

ORDER*(Passed on this 19th Day of June 2014)*

This order relates to the petition numbers 28/2013, 20/2013 and 21/2013 filed by Madhya Pradesh Poorv Kshetra Vidyut Vitaran Company Ltd., Madhya Pradesh Paschim Kshetra Vidyut Vitaran Company Ltd. and Madhya Pradesh Madhya Kshetra Vidyut Vitaran Company Ltd. respectively (hereinafter referred to as “East Discom”, “West Discom” and “Central Discom” respectively and collectively as “petitioners” or “distribution licensees” or “Discoms”) before the Madhya Pradesh Electricity Regulatory Commission (hereinafter referred to as “MPERC” or the “Commission”). These petitions have been filed by the Discoms seeking the true-up of Aggregate Revenue Requirement (ARR) determined by the Commission for the period from April, 2010 to March, 2011 in the distribution and retail supply tariff order issued on May 18, 2010.

- As regards Annual Performance Review (APR), the Commission has reviewed the operational and financial performance parameters of the Discoms for FY 2010-11. The Commission has finalized this order based on the review and analysis of the past records, submissions, necessary information / clarifications submitted by the Discoms and views expressed by stakeholders.

Procedural history**Submission of petitions by Licensees**

- The Commission passed the retail supply tariff order for FY 2010-11 on May 18, 2010 in accordance with MPERC (Terms and conditions for determination of tariff for supply and wheeling of electricity and methods and principles of fixation of charges), Regulations, 2009 (hereinafter referred to as the “regulations”) notified by the Commission on January 22, 2010. As per the regulations, Discoms were required to file their respective petitions for true-up of ARR for FY 2010-11 by October 31, 2011. Further, as per directives of Hon’ble APTEL in the judgment of November 11, 2011 in the matter of O.P. No.1 of 2011, the Discoms are required to file their true-up petitions for respective years regularly. Discoms did not file their true-up petitions for FY 2010-11 in stipulated time. Vide letter dated 23/02/2013, the Commission directed the Discoms to file the true-up petitions for FY 2010-11 by 31/03/2013. Since the Discoms did not respond within the time line, the Commission again directed the Discoms to file true-up petitions by 15th April, 2013. West Discom filed the petition on 9th April, 2013. Central Discom requested further time extension up to 15th May, 2013. The Commission accepted the request and directed the East and Central Discoms to file the true-up petitions by 15th May, 2013. Discoms filed true-up petitions as shown in the table below:-

Table 1 : Details of petition filing

S. No.	Discom	Petition No.	Filed on
1.	East Discom	28/2013	May 04, 2013
2.	West Discom	20/2013	April 09, 2013
3.	Central Discom	21/2013	April 22, 2013

4. Meanwhile, the Commission had scheduled hearing in true up petitions of Discoms for FY 2007-08 and FY 2008-09 in order to comply with the directions of Hon'ble APTEL in the matter of assessment of consumption in excess of prescribed benchmarks to un-metered agriculture connections in the State on February 5, 2013 and again on April 9, 2013. Relevant extracts of the Commission's order dated April 9, 2013 are reproduced below which explains the situation:

“

2. *Hon'ble APTEL had given directions to the Commission, in its order while deciding appeal no. 150/2010 that the Commission may assess the additional supply based on the additional hours of actual supply made to agriculture after scrutinising the records of the distribution licensees and the State Load Dispatch Centre or any other method that it may like to adopt.*

3. *During the hearing on 05.02.2013, the Commission observed that the data submitted by the petitioners in support of their claim of additional supply to un-metered agricultural consumers was grossly inadequate to lead to any conclusion. The only argument that appears to be decipherable is that the extra hours of supply during the rabi season should lead to pro-rata assessment over the bench marks prescribed by the Commission for the relevant months. The Commission gave another opportunity to the petitioners to present details in the next 45 days with directions that they establish their claim of sales in addition to the prescribed benchmarks with related data/ information/ evidence indicating feeder wise details of hours of supply vis-à-vis sale booked giving the methodology for arriving at such figures so that Commission could examine the prudence of such claim.*

4. *During the hearing on 9.4.2013, the distribution companies did not submit any new relevant data or information or document or any other evidence which could establish their claim for quantum of additional supply to the agricultural un-metered consumers due to additional hours of supply. The distribution companies also did not submit the methodology adopted or working calculations made by them to arrive at the quantum of sale claimed in addition to the prescribed benchmarks.*

5. *The Commission finds the argument of sale in addition to the prescribed benchmarks unacceptable at this juncture, in the absence of submission of supporting data. Since the petitioners have booked additional sales to unmetered agricultural consumers they need to furnish the methodology of calculation based on monthly and daily details of 11 kV feeder-wise number of hours of supply. SLDC data alone in this regard cannot convince the Commission that each distribution feeder was indeed actively supplying electricity to unmetered (or, for that matter, metered) agricultural consumers for the entire duration that the EHT lines showed supply.*

6. *The Commission had already stated earlier that assessment of actual supply in excess of bench marks is a detailed exercise for which comprehensive data is required. This data should be read from duly recorded details of actual hours of supply on each feeder. In the absence of such data, the Commission would not be able to convince itself of the petitioners' contention.*

7. *Section 55 of the Electricity Act, 2003 provides a clear mandate for supply of electricity through a correct meter. There is hardly any metering in agricultural consumers' connections of the state. Taking a considerate view on the pleadings of the Distribution companies, the Commission had directed metering on the agricultural predominant distribution transformers so that the use by un-metered agricultural consumers could be fairly assessed. The Distribution companies, in spite of repeated directions, have failed to achieve any significant progress nor have they submitted any proper analysis of duly authenticated consumption data of these DTRs meters which could lead to a fair assessment of consumption. The Commission observes that while the Distribution companies have failed to comply with the directions of the Electricity Act, 2003 with regard to metering, they have also not taken adequate steps to ensure that the alternate interim arrangement as directed by the Commission is implemented. Several meetings with the top management of the Distribution Companies in the past have failed to evoke reasonable results. The assurances given time and again by the Distribution Companies have not materialized. The segment of un-metered consumption is growing every year which is highly undesirable and is against the law. The notion that the Distribution companies are trying to book some portion of their distribution losses under the garb of sale to un-metered agricultural consumers appears to be a reality. This belief is further strengthened by the fact that the situation as of now i.e. in the year 2013 as compared to the period of this true up of 2007-08 has not changed substantially. Individual agricultural consumers are not being provided with meters nor is there appears to be any serious effort to install meters on the agricultural DTRs. In addition, it was observed during the ARR/ Tariff determination exercise for FY 2013-14 that there are about 17 lakh un-metered domestic consumers in the rural area. It appears that un-metered connections are being willfully allowed to continue. On one hand the Discoms claim additional supply to unmetered consumers on account of extra hours of supply while on the other they do not seem to be willing to provide meters on unmetered connections so that actual consumption gets recorded. Such a situation is detrimental to the interests of the honest paying consumers of the state as well as of the Distribution Companies themselves. The Commission is of the firm view that the consumers should not be made to pay for the inefficiencies of the Distribution Companies.*

8. *The Commission is convinced that the petitioners are not in a position to furnish any further information which would aid a proper consideration of true up claims. Under these circumstances the Commission has decided to proceed with the true up exercise on*

the basis of information available on record. Further action as per regulations be initiated.”

5. On this premise the detailed scrutiny of the petitions was carried out. The petitions were found deficient in respect of vital information/data required for carrying out the true-up exercise. The Discoms had also not furnished the requisite information to enable the Commission to comply with the aforementioned directions of the Hon'ble APTEL. The Commission observed that the Discoms had booked sales in excess of prescribed benchmarks during FY 2010-11 on account of additional supply to agriculture un-metered connections as filed in the true up petitions for categories of consumers, similar to that of the true up petitions for FY 2008-09 and FY 2009-10. Discoms were directed to provide relevant and necessary data/ information / documents and methodology adopted to book the consumption in excess of benchmarks. Motion hearings on the petitions filed by the Discoms were held on May 14, 2013 and vide daily order dated May 17, 2013 the Commission indicated the deficiencies and directed the Discoms to file the required information with complete requisite details by June 14, 2013. In response, East Discom submitted the additional information vide letter dated June 22, 2013. West Discom and Central Discom submitted the additional information vide their respective letters dated June 29, 2013.
6. The additional information was examined by the Commission. It was observed that despite specific directives, the Discoms did not submit the details required which would aid the Commission in validating the claims with regard to establish the quantum of sale in excess of the prescribed benchmarks for unmetered connections. The Commission has not been in a position to undertake the requisite analysis of Discoms claims for sale in excess of the benchmarks. Accordingly, in the present true-up exercise, the Commission has considered sale to unmetered categories of consumers as per prescribed benchmarks. The Commission shall review the matter of sales in excess of prescribed benchmark on account of additional supply as and when requisite details are submitted by Discoms.
7. During scrutiny of these true-up petitions, the Commission observed that the petitions still lack some requisite information to validate the true-up claims submitted by the Discoms. In this regard, the Discoms were further directed to submit some additional information related to power purchase, reconciliation of sales, reconciliation of revenue, O&M expenses, interest on project loan, depreciation, bad debt, income tax and other expenses. East Discom and Central Discom submitted response on December 16, 2013, while West Discom submitted the response on December 13, 2013. It was also observed that certain data /information related to power purchase through MPPMCL required validation. A meeting was convened with the representatives of the MPPMCL on December 27, 2013 to seek the necessary clarifications/ information.

Notification of true-up proposals for public information

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

Hearings

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

Gist of petitions

11. Gist of true-up petitions for FY 2010-11 submitted by the Discoms is shown in the table below:

Table 2 : Snapshot of the true-up petitions filed by Discoms for the period April, 10 to March, 11 – (Rs. Crore)

Particulars	East		West		Central	
	Admitted in tariff order for FY 2010-11	True up Claims for FY 2010-11	Admitted in tariff order for FY 2010-11	True up Claims for FY 2010-11	Admitted in tariff order for FY 2010-11	True up Claims for FY 2010-11
Power Purchase Cost	1849.39	2444.87	2945.20	3390.68	2303.44	2731.92
Transmission Cost	362.12	379.05	408.92	398.71	394.76	331.98
O&M Expenses (net of Expenses Capitalised)	567.14	672.42	526.45	570.15	518.89	611.64
Interest on Loan & Finance Charges	40.93	341.17	19.72	84.59	53.90	375.79
Interest on Working Capital	0.00		0.00		0.00	
Interest on Consumer Security Deposit	45.45		22.02		16.54	
Depreciation	52.50	94.81	54.98	80.77	53.95	108.71
Return on Equity	92.83	171.51	92.01	107.13	94.15	192.18
Bad & Doubtful Debts	0.00	49.98	0.00	78.78	0.00	49.59
Other Expenses		176.53		186.83		5.51
Gross ARR	3010.36	4330.34	4069.31	4897.64	3435.64	4407.32
Less: Other Income	80.00	120.90	100.00	25.68	80.00	25.00
Net ARR	2930.36	4209.44	3969.31	4871.96	3355.64	4382.32
True up for FY 2007-08	171.79	171.79	16.12	16.12	35.19	0.00
Total ARR for FY 2010-11	3102.15	4381.23	3985.43	4888.08	3390.83	4382.32

Particulars	East		West		Central	
	Admitted in tariff order for FY 2010-11	True up Claims for FY 2010-11	Admitted in tariff order for FY 2010-11	True up Claims for FY 2010-11	Admitted in tariff order for FY 2010-11	True up Claims for FY 2010-11
Revenue from sale of power	3099.40	3067.18	3987.40	4429.47	3391.00	2845.67
Revenue (Gap)/Surplus over ARR of FY 2010-11	(2.73)	(1314.04)	1.96	(458.61)	0.19	(1536.65)
Total (gap)/surplus before Carrying cost	(2.73)	(1314.04)	1.96	(458.61)	0.19	(1536.65)
Carrying cost on (gap)				(154.91)		
Total (gap)/surplus for FY 2010-11	(2.73)	(1314.04)	1.96	(613.52)	0.19	(1536.65)

12. The Commission analyzed the petitions of Discoms for true-up of ARR for FY 2010-11. The response of Discoms' representatives on the issues raised by the consumer associations and individual consumers/objectors were heard. After giving due consideration to the methodology and process of determination of expenditure and revenues as elaborated in the regulations, the Commission has determined the admissible revenue deficit /surplus, as detailed in the subsequent sections of this order. Quantum of revenue deficit or surplus, as the case may be, shall be adjusted in the future Annual Revenue Requirement of the Discoms. Summary of the true-up of ARR as admitted for FY 2010-11 is given below:

Table 3: Revenue Surplus/(Deficit) admitted in True-up of ARR for FY 2010-11 (Rs. Crore)

Particulars	East Discom	West Discom	Central Discom	Total For State
INCOME				
Revenue from Sale of Power				
Tariff Income	2,770.18	3,722.87	2,735.03	9,228.08
Non-tariff income (meter rent, recoveries for theft of power, wheeling/U.I. charges recovery, Misc. charges from consumers)	66.55	100.91	110.10	277.56
Other Income	218.15	253.17	265.79	737.11
Less : Delayed Payment Surcharge	164.77	187.53	242.64	594.94
Subsidy	296.99	605.69	465.88	1,368.56
Total Income (A)	3187.11	4495.11	3334.16	11016.38
EXPENSES				
Power Purchase				
Power Purchase Cost	2194.86	3209.42	2590.95	7995.24
MP Transco Charges	249.03	398.71	331.98	979.72
Total Power Purchase (Incl. Transmission) (B)	2443.89	3608.13	2922.93	8974.96
O&M Expenses (Net of Capitalisation)				

Particulars	East Discom	West Discom	Central Discom	Total For State
Employee Expenses	415.06	389.37	367.15	1171.58
Arrears	33.37	31.31	29.52	94.20
A&G Expenses	73.37	64.39	69.57	207.33
R&M Expenses	43.93	41.23	51.01	136.17
Other expenses (including Taxes & MPERC Fees)	1.81	2.50	3.90	8.21
Dis-incentives	0.00	(6.96)	(14.40)	(21.36)
Total O&M (C)	567.54	521.84	506.75	1596.13
Other Expenses				
Depreciation	39.63	47.63	39.13	126.39
Interest & Financing Charges on Project Loans	29.17	34.89	26.67	90.73
Interest and Finance Charges on working capital loans	0.00	0.00	0.00	0.00
Interest on Consumer Security Deposit	19.46	25.42	20.00	64.88
Return on Equity	79.60	100.25	82.19	262.04
Bad & Doubtful Debts	0.00	0.00	0.00	0.00
Any Other Expense	0.25	1.54	(5.51)	(3.72)
Total Other Expenses (D)	168.11	209.74	162.48	540.32
Total Expenses E = (B + C + D)	3,179.55	4,339.71	3,592.15	11111.41
Revenue Surplus / (Gap) F = (A-E)	7.56	155.40	(257.99)	(95.03)
Additional revenue (Gap)/Surplus due to True-up of MP DISCOMs for the period April, 2007 to March, 2008 (G)	(171.79)	(16.12)	(35.19)	(223.10)
Net Surplus / (Gap) H = (F+G)	(164.23)	139.28	(293.18)	(318.13)

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

(Alok Gupta)
Member

(A. B. Bajpai)
Member

(Rakesh Sahni)
Chairman

Dated: 19th June 2014
Place: Bhopal

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1. ANALYSIS OF EXPENSES DURING THE PERIOD APRIL 2010 TO MARCH 2011

Sale of energy admitted in tariff order and filed in true-up Petitions

- 1.1 East Discom, West Discom and Central Discom filed their tariff petitions registered vide number 03/2010, 05/2010 and 04/2010 respectively for determination of distribution and retail supply tariff for FY 2010-11. Sale projections made in these petitions are as shown in the table below:

Table 4: Sales as projected by Discoms for FY 2010-11 in tariff petitions (MU)

Particulars	East Discom	West Discom	Central Discom	Total
Sales projected for FY 2010-11 in tariff petitions	7232.05	9527.03	8086.53	24845.61

- 1.2 Sale projections admitted in the retail supply tariff order for FY 2010-11 are shown in the table below:

Table 5 : Sales admitted in retail supply tariff order for FY 2010-11(in MU)

DISCOM	East Discom	West Discom	Central Discom	Total
LT Sale	4216.07	6289.36	5677.06	16182.49
HT Sale	3015.98	3237.67	2409.47	8663.12
Total Sale	7232.05	9527.03	8086.53	24845.61

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

Table 6: Normative distribution loss trajectory as per regulations

DISCOM	FY 2010-11
East Discom	30%
West Discom	26%
Central Discom	33%

- 1.4 In the true-up petitions the Discoms filed actual sales. Actual sales have been more by about 3% than the sales admitted in the retail supply tariff Order for FY 2010-11. While scrutinizing the sales filed in the true-up petitions, the Commission has also taken in to consideration the audited accounts and annual & monthly R-15 statements of Discoms for FY 2010-11. A comparison of sales as admitted in the tariff order, audited accounts, R-15 statements and filed in the true up petitions is given in the table below:

Table 7 : Sales as per tariff order, audited accounts, monthly R-15 statement and true up petitions for FY 2010-11 (MUs)

Particulars	East Discom	West Discom	Central Discom	Total
As admitted in tariff order FY 10-11	7232	9527	8087	24846
As per audited balance sheet (Energy Sale)	7231	10558	7824	25613
As per monthly R-15 reports	6976	10558	7824	25358
As filed in true-up petitions	7231	10558	7819	25613

- 1.5 From the table above, it is evident that the sale of energy for West Discom and Central Discom is almost same as recorded in the monthly R-15 statement. In case of East Discom, the energy sale as indicated in the monthly R15 statement is less than the energy sale as claimed in its true up petition.
- 1.6 The Commission directed East Discom to submit justification for variation in the sales as filed in the true-up petition compared to monthly R15 statements.
- 1.7 East Discom replied that the sale of 7231 MU claimed in the petition is as per the energy audit report of the company. In the monthly R-15 reports, residual corrections/adjustments of energy consumption of the unmetered consumers as per energy audit report are not made. These residual corrections are essential, as it is not possible to properly capture the influence of various unforeseeable and uncontrollable factors on monthly basis. This exercise can be carried out retrospectively only after a general qualitative and quantitative appraisal of the status at the end of a yearly load cycle. In view of the above, East Discom requested the Commission to consider the sales of 7231 MU as filed in the petition for undertaking the true-up of FY 2010-11.
- 1.8 Benchmarks for assessment of sale to the unmetered categories of domestic and agriculture consumers prescribed in the tariff order for FY 2010-11 are shown in the table below:

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

Rate of assessment of un-metered domestic connections (units per connection per month)		Benchmarks for assessment of units for un-metered agricultural connections (units per HP per month)					
Urban	Rural	Category	Rural	Urban	Category	Rural	Urban
		Three Phase			Single Phase		
April to March		April to May			April to May		
77	30	Permanent	40	70	Permanent	50	70
		Temporary	155	175	Temporary	170	190
		June to September			June to September		
		Permanent	55	100	Permanent	65	100
		Temporary	155	175	Temporary	170	190
		October to March			October to March		
		Permanent	150	170	Permanent	160	180
		Temporary	155	175	Temporary	170	190

1.9 Scrutiny of the sales figures recorded in the annual R-15 statements and monthly R15 statements (the basic sales/billing data statement) for FY 2010-11 reveals that sales to unmetered category of domestic and agriculture consumers have been booked in excess of the prescribed benchmarks when compared to the number of consumers and their load. It has been observed that:

- (i) Total sales as per the “sum of monthly data aggregated for the financial year” reported in monthly R-15 reports and annual data as per final annual R-15 reports for FY 2010-11 have variations.
- (ii) Total sale of energy recorded in monthly R-15 reports and sale of energy calculated on the basis of benchmarks prescribed for assessment of sale to unmetered categories of domestic and agriculture consumers have variations.

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

Table 9: Summary of sales to the unmetered category booked in excess over the prescribed benchmark for FY 2010-11 (MU)

Discom	Unmetered sales as per monthly R15 statements	Unmetered sales (calculated as per prescribed benchmarks)	Sales booked in excess of the prescribed benchmarks
East	1488.88	1369.54	119.34
West	3614.49	3328.46	286.03
Central	2175.07	1745.98	429.09
Total	7,278.44	6,443.98	834.46

- 1.11 The Commission had disallowed the sales in excess of the benchmarks booked by the Discoms in the true-up order dated June 16, 2009 for FY 2006-07. The Commission was not convinced with the fact that excess sales in unmetered categories were booked on account of extra hours of supply made to agriculture consumers or the consumption recorded in sample meters. The relevant section of the truing up order is reproduced below:

“The Commission is unable to concede the petitioner’s plea regarding incorporation of additional units other than those actually billed to consumers on the ground of extra hours of supply made to agricultural consumers or on the basis of consumption recorded in sample meters. The Distribution Licensees should have approached the Commission at appropriate time for revision in benchmarks for unmetered agricultural consumers if such benchmarks were deemed less than actual. The Regulation 3.7 of MPERC (Terms and Conditions of Tariff for Distribution and retail supply of electricity) 2005 notified on 5th December’2005 provided that “If for any abnormal situation like drought, supply to any category of consumer is to be varied, the licensee shall obtain prior approval of the Commission”. The Commission has noted petitioner’s contention that they have supplied some additional quantum of power to unmetered consumers without raising bills to them. The petitioners cannot supply free power to any category of consumers. Supply of power to any consumer without recovering its cost has direct bearing on power purchase cost since this extra energy is required to be purchased from the long term / short term sources and such additional power purchase cost becomes an unavoidable burden on consumers of other categories. The Commission therefore, rejects the plea of the petitioners to include such units not actually billed in sales.”

- 1.12 Aggrieved with disallowing of excess sales over the prescribed benchmark for unmetered categories in the truing up order for FY 2006-07, Discoms filed an appeal before the Hon’ble APTEL. The Hon’ble APTEL in the judgment dated March 4, 2011 in the matter of review petition No. 10 of 2010 in appeal no. 145 of 2009 held as follows:

“17. In our opinion if the State Commission has to give an appropriate order providing for subsidy by the State Government, it would be necessary for the State Commission to apply prudence check to assess the additional energy supply made to unmetered agriculture consumers. The State Commission may assess the additional energy based on additional hours of actual supply made to agriculture following the directions of the State Government after scrutinizing the records of the distribution licensee and State Load Dispatch Centre or any other method that it may like to adopt. Learned counsel for the Respondent/ distribution licensee submitted some documents regarding additional supply to agriculture consumer but we find that these are not adequate to establish the additional supply made to unmetered agriculture consumers.”

- 1.13 In the judgment dated November 4, 2011 in appeal no. 150 of 2010, the Hon’ble APTEL further stated as follows:

“9. The learned Counsel for the State Commission has ventured to justify the impugned order. However, we are not able to agree with those arguments except that the State Commission has to apply prudence check with respect of computation of consumption of the un-metered agriculture consumers due to additional hours of supply compared to the normative consumption based on the restricted hours of supply as directed in our order dated 4.3.2011 in RP No.10 of 2010. The State Commission may assess the additional supply based on the additional hours of actual supply made to agriculture after scrutinising the records of the distribution licensees and the State Load Dispatch Centre or any other method that it may like to adopt. Therefore, we deem it fit to allow the Appeal in respect of the issues 1 to 3 in terms of judgment in 145 of 2010 dated 19.5.2010 with the above directions. Accordingly, ordered.”

- 1.14 Since the issue of determination of sales in excess of the prescribed benchmarks to unmetered categories is similar to that of the true ups of FY 2006-07 and FY 2007-08, the Commission has taken due cognizance of the directions of the Hon'ble APTEL in the matter.
- 1.15 Accordingly, in order to ascertain the factual position, the Commission directed the Discoms to submit requisite details/data/information with relevant documents to authenticate their claim for sales in excess of prescribed benchmarks for the unmetered consumer categories for FY 2010-11 vide letter number MPERC/RE/2013/2761 dated 23/10/2013.
- 1.16 In response, East Discom and West Discom had submitted that the Commission had fixed the norms in respect of un-metered category of consumers in the tariff order for the purpose of billing only and not for restricting sales to such consumers. The tariff order did not impose any restriction on the quantum of units to be supplied to consumers or otherwise the hours of supply for metered as well as un-metered categories. Discoms further submitted that for un-metered categories the Commission has not provided any formula for accounting of the realistic consumption. The Commission had provided norms only for assessment of consumption of un-metered categories of consumers for billing purpose.
- 1.17 Therefore, it is not appropriate to compare the realistic consumption with the normative parameters meant for billing purpose and hence the revenue income for such cases cannot be compared with the realistic consumption. The quantum of supply to agricultural consumers varies depending upon rainfall and demand for irrigation from time to time. If the quantum of supply is less than the assessed units, then there would be no refund to the agricultural consumers. Similarly, if the quantum of supply is more than the assessed units, there cannot be any demand on the agricultural consumer to pay more for such additional use. It is therefore absolutely clear that the assessed consumption is for the billing purpose on the basis of load of the consumer in HP per month irrespective of the actual quantum of supply i.e. it may be less or more than the assessed units. Discom further submitted that the economy of Madhya Pradesh predominantly depends upon agriculture with majority of irrigation pumps being run on electricity. Discom submitted that they had made efforts to supply maximum power to the farmers for extended hours during the rabi season.

- 1.18 Discom further submitted that the information regarding month wise actual average supply hours; demand met etc. as provided by SLDC has already been submitted before the Commission. Therefore, consumption should not be limited on the basis of the billing benchmark and sales as claimed in the petition may be approved.
- 1.19 Central Discom submitted that the Commission had fixed the norms for unmetered consumption for billing purpose and not for sale. Central Discom also quoted the following para from the Hon'ble APTEL's judgment in appeal no. 145 of 2009,

“We conclude that no restriction is placed on Appellants to supply beyond 100/130 units per HP per month. Rather clause 3.6 required that supply not to be unduly restricted.”

- 1.20 Although East and West Discoms claimed to have submitted the information regarding month wise actual average supply hours, demand met etc. as provided by SLDC to the Commission, on perusal it has been observed that the said information for FY 2010-11 has not been submitted with their response. The Commission has observed that, the Discoms have not substantiated the quantum of sales in excess of prescribed benchmarks to the un-metered categories of consumers with proper justification / documents/ data/ information/ methodology in case of true-up exercise for FY 2010-11.
- 1.21 Moreover, information merely indicating availability of supply hours at the EHV substation level would not suffice, as agricultural consumption would depend on the supply actually available at the 11/0.4 kV DTR secondary side, the requirement of power depending on the season/ off season, ground water availability etc. Discoms did not submit the details as to how they have been able to arrive at the quantum of assessed sale claimed for unmetered category of consumers. Unless they submit the detailed methodology and the calculations of assessments of energy sale claimed by them along with supporting documents, the Commission would not be in a position to ascertain the authenticity of their claims.
- 1.22 The Commission has been repeatedly pursuing the matter with Discoms to ensure proper metering on all connections to comply with the spirit of the Electricity Act, 2003 under section 55. The response of the Discoms has been very poor in this regard in the period intervening since the enactment of the Electricity Act, 2003. They did not take enough initiative to comply with the directions of the Electricity Act, 2003 resulting in huge backlog of connections lying unmetered. Moreover, a number of new connections were released without providing meters, further worsening the situation. In absence of metering, it is not possible to record actual consumption. The plea of the Discoms that the Commission has not provided any formula to account for realistic consumption is devoid of merit. There would have been no need for assessment had the Discoms provided meters as per the time lines stipulated in the Electricity Act, 2003. No formula can provide for capturing realistic consumption of unmetered connections when there are so many varying factors impacting consumption. The Discoms also did not care to install meters on adequate sample size of agricultural predominant DTRs despite specific and persistent instructions. Consumption recorded in such meters would have given an idea of realistic consumption to a fair approximation. The Commission cannot allow arbitrary adjustments in sales unless it is sure that the losses are not booked under the garb of

excess sales. It would not be acceptable to burden honest paying consumers without proper validation of actual sales.

- 1.23 It is obvious from the foregoing situation that the Commission is not in a position to carry out prudence check of additional sales with respect to computation of consumption of the un-metered agriculture consumers due to additional hours of supply compared to the consumption assessed on prescribed benchmarks. Therefore, the Commission has considered the sales as per prescribed benchmarks for un-metered categories of connections for the purpose of this true up order. However, if the Discoms submit requisite information in future in support of their claim for additional supply to un-metered categories of connections, the Commission shall give it due consideration.
- 1.24 In view of the above, the Commission has admitted the sale to un-metered domestic and agricultural consumers as per benchmarks prescribed for assessment for these categories. .
- 1.25 Details of energy sales as admitted in tariff order for FY 2010-11, as per true-up filing of the Discoms and as admitted by the Commission for the purpose of the true up are given in the following table:-

Table 10 : Sale as per tariff order, as per true up petitions and as admitted in true up

Category	East Discom			West Discom			Central Discom			Total for the State		
	As per tariff order FY 2010-11	As per true up petition FY 2010-11	As admitted in true up order FY 2010-11	As per tariff order FY 2010-11	As per true up petition FY 2010-11	As admitted in true up order FY 2010-11	As per tariff order FY 2010-11	As per true up petition FY 2010-11	As admitted in true up order FY 2010-11	As per tariff order FY 2010-11	As per true up petition FY 2010-11	As admitted in true up order FY 2010-11
LOW TENSION												
LV 1: Domestic Consumers	1,803	1,633	1,619	2,103	2,093	2,093	2,277	1,893	1,858	6,183	5,620	5,570
LV 2: Non - Domestic	349	400	400	521	556	556	525	479	479	1,396	1,435	1,435
LV 3: Public Water Works and Streetlights	198	200	200	175	170	170	207	223	223	580	593	593
LV 4: Industry	218	214	214	379	400	400	173	193	193	770	806	806
LV 5: Agricultural Consumers	1,648	1,795	1,435	3,111	3,665	3,380	2,494	2,535	2,147	7,253	7,999	6,961
LT Units (MU)	4,216	4,243	3,868	6,289	6,884	6,598	5,677	5,323	4,898	16,182	16,454	15,365
HIGH TENSION												
HV 1: Railway Traction	458	512	512	388	384	384	713	704	704	1,559	1,601	1,601
HV 2: Coal Mines	523	485	485	0	0	0	34	34	34	557	518	518
HV-3: Industrial/Non-Industrial	1,160	1,403	1,501	2,383	2,874	2,874	1,427	1,536	1,536	4,971	5,813	5,911
HV-4: Seasonal	3	5	5	15	10	10	2	1	1	20	16	16
HV-5: Public Water Works/HT Irrigation	63	166	67	208	262	262	86	80	80	357	507	409

Category	East Discom			West Discom			Central Discom			Total for the State		
	As per tariff order FY 2010-11	As per true up petition FY 2010-11	As admitted in true up order FY 2010-11	As per tariff order FY 2010-11	As per true up petition FY 2010-11	As admitted in true up order FY 2010-11	As per tariff order FY 2010-11	As per true up petition FY 2010-11	As admitted in true up order FY 2010-11	As per tariff order FY 2010-11	As per true up petition FY 2010-11	As admitted in true up order FY 2010-11
HV-6: Township and Residential Colony	317	295	297	45	7	7	72	141	141	435	443	445
HV-7: Bulk Supply to Exemptees	492	123	121	198	138	138	75	0	0	765	261	258
HT Units (MU)	3,016	2,988	2,988	3,238	3,674	3,674	2,409	2,497	2,497	8,663	9,159	9,159
GRAND TOTAL HT + LT	7,232	7,231	6,857	9,527	10,558	10,272	8,087	7,819	7,395	24,846	25,613	24,524

Power Purchase Quantum and Cost

Licensees' Submission

- 1.26 Power purchase quantum claimed by the Discoms in the true-up petitions is less by 594.19 MUs, 976.37 MUs and increased by 535 MUs in respect of East Discom, West Discom, and Central Discom respectively as compared to the tariff order. However, the cost of power purchase has gone up by Rs. 595.48 Crore (East Discom), Rs. 445.48 Crore (West Discom) and Rs. 428.48 Crore (Central Discom).
- 1.27 Discoms submitted that the power purchase quantum (MU) admitted in the tariff order by the Commission was based on the loss trajectory as per regulations, which differs from the actual loss levels. Discoms further submitted that there is wide variation in source wise per unit power purchase rate actually billed by MP Tradeco and that admitted by the Commission in retail supply tariff order for FY 2010-11.
- 1.28 East Discom submitted that the power purchase cost for FY 2010-11 also includes the cost of Rs. 60.90 Crore towards the supplementary bills raised by MP Tradeco pertaining to previous years. East Discom further submitted that MP Tradeco had raised a bill amounting to Rs. 51.18 Crore towards other costs and also given credit of Rs 38.69 Crore towards other income. With the implementation of ABT in the State, MP Tradeco had given a credit of Rs. 2.82 Crore out of which Rs. 0.61 Crore pertains to reactive energy charges for FY 2009-10 and Rs. 2.21 Crore for FY 2010-11.
- 1.29 East Discom further submitted that MP Tradeco had also raised the supplementary bill due to finalization of MP Tradeco's accounts for FY 2009-10 and given them a credit of Rs 30.47 Crore. This bill was received by East Discom after finalisation of annual accounts for FY 2009-10. Therefore, this credit amount had been accounted for in the annual accounts for FY 2010-11. As this credit amount relates to the power purchase for FY 2009-10, East Discom had claimed it in the true-up petition for FY 2009-10. Therefore, this amount may be considered in the true-up for FY 2010-11 as it would have been reduced in the true-up for FY 2009-10.

- 1.30 In view of the above, East Discom submitted that the audited accounts of East Discom indicate Rs 2609.07 Crore towards Power Purchase Cost. This cost comprises cost of power purchased from other sources to the tune of Rs. 1.34 Crore and cost of power purchased from MP Tradeco to the tune of Rs. 2607.73 Crore. However, as submitted above that MP Tradeco had given a credit of Rs. 30.47 Crore for power purchase cost of FY 2009-10.
- 1.31 East Discom further submitted that power purchase cost also includes the additional cost of Rs 197.45 Crore which was credited by MP Tradeco towards intra-Discom sale/purchase of power for FY 2010-11. This has been booked in the accounts for FY 2011-12. Further, Rs. 9.61 Crore and Rs. 15.03 Crore pertaining to FY 2010-11 towards finalization of accounts of MP Tradeco were not booked in the accounts for FY 2010-11 and the same were booked in accounts for FY 2012-13. East Discom submitted that since, these costs relate to FY 2010-11, it would be appropriate to consider them in true-up for FY 2010-11. Based on the above, East Discom has submitted the power purchase cost to be considered for FY 2010-11 as shown in the Table below:

Table 11: Net power purchase cost for FY 2010-11 as submitted by East Discom

Particulars	Amount (Rs. Crore)
Power Purchase cost as per audited accounts of East Discom	2609.07
Add: Credit amount already considered in True-up of FY 2009-10	30.47
Less: Credit amount pertaining to FY 2010-11, but booked in accounts of FY 2011-12	197.45
Add: Power Purchase cost pertaining to FY 2010-11, but booked in accounts of FY 2012-13	24.64
Net Power purchase cost for East Discom for FY 2010-11	2466.73

- 1.32 Comparison of quantum and cost of the power purchase during FY 2010-11 as per tariff order, as per audited accounts and as claimed in the true- up petitions is shown in the table below:

Table 12: Power purchase cost of the Licensees for FY 2010-11

Sl. No.	Discom	As per tariff order (A)		As per audited accounts (B)		As claimed in True-up petitions (C)		Variation in tariff order and true-up (C) – (A)	
		MUs	Rs. Crore	MUs	Rs. Crore	MUs	Rs. Crore	MUs	Rs. Crore
1	East Discom	11006	1849	11600*	2609	11600	2445	594	595
2	West Discom	13630	2945	14603	3391	14606	3391	976	445
3	Central Discom	12821	2303	12286	2732	12286	2732	-535	428
4	Total for State	37457	7098	38490	8732	38493	8567	1036	1469

*Audited Accounts of East Discom for FY 2010-11 have not indicated the ex-bus power purchase quantum, thus the quantum as submitted by East Discom in its petition has been considered.

- 1.33 The Government of Madhya Pradesh had issued notification dated May 11, 2010 for re-allocation of the generation capacities amongst the three Discoms of the State. Discoms through East Discom submitted the statement of quantum of power purchased and cost as paid to MP Tradeco in FY 2010-11. MP Tradeco statement indicates the data / information of power purchased during the year from different sources along with the detailed breakup of variable charges, fixed charges and other expenses. It has been observed that there are variations in the quantum and cost of power purchased as per Audited Accounts of Discoms, as claimed by the Discoms in their petitions and as per MP Tradeco statement. This is shown in the table below:

Table 13: Variation in power purchase quantum and cost as submitted by the Discoms (MU)

Particulars	East Discom		West Discom		Central Discom	
	MU	Rs Crore	MU	Rs Crore	MU	Rs Crore
As filed in petition	11600	2445	14606	3391	12286	2732
As per the Tradeco statement	10734	2627	15491	3320	11666	2737
As per the audited accounts	10563	2467*	14603	3391	12286	2732

**After adding the credit amount of Rs. 30.47 Crore already considered in FY 2009-10 and cost of Rs. 24.64 Crore booked in accounts of FY 2012-13 and subtracting the credit amount of Rs. 197.40 Crore reflected in accounts of FY 2011-12 but pertaining to FY 2010-11.*

- 1.34 The Commission directed Discoms to submit justifications/reasons for variations in power purchase quantum and cost.
- 1.35 In response, East Discom submitted that the variation in the power purchase cost is due to the fact that the MP Tradeco statement has not accounted for certain costs related to prior period charges, UI charges and power purchase from mini/micro hydro electric projects. As regard the variation in power purchase quantum, East Discom further submitted that the MP Tradeco statement has mentioned energy purchased based on the energy indicated in the bills received from various generators. Therefore, energy quantum indicated in the MP Tradeco statement does not tally with the energy indicated in SEA. As per MP Tradeco's statement, out of 12889.31 MU of scheduled energy allocated to East Discom, 127.72 MU of energy was sold to other states and 2027.16 MU has been sold to other Discom of the state, thus actual total energy of East Discom was 10734.44 MU only. However, as per SEA prepared by SLDC, 1161.41 MU has been allocated to East Discom towards sale of energy to other Discoms, therefore, only 11600.19 MU (12889.31-127.72-1161.41) of energy has been taken in the petition. East Discom has further submitted that the above energy does not include UI energy and energy purchased from mini/micro station.
- 1.36 East Discom also submitted that during FY 2010-11 it had purchased 3.93 MU from mini/micro hydel project. As per the revised SEA, ex-bus scheduled energy for FY 2010-11 is 11599.15 MU and as per the latest UI statement, the adjusted scheduled energy after intra-discom trading at Discom periphery is 10669.05 MU during FY 2010-11 against which the actual drawal was 10566.81 MU. Thus, 102.41 MU was utilized by the other utilities through UI. If UI energy (at Discom periphery) and energy purchase (at Discom periphery) from Mini-micro Hydel stations of East Discom are factored in, then the total energy purchase for FY 2010-11 comes out to be 11500.67 MU (11599.15- 102.41+3.93). East Discom submitted that

in the audited accounts for FY 2010-11 the purchase of 10563 MU has been indicated, which is the actual energy input of East Discom at Discom periphery as per the Energy audit report.

- 1.37 West Discom submitted that the total power purchase cost as per audited accounts is Rs. 3390.68 Crore. West Discom further submitted that as per the bills issued by MP Tradeco, the total power purchase units are 14606.37 MU and the same has been claimed in the petition.
- 1.38 Central Discom submitted that the quantum and cost as shown in the audited accounts of the company may be treated as authentic.
- 1.39 The Commission analysed the submissions made by the Discoms regarding power purchase quantum claimed in the petitions. The Commission observed that the Discoms followed different methods for claiming the power purchase for FY 2010-11. The Commission is of the view that a common method should be considered for determining the power purchase by all the Discoms. Thus, maintaining a consistent approach, as it had been considered in previous years' true ups, the Commission has considered the power purchase as indicated in the audited accounts of the Discoms for FY 2010-11 also.
- 1.40 As per the power purchase statement submitted by the Discoms for FY 2010-11, MP Tradeco had purchased 37891.12 MU (including UI, short term power and the power sold outside the State) on behalf of Discoms from different generators. Summary of the power purchase for FY 2010-11 as per the MP Tradeco statement is shown in the Table below:

Table 14: Power purchase from various sources by Discoms through MP Tradeco in FY 2010-11

S. no.	Particulars	Power Purchase (MU)
1	MPPGCL	15198
2	NHDC (ISP + OHP) + SSP + Bargi+DVC+HEG (Tawa)+HEG (Mandideep)+DVC (Mejia)+Torrent	5999
3	CPP + Wind	178
4	Central Sector (Eastern Region)	415
5	Central Sector (Western Region)	15980
6	Bilateral	437
7	Short Term Power	102
8	Total Energy Purchased	38310
9	Energy Sold	419
10	Net Energy Purchased	37891

- 1.41 Thus, MP Tradeco had supplied 37891 MUs at a cost of Rs. 8684 Crore. Discom wise break-up is given below:

Table 15: Power Purchase by Discoms as per MP Tradeco statement in FY 2010-11

East Discom		West Discom		Central Discom		Total for State	
MUs	Rs. Crore	MUs	Rs. Crore	MUs	Rs. Crore	MUs	Rs. Crore
10734	2627	15491	3320	11666	2737	37891	8684

1.42 It has been observed that except Central Discom, the other licensees have not submitted the complete energy balance in "schedule 4a" of their respective petitions' formats. The energy balance filed by the Discoms is shown in the Table below.

Table 16: Energy Balance filed by Distribution Licensees for FY 2010-11

Sl No	Particulars	East Discom	West Discom	Central Discom	Total for State
1	Total energy sale (MU)	7231.22	10558.46	7,823.93	25613.61
2	A. Distribution losses (%)	31.54%	26.41%	31.85%	
	B. Distribution losses (MU)	3331.91	3788.36	3,656.00	10776.27
3	At T-D interface (MU)	10563.13	14346.82	11479.93	36389.88
4	A. Transmission loss of MPPTCL (%)		5.18%	3.74%	
5	B. Transmission losses of MPPTCL (MU)		783.85	446.00	
	At MP Periphery		15130.67	11,925.93	
6	External losses (%)			2.93%	
7	External losses (MU)			360	
	Net Energy Requirement (MU)			12,285.93	

Commission's Analysis of Power Purchase Requirement

1.43 Details of power purchase including Inter-state transmission charges and losses as admitted in the distribution and retail supply tariff order for FY 2010-11 and as per the audited accounts of the Discoms are given in the table below:

Table 17: Power purchase quantum and cost admitted in tariff order and claimed in true-up as per the audited accounts.

Discom	Particulars	Admitted in the tariff order (B)	Actual as per audited accounts (A)	Difference Claimed in True-up (A)-(B)
East Discom	Power Purchase Quantum (MUs)	11,006.00	10,563.00	-443.00
	Power Purchase Cost (Rs. Crs.)	1,849.39	2466.73*	617.34
West Discom	Power Purchase Quantum (MUs)	13,630.00	14,603.37	973.37
	Power Purchase Cost (Rs. Crs.)	2,945.20	3,390.68	445.48
Central Discom	Power Purchase Quantum (MUs)	12,821.00	12,286.23	-534.77
	Power Purchase Cost (Rs. Crs.)	2,303.44	2,731.92	428.48

Discom	Particulars	Admitted in the tariff order (B)	Actual as per audited accounts (A)	Difference Claimed in True-up (A)-(B)
Total for the State	Power Purchase Quantum (MUs)	37,457.00	37,452.60	-4.40
	Power Purchase Cost (Rs. Crs.)	7,098.03	8,589.33	1,491.30

**After adding the credit amount of Rs. 30.47 Crore already considered in FY 2009-10 and cost of Rs. 24.64 Crore booked in accounts of FY 2012-13 and subtracting the credit amount of Rs. 197.40 Crore reflected in accounts of FY 2011-12 but pertaining to FY 2010-11.*

1.44 While estimating the power purchase quantum, the Commission has followed the principle of grossing up the sale with normative loss levels for working out power purchase requirement in accordance with the provisions of the regulations, as narrated below;

- i. The admitted actual sales (say X) made by the Licensees have been grossed up by the normative Loss levels (say Y) to arrive at the power required at the Discom periphery i.e. T-D boundary (say $Z=X/(1-Y)$).
- ii. The quantum (Z) thus arrived at has further been grossed up by the STU losses (MP Transco) (A) to arrive at the quantum of power required at the State boundary (Say $B=Z/(1-A)$);
- iii. Finally, the quantum (B) is grossed up by the actual external losses (say C) to arrive at the total energy requirement i.e. $D=B/(1-C)$.

1.45 In order to compute the energy balance for Discoms, it is necessary to know the loss levels at each stage. Therefore, inter-state transmission losses, intra-state transmission losses and distribution losses need to be identified correctly. The intra-State transmission loss as indicated in the true-up order of MPPTCL for FY 2010-11 were 3.74%, which have been considered for the current true-up exercise. The Commission had considered the normative distribution loss levels as specified in the regulations for Discoms in the retail supply tariff order for FY 2010-11 as given in the table below:

Table 18: Distribution loss reduction trajectory for FY 2010-11 for Discoms (%)

Year	East Discom	West Discom	Central Discom
FY 2010-11	30%	26%	33%

1.46 With regard to external transmission losses of Power Grid system, the Commission directed the Discoms to submit details of actual losses. However, Discoms did not submit these details.

- 1.47 Therefore, transmission losses of Power Grid system have been computed separately for Eastern Region and Western Region stations based on the weekly losses for FY 2010-11 as available on website of NLDC. Accordingly, average losses for FY 2010-11 applicable for western region and eastern region have been worked out as 4.69% and 2.43% respectively.
- 1.48 Power purchase requirement worked out on the basis of approach described above is shown in the table below:

Table 19: Analysis of Power purchase quantum (MU)

S. No.	Particulars	East Discom	West Discom	Central Discom	Total for State
1	Total Energy Sale (MU)	6856.62	10272.42	7394.84	24523.89
2	A. Distribution Losses (%)	30.00%	26.00%	33.00%	29.35%
	B. Distribution Losses (MU)	2938.55	3609.23	3642.24	10190.02
3	At T-D Interface (MU)	9795.17	13881.65	11037.08	34713.90
4	A. Transmission Loss of MPPTCL (%)	3.74%	3.74%	3.74%	3.74%
	B. Transmission Losses of MPPTCL (MU)	380.57	539.35	428.82	1348.74
5	At MP Periphery	10175.75	14421.00	11465.90	36062.65
6	External Losses of PGCIL network of WR and ER stations (MU)	208.11	294.94	234.50	737.55
7	Net Energy Requirement (MU)	10383.86	14715.94	11700.40	36,800.20

Power purchase from all sources

- 1.49 The Commission had admitted power purchase cost of Rs 7098.03 Crore for Discoms in the retail supply tariff order for FY 2010-11. The Commission considered around 81.42 MU short term power requirement (66.23 MU for West Discom and 15.19 MU for Central Discom) at the cost of Rs. 10.89 Crore (Rs. 8.86 Crore for West Discom and Rs. 2.03 Crore for Central Discom). This quantum of short term power was considered at the rate of Rs. 1.3381 per kWh same as the variable energy rate of STPS Sarni admitted in the tariff order for FY 2010-11. Based on the submissions of the Discoms it has been observed that the actual power purchase for FY 2010-11 includes short term power purchase of 102.49 MU at Rs. 36.16 Crore.
- 1.50 The summary of source-wise power purchase details as submitted by the Discoms are shown in table below:

Table 20: Details of source wise power purchase as filed for FY 2010-11

S. No.	Source	Total Energy Purchased	Total Fixed charges	Total Variable Charges including FPA and Other charges	Income Tax/FBT	Total Charges
I	NTPC	(MU)	(Rs. Crore)	(Rs. Crore)	(Rs. Crore)	(Rs. Crore)
1	KSTPS	3696.86	96.72	359.22	0.00	455.94
2	VSTPS - I	3266.67	107.63	587.47	0.00	695.10
3	VSTPS-II	2458.36	128.15	432.75	0.00	560.90
4	VSTPS-III	2002.69	155.74	364.25	0.00	519.98
5	KAWAS	758.47	54.00	183.44	0.00	237.44
6	GANDHAR	665.83	65.32	157.92	0.00	223.24
7	SIPAT II	1521.58	118.04	159.35	0.00	277.39
8	KAPP	311.48	0.00	67.64	0.10	67.64
9	TARAPUR	1285.64	0.00	351.91	0.00	351.91
10	KSTPS III	12.42	2.26	1.19	0.00	3.45
	Total NTPC WR	15980.00	727.85	2665.15	0.10	3393.00
1	KHSTPS II	415.28	45.34	85.36	0.00	130.70
	Total NTPC ER	415.28	45.34	85.36	0.00	130.70
	Total NTPC(WR+ ER)	16395.29	773.19	2750.50	0.10	3523.69
II	Purchase from Bilateral Power					
1	RSEB (Chambal,Satpura)	437.28	0.00	177.76	0.00	177.76
III	Purchase from Other Sources					
1	NHDC-INDIRA SAGAR	2195.69	539.11	29.96	11.02	569.07
2	SSP	2001.85	158.20	117.07	0.00	275.27
3	OMKARESHWAR	993.11	289.69	14.18	5.63	303.87
4	RAB BARGI	5.18	0.00	2.43	0.00	2.43
5	HEG MANDIDEEP	6.25	0.00	1.31	0.00	1.31
6	Others 2 WIND	178.26	0.00	63.59	0.00	63.59
7	HEG TAWA	41.46	0.00	12.52	0.00	12.52
8	DVC (Mejia)	690.79	0.00	207.64	0.00	207.64
9	IEX/PXI Purchase	102.49	0.00	36.16	0.00	36.16
10	TORRENT	64.22	6.65	14.06	0.00	20.72
11	POSCO	0.00	0.00	1.65	0.00	1.65
12	WRM (Mah/Gujarat)	0.00	0.67	0.00	0.00	0.67
	Others-Total (III)	6279.29	994.33	500.58	16.65	1494.91
A	Grand Total other than Genco (I+II+III)	23111.86	1767.52	3428.84	16.75	5196.36
I	MP Genco – Thermal					
1	ATPS Chachai (240MW)	439.80	28.82	56.21	0.00	85.03
2	ATPS-Chachai (210MW)	1264.79	158.20	128.07	0.00	286.27
3	STPS Sarni	4771.73	248.45	728.58	0.00	977.04
4	SGTPS Birsingpur	3572.86	257.74	480.83	0.00	738.57
5	SGTPS Birsingpur (500MW)	3449.03	360.53	408.67	0.00	769.20
	M.P. Genco Thermal-Total (I)	13498.21	1053.74	1802.37	0.00	2856.11
II	MP Genco – Hydel					

S. No.	Source	Total Energy Purchased	Total Fixed charges	Total Variable Charges including FPA and Other charges	Income Tax/FBT	Total Charges
1	Gandhi Sagar	43.58	1.95	7.25	0.00	9.20
2	R P Sagar	87.01	0.00	13.14	0.00	13.14
3	Jawahar Sagar	72.26	0.00	10.91	0.00	10.91
4	Pench	202.72	6.60	5.89	0.00	12.49
5	Ban Sagar (I+II+III)	804.70	64.10	82.05	0.00	146.15
6	Jhinna HPS	17.34	1.22	13.96	0.00	15.18
7	Brinsingpur Hydro	33.69	2.98	2.03	0.00	5.01
8	Bargi	395.78	5.39	13.06	0.00	18.45
9	Rajghat	19.86	0.95	3.55	0.00	4.50
10	Madhikheda HPS	23.21	4.51	21.92	0.00	26.43
	M.P. Genco Hydel Total (II)	1700.15	87.70	173.75	0.00	261.45
B	MP Genco TOTAL (I+II)	15198.37	1141.45	1976.12	0.00	3117.57
C	Total Power Purchased (A+B)	38310.22	2908.96	5404.97	16.75	8313.93
D	Total Inter-State transmission charges (PGCIL)	0.00	362.93	0.00	0.00	362.93
E	Total Cost for Energy Purchase (C+D)	38310.22	3271.89	5404.97	16.75	8676.85
F	Supplementary Bills	0.00	0.00	213.24	0.00	213.24
G	Total Cost for Energy Purchase including supplementary bills(E+F)	38310.22	3271.89	5618.20	16.75	8890.09
H	Other costs passed to Discoms - which cannot be apportioned station wise	0.00	0.00	157.25	0.00	157.25
I	Total Cost for Energy Purchase (G+H)	38310.22	3271.89	5775.45	16.75	9047.34
J	Less: Other Income	0.00	0.00	118.89	0.00	118.89
K	Less: Sale of Power	419.11	0.00	244.11	0.00	244.11
L	Net Total Purchase cost(I-J-K)	37891.12	3271.89	5412.46	16.75	8684.35

1.51 As may be seen from the foregoing, Discoms had purchased short term power of 102.49 MU during FY 2010-11. Moreover, as per audited accounts Discoms purchased 39277.88 MU from various sources. Overall power purchase requirement on the basis of normative losses comes out to 36,800.20 MU which could have been met from long term sources only. Since, based on the normative parameters, there would have not been any requirement of short term power procurement in FY 2010-11, thus no charges on this account have been considered.

1.52 As may also be observed from the above table, the total power purchase cost also includes a significant cost of Rs. 157.25 Crore as “other costs passed to Discoms which cannot be apportioned station wise”. The Commission sought clarification on each of the cost heads included in the above mentioned charges billed by MP Tradeco (Now MPPMCL). A meeting was held on December 27, 2013 with their official wherein the component wise explanation was provided by MP Tradeco. The same is summarized in the table below:

Table 21: Component-wise explanation for other cost in power purchase cost as submitted by MP Tradeco

Sl.No.	Particulars	Amount (Rs. Crore)	Explanation
1	Banking of Energy	18.98	It is a provisioning of net energy cost to be returned in the succeeding financial years.
2	Annual Fees	0.07	Fees paid for securing membership of exchanges for short term power purchase/sale
3	LC Charges	0.36	Charges paid to NTPC for LC given to NTPC
4	Trading Margin on Banking	2.66	Charges paid to traders for Banking of power
5	Open Access Charges for Purchase of Power	0.44	Charges paid to traders for securing open access
6	Open Access on Banking of Power	39.90	Charges paid to traders for Banking of power
7	Open Access on Sale of Power	2.78	Charges paid to traders pertaining to short term sale
8	SLDC Consent Fee	0.01	Payment made to SLDC for securing corridor for open access
9	Bank Charges Against Payments	7.99	Letter of Credit Charges and other bank charges pertaining to power purchase. Ledger Account has been submitted for the same.
10	Rebate Allowed on Short Term Sale	4.03	Discount given to traders for timely payment of bill for selling of power
11	Advertisement Expenses	0.21	MPPMCL cost related to A&G
12	AMC for Website	0.00	
13	Bank Charges	0.05	
14	Books & Periodicals	0.00	
15	Commercial Tax	0.00	
16	Consultancy Charges	0.03	
17	C S T	0.00	
18	Entertainment Expenses	0.01	
19	Fee & Subscription	0.01	
20	Financial & Consultancy Charges	0.01	
21	Legal Charges	0.14	
22	Legal Fees	0.74	
23	Miscellaneous Expenses	0.01	
24	Newspaper Expenses	0.00	
25	Photocopy Expenses	0.00	

Sl.No.	Particulars	Amount (Rs. Crore)	Explanation
26	Postage & Stamps	0.00	
27	Printing & Stationery	0.04	
28	Professional Tax on Company	0.00	
29	Repair & Maintenance to Computer	0.03	
30	Sales Tax	0.00	
31	Statutory Audit Fees	0.03	
32	Tax Audit Fee	0.00	
33	Telephone Exp	0.03	
34	Training Expenses	0.00	
35	Travelling Expenses	0.15	
36	Vehicle Hiring Charges	0.03	
37	Contribution Towards Terminal Benefit Trust	1.31	
38	Salary (GO)	4.65	Salary expenses of MPPMCL
39	Salary (NGO)	4.87	
40	Depreciation	0.03	Depreciation expenses of MPPMCL
41	Interest on NHDC Loan	19.30	Securitization of amount paid on account of revision of Tariff by CERC
42	Medical Reimbursement	0.05	MPPMCL cost related to A&G
43	Payment to Job Contracts	0.06	
44	Preliminary Exp. Written Off	0.00	
45	Professional Fee	0.25	
46	Power Purchase adjustment	48.00	Bills which have not been passed to Discoms through monthly billing but this amount has already been incorporated in the Accounts to Discoms
	Total Other Expenses	157.25	

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

Table 22: Other expenses in power purchase not considered by the Commission for FY 2010-11

Sl. No.	Particulars	Amount (Rs. Crore)	Reason for Disallowance
1	Banking of Energy	18.98	Pertains to the provisioning of net energy cost to be returned in the succeeding financial years and is not the actual cost incurred.

Sl. No.	Particulars	Amount (Rs Crore)	Reason for Disallowance
2	Open Access Charges for Purchases of Power	0.44	Pertains to short term PP charges thus the Commission has not considered the same
3	Contribution Towards Terminal Benefit Trust	1.31	The Commission has not considered the terminal benefits for MPPMCL as the Commission has considered terminal benefits for MPPMCL, Generation co., Transmission Co. and Discoms in transmission charges of MP Transco. Thus the Commission has not considered the same in the power purchase cost.
	Total	20.73	

- 1.54 It may further be observed that the power purchase cost also reckons the other income of Rs. 118.89 Crore which has been adjusted in the total power purchase cost as claimed by the Discoms. The total power purchase cost as claimed by the Discoms also includes the revenue from the sale of energy outside MP for about 419.11 MU at Rs. 244.11 Crore. The Commission has accepted this income and revenue earned by the Discoms during FY 2010-11.
- 1.55 As discussed earlier, the power purchase costs as per Tradeco Statement, as filed by the Discoms in their petitions and as per the audited accounts of Distribution Licensees are at variance. Justifications submitted by the Discoms for such variation in the power purchase cost for FY 2010-11 are not found acceptable. It is pertinent to point out that it is necessary to reconcile and remove any aberrations that arise out of such variations to maintain consistency of approach in order to determine prudent costs.
- 1.56 Further, the Discoms were required to link up the station-wise power purchase cost with the cost indicated in their audited accounts. The Discoms did not submit details/ documents required to match the power purchase cost as indicated in their audited accounts vis-a-vis source wise details furnished by MP Tradeco. In view of the fact that the whole true up exercise is based on the audited accounts of the Discoms, the Commission decided to admit the power purchase cost as per the audited accounts of the Discoms.
- 1.57 The Commission considered the power purchase cost after validating the claim submitted by the East Discom. Further the Commission observed that East Discom had also included Rs 24.64 Crore for FY 2010-11 which got booked in FY 2012-13. The Commission has not considered the same. The Commission will consider this cost in the true up of FY 2012-13. Accordingly, the Commission recognises the power purchase cost for East Discom as shown in the table below:

Table 23: Power purchase cost recognised for East Discom for FY 2010-11

Particulars	Amount (Rs. Crore)
Power Purchase cost as per audited accounts of East Discom	2609.07
Add: Credit amount already considered in True-up of FY 2009-10	30.47
Less: Credit amount pertaining to FY 2010-11, but booked in accounts of FY 2011-12	197.45
Net Power purchase cost for East Discom for FY 2010-11	2442.09

- 1.58 As regards West Discom and Central Discom, the Commission has considered the cost as per their audited accounts as Rs 3319.99 Crore and Rs 2731.92 Crore, respectively.
- 1.59 The Commission has noted that the Distribution licensees had procured power in excess of the requirement based on the normative losses. Similar situation had arisen during true-up exercise of previous years. Hence, the Commission has decided to adopt the same approach as followed for the determination of true-ups of previous years . The power purchase requirement has been worked out on the basis of admitted sales grossed up by normative loss levels and considering actual PGCIL losses. The Commission has decided to apply the pooled cost of long term power procured by the Discoms to arrive at power purchase cost for the admitted quantum of energy, excluding the other expense disallowed by the Commission.
- 1.60 Further the Commission observed that in the audited accounts of East Discom power purchase of 10563.00 MU at the Discom periphery has been indicated. However, the power purchase quantum at the generating station bus bar (Ex- bus) has not been indicated in the audited accounts. In the absence of this data in their audited accounts, the Commission has considered actual ex-bus power purchase quantum of 11500.67 MU as submitted by East Discom in its reply dated December 16, 2013.
- 1.61 The power purchase quantum as indicated in the audited accounts of the West Discom and as submitted in its petition are same viz 14603.37 MU, which are considerably less as compared to the power purchase quantum as per the MP Tradeco statement i.e. 15490.98 MU. The above mentioned quantum as per the audited accounts and as submitted by the West Discom in its petition are even less than the power purchase requirement computed by the Commission after moderating the sales and grossing it up with the normative losses. In view of the above, the Commission is of the view that the actual power purchase quantum as recorded in the audited accounts and as submitted by the West Discom seems to be lower and it would not be correct to consider the same as actual power purchase quantum for West Discom. In view of the above, the Commission for computing the pooled rate has considered the power purchase quantum for West Discom as per the MP Tradeco statement.
- 1.62 As regards Central Discom, the Commission considered power purchase quantum based on audited accounts in accordance with the approach been adopted in previous true up orders.

1.63 The power purchase cost as admitted by the Commission is shown in the table below:

Table 24: Admitted Power Purchase Cost

Particulars	East Discom	West Discom	Central Discom	Total for State
Total Energy Procured as per Audited Accounts/ MP Tradeco statement (MUs)	11500.67#	15490.98*	12286.23	39277.88
Cost of Power Purchase including Inter-State Transmission Charges as per Audited Accounts (Rs. Crore)	2442.09	3390.68	2731.92	8564.69
Less: Other Expenses not admitted (Rs. Crore)	6.74	7.13	6.85	20.72
Total Cost of Power Purchase for FY 2010-11 (Rs. Crore)	2435.35	3383.55	2725.07	8543.96
Energy procured from Short Term Sources (MUs)	31.23	37.80	33.46	102.49
Energy Procured from Long Term Sources (MUs)	11469.44	15453.17	12252.77	39175.39
Cost of Short Term Power Purchase (Rs. Crore)	11.02	13.34	11.80	36.16
Power Purchase Cost from Long Term Power (Rs. Crore)	2424.33	3370.21	2713.27	8507.80
Per Unit Cost of Long Term Power (Rs. / kWh)	2.11	2.18	2.21	2.17
Quantum of Power Purchase Admitted (MUs)	10383.86	14715.94	11700.40	36800.20
Total Power Purchase Cost admitted (in Rs. Crore)	2194.86	3209.42	2590.95	7995.24

As submitted by East Discom in reply dated December 16, 2013

*As per MP Tradeco statement for FY 2010-11

Transmission Charges

1.64 The Commission had admitted the transmission charges of Rs. 1165.80 Crore in the tariff order for FY 2010-11. Discom wise details are shown in the table below:

Table 25 : Transmission Charges admitted in the tariff order for FY 2010-11 (Rs. Crore)

Sl. No.	Name of the Discom	Transmission Charges for FY 2010-11
1	East Discom	362.12
2	West Discom	408.92
3	Central Discom	394.76
	Total	1165.80

- 1.65 In the petition, East Discom submitted that the tariff order for MPPTCL for FY 2009-10 was issued on January 11, 2010 i.e. after the issuance of retail supply tariff order for FY 2009-10. Therefore, the Commission might have estimated the MPPTCL charges in the retail supply tariff order for FY 2009-10 provisionally. Further the Commission had determined the transmission charges to the tune of Rs 320.40 Crore in respect of East Discom for FY 2009-10 in the tariff order for MPPTCL. Since the liability towards MP Transco charges for FY 2009-10 had not come up during finalization of annual accounts for FY 2009-10, Rs. 130.02 Crore were considered as provisional expenditure in FY 2009-10. East Discom further submitted that bills for the same were raised by MP Transco in FY 2010-11. However, as this amount had already been accounted in the annual accounts of FY 2009-10, the same had not been accounted for in the annual accounts of FY 2010-11. Considering the above, the breakup of the expenses as booked in its audited accounts of FY 2010-11 are shown in the table below:

Table 26: Breakup of MP Transco charges for FY 2010-11 as submitted by East Discom

S no.	Particulars	Amount (Rs. Crore)
1	Transmission Charges for FY 2010-11	250.25
2	MP Transco True-up for FY 2007-08	5.69
3	Incentive Charges for FY 2009-10	5.26
4	Credit of Short Term Open Access Revenue for FY 2009-10	-2.4
5	Credit for MAT for earlier years	-1.42
6	Balance Transco Charges FY 2009-10	121.67
	Total Bills raised by MP Transco during FY 2010-11	379.05
7	Accrual cost already incorporated in annual accounts of FY 2009-10	130.02
8	Total MP Transco charges as per annual accounts of FY 2010-11	249.03

- 1.66 West Discom submitted that as against the admitted amount of Rs. 408.92 Crore the transmission cost as per the bills received was Rs. 398.71 Crore. West Discom requested the Commission to allow true-up of Rs. (-) 10.21 Crore for the transmission charges.
- 1.67 Central Discom wrongly compared the actual intra-state transmission charges with the total transmission charges including inter-state charges admitted by the Commission in retail supply tariff order for FY 2010-11 in the present petition. However, in the formats as against the admitted amount of Rs. 394.76 Crore the actual intra-state transmission cost is mentioned as Rs. 331.98 Crore. In this regard, Central Discom requested the Commission to allow the difference of above amount i.e. Rs. (-) 62.78 Crore as true-up for the intra-state transmission charges as against the cost admitted in the retail supply tariff order for FY 2010-11.
- 1.68 As per the audited accounts for FY 2010-11 the payment towards the transmission charges of MP Power Transmission Company Ltd. is shown in the table below:

Table 27 : Transmission Charges as filed for FY 2010-11 (Rs. Crore)

Sl. No.	Discom	Total Transmission Charges admitted in the tariff order for FY2010-11	Actual Transmission Charges as per audited account	Difference of Transmission Charges as claimed for true up
1	East Discom	362.12	249.03	(113.09)
2	West Discom	408.92	398.71	(10.21)
3	Central Discom	394.76	331.98	(62.78)
4	Total	1165.80	979.72	(186.08)

1.69 East Discom has provided the reason for the difference between actual and the admitted transmission charges as shown above in the Table 26. West Discom and Central Discom did not provide details in this regard.

1.70 As detailed in the true-up order for FY 2009-10, the Commission considered the MP Transmission cost of Rs. 130.02 Crore booked on accrual basis in the accounts of FY 2009-10 in the truing up of ARR for FY 2009-10 for East Discom. Further, it has been observed that the bills of Rs. 130.02 Crore had not been included in the audited accounts for FY 2010-11 though these were received in FY 2010-11. Hence, the Commission has not considered the said amount under the truing up exercise for FY 2010-11. The Commission has admitted the actual transmission charges as per audited accounts of FY 2010-11 as indicated in the table above.

Operation and Maintenance (O&M) Costs

Licensees' submission:

1.71 The Commission had admitted the total Operation and Maintenance (O&M) Costs as Rs. 1612.48 Crore in the tariff order for FY 2010-11 as shown in the table below:

Table 28 : O&M Cost admitted in tariff order of FY 2010-11 (Rs. Crore)

Particulars	East Discom	West Discom	Central Discom	Total
O&M Cost admitted in tariff order for FY 2010-11 (including MPERC fees)	567.14	526.45	518.89	1612.48

1.72 Discoms have not claimed the O&M expenses based on norms in accordance with regulations.

1.73 O&M expenses as claimed by Discoms on the basis of their audited accounts are shown in the table below:

Table 29 : O&M Expenses claimed by Discoms as per audited accounts of FY 2010-11 (Rs. Crore)

Particulars	East Discom	West Discom	Central Discom	Total
O&M Expenses as per audited accounts (Less capitalization)	672.42	570.15	611.64	1854.21

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

- 1.74 The Commission has considered O&M expenses as per norms specified in regulations. These norms are fixed on the basis of metered sales and GFA of Discoms. Further, Discoms have to claim taxes to be paid to the Government or Local Authorities and fees to be paid to MPERC on the actual basis. Norms for employee and A&G expenses for FY 2010-11 are shown in the table below:

Table 30 : Norms for employee and A&G expenses for FY 2010-11 (in Crore)

Employee and A&G expenses	East	West	Central
<i>Employee expenses excluding arrears</i>	415.06	389.37	367.15
<i>Arrears</i>	33.37	31.31	29.52
<i>A&G</i>	73.37	64.39	69.57

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

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

32.7. As per the Commission's view, the funds needed for pension contribution of existing employees i.e. current liability for each Year alone should be allowed in the employee cost of the M.P. Transmission Company Ltd., M.P. Generating Company Ltd., and three Distribution Companies. The Commission, in the intervening period, has been allowing funds needed for actual pension payment and other terminal benefits like gratuity. With the rapid increase in pension bills, its impact on tariff is progressively going up. This arrangement of allowing actual pension payment has become unsustainable and will have to be discontinued in near future. In view of the above, the Commission in the MYT Regulations for Transco had directed that an actuarial analysis for determining pension liability of pensioners as also for service already rendered by existing employees on one hand and current provision needed for

each fiscal year commencing from FY 2010-11 for serving employees on other hand, be got conducted for each Year and findings be reported to the Commission. The M.P. Transmission Company Limited had been charged with carrying out this activity by Sept, 2009. It has now been informed that this activity is likely to be completed by February, 2010. The Commission, based on outcome of actuarial analysis, will take a comprehensive view and will firm up a strategy to meet this unfunded liability. The Commission, while finalising the above, shall also take into consideration the various arrangements made in other States for meeting this liability as also the views of all stakeholders.”

- 1.77 The Commission had admitted Rs. 596.20 Crore towards the terminal benefits in the truing up of transmission tariff order for FY 2010-11, which includes the share of terminal benefits for successor companies of MPSEB. The Commission observed that the actual payments made for pension and terminal benefits to all pensioners/retirees of erstwhile MPSEB and its successor entities have already been admitted to MPPTCL and no funds had been transferred to terminal benefit trust by these Discoms. Therefore, the Commission has not considered any provisioning made under the head “Terminal Benefits to Employees” in this true up by Discoms.
- 1.78 The Commission has considered other expenses including taxes paid to the Government and fees paid to MPERC as per the audited accounts of the Discoms.
- 1.79 The Commission has considered the R&M expenses as per regulations at the rate of 2% for East Discom and West Discom and 2.3% for Central Discom on the opening GFA of the relevant financial year. The Commission has computed Discom wise R&M expenses as given in the table below:

Table 31 : R&M Expenses computed by the Commission for FY 2010-11 (Rs. Crore)

Discoms	Opening GFA	R&M expenses as % norms	R&M expenses
East	2,196.64	2.00%	43.93
West	2,061.30	2.00%	41.23
Central	2,217.85	2.30%	51.01
Total	6475.79		136.17

- 1.80 Further in accordance with the clause 32.11 of regulations incentive/ disincentive for increase/ reduction in metered sale has to be provided. The relevant provision of regulation is reproduced below:

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

1. In case of MP Poorv Kshetra Vidyut Vitaran Co. Ltd., for every 1% increase in metered sales, expressed as percentage of total sale, from 80 % (present level of metered sale), an incentive of Rs.3.27 Crore shall be provided. Similarly a disincentive for every 1% increase in un-metered sale from 20% shall also be applicable at the rate of Rs.3.27 Crore.
2. In case of MP Madhya Kshetra Vidyut Vitaran Co. Ltd., for every 1% increase in metered sales, expressed as percentage of total sale, from 81% (present level of metered sale), an incentive of Rs.2.88 Crore shall be provided. Similarly a disincentive for every 1% increase in un-metered sale from 19% shall also be applicable at the rate of Rs.2.88 Crore.
3. In case of MP Paschim Kshetra Vidyut Vitaran Co. Ltd., for every 1% increase in metered sales, expressed as percentage of total sale, from 70% (present level of metered sale), an incentive of Rs.3.48 Crore shall be provided. Similarly a disincentive for every 1% increase in un-metered sale from 30% shall also be applicable at the rate of Rs.3.48 Crore...”

1.81 Accordingly, the Commission has computed the incentive/disincentive on the basis of increase/decrease in metered sales from the total sales as admitted as shown in the table below:

Table 32 : Incentive/ disincentive on the basis of increase/decrease in metered sales

Discoms	FY 2010-11					
	Metered Sales admitted (MU)	Total Sales as admitted (MU)	% of Metered Sales	% of base as per regulation	Incentive/ disincentive in Rs Crore per % increase/ decrease	Disincentive in Rs Crore
East	5487.08	6856.62	80.00%	80%	3.27	0.00
West	6943.97	10272.42	68.00%	70%	3.48	(6.96)
Central	5648.86	7394.84	76.00%	81%	2.88	(14.40)

1.82 The Commission admits the O&M Expenses as per regulations as shown in the following table:-

Table 33 : O&M expenditure admitted for FY 2010-11 (Rs. Crore.)

Particulars	East Discom	West Discom	Central Discom	Total
R&M expenses	43.93	41.23	51.01	136.17
Employees expenses	415.06	389.37	367.15	1,171.58
Arrears	33.37	31.31	29.52	94.20
A&G expenses	73.37	64.39	69.57	207.33
Other expenses (taxes, fees etc.)	1.81	2.50	3.90	8.21
Incentive/disincentive	0.00	(6.96)	(14.40)	(21.36)
O&M expenses admitted in the truing up for FY 2010-11	567.54	521.84	506.75	1,596.13

Interest & Finance Charges

- 1.83 Interest and finance charges comprise (i) interest on project specific loans, (ii) interest charges on Consumer Security Deposits, (iii) interest charges on working capital loans and (iv) the cost of raising finance and other charges from the lending agencies.
- 1.84 East and Central Discoms have claimed the interest on project loans on the basis of audited accounts, while West Discom has stated that they have claimed it as per the norms specified in the regulations as shown in the table below:

Table 34 : Interest and finance charges claimed (Rs. Crore)

Interest & Finance Charges	East Discom	West Discom	Central Discom
Interest on Loan			
State Government Loans	101.17		41.00
NABARD	1.47		0.78
APDRP	4.97		17.46
R-APDRP			13.84
ADB	5.46		7.37
PFC-RTL	2.15		
PFC-STL			14.07
PFC	8.38		2.06
REC Loan + Interest on Society REC deposit	14.80		8.32
HUDCO	14.95		0.03
JBIC REC Loan	7.87		5.20
Bonds (SLR)	22.34		
SBI	2.12		
PMGY Loan	2.26		
MNP loan	1.16		
Market Loan	8.66		
Total	197.77	50.35	110.13
Interest on Consumers Deposits	19.63	25.42	20.00
Total	217.40	75.77	130.13
Interest on Borrowings for Working Capital	120.73	4.69	203.17
Total	338.13	80.46	333.30
Cost of Raising Finance and bank charges	12.58	4.13	119.46
Other Charges(Discount to consumers on timely repayment)			
Penal interest against delayed payment of Term Loan, Working capital loan & Penal interest on ED & Cess	57.36		

Interest & Finance Charges	East Discom	West Discom	Central Discom
Interest on Overdue principal			
Total	408.08	84.59	452.77
Less: Interest Capitalized	66.91		96.98
Net Total	341.17	84.59	355.79

Interest on Project Loans

Licensees' submission:

1.85 East Discom and Central Discom have claimed the interest on project loans on the basis of their audited accounts, while West Discom has claimed as per norms specified in the regulations. The Commission has observed that the Central Discom has claimed Rs. 118.80 Crore in petition while at Sch. 11 of Format - the claim made is for Rs. 132.61 Crore. The details of claims submitted by Discoms are as follows:

Table 35 : Interest on Project Loans Claimed by East Discom (Rs. Crore)

Sr. No.	Particulars	As claimed (A)	Admitted in tariff order (B)	Variance (A-B)
I	Interest Charge on State Govt. Loans, Bonds and Advances			
i	Interest charges on loans from the State Government	101.17		
ii	Interest charges on Bonds	22.34		
iii	Interest charges on Foreign Currency Loans/Credits			
iv	Interest charges on debentures			
II	Total- I	123.51		
	Interest on Long-term Loans / Credits from the FIs/Banks/Organizations admitted by the State Government			
	Secured			
i	ADB			
ii	Bank Commission			
iii	PFC-RTL	2.15		
iv	PFC-STL			
v	HUDCO	14.95		
vi	ADB(2324 IND)	1.77		
vii	ADB(2347 IND)	0.37		
viii	Loan from SBI	2.12		
ix	Loan from REC-RGGVY			

Sr. No.	Particulars	As claimed (A)	Admitted in tariff order (B)	Variance (A-B)
x	Loan from REC-JBIC	7.87		
xi	MPSEB Generic Loan (Bifurcated in FY 2009)			
	New Loans			
xii	ADB 2520	0.65		
xiii	Counter Part Funding			
xiv	PFC-RAPDRP	8.38		
xv	RADRP-II			
xvi	REC FS	1.72		
	Un-Secured			
xvii	REC	13.08		
xviii	APDRP Loan	4.97		
xix	PMGY Loan	2.26		
xx	MNP Loan	1.16		
Xxi	NABARD	1.47		
Xxii	Market Loan	8.66		
Xxiii	EAP (ADB)	2.67		
III	Total	74.26		
IV	Total I+II	197.77	39.00	58.77
V	Cost of Raising Finance and Bank Charges chargeable to Capital Account	12.58	1.93	10.65
VI	Grand Total of Interest & Finance charges-III+IV	210.35	40.93	170.42
VII	less: Interest and Finance charges capitalised	66.91		
VIII	Net Total of Interest & Finance charges	143.44	40.93	102.51

Table 36 : Interest on Project Loans as per audited accounts submitted by West Discom (Rs. Crore)

Sr. No.	Particulars	As per audited accounts (A)	Admitted in tariff order (B)	Variance (A-B)
1	Interest on State Government Loans	38.32		
2	REC Loans	7.95		
3	PFC Loans	16.50		
4	Loan from MPSEB			

Sr. No.	Particulars	As per audited accounts (A)	Admitted in tariff order (B)	Variance (A-B)
5	Bond	63.83		
6	Debenture(PP)	34.96		
7	JBIC-REC Loan	6.36		
8	Total Interest on Project Loan	167.92		
9	Other charges	3.72		
10	less: Rebate in interest on Timely Repayment	0.26		
11	Grand Total of Interest on Project loans	171.64		
12	Interest and Finance charges capitalised	74.78		
13	Net Total of Interest & Finance charges	96.86	19.72	77.14

Table 37 : Interest on Project Loans claimed by Central Discom (Rs. Crore)

Sr. No.	Source	As claimed (A)	Admitted in the tariff order (B)	Variance (A-B)
	Interest on Loan			
1	State Government Loans	41.00		
2	NABARD	0.78		
3	APDRP	17.46		
4	R-APDRP	13.84		
5	ADB	7.37		
6	PFC-RTL			
7	PFC-STL	14.07		
8	PFC	2.06		
9	REC Loan + Interest on Society REC deposit	8.32		
10	HUDCO	0.03		
11	JBIC REC Loan	5.20		
A	Total Project Loan	110.13		
B	Less: IFC Capitalized	96.98		
I	Net Interest Charges (A-B)	13.15	50.51	(37.36)
II	Cost of raising finance and bank charges	119.46	3.39	116.07
	Total (I+II)	132.61	53.90	78.71

Commission's Analysis on Interest on Project Loans:

- 1.84 The Commission has examined the claims of Discoms as per their filing in true-up petitions and their audited accounts. As per clauses 29.1 to 29.9 of the regulations, interest and finance charges are admissible for loans which can be linked with the assets capitalised till FY 2010-11. In absence of the information related to mapping of loans with specific assets, it is not possible to ascertain the portion of loan in the fixed assets completed and the portion of loan is related to capital work in progress.
- 1.85 Further clause 19.1 of the regulations states that debt-equity ratio shall be 70:30 for calculation of interest on loan and return on equity. Accordingly, the Commission has adopted the following principles for computing interest on project loans.

Principles adopted for calculation of interest on project loans

- 1.86 In the true-up order for distribution and retail supply tariff order for FY 2009-10, the interest on project loans was admitted on the fixed asset created till March 31, 2010 on the basis of audited accounts for FY 2009-10. The Commission has adopted the same methodology for considering the Gross Fixed Assets (GFA) addition during the year into debt and equity as explained below:
- a. Allocation of fixed assets into debt and equity as on March 31, 2010 has been considered as per the true-up order of FY 2009-10.
 - b. Net addition to GFA during FY 2010-11 has been worked out after subtracting the consumer contribution and grants amount from total addition to GFA as available in the audited accounts of the Discoms. Further, the surplus consumer contribution and grants of East Discom of Rs. 36.04 Crore from true-up for FY 2009-10 as indicated in Para 1.90(b) of true-up order for FY 2009-10 has been carried forwarded to true-up for FY 2010-11 .
 - c. 30% of the net addition to GFA during FY 2010-11 has been considered as funded through equity and added to the total Equity considered at the end of FY 2009-10, as per the true-up order for FY 2009-10.
 - 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 2009-10. In absence of the actual dates of capitalization of individual assets, 50% of the net addition to GFA is considered for allowing Interest on project loans, so that the principle of pro-rata basis can be followed.

- 1.87 In accordance with the clause 29.3 of the regulations debt repayments equal to the depreciation admitted for that year have been considered. As regards weighted average interest rate, the Commission directed Discoms to submit the actual weighted average interest rate of long term loans for FY 2010-11. In response, East, West and Central Discoms have submitted weighted average interest rate as 9.75%, 11.11% and 6.60%, respectively, which have been considered by the Commission.
- 1.88 Other finance charges have been claimed as Rs. 12.58 Crore for East Discom, Rs. 4.13 Crore for West Discom and Rs. 119.46 Crore for Central Discom. After scrutinizing the Discoms submission with audited accounts, the Commission has considered only cost of raising funds, bank charges, commitment charges and guarantee/ LC charges in the item of "other finance cost". In case of Central Discom the Commission has observed that it has not provided any break up of other finance charges of Rs 119.46 Crore. However, it is observed from the audited accounts that Rs 119.46 Crore includes Rs 69.76 Crore interest on ED, Cess and Rs 37.51 Crore as penal interest on State Govt. loan, which the Commission has not considered as other finance charges. Therefore, the Commission admitted other finance cost on the basis of audited accounts as Rs. 12.58 Crore, Rs. 3.72 Crore and Rs. 12.45 Crore for East, West and Central Discoms, respectively.
- 1.89 Discom-wise interest on project loans computations and the details of expense admitted are shown in the table below:

Table 38 : Interest on Project Loans admitted by the Commission (Rs. Crore.)

Particulars		East Discom	West Discom	Central Discom	Total for State
Opening Debt associated with GFA (as on 31 st March 2010 as per FY 2009-10 true-up order)	A	115.44	86.20	229.47	431.11
GFA Addition during the year	B	403.59	661.39	99.40	1,164.38
Consumer Deposit and Grants utilized during the year	C	154.75	37.94	83.51	276.20
Consumer Deposit and Grants utilized during the year considered by the Commission including carry forwarded amount of FY 2009-10	D	190.79	37.94	83.51	312.24
Net GFA Addition during the year	E=B-D	212.79	623.45	15.89	852.14
70% of addition to net GFA considered as funded through debt	F=70%*E	148.96	436.42	11.13	596.50
Debt repayment during the year (Scheduled)	G	39.63	47.63	39.13	126.39
Closing debt associated with GFA	H=A+F-G	224.76	474.98	201.47	901.22
Average debt associated with Loan	I=Average (A,H)	170.10	280.59	215.47	666.17
Weighted average rate of interest (%) on all loans as per Discom	J	9.75%	11.11%	6.60%	9.30%

Interest on Project Loans	K=I*J	16.59	31.17	14.22	61.98
Other Finance cost	L	12.58	3.72	12.45	28.75
Interest cost admitted on project loans in True-Up	M=K+L	29.17	34.89	26.67	90.73

Interest on Working capital

Licensees' submission:

- 1.90 East and Central Discoms have claimed interest on working capital as per the audited accounts, while West Discom has claimed on the basis of norms specified the regulations. East, West and Central Discoms have claimed Rs. 120.73 Crore, Rs. 4.69 Crore and Rs. 203.17 Crore.

Commission's Analysis on Interest on working capital:

- 1.91 As per clause 34.1 of the regulations, interest on working capital shall be payable on normative basis notwithstanding that the licensee has not taken working capital loan from any outside agency or has exceeded the normative working capital loan. Interest rate of State Bank of India Advance Rate as on 1st April of relevant year shall be taken for working out the interest cost on working capital. The Commission has observed that Discoms have not submitted the separate working capital requirement for the wheeling and retail supply activity. For working out the interest expense on working capital, the Commission has considered the GFA, O&M expenses, power purchase expenses, consumer security deposit as admitted by the Commission in this true up order. Accordingly, the Commission has computed the interest on working capital as shown in the table below:

Table 39 : Interest on Working Capital admitted by the Commission (Amount in Rs. Crore)

Sl. No.	Particulars	East Discom	West Discom	Central Discom	Total
A	Annual requirement of inventory (1% of Opening GFA)	21.97	20.61	22.18	64.76
A(i)	1/6 th of Annual requirement of inventory	3.66	3.44	3.70	10.79
B	O&M expense admitted by the Commission in this True-up	567.54	521.84	506.75	1596.13
B(i)	1/12 th of above O&M expenses	47.30	43.49	42.23	133.01
C	Total Annual Revenue including subsidy and other income excludes ED, Cess				
C(i)	Receivables equivalent to 2 months average billing	509.94	695.53	576.48	1781.95
D	Power Purchase expenses	2,194.86	3,209.42	2,590.95	7995.24
D(i)	1/12th of power purchase expenses	182.91	267.45	215.91	666.27

Sl. No.	Particulars	East Discom	West Discom	Central Discom	Total
E	Consumer Security Deposit	522.85	495.68	553.88	1572.41
F	Total Working capital (A(i)+B(i) + C (i) – D(i)- E)	(144.86)	(20.68)	(147.39)	(312.93)
G	Rate of Interest	11.75%	11.75%	11.75%	11.75%
H	Interest on Working capital	(17.02)	(2.43)	(17.32)	(36.77)
I	Interest on Working capital admitted in true up	0.00	0.00	0.00	0.00

Interest on Consumer Security Deposits

Licensees' submission:

1.92 Discoms have claimed interest on consumer security deposit as per their audited accounts. East, West and Central Discoms have claimed Rs. 19.46 Crore, Rs. 25.42 Crore and Rs. 20.00 Crore as against Rs. 45.45 Crore, Rs. 22.02 Crore and Rs. 16.54 Crore, respectively, admitted by the Commission in the tariff order for FY 2010-11.

Commission's Analysis on Consumer Security Deposit:

1.93 As per the clause 29.9 of the regulations, interest on consumer security deposit shall be considered at the rate specified by the Commission. The Commission admitted the interest on consumer security deposit @ 6% in the tariff order for FY 2010-11. The Commission has observed that the actual interest claims as per audited accounts of the Discoms are less than 6% of security deposit held due to the reason that some portion of it may not be eligible for payment of interest. Therefore, the Commission has admitted the interest amount on consumer security deposit as considered in the audited accounts of the Discoms. Summary of interest on consumer security deposits admitted in the tariff order, claimed in the true-up petition and admitted in this true up is shown in table below:

Table 40 : Interest on Consumer Security Deposit admitted (Amount in Rs. Crore)

Particulars	East Discom	West Discom	Central Discom	Total
Admitted in tariff order for FY 2010-11	45.45	22.02	16.54	84.01
Claimed in true up petition for FY 2010-11	19.46	25.42	20.00	64.88
Admitted in this true-up order as per audited Balance Sheet	19.46	25.42	20.00	64.88

Return on Equity**Licensees' submission:**

1.94 Return on equity @ 16% as Rs. 171.51 Crore, Rs 107.13 Crore, and Rs. 192.18 Crore have been claimed by East, West and Central Discoms respectively.

Commission's analysis on Return on Equity:

1.95 As explained in section on the item of Interest and Finance charges, the equity contribution has been considered as 30% on the net GFA addition during FY 2010-11. Opening value of equity for FY 2010-11 has been considered as closing value of equity for FY 2009-10 as admitted by the Commission and 30% of net GFA addition has been considered as equity addition during the year. Further, rate of return on equity has been considered as per regulations @ 16%. The computation of return on equity as admitted is shown in the table below:

Table 41 : Return on Equity (in Rs. Crore)

S. No.	Particulars	East Discom	West Discom	Central Discom	Total
1	Opening Equity identified with GFA as on 31/03/2010 as per True-up order of 2009-10	465.57	533.05	511.31	1,509.93
2	GFA Addition during the year	403.59	661.39	99.40	1,164.38
3	Consumer Deposit and Grants utilized during the year considered by the Commission	190.79	37.94	83.51	312.24
4	Net GFA Addition during the year	212.79	623.45	15.89	852.14
5	30% of addition to net GFA considered as funded through equity (As on 31st March 2011)	63.84	187.04	4.77	255.64
6	Closing Equity considered for Return from addition during FY 2010-11	529.41	720.08	516.08	1765.57
7	Average Equity identified with GFA and considered for Return for FY 2010-11	497.49	626.57	513.70	1,637.75
8	RoE @16% admitted in True-up of FY 2010-11	79.60	100.25	82.19	262.04

Depreciation

Licensees' Submission:

East Discom:

- 1.96 East Discom claimed depreciation on fixed assets based on straight line method provided in the Central Government's circular No. S. O. 266 (E) dated March 29, 1994. It further submitted that wherever rates of depreciation as per above circular are lower than the rates of depreciation specified under Schedule XIV of the Companies Act, 1956, the Companies Act rates have been adopted.
- 1.97 On the basis of the audited accounts for FY 2010-11, East Discom claimed opening balance of the fixed assets as on April 1, 2010 as Rs. 2196.65 Crore, addition during the year as Rs. 403.58 Crore thus closing balance of the fixed assets as Rs. 2600.22 Crore. Depreciation claimed by East Discom in true-up petition is Rs. 94.81 Crore as against the depreciation of Rs. 52.50 Crore admitted in the tariff order for FY 2010-11. Details of GFA as per audited accounts are shown in the Table below:

Table 42 : Details of GFA of East Discom for FY 2010-11 (Rs. Crore)

Sr. No.	Particulars	Opening balance of GFA as on 01.04.2010	Change during the year (additions / deductions)	Closing Balance of GFA as on 31.03.2011
1	Land & Land rights	1.57	0.09	1.66
2	Leaseholds	0.58	0.00	0.58
3	Building and Civil Works	23.51	5.08	28.59
4	Hydraulic Works	9.64		9.64
5	Other Civil Works	2.76		2.76
6	Plant & Machinery	590.55	94.25	684.80
7	Line Cable Networks etc.	1,504.40	170.93	1,675.33
8	Vehicles	2.99		2.99
9	Furniture & fixtures	2.19	0.25	2.44
10	Office Equipments	8.00	0.10	8.10
11	Expenditure on Assets not belonging to company	50.44	132.89	183.33
12	Total (1 to 11)	2,196.64	403.58	2,600.22

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

Table 43 : Details of Depreciation claimed by East Discom for FY 2010-11 (Rs. Crore)

Sr. No.	Particulars	Opening balance of Depreciation as on 01.04.2010	Change during the year (additions / deductions)	Closing Balance of Depreciation as on 31.03.2011
1	Land, Land rights and lease hold	0.19	0.02	0.21
2	Building and Civil Works	9.56	0.86	10.42
3	Hydraulic Works	7.99	0.13	8.12
4	Other Civil Works	1.72	0.09	1.81
5	Plant & Machinery	307.39	32.83	340.22
6	Line Cable Networks etc.	960.02	60.15	1,020.17
7	Vehicles	2.67	0.02	2.69
8	Furniture & fixtures	1.76	0.07	1.83
9	Office Equipments	5.45	0.63	6.08
10	Total (1 to 9)	1,296.74	94.81	1,391.55

West Discom:

1.99 West Discom submitted that for accounting purpose it has considered depreciation of fixed assets based on straight line method provided in the Central Government's circular No. S. O. 266 (E) dated March 29, 1994.

1.100 On the basis of the audited accounts for FY 2010-11, West Discom claimed opening balance of the fixed assets as on April 1, 2010 as Rs. 2061.30 Crore, addition during the year of Rs. 661.40 Crore thus closing balance of the fixed assets as Rs. 2722.69 Crore. The submission of the West Discom about GFA addition during FY 2010-11 is shown in the table below :

Table 44 : Details of GFA of West Discom for FY 2010-11 (Rs. Crore)

Sr. No.	Particulars	Opening balance of GFA as on 01.04.2010	Change during the year (additions / deductions)	Closing Balance of GFA as on 31.03.2011
1	Land & Land rights	4.87	0.00	4.87
2	Building and Civil Works	36.19	36.75	72.94
3	Hydraulic Works	6.56	0.57	7.13
4	Other Civil Works	2.89	0.43	3.32
5	Plant & Machinery	688.94	383.05	1072

Sr. No.	Particulars	Opening balance of GFA as on 01.04.2010	Change during the year (additions / deductions)	Closing Balance of GFA as on 31.03.2011
6	Line Cable Networks etc.	1306.77	239.60	1546.37
7	Vehicles	5.27	0.00	5.27
8	Furniture & fixtures	2.29	0.32	2.60
9	Office Equipments	7.51	0.68	8.19
	Total (1 to 9)	2061.30	661.40	2722.70

1.101 Depreciation as per audited accounts submitted by West Discom is shown in the Table below:

Table 45 : Details of Depreciation as per audited accounts submitted by West Discom for FY 2010-11 (Rs. Crore)

Sr. No.	Particulars	Opening balance of Depreciation as on 01.04.2010	Change during the year (additions / deductions)	Closing Balance of Depreciation as on 31.03.2011
1	Land, Land rights and lease hold	0.11	0.02	0.13
2	Building and Civil Works	15.28	5.31	20.59
3	Hydraulic Works	3.56	0.38	3.94
4	Other Civil Works	1.83	0.13	1.96
5	Plant & Machinery	409.16	129.31	538.47
6	Line Cable Networks etc.	938.98	86.84	1,025.82
9	Vehicles	4.62	0.02	4.64
10	Furniture & fixtures	1.74	0.05	1.79
11	Office Equipments	3.95	0.38	4.33
12	Total (1 to 11)	1,379.24	222.43	1,601.67

1.102 The Commission observed that the depreciation submitted by West Discom in formats and True up petition is Rs. 80.77 Crore, while in Depreciation chapter of petition it has submitted depreciation as Rs. 80.80 Crore. The Commission has considered the depreciation as mentioned in petition formats as Rs. 80.77 Crore as claimed amount. Accordingly, depreciation claimed by the West Discom in true-up as per the regulations is Rs. 80.77 Crore as against the depreciation of Rs. 54.98 Crore admitted in the tariff order for FY 2010-11. Details of depreciation claim is shown in the table below:

Table 46 : Details of Depreciation claimed by West Discom (Rs. Crore)

Sr. No.	Particulars	Actual as per provision of the regulation (A)	Admitted in the tariff order (B)	Variance (A-B)
1	Land & Land rights			
2	Building and Civil Works			
3	Hydraulic Works			
4	Other Civil Works			
5	Plant & Machinery			
6	Line Cable Networks etc.			
7	Vehicles			
8	Furniture & fixtures			
9	Office Equipments			
10	Total (1 to 9)	80.77	54.98	25.82

Central Discom:

1.103 Opening GFA submitted by the Central Discom on the basis of true-up petition for FY 2010-11 is Rs. 2256.72 Crore, addition during the year is Rs. 142.08 Crore and closing balance of the fixed assets is Rs. 2398.80 Crore. Details submitted by the Central Discom are shown in the table below:

Table 47 : Details of GFA for FY 2010-11 (Rs. Crore)

S. No.	Particulars	Opening balance of GFA as on 01.04.2010	Change during the year (additions / deductions)	Closing Balance of GFA as on 31.03.2011
1	Land and Building rights	7.98	0.01	7.99
2	Building & Civil Works	21.83	2.84	24.67
3	Hydraulic Works	1.33	0.00	1.33
4	Other Civil Works	1.02	0.00	1.02
5	Plant & Machinery	969.49	54.38	1023.88
6	Line Cable Networks etc.	1198.17	43.29	1241.47
7	Vehicles	3.38	0.00	3.38
8	Furniture & Fixtures	2.12	0.05	2.17
9	Office Equipments	9.69	0.68	10.36
10	Any other items (Asset not belonging to the Company)	38.86	42.68	81.54
	Total	2256.72	142.08	2398.80

1.104 Central Discom claimed depreciation on fixed assets based on straight line method provided in the Central Government's circular No. S. O. 266 (E) dated March 29, 1994. Central Discom further submitted that wherever rates of depreciation as per above circular are lower than the rates of depreciation specified under Schedule XIV of the Companies Act, 1956, the Companies Act rates have been adopted. Depreciation claimed by Central Discom in true-up petition is Rs. 108.71 Crore as against the depreciation of Rs. 53.95 Crore admitted in the tariff order for FY 2010-11. Details of depreciation claimed by the Central Discom are shown in the table below:

Table 48 : Opening Accumulated Depreciation, Additions/Withdrawal during the Year and Closing Accumulated Depreciation of Central Discom (Rs. Crore)

S. No.	Particulars	Opening balance of Depreciation as on 01.04.2010	Change during the year (additions / deductions)	Closing Balance of Depreciation as on 31.03.2011
1	Land & Land rights	0.58	0.10	0.68
2	Building and Civil Works	10.38	0.44	10.82
3	Hydraulic Works	1.00	0.03	1.03
4	Other Civil Works	0.53	0.02	0.55
5	Plant & Machinery	442.40	50.33	492.73
6	Line Cable Networks etc.	769.56	54.19	823.75
7	Vehicles	3.06	0.17	3.24
8	Furniture & fixtures	1.32	0.11	1.43
9	Office Equipments	3.33	1.46	4.79
10	CWIP transferred to Fixed Assets	-	1.85	1.85
11	Total (1 to 10)	1232.16	108.71	1340.87

Commission's analysis on depreciation claims:

1.105 The Commission has specified following methodology for computation of depreciation in the regulations:

- a. *The value base for the purpose of depreciation shall be the historical cost.*
- b. *Depreciation rates for determination of allowable depreciation shall be as per Annexure-III of the regulation.*

- 1.106 Depreciation rates given in the above regulations are same as depreciation rates specified in Central Electricity Regulatory Commission's regulations. However, depreciation claimed by the Discoms are based on Central Government's circular No. S. O. 266 (E) dated March 29, 1994 except by West Discom, which claimed depreciation based on regulations. In the true-up order for FY 2005-06, the Commission had clarified that irrespective of the accounting practice followed by the Discoms, claims in this regard will be admissible as per the depreciation rates specified in the regulations.
- 1.107 The Commission observed that the depreciation claims of East and Central Discoms have not been as per the regulations
- 1.108 The Commission directed East Discom and Central Discom to submit depreciation claims as per the regulations. Central Discom accordingly submitted depreciation claim of Rs 28.12 Crore, while East Discom did not submit it.
- 1.109 The Commission observed that depreciation claimed by the Discoms has not been duly substantiated with the detailed asset wise registers to ensure that claims made are against those assets only which have not been fully depreciated. Discoms also did not submit these details despite repetitive directions in the past. The Commission has observed that the East, West and Central Discoms have claimed depreciation rates of 5.08%, 3.80% and 5.56% respectively which are higher than the depreciation rates considered by the Commission in previous years' truing up orders. Thus, any abrupt change in the weighted average depreciation rate would not be prudent for consideration. Accordingly, in this true up order also the Commission has considered the same depreciation rate i.e. 2.12%, 2.24%, and 2.00% for East, West and Central Discom. The Commission further states that a final view would be taken as and when detailed Fixed Asset Register is filed by the Discoms. The Commission has considered GFA addition net of Consumer contribution and grants as discussed in section on interest on project loan of this true up order, for the computation of depreciation for FY 2010-11 as shown in the table below:

Table 49 : Depreciation admitted (Rs. Crore)

Particulars	East Discom	West Discom	Central Discom	Total
Opening GFA on April 1, 2010 (Closing GFA as per true-up order of FY 2009-10)	1,763.17	1,814.72	1,948.42	5,526.31
Add: GFA added during the year	403.59	661.39	99.40	1,164.38
Less: Consumer Contribution and grants	190.79	37.94	83.51	312.24
Closing GFA on March 31, 2011	1,975.96	2,438.17	1,964.32	6,378.45
Average GFA	1,869.56	2,126.45	1,956.37	5,952.38
Rate of Depreciation	2.12%	2.24%	2.00%	2.12%
Depreciation admitted in the truing up order	39.63	47.63	39.13	126.39

Other items of ARR

1.110 There are certain other items which form part of the Aggregate Revenue Requirement. These include bad debts, other miscellaneous expenditure, any prior period expenses / credits, income tax and fringe benefit tax etc. These components are analyzed in the following sections:

Bad and doubtful debts**Licensees' submission:**

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

Table 50 : Bad Debts claimed by Discoms (Rs. Crore)

Discom	Bad Debts actually Written off (Current Assets)	Provision for Bad Debts write-off	Total Charged to P&L Account
East	49.98	144.67	194.65
West	78.88	41.08	119.96
Central	49.59	0.00	49.59

Commission's Analysis on Bad and Doubtful debts:

- 1.112 It has been observed from the above table that in case of East Discom bad debts charged to P&L account are Rs. 194.65 Crore out of which it has actually written-off Rs. 49.98 Crore and the amount of Rs. 144.67 Crore is provisioning only for bad debt. West Discom has actually written-off Rs. 78.88 Crore as bad debts out of a total of Rs. 119.96 Crore charged to P&L account. Central Discom has written-off Rs. 49.59 Crore as bad debt same as charged to P&L account.
- 1.113 The regulations provide to admit bad debts against the amount actually written-off subject to the maximum of 1% of the sales revenue. The Commission has noted that bad and doubtful debts actually written off claimed by Discoms are higher than the maximum permissible limit specified in the regulations.
- 1.114 Vide letter dated October 24, 2013, the Commission directed the Discoms to submit the details of actual bad debt written-off and delayed payment surcharge. Responses submitted by the Discoms indicate that there is variation in the expenses claimed in their petitions and the subsequent submissions. As per their responses, East, West and Central Discoms have submitted segregation of actual bad and doubtful debt into delayed payment surcharge written off, principal amount written off under any scheme or otherwise, as shown in the table below:

Table 51 : Segregation of actual Bad Debts submitted by Discoms (Rs. Crore)

Actual bad debt written off	East Discom	West Discom	Central Discom	State
Delayed payment surcharge	38.19	78.49	3.30	119.98
Principal amount written off under any scheme	144.66	41.18	23.46	209.30
Principal amount actual written off without any scheme	0.00	0.00	0.00	0.00
Total actual bad debt written off	182.85	119.67	26.76	329.28

1.115 The Commission has already taken a view in truing up orders for previous years that the surcharge is not an income therefore its waiver shall also not be considered as expense. The Commission has also not considered principal amount written off under any scheme by the Discoms as it has been waived off at their own behest.

1.116 Discoms have neither stated the efforts they made for recovery of the principal amount nor given any reasoning for such waiver except stating that waiver has been made under some schemes. Accordingly, no expenses are admitted against actual bad and doubtful debts for East, West and Central Discoms.

Other expenses

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

Licensees' submission:

1.117 Discoms have claimed the following expenses under misc. losses & write-offs / sundry expenses / net prior period charges – (credits) as shown in the table below:

Table 52 : Misc. Losses & Write-offs / Sundry Expenses / Net Prior Period Charges / (Credit) claimed by Discoms (Rs. Crore)

Particulars	East Discom	West Discom	Central Discom	Total
Misc. Losses, Surcharge & Write-offs/ Sundry expenses	0.47	1.32	0.00	1.79
Net Prior Period Charges	97.21	185.51	5.51	288.23
Extra ordinary credits (including losses on account of flood, fire, cyclone etc)	78.84	0.00	0.00	78.84
Total other expenses claimed in this true-up	176.52	186.83	5.51	368.86

Commission's Analysis:

- 1.118 Discoms have not provided details with regard to other expenses claimed. The Commission directed Discoms to submit the details of claims of expenses against misc. losses & write-offs / sundry expenses / net prior period charges – (credits). In response West and Central Discoms have re-submitted the break-up of expense items as available in their audited annual accounts with no further details or explanations. The Commission has given due consideration for admitting the expenses based on the details furnished by the Discoms.
- 1.119 East Discom submitted that during 49th and 51st Board meetings held on June 2, 2010 and January 20, 2010, respectively, MPSEB has accepted SLR and PP bond related liabilities and allocated the same to the successor companies in the same ratio as in the opening balance sheet notified by GoMP on June 12, 2008. Accordingly, additional liability of Rs. 78.84 Crore related to SLR and PP bonds has been transferred to East Discom. East Discom further submitted that since this transfer of liabilities is not backed up by equivalent amount of assets, the whole additional liability of Rs. 78.84 Crore, which includes principal of Rs. 41.16 Crore and interest of Rs. 37.68 Crore on account of SLR / PP bonds is charged under Extra Ordinary Items.
- 1.120 As regards prior period items, East Discom submitted that these items comprise penal interest of Rs. 94.39 Crore against liability of ED Cess payable to GoMP, liability of SLR bonds, liability of GoMP and working capital loan from GoMP accounted for FY 2010-11 and 1% guarantee fee of Rs. 2.50 Crore related to PFC-STL paid on April 15, 2013 wrongly booked in expenditure account, rectified during FY 2010-11.
- 1.121 Considering above submissions of Discoms, the Commission has undertaken detailed head wise analysis of Misc. Losses & Write-offs / Sundry Expenses / Net Prior Period Charges / (Credit) as claimed in the petition and as indicated in the audited accounts of the Discoms.
- 1.122 As regards the other expenses claimed by East Discom under the prior period adjustments in audited accounts, the Commission has observed that employee cost pertaining to previous years as Rs. 0.55 Crore and interest & other finance charges relating to previous years as Rs. 96.88 Crore (Rs.94.38 Crore + Rs.2.50 Crore) have been claimed. The interest and finance charges of Rs 96.88 Crore are not considered in this true up order as these claims are on account of default in payment. As regards employee cost of Rs. 0.55 Crore pertaining to previous years, the Commission is of the view that the truing up of previous years has already been undertaken by the Commission based on norms and the prudence check of the expenditures mentioned in the audited accounts, therefore the same has not been considered. Further prior period charges also include other income of Rs 0.22 Crore. The Commission has considered other income of Rs 0.22 Crore as mentioned in the audited accounts.
- 1.123 East Discom claimed Rs. 78.84 Crore as interest on bonds liability accepted during the year under the head extra ordinary items. The Commission has not considered this claim in this true up as it is related to finalisation of opening Balance Sheet and it will be undertaken separately as stated at para 1.111 of true up of ARR Order for FY 2008-09 for Discoms.

- 1.124 As regards East Discom's claims against miscellaneous losses, Surcharge & Write-offs, the Commission has considered Rs 0.47 Crore as mentioned in the audited accounts.
- 1.125 In view of the above, the Commission has considered net other expenses for East Discom as Rs 0.25 Crore (miscellaneous write-offs expenditure as Rs 0.47 Crore and net prior period income as Rs 0.22 Crore).
- 1.126 West Discom has considered the following items under net prior period charges:

Table 53 : Details of prior period expenses claimed by West Discom

Sl. No.	Particulars	Amount (Rs. Crore)
1	Depreciation in previous years	136.13
2	Interest & other finance charges relating to previous years	27.42
3	Employee cost relating to prior periods	0.04
4	Expenses against non- receipts from consumers relating to prior periods	21.76
5	Other charges	0.22

- 1.127 It has been observed from the above details that prior-period charges claimed by West Discom pertain to O&M, depreciation and interest related. The Commission had already issued the true up of previous years based on the specified norms and charges mentioned in the related audited accounts and thus these claims are not admitted. Discom need to provide exact details of these claims along with suitable explanations justifying their claims. Further it is observed that prior period details include other income of Rs 0.44 Crore and other charges of Rs 0.66 Crore, which the Commission has considered.
- 1.128 The Commission has considered net other expenses for West Discom as Rs 1.54 Crore which includes miscellaneous write off amount of Rs 0.53 Crore, sundry expense as Rs 0.79 Crore and net prior period charges of Rs 0.22 Crore (other charges as Rs 0.66 Crore – other income as Rs 0.44 Crore).
- 1.129 The Commission has observed that Central Discom has claimed total prior period charges of Rs. 5.51 Crore. However, it is observed from the P&L account that Rs 5.51 Crore has been an income and not an expense. Accordingly, the Commission has considered prior period charges as income of Rs. 5.51 Crore.
- 1.130 Accordingly, the Commission admits the expenses against the miscellaneous losses & write-offs / sundry expenses / net prior period charges – (credits) as shown in the table below:

Table 54 : Misc. Losses & Write-offs / Sundry Expenses / Net Prior Period Charges / (Credit) admitted by the Commission (Rs. Crore)

Particulars	East Discom	West Discom	Central Discom	Total
Miscellaneous losses, Surcharge & Write-offs	0.47	0.53	0.00	1.00
Sundry Expenses		0.79		0.79
Net prior period charges	(0.22)	0.22	(5.51)	(5.51)
Interest Income for Prior Periods	(0.22)	0.00	0.00	(0.22)
Other income related to prior periods	0.00	(0.44)	(5.51)	(5.95)
loss to stocks on account of Fire	0.00	0.00	0.00	0.00
other charges	0.00	0.66	0.00	0.66
Extra ordinary items	0.00	0.00	0.00	0.00
Total other expenses admitted for truing up	0.25	1.54	(5.51)	(3.72)
Admitted in tariff order	0.00	0.00	0.00	0.00

Treatment of True-up of DISCOMs for the period April, 2007 to March, 2008

1.131 The Commission had included the Surplus/ (Gap) of the Discoms admitted in the true up of FY 2007-08 in the retail supply tariff order for FY 2010-11. Surplus/ (deficit) amounts included in the tariff order for FY 2010-11 for East, West and Central Discoms were Rs. (171.79) Crore, Rs. (16.12) Crore and Rs. (35.19) Crore, respectively. The Commission has admitted the same in this true up order.

2 REVENUE FROM SALE OF POWER

Sale of Power

East Discom

2.1 The Commission had admitted the 7232.04 MU sales at the revenue of Rs. 3099.40 Crore for various categories of consumers in the distribution and retail supply tariff order for FY 2010-11. Actual sales were 7231.22 MU and the revenue was Rs. 3067.18 Crore including subsidy of Rs. 296.99 Crore.

West Discom

2.2 The Commission had admitted the 9527.03 MU sales at the revenue of Rs. 3987.40 Crore for various categories of consumers in the distribution and retail supply tariff order for FY 2010-11. The actual sales were 10558.46 MU and the revenue was Rs. 4328.56 Crore including tariff subsidy of Rs.605.69 Crore.

Central Discom

2.3 The Commission had admitted the 8086.53 MU sales at the revenue of Rs. 3391.0 Crore for various categories of consumers in the retail supply tariff order for FY 2010-11. The actual sales were 7822.99 MU and the revenue was Rs. 3200.91 Crore including subsidy of Rs. 465.88 Crore.

Commission's Analysis

2.4 Revenue from sale of power excluding subsidy and other income has been Rs. 2770.18 Crore, Rs. 3722.87 Crore and Rs. 2735.03 Crore for East, West and Central Discoms, respectively.

2.5 As per their submission in the petitions, Discoms had implemented retail tariffs in accordance with the provisions of tariff order FY 2010-11. Following revenue has been booked in the audited accounts.

Table 55 : Revenue from sale of power as per audited accounts

Particulars	East Discom	West Discom	Central Discom	Total
Revenue from sale of power (Rs. Crore)	2770.18	3722.87	2735.03	9228.08

2.6 Discoms have received tariff subsidy from State Government other than the revenue received from the consumers as reported in their audited balance sheets. Discoms have also received other income and non-tariff income during FY 2010-11 as shown in the audited accounts. Thus, in addition to the revenue from sale of power, the Commission has also considered the following income, as reported in audited accounts, for this true-up exercise:

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

Non tariff income

2.7 In addition to the revenue from sale of power, the non-tariff income has been considered separately as stated below as per audited accounts:

Table 56 : Non tariff income (Rs. Crore)

Sr. No.	Particulars	East Discom	West Discom	Central Discom	Total
1	Misc. charges from consumers	26.93	35.60	19.48	82.01
2	Income from wheeling charges	0.13	4.19	54.80	59.12
3	Meter rent	28.46	36.04	27.46	91.96
4	Recoveries for theft of Power/Malpractice	11.03	25.08	8.36	44.47
5	Total non tariff income	66.55	100.91	110.10	277.56

Subsidy and Grants

2.8 The audited accounts for FY 2010-11 reveal the receipts of revenue subsidy of Rs. 296.99 Crore, Rs. 605.69 Crore and Rs. 465.88 Crore from the Government of Madhya Pradesh by East, West and Central Discoms, respectively. The Commission has considered this amount in the income of the Discoms being a part of the revenue from sale of power to the subsidized consumers in this true-up order as shown in the table below:

Table 57 : Subsidy and Grants (Rs. Crore)

Particulars	East Discom	West Discom	Central Discom	Total
Subsidy and Grants received from GoMP	296.99	605.69	465.88	1368.56

Other Income**Licensees' Submission**

2.9 Discoms have claimed other income as per audited accounts as shown in the table below.

Table 58: Other Income Claimed (as per audited accounts) by Discoms (Rs. Crore)

Sr. No.	Particulars	East Discom	West Discom	Central Discom
A	Income from Investment, Fixed & Call Deposits			
	Interest on Staff loans & advances	0.13	0.05	0.02
	Interest on FDRs/Investment	14.22	14.65	13.10
	Sub-Total (A)	14.35	14.70	13.13
B	Other Non tariff Income			
	Delayed Payment Surcharge	164.77	187.53	242.64
	Interest & Penal Interest on Advance to Suppliers	0.00	7.29	0.03
	Interest from Banks	0.01	0.00	0.13
	Utility Charges	0.00	0.00	3.34
	Scrap Sales	0.00	0.00	0.64
	Lease Rent	0.00	0.00	0.11
	Staff Recoveries	0.04	0.00	0.27
	Income from Staff Welfare activities	0.00	0.00	0.00
	Deferred Income (consumer contribution)	12.01	0.00	0.00
	Misc Services/Receipts	38.98	22.40	4.17
	Profit on Sale of Stores	0.00	0.00	1.34
	Income from Trading (Other than Electricity)	0.00	1.99	0.00
	Other	0.00	19.26	-
	Income recognized through Depreciation on RGGVY Asset	-	-	1.85
	Sub-Total (B)	215.80	238.47	254.51
C	Total Other Income (A+B)	230.15	253.17	267.64
D	Total Other Income (excluding DPS)	65.38	65.64	25.00

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

- 2.11 The Commission has also not considered the deferred income as the Commission has considered the depreciation on the consumer contribution and grants. Further, the Commission has not considered income through depreciation on RGGVY asset for Central Discom.
- 2.12 Accordingly, the Commission admits the actual other income of Rs. 53.39 Crore, Rs 65.64 Crore, and Rs 23.15 Crore for East, West and Central Discoms as per audited accounts.
- 2.13 Based on the preceding explanation, the total revenue admitted by the Commission for the period April, 2010 to March, 2011 is shown in the table below:

Table 59 : Total Revenue, Non-tariff Income and Subsidy admitted (Rs. Crore)

Name of the Discom	Revenue from sale of power	Non-tariff Income	Revenue Subsidies from GoMP	Other income (excluding DPS)	Total Revenue income admitted for true-up
East Discom	2,770.18	66.55	296.99	53.39	3,187.11
West Discom	3,722.87	100.91	605.69	65.64	4,495.11
Central Discom	2,735.03	110.10	465.88	23.15	3,334.16
Total	9,228.08	277.56	1,368.56	142.18	11,016.38

3 REVENUE SURPLUS / (DEFICIT) ADMITTED

3.1 Based on the scrutiny of various cost components regarding revenue income and expenditures of the Discoms, the Commission considers the following surplus / (deficit) for the period April' 10 to March' 11 for recovery by the Licensees through retail tariffs in future, as shown in the table below:

Table 60 : Revenue Surplus / (Deficit) admitted in True-up of ARR for FY 2010-11 (Rs. Crore)

Particulars	East Discom	West Discom	Central Discom	Total For State
INCOME				
Revenue from Sale of Power				
Tariff Income	2,770.18	3,722.87	2,735.03	9,228.08
Non-tariff income (meter rent, recoveries for theft of power, wheeling/U.I. charges recovery, Misc. charges from consumers)	66.55	100.91	110.10	277.56
Other Income	218.15	253.17	265.79	737.11
Less : Delayed Payment Surcharge	164.77	187.53	242.64	594.94
Subsidy	296.99	605.69	465.88	1,368.56
Total Income (A)	3187.11	4495.11	3334.16	11016.38
EXPENSES				
Power Purchase				
Power Purchase Cost	2194.86	3209.42	2590.95	7995.24
MP Transco Charges	249.03	398.71	331.98	979.72
Total Power Purchase (Incl. Transmission) (B)	2443.89	3608.13	2922.93	8974.96
O&M Expenses (Net of Capitalisation)				
Employee Expenses	415.06	389.37	367.15	1171.58
Arrears	33.37	31.31	29.52	94.20
A&G Expenses	73.37	64.39	69.57	207.33
R&M Expenses	43.93	41.23	51.01	136.17
Other expenses (including Taxes & MPERC Fees)	1.81	2.50	3.90	8.21
Incentives/dies-incentives	0.00	(6.96)	(14.40)	(21.36)
Total O&M (C)	567.54	521.84	506.75	1596.13
Other Expenses				
Depreciation	39.63	47.63	39.13	126.39
Interest & Financing Charges on Project Loans	29.17	34.89	26.67	90.73

Particulars	East Discom	West Discom	Central Discom	Total For State
Interest and Finance Charges on working capital loans	0.00	0.00	0.00	0.00
Interest on Consumer Security Deposit	19.46	25.42	20.00	64.88
Return on Equity	79.60	100.25	82.19	262.04
Bad & Doubtful Debts	0.00	0.00	0.00	0.00
Any Other Expense	0.25	1.54	(5.51)	(3.72)
Total Other Expenses (D)	168.11	209.74	162.48	540.32
Total Expenses E = (B + C + D)	3,179.55	4,339.71	3,592.15	11111.41
Revenue Surplus / (Gap) F = (A-E)	7.56	155.40	(257.99)	(95.03)
Additional revenue (Gap)/Surplus due to True-up of MP DISCOMs for the period April, 2007 to March, 2008 (G)	(171.79)	(16.12)	(35.19)	(223.10)
Net Surplus / (Gap) H = (F+G)	(164.23)	139.28	(293.18)	(318.13)

4. PUBLIC OBJECTIONS AND COMMENTS ON LICENSEES' PETITIONS:

Date of publication of public notice in newspapers: 8th & 9th August 2013

Last date for receiving the objections: 31st August, 2013

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

Table 61 : List of Objectors

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

Date of public hearing: 02nd September, 2013

4.2 Suggestions from the objectors and response of the Discoms thereon are summarized in the following paragraphs.

Issue No. 1: Excess Expenditure

Issue raised by objector:

- 1) ARR components were achievable with reasonable efficiencies. However, the Discoms had failed to achieve the reasonable efficiencies in operations.
- 2) The Commission has been revising the retail tariffs almost every year since 2001. These tariffs were fixed based on approved ARR which takes in to account past performance and reasonable efficiencies. Thus, the true up costs if any should have been marginal surplus or deficit..

Response of Discoms:

- 1) West Discom submitted that the cost claimed in the petition is based on the provision of the tariff regulations and annual audited accounts of the Company. Further justification and explanation regarding each element of the Cost has also been given in the petition.
- 2) Central Discom submitted that the figures approved in tariff order are based on the estimation and the actual expenditure would be different on account of various reasons which have been elaborated in the true up petition.

Commission's view:

The Commission has undertaken detailed analysis of the reasons submitted by the Discoms for the increase in actual expenses of the ARR components vis-a-vis the ARR admitted by the Commission in the tariff order for admitting the expenses in true up in accordance with the regulations. Thus, the Commission has admitted the cost based on normative levels after due prudence check of expenses claimed in true up of ARR.

Issue No. 2: Reconciliation of figures with the annual accounts

Issue raised by objector:

- 1) True up costs have been prepared as per regulations and the actual costs have been taken from the audited accounts, thus the following needs to be clearly brought out through the statement of Profit & Loss Accounts as per Accounts:
 - a) The revenue such as delayed payment surcharge etc. has not been considered.
 - b) Subsidies from State Government should be reconciled with State Govt. accounts.
 - c) Some expenditure has been considered as notional and not actual.
- 2) True up cost may also reflect a statement of cash losses incurred and how these are met such as deferring payment to supplier defaulting on payment of interest and principle amount of loans etc. Gap must also be reflected in the defaults and the same should be considered as a part of true up amount.

Response of Discoms:

- 1) West Discom submitted that the true-up petition has been submitted before the Commission strictly as per Formats prescribed in the Regulations.
- 2) Central Discom submitted that the
 - a. Revenue has been charged as per regulations.
 - b. Subsidies from State Government are reconciled with State Government.
 - c. All the expenses in the Books have been taken on accrual basis.
- 3) Central Discom also submitted that the Company's Books of Accounts have been prepared on accrual basis. It is therefore difficult to match these with cash losses incurred.

Commission's view:

The Commission agrees with the submission of the Discoms that it is not possible to match the true-up expenses filed in the petition with the audited accounts. However, the Commission has carried out the detailed prudence check of each item of the expenditure as per regulations and has not considered any provisioning of expense in the accounts of Discoms .

Issue No. 3: Realistic submissions for future

Issue raised by objector:

The Commission may direct the Discoms to make the realistic submissions for future years.

Response of Discoms:

Discoms did not respond.

Commission's view:

The Commission has noted the suggestion.

Issue No. 4: Interest on working capital

Issue raised by objector:

The interest on Working capital is notional and may not be allowed.

Response of Discoms:

Discoms submitted that the interest on working capital has been claimed in the petition based on the provisions of the regulations and audited accounts. They further submitted that the actual interest on working capital is much higher than the amount claimed in the petition.

Commission's view:

The Commission has computed the interest on Working capital as per regulations while carrying out the truing up.

Issue No. 5: Depreciation

Issue raised by objector:

- 1) As West Discom submitted that the Depreciation is not a cash flow it may be limited to what is allowed in the approved ARR.
- 2) Depreciation should be admitted as per Company's Act 1956 and not on the basis of Generally Accepted Accounting Principles and accounting standards as submitted by the Central Discom.

Response of Discoms:

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

Commission's view:

The Commission has computed the depreciation expense as per the regulations based on GFA addition admitted during the year.

Issue No. 6: Return on Equity**Issue raised by objector:**

The return on equity be limited to the extent admitted in the tariff order.

Response of Discoms:

West and Central Discoms submitted that the return on equity claimed in the petitions is as per the provisions of the tariff regulations. Further, in the tariff order, Return on Equity was admitted based on estimated equity component of capitalization of assets. However, in the true-up order, Return on Equity should be allowed by considering the actual capitalization of assets.

Commission's view:

The Commission has computed the revised Return on Equity as per the regulations based on actual GFA addition admitted during the year.

Issue No. 7: Revenue & Other Income**Issue raised by objector:**

- 1) Other income figures are not consistent and need to be checked. The delayed payment surcharge may be considered as income as it will reduce deficit significantly.
- 2) A certain rate of realization per unit is admitted by the Commission in the tariff order. It is seen that the actual rate is much lower in spite of the increase in H.T. consumption, lowering of agriculture consumption and a large amount available as state Government subsidy.

Response of Discoms:

- 1) West Discom submitted that the other income shown in the petition is based on audited accounts of the Company. It has further submitted that the Revenue amount shown in the petition is based on the audited accounts of the Company.
- 2) Central Discom submitted that as per regulations , the Delayed Payment Surcharge is not considered as income. It has further submitted it is not correct to say that agriculture consumption is lowering which may be observed from the following figures:-

Year	Consumption (in MUs)
2011-12	2790.11
2010-11	2536.98
2009-10	2305.27
2008-09	2209.40

Moreover as far as the subsidy from the Government is concerned, it is mainly tariff subsidy i.e. subsidy on account of the subsidized billing to those consumers for which GoMP is willing to give subsidy.

Commission's view:

The Commission has undertaken head wise detailed prudence check of the other income submitted by the Discoms in the petition as well as in the audited accounts. The other income has been admitted accordingly.

As regards Delayed Payment Surcharge, the Commission agrees with the submission of Discoms that Delayed Payment Surcharge cannot be considered as revenue as per regulations as Commission does not allow any additional interest on working capital for the delayed payment by Discoms.

Issue No. 8: Power Purchase and Transmission Charges

Issue raised by objector:

- 1) True up amount claimed by the Discoms and the cost of power purchased is very high. It is quite evident that during FY 2009-10 and FY 2011-12 either Distribution losses have increased than the prescribed trajectory or power have been purchased at higher cost than the approved by the Commission. The Commission may examine the excess power drawl and cost of power purchased before deciding the claim of Discoms.
- 2) Following may be clarified regarding the abnormal increase in the Power Purchase cost:
 - a) Whether increase in the power purchase was approved by the Commission?
 - b) Whether the power purchase costs are reasonable?
 - c) If penalties for overdrawn power are levied these are within reasonable limits.
 - d) Whether any such costs already allowed to Generation & Transmission company and considered in ARR?
 - e) Whether the T & D losses were within prescribed limits?

Response of Discoms:

- 1) The Discoms submitted that the
 - (i) Power purchases are approved / allowed by the Commission.
 - (ii) Power Purchase cost is reasonable.
 - (iii) Overdrawn power is within reasonable limits.
 - (iv) Power Purchase cost pertains to Generation & Transmission Companies.
 - (v) The Licensee is trying its level best to curb the T&D losses.

Discoms further submitted that the approved ARR presents projections on the basis of previous years' actual data while the true-up is based on actual data for a particular year. Hence there may be variation between data shown in True-up and admitted ARR in the tariff order. The power purchase cost varied due to variation in inflation etc. Further reasons observed for the variation in claimed power purchase cost in true-up with respect to admitted cost in tariff order are as under:

- (i) Being a distribution licensee, it is obligatory for Discoms to provide supply as per the requirement of the consumer. Thus the quantum of power purchase also varies.
- (ii) It can be observed from the power purchase cost that in some cases charges based on actual and paid to the generating stations are different than admitted in tariff order.

Commission's view:

The Commission has admitted the power purchase quantum and cost after undertaking detailed prudence check of the power purchase submitted by the Discoms as detailed in preceding sections of the Order.

Issue No. 9: Operation & Maintenance (O&M) Cost

Issue raised by objector:

- 1) The Commission may consider and approve the O&M claim as per the norms of the relevant of the regulations.
- 2) The Commission may allow the Operation & Maintenance Costs as the lowest of the following two:
 - a) O& M costs as per regulations with GFA calculations fully checked.
 - b) Actual O & M costs, however the increase in A&G expenses and R&M expenses may not be allowed.

Response of Discoms:

- 1) West Discom submitted that the cost claimed in the petition is based on the provision of the regulation and audited annual accounts of the Company. Further justification and explanation regarding each element of the Cost has also been given in the petition.
- 2) Central Discom submitted that the O&M Expenses should be allowed at the actual basis.

Commission's view:

The Commission has admitted actual O&M cost after undertaking prudence check of the details submitted by the Discoms as elaborated in the preceding sections of this order.

Issue No. 10: Interest & Finance Charges

Issue raised by objector:

The Interest & Finance Charges are normative figures considering 70% as loan net of consumer's contribution. As regard the same, the lowest of the following may be allowed as Interest & Finance Charges:

- a) The charges approved in tariff order.
- b) The actual payment

Response of Discoms:

West Discom submitted that the interest and finance charges claimed in the petition are as per the provisions of the regulation and audited accounts of the company.

Commission's view:

The Commission has computed the Interest and Finance charges as per the regulations based on approved GFA addition as detailed in relevant sections of the Order.

Issue No. 11: Interest on Consumer Security Deposits

Issue raised by objector:

The Commission may permit the interest on consumer security deposits in accordance to Security Deposit, regulation, 2005 along with its amendments.

Response of Discoms:

Discoms have not submitted any reply.

Commission's view:

The Commission has admitted the Interest on Consumer security deposit as per regulations.

Issue No. 12: Bad and Doubtful Debts

Issue raised by objector:

- 1) Actual bad and doubtful debts waived off may be allowed as 1% in accordance to the relevant regulations.
- 2) List of bad and doubtful debts actually waived off be admitted after the list is made public.

Response of Discoms:

- 1) West Discom submitted that the details of actual bad and doubtful debt written off have already been given in the petition.
- 2) Central Discom submitted that as per the accounts policies, the bad and doubtful debts are accounted for in the financial statements.

Commission's view:

The Commission has admitted the Bad and Doubtful Debts as per regulations duly applying prudence check as detailed in the relevant preceding section of this order.

Issue No. 13: Taxes

Issue raised by objector:

Only the Actual statutory payments of tax may be allowed.

Response of Discoms:

Discoms submitted that the true-up filing is based on the actual expenses and the same may be allowed as legitimate expenses.

Commission's view:

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

Issue No. 14: Financial Position of Discoms.

Issue raised by objector:

- 1) Tariff was fixed based on admitted ARR which takes into consideration past performance and efficiency, thus the true up claims is on a very higher side. This shows a very grim financial position of the Discoms which requires immediate attention to improve their financial status. The Commission may examine the true up petitions as per relevant regulation, Guidelines and their directive on the ARR for the period of true up.
- 2) Such a significant gap concludes that the Discoms have become financially sick and beyond redemption. As regard the same, it is suggested to
 - a) Declare the Discoms sick and procedures similar to Board for Industrial & Financial Reconstruction be initiated.

- b) Approach the power ministry for financial restructuring. The loss burden can then be shared by State and Central Govt. and the banks. The consumers will be spared of the burden.
- c) Form a high level Committee comprising of power sector experts be appointed to find out reasons of failure and suggest remedial measures.

Response of Discoms:

Discoms have not submitted any reply.

Commission's view:

While carrying out the truing up the Commission has carried out detailed analysis including reasons submitted by Discoms for variations in admitted and actual expenditure and has admitted the expenses against various items of ARR after undertaking prudence check of the actual expenditure submitted by the Discoms. Other issues mentioned by the objector do not relate directly to the subject petition, which is a truing up exercise for the past period.

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