**267.66**	**666.03**

2.90 The Commission has observed that there are large numbers of stopped / defective meters in each DISCOMs. The Commission directs the Petitioners to take up replacement of theses meters in such a way that the objective of giving incentive for meterisation is fulfilled in right earnest.

2.91 Further, as regards the Petitioners' request to revisit the approach and consider the consumer contribution and grant on the basis of utilisation or funding pattern in true up of FY 2022-23, it is observed that the Petitioners had filed the Review Petition on True-up Order of FY 2020-21 (P. No. 38/2022) and True-up Order of FY 2021-22 (P. No. 24/2023) to revisit the above said approach and the Commission has disallowed the claim. The relevant extract from the Order passed by the Commission is reproduced below:-

Review Petition of True-up Order of FY 2020-21 (P. No. 38/2022)

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

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

Review Petition of True-up Order of FY 2021-22 (P. No. 24/2023)

"26.The Commission observed that the Petitioners in true-up petition of FY 2021-22 have requested the Commission for consideration of Consumer Contribution and Grants on "utilization basis" rather than on "received basis". The Commission has to encourage efficiency and economical use of resources as per Section 61(d) of the Electricity Act, 2023. Partial utilization of available consumer contribution and grants cannot be allowed by the Commission as the same will result in non-utilization of the funds available with the Petitioner and burdening the consumers with financing costs through interest on loan and return on equity . This issue is well settled and the Commission in the true-up order of FY 2021-22 and in review petition of true-up up order FY 2020-21 (P. No.38/2022) has reiterated its view on this matter. Therefore,

review sought by the Petitioners once again on the same issues does not satisfy the conditions for review of the impugned order as per Regulation 40 (2) of the provision of MPERC (Conduct of Business) (Revision I) Regulations, 2016. Further, the Commission also observed that the Petitioners in true-up petition for FY 2021-22 has not raised the issue of treatment of non-utilization of Consumer Contribution and Grants during the year in Non-Tariff Income.

27. The Petitioners have sought the review on the grounds of error apparent. As discussed earlier, the error apparent means any computational error on the face of record. While in this issue, it is matter of methodology adopted by the Commission. The error apparent does not apply to the methodology or principles adopted while issuing the Order.

28.As there is no error apparent on the face of record issue (ii), as raised by the Petitioners, does not warrant any intervention through a review process, and as such, it is hereby dismissed."

2.92 Petitioners themselves have submitted that consumer contribution and grants are for specific works. In such a case the Petitioners should have maintained separate accounts and would have submitted complete data and details of parking of unutilised fund and its treatment along with a policy of dealing with such funds. The Commission is of the firm opinion that any claim of the petitioner should be backed and supported by specific data. Commission cannot accept generalised justification to admit claims, which are not supported adequately by data and records. The Commission had been adopting the same approach in all its previous True up Orders, which has already attained finality. Accordingly, the Commission decides not to reopen settled issues in the instant True up Order.

<u>Depreciation</u>

Petitioners' Submission:

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

2.94 Petitioners have submitted that they have not claimed deferred income, which is in accordance with the Accounting Standard (AS) 12 as well as with the Commission's previous True-up Orders. Regarding treatment of Grant, the Petitioners submitted that AS 12 of Institute of Charted Accountants of India (ICAI) lays down the principle as under:

"Government grants related to specific fixed assets should be presented in the balance sheet by showing the grant as a deduction from the gross value of the assets concerned

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

2.95 The Petitioners have also submitted that the Accounting Standards issued by the ICAI provides for two methods for treatment of the grant identifiable to the asset. Under first alternative, the gross block is reduced by the amount of grant and the depreciation is provided on reduced gross block. Under second alternative, depreciation is provided on the total gross block but the amount equal to the depreciation on the specific assets related to grant is shown as income in the respective year in the Profit and Loss Account and would be deductible from the tariff. The Petitioners have claimed GFA addition and depreciation as per the first method.

2.96 The Petitioners have also submitted that though treatment of grant for the purpose of depreciation is different in both the alternatives, the net impact on tariff on account of depreciation is same under both of the alternatives.

2.97 Further, the Petitioners submitted that they have adopted the rate of depreciation notified by the Commission in the Regulations from 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 by West DISCOM to consider depreciation as per Regulations since FY 2006-07.

2.98 The Petitioners submitted that the Commission has disallowed a substantial amount of depreciation (50% of claim) in Truing-up of FY 2021-22. In this regard, the Petitioners submitted that the depreciation is meant for replacement of assets and is utilized for repayment of loan in regulatory regime. The Commission has been disallowing the same from past True-up Orders, which has resulted in substantial loss to financial condition of DISCOMs.

2.99 Further, the Petitioners submitted that they understand that intention of the Commission towards Fixed Asset Register is to ascertain that DISCOMs are not charging excess depreciation on assets, since the Regulations allow depreciation up to maximum of 90% of the capital cost. The Petitioners submitted that such concern can also be validated from the audited accounts, which provides for accumulated depreciation against the different asset categories. Hence, there is no merit in such a disallowance due to the reasons that the Fixed Asset Register does not comply with the format specified by the

Commission, since, as per the audited accounts, none of the assets has been depreciated more than 90%.

2.100 The Petitioners also submitted that the Commission admits the capitalization and hence, GFA in True-up Orders as per audited accounts. For such capitalization or GFA, the Petitioners have availed actual loan from the various sources. There is an obligation on DISCOM to service its debts along with interest. The Commission allows normative interest on such loan. Since, depreciation is utilized for repayment of such loan in regulatory regime, the disallowance of the same is affecting the debt service obligation of the Discoms.

2.101 Based on the submissions as above, the Petitioners requested the Commission to approve the depreciation as claimed by the Petitioners, which is in line with the Audited Accounts.

2.102 Accordingly, the Petitioners have claimed depreciation of Rs. 329.31 Crore, Rs. 313.13 Crore and Rs.405.73 Crore for East, West and Central DISCOMs, respectively, as against Rs. 290.30 Crore, Rs. 125.77 Crore and Rs.311.28 Crore, respectively, as approved by the Commission in Tariff Order for FY 2022-23.

Commission's analysis on depreciation:

2.103 The Commission in Regulation 33 of the MYT Regulations, 2021 has specified the following methodology for deriving depreciation:

*"**33. Depreciation.-***

For the purpose of Tariff, depreciation shall be computed in the following manner:

(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 March, 2022:

Provided that the remaining depreciable value as on 31stMarch of the Year closing after a period of 15 Years from Date of Commercial Operation shall be spread over the balance useful life of the assets:

Provided further that the Consumer contribution or capital subsidy/grant, etc., for asset creation shall be treated as may be notified by the Commission from time to time.

(f) In case of the existing Projects, the balance depreciable value as on 01 April, 2022 shall be worked out by deducting the cumulative depreciation including Advance against Depreciation as admitted by the Commission up to 31 March, 2022 from the gross depreciable value of the assets. The rate of Depreciation shall be continued to be charged at the rate specified in Annexure-II till cumulative depreciation reaches 70%. Thereafter, the remaining depreciable value shall be spread over the remaining life of the asset such that the maximum depreciation does not exceed 90 %.

(g) Depreciation shall be chargeable from the first Year of commercial operation. In case of commercial operation of the asset for part of the Year, depreciation shall be charged on pro-rata basis.

34. Consumer Contribution, Deposit Work, Grant and Capital Subsidy.-

34.1. The expenses of the following categories of works carried out by the Distribution Licensee shall be treated as specified in Regulation34.2:

(a) Works undertaken from funds, partly or fully, provided by the users, which are in nature of deposit works or consumer contribution works;

(b) Capital works undertaken with grants or capital subsidy received from the State and Central Governments;

(c) Other works undertaken with funding received without any obligation of repayment and with no interest costs;

34.2. The expenses on such capital works shall be treated as follows:

……………………….

(e) Provisions related to depreciation, as specified in Regulation 33, shall not be applicable to the extent of such financial support received."

2.104 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.

2.105 The Commission has observed that the Petitioners in reply to the data gaps have submitted Fixed Assets Registers upto FY 2022-23 as per the formats specified by the Commission and have also considered rate of depreciation as specified in MYT Regulations, 2021 for working out the depreciation of assets during the year. Accordingly, the Commission has considered the weighted average depreciation rate of 4.49%, 3.90% and 3.87% for East, West and Central DISCOMs, respectively, derived on the basis of Fixed Asset Registers submitted by the DISCOMs for FY 2022-23 for computation of depreciation.

2.106 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 2022-23 is as shown in the table below:

Table 25 : Depreciation admitted by the Commission for FY 2022-23 (Rs. Crore)

Sr. No.	Particulars	East DISCOM	West DISCOM	Central DISCOM	Total for State
1	Opening GFA on 1st April, 2022 (Closing GFA net of consumer contribution & grants as per True-up Order of FY 2021-22)	7,479.99	4,717.74	9,119.74	21,317.46
2	*Add:* GFA Added during the year	655.42	159.69	374.72	1,189.83
3	*Less:* Deductions during the year	-	17.70	9.19	26.89
4	*Less:* Consumer Contribution and grants during the year	551.51	259.66	307.84	1,119.01
5	*Net GFA addition during the year*	103.91	-	57.69	161.60
6	Closing GFA on 31st March, 2023	7,583.90	4,717.74	9,177.42	21,479.06
7	**Average GFA**	**7,531.94**	**4,717.74**	**9,148.58**	**21,398.26**
8	Rate of Depreciation (%)	4.49%	3.90%	3.87%	4.10%
9	**Depreciation admitted by the Commission**	**338.18**	**184.21**	**354.05**	**876.45**

<u>Interest on Project Loans</u>

Petitioners' Submission:

2.107 The Petitioners submitted that every year, the Petitioners incur capital expenditure against the various approved schemes and also capitalize certain assets during the year. Further, every asset/scheme has specific funding pattern or capital structure, which is being approved by the Commission, i.e., debt, equity, consumer contribution and grant; according to which the funds are sourced, and accounting treatment is done.

2.108 For the purpose of calculation of normative interest and finance charges, normative debt addition against capitalized asset during the year excluding the consumer contribution and grant, is required to be determined, which is added to the opening debt balance of the respective year.

2.109 As regards treatment of Consumer Deposit and Grants, the Petitioners have observed that the Commission in its past True-up Orders has adopted an approach wherein the Commission considers the Consumer Deposit and Grants received during the year as fully utilized during the same year. In other words, all the Consumer Deposit and Grants received in any particular year is set off against the actual capitalization of that year without considering the actual funding pattern, which is being approved by the Commission itself. As per Petitioners, this has resulted in perpetual loss to the Petitioners. Being aggrieved by aforesaid approach, the Petitioners have also filed a Review Petition seeking reconsideration on the said matter. However, the Commission has passed an Order dismissing the review point raised by the Petitioners.

2.110 In view of the above, the Petitioners submitted that they have never requested to reopen the settled issue and give retrospective effect rather they are seeking to correct the identified shortcoming in the existing approach and provide prospective effect for the same.

2.111 The Petitioners again submitted that the consideration of Consumer Contribution and Grants should be done on "utilization basis" rather than "received basis". The Petitioners reiterated their submission that every asset/scheme has specific funding pattern or capital structure, i.e., debt, equity, consumer contribution and grant; according to which the funds are sourced, and accounting treatment is done. However, the approach as adopted by the Commission has resulted in re-casting of actual means of finance thereby distorting the actual capital structure and hence, resulting in recurring loss to the Petitioners.

2.112 As per Petitioners, consideration of consumer contribution and grant received during the year as being fully utilized in creation of asset during the same year amounts to financing the part of actual capitalization in the relevant year, through consumer contribution and grant, which otherwise would have been actually funded through actual loan or equity.

2.113 Therefore, as per Petitioners such part of capitalization will not be subject to the usual accounting treatment in True-up, i.e., no interest on loan, return on equity and depreciation along with associated component of ARR will be provided on such part of capitalization for rest of the life of the asset. However, in actual, the Petitioners are liable to pay interest, repayment, etc., on the entirety of such capitalization in future years. This has a recurring impact on the ARR of DISCOM, as the same would never form part of the Opening Equity /Debt/Net GFA of the subsequent Financial Year. Therefore, treating the amount towards consumer contribution and grant received as means of financing capitalization is a wrong accounting practice in the opinion of Petitioners.

2.114 The Petitioners also submitted that the underlying principle as stated by the Commission in its past Orders that 'the consumers contribution and grants are free of cost to the licensees hence the consumers contribution and grants received during the year is considered as utilized during the year' will also be inversely applicable on the amount of capex actually incurred during the year since, the Petitioners would have taken loan or infused equity or in other word would have incurred a cost for the creation of assets, which are still under work in progress (WIP) stage during the year. However, as regards interest, one can argue that interest on loan for works in progress is considered as interest during construction (IDC), which is capitalized and added to the project cost at the time of asset capitalization. As per Petitioners, the approach as adopted by the Commission denies the opportunity to claim the legitimate interest cost incurred as the same would not form the part of capitalization. Therefore, if such approach is continued then the Petitioners should also be allowed the interest on loan and return on equity on the CWIP asset in addition to asset capitalized during the year being funded through loan or equity, i.e., money with cost to the Licensee. However, as per Regulations, the interest on loan and return on equity, etc., are allowed only from the year during which the asset is capitalized.

2.115 As regards the rationale for non-consideration of consumer contribution and grants on utilization basis as given by the Commission in the Review Order of FY 2021-22, the Petitioners submitted that the Commission has to encourage efficiency and economical use of resources and the partial utilization of available consumer contribution and grants cannot be allowed by the Commission as the same will result in non-utilization of the funds available with the Petitioners and burdening the consumers with financing costs through interest on loan and return on equity. The Petitioners submitted that if such logic of encouraging efficiency and economical use of resources is to be considered, then the Petitioners should also be allowed interest on loan and equity on the CAPEX or CWIP asset also.

2.116 Further, the Commission has stated that non-utilization of consumer contribution is burdening the consumers. In this regard, the Petitioners submitted that the partial utilization of consumer contribution and grant does not tantamount to the fund being kept unutilized. Petitioners also submitted that the consumer contribution is received mainly in the form of supervision charges and grant is received against specific scheme. Such funds are required to be used or booked against respective assets/scheme. As per the accounting treatment, it is submitted that one cannot treat the grant received towards any particular scheme, say under DDUGJY, against the grant under the other scheme, say RDSS.

2.117 In case the consumer contribution and grant received in any year remains un-utilized during the year then the same would have been lying in the Licensee's bank account and any interest earned against such fund is considered under Non-Tariff Income of

Licensee thereby reducing the ARR. Hence, as per Petitioners the logic as given by the Commission that unutilized fund burdens the consumers is not justifiable.

2.118 The Petitioners submitted that consumer contribution and grant are uncontrollable in nature. The amount towards consumer contribution and grant to be received in particular year are not known in advance. The amount may also be received at different part of year. As per petitioners, it is quite possible that the amount received against consumer contribution and grant may have been utilized for asset, which are under CWIP but not yet capitalized. It is submitted that it normally happens that assets capitalized in a year may be created out of equity, consumer contribution, grant and loan of earlier year/years and equity, consumer contributions, grant and loan received in a year may not be utilized for the creation of asset during that same year. The unspent amount may have been lying in WIP, which will be converted into capitalization in subsequent years. Further, in some cases, the grant received during the year may pertain to completed work corresponding to previous year as in most of the cases the grant is usually linked to achievement of certain conditions or capitalization. Hence, the same cannot be treated as partial utilization as stated by the Commission, therefore, the rationale as given by the Commission is not justifiable in the opinion of Petitioners.

2.119 However, the Petitioners appreciated the concern of the Commission that the DISCOMs should first utilize the free source of money, however, the impact of non-utilization of such source of money cannot be imposed on the Petitioners in perpetuity.

2.120 The Petitioners submitted that they totally disagree with the methodology as adopted by the Commission and requested the Commission to consider the consumer contribution and grant on utilization basis. However, in case the Commission is still not convinced, then the Petitioners proposed to treat consumer contribution and grant in such a manner that the impact of any unutilized fund (as per the Commission's understanding) may be limited to that particular year only. For instance, the unutilized Consumer Contribution and Grants may be treated as an artificial investment in either Fixed Deposit (FDs) or Bank savings. Accordingly, an estimated income may be arrived, which can be considered as additional Non-Tariff Income thereby giving the impact of non-utilization of Consumer Contribution and Grants during the same year. It is to be noted that the any amount unutilized during the year is already lying in the bank account of the Licensee and the interest earned is already being considered under Non-Tariff Income. However, for the satisfaction of the Commission, the Petitioners are proposing for an artificial additional income, which would restrict the impact of unutilized portion during the respective year only.

2.121 In view of the above, the Petitioners requested the Commission that entire amount as received during the year towards consumer contribution and grant may not be treated as means of financing capitalization during the year.

2.122 The Petitioners submitted that they have adopted following methodology for calculation of interest on project loan for the purpose of true-up of FY 2022-23:

- ❖ The closing values of GFA, debt and equity as admitted in the True-up Order of FY 2021-22 have been considered as opening values of GFA, debt and equity for FY 2022-23.
- ❖ Net addition to GFA during FY 2022-23 has been worked out by subtracting the amount utilized from consumer contribution and grants during the year.
- ❖ Equity in excess of 30% of the net GFA added during FY 2022-23, 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 2022-23.
- ❖ Balance of net addition to GFA has been considered as having been funded through debt and added to the total opening values of debt for FY 2022-23.
- ❖ In accordance with Regulation 32.3 of the MYT Regulations, 2021, debt repayment is considered equal to the depreciation claimed for the year.

2.123 The Petitioners have submitted that the rate of interest has been considered based on the actual loan portfolio of the respective DISCOMs in line with the MYT Tariff Regulations, 2021. The interest on project loans has been computed based on the average of the opening and closing normative loans for the financial year.

2.124 Accordingly, the Petitioners have claimed interest on project loans (inclusive of finance charges) of Rs. 280.01 Crore, Rs. 113.10 Crore and Rs. 386.28 Crore for East, West and Central DISCOMs, respectively, as against Rs. 383.07 Crore, Rs 156.69 Crore and Rs 428.54 Crore, respectively, admitted by the Commission in the Tariff Order for FY 2022-23.

Commission's Analysis on Interest on Project Loans:

2.125 The Commission has examined the claims of DISCOMs from their filings and Audited Accounts. As per Regulation 32 of the MYT Regulations, 2021 and amendments thereof, for allowing interest and finance charges, all loans shall be identified for the assets capitalized till the relevant year. In the absence of information related to loan mapping with particular asset, it cannot be ascertained as to how much loan is related to completed fixed assets and how much is related to capital work in progress.

2.126 Further, Regulation 22 of the MYT Regulations, 2021 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

2.127 In this True up Order for FY 2022-23, interest on project loans has been considered based on the fixed asset created till 31st March, 2023, as per Audited Accounts of FY 2022-23 and as per Capital Expenditure Plan approved by the Commission.

2.128 The Commission has adopted the methodology for allocating the admitted Gross Fixed Assets (GFA) addition during the year into debt and equity in accordance with the MYT Regulations, 2021, as explained below:

a. Allocation of fixed assets into debt and equity as on 31st March, 2022 has been considered as per the True-up Order of FY 2021-22.

b. Net addition to GFA during FY 2022-23 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 2021-22 as the opening GFA for FY 2022-23.

   ii. Further, the Commission has considered the closing consumer contribution and grants for FY 2021-22 as the opening consumer contribution and grants for FY 2022-23. As regards addition in consumer contribution and grants, the Petitioners have submitted details of the addition in consumer contribution and grants in reply to information sought through data gaps and accordingly, the same has been considered for true up.

c. Equity in excess of 30% of the net GFA added during FY 2022-23, has been considered as normative loan. Further, only such equity capital is to be considered, which has been actually utilized for creation of asset. If the actual equity deployed is less than 30% of the net GFA, then actual equity has been considered for computation of RoE. The equity so derived has been added to the equity considered at the end of FY 2021-22 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 2021-22. In absence of the actual debt for 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.

2.129 In accordance with Regulation 32.3 of the MYT Regulations, 2021, 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 Petitioners have considered interest rate on account of Perpetual loans, Public/ SLR Bonds, PP Bonds and Interest on Working Capital Loans in weighted average of Project Loans. The Commission, while approving the weighted average rate of interest, has not considered these Loans as the Petitioners have not been able to establish their linkage to project specific works. This approach is in line with the approach taken in pervious True-up Orders.

2.130 Accordingly, the Commission has computed the revised weighted average rate of interest for projects specific loans for East, West and Central DISCOMs and admitted the weighted average rate of interest of 8.09%, 7.62% and 7.84% for East, West and Central DISCOMs, respectively.

2.131 It is observed that East, West and Central DISCOMs have claimed Rs. 1.48 Crore, Rs.17.87 and Rs. 10.47 Crore, respectively, towards finance charges. The Commission after scrutinizing DISCOM's submission with audited accounts has considered the cost of raising funds, bank charges, commitment charges and guarantee/LC charges. Therefore, the Commission has admitted the actual finance charges as per audited accounts.

2.132 Further, as regards the Petitioners' request to revisit the approach and consider the consumer contribution and grant on the basis of utilisation or funding pattern in true up of FY 2022-23, it is observed that the Petitioners had filed the review Petition of True-up Order of FY 2020-21 (P. No. 38/2022) and True-up Order of FY 2021-22 (P. No. 24/2023) to revisit the above said approach. The Commission has disallowed the claim. The relevant extracts from the Orders passed by the Commission are reproduced below:

Review Petition on True-up Order of FY 2020-21 (P. No. 38/2022)

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

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

Review Petition on True-up Order of FY 2021-22 (P. No. 24/2023)

"26.The Commission observed that the Petitioners in true-up petition of FY 2021-22 have requested the Commission for consideration of Consumer Contribution and

Grants on "utilization basis" rather than on "received basis". The Commission has to encourage efficiency and economical use of resources as per Section 61(d) of the Electricity Act, 2023. Partial utilization of available consumer contribution and grants cannot be allowed by the Commission as the same will result in non-utilization of the funds available with the Petitioner and burdening the consumers with financing costs through interest on loan and return on equity . This issue is well settled and the Commission in the true-up order of FY 2021-22 and in review petition of true-up up order FY 2020-21 (P. No.38/2022) has reiterated its view on this matter. Therefore, review sought by the Petitioners once again on the same issues does not satisfy the conditions for review of the impugned order as per Regulation 40 (2) of the provision of MPERC (Conduct of Business) (Revision I) Regulations, 2016. Further, the Commission also observed that the Petitioners in true-up petition for FY 2021-22 has not raised the issue of treatment of non-utilization of Consumer Contribution and Grants during the year in Non-Tariff Income.

27. The Petitioners have sought the review on the grounds of error apparent. As discussed earlier, the error apparent means any computational error on the face of record. While in this issue, it is matter of methodology adopted by the Commission. The error apparent does not apply to the methodology or principles adopted while issuing the Order.

28.As there is no error apparent on the face of record issue (ii), as raised by the Petitioners, does not warrant any intervention through a review process, and as such, it is hereby dismissed."

2.133 In addition to above, the Commission observed that the Petitioners are allowed in principle approval for their Capital Investment during the year as per the funding pattern in terms of grant, loan and equity infusion with the assumption that the Petitioners will be meeting their target timelines against the capital work and receive the grant against the schemes. However, it has been observed that the Petitioners have not been able to meet that target timelines in the past years, due to which such mis-match may happen in utilisation of consumer contribution and grants.

2.134 Further, the Commission observed that the Petitioners have failed to substantiate their claim that the grant received towards any particular scheme or consumer contribution received towards a particular capital work has been kept separately by the Petitioners in a separate account or fund and this amount has not been utilised by the Petitioners for creation of other assets or utilised towards meeting other cashflow of the Petitioners. The amount of consumer contribution and grant received by the Petitioners and not utilised for capital expenditure becomes the part of internal cash flow of the Petitioners which in turn can be utilised to create assets or used for meeting other expenses by the Petitioners. In case the Petitioner is separately investing the unutilised grant and consumer contributions in Fixed Deposits and not utilising it for their normal cashflow, the Petitioner needs to substantiate the same with supporting documents and month wise cashflow of the Company. In the absence of any such substantiation by the Petitioners, the Commission has considered the funds available with the Petitioners against the unutilised grant and consumer contribution for funding of capitalised assets as prudent financial practice in line with the approach adopted by the Commission in its previous Tariff Orders.

2.135 In view of the aforesaid observations, it cannot be verified, whether the Petitioners were able to ensure efficient management of interest free funds which were freely available with Petitioners. Therefore, the Petitioners should substantiate their claims properly with supporting documents so that the prudence check of their claims can be examined with right set of data.

2.136 As regards the Petitioners' proposal regarding the treatment of non-utilization of Consumer Contribution and Grants as artificial investments in either Fixed Deposit or Bank, the Commission has considered Consumer Contribution and Grants on as 'received basis,' consistent with the approach adopted in previous True-up Orders. Therefore, there is no need to calculate artificial investments for addressing the non-utilization of Consumer Contribution and Grants during the year. The Petitioners should realise that they are operating under Regulatory Regime. They should optimise their financial operations within Regulatory Framework, by taking measures such as infusing actual equity at 30% of the GFA, managing debt repayment within deprecation allowed and maintaining Fixed Asset Register appropriately.

2.137 The Commission have been adopting the same approach in all its previous True-up Orders for working out the Interest on project loan, which have already attained finality. Accordingly, the Commission decides not to reopen settled issues in the instant True-up Order.

2.138 Based on the above, interest on project loans along with other finance charges admitted in true-up of FY 2022-23 for DISCOMs is given in the table below:

Table 26 : Interest on Project Loans admitted by the Commission for FY 2022-23 (Rs. Crore.)

Particulars	Legend	East DISCOM	West DISCOM	Central DISCOM	Total for State
Opening Debt associated with GFA (Closing debt as per FY 2021-22 True-up Order)	A	3,407.39	1,272.09	4,648.00	9,327.48
GFA Addition during the year	B	655.42	141.99	365.53	1,162.94
Consumer Deposit and Grants during the year	C	551.51	141.99	307.84	1,001.34
Net GFA Addition during the year	D=B-C	103.91	0.00	57.69	161.60
Addition of Equity admitted (See Table No. 24 Sr.No.7)	E	29.53	0.00	17.31	46.84
Net GFA considered as funded through debt	F=D-E	74.38	0.00	40.38	114.76

Particulars	Legend	East DISCOM	West DISCOM	Central DISCOM	Total for State
Debt repayment during the year (See Table No.25 Sr. No.9)	G	338.18	184.21	345.05	876.45
Closing debt associated with GFA	H=A+F-G	3,143.59	1,087.88	4,334.33	8,565.79
Average debt associated with Loan	I=Average (A, H)	**3,275.49**	**1,179.99**	**4,491.16**	**8,946.64**
Weighted average rate of interest (%) on all loans as per Petitioner	J	8.09%	7.62%	7.84%	7.91%
Interest on Project Loans	K=I*J	265.14	89.91	352.19	707.24
Other Finance cost	L	1.48	17.87	10.47	29.82
Interest cost admitted on project loans in True-Up	M=K+L	**266.62**	**107.77**	**362.67**	**737.06**

<u>Interest on Working Capital</u>

Petitioners' Submission:

2.139 Petitioners have claimed interest on working capital on the basis of norms specified in the terms and conditions of MYT Regulations, 2021. East, West and Central DISCOMs have claimed interest on working capital as Rs. 68.73 Crore, Rs. 12.49 Crore and Rs. 61.84 Crore, respectively, as against Rs. 65.95 Crore, Rs. 11.85 Crore and Rs. 73.82 Crore, respectively, admitted by the Commission in the Tariff Order for FY 2022-23.

2.140 The Petitioners also submitted that MPPMCL also incurs cost towards Interest on State Govt. Loan, Interest on Deposits and Working Capital Demand Loan, which is not factored in the normative working capital requirement interest on loan of DISCOMs. The Petitioner used to claim such cost under the power purchase head; however, it has been observed by the Petitioners from the past True-up Orders that the Commission disallows the same stating that these loans have been taken by MPPMCL for working capital requirement and do not pertain to funding of the DISCOMs. The Commission further stated that since the DISCOMs have been allowed normative Interest on Working Capital, it would not be appropriate to allow finance cost to MPPMCL, separately.

2.141 In this regard, the Petitioner submitted that in the normative working of Interest on working capital only expenses pertaining to DISCOMs are considered, i.e., the O&M expenses and other expenses of DISCOMs are considered. The expenses incurred by MPPMCL towards procurement of power for DISCOMs as per GoMP notification dated 21 March 2016 and other related expenses are never factored in. In fact, whatever cost is allowed for MPPMCL under power purchase expenses results in reduction of working capital requirement of DISCOMs as one month power purchase cost is to be reduced to determination of working capital requirement as per norms. Hence, as per Petitioners it is necessary to approve such expense separately for MPPMCL.

2.142 MPPMCL is at present availing credit limit of Rs 3200 Crore (Fund based Rs 2,300 Crore and non-fund based Rs 900 Crore) from State Bank of India (SBI). This limit of Rs 3,200 Crore is essential for liquidity management and for managing the day-to-day financial requirements of the Company and for providing LC's to generators under CERC/MPERC Regulations or PPA.

2.143 The interest cost of this credit limit is not allowed by the Commission as cost while determining the retail tariff. In this regard, it is submitted that in Retail Supply Tariff Order for FY 2022-23, the Commission has allowed interest on working capital loan of DISCOMs only to the tune of Rs. 151.61 Crore, as against this, actual interest cost on working capital loan incurred by the DISCOMs is around Rs 305.47 Crore. Hence, the interest cost on the limits availed by MPPMCL would have been disallowed even if the same were availed by DISCOMs as the working capital interest of DISCOMs is higher than that allowed by the Commission. If credit limit availed by MPPMCL is discontinued then an amount of Rs 2,300 Crore (as this amount has been drawn for making payments) shall have to be returned immediately to SBI. As per Petitioners, the Company does not have liquidity for such repayments, because of cash crunch, the power purchase liabilities have risen to Rs 6,966 Crore, and the Petitioners are already incurring surcharge because of non-payment within due date. Any attempt to refund the cash credit overdrawn to SBI means further non-payment to generators, which will result in more delay in payments to generators. As per Petitioners, this in turn will attract surcharge at higher rates averaging from 13.5% to 16.5% (in comparison to blended rate of 7.78% being charged by SBI on the credit facilities) and this increased surcharge will also not be allowed by the Commission in Retail Tariff Order. Petitioners stated that in worst case, the Company may not be able to settle the power dues within trigger date, which may lead to disruption in power supply.

2.144 The Petitioners further submitted that during FY 2022-23, the MPPMCL has incurred Rs. 195.78 Crore towards Interest on Deposits and Working Capital Demand Loan. It is to be noted that the Petitioner has not included aforesaid expenses in its claim of power purchase for FY 2022-23. The Petitioners requested the Commission to factor in the legitimate expenses of MPPMCL and allow the interest and finance charges of Rs. 196.78 Crore separately for MPPMCL.

Commission's Analysis on Interest on Working Capital:

2.145 Regulation 23 of the MYT Regulations, 2021, specifies the methodology for the computation of working capital requirement for the Distribution Licensees as follows:

*"**23.Working capital.-***

23.1.Working capital for supply activity of the Licensee shall consist of:

(i)Receivables of two months of average billing reduced by power purchase cost of

one month, consumer security deposit, and any amount paid by the prepaid consumers,

(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 considered at 1% of the Gross Fixed Assets for previous year.

23.2.Working capital for wheeling activity of the Licensee shall consist of:

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

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

23.3.The norms described above shall be applicable for each year of the Control Period."

2.146 The Petitioners are working in a regulatory regime and are supposed to adopt prudent financial management, so as to align themselves with regulatory norms. Working Capital norms are laid down in the power sector not only for distribution sector, but for generation companies and transmission licensees too. Petitioners are required to introspect their financial operations and improve cash management. It may be mentioned that regulatory approaches on these issues are similar and broad based across the States.

2.147 In line with the approach adopted by the Commission in previous Orders and in line with the provisions of the Regulations, the Commission has considered Gross Fixed Assets at the start of FY 2022-23 as Rs 11,937.74 Crore, Rs.8,867.17 Crore and Rs.13,129.00 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 put together, which has been further divided into wheeling and retail inventory in the ratio of 80:20, in line with the approach adopted in the last True-up Order. The consumer security deposit has been considered as discussed in the section on interest on consumer security deposit. Values of other elements of working capital have been considered based on the expenses admitted by the Commission in the relevant sections of this Order. Further, as noted in previous True-up Orders also, both the activities are undertaken simultaneously by the DISCOMs and the available resources are common for both. Therefore, the Commission has taken working capital requirement together for wheeling and retail activities. Accordingly, the Commission has considered one Month O&M Expense towards the wheeling activity only.

2.148 Further, Regulation 38 of the MYT Regulations, 2021 specifies as follows for the computation of interest on working capital:

"38. 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 Base Rate as on 1April of the relevant Year plus 350 basis points. 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.''

2.149 Accordingly, for the purpose of interest rate on working capital, Base Rate as on 1st April 2022 plus 350 basis points, i.e., 10.50%, has been considered.

2.150 Further, regarding Petitioners' proposal to include MPPMCL cost of Rs. 196.78 Crore incurred towards Interest on State Govt. Loan, Interest on Deposits and Working Capital Demand Loan in Interest and finance charges, the Commission reaffirms its decision to disallow Interest on State Govt. Loan, Interest on Deposits and Working Capital Demand Loan obtained by MPPMCL as these loans were obtained by MPPMCL for fulfilling working capital requirement needs and does not pertain to funding of the DISCOMs in accordance with the Regulations. Petitioners have pleaded the ground of cash crunch to justify working capital loans. However, the Commission cannot allow deficit financing in the name of working capital loans.Given that the Commission has already allowed the DISCOMs Interest on Working Capital as per norms, it would not be appropriate to allow finance cost to MPPMCL separately, which is in line with the approach adopted by the Commission in previous True-up Orders and as per the provisions of MYT Regulations, 2021

2.151 Accordingly, based on the above, interest on working capital admitted for FY 2022-23 is as shown in the table below:

Table 27 : Interest on Working Capital admitted by the Commission for FY 2022-23 (in Rs. Crore)

Sl. No.	Particulars	Month(s)	East DISCOM	West DISCOM	Central DISCOM	Total for State
For wheeling activity						
A)	1/6th of annual requirement of inventory for previous year	2	15.92	11.82	17.51	45.25
B)	1/12th of total O&M expenses	1	109.74	112.26	106.52	328.53
C)	Total Working capital (A+B)		125.66	124.08	124.03	373.77
D)	Rate of Interest		10.50%	10.50%	10.50%	10.50%
E)	**Interest on Working capital**		**13.19**	**13.03**	**13.02**	**39.25**
For Retail Sale activity						
A)	1/6th of annual requirement of inventory for previous year	2	3.98	2.96	4.38	11.31

Sl. No.	Particulars	Month(s)	East DISCOM	West DISCOM	Central DISCOM	Total for State
B)	Receivables equivalent to 2 months average billing	2	2,209.59	3,162.17	2,665.28	8,037.04
C)	1/12th of power purchase expenses	1	733.07	1,392.82	947.37	3,073.27
D	Consumers Security Deposit		989.06	1,769.21	1,280.32	4,038.59
E)	Total Working capital (A+B-C-D)		491.43	3.09	441.97	936.49
F)	Rate of Interest		10.50%	10.50%	10.50%	10.50%
G)	**Interest on Working capital**		**51.60**	**0.32**	**46.41**	**98.33**
	Summary					
	For wheeling activity		13.19	13.03	13.02	39.25
	For Retail Sale activity		51.60	0.32	46.41	98.33
	Total Interest on working Capital Admitted		**64.79**	**13.35**	**59.43**	**137.58**

Interest on Consumer Security Deposit

Petitioners' Submission:

2.152 The Petitioners have claimed interest on consumer security deposit as per their Audited Accounts for FY 2022-23. East, West and Central DISCOMs have claimed Rs. 47.28 Crore, Rs. 59.17 Crore and Rs. 58.41 Crore, respectively, as against Rs. 43.61 Crore, Rs. 70.25 Crore and Rs. 47.58 Crore, respectively, admitted by the Commission in the Tariff Order for FY 2022-23.

Commission's Analysis on Consumer Security Deposit:

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

2.154 Accordingly, the Commission has admitted the interest amount on consumer security deposit as per the Audited Accounts of the DISCOMs for FY 2022-23.

2.155 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 2022-23 is shown in table below:

Table 28 : Interest on Consumer Security Deposit admitted for FY 2022-23 (Rs. Crore)

Particulars	East DISCOM	West DISCOM	Central DISCOM	Total for State
Admitted in Tariff Order for FY 2022-23	43.61	70.25	47.58	161.44
Claimed in True-up Petition for FY 2022-23	47.28	59.17	58.41	164.86
As per Audited Accounts for FY 2022-23	47.28	59.17	58.41	164.86
Admitted in this True-up Order	**47.28**	**59.17**	**58.41**	164.86

Other items of ARR

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

Bad and doubtful debts

Petitioners' Submission:

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

Table 29 : Bad Debts claimed by DISCOMs (Rs. Crore)

DISCOM	Bad Debts as per Tariff Order	Bad Debts claimed
East	0.00	0.00
West	0.00	134.96
Central	0.00	0.79

Commission's Analysis on Bad and Doubtful debts:

2.158 Regulation 37 of the MYT Regulations, 2021, specifies methodology for computation of Bad and Doubtful Debts. The relevant extract of the Regulations is reproduced below:-

*"**37. Bad and doubtful debts.-***

The Licensee shall submit the Draft policy and procedure for identification of bad debts and writing off the same for the approval of the Commission within three months from the date of notification of these Regulations. Bad and Doubtful Debts shall be allowed based on bad debts actually written off in the past (in accordance to the procedure approved by the Commission) as per the available latest audited Financial Statement to the extent Commission considers it appropriate and shall be trued up during the true up exercise for the relevant year subject to a limit of 1% of the yearly revenue".

2.159 The Commission observed that East DISCOM has not made any claim towards bad and doubtful debts. Accordingly, the Commission has not considered any bad and doubtful debts for East DISCOM.

2.160 West DISCOM has claimed Rs. 96.65 Crore written off on account of the freezed surcharge amount for Jalood Water and Rs. 38.32 Crore written off against dues for Pandhana and Mansa Society whereas Central DISCOM has claimed amount of Rs. 0.79 Crore towards the bad debt actually written off mainly on account of false demand raised in previous years.

2.161 Based on analysis of bad debts claimed, it has been observed that majority of the bad debt has been written off against a false demand or surcharge by the DISCOMs at their own behest. As per Regulations 43.3 of MYT Regulations, 2021, the Licensee may waive the late payment surcharge payable by any consumer or class or category of consumers as it may consider necessary to boost recovery of revenue on its own, but this shall not qualify expenses to be recovered through ARR. The Commission also does not consider withdrawal of false demand to be recognised as an expenditure in ARR. Therefore, the Commission does not find it appropriate to admit Central and West DISCOM's bad and doubtful debt against false demand and surcharge demand as per the approach adopted by the Commission in previous True-up Orders regarding admittance of bad and doubtful debt.

2.162 The Commission finds it prudent to admit Rs.38.32 Crore only written off against dues for Pandhana and Mansa Society claimed by West DISCOM. The Commission has verified the said amount from the audited accounts of the West DISCOM and the allowance of bad and doubtful debt is well within the limit of 1% of the yearly revenue of West DISCOM.

2.163 Accordingly, the Commission has admitted bad and doubtful debts for FY 2022-23, which is shown as follows:

Table 30: Bad and Doubtful Debts admitted by the Commission for FY 2022-23 (Rs. Crore)

Particulars	East DISCOM	West DISCOM	Central DISCOM	Total for the State
Written off against dues	0.00	38.32	0.00	38.32
1% of sales revenue	132.58	189.73	159.92	482.22
Bad and Doubtful debts Admitted	**0.00**	**38.32**	**0.00**	**38.32**

<u>Other Expenses</u>

Petitioners' Submission:

2.164 West DISCOM has incurred other sundry and miscellaneous expenses of Rs 4.17 Crore, which are shown in the table below:

Table 31 : Other Expenses claimed by DISCOMs (Rs. Crore)

Particulars	East DISCOM	West DISCOM	Central DISCOM	Total for State
Sundry Expenses/Miscellaneous Losses	0.00	3.16	0.00	3.16
Other Miscellaneous Expenses/Losses written off	0.00	1.02	0.00	1.02
Total other expenses claimed in this true-up	**0.00**	**4.17**	**0.00**	**4.17**

Commission's Analysis

2.165 The Commission after verifying expenses from the audited accounts of the West DISCOM has admitted other expenses of Rs. 4.17 Crore.

Revenue from Sale of Power

Petitioners' Submission:

2.166 The Commission had admitted the projection of Sales as 19,497.42 MU, 27,028.30 MU and 22,275.93 MU at revenue of Rs. 12,992.03 Crore, Rs. 17,872.71 Crore and Rs. 15,106.91 Crore for East, West and Central DISCOMs, respectively, in the Retail Supply Tariff Order for FY 2022-23. As against the same, the Sales filed are 18,553.90 MU, 26,690.16 MU, and 22,433.00 MU at revenue of Rs. 13,257.52 Crore, Rs. 18,973.00 Crore and Rs. 15,991.71 Crore for East, West and Central DISCOMs, respectively.

Commission's Analysis

2.167 The Petitioners in their audited accounts have booked the revenue from sale of power excluding subsidy and other income as Rs. 7,046.20 Crore, Rs. 10,179.24 Crore and Rs. 8,337.03 Crore for East, West and Central DISCOMs, respectively.

2.168 The Commission has considered the following revenue, which were booked in the audited accounts excluding subsidy and other income.

Table 32 : 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	**7,046.20**	**10,179.24**	**8,337.03**	**25,562.47**

2.169 The Commission also recognizes tariff subsidy by State Government as other than the revenue from sale of power as reported in the audited accounts. DISCOMs have received Other Income and Non-Tariff Income during FY 2022-23 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

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

Table 33 : 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)	223.88	37.39	42.51	303.78
2	Meter Rent	0.00	0.06	0.25	0.31
3	Income from Wheeling Charges	0.00	3.47	0.00	3.47
	Total Non-Tariff Income	**223.88**	**40.92**	**42.76**	**307.56**

<u>Subsidy by State Government</u>

2.171 As per Audited Accounts for FY 2022-23 tariff subsidy by State Govt is Rs. 6,211.32 Crore, Rs. 8,793.76 Crore and Rs. 7,654.68 Crore for East, West and Central DISCOMs, respectively. Accordingly, the Commission has considered this amount as the income of the Petitioners, as it is a part of the revenue from sale of power to the subsidized consumers, as shown below:

Table 34 : Subsidy considered as per Audited Accounts (Rs. Crore)

Particulars	East DISCOM	West DISCOM	Central DISCOM	Total for State
Subsidy by GoMP	6,211.32	8,793.76	7,654.68	**22,659.76**

<u>Other Income</u>

Petitioners' Submission:

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

Table 35 : 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	0.04	41.94	44.23
	Interest on FDRs/Investment	27.43	3.50	0.16
A	**Sub-Total (A)**	**27.47**	**45.43**	**44.39**
B	**Other Non-Tariff Income**			
	Interest & penal interest on advance to suppliers	(11.48)	0.03	0.02
	Renting Income	-	6.19	-
	Income from staff welfare activities	-	0.03	-
	Profit on sale of stores	-	11.70	19.97
	Income from trading (other than electricity)	25.55	-	-
	Miscellaneous income	(7.81)	108.58	31.56
	Other Subsidy	-	-	0.16
B	**Sub-Total (B)**	**6.26**	**126.52**	**51.71**
C	**Total Other Income (C=A+B)**	**33.73**	**171.96**	**96.11**

Commission's Analysis

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

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

Table 36 : Other Income as Admitted by Commission (Rs. Crore)

Sr. No.	Particulars	East DISCOM	West DISCOM	Central DISCOM
A	**Income from Investment, Fixed Deposits**			
	Interest on Staff loans & advances	0.04	3.50	0.16
	Interest on FDRs/Investment	27.43	41.94	44.23
A	**Sub-Total (A)**	**27.47**	**45.43**	**44.39**
B	**Other Non-Tariff Income**			
	Interest & penal interest on advance to suppliers	(11.48)	0.03	0.02
	Renting Income	-	6.19	-
	Income from staff welfare activities	-	0.03	-
	Profit on sale of stores	-	11.70	19.97
	Income from trading (other than electricity)	25.55	-	-
	Miscellaneous income	(7.81)	108.58	31.56
	Other Subsidy	-	-	0.16
B	**Sub-Total (B)**	**6.26**	**126.52**	**51.71**
C	**Total Other Income (C=A+B)**	**33.73**	**171.96**	**96.11**

2.175 Accordingly, the Commission admits the actual Other Income of Rs. 33.73 Crore, Rs 171.96 Crore, and Rs 96.11 Crore for East, West and Central DISCOMs, respectively, as per audited accounts.

2.176 Based on above discussion, the total revenue admitted by the Commission for the period April, 2022 to March, 2023 is mentioned in the table below:

Table 37 : Total Revenue including Subsidy from Sale of Power admitted at approved tariff (Rs. Crore)

DISCOM	Revenue from sale of power	Revenue subsidies from GoMP	Total Revenue including subsidy admitted for true-up
East	7,046.20	6,211.32	13,257.52
West	10,179.24	8,793.76	18,973.00
Central	8,337.03	7,654.68	15,991.71
Total	**25,562.47**	**22,659.76**	**48,222.23**

Table 38 : Non-Tariff Income and Other Income admitted (Rs. Crore)

DISCOM	Non-Tariff income	Other Income (excluding DPS)	Non-Tariff and Other Income admitted for true-up
East	223.88	33.73	257.61
West	40.92	171.96	212.88
Central	42.76	96.11	138.86
Total	**307.56**	**301.79**	**609.35**

Table 39 : Total Revenue including Subsidy from Sale of Power, Non-Tariff Income and Other Income admitted at approved tariff (Rs. Crore)

DISCOM	Total Revenue including subsidy admitted for true-up	Non-Tariff and Other Income admitted for true-up	Total Revenue including Subsidy from Sale of Power, Non-Tariff Income and Other Income admitted for true-up
East	13,257.52	257.61	13,515.13
West	18,973.00	212.88	19,185.87
Central	15,991.71	138.86	16,130.57
Total	**48,222.23**	**609.35**	**48,831.58**

DBST (Differential Bulk Supply Tariff)

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

2.178 As the power purchase for all three DISCOMs is being managed by MPPMCL, it is necessary to approve power purchase cost in equitable way to approve uniform tariff across the DISCOMs in the State. Accordingly, the Commission has allocated power purchase cost among the three DISCOMs based on DBST methodology for true-up of FY 2022-23, as shown in the table below:

Table 40: Differential Bulk Supply Tariff admitted in True-up of FY 2022-23 (Rs. Crore)

Particulars	Reference	East DISCOM	West DISCOM	Central DISCOM	State
Revenue from Approved Tariff (Rs. Crore)	**A**	**13,257.52**	**18,973.00**	**15,991.71**	**48,222.23**
Other Costs of ARR of DISCOMs (Expenses other than Power Purchase Cost) (Rs. Crore)	**B**	**3,335.98**	**1,309.38**	**3,568.75**	**8,214.11**
O&M Expenses		1,316.92	1,347.13	1,278.29	3,942.33
Depreciation		338.18	184.21	354.05	876.45

Particulars	Reference	East DISCOM	West DISCOM	Central DISCOM	State
Interest & Finance Charges					
On Project Loans		266.62	107.77	362.67	737.06
On Working Capital Loans		64.79	13.35	59.43	137.58
On Consumer Security Deposit		47.28	59.17	58.41	164.86
Return on Equity		235.51	162.85	267.66	666.03
Bad & Doubtful Debts		0.00	38.32	0.00	38.32
Other Expenses		0.00	4.17	0.00	4.17
Less: Other income and Non-Tariff Income		257.61	212.88	138.86	609.35
Revenue Gap of MP DISCOM True-up for FY 2019-20 and FY 2020-21		1,324.29	(394.72)	1,327.11	2,256.67
Intra-State Transmission Charges including SLDC (Rs. Crore)	**C**	**1,560.33**	**1,577.42**	**1,580.04**	**4,717.79**
Aggregated Amount available with DISCOMs for Power purchase (Rs. Crore)	**D=A-B-C**	**8,361.21**	**16,086.20**	**10,842.92**	**35,290.32**
Total Power Purchase Cost (Rs. Crore)	**E**				**36,879.25**
Revenue Gap/(Surplus) (Rs. Crore)	**F=E-D**				**1,588.92**
Ex- Bus Energy Requirement (MU)	**G**	**25,141.80**	**36,221.90**	**30,326.03**	**91,689.73**
% Allocation as per Ex- Bus Energy Requirement		27%	40%	33%	100%
Allocation of Revenue Gap/(Surplus) as per Ex-Bus Energy Requirement (Rs. Crore)	**H**	**435.69**	**627.70**	**525.53**	**1,588.92**
Power Purchase Cost for DISCOMs (Rs. Crore)	**I=H+D**	**8,796.90**	**16,713.90**	**11,368.45**	**36,879.25**

Carrying Cost on True-up

Petitioners' Submission:

2.179 The Petitioners have claimed carrying cost on True-up gap as per Regulation 8.3 of MYT Regulations, 2021. The carrying cost worked out by the Petitioners on the True-up gap is Rs. 155.45 Crore, Rs. 53.73 Crore and Rs. 176.88 Crore for East, West and Central DISCOMs, respectively.

Commission's Analysis

2.180 Regulation 8.3 of the MYT Regulations, 2021, specifies the provisions for carrying cost. The relevant extract of the Regulations is reproduced below:-

"8.3.If the revenue already recovered is more than the revenue requirement determined after true up, the Distribution Licensees shall refund to the consumers the excess amount so recovered along with the holding cost in the manner as may be decided by the Commission in the True-up order. Similarly, in case the revenue already recovered is less than the revenue requirement determined after true up, the Distribution Licensees shall be allowed to recover from the consumers, the under recovered amount along with the carrying cost in the manner as may be decided by the Commission, subject to provision of these Regulations. The decision of the Commission on the mechanism of recovery of balance amount due to under recovery shall be final:

Provided that the Carrying/Holding Cost may be allowed by the Commission on admitted revenue gap / surplus at the time of truing up at Base Rate plus 350 basis points, subject to timely filing of the Petition as per the provision of these Regulations"

2.181 The Commission, as per Regulation 8.3 of the MYT Regulations, 2021 has worked out the carrying cost on the true-up gap of Rs. 1,588.92 Crore, considering the rate of interest on carrying cost at Base Rate as on 1st April 2022 plus 350 basis points, i.e., 10.50%. DISCOM-wise summary of carrying cost is shown in the tables below:

Table 41 : Carrying cost on True-up gap for East DISCOM for FY 2022-23 (Rs. Crore)

East DISCOM			
Particulars	**FY 2022-23**	**FY 2023-24**	**FY 2024-25**
Opening Balance	-	435.69	435.69
Addition	435.69	-	-
Recovery	-	-	(435.69)
Closing Balance	435.69	435.69	-
Average Balance	217.85	435.69	217.85
Carrying/Holding Cost (%)	10.50%	10.50%	10.50%
Carrying/Holding Cost	22.87	45.75	22.87
Total Carrying Cost	**91.50**		

Table 42 : Carrying cost on True-up gap for West DISCOM for FY 2022-23 (Rs. Crore)

West DISCOM			
Particulars	**FY 2022-23**	**FY 2023-24**	**FY 2024-25**
Opening Balance	-	627.70	627.70
Addition	627.70	-	-
Recovery	-	-	(627.70)
Closing Balance	627.70	627.70	-
Average Balance	313.85	627.70	313.85
Carrying/Holding Cost (%)	10.50%	10.50%	10.50%
Carrying/Holding Cost	32.95	65.91	32.95
Total Carrying Cost	**131.82**		

Table 43 : Carrying cost on True-up gap for Central DISCOM for FY 2022-23 (Rs. Crore)

Central DISCOM			
Particulars	**FY 2022-23**	**FY 2023-24**	**FY 2024-25**
Opening Balance	-	525.53	525.53
Addition	525.53	-	-
Recovery	-	-	(525.53)
Closing Balance	525.53	525.53	-
Average Balance	262.77	525.53	262.77
Carrying/Holding Cost (%)	10.50%	10.50%	10.50%
Carrying/Holding Cost	27.59	55.18	27.59
Total Carrying Cost	**110.36**		

2.182 The carrying cost admitted by the Commission on the True-up gap is Rs. 91.50 Crore, Rs. 131.82 Crore and Rs. 110.36 Crore for East, West and Central DISCOMs, respectively.

Revenue Surplus / (Deficit)

2.183 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 2022-23 for the Licensees:

Table 44: Revenue Gap admitted in True-up of ARR for FY 2022-23 (Rs. Crore)

Particulars	East DISCOM		West DISCOM		Central DISCOM		State	
	Claimed	Admitted	Claimed	Admitted	Claimed	Admitted	Claimed	Admitted
Power Purchase Cost including Inter-Transmission Charges	**9,210.69**	**8,796.90**	**16,266.03**	**16,713.90**	**11,752.19**	**11,368.45**	**37,228.92**	**36,879.25**
Intra-State Transmission Charges including SLDC Charges	1,560.33	1,560.33	1,577.42	1,577.42	1,580.04	1,580.04	4,717.79	4,717.79
O&M Expenses	1,321.76	1,316.92	1,349.18	1,347.13	1,282.31	1,278.29	3,953.25	3,942.33
Depreciation	329.31	338.18	313.13	184.21	405.73	354.05	1,048.17	876.45
Interest & Finance Charges	**396.02**	**378.69**	**184.76**	**180.30**	**506.54**	**480.50**	**1,087.32**	**1,039.49**
On Project Loans	280.01	266.62	113.10	107.77	386.28	362.67	779.39	737.06
On Working Capital Loans	68.73	64.79	12.49	13.35	61.84	59.43	143.07	137.58
On Consumer Security Deposit	47.28	47.28	59.17	59.17	58.41	58.41	164.86	164.86
Return on Equity	235.51	235.51	164.98	162.85	269.65	267.66	670.14	666.03
Bad & Doubtful Debts	0.00	0.00	134.97	38.32	0.79	0.00	135.76	38.32
Other Expense	0.00	0.00	4.17	4.17	0.00	0.00	4.17	4.17
Total Expenses admitted	**13,053.62**	**12,626.53**	**19,994.65**	**20,208.30**	**15,797.26**	**15,329.00**	**48,845.54**	**48,163.83**
Less: Other income and Non-Tariff Income	259.60	257.61	218.92	212.88	141.12	138.86	619.63	609.35
ARR Admitted	**12,794.02**	**12,368.92**	**19,775.72**	**19,995.43**	**15,656.15**	**15,190.13**	**48,225.88**	**47,554.48**
Add: Revenue Gap of MP Transco True-up of FY 2019-20*	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Less: Revenue Surplus of MP Genco on True-up of FY 2019-20*	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Add: Revenue Gap for DISCOMs for FY 2019-20	1,260.38	1,260.38	(482.17)	(482.17)	1,252.72	1,252.72	2,030.92	2,030.92
Add: Revenue Gap for DISCOMs for FY 2020-21	63.91	63.91	87.45	87.45	74.39	74.39	225.75	225.75
ARR admitted including True ups	**14,118.31**	**13,693.21**	**19,381.00**	**19,600.70**	**16,983.25**	**16,517.24**	**50,482.56**	**49,811.15**
Revenue	**13,257.52**	**13,257.52**	**18,973.00**	**18,973.00**	**15,991.71**	**15,991.71**	**48,222.23**	**48,222.23**
Revenue Gap	**860.79**	**435.69**	**408.00**	**627.70**	**991.55**	**525.53**	**2,260.34**	**1,588.92**
Carrying Cost on True-up of FY 2022-23	155.45	91.50	53.73	131.82	176.68	110.36	385.86	333.67
Net Revenue Gap	**1,016.24**	**527.19**	**461.73**	**759.52**	**1,168.23**	**635.89**	**2,646.20**	**1,922.60**

**The Petitioners in reply to data gaps submitted that they have inadvertently claimed twice in the True-up of FY 2022-23*

2.184 Accordingly, the Commission has admitted the net Revenue Gap of Rs. 1,922.60 Crore after true up of FY 2022-23 for passing on the revenue gap amount in retail supply tariff to be determined by the Commission for the subsequent years.

A3: PUBLIC OBJECTIONS AND COMMENTS ON LICENSEE'S TRUE-UP PETITION FOR FY 2022-23

Date of publication of public notice in newspapers: 05th January, 2024

Last date for receiving the objections: 30th January, 2024

Date of public hearing: 06th February, 2024

In response to the public notice issued, suggestions/comments/objections were received from 1 (one) stakeholder against the True up Petition filed by the East, West and Central DISCOMs.

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

ISSUE No. 1: Supplementary Bills under Power Purchase

Issue Raised by Stakeholder:
The Stakeholder submitted that the Petitioners have claimed an amount of Rs. 1,709 Crore in form of supplementary bills towards power purchased without providing any details. The stakeholder therefore, requested the Commission to disallowed the same.

Response from Petitioners:
The Petitioners submitted that the supplementary bills forwarded by the generators to MPPMCL reflect additional expenses accrued over previous years. These bills arise because of various reasons such as issuance of new MYT Orders by CERC, reassessment of existing MYT Orders, adjustments in duties or cess, water charges, income tax, legislative changes and other related reasons. Further, the expenses covered in supplementary bills reflect the actual costs of the licensee, which are accounted for, in the electricity procurement expenses of the Petitioners. The Petitioners therefore, seeking reimbursement for the above said costs.

Commission's View:
As per MoP, GOI Rules prudent costs of power procurement are to be taken into account, if the procurement has been approved by the appropriate Commission.

The Commission after exercising the prudence check, has admitted the cost towards the supplementary bills. The approach adopted by the Commission has been discussed in Power Purchase Quantum and Cost chapter of this True-up Order.

ISSUE No. 2: Power Purchase Cost

Issue Raised by Stakeholder:

The Stakeholder submitted that the Petitioners have already claimed generating station-wise power purchase cost along with details in the Petition. However, in addition to above, the Petitioners have separately claimed Rs. 192.71 Crore attributable to other costs as part of power purchase cost, which appears opaque and unclear.

As per State Energy Accounts, the quantum of electricity purchased by the Petitioners was 89,566.79 MU, whereas the bills issued by the power generating companies indicate a higher quantity of 90,966.34 MU, resulting in a difference of 1,400 MU.

The Stakeholder further added that the Petitioners have claimed units procured from wind and solar as 4,173.69 MU and 4,867.30 MU respectively, resulting in power procurement cost of Rs 2,154.43 Crore towards wind and Rs.1,959.86 Crore towards solar. The average per unit cost comes out to be Rs. 5.16 per unit for wind and Rs. 4.02 per unit for Solar, whereas the Petitioners have not submitted the unit/plant-wise details.

The Stakeholder further added that the Petitioners have shown sale of 474.64 MU power to MPIDC amounting to Rs. 165.38 Crore at per unit rate of Rs. 3.48/kWh, while power purchase from Singhaji Thermal power plant for 19464.49 MU at a cost of Rs. 7724.58 crore amounts to per unit rate of Rs. 3.97/kWh. The Stakeholder questioned why power is sold to MPIDC at such lower rate causing burden on Distribution Licensee's consumers.

Response from Petitioners:

The Petitioner submitted that MPPMCL receives power purchase bills from electricity Generators on monthly basis and distribution companies receive monthly invoices for electricity purchase costs based on the prepared base sheet in the ERP system. Additionally, distribution companies directly receive invoices for direct injection generators, as well as for reactive energy, DSM charges and Intra-State transmission charges. All these invoices are integrated into the accounts of the distribution companies after verification. During the True-up process at the end of the year, MPPMCL and distribution companies reconcile their accounts and any discrepancies identified are claimed by MPPMCL as other costs.

In regard to Stakeholder's objection regarding solar and wind energy, it is submitted that there are around 270 wind energy plants and including individual details for each stations in the True-Up petition would elongate it. Hence, only the total units and average rate of these wind energy plants have been presented in the petition without individual breakdowns. However, the Commission receives the complete list and details of these plants regularly, as needed.

MPPMCL initiated the supply of 40 MW of electricity to the Madhya Pradesh Special Economic Zone through NTPC Sarni (Unit 6-9), SGTPS Birsinghpur (Unit 3), SGTPS Birsinghpur (Unit 1-5), ATPS Chachai (Unit 3), STPS Sarni (Unit 10-11) and SSTP Singaji

Phase-1 (Unit 1-2). This supply arrangement, spanning 25 years from April 1, 2015, involved various units of Madhya Pradesh Power Generating Company Limited and was formalized through a bulk electricity supply contract signed on March 29, 2016.

Commission's View:

The Commission noted the suggestions from the Stakeholder and the reply received from the Petitioners. The Power Purchase Cost has been examined and admitted in this Tariff Order by the Commission in accordance with the provisions under the MYT Regulations, 2021, Annual Audited Accounts of the Petitioners for FY 2022-23 and other supplementary submissions filed by the Petitioners and other documents placed on record by the Petitioners before the Commission.

ISSUE No. 3: Depreciation

Issue Raised by Stakeholder:

The Commission in its earlier Tariff Order had approved Rs. 727.35 Crore as Depreciation and directed the Petitioners to furnish Fixed Asset Register (FAR). However, disregarding the Commission's directive an additional amount of Rs. 320.82 Crore have been claimed towards Depreciation over and above the approved value. The Stakeholder requested the Commission to thoroughly reviews and examine the same before approving.

Response from Petitioners:

The Petitioners submitted that depreciation is claimed on net asset growth after reducing grants and consumer contributions used during the year. Additionally, closing balance of the FY 2021-22 has been considered as the opening balance of net GFAs for FY 2022-23 as approved by the Commission in the True-up for the FY 2021-22. Furthermore, the Petitioners have also submitted a detailed Fixed Asset Register in the format prescribed by the Commission.

Commission's View:

The Petitioners have submitted the Fixed Asset Registers in the format specified by the Commission. Accordingly, the Commission has admitted the Depreciation excluding the assets created through consumer contribution and grants based on FARs received from Petitioners as per the provisions of the MYT Regulations, 2021 and amendments thereof.

ISSUE No. 4: Cross subsidy and Additional surcharge

Issue Raised by Stakeholder:

The Stakeholder submitted that the Petitioners have not accounted Cross Subsidy Surcharge and Additional Surcharge as per the provisions outlined in Section 42(2) and Section 42(4) of the Electricity Act, 2003. The above said charges are not provided by the Petitioners. The Stakeholders requested the Commission to conduct a thorough analysis to understand such information has not been provided and to ensure compliance of the same by the Petitioners in the future.

Response from Petitioners:

The Petitioner submitted that distribution companies collect cross-subsidy surcharge and additional charges from open access consumers in a timely manner. The revenue obtained from cross-subsidy surcharge and additional charges is included in the company's balance sheet under 'Revenue from Operation'.

Commission's Views:

The Commission has examined the audited accounts of the Petitioners and have considered the income from Cross Subsidy Surcharge and Additional Surcharge as part of Revenue for True-up of FY 2022-23.

ISSUE No. 5:Repair & Maintenance Cost

Issue Raised by Stakeholder

The Stakeholder submitted that the Petitioners have claimed only Rs. 433.92 Crore as R&M Expenses against the approved value of Rs. 853.82 Crore. Such lower R&M Expenses infer that the Petitioners are lacking in matter of consumer services.

Response from Petitioners

The Petitioners submitted that due to the capital investments made by DISCOMs in past years, there has been a significant improvement in the quality and capacity of the distribution system of DISCOMs. Further, DISCOMs are making continuous efforts to provide better services to consumers.

Commission's View

The Commission has admitted the O&M Expenses as per the provision of the MYT Regulations, 2021 and amendments thereof, which has been detailed in respective chapters of this Tariff Order.

Annexure -I

Sr. No.	Name	Name and Address of the Stakeholders
East DISCOM		
1.	Shri. Rajendra Agrawal	1995/A Gyan Vihar, Narmada Road, Jabalpur - 482008