

MADHYA PRADESH ELECTRICITY REGULATORY COMMISSION

4th and 5th Floor, Metro Plaza, Bittan Market, Bhopal - 462 016



ORDER ON TRUE-UP OF ARR FOR FINANCIAL YEAR 2013-14

Petition No. 33/2018 in continuation with Petition No. 40/2016

MP Power Management Co. Ltd.
MP Poorv Kshetra Vidyut Vitaran Co. Ltd.
MP Paschim Kshetra Vidyut Vitaran Co. Ltd.
MP Madhya Kshetra Vidyut Vitaran Co. Ltd.

PRESENT:

Dr. Dev Raj Birdi, Chairman
Mukul Dhariwal, Member
Anil Kumar Jha, Member

IN THE MATTER OF:

Determination of True-up of Aggregate Revenue Requirement determined by MPERC for FY 2013-14 based on the true-up petition jointly filed by MP. Power Management Company Ltd. (MPPMCL), Madhya Pradesh Poorv Kshetra Vidyut Vitaran Company Ltd. (East Discom), Madhya Pradesh Madhya Kshetra Vidyut Vitaran Company Ltd. (Central Discom) and Madhya Pradesh Paschim Kshetra Vidyut Vitaran Company Ltd. (West Discom) as per MPERC (Terms and conditions for determination of tariff for supply and wheeling of Electricity and methods and principles for fixation of charges) Regulations, 2012.

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List of Abbreviations

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

GPP	Gas Power Plant
GST	Goods and Service Tax
GTIS	Group Term Insurance Scheme
HP	Horse Power
HPS	Hydro Power Station
HT	High Tension
IDC	Interest During Construction
IEX	Indian Energy Exchange
IND-AS	Indian Accounting Standards
ISPS	Indira Sagar Power Station
IPDS	Integrated Power Development Scheme
IPP	Independent Power Producer
KAPS	Kakrapar Atomic Power Station
kV	kilo Volt
kVA	kilo Volt Ampere
kVAh	kilo Volt Ampere hour
kW	kilo Watt
kWh	kilo Watt hour
LED	Light Emitting Diode
LT	Low Tension
MD	Maximum Demand
MOD	Merit Order Despatch
MP	Madhya Pradesh
MPERC	Madhya Pradesh Electricity Regulatory Commission
MPPGCL	Madhya Pradesh Power Generating Company Limited
MPPMCL	MP Power Management Company Limited
MPPTCL	Madhya Pradesh Power Transmission Company Limited
MPSEB	Madhya Pradesh State Electricity Board
MTPS	Mejia Thermal Power Plant
MU	Million Unit
MVA	Mega Volt Ampere
MW	Mega Watt
MYT	Multi-Year Tariff
NHDC	Narmada Hydroelectric Development Corporation
NPS	New Pension Scheme
NTP	National Tariff Policy
NTPC	NTPC Limited
O&M	Operation & Maintenance
OA	Open Access

OHP	Omkareshwar Hydro Project
PAF	Plant Availability Factor
PF	Provident Fund
PGCIL	Power Grid Corporation of India Ltd.
PLF	Plant Load Factor
PoC	Point of Connection
PPA	Power Purchase Agreement
PPCA	Power Purchase Cost Adjustment
PTR	Power Transformer
PWW	Public Water Works
PXIL	Power Exchange India Limited
R&M	Repair & Maintenance
RBI	Reserve Bank of India
RGVY	Rajiv Gandhi Grameen Vidyutikaran Yojana
RoE	Return on Equity
RPO	Renewable Purchase Obligation
SAC	State Advisory Committee
SBI	State Bank of India
SEZ	Special Economic Zone
SGTPS	Sanjay Gandhi Thermal Power Station
SLDC	State Load Dispatch Centre
SSP	Sardar Sarovar Project
TAPS	Tarapur Atomic Power Station
TBT	Terminal Benefit Trust
ToD	Time of Day
TPS	Thermal Power Station
UDAY	Ujwal Discom Assurance Yojana
UMPP	Ultra Mega Power Plant
VAT	Value Added Tax
WR	Western Region
WRPC	Western Regional Power Committee

1. ORDER

(Passed on this 30th Day of November 2018)

1. This order relates to the Revised Petition No. 33/2018 in Petition No. 40/2016 filed by Madhya Pradesh Poorv Kshetra Vidyut Vitaran Company Ltd., Madhya Pradesh Paschim Kshetra Vidyut Vitaran Company Ltd., Madhya Pradesh Madhya Kshetra Vidyut Vitaran Company Ltd. and M.P. Power Management Company Ltd., Jabalpur, respectively (hereinafter referred to as East Discom, West Discom, Central Discom and MPPMCL, respectively and collectively as Petitioners or Distribution Licensees or distribution companies or Discoms) before Madhya Pradesh Electricity Regulatory Commission (hereinafter referred to as MPERC or the Commission). The Revised Petition had been filed by the Distribution Licensees seeking the True-up of Aggregate Revenue Requirement (ARR) determined by the Commission for the period from April 2013 to March 2014 vide Retail Supply Tariff Order for FY 2013-14 issued on 23rd March, 2013 (hereinafter referred to as Tariff Order).
2. The Commission has reviewed the operational and financial performance parameters of the Discoms for FY 2013-14. The Commission has finalized this Order based on the review and analysis of the audited accounts, past records, submissions, necessary information / clarifications submitted by the Petitioners and views expressed by the Stakeholders.

Procedural history

3. The Commission had issued the Retail Supply Tariff Order for FY 2013-14 on 23rd day of March, 2013 in accordance with MPERC (Terms and conditions for determination of tariff for supply and wheeling of Electricity and methods and principles for fixation of charges) Regulations, 2012 (hereinafter referred to as the MYT Regulations). As per the MYT Regulations, Discoms were required to file their respective petitions for True-up of ARR for FY 2013-14 by 31st October, 2014. Further, as per directives of Hon'ble APTEL in the judgment of 11th November, 2011 in the matter of O.P. No.1 of 2011, the Discoms are required to file their True-up Petitions for respective years regularly. Discoms, however have not filed their True-up Petitions for FY 2013-14 within stipulated time. After rigorous pursuance, the Petitioners filed the True-up Petition for the period from 1st April, 2013 to 31st March, 2014 on 13th June, 2016. The motion hearing on the jointly filed Petition No. 40/2016 was held on 23rd August, 2016. The Commission admitted the Petition on 24th August, 2016.
4. The Petition was further examined and found deficient on many fronts with regards to computation of Aggregate Revenue Requirement (ARR), Power Purchase Cost and Sales.

Therefore, vide letters dated 1st September, 2016, deficiencies / additional data requirement and information needed were communicated to the Petitioners, which were required to be submitted by 15th September 2016. In response, MPPMCL vide letter dated 16th September 2016 requested for time extension till 27th September 2016 for submission of the requisite information. Subsequently, MPPMCL vide letter dated 27th September 2016 submitted the requisite information.

5. The Commission conducted the Public Hearing on 8th December 2016. Based on the comments / objections received during the Public Hearing from the stakeholders, the Commission sought justification / information vide letter dated 20th December, 2016 with regards to purchase of Power from M/s Torrent power against the principle of Merit Order Dispatch. MPPMCL submitted its reply vide letter dated 4th January, 2017.
6. Further, the Commission vide letter dated 12th January, 2017 had sought detailed information with regards to Fixed Cost burden, Banking of Power, reduction of sales and corresponding decrease in revenue and reconciliation of power purchase cost corroborating their audited balance sheet for the said year. MPPMCL replied to some of the queries vide letter dated 15th May, 2017. On analysis of the information submitted by the Petitioners, the Commission observed that still some of the information sought were not responded appropriately with all data and figures to the satisfaction of the Commission.
7. Therefore, the Commission vide letter dated 08th August, 2017, again directed the Petitioners to furnish the requisite information by 23th August, 2017. However, the Petitioners failed to abide by the timeline provided by the Commission and vide letter dated 21st August, 2017, requested the Commission to grant time till 06th September, 2017 which was granted by the Commission. Subsequently, the Petitioners again sought time extension for submitting the reply to the queries vide letter 23rd September, 2017.
8. Hence considering the laid-back approach adopted by the Petitioners and inability to resolve the deficiency raised, the Commission vide order dated 28th September, 2017 directed the Petitioners to file a Revised Petition duly incorporating the requisite information. The relevant extract of the order is as follows:

“6. The Commission has observed that instead of filing the requisite information the petitioners are seeking extension time and again by citing the laid-back and inconceivable reasons. The petitioners need to substantiate their claims to the satisfaction of the Commission and also respond to the issues raised by the stakeholders in a justifiable manner within the reasonable time period. It appears that the petitioners are unable to collect and collate the requisite information and hence defying the directions of the Commission. The petition cannot be kept pending for

indefinite time for want of submission of the essential information by the petitioners which is very vital for verification and validation of the petitioners' claims. Therefore, the Commission has decided to dispose of the petition with the direction that the petitioners would file a revised petition duly incorporating the requisite information as and when the same is available with the petitioners."

9. In compliance to the aforesaid direction of the Commission, the Petitioners filed the Revised Petition No. 33/2018, incorporating the requisite information on 16th July, 2018. Since the Commission had directed to file the revised petition and not a new one, they were dispensed from tendering the fresh filing fees. Accordingly, motion hearing was held on 28th August, 2018 and subsequently the Commission admitted the Revised Petition on 4th September, 2018.
10. On scrutiny of the revised petition, it was observed that the Petitioners have claimed supplementary power purchase cost of Rs. 1239.26 Crore pertaining to the period prior to FY 2013-14. Therefore, the Commission vide letter dated 29th September 2018, directed to submit the reconciliation and computation of impact due to the supplementary bills in previous orders for period FY 2005-06 to FY 2012-13, which was submitted by the Petitioner on 27th September, 2016.

Notification of true-up proposals for public information

11. The public notices were published on 6th November, 2016 by the Petitioners in prominent Hindi and English newspapers for inviting comments/objections from various stakeholders. The last date for filing the comments / suggestions / objections by the stakeholders was 17th November, 2016 which was later on extended to 7th December, 2016. In response the Commission received 23 comments / suggestions / objections from the stakeholders within the stipulated time.

Hearings

12. The public hearing was held on 8th December, 2016 in the Court Room of the Commission's office at Bhopal wherein some stakeholders personally appeared and submitted their comments / observations on the Petition.

Gist of Petition

13. The gist of the True-up Petition submitted by the Licensees is given below:

Table 1 : Snapshot of the True-up Petition of Discoms for the period from April 2013 to March 2014 – as submitted by the Licensees (Rs. Crore)

Particulars	FY 2013-14							
	East Discom		West Discom		Central Discom		State	
	Tariff Order	Claimed	Tariff Order	Claimed	Tariff Order	Claimed	Tariff Order	Claimed
Power Purchase Cost	4119.08	5229.61	6729.67	6612.22	4619.91	5530.52	15468.66	17372.35
PGCIL								
Transmission charges including SLDC	499.05	680.55	566.21	857.97	543.89	726.44	1609.15	2264.96
O&M Expenses (Net of Capitalisation)	852.63	982.78	793.56	1831.03	747.42	779.62	2393.61	3593.42
Depreciation	65.16	157.22	91.41	165.48	83.80	224.34	240.37	547.03
Interest & Finance Charges	179.03	309.42	154.88	188.88	181.56	428.96	515.47	927.27
<i>On Project Loans</i>	129.68	113.04	102.63	126.35	133.61	141.41	365.92	380.80
<i>On Working Capital Loans</i>	0.00	153.20	0.00	8.41	0.00	242.34	0.00	403.95
<i>On Consumer Security Deposit</i>	49.35	43.19	52.25	54.12	47.95	45.21	149.55	142.52
Return on Equity	168.16	267.17	167.52	149.11	174.14	301.65	509.82	717.93
Bad & Doubtful Debts	1.00	585.06	1.00	261.00	1.00	723.42	3.00	1569.48
Any other expense	0.00	4.20	0.00	24.62	0.00	188.10	0.00	216.92
Total Expenses	5884.11	8216.02	8504.25	10090.30	6351.72	8903.05	20740.08	27209.36
Other income	162.51	155.75	229.23	115.72	333.61	108.77	725.35	380.24
Net total Expenses	5721.60	8060.26	8275.02	9974.58	6018.11	8794.28	20014.73	26829.12
Revenue	5899.04	5587.76	8490.89	6754.87	6209.33	5197.96	20599.26	17540.59
Gap (Gap)/surplus	177.44	-2472.50	215.87	-3219.71	191.22	-3596.32	584.53	-9288.53
less: Impact of True-ups	177.44		215.88		191.22		584.54	0.00
Gross Total expenses	5899.04	8060.26	8490.90	9974.58	6209.33	8794.28	20599.27	26829.11
Net (Gap)/surplus	0.00	(2472.50)	0.00	(3219.71)	0.00	(3596.32)	-0.01	(9288.52)

14. The Commission analyzed the Petition for Truing-up for FY 2013-14. On the basis of the information furnished by the Discoms and keeping the interest of the consumers in the State, the Commission prudently considered the submission of Discoms for true-up for FY 2013-14.

After giving due consideration to the norms, methodology, process of determination of expenditure and revenues as elaborated in the MYT Regulations, the Commission determined the allowable revenue deficit / surplus, as detailed in the subsequent Sections of this Order. Quantum of revenue deficit and surplus, as the case may be, shall be adjusted in the Annual Revenue Requirement for the Petitioners for a forthcoming period. Gist of the True-up of ARR admitted for FY 2013-14 is given below:

Table 2: Revenue Surplus/(Deficit) admitted in True-up of ARR for FY 2013-14 (Rs. Crore)

Particulars	East Discom	West Discom	Central Discom	Total for State
INCOME				
Tariff Income	5,089.87	5,781.08	4,334.27	15,205.22
Non-tariff income (meter rent, recoveries for theft of power, wheeling/U.I. charges recovery, Misc. charges from consumers)	49.60	67.87	79.57	197.04
Other Income	187.70	236.59	296.71	721.00
Less: Delayed Payment Surcharge	93.55	119.04	187.94	400.53
Net other income (excluding delayed payment surcharge)	94.15	117.55	108.77	320.47
Subsidy	497.90	921.54	781.33	2,200.77
Total Income (A)	5,731.51	6,888.04	5,303.94	17,923.49
EXPENSES				
Power Purchase				
Power Purchase Cost	4,766.49	6,209.52	5,062.95	16,038.96
MP Transco Charges	680.55	857.97	533.12	2,071.64
Total Power Purchase (Incl. Transmission) (B)	5,447.04	7,067.49	5,596.07	18,110.60
O&M Expenses (Net of Capitalisation)				
Employee Expenses	344.00	325.00	303.00	972.00
DA	264.62	242.03	239.27	745.92
Earn Leave encashment	8.41	12.41	17.02	37.84
Arrears	34.00	30.00	29.52	93.52
A&G Expenses	112.78	92.71	85.14	290.63
R&M Expenses	98.19	88.94	98.17	285.30
Other expenses (including Taxes & MPERC Fees)	3.51	8.13	1.04	12.68
Total O&M (C)	865.50	799.22	773.16	2,437.89
Other Expenses				
Depreciation	92.46	85.22	95.13	272.81
Interest & Financing Charges on Project Loans	111.83	67.78	138.85	318.47
Interest and Finance Charges on working capital loans	0.00	0.00	0.00	0.00
Interest on Consumer Security Deposit	43.19	54.12	45.21	142.52

Particulars	East Discom	West Discom	Central Discom	Total for State
Return on Equity	171.74	143.76	175.43	490.93
Bad & Doubtful Debts	0.00	0.00	0.00	0.00
Any Other Expense	-6.66	6.04	-11.35	-11.97
Total Other Expenses (D)	412.57	356.92	443.27	1,212.76
Total Expenses E = (B + C + D)	6,725.11	8,223.64	6,812.50	21,761.25
Revenue Surplus / (Gap) F = (A-E)	(993.60)	(1,335.60)	(1,508.56)	(3,837.76)

15. The Commission has admitted the revenue gap as indicated in the table above for the FY 2013-14 for recovery through retail supply tariff to be determined by the Commission for FY 2019-20.
16. Ordered as above, read with detailed reasons, grounds and conditions annexed herewith.

(Anil Kumar Jha)
Member

(Mukul Dhariwal)
Member

(Dr. Dev Raj Birdi)
Chairman

Dated: 30th November, 2018
Place: Bhopal

2. ANALYSIS OF EXPENSES DURING THE PERIOD APRIL 2013 TO MARCH 2014

Sale of energy

- 2.1 In the retail supply tariff order issued on 23rd March, 2013 for FY 2013-14, the Commission admitted the sale of energy for FY 2013-14 as shown in the table below:

Table 3 : Sales admitted in Tariff Order dated 23rd March, 2013 (MU)

Discom	East Discom	West Discom	Central Discom	Total
LT Sale	8654.03	13567.59	9738.73	31960.35
HT Sale	3593.95	4051.86	3404.61	11050.42
Total Sale	12247.98	17619.45	13143.34	43010.77

- 2.2 The normative distribution loss level specified by the Commission for FY 2013-14 in the MYT Regulations is shown in the table below:

Table 4: Distribution loss level for FY 2013-14

Discom	Distribution Loss
East Discom	23%
West Discom	20%
Central Discom	23%

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

Table 5 : Sales as per Tariff Order, monthly R-15 statement and as filed in True-up Petition for FY 2013-14 (MU)

Particulars	East Discom	West Discom	Central Discom	Total
As admitted in the tariff order	12247.98	17619.45	13143.34	43010.77
As per monthly R-15 report	11086.88	13977.85	11,557.39	36622.12
As filed in True-up Petition	11086.88	13977.85	11,557.39	36622.12

- 2.4 The Commission has observed that the Sales as filed in the True-up Petitions by Discoms is same as recorded in their monthly/Annual R-15 statements.

- 2.5 The Commission had prescribed the assessment of sale to the unmetered category of domestic and agriculture consumers in the tariff order as shown in the table below:

Table 6 : Basis of billing to un-metered consumers

Assessed units for un-metered domestic connections (units per connection per month)		Assessed units for un-metered agricultural connections (units per HP per month)			Assessed units for un-metered agricultural connections (units per HP per month)		
Urban	Rural	Category	Rural	Urban	Category	Rural	Urban
		Three Phase			Single Phase		
April to March		April to September			April to September		
100	55	Permanent	50	90	Permanent	60	90
		Temporary	155	175	Temporary	170	190
		October to March			October to March		
		Permanent	150	170	Permanent	160	180
		Temporary	155	175	Temporary	170	190

- 2.6 Scrutiny of the Sales figures recorded in R-15 statement (basic sale/billing data statement) for FY 2013-14 has revealed that sale to un-metered category of agriculture consumers had been booked in excess of the prescribed benchmarks, when compared with the number of consumers and their load. In response to the Commission's letter dated 1st September, 2016 to Discoms in regard to seeking clarification / additional data, vide letter dated 27th September, 2016, MPPMCL forwarded SLDC statement comprising month wise and Discom wise supply hours for FY 2013-14.
- 2.7 The SLDC data need to be viewed in context of the prevailing metering conditions during FY 2013-14. Hardly any distribution transformer metering was available (i.e. only about 15.45% as on 31st March 2014) and the feeder metering was also partial. The complete metering was only available on 132 kV substations and above. SLDC had no avenues to verify or check actual supply being made to agricultural consumers from the distribution transformers. Further, high failure rate of distribution transformers clubbed with high replacement time for failed distribution transformers along with local load shedding due to capacity constraint in 33 kV / 11 kV networks in rural area in the State led to reduction in actual supply made to the agriculture consumers. The Commission has noted with grave concern that despite of the directions of the Hon'ble APTEL in various judgments in the matter of appeals filed by the Discoms with regard to True-up of the ARRs of past years from FY 2006-07 to FY 2012-13 Discoms have failed to furnish any reliable field data even on a representative basis. Under these circumstances, there cannot be any method to factor in the aforementioned elements so as to arrive at average hours of supply to agricultural consumers.

- 2.8 In view of the above and the approach adopted by the Commission in true up of FY 2012-13, the Commission has accepted the metered sale as per Annual R-15 statement. The sale to un-metered agricultural consumers has been admitted as per prescribed benchmarks in tariff order for FY 2013-14. A summary of the Sales booked to the un-metered sale as per monthly R-15, Sales as per prescribed benchmark and Sales over the prescribed benchmark as observed from the monthly R15 statement is shown in the table below:

Table 7: Summary of sale to the un-metered category booked in excess over the prescribed benchmark (MU):

Discom	Unmetered Sales as per monthly R15	Unmetered Sales (as per prescribed Benchmark)	Sales booked in excess over the prescribed benchmark for un-metered agricultural connections
East Discom	2,468.76	1,866.37	602.39
West Discom	5,177.38	4,566.93	610.45
Central Discom	4,124.49	2,428.00	1,696.49
State	11,770.63	8,861.30	2,909.33

- 2.9 The details of energy sale as per Tariff Order for FY 2013-14, as per true up petition of the Discoms and as admitted by the Commission for the purpose of the True-up are given in the following table:-

Table 8 : Energy sale as per Tariff Order for FY 2013-14, as per filing of the Discoms and as admitted by the Commission (MU)

Category	East Discom			West Discom			Central Discom			Total for the State		
	As per tariff order FY 2013-14	As per true up petition FY 2013-14	As admitted in true up order FY 2013-14	As per tariff order FY 2013-14	As per true up petition FY 2013-14	As admitted in true up order FY 2013-14	As per tariff order FY 2013-14	As per true up petition FY 2013-14	As admitted in true up order FY 2013-14	As per tariff order FY 2013-14	As per true up petition FY 2013-14	As admitted in true up order FY 2013-14
LOW TENSION												
LV 1: Domestic Consumers	5,089.70	2,901.34	2,901.34	5,944.77	3,149.05	3,149.05	4,378.79	2,683.24	2,683.24	15,413.26	8,733.63	8,733.63
LV 2: Non - Domestic	637.58	598.98	598.98	824.42	762.73	762.73	821.91	640.23	640.23	2,283.91	2,001.94	2,001.94
LV 3: Public Water Works and Streetlights	330.32	1,001.71	1,001.71	384.71	282.78	282.78	403.16	270.98	270.98	1,118.19	1,555.47	1,555.47
LV 4: Industry	319.81	258.11	258.11	577.96	497.06	497.06	345.58	220.59	220.59	1,243.35	975.76	975.76
LV 5: Agricultural	2,276.62	2,774.14	2,171.75	5,835.73	5,420.01	4,809.56	3,789.29	4,419.61	2,723.12	11,901.64	12,613.76	9,704.43

Category	East Discom			West Discom			Central Discom			Total for the State		
	As per tariff order FY 2013-14	As per true up petition FY 2013-14	As admitted in true up order FY 2013-14	As per tariff order FY 2013-14	As per true up petition FY 2013-14	As admitted in true up order FY 2013-14	As per tariff order FY 2013-14	As per true up petition FY 2013-14	As admitted in true up order FY 2013-14	As per tariff order FY 2013-14	As per true up petition FY 2013-14	As admitted in true up order FY 2013-14
Consumers												
LT Sale (MU)	8,654.03	7,534.28	6,931.90	13,567.59	10,111.63	9,501.18	9,738.73	8,234.68	6,538.19	31,960.35	25,880.59	22,971.27
HIGH TENSION												
HV 1: Railway Traction	570.44	512.00	512.00	425.04	417.88	417.88	900.84	847.08	847.08	1,896.32	1,776.96	1,776.96
HV 2: Coal Mines	496.48	474.09	474.09	0.00	0.00	0.00	33.47	38.44	38.44	529.95	512.53	512.53
HV-3: Industrial and Non- Industrial	2,045.02	2,179.20	2,179.20	3,259.88	3,089.90	3,089.90	2,167.09	2137.41	2137.41	7,471.99	7,406.63	7,406.63
HV-4: Seasonal	7.80	5.98	5.98	8.96	4.40	4.40	2.93	2.00	2.00	19.69	12.38	12.38
HV-5: HT Irrigation and Water Works	77.25	78.95	78.95	350.81	337.00	337.00	115.78	149.03	149.03	543.84	564.98	564.98
HV-6: Bulk residential users	396.96	301.96	301.96	7.17	9.30	9.30	184.50	147.86	147.86	588.63	459.12	459.12
HV-7: Bulk Supply to Exemptees	0.00	0.53	0.53	0.00	7.74	7.74	0.00	0.00	0.00	0.00	8.27	8.27
HT Sale (MU)	3,593.95	3,552.70	3,552.71	4,051.86	3,866.23	3,866.22	3,404.61	3321.82	3321.82	11,050.42	10,740.87	10,740.87
GRAND TOTAL HT + LT (MU)	12247.98	11086.98	10484.61	17619.45	13977.85	13367.40	13143.34	11556.50	9860.01	43010.77	36621.33	33712.02

Power Purchase Quantum and Cost

Licensees' Submission

2.10 Discoms submitted that the power purchase quantum (in MU) admitted in the Tariff Order by the Commission was based on the loss trajectory as per MYT 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 the then MP Tradeco (now MPPMCL and hereinafter referred to MPPMCL) and that admitted by the Commission in Retail Supply Tariff Order for FY 2013-14.

2.11 The Discoms submitted a detailed statement of quantum of power purchase and cost as paid to MPPMCL in FY 2013-14. MPPMCL 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 cost of power purchased as per Audited Accounts of Discoms, as claimed by the Discoms in the Petition and as per MPPMCL statement. This is shown in the table below:

Table 9: Variation in power purchase cost as submitted by the Petitioners (MU)

Particulars	East Discom		West Discom		Central Discom		Total for the State	
	MU	Rs Crore	MU	Rs Crore	MU	Rs Crore	MU	Rs Crore
As filed in petition	15554.54	5229.61	19382.76	6612.22	16064.62	5530.52	51001.92	17372.35
As per the Tradeco Statement	15554.54	5350.23	19382.76	6689.99	16064.62	5582.74	51001.92	17622.96
As per the audited accounts*	-	5136.14	-	6697.80	-	5604.18		17438.12

*Audited accounts do not indicate the Power Purchase quantum.

- 2.12 The variation in claim of power purchase cost is majorly due to the methodology adopted by the Petitioners for calculating power purchase cost, wherein the Petitioners have proposed to disallow the percentage (%) of variable cost of power purchase to the extent it is for the losses more than the percentage (%) of normative loss level. This is elaborated in the illustration below.

Actual Power purchase cost	=Rs.100.00
Fixed charges	=Rs.30.00
Variable charges	=Rs.70.00
Excess loss% as per Table 26	=5.5%
Cost to be disallowed on account of excess loss	=5.5%*Rs. 70. =Rs. 3.85
Allowable power purchase cost	=Actual Power purchase cost – cost towards excess loss
	=Rs. 100 – Rs. 3.85
	=Rs. 96.15

- 2.13 Based on above, the Petitioner has claimed the power purchase cost as follows:

Table 10: Claimed Power Purchase Cost by East Discom for FY 2013-14

Particulars	Actual	Power Purchase to be allowed
Normative loss level for 2013-14 (%)	23.00%	
Actual loss level for 2013-14 (%)	23.68%	
Loss over and above the normative loss (%)	0.68%	
Fixed cost for FY 2013-14 (Rs. Crore)	1,924.14	1,924.14

Particulars	Actual	Power Purchase to be allowed
Fixed Cost Portion of previous year's supplementary bills of generators (Rs. Crore)	158.82	158.82
Variable cost after adjusting the sale of additional power for FY 2013-14 (Rs. Crore)	2,548.35	2,531.02
Inter state Transmission charges for FY 2013-14 (Rs. Crore)	354.07	354.07
Previous years' supplementary bills of generators – Variable Portion (Rs. Crore)	223.56	222.04
Other costs of MPPMCL (Rs. Crore)	141.29	141.29
Total Power Purchase Cost (Rs. Crore)	5,350.23	5,331.38
Power purchased from Mini/Micro Hydel (Rs. Crore)	1.30	1.29
Power purchased from CSPDCL (Rs. Crore)	2.26	2.24
Intra State UI at Discom boundary (Rs. Crore)	(90.12)	(89.51)
Previous Year UI Bills (for 12-13) (Rs. Crore)	(2.96)	(2.94)
Reactive Energy Charges (Rs. Crore)	(12.26)	(12.17)
Previous Years MPPMCL bills (Rs. Crore)	37.38	37.38
Incorporated with Audited account Due to Reconciliation with MPPMCL (Rs. Crore)	(38.31)	(38.05)
Total Power Purchase Cost to be allowed (Rs. Crore)	5,247.51	5,229.61

Table 11: Power Purchase Cost claimed by West Discom for FY 2013-14

Particulars	Actual	Power Purchase to be allowed
Normative loss level for 2013-14 (%)	20.00%	
Actual loss level for 2013-14 (%)	22.59%	
Loss over and above the normative loss (%)	2.59%	
Fixed cost for FY 2013-14 (Rs. Crore)	2,511.79	2,511.79
Fixed Cost Portion of previous year's supplementary bills of generators (Rs. Crore)	199.73	199.73
Variable cost after adjusting the sale of additional power for FY 2013-14 (Rs. Crore)	3,022.22	2,943.94
Inter state Transmission charges for FY 2013-14 (Rs. Crore)	444.61	444.61
Previous years' supplementary bills of generators – Variable Portion (Rs. Crore)	281.15	273.87
Other costs of MPPMCL (Rs. Crore)	230.47	230.47
Total Power Purchase Cost (Rs. Crore)	6,689.97	6,604.41
Supplementary bill due to finalization of accounts of FY	(23.87)	(23.25)

Particulars	Actual	Power Purchase to be allowed
13 (Rs Crore)		
Intra State UI at Discom boundary (Rs Crore)	(63.76)	(62.11)
Credit Note towards UI charges - FY 13 (Rs Crore)	(2.98)	(2.90)
Other costs (Rs Crore)	7.95	7.95
Reactive Energy Charges (Rs Crore)	0.66	0.64
Previous Years MPPMCL bills (Rs Crore)	79.40	77.34
Less: Incorporated with Audited account Due to Reconciliation with MPPMCL (Rs Crore)	(10.40)	(10.13)
Total Power Purchase Cost to be allowed (Rs. Crore)	6,697.80	6,612.22

Table 12: Power Purchase Cost claimed by Central Discom for FY 2013-14

Particulars	Actual	Power Purchase to be allowed
Normative loss level for 2013-14 (%)	23.00%	
Actual loss level for 2013-14 (%)	29.69%	
Loss over and above the normative loss (%)	6.69%	
Fixed cost for FY 2013-14 (Rs. Crore)	1,955.09	1,955.09
Fixed Cost Portion of previous year's supplementary bills of generators (RS. Crore)	156.17	156.17
Variable cost after adjusting the sale of additional power for FY 2013-14 (Rs. Crore)	2,737.62	2,554.48
Inter state Transmission charges for FY 2013-14 (Rs. Crore)	366.33	366.33
Previous years' supplementary bills of generators – Variable Portion (Rs. Crore)	219.83	205.12
Other costs of MPPMCL (Rs. Crore)	147.68	147.68
Total Power Purchase Cost (Rs. Crore)	5,582.73	5,384.87
Power purchased from Mini/Micro Hydel (Rs. Crore)	0.84	0.78
Power purchased from CSPDCL (Rs. Crore)	0.55	0.51
Intra State UI at Discom boundary (Rs. Crore)	126.71	118.23
Previous Year UI Bills (for 12-13)		
Reactive Energy Charges (Rs. Crore)	1.31	1.23
Supplementary bills (Rs. Crore)	26.69	24.90
Total Power Purchase Cost to be allowed (Rs. Crore)	5,738.82	5,530.52

2.14 It has been further observed that the Licensees have not submitted the complete details of energy balance in format "Schedule 4a" of their Petition except Central Discom. Energy balance details as submitted by Discoms are shown in the Table below:

Table 13: Energy Balance as filed by Discoms for FY 2013-14

S No.	Particulars	East Discom	West Discom	Central Discom
1	Total Energy Sale (MU)	11086.89	13977.85	11557.40
2	A. Distribution losses (%)	23.68%	22.59%	29.69%
	B. Distribution losses (MU)	3439.35	4080.14	4882.23
3	At T-D interface (MU)	14526.24	18058.00	16439.63
4	A. Transmission loss of MPPTCL (%)	Not Submitted	Not Submitted	3.00%
	B. Transmission losses of MPPTCL (MU)			508.44
5	At MP periphery	Not Submitted	Not Submitted	16948.07
6	External losses (%)	Not Submitted	Not Submitted	1.16%
	External losses (MU)	Not Submitted	Not Submitted	159.29
7	Net energy requirement (MU)	15554.54	18712.95	17107.36

Commission's Analysis

Power Purchase Requirement

2.15 Details of power purchase including inter-state transmission charges and losses as admitted in the Retail Supply Tariff Order for FY 2013-14 and as per the audited accounts of Discoms are given in the table below:

Table 14: Power purchase quantum and cost admitted in Tariff Order and as per the Audited Accounts.

Discom	Particulars	Admitted in the tariff order (B)	Actual as per audited accounts (A)
East Discom	Power Purchase Quantum (MU)	16,842	15554.54*
	Power Purchase Cost (Rs. Crore)	4119.08	5136.14#
West Discom	Power Purchase Quantum (MU)	23,250	19382.76*

Discom	Particulars	Admitted in the tariff order (B)	Actual as per audited accounts (A)
	Power Purchase Cost (Rs. Crore)	6729.67	6697.80#
Central Discom	Power Purchase Quantum (MU)	17,992	16064.62*
	Power Purchase Cost (Rs. Crore)	4619.91	5732.20#
Total for the State	Power Purchase Quantum (MU)	58,084	51001.92
	Power Purchase Cost (Rs. Crore)	15468.66	17438.12

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

#It includes supplementary power purchase cost of period prior to FY 2013-14

2.16 While admitting the power purchase quantum, the Commission in line with the approach adopted by the Commission in previous orders has followed the principle of grossing up sales with normative loss levels for working out power purchase requirement in accordance with the provisions of the MYT Regulations as per the practice adopted by the Commission while Truing-up of past years ARR which is narrated below;

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

2.17 The Commission analysed the submissions of Discoms of power purchase quantum claimed and observed that the Discoms have considered the State Energy Accounts for claiming the power purchase quantum for FY 2013-14.

2.18 In order to compute the energy balance for Discoms, it is necessary to know the loss levels at each stage. Therefore, inter-state transmission, intra-state transmission and distribution losses need to be identified correctly. The intra-state transmission loss has been submitted as 3.00% by MPPTCL in their annual report of regulatory compliance for FY 2013-14. Accordingly, the same loss level has been considered as the Intra-State transmission losses for the present True-

up exercise. The Commission had approved the distribution loss levels for working out power purchase requirement in the Retail Supply Tariff Order for FY 2013-14 as specified in the MYT Regulations which are shown in the table below:

Table 15: Distribution loss reduction trajectory for FY 2013-14 (%)

Year	East Discom	West Discom	Central Discom
FY 2013-14	23%	20%	23%

2.19 The Commission directed the Discoms to submit details of the actual external transmission losses of Power Grid system. Discoms submitted weekly losses for FY 2013-14 as available on website of NLDC. Accordingly, the average losses for FY 2013-14 applicable for Western Region and Eastern Region have been worked out as 2.77% and 2.50%, respectively. The external losses thus arrived by multiplying the applicable losses with the power purchase from the respective regions has been apportioned based on the allotment of PGCIL charges to the Discoms.

2.20 Based on above, the power purchase requirement admitted by the Commission is shown in the table below:

Table 16: Analysis of Power purchase quantum (MU)

S. No.	Particulars	East Discom	West Discom	Central Discom	Total for State
1	Total Energy Sale (MU)	10,484.50	13,367.40	9,860.90	33,712.80
2	A. Distribution Losses (%)	23.00%	20.00%	23.00%	21.84%
	B. Distribution Losses (MU)	3,131.73	3,341.85	2,945.46	9,419.05
3	At T-D interface (MU)	13,616.23	16,709.25	12,806.36	43,131.84
4	A. Transmission loss of MPPTCL (%)	3.00%	3.00%	3.00%	3.00%
	B. Transmission losses of MPPTCL (MU)	421.12	516.78	396.07	1,333.97
5	At MP periphery	14,037.35	17,226.03	13,202.43	44,465.82
6	External losses (MU)	179.47	224.50	185.31	589.28
7	Net energy requirement (MU)	14,216.82	17,450.53	13,387.75	45,055.10

Power Purchase Cost

2.21 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 the details / documents to match the power purchase cost as indicated in their audited accounts vis-a-vis source wise details furnished by MPPMCL. In view of the fact that the whole true up exercise is based on

the audited accounts of the Discoms, the Commission has decided to admit the power purchase cost on the basis of audited accounts of the Discoms.

- 2.22 While scrutinising the power purchase costs as indicated in the audited accounts of the Discoms, the Commission has observed that in support of their claim the Petitioners have furnished a statement from MPPMCL indicating month wise, station wise details of power purchase quantum and costs (fixed cost, variable charges, other charges / costs) with Discom wise apportionment for corroborating the figures in audited accounts for FY 2013-14. The total fixed cost for the stations as indicated in this statement is Rs. 6391.03 Crore and inter-state transmission cost (PGCIL / POSOCO Charges etc.) as Rs. 1164.97 Crore which have been considered by the Commission for computation of allowable Power Purchase Cost.
- 2.23 During the Public Hearing held on 8th December 2016 in the subject Petition (40/2016), some of the stakeholders raised the issue in regards to procurement of power from Torrent Power Station against the Principle of Merit Order Dispatch (MOD) on the basis of variable cost of generating station. The Commission taking cognizance of the fact and vide letter dated 20th December, 2016 directed the Petitioner to submit their response ascertaining the fact that power procurement from Torrent Power Station is made in accordance to the MOD principle and subsequent to exhausting the energy from generating stations approved by the Commission in its retail tariff order FY 2013-14 and has not caused any undue rise in Power Purchase Cost. MPPMCL vide letter dated 4th January, 2017, submitted their response. On perusal of the reply submitted by the Petitioner, the Commission observed that the Petitioner has not provided proper justification on procurement of power from Torrent Power. Therefore, the Commission has considered it appropriate to keep in abeyance the quantum of power purchase from torrent power stations and its cost. The same shall be considered as and when the petitioner would file the information to the satisfaction of the Commission.
- 2.24 Accordingly, the summary of source-wise power purchase quantum and fixed charges as submitted by Petitioners and considered by the Commission is shown in table below:

Table 17: Details of source wise power purchase quantum and fixed charges for FY 2013-14

Sr. No.	Station	Energy Purchased (MUs)	Fixed Cost (Rs. Crore)
1	KSTPS	3491.51	207.98
2	KSTPS III	525.70	89.83
3	VSTPS - I	2729.99	216.11
4	VSTPS-II	2271.58	160.63
5	VSTPS-III	1797.45	211.17
6	VSTPS-IV	978.91	158.51
7	Kawas	227.35	85.51
8	Gandhar	216.05	92.06

Sr. No.	Station	Energy Purchased (MUs)	Fixed Cost (Rs. Crore)
9	Sipat II	1183.51	173.57
10	Sipat I	1980.86	341.68
11	KAPP	850.95	47.52
12	Tarapur	1506.71	105.95
13	Kahalgaon II	223.79	63.64
14	Mauda-I	116.69	78.40
15	Rajgarh Solar PV Project	0.00	0.00
	Purchase from Other Sources		
16	NHDC-Indira Sagar	4065.95	550.36
17	SSP	3249.63	170.98
18	Omkareshwar	1619.91	432.66
19	ISP NVDA	13.51	0.00
20	HEG Mandideep	23.79	0.00
21	HEG TAWA	41.08	0.00
22	Wind Energy	431.97	0.00
23	DVC (Mejia)	1096.70	205.39
24	DVC (Chandrapur)	1173.57	246.39
25	Welspun (105MW)	111.61	0.00
26	Welspun (25MW)	20.87	0.00
27	DVC (Durgapur)	225.83	105.34
28	Bargi NVDA	7.08	0.00
29	Saasan	954.61	11.65
30	IEX/PXI Purchase	4.56	0.21
31	RDM Care	3.91	0.00
32	JSR developers	1.84	0.00
33	Shiv vani Energy	2.87	0.44
34	PTC 100 MW	211.71	0.00
35	PTC 300 MW	609.24	0.00
36	Adora energy	2.96	0.00
37	Friends Salt	1.56	0.00
38	JP Bina	1330.39	480.51
39	Pragya Energy	0.19	0.00
40	BLA	147.13	32.92
41	RRVPL (Chambal-Satpura)	118.42	0.00
42	Hindalco	82.98	0.00
43	M/S Banco	0.45	0.00
44	M/S Bansal	0.42	0.00
45	M/s Pearl Green	0.43	0.00
46	M/s Neel	0.59	0.00
47	Lanco Amarkantak	2067.00	334.33

Sr. No.	Station	Energy Purchased (MUs)	Fixed Cost (Rs. Crore)
48	Essar Power	4.10	0.00
49	Alfa	18.64	0.00
50	Arya	28.42	0.00
51	Trimula Ltd.	4.22	0.00
52	M/s Orient Green	5.15	0.00
53	Acma solar energy	11.59	0.00
54	Sai Saburi Urja Pvt. Ltd.	0.15	0.00
MP Genco – Thermal			
55	ATPS Chachai (240MW)	1137.55	99.83
56	ATPS-Chachai (210MW)	1499.13	219.50
57	STPS Sarni	3570.31	267.70
58	SGTPS Birsingpur	3863.16	437.90
59	SGTPS Birsingpur (500MW)	3450.96	461.88
60	STPS Sarni 10#	396.40	82.90
MP Genco - Hydel			
61	Gandhi Sagar	198.34	4.31
62	R P Sagar	252.41	0.00
63	Jawahar Sagar	159.45	0.00
64	Pench	283.01	9.74
65	Ban Sagar (I+II+III)	1901.88	80.29
66	Jhinna HPS	122.59	7.79
67	Brinsingpur Hydro	44.81	3.30
68	Bargi	532.52	9.45
69	Rajghat	29.44	1.24
70	Madhikheda HPS	134.65	12.17
Total		53372.66	6301.70

2.25 On further scrutiny of the details of power purchase cost submitted by the Petitioner it is observed that the total power purchase cost increased by Rs. 2645.57 Crore as compared to the power purchase cost admitted in tariff order for FY 2013-14. The major reason for increase in Other cost of Rs. 1008.29 Crore which were not apportioned station wise by the petitioner, recovery of supplementary power purchase cost of Rs. 1239.26 Crore pertaining to period prior to FY 2013-14 by MPPMCL, and increased tariff of many generating stations as compared to the tariff considered by the Commission in tariff order.

2.26 With regards to the Other Cost of Rs. 1008.29 Crore included in Power Purchase Cost, which was not apportioned station wise by the petitioner, the Commission vide letter dated 1st September, 2016, sought details in this regard from the Petitioner. In response, MPPMCL vide letter dated 27th September, 2016 submitted the requisite details. The breakup of the Other cost as submitted by the MPPMCL is as follows:

Table 18: Details of Other Cost submitted by the Petitioner for FY 2013-14 (Rs. Crore)

Sr. No.	Particulars	Amount	Details
1	O&M Charge bills of MP Genco	126.73	Cost pertaining to JV Generation Project
2	Power Purchase Cost	375.91	Power Purchase bills which have not been passed to the Discoms in their monthly energy bills. This includes Compensation charges paid to PTC of Rs 192.94 Crore.
3	Banking of Energy	194.32	Provision for payment of Banking of Energy
4	Open Access Charges	114.87	Open Access Charges for Power Purchase, Banking of Energy
5	SLDC Charges	0.03	Payment made to SLDC
6	Depreciation and Amortization Expense	1.73	Depreciation expenses of MPPMCL
7	Interest and Finance Charges	68.30	Interest paid to the bank for availing loan facility for Working Capital Loans, Bank Charges etc.
8	Repair and Maintenance Expense	1.66	Repair and Maintenance Expense of the MPPMCL office and other infrastructure
9	Employee Cost	54.57	Employee Benefit Expenses of MPPMCL
10	Administration and General Expense	67.47	A&G related expenses of MPPMCL
11	Rebate on Sale of Power	0.45	Rebate provided to AKVN on sale of Power
12	Surcharge on Delayed Payment	2.40	Surcharge paid by MPPMCL on delayed payment of bills

2.27 It can be observed from above, that certain cost pertains to provisioning for banking of power, penal charges for delayed payment and rebate on sale provided to MPAKVN Indore, which cannot be passed onto the State Discoms, hence, the Commission has disallowed such expenses. Details of Other Expenses which have not been admitted by the Commission is as follows:

Table 19 : Other expenses in Power Purchase Cost not considered by the Commission for FY 2013-14 (Rs. Crore)

Sl. No.	Particulars	Amount	Reason for Disallowance
1	Banking of Energy	194.32	The amount pertains to provision made for payment of Banking of Energy and hence no actual payment has been made.
2	Rebate on Sale of Power	0.45	The amount pertains to rebate provided to MPAKVN on sale of Power. The burden of which cannot be passed as cost to State Discoms.
3	Surcharge on Delayed Payment	2.40	The Commission does not consider any surcharge earned or paid on account of delayed payment.
	Total	197.17	

2.28 Further, the statement also includes an amount of Rs. 1239.26 Crore (Rs. 382.38 Crore of East Discom, Rs. 480.88 Crore of West Discom and Rs. 376.00 Crore of Central Discom) as “supplementary bills raised by the generators for the period prior to 2013-14”. However, the scrutiny of the supplementary bill details furnished to the Commission in support of aforesaid claim of Rs. 1239.26 Crore has revealed that Rs. 49.60 Crore belongs to power purchase to the period from FY 1993-94 to 2012-13 i.e. MPSEB period claims (FY 1993-94 to 2004-05) and company claim period for FY 2005-06 to FY 2012-13 of Rs. 1189.70 Crore.

2.29 The amount of Rs.1239.26 Crore has been included in the audited accounts for FY 2013-14 and the Commission is inclined to consider it, however, the Petitioners are required to reconcile the same with respective year’s power purchase cost. Therefore, the Commission directed the Petitioners to submit the details of Supplementary Bills prior to FY 2013-14 vide letter dated 29th September 2018. The Petitioners submitted their reply on 15th October, 2018, wherein the Petitioners submitted detailed computation of the supplementary Power Purchase Cost conforming to the methodology adopted by the Commission in order dated 25.04.2018 in

Petition No. 62 of 2017. Accordingly, the Petitioners have revised their claim for supplementary Power Purchase Cost to Rs. 1167.37 Crore.

- 2.30 The Commission's True-up Orders of past years have already attained the finality and the amount of Rs. 1239.26 Crore has figured in the audited accounts for FY 2013-14, therefore, it would be appropriate to consider these supplementary bills of the past years in the true up for FY 2013-14. Since in the past years' true up orders, the power purchase cost of a year was admitted on the basis of the actual metered sale, normative un-metered sale and normative losses of that year; the year wise claims of the power purchase cost have been worked out accordingly.
- 2.31 On the scrutiny of the revised claim submitted by the petitioner for the period from FY 2005-06 to FY 2012-13, it has been noted that petitioners' claims for these years are conforming to the methodology adopted by the Commission for respective years' true ups and there has not been any variation in amount claimed by the petitioners from the same as worked out by the Commission. Hence the claims of amount Rs. 1119.04 Crore has been admitted by the Commission. However, the claims of amount Rs. 48.33 Crore pertaining to the period prior to the formation of the independent companies, wherein the retail supply tariff orders were issued for MP State Electricity Board and since there had not been any tariff Regulations in vogue, the true up was not carried out. Hence, prudence of such claims has not been established and not admitted by the Commission.
- 2.32 In view of the above, the Commission has found it prudent to admit the amount of Rs. 1119.04 Crore against the claim of supplementary of supplementary of Rs. 1167.37 Crore. The distribution company wise breakup of the amount is shown as follows:

Table 20: Supplementary Power Purchase Cost Admitted by the Commission (Rs. Crore)

Particulars	Revised Claimed Amount	Reworked Amount			
		East Discom	West Discom	Central Discom	Total for State
Difference for 2005-06	0.03	0.01	0.01	0.01	0.03
Difference for 2006-07	-1.06	-0.42	-0.32	-0.33	-1.06
Difference for 2007-08	1.85	0.54	0.72	0.59	1.85
Difference for 2008-09	82.68	27.10	30.94	24.64	82.68
Difference for 2009-10	171.50	62.19	65.35	43.95	171.50
Difference for 2010-11	239.21	59.13	105.32	74.77	239.21
Difference for 2011-12	197.41	58.84	79.97	58.59	197.41
Difference for 2012-13	427.43	128.04	164.41	134.98	427.43
Total Additional Cost	1119.04	335.44	446.40	337.20	1119.04
Prior Period (Before 2005)	48.33	0.00	0.00	0.00	0.00

Particulars	Revised Claimed Amount	Reworked Amount			
		East Discom	West Discom	Central Discom	Total for State
Total	1167.37	335.44	446.40	337.20	1119.04

2.33 Further, the Commission has noted that Discoms had procured power in excess of admitted energy requirement based on norms specified in the MYT Regulations and previous orders. Similar situation had arisen during the True-up exercise of previous years. Hence, the Commission has decided to adopt the same approach as followed for the True-up of previous years by taking cognisance of the Judgment of the Hon'ble APTEL dated 15th September, 2015 in appeal nos. 234, 270, 271 and 276 of 2014, in the matter of True-up Orders of previous years issued by the Commission. Accordingly, the power purchase cost has been determined by considering:

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

2.34 As mentioned earlier, the audited accounts of the Discoms do not indicate the actual power purchase quantum. Therefore, in the absence of the actual power purchase quantum mentioned in the audited accounts, the Commission has considered the actual ex-bus power purchase quantum as submitted by the Discoms in their Petition for the computation of pooled cost. The power purchase cost as admitted by the Commission is given in the table below:

Table 21: Admitted Power Purchase Cost

Sr. No.	Particulars	Reference	East Discom	West Discom	Central Discom	Total for State
1	Total Energy Procured (MUs)	A	15,478.56	19,282.06	15,983.56	50,744.18
2	Cost of Power Purchase including Inter-State Transmission Charges as per audited accounts (Rs. Crore)	B	5,063.51	6,601.42	5,654.71	17,319.64
3	MPPMCL Cost disallowed (Other cost which can't be apportioned as per table 16)	C	56.68	59.16	81.33	197.17
5	Net Total Cost of Power Purchase	D=B-C	5,006.83	6,542.26	5,573.38	17,122.47
6	Fixed Cost of Power Purchase for FY 2013-14 (in Rs. Crore)	E	1,897.82	2,476.87	1,927.01	6,301.70

Sr. No.	Particulars	Reference	East Discom	West Discom	Central Discom	Total for State
7	Total Inter-State Transmission Charges (Rs Crore)	F	354.06	444.60	366.32	1,164.97
8	Supplementary Bills of prior periods	G	382.38	480.88	376.00	1,239.26
9	Total Variable Cost (Rs Crore)	H=D-E-F-G	2,372.57	3,139.90	2,904.05	8,416.53
10	Pooled variable rate (Rs. / kWh)	I=H/A*10	1.53	1.63	1.82	1.66
11	Quantum of Power Purchase Admitted (MUs)	J	14,216.82	17,450.53	13,387.75	45,055.10
12	Total Variable Cost admitted (in Rs. Crore)	K=I*J/10	2,179.17	2,841.65	2,432.42	7,453.25
13	Total Power Purchase Cost Admitted for FY 2013-14(in Rs. Crore)	L=E+F+K	4,431.05	5,763.12	4,725.75	14,919.92
14	Supplementary Power Purchase Cost prior to FY 2013-14 (in Rs. Crore)	M	335.44	446.40	337.20	1,119.04
15	Net Power Purchase Cost Admitted (in Rs. Crore)	N=L+M	4,766.49	6,209.52	5,062.95	16,038.96

Transmission Charges

2.35 Transmission charges admitted in the Retail Tariff Order, Audited Accounts and as filed for FY 2013-14 by East, West and Central Discoms including SLDC charges are given in the table below:

Table 22 : Transmission Charges including SLDC charges for FY 2013-14 (Rs. Crore)

Sl. No.	Discom	Transmission charges as per tariff order	Transmission charges as per audited account	Transmission charges as filed
1	East Discom	499.05	680.55	680.55
2	West Discom	566.21	857.97	857.97
3	Central Discom	543.89	533.12	726.44
4	Total	1609.15	2071.64	2264.95

2.36 It has been observed from the above table that East and West Discoms have claimed as per Audited Accounts, while the claim of Central Discom was found more than amount booked in the Audited Accounts. Therefore, the Commission vide letter dated 1st September, 2016 asked the Central Discom to reconcile the transmission charges claimed and booked in the audited accounts. The central Discom vide its reply submitted that Rs.529.26 Crore has been booked under the head of wheeling charge whereas the remaining amount of Rs. 204.37 Crore has been

booked under the prior period expenses. However, on verification of the prior period expenses it is observed that it includes net prior period power purchase expenses of Rs. 370.9 Crore, which already has been considered for the computation of supplementary power purchase cost. Hence considering the same for transmission charges will lead to double accounting. Accordingly, the Commission has admitted the actual transmission charges (including SLDC charges) as per the Audited Accounts of FY 2013-14. The admitted transmission charges inclusive of SLDC charge is shown in the Table below:

Table 23 : Transmission Charges admitted by the Commission for FY 2013-14 (Rs. Crore)

Sl. No.	Discoms	Transmission charges (including SLDC charges) as per Audited Accounts
1	East Discom	680.55
2	West Discom	857.97
3	Central Discom	533.12
	Total	2071.64

Operation and Maintenance (O&M) Expenses

Licenseses' Submission:

2.37 The Commission had admitted the total O&M Expenses as Rs. 2393.61 Crore in the Tariff Order for FY 2013-14. Discom-wise break-up of the O&M expenses admitted in the Tariff Order is given in the table below:

Table 24 : O&M Expenses admitted in Tariff Order of FY 2013-14 (Rs. Crore)

Particulars	East Discom	West Discom	Central Discom	Total
O&M Expenses admitted in Tariff Order for FY 2013-14	852.63	793.56	747.42	2393.61

2.38 Licensees in their Petition have not submitted the O&M expenses based on norms in accordance with the MYT Regulations.

- 2.39 West Discom submitted that in view of the provisions of the MYT Regulations, the total actual cash outflow of the pension and gratuity is allowed by the Commission in the ARR of MPPMCL. Further, West Discom submitted that Discoms are entitled for their portion of the Contribution to the Terminal benefits Fund as per provisions of the MYT Regulations.
- 2.40 Accordingly, West Discom has worked out its liability pertaining to all the employees of licensee, eligible for such benefits. West Discom requested the Commission to allow the amount of Rs. 979.62 Crore for the contribution to the terminal benefit fund. Therefore, the total claim of West Discom under O&M expenses is Rs 1831.03 Crore.
- 2.41 Accordingly, O&M expenses claimed by the Licensees are shown in the table below:

Table 25 : O&M Expenses claimed by Licensees for FY 2013-14 (Rs. Crore)

Particulars	East Discom	West Discom	Central Discom
O&M Expenses as per Audited Accounts	982.77	694.04	779.62
Terminal Benefit	0.00	979.62	0.00
Total O&M Expenses claimed	982.77	1831.03	779.62

Commission's View and Analysis on O&M Expenses:

- 2.42 In the true-up petitions, all the three Petitioners have claimed O&M expenses on the basis of Audited Accounts.
- 2.43 The Commission has considered O&M expenses as per norms specified in the MYT Regulations. These norms are fixed on the basis of past audited figures of the Distribution Licensees. In accordance with the MYT Regulations, Distribution Licensees have to claim dearness allowance, pension and terminal benefits, taxes to be paid to the Government or Local Authorities and fees to be paid to MPERC on the actual basis. The norms for O&M expenses as per MYT Regulations are given in the table below:

Table 26 : Norms for O&M Expenses for FY 2013-14 (Rs. Crore)

O&M Expenses	East Discom	West Discom	Central Discom
Employee expenses excluding DA, arrears, pension and terminal benefits	344	325	303
Arrears	34.00	30.00	29.52

A&G	112.78	92.71	85.14
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- 2.44 Further in accordance with Regulation 34.8 of the MYT Regulations, any gain or loss in actual O&M expenses from the norms will be retained by the Distribution Licensees.
- 2.45 The Commission has also considered the dearness allowance, pension and terminal benefits, taxes payable to the Government and fees to be paid to MPERC separately as per actuals.
- 2.46 The provision for R&M expenses in the MYT Regulations is @ 2.3% on the opening GFA of the financial year for all Discoms. Accordingly, the Commission has computed the Discom-wise R&M expenses as shown in the table below:

Table 27 : R&M Expenses computed by the Commission for FY 2013-14 (Rs. Crore)

DISCOMs	GFA	GFA % as per norms	R&M expenses
East	4,268.93	2.3%	98.19
West	3,867.08	2.3%	88.94
Central	4,268.40	2.3%	98.17
Total	12,404.41	2.3%	285.30

- 2.47 As regards the issue of expenses against terminal benefits for the MPSEB/successor entities as well as pension payments to pensioners, the Commission has allowed the terminal benefits and pension expenses on “Pay as you go” principle under the transmission charges. Therefore, the Commission has not considered any provisioning made under the head “Terminal Benefits to Employees” in this True-up for FY 2013-14.
- 2.48 Accordingly, the admitted O&M expenses as per the norms provided in the MYT Regulations is as shown in the following table:-

Table 28 : O&M expenses admitted for FY 2013-14 (Rs. Crore.)

Particulars	East Discom	West Discom	Central Discom	Total
R&M Expenses	98.19	88.94	98.17	285.30

Particulars	East Discom	West Discom	Central Discom	Total
Employees Expenses	344.00	325.00	303.00	972.00
DA	264.62	242.03	239.27	745.92
Earned Leave Encashment	8.41	12.41	17.02	37.84
Arrears	34.00	30.00	29.52	93.52
A&G Expenses	112.78	92.71	85.14	290.63
Other expenses (Taxes, fees etc.)	3.51	8.13	1.04	12.68
O&M expenses	865.50	799.22	773.16	2,437.89

Interest on Project Loans

Licensees' Submission:

2.49 East and Central Discoms have claimed the interest on project loans of Rs. 113.04 Crore and Rs. 141.41 Crore, respectively, on the basis of Audited Accounts, while West Discom has claimed Rs 126.35 Crore as per the norms specified in the MYT Regulations.

Commission's Analysis on Interest on Project Loans:

2.50 The Commission has examined the claims of Discoms from their filings and Audited Accounts. As per Regulations 31.1 to 31.9 of the MYT Regulations, for allowing interest and finance charges all loans shall be identified for the assets capitalised till the relevant year. In the absence of information related to loans mapping with particular assets, it cannot be ascertained as to how much loan is related to completed fixed assets and how much is related to capital work in progress.

2.51 Further Regulation 21.1 of the MYT Regulations stipulates that debt-equity ratio shall be 70:30 for calculation of interest on loan and for return on equity. Accordingly, the Commission has adopted the following principles for computing interest on project loans.

Principles adopted for calculation of interest on project loans

2.52 In the True-up Order for distribution and Retail Supply Tariff Order for FY 2012-13, the interest on project loans was admitted on the fixed asset created till 31st March, 2013 on the basis of Audited Accounts for FY 2012-13. The Commission has adopted the same methodology for allocating 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 31st March, 2013 has been considered as per the True-up Order of FY 2012-13.
- b. Net addition to GFA during FY 2013-14 has been worked out after subtracting the consumer contribution amount from total addition to GFA as available in the audited accounts of Discoms.
 - i. The Commission has considered closing GFA admitted in the True-up Order for FY 2012-13 as the opening GFA for FY 2013-14.
 - ii. Further, the Commission considered the closing consumer contribution and grants for FY 2012-13 as the opening consumer contribution & grants for FY 2013-14.
- c. 30% of the net addition to GFA during FY 2013-14 has been considered as funded through equity and added to the total equity considered at the end of FY 2012-13, as per the True-up Order for FY 2012-13 and balance 70% net addition to GFA has been considered as funded through debt.
- d. Balance of net addition to GFA has been considered as having been funded through debt and added to the total debt considered at the end of FY 2012-13. 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.

2.53 In accordance with the Regulation 31.3 of the MYT Regulations, debt repayments equal to the depreciation admitted for that year. As regards with weighted average rate of interest for the computation of interest on loans, the Commission has verified the weighted average interest rate filed by East, West and Central Discom as 8.12%, 8.80% and 8.58%, respectively and admitted the same as found appropriate.

2.54 Other finance charges claimed by East, West and Central Discoms are Rs. 3.54 Crore, Rs. 58.48 Crore and Rs. 18.35 Crore, respectively. The Commission after scrutinizing Discoms submission with audited accounts considered only cost of raising funds, bank charges, commitment charges and guarantee/ LC charges. Accordingly, the Commission admitted other finance charges as Rs. 2.97 Crore, Rs. 3.25 Crore and Rs. 18.35 Crore for East, West and Central Discoms, respectively.

2.55 Details of interest on project loans along with other finance charges admitted in true-up of FY 2013-14 for Discoms are given in the table below:

Table 29 : Interest on Project Loans admitted by the Commission for FY 2013-14(Rs. Crore.)

Particulars		East Discom	West Discom	Central Discom	Total for State
Opening Debt associated with GFA (as on 31 st March 2013 as Per FY 2012-13 True-up Order)	A	1,051.80	703.52	1,139.05	2,894.37
GFA Addition during the year	B	1,072.52	447.79	1,136.34	2,656.65
Consumer Deposit and Grants utilized during the year	C	114.88	240.96	242.66	598.50
Net GFA Addition during the year	E=B-C	957.64	206.83	893.68	2,058.15
70% of addition to net GFA considered as funded through debt	F=70%*E	670.35	144.78	625.58	1,440.72
Debt repayment during the year (Scheduled)	G	92.46	85.22	95.13	272.81
Closing debt associated with GFA	H=A+F-G	1,629.70	763.07	1,669.50	4,062.27
Average debt associated with Loan	I=Average(A,H)	1,340.75	733.30	1,404.27	3,478.32
Weighted average rate of interest (%) on all loans as per Petitioner	J	8.12%	8.80%	8.58%	8.45%
Interest on Project Loans	K=I*J	108.87	64.53	120.50	293.90
Other Finance cost	L	2.97	3.25	18.35	24.56
Interest cost admitted on project loans in True-Up	M=K+L	111.83	67.78	138.85	318.47

Interest on Working capital**Licensees' Submission:**

2.56 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. East, West and Central Discoms have claimed interest on working capital as Rs. 153.20 Crore, Rs. 8.41 Crore amount and Rs. 242.34 Crore, respectively, as against nil amounts for East, West and Central Discoms admitted by the Commission in the Tariff Order for FY 2013-14.

Commission's Analysis on Interest on working capital:

2.57 As per Regulation 36.1 of the MYT 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 working capital loan based on normative figures. For the purpose of interest rate on working capital, interest rate of State Bank of India Base Rate as on 1st April of relevant year plus 3.50% has been taken. The Commission has observed the East

and West Discoms have not submitted the working capital requirement separately for the wheeling and retail supply activity, while Central Discom has submitted separately for the wheeling and retail supply activity. For working out the interest on working capital, the Commission has considered the GFA, O&M expenses, power purchase expenses, consumer security deposited as admitted by the Commission in this true up order. Accordingly, the Commission has computed the interest on working capital in accordance with the provisions of MYT Regulations as shown in the table below:

Table 30 : Interest on Working Capital admitted by the Commission for FY 2013-14 (in Rs. Crore)

Sl. No.	Particulars	Months	East	West	Central
For wheeling activity					
A)	1/6th of annual requirement of inventory for previous year	6	5.69	5.16	5.69
B)	1/12th of total O&M expenses	1	72.13	66.60	64.43
C)	Total Working capital (A+B)		77.82	71.76	70.12
D)	Rate of Interest		13.20%	13.20%	13.20%
E)	Interest on Working capital		10.27	9.47	9.26
For Retail Sale activity					
A)	1/6th of annual requirement of inventory for previous year	6	1.42	1.29	1.42
B)	Receivables equivalent to 2 months average billing	2	931.29	1,117.10	852.60
C)	1/12th of power purchase expenses	1	397.21	517.46	421.91
D)	Consumers Security Deposit		626.67	755.97	503.38
E)	Total Working capital (A+B-C-D)		-91.16	-155.03	-71.27
F)	Rate of Interest		13.20%	13.20%	13.20%
G)	Interest on Working capital		-12.03	-20.46	-9.41
Summary					
	For wheeling activity		10.27	9.47	9.26
	For Retail Sale activity		-12.03	-20.46	-9.41
	Total Interest on working Capital		-1.76	-10.99	-0.15
	Total Interest on working Capital admitted		0.00	0.00	0.00

Interest on Consumer Security Deposits**Licensees' Submission:**

2.58 Petitioners have claimed interest on consumer security deposit as per their Audited Accounts for FY 2013-14. East, West and Central Discoms have claimed Rs. 43.19 Crore, Rs. 54.12 Crore and Rs. 45.2 Crore as against Rs. 49.35 Crore, Rs. 52.25 Crore and Rs. 47.95 Crore admitted by the Commission in the Tariff Order for FY 2013-14.

Commission's Analysis on Consumer Security Deposit:

2.59 As per the Regulation 31.9 of the MYT Regulations, interest on consumer security deposit shall be considered at the rate specified by the Commission. In the Tariff Order for FY 2013-14, the Commission admitted the interest on consumer security deposit @ 8.75%. The Commission has observed that the actual interest amount as per audited accounts of the Discoms is less than interest on consumer security deposit admitted in Retail Tariff Order for FY 2013-14 except in case of West Discom which is marginally higher than admitted one. Therefore, the Commission has decided to admit the interest amount on consumer security deposit as per the Audited Accounts of the Discoms. Summary of interest on consumer security deposit admitted in the Tariff Order, claimed in the True-up petitions and admitted in this True up Order for FY 2013-14 is shown in table below:

Table 31 : Interest on Consumer Security Deposit admitted for FY 2013-14 (Rs. Crore)

Particulars	East Discom	West Discom	Central Discom	Total
Admitted in tariff order for FY 2013-14	49.35	52.25	47.95	149.55
Claimed in true up petition for FY 2013-14	43.19	54.12	45.21	142.52
As per Audited Accounts for FY 2013-14	43.19	54.12	45.21	142.52
Admitted in this true-up order	43.19	54.12	45.21	142.52

Return on Equity**Licensees' Submission:**

2.60 Petitioners have claimed return on equity @ 16%. East, West and Central Discoms have claimed return on equity as Rs. 267.17 Crore, Rs 149.11 Crore, Rs 301.65 Crore as against Rs. 168.16 Crore, Rs 167.52 Crore, Rs 174.14 Crore admitted by the Commission in the Tariff Order for FY 2013-14.

Commission's Analysis on Return on Equity:

2.61 As explained in section of Interest on Project Loans the equity contribution has been considered as 30% on the net GFA addition during FY 2013-14. Closing equity of FY 2012-13 as admitted by the Commission in True-up Order of FY 2012-13 has been considered as opening value of equity for FY 2013-14. Further, the rate of return on equity has been considered as per the MYT Regulations @16%. The computation of return on equity as admitted is shown in the table below:

Table 32 : Return on Equity admitted for FY 2013-14 (Amount in Rs. Crore)

S. No.	Particulars	East Discom	West Discom	Central Discom	Total
1	Opening Equity identified with GFA as on 31/03/2013 as per True-up order of 2012-13	929.75	867.48	962.36	2,759.59
2	GFA Addition during the year	1,072.52	447.79	1,136.34	2,656.65
3	Consumer Deposit and Grants utilized during the year	114.88	240.96	242.66	598.50
4	Net GFA Addition during the year	957.64	206.83	893.68	2,058.15
5	30% of addition to net GFA considered as funded through equity	287.29	62.05	268.10	617.45
6	Closing Equity Considered for FY 2013-14	1,217.05	929.53	1,230.46	3,377.03
7	Average Equity identified with GFA and considered for FY 2013-14	1,073.40	898.50	1,096.41	3,068.31
8	RoE @16% admitted in True-up of FY 2013-14	171.74	143.76	175.43	490.93

Depreciation**Licensees' Submission:****East Discom:**

2.62 East Discom claimed depreciation on the basis of the Audited Accounts of FY 2013-14. Depreciation claimed by East Discom in True-up Petition is Rs. 157.21 Crore as against the depreciation of Rs. 65.16 Crore admitted in the Tariff Order for FY 2013-14.

West Discom:

2.63 West Discom submitted that it has claimed depreciation based on the MYT Regulations. Depreciation claimed by West Discom in True-up Petition is Rs. 165.48 Crore as against the depreciation of Rs. 91.41 Crore admitted in the Tariff Order for FY 2013-14.

Central Discom:

2.64 Central Discom claimed depreciation on the basis of the Audited Accounts of FY 2013-14. Depreciation claimed by Central Discom in True-up Petition is Rs. 224.34 Crore as against the depreciation of Rs. 83.80 Crore admitted in the Tariff Order for FY 2013-14.

Commission's analysis on depreciation claims:

2.65 The Commission in the MYT Regulations has specified the following methodology for computation of depreciation:

- a. *The value base for the purpose of depreciation shall be the capital cost of the assets as admitted by the Commission*
- b. *The approved/accepted cost shall include foreign currency funding converted to equivalent rupee at the exchange rate prevalent on the date of foreign currency actually availed.*
- c. *The salvage value of the asset shall be considered as 10% and depreciation shall be allowed up to maximum of 90% of the capital cost of the asset.*
- d. *Land other than land held under lease shall not be a depreciable asset and its cost shall be excluded from the capital cost while computing depreciable value of the asset.*
- e. *Depreciation shall be calculated annually based on 'straight line method' and at rates specified in Annexure II to these Regulations for the assets of the Distribution System declared in commercial operation after 31/03/2013.*

Provided that, the remaining depreciable value as on 31st March of the Year closing after a period of 12 Years from Date of Commercial Operation shall be spread over the balance useful life of the assets.

2.66 The Commission in its True-up Order for FY 2005-06 dated January 16, 2008 clarified that irrespective of the accounting practice followed by the utilities, the Commission will allow depreciation as per the depreciation rates specified in the Regulations.

2.67 The Commission has observed that claims against depreciation by the Discoms have not been duly substantiated by the detailed Fixed Asset registers to ensure that claims made are only against those assets which have not been fully depreciated. Discoms in the past also did not submit these details despite repetitive directions of the Commission. Accordingly, in order to reprimand the Petitioners, the Commission in trueing up for FY 2013-14 has allowed the same depreciation rate as approved in Tariff Order for FY 2013-14 i.e., 2.44%, 2.81%, and 2.44% for East, West and Central Discoms respectively. Accordingly, considering GFA addition (net of consumer contribution and grants) as discussed in "Interest & Finance Charges" Section of this Order, the admitted depreciation for FY 2013-14 is as shown in the table below:

Table 33 : Depreciation admitted by the Commission (Rs. Crore)

Particulars	East Discom	West Discom	Central Discom	Total
Opening GFA on 1 April, 2013 (Closing GFA net of consumer contribution & grants as per true-up order of FY 2012-13)	3,310.46	2,929.48	3,451.90	9,691.84
Add: GFA Added during the year	1,072.52	466.33	1,136.35	2,675.20
Less: Deductions during the year	0.00	18.54	0.00	18.54
Less: Consumer Contribution and grants during the year	114.88	240.96	242.66	598.50
Net GFA addition during the year	957.65	206.83	893.69	2,058.17
Closing GFA on 31 March, 2014	4,268.10	3,136.31	4,345.59	11,750.00
Average GFA	3,789.28	3,032.90	3,898.75	10,720.92
Rate of Depreciation	2.44%	2.81%	2.44%	2.54%
Depreciation admitted by the Commission	92.46	85.22	95.13	272.81

Other items of ARR

2.68 Apart from the above discussed components, 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. These components are analyzed in the following section:

Bad and doubtful debts

Licenseses' Submission:

2.69 Discoms have claimed the bad and doubtful debts as shown in the table below:

Table 34 : Bad Debts claimed by Discoms (Rs. Crore)

Discom	Bad Debt as per tariff order	Bad Debt as per audited accounts	Bad Debt claimed
East Discom	1.00	645.64	585.06
West Discom	1.00	132.14	261.00
Central Discom	1.00	502.05	723.42

Commission's Analysis on Bad and Doubtful debts:

2.70 The MYT Regulations provide to admit bad debts as amount actually written-off subject to the maximum of 1% of the sales revenue. Vide letter dated 1st September, 2016, the Commission has asked the Discoms to submit the details of bad debt claimed. In reply to the queries Discoms have submitted as below:

- (a) East Discom submitted that amount written off under various scheme is Rs. 400.51 Crore and amount written off against dues of RE Co-operative Societies is Rs 184.57 Crore.
- (b) West Discom submitted that the amount written off under various scheme is Rs. 207.90 Crore and amount written off against surcharge is Rs 53.10 Crore.
- (c) Central Discom submitted that amount written off against various schemes is Rs. 725.11 Crore and waiver of false/wrong demand as Rs 213.09 Crore. Whereas, receivables from GoMP and MPPGCL as Rs 208.54 Crore and Rs. 6.24 Crore, respectively.

2.71 From above it can be observed that majority of the debt has been written off against a scheme or withdrawal / false demand, whereas some write off is against dues and delayed payment surcharge. The Commission has already taken view in True-up Order for previous years that the delayed payment surcharge is not an income. Therefore, the written- off amount against it shall also not be considered as expense. Further, principal amount written off under any scheme or withdrawn / false demand as the same has been waived off at the Petitioners own behest.

2.72 With regards to write off against dues, it is observed that none of the Discom has provided any details about the efforts made for the recovery of the dues or approval taken from the Board of Directors. Accordingly, the Commission has not admitted any Bad Debt for FY 2013-14, which is shown as follows:

Table 35: Bad Debt admitted by the Commission for FY 2013-14 (Rs. Crore)

Particulars	East	West	Central	Total for the State
Debt written against scheme	400.51	260.90	725.10	400.51
Demand Withdrawn / false demand	-	0.04	213.09	-
Surcharge written Off	-	0.05	-	-
Written off against dues	184.57	-	-	184.57
Total	585.08	260.99	938.19	585.08
Debt written off under consideration	184.57	0.00	0.00	184.57
1% of sales revenue	55.88	67.03	51.16	55.88
Admitted	0.00	0.00	0.00	0.00

Any other expense**Misc. Losses & Write-offs / Sundry Expenses / Net Prior Period Charges / (Credit) Licensees' Submission:**

2.73 Discoms claims under misc. losses & write-offs / sundry expenses / net prior period charges – (credits)/ extra ordinary items are shown in the table below:

Table 36 : Misc. Losses & Write-offs / Sundry Expenses / Net Prior Period Charges / (Credit)/ Extra Ordinary Items claimed by Discoms (Rs. Crore)

Particulars	East Discom	West Discom	Central Discom	Total
Misc. Losses & Write-offs	0.84	0.00	0.00	0.84
Net Prior Period Charges / (Credit)	(7.23)	24.62	188.10	205.49
Extra Ordinary Items excluding Liability of wheeling charges towards MPPTCL written off	10.58	0.00	0.00	10.58
Total other expenses claimed in this true-up	4.20	24.62	188.10	216.92

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

2.75 East Discom submitted that it has considered compensation for injuries and damages of Rs. 0.84 Crore and other income related to prior periods of Rs 7.50 Crore and interest of ADB loan as Rs 0.27 Crore under prior period adjustments. East Discom further submitted that it has considered interest on PP bond liability as Rs. (-) 0.15 Crore, interest on deposits received from REC as Rs 10.74 Crore under Extra Ordinary Items.

- 2.76 West Discom submitted that it has considered net prior periods Employees related/interest /depreciation/other expenses of Rs.18.58 Crore as per audited Accounts and Rs 6.04 Crore as cost of trading/incentive paid to franchisee.
- 2.77 Central Discom submitted that the amount is towards prior period credits as per audited accounts including other expenses of Rs 559.00 Crore. Further, Central Discom submitted that amount to the tune of Rs 370.90 Crore pertains to power purchase cost and has been claimed along with the power purchase cost. Thus, the other expenses will only amount to Rs 188.10 Crore for FY 2013-14.
- 2.78 Considering the 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 provided in the Audited Accounts of the Discoms.
- 2.79 As regards other expenses claimed by Discoms, the Commission has observed that employee related credits/ interest/ prior period depreciation expense etc., under the head of prior period adjustments are claimed. As the Commission has already undertaken truing up of previous years based on the prudence check of the audited accounts in light of norms provided in Regulations, the Commission has not considered these expenses.
- 2.80 Accordingly, the Commission after verifying expenses from the audited accounts of the Discoms has admitted the miscellaneous losses & write-offs / sundry expenses / net prior period charges – (credits) as shown in the table below:

Table 37 : 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& Write-offs	0.84	4.39	0.00	5.23
Sundry Expenses		1.65	0.00	1.65
Net prior period charges				
Other income pertaining to prior period	(7.50)	0.00	(11.35)	(18.85)
Other items pertaining to prior period	0.00	0.00	0.00	0.00
Total other expenses admitted by the Commission	(6.66)	6.04	(11.35)	(11.97)

3. REVENUE FROM SALE OF POWER

Sale of Power

3.1 The Commission had admitted the projection of Sales as 12248 MU, 17619 MU and 13143 MU at revenue of Rs. 5899 Crore, Rs. 8491 Crore and Rs. 6209 Crore for East, West and Central Discoms, respectively in the Retail Supply Tariff order for FY 2013-14 dated 23rd March, 2013. As against the same, the Sales filed are 11086.88 MU, 13977.85 MU and 11557.39 MU at revenue of Rs 5587.76 Crore, Rs 6754.87 Crore and Rs 5197.96 Crore by East, West and Central Discoms, respectively.

Commission's Analysis

3.2 The Licensees in their Audited Accounts have booked the revenue from sale of power excluding subsidy and other income to the tune of Rs. 5089.87 Crore, Rs. 5781.08 Crore and Rs. 4334.27 Crore for East, West and Central Discoms, respectively.

3.3 The Commission understands that the Licensees had implemented retail tariffs as per the tariff order issued by the Commission on 23rd March, 2013 and based on the same the following revenue has been booked in the audited accounts excluding subsidy and other income.

Table 38 : Revenue from sale of power excluding subsidy and other income as per Audited Accounts

Particulars	East Discom	West Discom	Central Discom	Total
Revenue from sale of power excluding subsidy and other income (Rs. Crore)	5,089.87	5,781.08	4,334.27	15,205.22

3.4 Further, the Commission also recognizes that the Petitioners have received tariff subsidy from State Government other than the revenue from sale of power as reported in the audited balance sheets. Discoms have also received other income and non-tariff income during FY 2013-14 as booked in the Audited Accounts. Thus, in addition to the revenue from sale of power, the Commission has also considered the following revenue, as reported in audited accounts, for this true-up exercise and as discussed subsequently:

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

Non tariff income

3.5 In addition to the above revenue from sale of power, the non-tariff income has been considered separately as stated below for all the three Discoms as per their respective Audited Accounts:

Table 39 : Break up of non tariff income (Rs. Crore)

Sr. No.	Particulars	East Discom	West Discom	Central Discom	Total
1	Misc. charges from consumers	18.49	0.00	31.55	50.04
2	Income from wheeling charges	0.31	9.06	16.56	25.93
3	Meter rent	30.79	43.20	31.46	105.45
4	Recoveries for theft of power/malpractice	0.00	0.00	0.00	0.00
5	Income from supervision charges	0.00	15.61	0.00	15.61
	Total non tariff income	49.60	67.87	79.57	197.04

3.6 Recoveries for theft of power / malpractice of Rs. 8.28 Crore and Rs. 5.37 Crore for East and Central Discom respectively has not been considered as Non-Tariff income in order to encourage the Discoms to reduce theft of power / malpractice.

Subsidy and grants

3.7 The Licensees' Audited Accounts for FY 2013-14 reveal the revenue subsidy to the tune of Rs. 497.90 Crore, Rs.921.54 Crore and Rs. 781.33 Crore has been received from the Government of Madhya Pradesh by East, West and Central distribution companies respectively. Accordingly, the Commission has considered this amount as the income of the Petitioners, as it being a part of the revenue from sale of power to the subsidized consumers, which is shown as follows:

Table 40 : Subsidy and Grants admitted as per Audited Accounts (Rs. Crore)

Particulars	East Discom	West Discom	Central Discom	Total
Subsidy and Grants received from GoMP	497.90	921.54	781.33	2,200.77

Other Income**Licensees' Submission:**

3.8 The other income as per the audited accounts of the Discoms is mentioned in the table below.

Table 41 : Other Income as per audited accounts of Discoms (Rs. Crore)

Sr. No.	Particulars	East Discom	West Discom	Central Discom
A	Income from Investment, Fixed & Call Deposits			
	Interest on Staff loans & advances	0.05	0.01	0.39
	Interest on FDRs/Investment	13.79	22.54	36.59
A	Sub-Total (A)	13.84	22.55	36.98
B	Other Non tariff Income			
	Delayed payment surcharge	93.55	119.04	187.94
	Interest & penal interest on advance to suppliers	0.65	13.22	11.87
	Interest from banks	0.00	0.00	0.57
	Utility charges	0.00	0.00	5.30
	Scrap sales	0.00	27.59	0.00
	Lease rent	0.00	0.00	0.20
	Income from CSPDCL	0.04	0.00	0.00
	Income from staff recoveries	0.04	0.00	0.53
	Deferred income (consumer contribution)	12.01	0.00	40.93
	RGGVY-Surcharge & additional Surcharge	0.00	0.00	18.67
	Misc services/receipts	56.80	48.28	50.05
	Profit on sale of stores	0.00	0.00	3.27
	Income from trading (other than electricity)	22.77	5.91	0.00
	Less: Waive off dues by MP Power Transco Co Ltd	0.00	0.00	128.63
B	Sub-total (B)	185.86	214.04	447.96
C	Total other income (A+B)	199.71	236.59	484.94
D	Total other income (excluding DPS)	106.16	117.55	297.00

- 3.9 The Commission has not considered the delayed payment surcharge as part of income of Discoms as per the Regulations as any additional interest on working capital for the delayed payment is also not considered by the Commission.
- 3.10 The Commission has computed depreciation on the net asset addition after reducing grants and consumer contribution from the actual gross asset addition during the year. Therefore, the Commission has not considered the deferred income and income from RGGVY depreciation.
- 3.11 The Commission has also not considered the waived off amount towards liability of wheeling charges towards MPPTCL in other income as this amount is not booked as expense in Intra-state transmission charges.
- 3.12 Accordingly, the Commission admits the actual other income of Rs. 94.15 Crore, Rs 117.55 Crore, and Rs 108.77 Crore for East, West and Central Discoms as per audited balance sheet excluding the components as discussed above.
- 3.13 Based on above discussion, the total revenue admitted by the Commission for the period April, 2013 to March, 2014 is mentioned in the table below:

Table 42 : Total revenue, non-tariff income and subsidy admitted (Rs. Crore)

Discom	Revenue from sale of power	Non-tariff income	Revenue subsidies from GoMP	Other income (excluding DPS)	Total revenue income admitted for true-up
East	5,089.87	49.60	497.90	94.15	5,731.51
West	5,781.08	67.87	921.54	117.55	6,888.04
Central	4,334.27	79.57	781.33	108.77	5,303.94
Total	15,205.22	197.04	2,200.77	320.47	17,923.49

4. REVENUE SURPLUS / (DEFICIT) ADMITTED

4.1 Based on the scrutiny of various cost components regarding revenue income and expenditures of Discoms, the Commission has considered the following surplus / (deficit) for the period April 2013 to March 2014 for recovery by the Licensee through retail tariffs in FY 2019-20:

Table 43: Revenue Surplus/(Deficit) admitted in True-up of ARR for FY 2013-14 (Rs. Crore)

Particulars	East Discom	West Discom	Central Discom	Total for State
INCOME				
Tariff Income	5,089.87	5,781.08	4,334.27	15,205.22
Non-tariff income (meter rent, recoveries for theft of power, wheeling/U.I. charges recovery, Misc. charges from consumers)	49.60	67.87	79.57	197.04
Other Income	187.70	236.59	296.71	721.00
Less: Delayed Payment Surcharge	93.55	119.04	187.94	400.53
Net other income (excluding delayed payment surcharge)	94.15	117.55	108.77	320.47
Subsidy	497.90	921.54	781.33	2,200.77
Total Income (A)	5,731.51	6,888.04	5,303.94	17,923.49
EXPENSES				
Power Purchase				
Power Purchase Cost	4,766.49	6,209.52	5,062.95	16,038.96
MP Transco Charges	680.55	857.97	533.12	2,071.64
Total Power Purchase (Incl. Transmission) (B)	5,447.04	7,067.49	5,596.07	18,110.60
O&M Expenses (Net of Capitalisation)				
Employee Expenses	344.00	325.00	303.00	972.00
DA	264.62	242.03	239.27	745.92
Earn Leave encashment	8.41	12.41	17.02	37.84
Arrears	34.00	30.00	29.52	93.52
A&G Expenses	112.78	92.71	85.14	290.63
R&M Expenses	98.19	88.94	98.17	285.30
Other expenses (including Taxes & MPERC Fees)	3.51	8.13	1.04	12.68
Total O&M (C)	865.50	799.22	773.16	2,437.89
Other Expenses				
Depreciation	92.46	85.22	95.13	272.81
Interest & Financing Charges on Project Loans	111.83	67.78	138.85	318.47
Interest and Finance Charges on working capital loans	0.00	0.00	0.00	0.00
Interest on Consumer Security Deposit	43.19	54.12	45.21	142.52

Particulars	East Discom	West Discom	Central Discom	Total for State
Return on Equity	171.74	143.76	175.43	490.93
Bad & Doubtful Debts	0.00	0.00	0.00	0.00
Any Other Expense	-6.66	6.04	-11.35	-11.97
Total Other Expenses (D)	412.57	356.92	443.27	1,212.76
Total Expenses E = (B + C + D)	6,725.11	8,223.64	6,812.50	21,761.25
Revenue Surplus / (Gap) F = (A-E)	-993.60	-1,335.60	-1,508.56	-3,837.76

5. PUBLIC OBJECTIONS AND COMMENTS ON LICENSEES' PETITION

Date of publication of public notice in newspapers: 6th November, 2016

Last date for receiving the objections: 7th December, 2016

Date of public hearing: 08th December, 2016

5.1 In response to the public notices issued, the objections received against the petitions filed by the West, East and Central Discoms were twenty three.

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

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

Issue Raised by Objectors

Petition should not be accepted as the Petitioners have submitted the petition after delay of two and half year of the prescribed time limit from October 2014 as per MYT Regulations, for which Discoms have not submitted any reason.

Response from Discom

SLDC Jabalpur every month prepares State Energy Account and sends to all the Petitioners. After the completion of financial year, balance sheet was prepared which contains all information of income and expenditure subsequently audited by the Chief Auditor Madhya Pradesh. Based on the audited balance sheet, the Petitioners prepare true-up. Due to this process there is delay in filing of the petition.

Commission's views

The Commission has admitted the petition without considering the carrying cost.

ISSUE No. 2: Medium & Short term power purchase

Issue Raised by Objectors

Petitioners have wrongly contended that the Commission has allowed medium/short term power purchase in Para 3.63 of the Tariff Order dated March 23, 2013. The Commission has not allowed medium/short term power purchase and in absence of the specific direction by the Commission, it cannot be inferred that the Commission has allowed Medium/short term purchase. The MPERC (Power purchase) Regulation emphasizes that all short/medium power purchase is to be done by competitive bidding and with prior approval of the Commission to ensure fairness, reasonability and transparency. The Petitioners have shown entire power purchase @ Rs 4.11 per unit without any justification and does not deserve to be allowed.

Response from Discom

As per the section 3.63, 3.64 and 3.65 of the tariff order for FY 2013-14 the Commission admitted that there was still some unmet requirement during some of the months which was considered to be met through medium term power procurement.

Commission's views

The Commission has admitted the power purchase quantum and cost after undertaking detailed prudence check of the power purchase submitted by the Discoms in accordance with the provisions of the retail supply tariff order for FY 2013-14.

ISSUE No. 3: Power purchase Cost

Issue Raised by Objectors

The Petitioners in their Petition have stated that 777.49 MU have been sold outside state at average rate of Rs. 2.96/ per unit and have purchased energy at average rate of 4.80 per unit which leads a loss of around Rs. 570 Crore, burden of which cannot be thrown on the consumers.

The Petitioners have not provided the banking data in public domain. Further, the Petitioners have incurred expenses of approx. Rs. 200 Crore in the process of banking as open excess charges, transmission charges etc. There is no provision in electricity Act, 2003, regarding banking of power. Further, the banking is done without prior approval from the Commission as per MPERC (Purchase and sale of Power) Regulation 2004 and thus may not be allowed.

Despite of surplus availability, Banking, Sale of energy at the rock bottom rates without approval of the Commission has been done. The reasonability of further purchase of electricity from costly station has not been justified by the Petitioners which puts question on sale and purchase of power by the Petitioners.

The Petitioners have mentioned in true up petition that they have purchased 257.7 MU from Sujan Torrent generating station at the rate of Rs. 9.56 per unit which costs Rs. 246.5 Crore. The Sujan Torrent generating station was not even included in the Tariff Order dated March 23, 2013. The Petitioners have not justified the need of procuring such a costly power and also not intimated anything about efforts made by them to procure power at lesser rate, when the power has been sold outside the State and Banking of power was also done at lower rate. Further, it is requested to the Commission to reject the claim.

It is requested to the Commission to do CAG Audit of energy sale and purchase done by the Petitioners in FY 2013-14 to know the reasonable and fair cost of power purchase to be allowed in the true up.

MPPMCL has signed PPA of 16800 MW for the next 25 years even though State requirement till 2016 is only 7000MW. Further, it is submitted that PPA for meeting future demand leads burden to consumer.

The Commission in Tariff Order for FY 2013-14 had allowed 58084 MU at the total cost of Rs. 15468.66 Crore i.e. Rs. 2.66 per unit, while the Petitioners in actual have purchased 51001 MU at total cost of 17438.82 Crore i.e. Rs. 3.42 per unit. This 30% increase in per unit cost resulted in Rs. 3872.55 Crore extra burden to consumers. Objector requested to disallow such increase in power purchase cost.

Response from Discom

In the tariff order for FY 2013-14, the Commission had suggested that the unutilized power could be considered for banking with other states so that the shortfall, if any, in the requirement in the Rabi season could be met from such banked power itself i.e. without any cost implications.

The surplus power of 2628.48 MU was sold through Power exchange. MPPMCL has sold surplus power at higher rate than the variable cost of the generating stations. The objector has mentioned that the power purchase cost was Rs. 4.80 which is not true. In the petition it is mentioned that the average power purchase cost was Rs. 3.46 per unit.

MPPMCL has exported about 319 MU and 2209 MU energy, respectively, on account of return and advance banking arrangement to other states like Punjab, Haryana, Rajasthan, West Bengal, Delhi and Uttar Pradesh during the month of April 2013 to September 2013. Whereas imported about 2282 MU and 924 MU energy respectively on account of return and advance banking during the month of October 2013 to March 2014 which was beneficial for Discoms as the energy was banked in the lean demand period i.e. in raining season where ample quantum of cheaper hydel power become surplus and even water spills over the reservoir without generating energy and received in rabi months with 5% premium, when the system requires maximum power due to agricultural demand.

Further the scheduling and transmission charges are paid by importing utilities, therefore when the power is banked by MPPMCL, the charges are paid by the other utilities, however, MPPMCL pays the transmission charges when it receives back the banked energy in the rabi season. These charges are minimal as compared to if MPPMCL had gone to purchase such huge quantum of power probably at prevailing rate around Rs. 4/unit. Thus, the arrangement of power through banking instead of procurement at costlier rate reduces the cost of energy and ultimately benefited to the consumer of the state. However, the Commission had approved banking arrangement for proper utilization of surplus energy in rainy season so that gap between demand and availability during Rabi season can be met through without any financial implications vide tariff order FY 2013-14 at point no. 3.66.

All the power is procured on the basis of Merit Order dispatch only, power from Sujana Torrent generating station was procured during rabi season due to heavy demand. Under PPA, the Petitioners

have to pay fixed charges even without any procurement of power. Due to which the cost of power seems higher.

Long term power purchase agreement is done on the basis of the State upcoming power requirement and power demand growth. It is wrong to say that these PPA will burden consumers.

Commission's views

The Commission has admitted the power purchase quantum and cost after undertaking detailed prudence check of the power purchase submitted by the Discoms in accordance with the provisions of the retail supply tariff order for FY 2013-14.

ISSUE No. 4: Administrative and general expenses(A&G)

Issue Raised by Objectors

The Petitioners have increased administrative and general expenses from Rs. 11.22 Crore to Rs. 68.56 Crore without mentioning any reason. The expenses are abnormal and need to be scrutinized before allowing.

Response from Discom

For FY 2013-14, A&G expenses consists of consultancy fees, legal charges, rates and taxes, printing and stationary etc.

Commission's views

The Commission has admitted the O&M cost as per MYT Regulations duly applying prudence check as detailed in the relevant section of this order.

ISSUE No. 5: Bad and doubtful debts

Issue Raised by Objectors

The Petitioners have claimed bad and doubtful debt as Rs. 1569.48 Crore without stating any reason. The claim is devoid of any merits and therefore deserves to be rejected as the Commission can consider bad and doubtful debts maximum 1% of revenue demand.

One of the objector also submitted that bad and doubtful debts should include only energy charges and no any fixed charges or surcharges should be included in the bad and doubtful debts.

Some objector submitted that the Petitioners are unable to perform their task of collecting revenue from consumers like government offices and big industries, which results into increase in tariff and burdening of the consumers.

Response from Discom

Bill collection from industrial consumer was delayed mainly due to legal issues while government department faces some issues mainly due to allocation of funds. The Commission during finalization of retail tariff considers all bills to be collected fully.

Petitioners take multiple steps to collect the revenue from all consumers, but in some cases amount which cannot be recovered either due to absence or death of the consumer, in those cases; Discoms consider it as doubtful debt and write-off the respective revenue amount. The Commission considers ceiling of 1% of the total revenue as doubtful debt as per MYT Regulations. Further, the Commission computes the revenue by considering 100% revenue collection while determining retail tariff. Non-recovered revenue only put burden on the financial balance sheet of the Discoms.

Commission's views

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

ISSUE No. 6: Revenue from Sale

Issue Raised by Objectors

The Petitioners have indicated shortfall in revenue from sale of power as Rs. 3058.67 Crore without considering revenue received towards theft and unauthorized energy. Further, it is submitted that in case less revenue from sales is considered for the true up it is requested to

- Restrict power purchase cost corresponding to sale and normative losses may be allowed as per the Tariff Order.
- Account for the surplus energy sold by the Discoms out-side the State.
- In case excess energy could not be sold suitable revenue is deemed to be received on the rates as per power exchange rates as surplus situation has developed due to defective demand forecast by the Petitioners and execution of large no. of PPAs for which consumers should not be burdened.

Response from Discom

The actual revenue as per the audited accounts have been claimed in the true up petition. The operational revenue and non operational revenue have been considered on the basis of audited accounts and have accordingly claimed the actual revenue realized in its true-up petition.

The main contention of the objector is the unaccountability of revenue from recovery of theft. The revenue from the theft recovery is already a part of revenue from sales of power, it is the difference of representation between three Discoms that some are showing it separately while some are not.

In West Discom, the revenue realized from recovery from theft isn't shown explicitly in its audited accounts however; the same is being included in the revenue from sale of power.

Commission's views

The Commission has appropriately dealt the issues in relevant section of this order

ISSUE No. 7: Distribution Loss**Issue Raised by Objectors**

The Petitioners request of allowing them to operate at loss levels that are feasible and fairly realizable under the current scenario in the initial years of operation, is not fair. National Tariff policy was notified by the GOI on 6th Jan 2006 more than 10 years back and from that angle it cannot be accepted that the Discoms are in the initial year of operation. Further, it is submitted that third party verification of energy audit results for different area/localities could be used to impose area/locality specific surcharge for greater ATC loss levels and this in turn could generate local consensus for effective action for better governance.

Unauthorized uses of electricity by jhuggi, illegal colonies, farmers and small industries have resulted in to huge loss as a result of which honest consumers are burdened.

The distribution loss submitted by the Petitioners is 2.33 times the maximum loss allowed of 23.16% which is due to inefficiency of the Petitioners. Further, It is submitted that allowing such level of loss will burden the consumer by Rs. 2.30 per unit therefore it is requested to disallow the excess loss.

Response from Discom

The tariff petitions are being filed on the normative losses approved by the Commission and not on the actual basis. In rural areas where single point connection is given, meters are installed and bills are being given on the basis of metered consumption. Every month meter reading, checking and bill distribution is done. It is not true that the Discoms employees are involved in the theft of electricity. Regular checking is being done by vigilance team to curb the theft.

In LT industries, connection are almost 100% metered and regular checking, reading is being done by the staff. The Commission approves ARR and retail supply tariff order on the basis of normative losses and not on the actual losses. If the actual losses are more than the normative losses, then the expenses occurred due to higher losses are borne by the Discoms.

Petition was filed on the basis of actual performance of the Petitioner during the year and the Regulations. The Petitioners have requested relaxation in some points based on the ground reality and requested the Commission to allow the relaxation on the basis of Regulations and pros and cons.

Commission's views

The Commission has considered the normative losses as per the MYT Regulations for determination of ARR thus the excess losses over and above the normative losses have not been considered.

ISSUE No. 8: Other ARR Expenditure

Issue Raised by Objectors

The Commission may allow other expenditures of ARR like Repairs & Maintenance, Interest & Finance Charges, Employee Costs, Administration & General Expenses, O&M Cost including MPERC fees, Depreciation and Related Debits as per the norms given by the Commission or actual whichever is less.

Response from Discom

All the financial data submitted in the true-up petition is based on the audited financial accounts of the petitioners. The accounts are audited by statutory auditor and further subjected to CAG audit too. It is submitted that the actual financial and technical data in true-up petition has been submitted and accordingly claimed the true-up amount. All the schemes related to capital expenditure are also verified for progress, development and impact assessment by the partner entities in the scheme. Hence, sanctity of data submitted by the Petitioners are always ensured.

Commission's views

The Commission has scrutinized each component of ARR as per the provisions of MYT Regulations and the audited accounts as elaborated in the preceding sections of this order.

ISSUE No. 9: Separate fund for Depreciated equipment

Issue Raised by Objectors

The Commission may direct the Discoms to allocate the fund for amount allowed as depreciation which should be utilized only for the purpose of purchase of equipment whose life is over.

Response from Discom

The amount claimed towards depreciation is as per the approved rates by the Commission. Depreciation depends on the gross block and actual capitalization achieved during the year. It has been taken care not to depreciate the assets beyond 90% of their actual value and accordingly amount has been calculated.

Commission's views

As per the provision of MYT Regulations depreciation is used for the repayment of loans while computation of ARR.

ISSUE No. 10: Power Supply

Issue Raised by Objectors

Even after being surplus state, the Petitioners are unable to supply sufficient power to consumers, if sufficient power is supplied to consumer then there will no need of tariff hike.

Response from Discom

No comment

Commission's views

The issue has been addressed in light of relevant provisions of MYT Regulations in this order.

ISSUE No. 11: Tariff Hike

Issue Raised by Objectors

It is requested not to increase the tariff based on the shown huge revenue gap of Rs. 9000 Crore as allowing the Petitioners to recover such huge gap will increase tariff by around Rs. 2.50 per unit.

Response from Discom

The main reason of revenue gap during FY 2013-14 is low sales in the state compared to expected sales in retail supply tariff order for FY 2013-14. Sales during the year were only 36622 MU instead of expected 43011 MU.

The gap shown is not the loss occurred during the year, in fact it is the difference between the Commissions' approved revenue and expenditure on the basis of normative parameters and the actual revenue and expenditure during the year.

Commission's views

The issue has been addressed in light of relevant provisions of MYT Regulations in this order.

Table 44 : List of Objectors

Sr. No.	Name of the objector
1	Shri Kishore Deepak Kodwani, Indore
2	Shri Alok Agrawal, Sanyojak AAP, Bhopal and Shri Rajendra Agrawal, Jabalpur
3	Shri Dilip Jaiswal and Nagarwashi, Chhindwara
4	Shri Jasvant Singh, Dewas
5	Shri Mahesh Varun, Ujjain
6	Shri Ashok Khandelia, Association of Industries, Dewas
7	Shri Anil Kumar Chhajed, Ujjain
8	Consumer Group
9	Shri Ravidatt Singh, Rashtriya Kishan Mazdur Sangh, Rewa
10	Shri Rajendra Agrawal, Jabalpur
11	Shri Ramesh Patel, Bharatiya Kishan Union, Jabalpur
12	Shri Kailash Yadav, Ujjain
13	Shri Rajnarayan Bhardwaj, Bharatiya Krishak Samaj, Jabalpur
14	Shri Om Dhoot, Association of Industries, Indore
15	Mohd. Aslam Saikh, Shahar Jila Congress Committee, Dewas
16	Eng. Ajay Singh and Shri Vijay Kumar Gupta, All India Democratic Party, Bhopal
17	Shri D.R. Jeswani, Mahakaushal Udyog Sangh, Jabalpur
18	Shri Suhas Virani, Bhopal
19	Shri Vikram Chandra, Bhopal
20	Shri Thakur Ranjeet Singh, Shiv Sena, Madhya Pradesh
21	Shri Jitendra (Jeetu) Patwari, Vidhayak, Indore
22	Shri Abhinav Sharma and Shri Devendra Sharma, Bhopal
23	Shri Madhusudan Choube, Shri Mahendra Ravat & others (342 consumers from Distt. Shivpuri, M.P)