

MADHYA PRADESH ELECTRICITY REGULATORY COMMISSION

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



Determination of True-up of Aggregate Revenue Requirement (ARR) for FY 2020-21

Petition No. 62/2021

PRESENT:

S.P.S. Parihar, Chairman
Mukul Dhariwal, Member
Gopal Srivastava, Member (Law)

IN THE MATTER OF:

Determination of True-up of Aggregate Revenue Requirement (ARR) for FY 2020-21 based on the True-up Petition filed by the Distribution Licensees namely Madhya Pradesh Poorv Kshetra Vidyut Vitaran Company Limited (East DISCOM), Madhya Pradesh Paschim Kshetra Vidyut Vitaran Company Limited (West DISCOM), Madhya Pradesh Madhya Kshetra Vidyut Vitaran Company Limited (Central DISCOM), and M.P. Power Management Company Limited (MPPMCL).

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List of Abbreviations

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

IND-AS	Indian Accounting Standards
ISPS	Indira Sagar Power Station
IPDS	Integrated Power Development Scheme
IPP	Independent Power Producer
kV	kilo Volt
kVA	kilo Volt Ampere
kVAh	kilo Volt Ampere hour
kW	kilo Watt
kWh	kilo Watt hour
LED	Light Emitting Diode
LT	Low Tension
MD	Maximum Demand
MOD	Merit Order Despatch
MoP	Ministry of Power
MP	Madhya Pradesh
MPERC	Madhya Pradesh Electricity Regulatory Commission
MP Genco or MPPGCL	Madhya Pradesh Power Generating Company Limited
MPPMCL	MP Power Management Company Limited
MPPTCL	Madhya Pradesh Power Transmission Company Limited
MPSEB	Madhya Pradesh State Electricity Board
MU	Million Unit
MVA	Mega Volt Ampere
MW	Mega Watt
MYT	Multi-Year Tariff
NHDC	Narmada Hydroelectric Development Corporation
NPS	New Pension Scheme
NTPC	NTPC Limited
O&M	Operation & Maintenance
OA	Open Access
OHP	Omkareshwar Hydro 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
RoE	Return on Equity
RPO	Renewable Purchase Obligation
SAC	State Advisory Committee
SBI	State Bank of India
SEZ	Special Economic Zone
SGTPS	Sanjay Gandhi Thermal Power Station
SLDC	State Load Dispatch Centre
SSP	Sardar Sarovar Project
STPS	Super Thermal Power Station
TP	Tariff Policy
TBT	Terminal Benefit Trust
ToD	Time of Day
TPS	Thermal Power Station
UDAY	Ujjwal DISCOM Assurance Yojana
UMPP	Ultra-Mega Power Plant
VAT	Value Added Tax
WR	Western Region
WRPC	Western Regional Power Committee

A1: ORDER

(Passed on this Day of 23rd March, 2022)

- 1.1 This order relates to the Petition No. 62/2021 filed by Madhya Pradesh Poorv Kshetra Vidyut Vitaran Company Ltd., Madhya Pradesh Paschim Kshetra Vidyut Vitaran Company Ltd., Madhya Pradesh Madhya Kshetra Vidyut Vitaran Company Ltd. and M.P. Power Management Company Ltd., Jabalpur (hereinafter referred to as East DISCOM, West DISCOM, Central DISCOM and MPPMCL, respectively, and collectively as Petitioners or Distribution Licensees or Distribution Companies or DISCOMs) before Madhya Pradesh Electricity Regulatory Commission (hereinafter referred to as MPERC or the Commission). The Petition has been filed by the Distribution Licensees seeking the True-up of Aggregate Revenue Requirement (ARR) determined by the Commission in its Retail Supply Tariff Order for FY 2020-21 (hereinafter referred to as Tariff Order).
- 1.2 The Commission has reviewed the operational and financial performance parameters of the DISCOMs for FY 2020-21. The Commission has finalized this Order based on the review and analysis of the audited accounts, past records, submissions, information/clarifications submitted by the Petitioners, and views expressed by the Stakeholders.

Procedural history

- 1.3 The Commission had issued the Retail Supply Tariff Order for FY 2020-21 on 17th December, 2020, in accordance with MPERC (Terms and conditions for determination of tariff for supply and wheeling of Electricity and methods and principles for fixation of charges) Regulations, 2015 and its 2nd Amendment (herein referred to as MYT Regulations, 2015 and its amendments thereof or Tariff Regulations).
- 1.4 As per the MYT Regulations, 2015 and its amendments thereof, DISCOMs were required to file Petition for True-up of ARR for FY 2020-21 by 30th November, 2021. Further, as per directives of Hon'ble APTEL in the Judgment dated 11th November, 2011 in the matter of O.P. No.1 of 2011, the DISCOMs are required to file their True-up Petitions for respective years regularly.
- 1.5 The Petitioners vide letter dated 25th November, 2021, sought extension of last date for filing of the Petition for true up of FY 2020-21 due to non finalisation of audited accounts of East DISCOM. Considering the plea of the Petitioners, the Commission granted time extension upto 15th December, 2021, to file true up Petition for FY 2020-21. Accordingly, the Petitioners filed their True-up Petition for FY 2020-21 on 14th December, 2021. Thereafter, the Commission held the motion hearing on 21st December, 2021 and admitted the Petition.
- 1.6 Based on the analysis of the Petition, the Commission communicated additional information and data requirements vide letter dated 5th January, 2022. Thereafter, the Commission received communications from MPPMCL and West DISCOM for extension of time by 15 days for submission of additional information and reply to data gaps. The Commission vide letter dated 21st January, 2022 allowed 15 days

additional time for furnishing the additional information and data gaps.

- 1.7 The Petitioners submitted the consolidated response on additional information and data gaps vide letter dated 21st February, 2022.

Notification of true-up proposals for public information

- 1.8 The public notices were approved by the Commission on 14th January, 2022 for publication by the Petitioners in Hindi and English newspapers for inviting comments /objections/ suggestions from various stakeholders. Details of the publications are as follows:

Table 1: List of Newspapers- Public Notice

DISCOM	FY 2020-21 True-Up (Petition No. 62/2021)	
	East DISCOM	Dainik Bhaskar, Jabalpur, Hindi
Star Samachar, Satna, Hindi		
Dainik Bhaskar, Sagar, Hindi		
Times of India, Jabalpur, English		
Central DISCOM	Central Chronicle, Bhopal, English	
	Nav Bharat, Bhopal, Hindi	
	Raj Express, Gwalior, Hindi	
West DISCOM	Naidunia, Indore, Hindi	
	Free Press Journal, Indore, English	

- 1.9 The last date for filing the comments / suggestions / objections by the stakeholders was 08th February, 2022. In response, the Commission received comments / suggestions / objections from ten (10) stakeholders within the stipulated time.

Hearings

- 1.10 In order to provide ample opportunity to the stakeholders to present their views before the Commission, Public Hearing was held on 22nd February, 2022 through video conferencing. A list of stakeholders who submitted their suggestions/ comments / objections on the Petition before the Commission in person or through written submission, is annexed to this Order as **Annexure-1**.

Summary of Petition

- 1.11 Summary of the True-up Petition of FY 2020-21 submitted by the Petitioners is given below:

Table 2 : Summary of the True-up Petition of DISCOMs for the period from April 2020 to March 2021 – as submitted by the Petitioners (Rs. Crore)

Particulars	FY 2020-21							
	East DISCOM		West DISCOM		Central DISCOM		State	
	Tariff Order	Claimed	Tariff Order	Claimed	Tariff Order	Claimed	Tariff Order	Claimed
Power Purchase including PGCIL (Inter-Transmission Charges)	8,096.71	9,336.35	11,013.84	12,001.41	8,432.50	9,709.47	27,543.04	31,047.23

True-up Order on ARR of DISCOMs for FY 2020-21

Particulars	FY 2020-21							
	East DISCOM		West DISCOM		Central DISCOM		State	
	Tariff Order	Claimed	Tariff Order	Claimed	Tariff Order	Claimed	Tariff Order	Claimed
Intra-State Transmission Charges including SLDC Charges	822.69	1,621.84	1,054.24	1,840.64	876.37	1,918.78	2,753.30	5,381.25
O&M Expenses	1,803.90	1,958.77	1,807.24	1,670.34	1,687.45	1,878.25	5,298.59	5,507.35
Depreciation	146.44	560.61	134.40	305.12	207.71	596.08	488.55	1,461.81
Interest & Finance Charges	297.95	335.14	224.10	243.56	356.89	474.77	878.94	1,053.46
On Project Loans	187.86	242.80	117.57	120.33	251.09	357.62	556.53	720.75
On Working Capital Loans	75.27	47.02	52.71	70.03	65.56	68.82	193.53	185.87
On Consumer Security Deposit	34.82	45.32	53.82	53.20	40.24	48.33	128.88	146.84
Return on Equity	277.95	242.51	227.76	206.91	396.89	319.87	902.60	769.28
Bad & Doubtful Debts	2.00	0.00	2.00	0.00	2.00	245.08	6.00	245.08
Any other expense	0.00	0.00	0.00	2.49	0.00	0.00	0.00	2.49
Total Expenses	11,447.64	14,055.22	14,463.57	16,270.45	11,959.81	15,142.28	37,871.02	45,467.94
Less: Other income and Non Tariff Income	270.32	402.63	132.97	173.30	317.01	351.18	720.30	927.11
Net Total Expenses	11,177.32	13,652.59	14,330.61	16,097.15	11,642.80	14,791.10	37,150.72	44,540.83
Add: Impact of Truing Up of MPPTCL Transmission Order FY 2017-18	156.11	0.00	200.04	0.00	166.30	0.00	522.45	0.00
Total ARR Expenses	11,333.43	13,652.59	14,530.65	16,097.15	11,809.10	14,791.10	37,673.17	44,540.83
Revenue	11,333.42	10,876.29	14,530.64	15,570.80	11,809.10	13,111.80	37,673.17	39,558.89
Revenue Gap	0.00	2,776.30	0.00	526.35	0.00	1,679.29	0.00	4,981.94

1.12 The Commission analysed the True-up Petition on the basis of information furnished by the DISCOMs, including audited accounts, past records, and views expressed by the Stakeholders. After giving due consideration to the norms, methodology, process of determination of expenditure and revenues as elaborated in the MYT Regulations, 2015 and its amendments thereof, and keeping in view interest of the consumers, the Commission determined allowable revenue Gap/Surplus, as detailed in the subsequent Sections of this Order.

1.13 Summary of the True-up of ARR admitted for FY 2020-21 is given below:

Table 3: Revenue Gap admitted in True-up of ARR for FY 2020-21(Rs. Crore):

Particulars	East DISCOM		West DISCOM		Central DISCOM		Total for State	
	Claimed	Admitted	Claimed	Admitted	Claimed	Admitted	Claimed	Admitted
INCOME								
Tariff Income	5,604.90	5,609.15	7,762.78	7,762.78	6,595.87	6,595.87	19,963.55	19,967.80
Non-tariff income		147.00		79.30		75.35		301.65
Net other income (excluding delayed payment surcharge)	402.63	41.98	173.30	94.00	351.18	61.29	927.11	197.27
Subsidy	5,271.39	5,271.39	7,808.01	7,808.01	6,515.93	6,515.93	19,595.34	19,595.34
Total Income (A)	11,278.92	11,069.52	15,744.09	15,744.09	13,462.99	13,248.44	40,486.00	40,062.06
EXPENSES								
Power Purchase								
Power Purchase Cost (including Inter State Transmission Charges)	9,336.35	7,543.27	12,001.41	12,261.59	9,709.47	9,248.19	31,047.23	29,053.05

True-up Order on ARR of DISCOMs for FY 2020-21

Particulars	East DISCOM		West DISCOM		Central DISCOM		Total for State	
	Claimed	Admitted	Claimed	Admitted	Claimed	Admitted	Claimed	Admitted
MP Transco Charges	1,621.84	1,621.84	1,840.64	1,840.64	1,918.78	1,918.78	5,381.25	5,381.25
Total Power Purchase (Incl. Transmission) (B)	10,958.19	9,165.11	13,842.04	14,102.23	11,628.25	11,166.97	36,428.48	34,434.31
O&M Expenses (Net of Capitalisation)								
Employee Expenses	1,271.92	809.75	1,133.00	749.88	1,214.62	765.25	3,619.54	2,324.88
DA	45.85	45.86	42.39	42.39	87.62	87.62	175.86	175.86
Terminal Benefits	88.47	83.40	45.90	46.71	77.90	87.10	212.27	217.21
Arrears	39.57	39.57	33.52	33.52	33.81	33.81	106.90	106.90
A&G Expenses	205.00	100.73	145.26	119.37	116.73	114.29	466.99	334.39
R&M Expenses	237.51	108.27	187.98	164.13	275.85	81.72	701.34	354.12
Other expenses (including Taxes & MPERC Fees)	0.44	1.81	12.29	12.29	1.72	1.72	14.45	15.82
O&M Expenses Capitalization	-	(34.88)	-	(33.84)	-	(26.45)	-	(95.17)
Provision for Terminal Benefit	70.00	70.00	70.00	70.00	70.00	70.00	210.00	210.00
Total O&M Expenses (C)	1,958.77	1,224.50	1,670.34	1,204.46	1,878.25	1,215.05	5,507.35	3,644.01
Other Expenses								
Depreciation	560.61	168.71	305.12	128.35	596.08	213.61	1,461.81	510.67
Interest & Financing Charges on Project Loans	242.80	227.00	120.33	118.14	357.62	336.93	720.75	682.07
Interest on working capital loans	47.02	54.98	70.03	38.35	68.82	70.09	185.87	163.43
Interest on Consumer Security Deposit	45.32	45.32	53.20	53.20	48.33	48.33	146.84	146.84
Return on Equity	242.51	247.81	206.91	184.32	319.87	271.87	769.28	703.99
Bad & Doubtful Debts	-	-	-	-	245.08	0.00	245.08	0.00
Any Other Expense	-	-	2.49	2.49	-	-	2.49	2.49
Total Other Expenses (D)	1,138.25	743.82	758.07	524.85	1,635.79	940.82	3,532.11	2,209.49
Total Expenses E = (B + C + D)	14,055.21	11,133.43	16,270.45	15,831.54	15,142.28	13,322.83	45,467.94	40,287.81
Revenue Gap F = (E-A)	2,776.29	63.91	526.35	87.45	1,679.29	74.39	4,981.94	225.75

1.14 Accordingly, the Commission has admitted the net Revenue Gap of Rs. 225.75 Crore after true up of FY 2020-21 for passing on the revenue gap amount in retail supply tariff to be determined by the Commission for the subsequent years.

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

Sd/-
Gopal Srivastava
(Member Law)

Sd/-
Mukul Dhariwal
(Member)

Sd/-
S. P. S. Parihar
(Chairman)

Dated: 23rd March, 2022
Place: Bhopal.

A2: TRUE UP OF AGGREGATE REVENUE REQUIREMENT OF FY 2020-21

Analysis of Expenses during the period from April 2020 to March 2021:

Sale of energy

2.1 A comparison of Sales as admitted in Tariff Order issued on 17th December, 2020 for FY 2020-21, as per R-15 statements (basic sale/billing data statement) and as claimed in the True-up Petition is given in the table below:

Table 4 : Sales as per Tariff Order, monthly R-15 statement and as filed in True-up 'Petition for FY 2020-21 (MU)

Sales		East DISCOM	West DISCOM	Central DISCOM	Total
As admitted in the Tariff Order	LT	14,181	16,532	14,225	44,938
	HT	3,703	5,359	3,888	12,951
	Total	17,885	21,891	18,114	57,889
As per monthly R-15 report	LT	13,485	17,906	15,500	46,891
	HT	3,145	5,127	3,665	11,937
	Total	16,630	23,033	19,165	58,828
As filed in True-up Petition	LT	13,485	17,906	15,500	46,891
	HT	3,145	5,127	3,665	11,937
	Total	16,630	23,033	19,165	58,828

2.2 The Commission has observed that the Sales as filed in the True-up Petition by DISCOMs is in line with the Annual and monthly R-15 statements. Accordingly, the Commission in line with the approach followed in previous years, has considered the sales as per monthly R15 statement for further analysis and approval.

2.3 The Commission had approved assessed units for unmetered category of rural domestic and agriculture consumers in the tariff order as shown in the table below:

Table 5 : Basis of billing to un-metered consumers

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

Assessed units for un-metered rural domestic connections (units per connection per month)	Assessed units for un-metered agricultural connections (units per HP per month)			Assessed units for un-metered agricultural connections (units per HP per month)		
	October to March			October to March		
	Permanent	170	170	Permanent	180	180
	Temporary	195	220	Temporary	205	230

2.4 On scrutiny of the sales for the un-metered domestic consumers recorded in monthly R-15 statement for FY 2020-21, it has been observed that the actual monthly un-metered sales to domestic consumers for West DISCOM is within the monthly benchmarks approved by the Commission, whereas for East and Central DISCOMs, it is higher in few months. Therefore, the Commission has admitted the sales to domestic un-metered consumers as reported in the monthly R-15 statement of West DISCOM. For East and Central DISCOMs, the Commission has disallowed the sales of 4.58 MU booked in excess on monthly norms as per R15 statement. A summary of the un-metered sales as per monthly R-15 statement and Sales in excess of the specified benchmark as observed from the monthly R-15 statement is shown in the table below:

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

DISCOM	Unmetered Sales as per monthly R15	Sales booked in excess of the specified benchmark
East	340.73	1.69
West	9.04	0.00
Central	355.43	2.89
State	705.20	4.58

2.5 Further, on scrutiny of the monthly sales to un-metered agricultural consumers recorded in monthly R-15 statement for FY 2020-21, it is observed that the sale to un-metered category of agriculture consumers has been booked in excess of the specified monthly benchmarks, when compared with the number of consumers and their load. Accordingly, the Commission has accepted the metered sales as per R-15 statement, whereas the sales to un-metered agricultural consumers has been admitted as per the monthly benchmarks specified in tariff order for FY 2020-21. A summary of the un-metered sales as per monthly R-15 statement and Sales in excess of the specified benchmark as observed from the monthly R-15 statement is shown in the table below:

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

DISCOM	Unmetered Sales as per monthly R15	Sales booked in excess of the specified benchmark
East	6,445.72	47.45
West	10,225.25	7.76
Central	8,276.47	80.03
State	24,947.45	135.25

- 2.6 The details of energy sales as per Tariff Order for FY 2020-21, as per True up Petition of the DISCOMs and as admitted by the Commission for the purpose of the True-up are given in the following table: -

Table 8 : Energy sales as per Tariff Order for FY 2020-21, 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 2020-21	As per True Up Petition FY 2020-21	As admitted in True Up Order FY 2020-21	As per Tariff Order FY 2020-21	As per True Up Petition FY 2020-21	As admitted in True Up Order FY 2020-21	As per Tariff Order FY 2020-21	As per True Up Petition FY 2020-21	As admitted in True Up Order FY 2020-21	As per Tariff Order FY 2020-21	As per True Up Petition FY 2020-21	As admitted in True Up Order FY 2020-21
LOW TENSION												
LV 1: Domestic	5,170.36	5,197.70	5,196.01	4,815.16	5,617.31	5,617.31	5,623.62	5,568.76	5,565.87	15,609.15	16,383.77	16,379.19
LV 2: Non - Domestic	1,035.99	1,081.21	1,081.21	1,117.51	992.07	992.07	972.64	916.49	916.49	3,126.14	2,989.78	2,989.78
LV 3: Public Water Works and Street lights	390.15	365.77	365.77	570.10	447.19	447.19	386.04	389.96	389.96	1,346.29	1,202.92	1,202.92
LV 4: LT Industrial	381.63	378.68	378.68	621.50	602.25	602.25	286.08	274.03	274.03	1,289.22	1,254.97	1,254.97
LV 5: Agricultural and Allied Activities	7,202.30	6,461.29	6,413.83	9,406.40	10,247.43	10,239.67	6,955.88	8,350.76	8,270.73	23,564.58	25,059.48	24,924.24
LV 6 :E- Vehicle / E-Rickshaws Charging Stations	1.02	0.00	0.00	0.94	0.00	0.00	0.98	0.00	0.00	2.94	0.00	0.00
LT Units (MU)	14,181.46	13,484.66	13,435.51	16,531.60	17,906.26	17,898.50	14,225.24	15,500.00	15,417.09	44,938.30	46,890.92	46,751.09
HIGH TENSION												
HV 1: Railway Traction	55.33	0.00	0.00	0.00	0.00	0.00	55.33	0.00	0.00	110.65	0.00	0.00
HV 2: Coal Mines	465.54	459.26	459.26	0.00	0.00	0.00	28.32	25.23	25.23	493.86	484.49	484.49
HV-3: Industrial, Non-Industrial and Shopping Malls	2,749.19	2,283.71	2,283.71	4,421.24	4,220.37	4,220.37	3,380.97	3,223.41	3,223.41	10,551.39	9,727.50	9,727.50
HV-4: Seasonal	8.85	9.47	9.47	15.68	10.05	10.05	2.20	1.89	1.89	26.73	21.41	21.41
HV-5: Irrigation, Public Water Works and Other than Agricultural	147.11	146.21	146.21	872.01	857.46	857.46	271.61	258.79	258.79	1,290.74	1,262.45	1,262.45
HV-6: Bulk Residential Users	274.60	245.54	245.54	31.93	32.78	32.78	144.64	154.59	154.59	451.17	432.92	432.92
HV-7 : Synchronization of Power for Generators Connected to the Grid	0.58	0.90	0.90	14.75	5.40	5.40	2.30	0.78	0.78	17.62	7.08	7.08
HV 8:E- Vehicle / E-Rickshaws Charging Stations	2.12	0.00	0.00	3.45	0.92	0.92	3.04	0.00	0.00	8.61	0.92	0.92
HT Units (MU)	3,703.31	3,145.08	3,145.08	5,359.05	5,126.98	5,126.98	3,888.42	3,664.69	3,664.69	12,950.77	11,936.76	11,936.76
GRAND TOTAL HT + LT (MU)	17,884.76	16,629.74	16,580.60	21,890.65	23,033.24	23,025.48	18,113.65	19,164.70	19,081.78	57,889.07	58,827.68	58,687.86

Power Purchase Quantum and Cost
Petitioners' Submission

- 2.7 The Petitioners have submitted that the energy requirement (MU) admitted in the Tariff Order by the Commission was based on the normative loss trajectory as per MYT Regulations, 2015 and its amendments thereof, which differs from the actual loss levels for FY 2020-21.
- 2.8 The Petitioners have submitted that they do not have any material control on the losses outside their periphery i.e. M.P. Transco and PGCIL losses as they are external to their periphery and involve complex interconnected grid. Therefore, it will be appropriate to determine average per unit rate based on the net actual energy input at DISCOM periphery for sale to retail consumers only, which is more authentic and definite in nature which may not change even after the closure of financial year. This would also take into account the sale and purchase of electricity between the DISCOM's including UI within the State and also banking of power to other States. Also, the calculation of average per unit rate should not be based on purchase at ex-bus, which may be revised by way of reconciliation of regional/State Energy Accounts even after the closure of the financial year for which true-up has already been carried out. This results in erroneous calculation of energy balance and the UI quantum of each DISCOM is left unattended.
- 2.9 Further, the Petitioners have submitted that they have considered the MPPTCL losses of 2.62% as reported by MPPTCL for FY 2020-21. With regard to Inter-State losses, the Petitioners have submitted the Month-wise and Region-wise break-up of losses for FY 2020-21 as per CERC (Sharing of Inter State Transmission Charges and Losses) Regulations, 2020 notified on 04th May, 2020.
- 2.10 Energy balance details as submitted by DISCOMs are shown in the Table below:

Table 9: Energy Balance as filed by DISCOMs for FY 2020-21

Sr. No.	Particulars	UoM	East DISOCM	West DISCOM	Central DISCOM	State
1	Actual Sales	MUs	16,629.74	23,033.24	19,164.70	58,827.68
2	Normative Loss	%	16.00%	15.00%	17.00%	15.94%
3	Input at T&D Periphery (3 = 1/(1-2))	MUs	19,797.31	27,097.93	23,090.00	69,985.24
4	MP Transco Loss – Approved	%	2.62%	2.62%	2.62%	2.62%
5	Input at G-T Interface (5= 3/(1-4))	MUs	20,329.95	27,827.00	23,711.23	71,868.18
6	Inter- Transmission Losses	MUs	463.26	634.10	540.31	1,637.68
7	Power Purchase Requirement (7 =5+6)	MUs	20,793.22	28,461.10	24,251.54	73,505.86

2.11 The Petitioners have submitted that the reason for deviation in power purchase quantum and cost as per actuals and as approved in Retail Supply Tariff Order dated 17th December, 2020 is on account of the following reasons:

- Payment of fixed and variable Charges for Essar, BLA and Sugan Torrent Power Generating Stations.
- Payment of actual Fuel Cost Adjustment (FCA)
- Payment of Supplementary bills of previous financial years
- Payment of actual Inter-State and Intra-State transmission charges
- Payment of UI / DSM charges, Reactive Energy Charges and MPPMCL charges.

2.12 Further, the Petitioners have submitted that Renewable Energy Cost was incurred to meet the RPO targets as specified by the Commission in Sixth Amendment to MPERC (Co-generation and generation of electricity from Renewable sources of energy) (Revision-I) Regulation, 2010. Therefore, requested the Commission not to consider the renewable power in variable charges and allow total Renewable Energy Cost incurred by the petitioners.

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

Table 10: Claimed Power Purchase Cost for FY 2020-21 (Rs. Crore)

Sr. No.	Particulars	UoM	East DISOCM	West DISCOM	Central DISCOM	State
1	Total Energy Procured as per Petition	MUs	24,616.19	27,212.66	28,248.07	80,076.92
2	Cost of Power Purchase as per Audited Accounts	Rs Crores	11,595.41	13,613.62	12,241.83	37,450.86
3	Supplementary Bills of Previous FYs	Rs Crores	354.08	428.83	401.61	1,184.52
4	Net Power Purchase Cost (4 = 2-3)	Rs Crores	11,241.34	13,184.79	11,840.22	36,266.34
5	Fixed Cost for FY 2020-21	Rs Crores	3,573.25	4,131.76	3,612.57	11,317.58
6	Inter Transmission Charges	Rs Crores	759.70	897.46	771.97	2,429.14
7	Intra Transmission Charges including SLDC Charges	Rs Crores	1,621.84	1,840.64	1,918.78	5,381.25
8	Other Cost of MPPMCL which cannot be apportioned	Rs Crores	123.41	135.74	135.90	395.05
9	Renewable Energy Cost for Meeting the RPO	Rs Crores	1,060.06	1,200.09	1,064.11	3,324.26
10	Variable Cost (10 = 4-5-6-7-8-9)	Rs Crores	4,103.06	4,979.10	4,336.89	13,419.05
11	Pooled Variable Rate (11=10/1*1000)	Paisa/kWh	166.68	182.97	153.53	168.65
12	Quantum of Power Purchase as per Normative Losses	MUs	20,793.22	28,461.10	24,251.54	73,505.86
13	Variable Cost to be Admitted (13=11*12/1000)	Rs Crores	3,465.85	5,207.52	3,723.31	12,396.68
14	Supplementary Bills of Previous FYs added back	Rs Crores	354.08	428.83	401.61	1,184.52
15	Total Power Purchase Cost to be Admitted (15 = 5+6+7+8+9+13+14)	Rs Crores	10,958.20	13,842.04	11,628.25	36,428.48

Commission’s Analysis of Power Purchase Requirement and Cost

Power Purchase Requirement

2.14 Details of power purchase including Inter-State transmission charges and losses as admitted in the Retail Supply Tariff Order for FY 2020-21 and as per the audited accounts of DISCOMs are given in the table below:

Table 11: Power purchase quantum and cost admitted in Tariff Order and as per the Audited Accounts.

DISCOM	Particulars	Admitted in the tariff order	Actual as per audited accounts
East DISCOM	Power Purchase Quantum (MU)	22,245	24,616.19*
	Power Purchase Cost (Rs. Crore)	8,096.70	9,973.57#
West DISCOM	Power Purchase Quantum (MU)	26,907	27,212.66*
	Power Purchase Cost (Rs. Crore)	11,013.83	11,772.98#
Central DISCOM	Power Purchase Quantum (MU)	22,801	28,248.07*
	Power Purchase Cost (Rs. Crore)	8,432.50	10,323.05#
Total for the State	Power Purchase Quantum MU)	71,954	80,076.92*
	Power Purchase Cost (Rs. Crore)	27,543.04	32,069.61#

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

It includes supplementary power purchase cost of period prior to FY 2020-21.

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

2.16 For admitting the power purchase cost, the Commission in line with the approach adopted in true up orders of previous years has computed the normative power purchase requirement by following the principle of grossing up sales with normative loss levels which is narrated below:

- i. The admitted actual sales (say X) made by the DISCOMs have been grossed up by the normative Distribution Loss levels (say Y) to arrive at the power required at DISCOM periphery, i.e., T-D boundary (say $Z=X/(1-Y)$).
 - ii. The quantum (Z) thus arrived at has further been grossed up by the STU losses (MP Transco) (A) to arrive at the quantum of power required at the State boundary (Say $B= Z/(1-A)$).
 - iii. Finally, the quantum (B) is grossed up by the actual external losses (say C) to arrive at the total energy requirement, i.e., $D=B/(1-C)$.
- 2.17 In order to compute the energy balance for DISCOMs, it is necessary to know the loss levels at each stage. Therefore, apart from normative distribution losses, Inter-State transmission and Intra-State transmission losses need to be identified correctly. The Commission had approved the distribution loss levels for working out power purchase requirement in the Retail Supply Tariff Order for FY 2020-21 as per MYT Regulations, 2015 and its amendments thereof as shown in the table below:

Table 12: Distribution loss trajectory for FY 2020-21 (%)

Particulars	East DISCOM	West DISCOM	Central DISCOM
Distribution Loss	16%	15%	17%

- 2.18 Accordingly, the Commission has considered the Distribution Loss for FY 2020-21 as specified in the Regulations. Further, the Intra-State transmission loss for FY 2020-21 has been considered as 2.62% as submitted by MPPTCL in their annual report of regulatory compliance for FY 2020-21.
- 2.19 The Commission observed that the Petitioners have submitted the monthly actual external transmission losses (computed based on the weekly losses issued by RLDCs) of Inter-State Transmission System for FY 2020-21. For Western Region the Petitioner has considered weekly actual losses upto January, 2021 and for Northern and Eastern Region upto October, 2020. Thereafter, the Commission has considered ISTS on all India average basis as per the clause 10 of the CERC (Sharing of Inter State Transmission Charges and Losses) Regulations, 2020.
- 2.20 With regard to Inter-State transmission losses, the region wise losses upto October, 2020 (31 week) has been worked out considering the average losses applicable for Western, Eastern and Northern Region as 2.76%, 1.70% and 3.10%, respectively. Thereafter Inter State Transmission losses from November, 2020 to March 2021, has been considered on all India Average basis. The external losses (MU) thus, arrived by multiplying the applicable losses (%) with the power purchase from the respective

regions have been apportioned based on the total power purchase (MU) by each DISCOM.

- 2.21 Based on above, the power purchase requirement admitted by the Commission for FY 2020-21 is shown in the table below:

Table 13: Admitted Power Purchase Requirement for FY 2020-21 (MU)

S. No.	Particulars	East DISCOM	West DISCOM	Central DISCOM	Total for State
1	Total Energy Sale (MU)	16,580.60	23,025.48	19,081.78	58,687.86
2	A. Distribution Losses (%)	16.00%	15.00%	17.00%	15.94%
	B. Distribution Losses (MU)	3,158.21	4,063.32	3,908.32	11,129.85
3	At T-D interface (MU)	19,738.81	27,088.80	22,990.10	69,817.70
4	A. Transmission loss of MPPTCL (%)	2.62%	2.62%	2.62%	2.62%
	B. Transmission losses of MPPTCL (MU)	531.07	728.82	618.55	1,878.44
5	At State periphery	20,269.88	27,817.62	23,608.64	71,696.14
6	External losses (MU)	471.13	562.00	533.30	1,566.43
7	Net Energy Requirement (MU)	20,741.01	28,379.63	24,141.94	73,262.58

Power Purchase Cost

- 2.22 On analysis of the power purchase cost submitted by the Petitioner it was observed that there was variation between the power purchase cost booked as per audited accounts of the DISCOMs and MPPMCL account. A comparison of power purchase cost as per the Petition, as per audited accounts of DISCOMs and MPPMCL is shown in the table below:

Table 14: Comparison of power purchase cost as submitted by the Petitioners (Rs. Crore)

Particulars	East DISCOM	West DISCOM	Central DISCOM	Total for the State
As filed in Petition	10,958.20	13,842.04	11,628.25	36,428.48
As per the audited accounts of DISCOMs	11,595.41	13,613.62	12,241.83	37,450.86
As per MPPMCL audited account	10,095.42	11,768.71	10,312.82	32,176.96

- 2.23 The Commission through data gap directed the Petitioners to submit the reconciliation of the power purchase cost as per audited account of DISCOMs and MPPMCL. In reply Petitioner submitted the reconciliation statement, which shows that the major variation is due to additional expenses booked in the audited accounts of DISCOMs pertaining to Intra State transmission charges, SLDC charges, UI/DSM charges, Reactive Charges and some expenses which has been booked in the audited accounts of MPPMCL of

previous year. The reconciliation statement submitted by the Petitioners in reply to data gaps is shown below:

Table 15: Reconciliation of power purchase cost as per DISCOMs audited account and MPPMCL accounts submitted by the Petitioners (Rs. Crore)

Sr.	Power Purchase Cost	East DISCOM	West DISCOM	Central DISCOM	State
1	Fixed cost	3,573.25	4,131.76	3,612.57	11,317.58
2	Previous years' supplementary bills of Generators	354.08	428.83	401.61	1,184.52
3	Variable cost	5,375.53	6,262.36	5,441.58	17,079.47
4	Sale of additional power to MPAKVNL	48.14	54.06	50.98	153.18
5	Sale of additional power to IEX, Railways and other etc.	194.09	217.98	205.54	617.62
6	Other Income of MPPMCL	125.53	138.06	138.22	401.81
7	Renewable Energy Cost for Meeting the RPO	1,060.06	1,200.09	1,064.11	3,324.26
8	Variable cost after adjusting Sale of additional Power & Other income, Renewable Cost (8=3-4-5-6-7)	3,947.71	4,652.15	3,982.73	12,582.59
9	Other Charges (Total FPA charges +Income Tax + ED, Cess, Heavy Water charge, water charges + MOPA, Insurance + Any Other charges)	305.13	348.31	308.93	962.37
10	Other costs passed to DISCOMs - which cannot be apportioned station wise	123.41	135.74	135.90	395.05
11	Interstate Transmission charges	759.70	897.46	771.97	2,429.14
12	Cost based on Reconciliation	(27.93)	(25.64)	35.01	(18.55)
13	Power Purchase Cost	10,095.42	11,768.71	10,312.82	32,176.96
14	Supplementary bills of Previous year		100.80	(105.50)	(4.70)
15	Cost as per the Balance sheet of DISCOMs	10,095.42	11,869.51	10,207.32	32,172.25
16	Power Purchase from others	5.07		0.97	6.04
17	UI/DSM Charges	(120.96)	(95.16)	112.43	(103.70)
18	Reactive Energy Charges	(5.96)	(1.36)	2.33	(4.99)
19	Intra state Transmission Charges	1,617.93	1,835.63	1,914.61	5,368.17
20	SLDC Charges	3.91	5.01	4.16	13.08
21	Total Power Purchase Cost to be allowed	11,595.41	13,613.62	12,241.83	37,450.86

2.24 Accordingly, the Commission in line with the approach adopted in previous true up orders and considering that the DISCOMs have made some payments directly to other entities like transmission charges, UI charges etc., has considered power purchase cost as per audited accounts of DISCOMs for further scrutiny as per following paras.

2.25 While scrutinizing the power purchase costs as indicated in the audited accounts of the DISCOMs, the Commission has observed that in support of their claim, the Petitioners have furnished a statement indicating month-wise and station-wise details of power purchase quantum and costs (fixed cost, variable charges, other charges/costs) with DISCOM-wise apportionment for corroborating the figures in audited accounts for FY 2020-21. The total fixed cost for the stations as indicated in this statement is Rs.

11,317.58 Crore, Variable and Other Charges of Rs. 16,869.23 Crore (net of revenue from sale of power and other income), Inter State transmission charges of Rs. 2,429.14 Crore, Supplementary Power Purchase Cost of Rs. 1,184.52 Crore, UI/DSM charge of Rs. (103.70) Crore, Other Cost of MPPMCL of Rs. 395.05 Crore, reactive energy charges of Rs. (4.99) Crore, Other Bills adjustment of DISCOMs of Rs. (4.70) Crore, Cost due to reconciliation of bills of Rs. (18.55) Crore and direct power purchase of DISCOMs of Rs. 6.04 Crore. Based on the same, the Commission has computed allowable Power Purchase Cost in the following para.

MPPMCL Cost

- 2.26 With regards to the Other Cost of Rs. 395.05 Crore {Rs. 123.41 Crore, Rs. 135.74 Crore and Rs. 135.90 Crore for East, West and Central DISCOMs, respectively} included in Power Purchase Cost, which was not apportioned station wise by the Petitioners, the Petitioners has submitted components wise break up of this cost along with the Petition as follows:

Table 16: Details of Other Cost submitted by the Petitioner for FY 2020-21 (Rs. Crore)

Sr. No.	Particulars	Amount
1	Power Purchase Cost	14.36
2	UPPTCL Transmission charges	0.34
3	Bank Charges	3.95
4	Open Access Charges on Banking Of Power	38.80
5	Banking of Energy	23.83
6	Employee benefit Expenses	66.27
7	Finance Cost	217.31
8	Other Expenses	26.28
9	Deprecation	3.89
10	IEX expenses on purchase	0.01
11	Open Access Charges on Medium Term Purchase Of Power	0.01
10	Total	395.05

- 2.27 On analysis of the component-wise details of the Other Cost, it is observed that certain cost / (Revenue) pertains to provisioning for banking of power, Interest on State Govt. Loan, Interest on Deposits and Working Capital Demand Loan, which cannot be passed onto the State DISCOMs, therefore, the Commission has disallowed such expenses. Details of Other Expenses, which have not been admitted by the Commission are as follows:

Table 17 : Other expenses in Power Purchase Cost not considered by the Commission for FY 2020-21 (Rs. Crore)

Sl. No.	Particulars	Amount	Reason for Disallowance
1	Banking of Energy	23.83	The amount pertains to provision made for payment of Banking of Energy, and hence, no actual payment has been made.
2	Finance Cost	200.65	Interest on State Govt. Loan, Interest on Deposits and Working Capital Demand Loan has been disallowed as these loans have been taken by MPPMCL for working capital requirement and do not pertain to funding of the Capital Projects of the DISCOMs. Since the Commission has already allowed the DISCOMs normative Interest on Working Capital, it would not be appropriate to allow finance cost to MPPMCL, separately.
	Total	224.47	

2.28 Based on above, the admitted MPPMCL cost for FY 2020-21 for DISCOMs which has been apportioned based on the actual claimed MPPMCL cost is shown in the following table:

Table 18: MPPMCL Cost admitted for FY 2020-21 (Rs. Crore)

Sr. No.	Particulars	State
1	Actual MPPMCL cost as per accounts	395.05
2	MPPMCL Cost disallowed	224.47
3	MPPMCL cost admitted	170.56

Other income of MPPMCL

2.29 The power purchase cost also includes an amount of Rs. 401.81 Crore towards Other income / rebate received by MPPMCL. Since, the Commission has allowed to pass on the expenses of MPPMCL towards its operation and maintenance to the DISCOMs, any income earned by it should also be passed onto them. However, it is observed that majority of other income is towards rebate of prompt payment received from generators and credit adjustments on power purchase bills. As the Commission has admitted the power purchase cost towards normative energy requirement only, the Commission has admitted other income in proportion to the admitted energy requirement for DISCOMs. Other income of MPPMCL admitted by the Commission in true up of FY 2020-21 is as follows:

Table 19: Other income of MPPMCL admitted for FY 2020-21

Sr. No.	Particulars	Reference	State
1	Quantum of Power Purchase Procured as per petition (MUs)	A	80,077.47
2	Actual Other Income (Rs. Crore)	B	401.81

Sr. No.	Particulars	Reference	State
3	Quantum of Power Purchase Admitted (MUs)	C	73,262.58
4	Other Income of MPPMCL admitted (Rs. Crore)	D=B*C/A	367.62

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

- 2.30 It is observed that the Petitioner has claimed UI / DSM of Rs. (103.70) Crore for FY 2020-21 based on the actual payment towards these charges. Similar to the approach adopted for approving the other income of MPPMCL above, the Commission has admitted pro-rated actual UI / DSM charges to the admitted normative energy requirement for DISCOMs.
- 2.31 Similarly, the Commission has admitted the pro-rated reactive energy charges towards admitted normative energy requirement DISCOMs.
- 2.32 Admitted UI / DSM charges and reactive energy charges for FY 2020-21 is shown in table below:

Table 20: UI/DSM and Reactive Energy Charges Admitted for FY 2020-21

Sr. No.	Particulars	Reference	State
1	Quantum of Power Purchase Procured as per petition (MUs)	A	80,077.47
2	UI / DSM Charge (Rs. Crore)	B	(103.70)
3	Quantum of Power Purchase Admitted (MUs)	C	73,262.58
4	UI / DSM Charge Admitted (Rs. Crore)	D=B*C/A	(94.87)
5	Reactive Energy Charges (Rs. Crore)	E	(4.99)
6	Reactive Energy Charges Admitted (Rs. Crore)	F=E*C/A	(4.57)

Supplementary Power Purchase Cost

- 2.33 Further, the power purchase cost booked in the audited account also includes an amount of Rs. 1,184.52 Crore (Rs. 354.08 Crore of East DISCOM, Rs. 428.83 Crore of West DISCOM and Rs. 401.61 Crore of Central DISCOM) as “supplementary bills raised by the generators for the period prior to 2020-21”.
- 2.34 The amount of Rs. 1,184.52 Crore has been accounted for in the audited accounts for FY 2020-21. Since in the past years’ true up orders, the power purchase cost of a year was admitted on the basis of the actual metered sale, normative un-metered sale and normative losses of that year; the year wise claims of the power purchase cost have been worked out accordingly. Therefore, the Commission in line with the approach adopted in previous true up orders has not admitted the supplementary cost towards power purchase for the years for which true up has already been done. However, the Petitioners are at liberty to approach the Commission for approval of supplementary cost through a separate Petition with all the required documents to substantiate its claim.

Inter-State Transmission Charges

- 2.35 The Commission in Retail supply tariff order for FY 2020-21 had admitted the Inter-State transmission charges of Rs. 1,775 Crore based on the actual charges for FY 2018-19. However, the actual inter State transmission charges paid by the DISCOMs in FY 2020-21 is Rs. 2,429.14 Crore. As inter-State transmission charges are uncontrollable for DISCOMs, the Commission has admitted the actual inter State transmission charges of Rs. 2,429.14 Crore as per actuals in true up of FY 2020-21.

Fixed and Variable Cost of Generating Station

- 2.36 The Commission noted that DISCOMs had procured power in excess of admitted energy requirement computed based on norms specified in the MYT Regulations and methodology adopted in previous orders. Similar situation had arisen during the True-up exercise of previous years. Hence, the Commission has decided to adopt the same approach as followed for the True-up of previous years by taking cognizance of the Judgment of the Hon'ble APTEL dated 15th September 2015 in Appeal nos. 234, 270, 271 and 276 of 2014, in the matter of True-up Orders of previous years issued by the Commission. Accordingly, the power purchase cost has been determined by considering:
- i. Full fixed cost for the generating stations meeting the power purchase requirement of the DISCOMs and
 - ii. The cost for short term power and variable cost of long term power together for deriving the average rate to be applied on the admitted quantum of power purchase requirement.
- 2.37 Accordingly, the Commission has admitted the actual fixed cost as claimed by the Petitioners in line with the methodology prescribed by the Hon'ble APTEL except for the fixed charges for BLA Unit-1, Essar Power and Torrent Power Station. With regard to power purchase from Torrent Power station, some of the stakeholders have raised the issue regarding purchase of costlier power against the principles of Merit Order Dispatch (MOD) on the basis of variable cost of generating station. Further, the Petitioners have not submitted any details of the conditions agreed in the power purchase agreement with Torrent Power before the Commission for approval. Therefore, in line with the view taken by the Commission in true ups of previous years, the Commission has considered it appropriate to keep in abeyance the quantum of power purchase from Torrent Power stations and its cost. Further, with regard to BLA Unit-1 and Essar power station the Commission in retail supply tariff order for FY 2020-21 had noted as follows:

“2.36 In view of the Commission’s orders dated 22 May, 2015 and 25 July, 2015 in Petition Nos. 16/2014 and 36/2015, respectively, the Commission has been disallowing the availability and the cost of power procured from Unit No. 1 of M/s BLA Power. In Appeal no. 201 of 2017, Hon’ble APTEL vide order dated 19.04.2018 remanded the

matter to the Commission for determination of tariff for Unit no. 1 of BLA power plant for FY 2016-17 to FY 2018-19. The aforesaid order has been challenged by the Commission before the Hon'ble Supreme Court in Civil Appeal No. 5733 of 2018 and the same has been admitted and presently sub-judice before the Hon'ble Supreme Court.

.....

In view of aforesaid status, the availability and the cost of generation from Unit No. 1&2 of M/s BLA Power plant as filed by the Petitioner has not been considered in this order.

2.37 Further, the availability from Essar power as concessional energy submitted in the petition is not in accordance with the Commission's order dated 4th May, 2016 in SMP No 51/2015. Therefore, the availability as proposed by the petitioners for FY 2020-21 has not been considered in this order. Also, the Commission has not considered the availability and the cost there on for the Sugan Torrent Generating Station. However, the petitioner is at liberty to approach the Commission with a separate petition in these regards."

2.38 Therefore, considering the view taken by the Commission in retail supply tariff order for FY 2020-21 and current status of the same, the Commission has not considered the power purchase cost towards BLA Unit-1 and Essar power Stations in this order. Accordingly, the Commission has allowed the actual fixed cost excluding the fixed cost towards Torrent, Essar and BLA Unit-1 power stations.

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

Table 21: Fixed Cost Admitted by the Commission (Rs. Crore)

Particulars	State
Fixed Cost Admitted in Tariff Order for FY 2020-21	12,298.52
Fixed Cost Claimed in True-up Petition for FY 2020-21	11,317.58
Fixed Cost Admitted in True-up Order for FY 2020-21	11,259.55

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

the Commission, the inefficiency of the Petitioners' should not be passed on to the consumers of the State.

2.41 Further, with regard to Petitioner submission for not considering cost of Renewable Energy power in computation of energy Charges, the Commission opines that as per the present methodology adopted by the Commission, the energy charges are approved based on Merit Order Despatch (MOD) principle. Therefore, as the Renewable Energy (RE) power plants are having Must Run Status, there is no disallowance of power purchase cost towards RE procurement.

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

- Monthly Energy Requirement computed considering the monthly energy sales admitted by the Commission grossed up with admitted loss levels of Distribution System, Intra-State and Inter-State transmission System.
- To meet this monthly energy requirement, scheduled energy of each generating stations has been considered as per monthly State Energy Account. Scheduling of the generating stations has been considered as per the monthly MOD issued by MPSLDC. Schedule Energy from BLA Unit-1, Essar and Torrent Power generating station has not been considered.
- Shortfall if any in meeting the energy requirement has been considered to be met through purchase of power from open market at rate equal to energy charge of the last generating station in the MOD.
- Energy charge worked out for each generating station considering the actual energy and other charges as per the MPPMCL statement on annual basis provided by the Petitioners'.

2.43 Based on the above approach, the Commission has computed the energy charges of Rs. 15,660.86 Crore at per unit energy charges of Rs 2.14/kWh.

2.44 Accordingly, the total power purchase cost determined by the Commission for FY 2020-21 is given in the table below:

Table 22: Admitted Power Purchase Cost (Rs. Crore)

Sr. No.	Particulars	Reference	State
1	Fixed Cost of Power Purchase for FY 2020-21 (After deducting Torrent, Essar and BLA-Unit 1) (Rs. Crore)	A	11,259.55
2	Energy Charge Rate (Rs. / kWh)	B	2.14
3	Quantum of Power Purchase Admitted (MUs)	C	73,262.58
4	Total Energy Charges admitted (Rs. Crore)	D=B*C/10	15,660.86

Sr. No.	Particulars	Reference	State
5	Inter-State Transmission Charges (Rs Crore)	E	2,429.14
6	MPPMCL Cost (Other cost which can't be apportioned) (Rs Crore)	F	170.56
7	UI / DSM Charge Admitted (Rs. Crore)	G	(94.87)
8	Reactive Energy Charges Admitted (Rs. Crore)	H	(4.57)
9	Less: Other Income of MPPMCL	I	367.62
10	Total Power Purchase Cost Admitted for FY 2020-21 (Rs. Crore)	J=A+D+E+F+G+H-I	29,053.05

2.45 It is observed that the total power purchase cost excluding MPPTCL and SLDC charges as admitted in the retail tariff order for FY 2020-21 was Rs. 27,543.04 Crore, whereas in this order the Commission has admitted power purchase cost of Rs. 29,053.05 Crore. The major reason for this increase is as follows:

- Increase in variable charges due to upward revision in energy charges of the generating stations;
- Increase in actual Inter State Transmission Charges;
- Increase in MPPMCL cost.

Intra-State Transmission Charges

2.46 Transmission charges admitted in the Retail Tariff Order, Audited Accounts and as filed for FY 2020-21 by East, West and Central DISCOMs including SLDC charges are given in the table below:

Table 23 : Transmission Charges including SLDC charges for FY 2020-21 (Rs. Crore)

DISCOM	As per tariff order for FY 2020-21	As per audited accounts of FY 2020-21	Claimed
East	822.69	1,621.84	1,621.84
West	1,054.24	1,840.64	1,840.64
Central	876.37	1,918.78	1,918.78
Total	2,753.30	5,381.25	5,381.25

2.47 It has been observed from the above table that East, West and Central DISCOMs have claimed charges as per Audited Accounts. The Commission has noted that the Intra-State transmission charges have increased substantially as compared to the charges admitted in tariff order for FY 2020-21. On analysis, it is observed that the Commission in tariff order had admitted transmission charges of Rs. 2,753.30 Crore in accordance to the MPPTCL tariff order for FY 2018-19, as tariff for subsequent years was pending. Further, the Commission had admitted MPPTCL true up gap of FY 2017-18 as part of ARR of DISCOMs for FY 2020-21. However, subsequently, the Commission vide order dated 19.05.2021 in Petition No. 45 of 2020 approved MYT for MPPTCL for the period from FY 2019-20 to FY 2023-24. Accordingly, the difference in the transmission charges billed previously by MPPTCL for FY 2019-20 and revised transmission

charges approved for FY 2019-20, true up gap of FY 2017-18 and revised transmission charges for FY 2020-21 have been booked in audited accounts for FY 2020-21. Accordingly, as the actual transmission charges claimed by the Petitioners are found to be prudent, the Commission has admitted the same. The admitted transmission charges inclusive of SLDC charge is shown in the Table below:

Table 24 : Transmission Charges including SLDC charges admitted by the Commission for FY 2020-21 (Rs. Crore)

Sl. No.	DISCOMs	Admitted
1	East	1,621.84
2	West	1,840.64
3	Central	1,918.78
4	Total	5,381.25

Operation and Maintenance (O&M) Expenses

Petitioners' Submission:

2.48 The Commission had admitted the total O&M Expenses as Rs. 5,298.59 Crore in the Tariff Order for FY 2020-21. DISCOM-wise break-up of the O&M expenses admitted in the Tariff Order is given in the table below:

Table 25 : O&M Expenses admitted in Tariff Order of FY 2020-21 (Rs. Crore)

Particulars	East DISCOM	West DISCOM	Central DISCOM	Total
O&M Expenses	1,803.90	1,807.24	1,687.45	5,298.59

2.49 The Petitioners have submitted that they have claimed Operation and Maintenance Expense in accordance with the MYT Regulations, 2015 and its amendments thereof. The Petitioners have also requested the Commission to review the approach adopted by the Commission in true up of FY 2014-15 to FY 2019-20, wherein the Operation and Maintenance Expenses has been allowed lower of the Normative and Actuals.

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

Table 26 : O&M Expenses claimed by Petitioners for FY 2020-21 (Rs. Crore)

Particulars	East DISCOM	West DISCOM	Central DISCOM	State
Employee Expenses	1,271.92	1,133.00	1,214.62	3,619.54
Dearness Allowance	45.85	42.39	87.62	175.86
Terminal Benefits	158.47	115.90	147.90	422.27
Arrears	39.57	33.52	33.81	106.90
A&G Expenses	205.00	145.26	116.73	466.99

Particulars	East DISCOM	West DISCOM	Central DISCOM	State
Other Expenses (Rates & Taxes etc)	-	11.74	1.27	13.01
MPERC Fee	0.44	0.55	0.45	1.44
R&M Expenses	237.51	187.98	275.85	701.34
Total O&M Expenses claimed	1,958.77	1,670.34	1,878.25	5,507.35

Commission’s Analysis on O&M Expenses:

- 2.51 The Commission had specified norms for O&M expenses in the MYT Regulations, 2015 and its amendments thereof. These norms were fixed on the basis of past audited figures of the Distribution Licensees. The rationale behind fixing those norms was to promote competition, adoption of commercial principles, efficient working of the Distribution Licensees and protection of Consumer’s interest. However, it is observed that the Petitioners’ have not been able to keep their operational efficiency in line with the targets specified by the Commission in the Regulations. Accordingly, the Commission in accordance with MYT Regulations, 2015 and its amendments thereof, has decided not to pass burden of their inefficiencies on the consumers of the States, by considering the norms specified in these Regulations as ceiling norms and thereby allowing O&M expenses on actuals, if the same is lesser as compared to norms specified in the Regulations.
- 2.52 Further in accordance with the MYT Regulations, 2015 dearness allowance, pension and terminal benefits, taxes to be paid to the Government or Local Authorities and fees to be paid to MPERC is allowable on actual basis. Therefore, the same has been considered by the Commission on actual basis. Also, the Commission has considered the actual Operation and Maintenance expenses capitalized during the year as per the audited account of FY 2020-21 and has reduced the same from the admitted Operation and Maintenance expenses.
- 2.53 Further, the Commission observed that some DISCOMs are booking expenses towards contractual employees under employee expenses, whereas some are booking it under the A&G Expenses. Therefore, the Commission has considered the lesser of the actual O&M expenses as per the audited accounts vis-a-vis normative O&M expenses in totality.
- 2.54 Accordingly, based on the above, the component-wise analysis of each component is shown in the following paragraphs.

Employee Expenses, Terminal Benefits & Arrears

- 2.55 The Commission has carried out detailed scrutiny of the actual employee expenses, excluding DA, arrears, pension and terminal benefit, and compared the same with the norms specified in the MYT Regulations, 2015 and its amendments thereof.
- 2.56 Further, in accordance with the MYT Regulations, 2015 and its amendments thereof, the DISCOMs are eligible to claim DA, terminal benefits, incentives paid to Employees on actuals. Accordingly, the Commission has considered the DA on actuals for FY 2020-21. As regards the issue of expenses against terminal benefits for the MPSEB/successor entities as well as pension payments to pensioners, the Commission has considered the terminal benefits and pension expenses on “Pay as you go” principle under the transmission charges. Therefore, the Commission has not considered any provisioning made under the head “Terminal Benefits to Employees” in this True-up for FY 2020-21 and allowed only the actual payment made to employees including leave encashment but excluding pension and gratuity. Further, the Commission has observed that the Petitioner has claimed audit charges under the head of Terminal Benefits, which has not been considered by the Commission under Employee Expenses as the same needs to be managed under the allowed A&G expenses for FY 2020-21. Therefore, the Commission has considered the audit charges under actual A&G expense.
- 2.57 Based on the above, the Employee Expenses as per actuals and as per the provision of Regulations for FY 2020-21 is shown in the following table:

Table 27: Normative and Actuals Employee Expenses for FY 2020-21 (Rs. Crore)

Sr. No.	Particulars	EAST DISCOM		WEST DISCOM		CENTRAL DISCOM	
		Actual	Normative*	Actual	Normative*	Actual	Normative*
1	Employee Expenses	809.75	1,080.00	749.88	1,133.00	765.25	1,009.00
2	DA	45.86	45.86	42.39	42.39	87.62	87.62
3	Terminal Benefits	83.40	83.40	46.71	46.71	87.10	87.10
4	Arrears	39.57	39.57	33.52	33.52	33.81	33.81
	Total	978.57	1,248.82	872.50	1,255.62	973.78	1,217.53

*As per the provision of the Regulations

A&G Expenses

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

2.59 The Commission has considered the actual audit charges booked under the head of Terminal Benefits under actual A&G expenses. Further, the Commission has observed that the MPERC Fees claimed by the Petitioner is in line with actual fees paid to the Commission. Therefore, the Commission has considered the same. Accordingly, based on the above, A&G expenses as per actual and as per the provision of Regulations for FY 2020-21 is shown in the following table:

Table 28: Normative and Actual A&G Expenses computed for FY 2020-21 (Rs. Crore)

Sr. No.	Particulars	EAST DISCOM		WEST DISCOM		CENTRAL DISCOM	
		Actual	Normative*	Actual	Normative*	Actual	Normative*
1	A&G Expenses	100.73	205.00	119.37	157.00	114.29	118.00
2	Rates & Taxes	1.37	1.37	11.74	11.74	1.27	1.27
3	MPERC Fees	0.44	0.44	0.55	0.55	0.45	0.45
4	Total	102.54	206.81	131.66	169.29	116.01	119.72

*As per the provision of the Regulations

R&M Expenses

2.60 The provision for R&M expenses in the MYT Regulations, 2015 and its amendments thereof is @ 2.3% on the opening GFA of the financial year for all DISCOMs. The Commission has also analysed the actual R&M expenses as per the audited accounts for FY 2020-21. Accordingly, based on the above, R&M Expense as per actual and as per the provision of Regulations for FY 2020-21 is shown in the following table:

Table 29 : Normative and Actuals R&M Expenses computed for FY 2020-21 (Rs. Crore)

DISCOMs	GFA	GFA % as per norms	Actual R&M Expenses	Normative R&M Expenses
East	9,413.37	2.30%	108.27	216.51
West	8,186.57	2.30%	164.13	188.29
Central	11,993.46	2.30%	81.72	275.85
Total	29,593.40	2.30%	354.12	680.65

2.61 Accordingly, based on the above analysis, the Commission compared the O&M Expenses computed as per the provision of the Regulations and actual O&M Expense as per audited account of FY 2020-21. Based on the approach detailed above, the Commission has admitted the lower of the O&M computed as per Regulations and as per audited accounts. In view of the above, the admitted O&M expenses for FY 2020-21 are as shown in the following table:

Table 30 : O&M expenses admitted for DISCOMs for FY 2020-21 (Rs. Crore)

Particulars	East DISCOM			West DISCOM			Central DISCOM		
	Actual	Normative	Admitted	Actual	Normative	Admitted	Actual	Normative	Admitted
Employee Expenses	809.75	1,080.00	809.75	749.88	1,133.00	749.88	765.25	1,009.00	765.25
DA	45.86	45.86	45.86	42.39	42.39	42.39	87.62	87.62	87.62
Terminal Benefits	83.40	83.40	83.40	46.71	46.71	46.71	87.10	87.10	87.10
Arrears	39.57	39.57	39.57	33.52	33.52	33.52	33.81	33.81	33.81
A&G Expenses	100.73	205.00	100.73	119.37	157.00	119.37	114.29	118.00	114.29
Rates & Taxes etc.	1.37	1.37	1.37	11.74	11.74	11.74	1.27	1.27	1.27
MPERC Fee	0.44	0.44	0.44	0.55	0.55	0.55	0.45	0.45	0.45
R&M Expenses	108.27	216.51	108.27	164.13	188.29	164.13	81.72	275.85	81.72
O&M Expenses Capitalised	(34.88)	(34.88)	(34.88)	(33.84)	(33.84)	(33.84)	(26.45)	(26.45)	(26.45)
Total O&M Expenses	1,154.50	1,637.26	1,154.50	1,134.46	1,579.37	1,134.46	1,145.05	1,586.65	1,145.05

Table 31 : O&M expenses admitted for State for FY 2020-21 (Rs. Crore.)

Particulars	State		
	Actual	Normative	Admitted
Employee Expenses	2,324.88	3,222.00	2,324.88
Dearness Allowance	175.86	175.86	175.86
Terminal Benefits	217.21	217.21	217.21
Arrears	106.90	106.90	106.90
A&G Expenses	334.39	480.00	334.39
Rates & Taxes etc.	14.38	14.38	14.38
MPERC Fee	1.44	1.44	1.44
R&M Expenses	354.12	680.65	354.12
O&M Expenses Capitalised	(95.17)	(95.17)	(95.17)
Total O&M Expenses	3,434.01	4,803.27	3,434.01

2.62 Further, with regard to the Petitioners request to revisit the Operation and Maintenance Expenses allowed in true up of FY 2014-15 to FY 2019-20, it is observed that the orders for True Up of FY 2014-15 to FY 2018-19 and FY 2019-20 were issued by the Commission on 24.05.2021 and 12.10.2021, respectively. The Petitioners have not filed any petition for review of these order within the timelines specified in the MPERC Conduct of Business Regulations, 2016 and its amendments, thereof and therefore, the orders have attained finality. Accordingly, the Commission opines not to reopen settled issues in instant true up order.

Provision for Terminal Benefit Trust Fund

2.63 The Commission in Retail Supply Tariff Order for FY 2020-21 had considered an amount of Rs. 210 Crore towards Pension and Terminal Benefit Trust Fund (liabilities provision) which is to be contributed by the DISCOMs to the Registered Terminal Benefits Trust for FY 2020-21. It is observed that all three DISCOMs have only contributed Rs. 20 Crore each in the Terminal Benefit Trust Fund during FY 2020-21. In a separate proceeding in Petition No. 13/2018, the Commission had noted that the Petitioners are not contributing the amount allowed as per tariff order in the terminal Benefit Trust Fund and accordingly directed the Petitioners to create an escrow account and deposit the amount allowed in the previous years. Accordingly, considering the view taken by the Commission in Retail Supply Tariff Order for FY 2020-21 and Petition No. 13/2018, the Commission has allowed the provision for Terminal Benefit of Rs. 210 Crore in this order, which is shown in the following table:

**Table 32: Provision for Terminal Benefit admitted by the Commission in FY 2020-21
(Rs. Crore)**

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

Return on Equity

Petitioners' Submission:

2.64 Petitioners have claimed return on equity @ 16%. East, West and Central DISCOMs have claimed return on equity as Rs. 242.51 Crore, Rs 206.91 Crore and Rs 319.87 Crore, respectively, as against Rs. 277.95 Crore, Rs 227.76 Crore and Rs 396.89 Crore, respectively, admitted by the Commission in the Tariff Order for FY 2020-21.

Commission's Analysis on Return on Equity:

2.65 The equity contribution has been considered as 30% on the net GFA addition during FY 2020-21, if the actual equity deployed is more than 30% of the net GFA. Further, only that equity capital is required to be considered, which has been utilized for funding of the project. Accordingly, as per the approach adopted in the previous true-up order the actual equity deployed has been considered subject to equity addition being within 30% of the net GFA. Any equity in excess of the 30% of the net GFA has been considered as normative loan.

2.66 Closing equity of FY 2019-20 as admitted by the Commission in True-up Order of FY 2019-20 has been considered as opening value of equity for FY 2020-21. Further, the

rate of return on equity has been considered as per the MYT Regulations, 2015 @16%. The computation of return on equity as admitted is shown in the table below:

Table 33 : Return on Equity admitted for FY 2020-21 (Rs. Crore)

S. No.	Particulars	East DISCOM	West DISCOM	Central DISCOM	Total for State
1	Opening Equity identified with GFA (Closing equity as per True-up Order of FY 2019-20)	1,515.67	1,140.74	1,674.00	4,330.41
2	GFA Addition during the year	1,978.83	559.14	435.29	2,973.26
3	Consumer Deposit and Grants utilized during the year	847.83	258.91	248.75	1,355.48
4	Net GFA Addition during the year	1,131.00	300.24	186.54	1,617.78
5	Actual Equity Addition	66.25	22.50	50.36	139.11
6	30% of addition to net GFA considered as funded through equity	339.30	90.07	55.96	485.33
7	Net GFA considered as funded through equity (Min (5,6))	66.25	22.50	50.36	139.11
8	Closing Equity Considered for FY 2020-21	1,581.91	1,163.24	1,724.36	4,469.51
9	Average Equity identified with GFA and considered for FY 2020-21	1,548.79	1,151.99	1,699.18	4,399.96
10	RoE @16% admitted in True-up of FY 2020-21	247.81	184.32	271.87	703.99

Depreciation

Petitioners' Submission:

2.67 The Petitioners have submitted that the depreciation has been computed as per the methodology specified in the MYT Regulations, 2015 on the basis of the opening GFA as on 1st April 2020 as per audited balance sheet and actual addition to GFA during FY 2020-21. The Petitioners have submitted that as per the Second Amendment to MPERC (Recovery of expenses and other charges for providing Electric Line or Plant used for the purpose of giving Supply) (Revisions-I) Regulations, 2009 (RG-31(I) of 2009), the manner of the recognition of asset created through consumer contribution as well as depreciation thereon has been elaborated. Further, Accounting Standard 12, provides guidance on the asset created through government grant. Accordingly, as per provisions of the Regulations, DISCOM can charge depreciation on the full amount of asset and amortize the corresponding amount from grant to the P&L account. Therefore, treatment given by the DISCOM in the accounts is in line with the Regulations (RG-31) and prevailing Accounting Standards.

2.68 Further, the Petitioners have claimed Depreciation as charged in the books of the Petitioners for the Assets capitalized during the year and at the beginning of the year consistent with the rates of depreciation specified in MYT Regulations, 2015 (except West DISCOM). Further, the West DISCOM adopted the rate of depreciation notified

by the Commission in Regulations from the FY 2010-11 as per the clarification issued by the Ministry of Corporate Affairs vide general circular No 31/2011 dated 31st May 2011. Since, DISCOMs adopted depreciation rates specified in the Regulations only from FY 2010-11, a separate depreciation model was used to consider depreciation as per Regulations since FY 2006-07. Accordingly, the Petitioner has considered the Depreciation for FY 2020-21.

- 2.69 Further, East and Central DISCOMs have claimed depreciation on gross block of assets including consumer contribution and grants as the Petitioners (East and Central DISCOMs) have considered amortization on the assets created through consumer contribution and grant as a part of their other income.
- 2.70 Accordingly, the Petitioners have claimed net depreciation of Rs. 560.61 Crore, Rs. 305.12 Crore and Rs. 596.08 Crore for East, West and Central DISCOMs, respectively, as against Rs. 146.44 Crore, Rs. 134.40 Crore and Rs. 207.71 Crore, respectively, as approved by the Commission in Tariff Order for FY 2020-21.

Commission's analysis on depreciation:

- 2.71 The Commission in Regulation 32 of the MYT Regulations, 2015 has specified the following methodology for computation of depreciation:
- a. *The value base for the purpose of depreciation shall be the capital cost of the assets as admitted by the Commission.*
 - b. *The approved/accepted cost shall include foreign currency funding converted to equivalent rupee at the exchange rate prevalent on the date of foreign currency actually availed.*
 - c. *The salvage value of the asset shall be considered as 10% and depreciation shall be allowed up to maximum of 90% of the capital cost of the asset.*
 - d. *Land other than land held under lease shall not be a depreciable asset and its cost shall be excluded from the capital cost while computing depreciable value of the asset.*
 - e. *Depreciation shall be calculated annually based on 'straight line method' and at rates specified in Annexure II to these Regulations for the assets of the Distribution System declared in commercial operation after 31/03/2016. Provided that, the remaining depreciable value as on 31st March of the Year closing after a period of 12 Years from Date of Commercial Operation shall be spread over the balance useful life of the assets.*
- 2.72 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.

- 2.73 The Commission has observed that the Petitioners have submitted Fixed Assets Registers upto FY 2020-21. Although, the Petitioners have submitted the Fixed Asset Registers, however, the same is not completely in accordance to the format specified by the Commission. On further analysis it is also observed that the Petitioners have not been able to link the individual assets details with its cost in years prior to FY 2020-21 in Fixed Asset Registers. The Petitioners have provided the quantity against the assets in cumulative manner, separately.
- 2.74 During Technical Validation Session, the Petitioners informed the Commission that from FY 2020-21 onwards, they are keeping record of the individual assets separately and accordingly, the Petitioner shall be submitting the Fixed Asset Register in the desired format during the next true up petitions. The Commission has taken note of the Petitioner submission. The Commission directs the Petitioners to submit the Fixed Asset Register as per format specified by the Commission in next true up petition. However, as the Petitioner has failed to submit the Fixed Asset Register as per the specified format in truing up for FY 2020-21, the Commission has allowed the same depreciation rate as approved in Tariff Order for FY 2020-21, i.e., 2.44%, 2.81%, and 2.44% for East, West and Central DISCOMs, respectively.
- 2.75 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 2020-21 is as shown in the table below:

Table 34 : Depreciation admitted by the Commission for FY 2020-21 (Rs. Crore)

Sr. No.	Particulars	East DISCOM	West DISCOM	Central DISCOM	Total for State
1	Opening GFA on 1 st April, 2020 (Closing GFA net of consumer contribution & grants as per true-up order of FY 2019-20)	6,348.98	4,417.51	8,661.05	19,427.54
2	<i>Add:</i> GFA Added during the year	1,978.83	582.37	435.29	2,996.49
3	<i>Less:</i> Deductions during the year	-	23.22	-	23.22
4	<i>Less:</i> Consumer Contribution and grants during the year	847.83	258.91	248.75	1,355.48
5	<i>Net GFA addition during the year</i>	1,131.00	300.24	186.54	1,617.78
6	Closing GFA on 31 st March, 2021	7,479.99	4,717.74	8,847.59	21,045.32
7	Average GFA	6,914.48	4,567.63	8,754.32	20,236.43
8	Rate of Depreciation (%)	2.44%	2.81%	2.44%	2.52%
9	Depreciation admitted by the Commission	168.71	128.35	213.61	510.67

Interest on Project Loans

Petitioners' Submission:

- 2.76 The Petitioners have claimed interest on project loans (inclusive of finance charges) of Rs. 242.80 Crore, Rs. 120.33 Crore and Rs. 357.62 Crore for East, West and Central DISCOMs, respectively, based on the methodology adopted by the Commission in previous orders.
- 2.77 The Petitioners have submitted that the rate of interest has been considered based on the actual loan portfolio of the respective DISCOMs in line with the Tariff Regulations, 2015. The interest on project loans has been computed based on the average of the opening and closing normative loans for the financial year.
- 2.78 East DISCOM has submitted that the Commission in previous true up orders reduced consumer contribution and grants along with the amortisation on assets created through consumer contribution and grants to arrive at the figures of net Gross Fixed Assets. This has resulted in reduced net GFA addition and thus impacted the other components of the ARR linked with GFA addition. The Petitioner has requested the Commission to re-examine the approach adopted and may provide retrospective effect on the various components of ARR in the true up of FY 2020-21. Further, the Petitioner has requested the Commission to be given liberty to reinstate the figures of errors identified during the previous true up orders.
- 2.79 In addition to above, Central DISCOM has submitted that it has considered repayment equal to depreciation netted off with amortisation on assets created with consumer contribution and grants. This is because the Petitioner has claimed depreciation on gross values of assets which is inclusive of amortisation on assets created with consumer contribution and grants.
- 2.80 Further, the Petitioner has also submitted that interest capitalised should not be reduced from the normative loan actual loan capitalised during the year and therefore requested the Commission to re-examine its approach while Truing-up of ARR for FY 2020-21.

Commission's Analysis on Interest on Project Loans:

- 2.81 The Commission has examined the claims of DISCOMs from their filings and Audited Accounts. As per Regulations 31.1 to 31.9 of the MYT Regulations, 2015 and its amendments thereof, for allowing interest and finance charges all loans shall be identified for the assets capitalized till the relevant year. In the absence of information related to loan mapping with particular assets, it cannot be ascertained as to how much loan is related to completed fixed assets and how much is related to capital work in progress.
- 2.82 Further, Regulation 21.1 of the MYT Regulations, 2015 specifies that debt-equity ratio shall be 70:30 for calculation of interest on loan and for return on equity. Accordingly,

the Commission has adopted the following principles for computing interest on project loans.

Principles adopted for calculation of interest on project loans

- 2.83 In this True up Order for FY 2020-21, interest on project loans has been considered based on the fixed asset created till 31st March, 2021, as per Audited Accounts of FY 2020-21 and as per Investment plan approved by the Commission.
- 2.84 The Commission has adopted the methodology for allocating the admitted Gross Fixed Assets (GFA) addition during the year into debt and equity in accordance to the provision of the Regulations as explained below:
- a. Allocation of fixed assets into debt and equity as on 31st March, 2020 has been considered as per the True-up Order of FY 2019-20.
 - b. Net addition to GFA during FY 2020-21 has been worked out after subtracting the amount received towards consumer contribution and grants during the year from total addition to GFA as available in the audited accounts of DISCOMs:
 - i. The Commission has considered closing GFA admitted in the True-up Order for FY 2019-20 as the opening GFA for FY 2020-21.
 - ii. Further, the Commission has considered the closing consumer contribution and grants for FY 2019-20 as the opening consumer contribution and grants for FY 2020-21. As regards addition in consumer contribution and grants, the Petitioners have submitted details of the addition in consumer contribution and grants in reply to data gaps and accordingly, the same has been considered for true up.
 - c. Equity in excess of 30% of the net GFA added during FY 2020-21, has been considered as normative loan. Further, only such equity capital is to be considered which has been actually utilized for creation of asset. If the actual equity deployed is less than 30% of the net GFA, then actual equity has been considered for computation of RoE. The equity so derived has been added to the equity considered at the end of FY 2019-20 and balance net addition to GFA has been considered as funded through debt.
 - d. Balance of net addition to GFA has been considered as having been funded through debt and added to the total debt considered at the end of FY 2019-20. In absence of the actual dates of capitalization of individual assets, interest on project loans has been computed based on the average of the opening and closing loans for the financial year.

- 2.85 In accordance with Regulation 31.3 of the MYT Regulations, 2015, debt repayment is equal to the depreciation admitted for that year. As regards the weighted average rate of interest for the computation of interest on loans, the Commission has verified the weighted average rate of interest on project loans for East, West and Central DISCOMs and observed that East and West DISCOMs computation are in order. However, for Central DISCOM the Commission observed that it had considered penal interest rate for computation of weighted average of Project Loans. Further, observed that Central DISCOM had made computation error in computation of weighted average of Project Loans where instead to considering Average loan for deriving weighted average of Project Loans, it has considered closing balance of loan.
- 2.86 Accordingly, the Commission has computed the revised weighted average rate of interest for projects specific loans for Central DISCOM and admitted the weighted average rate of interest of 7.05%, 8.22% and 7.10% for East, West and Central DISCOMs, respectively.
- 2.87 It is observed that East, West and Central DISCOMs have claimed Rs. 17.65 Crore, Rs.11.48 Crore and Rs. 3.09 Crore, respectively, towards finance charges. The Commission after scrutinizing DISCOMs submission with audited accounts has considered only cost of raising funds, bank charges, commitment charges and guarantee/ LC charges. With regards to claim of East DISCOM, it was observed that the claimed amount of Rs. 12.12 Crore is towards penalty on delay in Interest payment. Therefore, the Commission has not considered the same and has admitted the actual finance charges as per audited accounts of Rs. 5.53 Crore towards cost of raising funds, bank charges, bank commission and guarantee charges. Similarly, the Commission has admitted Finance Charges of Rs. 11.48 Crore, Rs. 3.09 Crore for West and Central DISCOMs, respectively.
- 2.88 With regard to certain review points raised by the Petitioner in current true up petition pertaining to previous true up orders, it is observed that the orders for True Up of FY 2014-15 to FY 2018-19 and FY 2019-20 were issued by the Commission on 24.05.2021 and 12.10.2021, respectively. The Petitioners have not filed any petition for review of these order within the timelines specified in the MPERC Conduct of Business Regulations, 2016 and its amendments, thereof and therefore, the orders have attained finality. Accordingly, the Commission opines not to reopen settled issues in instant true up order.
- 2.89 Based on the above, interest on project loans along with other finance charges admitted in true-up of FY 2020-21 for DISCOMs are given in the table below:

Table 35 : Interest on Project Loans admitted by the Commission for FY 2020-21 (Rs. Crore.)

Particulars	Legend	East DISCOM	West DISCOM	Central DISCOM	Total for State
Opening Debt associated with GFA (Closing debt as Per FY 2019-20 True-up Order)	A	2,691.24	1,222.96	4,740.65	8,654.84
GFA Addition during the year	B	1,978.83	559.14	435.29	2,973.26
Consumer Deposit and Grants utilized during the year	C	847.83	258.91	248.75	1,355.48
Net GFA Addition during the year	E=B-C	1,131.00	300.24	186.54	1,617.78
Addition of Equity admitted (See Table No. 33 Sr.No.7)	F	66.25	22.50	50.36	139.11
Net GFA considered as funded through debt	G=E-F	1,064.76	277.74	136.18	1,478.67
Debt repayment during the year (See Table No.34 Sr. No.9)	H	168.71	128.35	213.61	510.67
Closing debt associated with GFA	I=A+G-H	3,587.28	1,372.34	4,663.22	9,622.85
Average debt associated with Loan	J=Average (A, I)	3,139.26	1,297.65	4,701.93	9,138.85
Weighted average rate of interest (%) on all loans as per Petitioner	K	7.05%	8.22%	7.10%	7.24%
Interest on Project Loans	L=J*K	221.47	106.67	333.84	661.97
Other Finance cost	M	5.53	11.48	3.09	20.10
Interest cost admitted on project loans in True-Up	O=L+M	227.00	118.14	336.93	682.07

Interest on Working capital

Petitioners' Submission:

2.90 DISCOMs have claimed interest on working capital on the basis of norms as specified in the terms and conditions of MYT Regulations, 2015, East, West and Central DISCOMs have claimed interest on working capital as Rs. 47.02 Crore, Rs. 70.03 Crore and Rs. 68.82 Crore, respectively, as against Rs. 75.27 Crore, Rs. 52.71 Crore and Rs. 65.56 Crore, respectively, admitted by the Commission in the Tariff Order for FY 2020-21.

Commission's Analysis on Interest on working capital:

2.91 Regulation 22 of the MYT Regulations, 2015, specifies the methodology for the computation of working capital requirement for the Distribution Licensees as follows:

“22. Working capital

22.1. Following shall be included in the Working capital for supply activity of the Licensee:

(i) Receivables of two months of average billing reduced by power purchase cost of one month and any consumer security deposit,

(ii) O&M expenses for one month, and

(iii) Inventory (meters, metering equipment, testing equipment are particularly relevant in case of supply activity) for 2 months based on annual requirement for previous year.

22.2. Following shall be included in the Working capital for wheeling activity of the Licensee:

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

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

22.3. The norms described above shall be applicable for each year of the tariff period.”

2.92 Accordingly, in line with the approach adopted by the Commission in previous order and in line with the provisions of the Regulations, the Commission has considered Gross Fixed Assets at the start of FY 2020-21 as Rs 9,413.37 Crore, Rs. 8,186.57 Crore and Rs. 11,993.46 Crore for East, West and Central DISCOMs, respectively. One percent of this GFA has been pro-rated to two months to work out the inventory for retail and wheeling activity, which has been further divided into wheeling and retail inventory in the ratio of 80:20 in line with the approach adopted in the last True-up Order. The consumer security deposit has been considered as discussed in the section on interest on consumer security deposit. Values of other elements of working capital have been considered based on the expenses admitted by the Commission in the relevant sections of this order. Further as noted in previous true up orders also, as both the activities are undertaken simultaneously by the DISCOMs, the available resources are common for both. Therefore, the Commission has taken working capital requirement together for wheeling and retail activities. Accordingly, the Commission has only considered one Month O&M Expense towards the wheeling activity only.

2.93 Further, Regulation 36 of the MYT Regulations, 2015 specifies as follows for the computation of interest on working capital:

“36. Interest charges on working capital

Working capital shall be computed as provided in these Regulations and Rate of interest on working capital shall be equal to the State Bank of India Advance Rate as on April 1 of the relevant Year. The interest on working capital shall be payable on normative basis notwithstanding that the Licensee has not taken working capital loan from any outside agency or has borrowed in excess of the working capital loan computed on normative basis.”

2.94 Accordingly, for the purpose of interest rate on working capital, State Bank of India Advance Rate as on 1st April 2020, i.e., 12.90% has been considered. The admitted interest on working capital is shown in the table below:

**Table 36 : Interest on Working Capital admitted by the Commission for FY 2020-21
(in Rs. Crore)**

Sl. No.	Particulars	Months	East DISCOM	West DISCOM	Central DISCOM	Total for State
For wheeling activity						
A)	1/6 th of annual requirement of inventory for previous year	2	12.55	10.92	15.99	39.46
B)	1/12 th of total O&M expenses	1	96.21	94.54	95.42	286.17
C)	Total Working capital (A+B)		108.76	105.45	111.41	325.63
D)	Rate of Interest		12.90%	12.90%	12.90%	12.90%
E)	Interest on Working capital		14.03	13.60	14.37	42.01
For Retail Sale activity						
A)	1/6 th of annual requirement of inventory for previous year	2	3.14	2.73	4.00	9.86
B)	Receivables equivalent to 2 months average billing	2	1,813.42	2,595.13	2,185.30	6,593.86
C)	1/12 th of power purchase expenses	1	628.61	1,021.80	770.68	2,421.09
D)	Consumers Security Deposit		870.47	1,384.23	986.69	3,241.40
E)	Total Working capital (A+B-C-D)		317.48	191.83	431.93	941.24
F)	Rate of Interest		12.90%	12.90%	12.90%	12.90%
G)	Interest on Working capital		40.95	24.75	55.72	121.42
Summary						
	For wheeling activity		14.03	13.60	14.37	42.01
	For Retail Sale activity		40.95	24.75	55.72	121.42
	Total Interest on working Capital Admitted		54.98	38.35	70.09	163.43

Interest on Consumer Security Deposit

Petitioners' Submission:

2.95 Petitioners have claimed interest on consumer security deposit as per their Audited Accounts for FY 2020-21. East, West and Central DISCOMs have claimed Rs. 45.32 Crore, Rs. 53.20 Crore and Rs. 48.33 Crore, respectively, as against Rs. 34.82 Crore, Rs. 53.82 Crore and Rs. 40.24 Crore, respectively, admitted by the Commission in the Tariff Order for FY 2020-21.

Commission's Analysis on Consumer Security Deposit:

2.96 As per the Regulation 31.9 of the MYT Regulations, 2015, interest on consumer security deposit shall be considered at the rate specified by the Commission. In the Tariff Order for FY 2020-21, the Commission admitted the interest on consumer security deposit @ 4.25%.

2.97 Further, the Commission observed that the Petitioners have claimed interest on consumer security deposit as per the Audited Accounts.

2.98 Accordingly, the Commission has admitted the interest amount on consumer security deposit as per the Audited Accounts of the DISCOMs for FY 2020-21. Summary of interest on consumer security deposit admitted in the Tariff Order, claimed in the True-up Petition and admitted in this True up Order for FY 2020-21 is shown in table below:

Table 37 : Interest on Consumer Security Deposit admitted for FY 2020-21 (Rs. Crore)

Particulars	East DISCOM	West DISCOM	Central DISCOM	Total for State
Admitted in tariff order for FY 2020-21	34.82	53.82	40.24	128.88
Claimed in true up Petition for FY 2020-21	45.32	53.20	48.33	146.85
As per Audited Accounts for FY 2020-21	45.32	53.20	48.33	146.84
Admitted in this true-up order	45.32	53.20	48.33	146.84

Other items of ARR

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

Bad and doubtful debts

Petitioners' Submission:

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

Table 38 : Bad Debts claimed by DISCOMs (Rs. Crore)

DISCOM	Bad Debts as per tariff order	Bad Debts claimed
East	2.00	0.00
West	2.00	0.00
Central	2.00	245.08

Commission's Analysis on Bad and Doubtful debts:

2.101 The MYT Regulations, 2015, provide for admission of bad debts as amount actually written-off subject to the maximum of 1% of the revenue from sale of power.

2.102 The Commission observed that East and West DISCOMs have not made any claim amount towards bad and doubtful debts. Accordingly, the Commission has considered nil bad and doubtful debts for both these DISCOMs.

2.103 Central DISCOM has claimed amount of Rs. 245.08 Crore toward LT demand withdrawal. The Commission in data gaps sought additional information with regard to claimed bad & doubtful debt. In reply, Central DISCOM submitted that LT demand withdrawal is associated with fixed charge component of the bills and adjustments are done due to faulty or erroneous calculations of Electricity Duty, Incentives, Surcharges, rebates, Energy TMM, arrear adjustments, COVID relief adjustments etc. Further, the Petitioner submitted that during FY 2020-21 adjustments have been done in both HT and LT billing pertaining to demand withdrawal. Out of Rs. 245.08 Crore, approx. Rs. 203.94 Crore pertains to LT Billing and Rs. 41.14 Crore pertains to HT billing. The Petitioner submitted the data pertaining to HT billing system showing the reason for demand withdrawal along with its type and amount. However, with regards to LT Billing system the petitioner submitted that due to voluminous entries (in lakhs) the same is difficult to collate.

2.104 The Commission while scrutinising the details/data observed that the petitioner submission is inadequate to substantiate its claims. Therefore, the Commission has not considered Central DISCOMs claim of Rs. 245.08 Crore towards bad & doubtful debt.

2.105 Accordingly, based on the same, the Commission has admitted bad debts for FY 2020-21, which is shown as follows:

Table 39: Bad and Doubtful Debts admitted by the Commission for FY 2020-21 (Rs. Crore)

Particulars	East DISCOM	West DISCOM	Central DISCOM	Total for the State
Written off against dues	0.00	0.00	0.00	0.00
1% of sales revenue	108.81	155.71	131.12	395.63
Bad and Doubtful debts Admitted	0.00	0.00	0.00	0.00

Any other expense

Petitioners' Submission:

2.106 West DISCOM has claimed Rs. 2.49 Crore against any Other expenses, which are shown in the table below:

Table 40 : Any Other Expenses claimed by DISCOMs (Rs. Crore)

Particulars	East DISCOM	West DISCOM	Central DISCOM	Total for State
Sundry Expenses/Miscellaneous Losses	0.00	2.01	0.00	2.01
Other Miscellaneous Expenses/Losses written off	0.00	0.48	0.00	0.48
Total other expenses claimed in this true-up	0.00	2.49	0.00	2.49

Commission's Analysis

2.107 The Commission after verifying expenses from the audited accounts of the West DISCOM has admitted any other expenses of Rs. 2.49 as the same pertains to O&M expenses, which has been admitted by the Commission on actual basis.

Revenue from Sale of Power

Petitioners' Submission:

2.108 The Commission had admitted the projection of Sales as 17,885 MU, 21,891 MU and 18,114 MU at revenue of Rs. 11,333.42 Crore, Rs. 14,530.65 Crore and Rs. 11,809.10 Crore for East, West and Central DISCOMs, respectively, in the Retail Supply Tariff order for FY 2020-21. As against the same, the Sales filed are 16,630 MU, 23,033 MU and 19,165 MU at revenue of Rs. 10,876.29 Crore, Rs. 15,570.80 Crore and Rs. 13,111.80 Crore for East, West and Central DISCOMs, respectively.

Commission's Analysis

2.109 The Petitioners in their Audited Accounts have booked the revenue from sale of power excluding subsidy and other income as Rs. 5,609.15 Crore, Rs. 7,762.78 Crore and Rs. 6,595.87 Crore for East, West and Central DISCOMs, respectively.

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

Table 41 : Revenue from sale of power excluding subsidy and other income as per Audited Accounts (Rs. Crore)

Particulars	East DISCOM	West DISCOM	Central DISCOM	Total for State
Revenue from sale of power	5,609.15	7,762.78	6,595.87	19,967.80

2.111 Further, the Commission also recognizes tariff subsidy by State Government other than the revenue from sale of power as reported in the audited accounts. DISCOMs have received Other Income and Non-Tariff Income during FY 2020-21 as booked in the Audited Accounts. Thus, in addition to the revenue from sale of power, the Commission has also considered the following revenue, as reported in audited accounts, for this true-up exercise and as discussed subsequently:

- Non-Tariff Income
- Subsidy received from State Govt.
- Other Income

Non-Tariff Income

2.112 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 42 : Break up of Non-Tariff Income (Rs. Crore)

Sr. No.	Particulars	East DISCOM	West DISCOM	Central DISCOM	Total for State
1	Misc. charges from consumers (Including Supervision Charges)	108.23	18.22	41.03	167.48
2	Meter Rent	37.87	55.47	34.23	127.57
3	Income from Wheeling Charges	0.90	5.60	0.10	6.60
	Total Non-Tariff Income	147.00	79.30	75.35	301.65

Subsidy by State Government

2.113 As per Audited Accounts for FY 2020-21 tariff subsidy by State Govt is Rs. 5,271.39 Crore, Rs. 7,808.01 Crore and Rs. 6,515.93 Crore for East, West and Central DISCOMs, respectively. Accordingly, the Commission has considered this amount as the income of the Petitioners, as it is a part of the revenue from sale of power to the subsidized consumers, which is shown as follows:

Table 43 : Subsidy considered as per Audited Accounts (Rs. Crore)

Particulars	East DISCOM	West DISCOM	Central DISCOM	Total for State
Subsidy by GoMP	5,271.39	7,808.01	6,515.93	19,595.34

Other Income

Petitioners' Submission:

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

Table 44 : Other Income as submitted by the Petitioners (Rs. Crore)

Sr. No.	Particulars	East DISCOM	West DISCOM	Central DISCOM
A	Income from Investment, Fixed Deposits			
	Interest on Staff loans & advances	0.52	0.09	0.04
	Interest on FDRs/Investment	0.07	28.72	30.12
A	Sub-Total (A)	0.59	28.80	30.16
B	Other Non-Tariff Income			
	Delayed Payment Surcharge	0.00	304.97	0.00
	Interest & penal interest on advance to suppliers	0.00	0.04	0.08
	Interest from banks	8.37	0.09	0.02
	Utility charges	0.00	0.00	0.08
	Scrap sales	0.00	6.56	0.00
	Income from staff welfare activities	0.00	0.01	0.00
	Dues Written off by MPPTCL	0.00	0.00	0.00
	Deferred income (consumer contribution)	213.65	0.00	214.54
	RGGVY-Amortisation of Deferred income	0.00	0.00	0.00
	Misc. services/receipts	0.00	56.91	0.00
	Profit on sale of stores	0.00	0.00	8.21
	Income from trading (other than electricity)	11.67	1.58	0.00
	Miscellaneous income	21.35	0.00	17.13
	Other Subsidy	0.00	0.00	5.60

Sr. No.	Particulars	East DISCOM	West DISCOM	Central DISCOM
B	Sub-total (B)	255.04	370.17	245.67
C	Total Other Income (A+B)	255.63	398.97	275.83
D	Total Other Income (excluding DPS)	255.63	94.00	275.83

Commission's Analysis

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

2.116 For East, West and Central DISCOMs the Commission has computed depreciation on the net asset addition after reducing grants and consumer contribution from the actual gross asset addition during the year. Therefore, the Commission has not considered the other income booked towards the depreciation for assets created through consumer contribution and grants.

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

Table 45 : Other Income as Admitted by Commission (Rs. Crore)

Sr. No.	Particulars	East DISCOM	West DISCOM	Central DISCOM
A	Income from Investment, Fixed & Call Deposits			
	Interest on Staff loans & advances	0.52	0.09	0.04
	Interest on FDRs/Investment	0.07	28.72	30.12
A	Sub-Total (A)	0.59	28.80	30.16
B	Delayed Payment Surcharge (DPS)	245.21	304.97	696.93
C	Other Non-tariff Income			
	Interest & penal interest on advance to suppliers	0.00	0.04	0.08
	Interest from banks	8.37	0.09	0.02
	Utility Charges	0.00	0.00	0.08
	Scrap Sales / Profit on sale of stores	0.00	6.56	8.21
	Income from staff welfare activities	0.00	0.01	0.00
	Income from Trading (Other than Electricity)	11.67	1.58	0.00
	Misc. services/receipts/ any other income	21.35	56.91	17.13
	Other Subsidy	0.00	0.00	5.60
C	Sub-total (C)	41.39	65.20	31.12
D	Total Other Income (A+B+C)	287.19	398.97	758.22
E	Total Other Income without DPS (D-B)	41.98	94.00	61.29

2.118 Accordingly, the Commission admits the actual Other Income of Rs. 41.98 Crore, Rs 94 Crore, and Rs 61.29 Crore for East, West and Central DISCOMs, respectively, as per audited balance sheet excluding the components as discussed above.

2.119 Based on above discussion, the total revenue admitted by the Commission for the period April, 2020 to March, 2021 is mentioned in the table below:

Table 46 : Total Revenue, Non-Tariff Income and Subsidy admitted (Rs. Crore)

DISCOM	Revenue from sale of power	Revenue subsidies from GoMP	Non-tariff income	Other income (excluding DPS)	Total revenue income admitted for true-up
East	5,609.15	5,271.39	147.00	41.98	11,069.52
West	7,762.78	7,808.01	79.30	94.00	15,744.09
Central	6,595.87	6,515.93	75.35	61.29	13,248.44
Total	19,967.80	19,595.34	301.65	197.27	40,062.06

DBST (Differential Bulk Supply Tariff)

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

2.121 In previous true up orders, the Commission has been approving the power purchase for each DISCOMs as per the approved normative energy requirement. As the power purchase for all three DISCOMs is being managed by MPPMCL, it is necessary to approve power purchase cost in equitable way to approve uniform tariff across the DISCOMs in the State. Accordingly, the Commission has allocated power purchase cost among the three DISCOMs based on DBST methodology for true-up of FY 2020-21 as shown in the table below:

Table 47: Differential Bulk Supply Tariff admitted in True-up of FY 2020-21 (Rs. Crore)

Particulars	Reference	East DISCOM	West DISCOM	Central DISCOM	State
Revenue from Approved Tariff (Rs. Crore)	A	10,880.54	15,570.80	13,111.80	39,563.14
Other Costs of ARR of DISCOMs (Expenses other than Power Purchase Cost) (Rs. Crore)	B	1,779.34	1,556.01	2,019.23	5,354.58
O&M Expenses		1,224.50	1,204.46	1,215.05	3,644.01
Depreciation		168.71	128.35	213.61	510.67

True-up Order on ARR of DISCOMs for FY 2020-21

Particulars	Reference	East DISCOM	West DISCOM	Central DISCOM	State
Interest & Finance Charges					
<i>On Project Loans</i>		227.00	118.14	336.93	682.07
<i>On Working Capital Loans</i>		54.98	38.35	70.09	163.43
<i>On Consumer Security Deposit</i>		45.32	53.20	48.33	146.84
Return on Equity		247.81	184.32	271.87	703.99
Bad & Doubtful Debts		0.00	0.00	0.00	0.00
Any Other Expenses		0.00	2.49	0.00	2.49
Less: Other income and Non-Tariff Income		188.98	173.30	136.64	498.92
Intra-State Transmission Charges including SLDC (Rs. Crore)	C	1,621.84	1,840.64	1,918.78	5,381.25
Aggregated Amount available with DISCOMs for Power purchase (Rs. Crore)	D=A-B-C	7,479.36	12,174.15	9,173.80	28,827.30
Total Power Purchase Cost (Rs. Crore)	E				29,053.05
Revenue Gap/(Surplus) (Rs. Crore)	F=E-D				225.75
Ex- Bus Energy Requirement (MU)	G	20,741.01	28,379.63	24,141.94	73,262.58
% Allocation as per Ex- Bus Energy Requirement		28%	39%	33%	100%
Allocation of Revenue Gap/(Surplus) as per Ex-Bus Energy Requirement (Rs. Crore)	H	63.91	87.45	74.39	225.75
Power Purchase Cost for DISCOMs (Rs. Crore)	I=H+D	7,543.27	12,261.59	9,248.19	29,053.05

Revenue Surplus / (Deficit)

2.122 Based on the scrutiny of various cost components regarding revenue income and expenditures of DISCOMs, the Commission has determined the following Surplus / (Deficit) for FY 2020-21 for the Licensees:

Table 48: Revenue Gap admitted in True-up of ARR for FY 2020-21 (Rs. Crore)

Particulars	East DISCOM		West DISCOM		Central DISCOM		Total for State	
	Claimed	Admitted	Claimed	Admitted	Claimed	Admitted	Claimed	Admitted
INCOME								
Tariff Income	5,604.90	5,609.15	7,762.78	7,762.78	6,595.87	6,595.87	19,963.55	19,967.80
Non-tariff income		147.00		79.30		75.35		301.65
Net other income (excluding delayed payment surcharge)	402.63	41.98	173.30	94.00	351.18	61.29	927.11	197.27
Subsidy	5,271.39	5,271.39	7,808.01	7,808.01	6,515.93	6,515.93	19,595.34	19,595.34
Total Income (A)	11,278.92	11,069.52	15,744.09	15,744.09	13,462.99	13,248.44	40,486.00	40,062.06
EXPENSES								
Power Purchase								
Power Purchase Cost	9,336.35	7,543.27	12,001.41	12,261.59	9,709.47	9,248.19	31,047.23	29,053.05
MP Transco Charges	1,621.84	1,621.84	1,840.64	1,840.64	1,918.78	1,918.78	5,381.25	5,381.25
Total Power Purchase (Incl. Transmission) (B)	10,958.19	9,165.11	13,842.04	14,102.23	11,628.25	11,166.97	36,428.48	34,434.31
O&M Expenses (Net of Capitalisation)								
Employee Expenses	1,271.92	809.75	1,133.00	749.88	1,214.62	765.25	3,619.54	2,324.88
DA	45.85	45.86	42.39	42.39	87.62	87.62	175.86	175.86

True-up Order on ARR of DISCOMs for FY 2020-21

Particulars	East DISCOM		West DISCOM		Central DISCOM		Total for State	
	Claimed	Admitted	Claimed	Admitted	Claimed	Admitted	Claimed	Admitted
Terminal Benefits	88.47	83.40	45.90	46.71	77.90	87.10	212.27	217.21
Arrears	39.57	39.57	33.52	33.52	33.81	33.81	106.90	106.90
A&G Expenses	205.00	100.73	145.26	119.37	116.73	114.29	466.99	334.39
R&M Expenses	237.51	108.27	187.98	164.13	275.85	81.72	701.34	354.12
Other expenses (including Taxes & MPERC Fees)	0.44	1.81	12.29	12.29	1.72	1.72	14.45	15.82
O&M Expenses Capitalization	-	(34.88)	-	(33.84)	-	(26.45)	-	(95.17)
Provision for Terminal Benefit	70.00	70.00	70.00	70.00	70.00	70.00	210.00	210.00
Total O&M Expenses (C)	1,958.77	1,224.50	1,670.34	1,204.46	1,878.25	1,215.05	5,507.35	3,644.01
Other Expenses								
Depreciation	560.61	168.71	305.12	128.35	596.08	213.61	1,461.81	510.67
Interest & Financing Charges on Project Loans (Net of Capitalisation)	242.80	227.00	120.33	118.14	357.62	336.93	720.75	682.07
Interest on working capital loans	47.02	54.98	70.03	38.35	68.82	70.09	185.87	163.43
Interest on Consumer Security Deposit	45.32	45.32	53.20	53.20	48.33	48.33	146.84	146.84
Return on Equity	242.51	247.81	206.91	184.32	319.87	271.87	769.28	703.99
Bad & Doubtful Debts	-	-	-	-	245.08	0.00	245.08	0.00
Any Other Expense	-	-	2.49	2.49	-	-	2.49	2.49
Total Other Expenses (D)	1,138.25	743.82	758.07	524.85	1,635.79	940.82	3,532.11	2,209.49
Total Expenses E = (B + C + D)	14,055.21	11,133.43	16,270.45	15,831.54	15,142.28	13,322.83	45,467.94	40,287.81
Revenue Gap F = (E-A)	2,776.29	63.91	526.35	87.45	1,679.29	74.39	4,981.94	225.75

2.123 Accordingly, the Commission has admitted the net Revenue Gap of Rs. 225.75 Crore after true up of FY 2020-21 for passing on the revenue gap amount in retail supply tariff to be determined by the Commission for the subsequent years.

A3: PUBLIC OBJECTIONS AND COMMENTS ON LICENSEE'S TRUE-UP PETITION FOR FY 2020-21

Date of publication of public notice in newspapers: 14th January, 2022

Last date for receiving the objections: 08th February, 2022

Date of public hearing: 22nd February, 2022

In response to the public notices issued, 10 comments / objections were received against the Petition filed by the West, East and Central DISCOMs.

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

ISSUE No. 1: Power purchase cost

Issue Raised by Stakeholder:

The actual per unit cost of power purchase increased by Rs. 0.47/kWh, from Rs. 4.21/kWh approved in in Tariff Order for FY 2020-21 to Rs. 4.68/kWh in actual i.e. increased by 11.08%. Such increase in cost of power purchase indicates substandard planning and management in power purchase by the Licensees.

The stakeholders submitted that they would like to know the reason for following and requested the Commission to study the same: –

- a) Why DISCOMs had purchase power at high cost.
- b) What are the compulsions of the petitioners to procure such high cost power.
- c) Whether, DISCOMs has seek permission/ informed the Commission before purchasing of such high cost power.
- d) Why should the consumers be burden with the inefficiency of the DISCOMs.

The petitioner has computed the power purchase cost in accordance to the approach adopted by the Commission in true up order of FY 2013-14. However, the Petitioner has not considered the cost of power purchase of renewable energy in computation of energy charges. Therefore, it is requested to the Commission to consider the renewable power purchase cost in computation of power purchase cost. The Petitioners request to approve power purchase cost as per the methodology adopted in true up of FY 2013-14, not to be considered.

The Petitioner has shown loss of Rs. 1022.37 Crore towards purchase of power due to excess distribution losses of 6571 MUs at a rate of Rs. 1.55/kWh, which is wrong.

The Petitioner has not provided the adequate details of the power purchase from RVPN station, Rihand and Matatila stations and direct purchase made by DISCOMs for FY 2020-21.

Power purchase cost of Torrent Power and BLA Power Ltd. not to be allowed considering the stand taken by the Commission in Retail Tariff Order for FY 2020-21.

The Petitioners have claimed Rs 1,580 Crores towards supplementary power purchase cost and other expenses, which needs to be assessed.

Fixed Cost of Rs. 3,324 Crore towards stranded capacity should not be allowed as power purchase cost.

The Petitioners have claimed Rs. 6.04 Crore towards purchase of power from others. However, against its quantum of power has not been mentioned.

The trading margin booked under the head of other charges of Rs. 11 Crore paid to Lanco Amarkantak power Ltd. should not be allowed as there is no provision for payment of trading margin under Electricity Act, 2003.

The average power purchase cost of MPPGCL Thermal Power Plant is Rs. 4.47/kWh, whereas, the MPIDC is sold power at a weighted average rate of Rs. 3.51/kWh by MPPMCL. Accordingly, it appears that subsidized / concessional tariff is being provided to MPIDC at expense of common consumers and industries of the State

Petitioners have been able to sale surplus power of 1,558 Mus, which is only 10% of the target specified by the Commission in the tariff order.

The Petitioners have not provided the details and reason for purchase of high cost power at rate of Rs. 5.50/kWh from wind power plants.

The Petitioner be directed to procure Power from MSW plants when the power is generated by utilizing the MSW collected from Jabalpur and nearby areas and not from other States.

During Covid Pandemic, the GOI and the State Commission vide Tariff order FY 2020-21 provided rebate of Rs 212.58 crores in fixed charges of Power Purchase Cost for various Central Power Plants. However, the petitioners have not provided any details regarding rebate deduction in total Power Purchase Cost. Therefore, the Commission is requested to direct the petitioner to deduct the rebate received from the annual revenue requirement.

Response from DISCOM:

The Distribution licensees have to meet the power demand of consumers 24x7, under universal service obligations as per the provisions of the Electricity Act, 2003. Further, MPPMCL purchases power from the generators as per the MoD principle. Accordingly, when the demand is high during peak season, costlier power is scheduled and procured in the real time to meet out the day-to-day demand of the State.

The Petitioners seek permission from the Commission in the ARR & Tariff Petition for purchasing the power from the Generators. Further, MPPMCL purchases power from Generators with whom PPA has been executed and approved by the Commission.

The total tied up capacity of RE is about 3,981 MW, which is a significant contributor to the power mix of MPPMCL. However, the nature of renewable energy is intermittent and further, it has Must Run status. Accordingly, in case of excess availability of power as compared to demand, MPPMCL has to back down Thermal Power Plants and RE generators are kept running owing to its Must Run status. Even if, the electricity from that thermal generator is cheaper, then also these plants have to be backed down. Thus, on the one hand, the MPPMCL has to schedule the thermal plant running at low load factor or at technical minimum level with the advent of wind or solar generators, while on the other hand, it is burdened with idle fixed cost to run it, which puts additional burden on the DISCOMs.

Further, Petitioners have to meet the RPO Target specified by the Commission. Thus, the shortfall in RPO target achievement is met by signing more solar and wind generator PPAs. Therefore, procuring more power from "must-run" solar and wind generators. This results in further back-down of thermal generators and burden of payment of idle fixed charges.

In the above circumstances, MPPMCL is left with no option but to pay idle fixed charges to thermal plants, unless the Madhya Pradesh share from these plants is reallocated to another beneficiary. GoMP and MPPMCL are continuously making efforts with Ministry of Power to de-allocate MP's share of power from costly NTPC plants so that idle fix charges being paid to NTPC are minimized.

The petitioners submitted that the Commission while determining the ARR of Distribution License, allows expenses based on the norms specified in the Tariff Regulation and expenses beyond normative parameters have to be borne by the companies and are never translated into tariff.

Further, Petitioners have claimed the power purchase cost as per provision 27.7 of MPERC MYT Regulations, 2015 and its amendments thereof and the methodology adopted by Commissions in True up Order of FY 2013-14.

With regards to adoption of methodology for determining Power Purchase Cost, Petitioners submitted that while approving power purchase cost in true-up orders from FY 2014-15 to FY 2019-20, the Commission has adopted a different method and is inconsistent with its own true-up order of FY 2013-14. Therefore, petitioners are aggrieved by the methodology adopted by the Commission in determining the true-up orders for the FY 2014-15 to 2019-20 and in the process of filing an appeal before Hon'ble APTEL.

The Supplementary Bills are on account of electricity supplied in the previous years. The revised energy bill is sent to MPPMCL by the Power Generators for previous month or year.

The amount of these revised bills is taken as supplementary amount in the true-up petition. Further, Petitioners have submitted generator and year wise information of the supplementary bills claimed in the FY 2020-21 and the calculation of year-wise supplementary bills to the Commission.

With regards to purchase from other sources, Petitioners submitted that power directly purchased by the Distribution Licensee does not reflect on SEA account. Therefore, Petitioners have shown the information separately in the Petition.

The Petitioners submitted that excess drawal of power of 15 MU is on account of UPPCL. Further, UPPCL so far has not applied revised LTOA from 11.25 MW (25%) to 18.15 MW (40.32%) in Rajghat HPS. UPPCL is still scheduling 25% of the power generated in Rajghat HPS. Therefore, differential energy corresponding to 15.32% is being allocated to Madhya Pradesh as excess drawal from Rajghat HPS as per SEA as finalized by SLDC for FY 2020-21.

The Petitioners submitted that contention of the stakeholder is correct with regards to average power purchase cost of MPPGCL Thermal Power Plant is Rs. 4.47/kWh, whereas the MPIDC is sold power at a weighted average rate of Rs. 3.51/kWh for the FY 2020-21. However, in the published Madhya Pradesh Gazette notification dated 30.03.2016, electricity generated from thermal power plants of MP Genco, Singaji Thermal Power Phase-II was not included due to non-commencement of commercial power generation, due to this the average rate of electricity supplied to MPIDC stood at Rs.3.51 per unit. Therefore, it is not fair to say that Pithampur is being subsidized by selling electricity at subsidized rates.

The petitioners submitted that the Commission has considered average rate of Rs.3.01/kWh for sale of power through power exchange. However, in reality the rates in power exchange are much more volatile. Therefore, considering average rate for sales of all surplus power in power exchange is incorrect. Further, the petitioners have to be careful before bidding in power exchanges in order to avoid DSM Charges and if sales of surplus power is not entitled for sale in power exchanges, then petitioners have to surrender the power.

Power purchase agreement has been signed for supply of 50 MW to 100 MW power for 25 years from M/s Torrent Power through PTC. As per the terms of the contract, the power allocation from M/s Torrent Power is to be 50 MW with effect from April 2021. The electricity rates of M/s Torrent Power have been fixed by the CERC dated 24.08.2020 (Petition No. 259/GT/2019). Accordingly, payment of fixed charges is payable to Torrent Power. In fulfillment of the obligation under the contract and keeping in mind the interests of the consumers of the state, minimum power has been purchased from M/s Torrent Power and BLA Power as per the Merit Order Despatch (MOD) principle as mentioned in Balancing and Settlement Code, 2015 in order to meet the energy requirement only when absolutely necessary.

Further, as per the order dated 19th April, 2018 of the Hon'ble APTEL, the continuance of tariff, which was restricted in the light of the order of the Commission, has been restored. Since the matter is sub-judice in the Hon'ble Supreme Court, it is not appropriate to make further comments at present with regards to BLA.

Petitioners submitted that trading margin is paid to PTC under the amended PSA dated 26th November, 2012. Further, the stakeholder has raised similar objection in public hearing of P. No. 60/2020 but in order dated 24.08.2021 passed by the Commission in aforesaid petition, the Commission has not accepted the opinion of the stakeholder. Therefore, requested the Commission to reject the objection of the stakeholder in view of the above.

The petitioners are procuring renewable energy in line with the RPO Target of 6% for Solar, 8.50% for Non-solar as specified for DISCOMs through Sixth amendment to MPERC (Cogeneration and Generation of Electricity from Renewable Sources of Energy) (Revision-I) Regulations, 2010. The cost incurred for procurement of renewable energy can't be disallowed. Hence, the petitioners have separated the renewable energy cost in variable energy cost and claimed separately.

With regards to rebate of Rs. 212.50 Crore, Petitioners submitted that tariff rates were fixed only after considering the effect of the rebate, which was passed on to the consumers through tariff. Therefore, there is no justification for showing it separately in the true-up petition.

Petitioners submitted that the rate fixation and generation of electricity generated by MSW does not come under the jurisdiction of the petitioner.

Petitioners submitted that the total number of wind power plants is around about 270 for which the details have been mentioned separately in the true-up petition. Petitioners has provided total units and average rate in the true-up petition without providing plant wise details. Further, Wind energy is a renewable energy, and it does not cause any kind of pollution in the environment, so it has been kept in the must run by the Government. The list will be made available of these wind power plants on demand by the Commission.

Commission's Views:

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

Further, with regard to Petitioner contention regarding the methodology for computation of power purchase, the Commission opines that it is necessary that the inefficiency of DISCOMs is not passed onto the consumers of the State. The Commission has detailed the rationale for adopting the approach of approval of power purchase in detail in relevant section of this order.

With regard to purchase of power from Torrent and BLA (Unit-1) Power, the Commission has not admitted power purchase from these stations which has been detailed in the relevant section of this order.

With regard to supplementary power purchase cost for period prior to FY 2020-21, the Commission has not considered the same in this order. However, the Petitioner is at liberty to approach the Commission through a separate Petition along with adequate details to enable Commission to conduct prudence of the same.

The Commission after carrying out due diligence of details submitted by the petitioners has approved the power purchase cost which have been detailed in the respective chapters of this order. Other issues which have not been addressed in this order does not pertain to this Petition.

ISSUE No. 2: Transmission and Distribution Losses

Issue Raised by Stakeholder:

West DISCOM has considered normative losses of 15% for computation of energy requirement, however the actual loss for West DISCOM is 12.71%. Therefore, requested the Commission to consider actual distribution loss in case of West DISCOM and normative loss for East and Central DISCOMs as T&D losses affects overall financial position of the DISCOMs.

The T&D losses approved in ARR for FY 2020-21 for East and Central DISCOMs are 16% and 17%, whereas the actual T&D losses are 29.19% and 28.69% respectively which indicates that the loss has increased by 82.44% and 68.76% respectively, which shows the mediocre performance of these DISCOMs in curtailing the T&D losses. Therefore, requested the Commission that DISCOMs inefficiency shall not be loaded on the consumers.

The Petitioner has not provided any reason or justification for the following mentioned details.

- a) For over 20 years DISCOM's have been giving a consolidated figure of T&D Losses, which are very deceptive and gives substantial room to the DISCOM to manoeuvre the figures to their convenience.
- b) The T&D Losses comprises of Technical Losses & Commercial Losses (including thefts) and the True-up petition does not indicate separate figures for Technical & Commercial Losses.
- c) It may be difficult for the DISCOM to control over the thefts but the control on technical losses is well within their reach if only had they created an infrastructure to monitor them. The majority of technical losses in the distribution system may be on account of the qualities of DTR's & line conductors. It is requested to ascertain by the Commission that whether certain measures have been taken to cope up with this

- d) The DISCOM has also not submitted any justification(s) for such high losses in their True-up petition and instead are desiring to pass on this additional burden, due to their inefficiency, on the innocent consumers.

Therefore, the Commission is requested to seek the justification for the same.

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

Response from DISCOM:

Petitioners have claimed the power purchase cost based on normative energy requirement based on the approved distribution loss of 16% for EZ, 17% for CZ and 15% for WZ for FY 2020-21 as per provision of Regulations 27.7, 25.1 and 25.2 of MPERC MYT Regulations, 2015 and its amendments thereof and the methodology adopted by Commissions in True up Order of FY 2013-14. Therefore, the savings on account of efficiency improvement are to be retained by the West DISCOM.

Commission's Views:

The Commission has taken note of the above submissions and direct the Petitioners to take appropriate steps to reduce distribution losses and segregation of technical and commercial losses. However, for the purpose of determination of True-up for FY 2020-21, the Commission has considered distribution losses at normative levels, as specified in MYT Regulations, 2015 and its amendments thereof, thereby not allowing any impact of higher distribution losses on consumers.

For West DISCOM, the Commission has considered normative losses as per the provision of the MYT Regulations, 2015 and its amendments thereof, which specifies that if the DISCOM is able to achieve faster reduction of Distribution losses, the saving thus made shall be allowed to be retained by the DISCOM to incentivise its operation.

ISSUE No. 3: Accumulation of losses and Unpaid subsidy

Issue Raised by Stakeholder:

The Commission is requested to examine the reason for accumulation of unpaid subsidy of more than Rs 16,000 Crores along with the carrying cost by the State Government to the petitioners, which is a violation of Section 65 of the Electricity Act, 2003.

Examine the reason for accumulation of losses of Rs 59,296.41 Crores up to FY 2021-22 on share Capital of Rs 18,182.78 Crores of the Petitioners. Requested to take action against the petitioners as per Section 142 and 146 of the Electricity Act, 2003.

Response from DISCOM:

The Commission may take appropriate view in the regard.

Commission's Views:

The Commission is taking up this matter with the State Government and Distribution Licensees through a separate petition.

ISSUE No. 4: Public hearing

Issue Raised by Stakeholder:

The stakeholders requested the Commission to adopt the past procedure for public hearing for approval of ARR and True-up petitions. Further, petitioners for past few years have not been sending the replies to the stakeholders in time. Therefore, for making the presentation by the stakeholders during the hearing they have nothing but repetition of their written submission, which is ineffective and useless.

Response from DISCOM:

The Petitioner has not submitted the reply on this issue.

Commission's Views:

The Commission has taken note of the above submission.

ISSUE No. 5: Other components of ARR

Issue Raised by Stakeholder:

O&M expenses, interest and finance charges and other expenses may be considered as per prevalent regulations.

Response from DISCOM:

O&M expenses, Interest and Financial charges, other expenses are claimed by Licensee in instant petition as per Tariff Regulation, 2015.

Commission's Views:

The Commission has allowed O&M Expenses and Interest & Finance Charges in accordance to the provisions of the MYT Regulations, 2015 and its amendments thereof and approach adopted by the Commission in previous true up orders, which has been appropriately dealt in relevant section of this order.

ISSUE No. 6: Depreciation

Issue Raised by Stakeholder:

The Petitioners have claimed depreciation of Rs. 1,461.81 Crore without submission of proper fixed assets register. Further the Petitioner has claimed depreciation on assets created through consumer contribution and grant, which is violation of Commission's directives.

Further, the Commission should admit depreciation in accordance approach followed in retail supply tariff order of FY 2020-21 as no other interpretation are permissible under law. Beside

this, stakeholders submitted that according to section 32 of Income Tax act,1961, cost directly and indirectly met by anybody will not form cost to assets and depreciation on such contribution and grants are not admissible. Therefore, additional claim by the petitioner should not be allowed.

Commission is requested to not considered excess claim of Rs.973.26 Crore with respective depreciation admitted in Retail Supply Tariff Order for FY 2020-21.

Response from DISCOM:

Depreciation has been claimed in accordance with MYT Regulations, 2015. Further, Petitioners have submitted the Fixed Assets Register to the Commission on 4th February, 2022.

Commission's Views:

The Commission has admitted the Depreciation excluding the assets created through consumers' contribution and grants as per the provisions of the MYT Regulations, 2015 and its amendments thereof. Although, the Petitioners have submitted the Fixed Asset Registers, however, the same is not completely in accordance with the format specified by the Commission. Therefore, the Commission has allowed the lower depreciation at rates approved by the Commission in retail supply tariff order for FY 2020-21.

ISSUE No. 7: Bad and doubtful debts

Issue Raised by Stakeholder:

LT Demand Withdrawal does not come under bad and doubtful debts. Therefore, same shall not be allowed.

Further, petitioners have claimed bad and doubtful debt 123 times more than that approved in retail supply tariff order for FY 2020-21.

The stakeholders requested the Commission to direct the petitioners to provide additional details of bad debt claims i.e. name and address of the party, date and year of debt, remedies undertaken by the DISCOMs for recovery of dues and whether the bad debts claimed has actually been written off in the book of account as the petitioners have not provided any such details in the petition.

Response from DISCOM:

The petitioner stated that the tariff regulation provides for the bad and doubtful debt and same is claimed as per actual written off basis. Further, the Commission consider the claim of the DISCOMs only after prudence check.

Commission's Views:

The Commission while scrutinizing the details/data of bad and doubtful debt observed that the petitioner submission is inadequate to substantiate its claims. Therefore, the Commission has not considered claims towards bad & doubtful debt in this order.

ISSUE No. 8: Rejection of petition

Issue Raised by Stakeholder:

The petition has not been filed in time as its revenue gap is to be included in Tariff Petition of FY 2022-23 as per the direction Hon'ble APTEL. Therefore, petition cannot be considered by the Commission.

As per illustration 2018 (6) SCC paragraph 21 of point 125.2 and 125.3 it is mandatory to have a Member Law in the Commission. At the time of submission of Tariff petition, initial hearing on conducted on 21st December, 2021 and also during the issuance of public notice on 14th January, 2022, the position of Member Law was vacant. Therefore, on this ground the petition should be rejected.

The stakeholder submitted a contempt petition, which was filed by the stakeholder on 12th October, 2021 was not listed for preliminary hearing on 21st December, 2021. However, petition No. 62/2021 dated 15th December, 2021 was listed for preliminary hearing in only 7 days.

The petition No 57/2021 was initial listed on 21st December, 2021 for preliminary hearing, but due to absence of member law in the Commission, the hearing was deferred to 22nd February, 2022. However, in petition no. 62/2021 preliminary hearing was scheduled on 21st December 2021. As both the petition No 57/2021 and No 62/2021 are in accordance with Section 86 (1) (F) of the Act,2003 even then the petition No 57/2021 was not listed for preliminary hearing on 21th December 2021.

No date, signature, affidavit is present in the Petition uploaded by the Commission and the DISCOMs in their website, even then the petition has been listed for the preliminary hearing within 7 days.

The Petition was listed for preliminary hearing, even when the petitioners have not submitted any information regarding para 5,6,7,8,9,10 & 14. Further, petitioners in para 12 of the petition submitted that the petition has been submitted on the basis of available information. However, as per the Electricity Act, 2003, the petition needs to be submitted on the basis of complete and right information. As per the daily order of Petition No 62/2021, the preliminary hearing of the petition was done on 21nd December 2021 but as per para 3 of daily order it has been stated that preliminary hearing has been done on 22nd December 2021.

In view of the above reasons, it has been observed that the Commission has violated Section 86 (3) of the Electricity Act, 2003, as the Commission can't use their rights arbitrarily and without transparency. So, on this ground the Petition should be rejected.

The stakeholder further submitted that, the petitioners have not given any information about the amount spend due to civil liability and other details in their balance sheet. Therefore, the Commission is requested to not accept the petition.

As per Section 64 (3) (A)/(B) of the Act 2003, only approval and non-approval of petition is allowed and there is no provision regarding new submission of the petition.

The fault on account of the petitioners' and Commission's should not be passed on to consumers. Therefore, this tariff petition needs to be rejected by the Commission.

Petitioners' response

Petitioners submitted that as per Section 93 of the Electricity Act, 2003 permits the Commission to allow processing of hearing even when the post of member law is vacant.

With regards signing of the petition, the petitioners have submitted signed copy of the petition to the Commission and uploaded soft copy of the petition on the website for the public. Further, a signed copy of petition can be obtained by the stakeholders from the offices of Commission and Distribution companies as per rules.

There is no mention of attachment in para 5,6,7,8,9,10 & 14 in the petition.

The Petitioners have been filed the Petition on the basis of correct and complete information available with the Petitioners.

The balance sheet of the petitioners are in accordance with Indian Accounting Standards (IND-AS).

Due to non-appointment of independent director of audit committee by the State Government, the annual accounts of East DISCOMs were not finalized. Since the True-up of expenses has to be filed as per Audited Accounts. Therefore, the Petitioners vide its letter dated 25th November has requested the Commission to grant 15 days' time to file True-up Petition.

Accordingly, the Commission vide its letter dated 1st December 2021 has allowed additional 15 days' time to file True-up Petition by 15th December 2021. Accordingly, the petitioners have filled the True-up petition on 13th December 2021 which was within the extended timeline approved by the Commission. Since, the Commission has the power to grant extension in this regard. Therefore, there should not be any grievance.

Commission's Views:

The Commission has taken note of the above submissions. However, the Commission wish to state that the Commission has followed all procedural and due process while admitting the petition and issuing the order in accordance with the provision of Electricity Act, 2003 and MPERC (Conduct of Business) (Revision-I) Regulations, 2016. Further, the issue raised by stakeholder have been considered by the Commission in compliance of the Hon'ble High Court order dated 24th February, 2022 in WP 4052 of 2022. Besides, some of the issues raised herein are not related to instant petition.

ISSUE No. 9: Return on Equity

Issue Raised by Stakeholder:

Return on Equity should not be included in requirement of revenue as this is collected to pay dividend to shareholders only and therefore, can't be retained by petitioners or adjusted towards losses. Further, it is submitted that petitioners' companies are not distributing any dividend to shareholders as per section 123 of Companies Act 2013. Hence, claiming money towards recovery of RoE from consumers without paying this money as dividend to shareholders, amounts to fraud with public and therefore, should not be allowed.

Response from DISCOM:

The petitioners have claimed RoE in accordance with the Regulation 30 of the Tariff Regulations, 2015, which allows the petitioners to claim 16% RoE on equity capital of the respective year.

This Regulations were notified by the Commission in exercise of power conferred under Section 181(2) (zd) read with Section 45 and 61 of the Electricity Act, 2013, after due public/shareholder consultation process. Hence, the claim of the petitioners does not violate any provisions of Electricity Act, 2003 and Tariff Regulations.

As regards to RoE being collected for payment of dividend and can't be retained, the petitioner submitted that utilization of RoE is at the discretion of Discom. The Discom may invest the RoE in creation of assets or in any other purpose or may declare dividends in accordance with relevant provisions of Companies Act, 2013 if it meets the criterion for dividend declaration. Further, the Tariff Regulations, 2021 also allows the Petitioners to retain any earnings made on investments made out of the allowed RoE. Hence, the claim of RoE by the Petitioners is legally valid. Therefore, the contention of the Objector in this regard is entirely misplaced and not tenable.

Commission's Views:

The Commission has allowed Return on Equity in accordance to the provisions of the MYT Regulations, 2015 and its amendments thereof which has been appropriately dealt in relevant section of this order.

ISSUE No. 10: Transmission Charges

Issue Raised by Stakeholder:

The petitioner has claimed Rs 5,368.17 Crores as Intra State transmission charges, whereas the Commission in MYT order for MPPTCL has approved Rs 3,860.14 Crores as Intra State transmission charges for FY 2020-21, which is Rs. 1,508.03 Crore higher. Therefore, requested the Commission to provide proper directives to the petitioner regarding higher claim of transmission charges and disallow the same.

Petitioners have claimed 7 Crores in Inter-State Transmission Charges for Rajasthan Transmission in Petition. However, petitioners have not shown any power purchase quantum against it.

The Petitioners have claimed Rs. 238 Crores from CTUIL on account of Inter State Transmission Charges. Which is completely incomprehensible. Therefore, requested the Commission to provide appropriate direction.

The petitioners have claimed the double transmission charges for additional 10% purchase of power. Therefore, requested the Commission to send the data/ details submitted by the petitioners to Auditor General for the proper approval.

Response from DISCOM:

The petitioners have claimed transmission charges based on the bills issued by the MPPTCL to the Distribution licenses for FY 2020-21, which matches with the audited financial accounts of distribution companies for FY 2020-21. Further, the petitioners have submitted the transmission charges bills to the Commission.

Petitioners submitted that table 10 of the petition shows the energy received against the power purchase cost. However, power received from Rajasthan under MTOA for which 295 MU energy was drawn between the States under the adjustment of energy under bilateral arrangement. For which the payment of Inter-State transmission Charges of Rs 7 Crore has made and shown in the table 10.

Petitioners submitted that payment of Inter -State Transmission Charges are made in accordance with prevailing CERC Regulations from time to time.

Commission's Views:

The Commission has considered Intra -State Transmission Charges as per audited accounts which includes true-up allowed by the Commission.

With regard to inter-State transmission charges, the Commission has admitted the same based on actuals as per the audited accounts.

ISSUE No. 11: ARR, Revenue from Sale of Power and Gap

Issue Raised by Stakeholder:

The petitioners have proposed a revenue gap of Rs 4981.94 Crore and has anticipated that this gap will be compensated to them in next tariff fixation. Further, petitioners have not furnished any alternate source of funds to reduce the total burden on the consumers. Beside this, petitioners have not indicated any intend to go for grants or borrowings from the State Government and/or Central Government to spare the consumers, which should have been a part of the True-up petition.

In last several years, it has been observed that the petitioners are not making any genuine losses and all the losses like withdrawal of electricity bill, it carrying cost etc. have built up due to violation of tariff orders passed by the Commission.

Further, petitioners function on their own will and does not follow the directives given by the Commission in the tariff Order.

Beside this, any deviation by the consumers following the terms and conditions of the tariff order results in penalty. However, the petitioners are given all the liberties and the consumers are made to pay for their inefficiency in form of True-up petition.

Even with the Surplus power in the State, the petitioners have proposed the deficit of Rs 4981.94 Crores. Therefore, requested the Commission not to burden the consumers of the State due to inefficiencies of the DISCOMs.

Petitioners deliberately have not considered the impact of True up of MPPTCL for FY 2017-18 of Rs 522.45 Crores in net ARR computation for FY 2020-21. Therefore, requested the Commission that before approval of the True-up petition, petitioners should be directed to fill all the blank spaces with proper audited information.

In the tariff petition and the True-up FY 2020-21, only the sale of power has been considered as the source of revenue by the petitioners, but there are another 21 categories from where the DISCOMs earns the revenues. Therefore, requested the Commission that until and unless DISCOMs provides all the information about the revenue collection from all these 21 categories, the True-up should not be approved.

The petitioners have included Rs. 2,169 Crore disallowed in tariff order for FY 2020-21 and same has been claimed in true up petition. Therefore, requested the Commission to examine this.

The Petitioner has stated a revenue gap of Rs 4,981.9 Crores on behalf of three DISCOMs. However, the petitioner has not considered the effect of increase in revenue of Rs 1885.72 Crores from sale of power in true up. Therefore, requested the Commission to examine the effect of increase in revenue from sale of power.

The petitioners have not provided details of amount received and outstanding from cross-subsidy or additional charges in the petition. Further, large sum of amount is outstanding with the railways and private industries. Therefore, the petitioner shall adjust these surcharge amount received /outstanding from the fixed charges of power purchase cost.

Response from DISCOM:

The Petitioners have claimed and calculated true-up revenue gap for FY2020-21 based on the terms and conditions specified in Tariff Regulations. Further, various expense such as interest on working capital, interest on project loan, distribution losses etc. have been claimed on normative basis as stipulated in the Tariff Regulations and not as shown in the audited accounts. Further, the Commission always approved the prudent cost only in accordance with the Regulations, so there should be no grievance in this regard.

As regard to withdrawal of bills of consumers if any during the past period etc., the same has been done as per the orders of State Government with due intimation to the Commission.

The impact of True-up of MPPTCL for FY 2017-18 have been included in the intra-state transmission charges as per the bills issued by the M.P Transmission Company for FY 2020-21.

All type of income have been included on the basis of audited financial statements of the petitioners as per the Regulations. Further, the petitioners in table no. 30 and 33 of the petition and in schedule 2 of the format have provided item wise details of revenue received from the sale of electricity and other income.

Petitioners submitted that Cross subsidy surcharge and additional surcharge are collected by the distribution companies from open access consumers on time. The amount of cross subsidy surcharge and additional surcharge is included in the balance sheet under "Revenue from operation".

Commission's Views:

The Commission has admitted the components of ARR, Revenue Gap, tariff income, subsidy from State government and other / non-tariff income in accordance with the provisions of the MYT Regulations, 2015 and its amendments thereof, which have been detailed in respective chapters of this Order.

The Commission approves ARR, Retail Tariff and true up after prudent check, so that inefficiency of the DISCOMs is not passed onto the consumers of the State. The Commission allows normative losses in the tariff order. Thereby not passing the additional burden to the consumers of the State. Further, the Commission does not allow power purchase cost incurred by the Petitioner towards sale of power in excess of the norms specified by the Commission.

With regards to consideration of all other income of the DISCOMs, the Commission has thoroughly analysed the audited accounts of the Petitioners and have considered all other and non tariff income including the income from Cross Subsidy Surcharge and Additional Surcharge in computation of ARR for FY 2020-21.

ISSUE No. 12: Banking of Power

Issue Raised by Stakeholder

The petitioners have not provided any details related to banking of power and the charges incurred towards its transmission cost in the petition. Further, as per SEA of FY 2020-21, 3,386 MUs was banked to Punjab, Uttar Pradesh, Chhattisgarh etc. which costed around Rs 1,500 crores and 3,374 MUs power was received from these States.

Further, the stakeholder submitted that despite having available capacity of 22,000 MW and maximum demand being 15,075 MW (including 400 MW purchased by Railways and Open Access consumers) on 30th December, 2021. The Petitioners purchase approx. 2,000 MW of power in name of banking.

Response from DISCOM:

Banking is a mechanism through which petitioners manages situation of surplus/deficit power availability, which is due to seasonal variations. Further, petitioner submitted that banking is a cashless transaction under which no charges are paid for power received or supplied.

Commission's Views:

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

ISSUE No. 13: Pension and Terminal Benefit Trust Funds

Issue Raised by Stakeholder

The Petitioners have not provided any details with regards to their contribution made towards Pension and Terminal Benefit Trust Fund. Therefore, requested the Commission to provide appropriate instructions regarding payment in the Pension Fund.

Response from DISCOM:

The Commission has provided Rs. 210 Crore in the Retail Supply Tariff Order for FY 2020-21 for funding the Terminal Benefit Trust Fund and has advised to make payments to Terminal Benefit Trust Fund by March, 2022. Accordingly, the petitioners have made payments.

Commission's Views:

In a separate petition, the Commission has directed MPPMCL/ Distribution Licensees to make timely payment of contribution towards pension fund. Like previous true-up tariff orders, the Commission has allowed provision of Rs. 210 Crore for pension fund in this order.

Annexure -I

Sr. No.	Name	Name and Address of the Stakeholders
East DISCOM		
1.	Shri. Rajendra Agarwal	1995/A Gyan Vihar, Narmada Road, Jabalpur - 482008
2.	Shri. Nirmal Lohia	Taldarbaja Tikamgarh.
3.	Shri. Dwarika Gupta	M/s Vindhya Chamber of Commerce & Industries, Chamber Bhawan, Satna – 485001
West DISCOM		
4.	Shri. S. M. Jain	M/s Venus Alloy Pvt Ltd, 67, Industrial Area Mandsaur – 458001
5.	Shri. Shubham Jain	M/s Rathi Iron & Steel Industries, 103, Laxmi Tower, 576, MG Road, Indore
6.	Shri. Pawan Singhania	M/s Jaideep Isphat & Alloys Pvt Ltd, 103, Laxmi Tower, 576 MG Road, Indore
7.	Shri. Sunil. K. Jain	548 Kasturba Nagar, Road No-7, Ratlam
Central DISCOM		
8.	Shri. M C Bansal	M/s Justice for Public Cause Foundation Trust, Flat No. 402, Sapphire Block, Nikhil Nestles
9.	Shri Yogesh Goel	M/s Govindpura Industrial Association, Association Complex, Industrial Area, Govindpura, Bhopal
10.	Shri. C B Malpani	M/s Association of All Industries, Mandideep, Plot No. AM-19, Sector-B, Industrial Area, Mandideep, Dist. Raisen