

**MADHYA PRADESH ELECTRICITY REGULATORY COMMISSION
BHOPAL**

Sub: In the matter of filing of Capex application (Investment Plan) for the period FY 2022-23 to FY 2025-26 for obtaining approval of the Commission for various schemes as per Regulation 10.3 of the MPERC (The Conditions of Distribution License for Distribution Licensees (including Deemed Licensees), Regulations 2004 by MPPoKVVCL (East Discom) as the Distribution Licensee

ORDER

Hearing through video conferencing
(Date of order: 30.12.2022)

1) M.P. Poorv Kshetra Vidyut Vitran Company Ltd. (East Discom),
Shakti Bhawan, Rampur, Jabalpur- 482 008 - **Petitioner**

Shri Ajay Dugad, GM appeared on behalf of the petitioner.

1. The petitioner, has filed the subject petition under Regulation 10.3 of the MPERC (The Conditions of Distribution License for Distribution Licensees (including Deemed Licensees), Regulations 2004 and Guidelines for Capital Expenditure by Licensees in Madhya Pradesh, seeking approval of the Commission on Capital Expenditure Plan of Rs 9,466 Crore for the period FY 2022-23 to FY2025-26 for improvement in its operational efficiency and financial viability as well as to improve the quality and reliability of power supply to the consumers through the Revamped Distribution Sector Scheme (RDSS) launched by Govt. of India. The plan includes Metering Works of Rs. 3,387 Crore, Loss Reduction Works of Rs. 3,470 Crore, Modernisation Works of Rs 2,229 Crore and Works under State Government Scheme of Rs. 280 Crore.
2. The Petitioner has submitted that Government of India (GoI) has announced the Revamped Distribution Sector Scheme (RDSS) to improve operational efficiencies and financial sustainability, by providing financial assistance to DISCOMs for strengthening of supply infrastructure based on meeting pre-qualifying criteria and achieving basic minimum benchmarks in reforms through Result Evaluation Matrix (REM). The aforesaid scheme consists of two parts: Part A – Metering and Distribution Infrastructure Works and Part B – Training & Capacity Building and other Enabling & Supporting Activities. Also, provision has been made for inclusion of existing schemes of IPDS and DDUGJY under RDSS.
3. Under Part A of the scheme, around 51.44 Lakh consumers in the operational area of the Discom are to be meterised with Smart pre-paid Energy meters by 31st March-2025. The other

reforms in Distribution Infrastructure proposed under the RDSS scheme include energy accounting with 100% feeder and distribution transformer metering, ensure annual tariff fixation, minimizing regulatory asset, ensuring reduction in AT&C losses to 19.49% and reducing ACS-ARR gap to Rs. 0.20/kWh by FY 2024-25.

4. The details of financial expenditure envisaged under the proposed Capital Investment Plan for different works is summarized below:

Table No. 1: Gross Capital investment plan from FY 22-23 to FY 25-26 (Rs. Crore)

Sl. No.	Particular	Total cost
(i)	Metering Works	3,387.33
(ii)	PMA for smart metering works	12.70
(iii)	Distribution Infrastructure works for loss reduction	3,470.81
(iv)	Distribution Infrastructure works for modernisation	2,229
(v)	PMA for Loss reduction and Modernization work	85.51
(vi)	Government schemes (ST(N), TSP, SCSP)	280.36
	TOTAL	9,466

5. The physical works proposed to be implemented within a period from FY 2022-23 to FY 2024-25, as per the guidelines of the RDSS scheme are as follows:

Table No. 2: Physical works proposed under RDSS from FY 22-23 to FY 25-26

Sl. No.	Particular	Unit	2022-23	2023-24	2024-25	2025-26	Total
A	Metering						
(i)	Consumer Metering	Nos.	10,22,427	7,44,743	33,77,281	0	51,44,451
(ii)	DT Metering	Nos.	12,229	1,18,492	0	0	1,30,721
(iii)	Feeder Metering	Nos.	0	0	0	0	0
	TOTAL (A)	Nos.	10,34,656	8,63,235	33,77,281	0	52,75,172
B	Feeder Separation Works for Loss Reduction						
	Feeders to be separated	Nos.	298	281	326	0	905
C	Infrastructure Works for Loss Reduction – Other than Feeder Separation						
(i)	LT AB Cabling	Ckt Km	13,369	12,559	14,583	0	40,511
(ii)	Armored Service Cable	Ckt Km	12,143	11,411	13,248	0	36,802
(iii)	HT Line bifurcation / Interconnection for overloaded feeder	Ckt Km	1,594	1,498	1,737	0	4,829

Sl. No.	Particular	Unit	2022-23	2023-24	2024-25	2025-26	Total
(iv)	Capacitor bank installation	Nos.	182	172	199	0	553
(v)	HT Line Conductor conversion/augmentation	Ckt Km	995	935	1,086	0	3,016
(vi)	New Substation	Nos.	30	29	32	0	91
D	Infrastructure Works for System Strengthening & Modernization						
(i)	Augmentation of PTR	Nos.	0	52	48	56	156
(ii)	Addition of PTR	Nos.	0	60	56	63	179
(iii)	Related works to make existing SCADA fully functional	Nos.	0	18	17	20	55
(iv)	DT Capacity enhancement	Nos.	0	7,873	7,396	8,588	23,857
(v)	Addition of DTR	Nos.	0	2,286	2,148	2,491	6,925
(vi)	Up gradation of existing Lab	Nos.	0	6	0	0	6
(vii)	33 kV Ring main System on Mono pole	Nos.	0	106	99	115	320
(viii)	LT underground with associated lines	Ckt-km	0	83	78	89	250
(ix)	Other works for Reliability & Quality	Ls	0	Ls	Ls	Ls	Ls

6. The Petitioner in the instant petition has proposed reduction in AT&C loss and ACS-ARR Gap trajectory as approved by the State Government vide letter dated 30th May, 2022 and approved by the monitoring committee of RDSS vide letter dated 22.09.2022 for the period FY2021-22 to FY 2024-25 as shown below.

Table No. 3: ACS-ARR Gap & AT&C Loss trajectory

Particulars	Unit	FY 2020-21	FY 2021-22	FY 2022-23	FY 2023-24	FY 2024-25
ACS-ARR Gap	Rs/kWh	1.77	1.62	1.04	0.8	0.2
AT&C loss	%	44.11%	36.55%	32.06%	24.27%	19.49%

7. The Commission held the motion hearing on 09/11/2022 and vide daily order dated 16/11/2022 admitted the subject petition. Subsequently, vide public notice dated 28/11/22, the Commission had invited the comments /suggestions /objections of stakeholders. The public hearing in the matter was held on 20/12/22. Vide daily order dated 26/12/22, the Commission reserved the case for order.

8. The Commission vide letter dated 16/12/2022 has sought the additional information and

conveyed the data gaps in regard to i) physical & financial achievements against approved Capex in FY 2021 -22 in P. No. 11/2021, ii) DPRs of the Projects/schemes related to implementation of RDSS; (iii) Sanction letters/Approval from competent authority; (iv) Cost benefit analysis; (v) Details of funding and loan tie-ups with Financial Institutions and other requisite details/clarifications which were subsequently submitted by petitioner. The broad submissions are as under: -

(A) Physical and financial achievements in FY 2021-22

9. The Commission had provided in-principle approval of Capex of Rs. 845 Crore for FY 2021-22 vide Order dated 06/12/2021 in Petition No. 11/2021. The Petitioner has submitted the details of physical and financial achievements against target during FY 2021-22 for various Capex schemes. Financial achievement against various schemes are as under:-

Table No. 4: Financial achievement during FY 2021-22 (Rs Crore)

Sr. No.	Scheme	FY 2021-22	
		Approved	Actual
1	Govt Schemes (ST(N), TSP, SCSP)	291	77
2	Scheme for reduction transformer failure rate	153	--
3	SCADA Enablement and smart Metering	246	--
4	Scheme for replacement of stop/defective meters	35	16
5	Scheme for DTR metering in pre-dominant Ag. DTR	120	--
Total		845	93

10. It is observed from the above table that the Petitioner has carried out works of only Rs. 93 Crores during the FY 2021-22. This includes works of Rs. 77 Crore under Govt Schemes (ST(N), TSP, SCSP) and works of Rs. 16 Crore under the Scheme for replacement of stop/defective meters.

11. The Petitioner has also submitted that no budget allocation has made against the schemes for the Reduction of DTR failure, and meterisation of Ag DTRs during FY 2021-22. As a result, no work has been carried out under these schemes. Regarding the scheme of SCADA Enablement and Smart Metering, the Petitioner has submitted that due to non-finalization of the KfW loan agreement, the works under this scheme could not be carried out. The physical achievements

against works of Rs. 77 Crore under the Government schemes (ST(N), TSP, SCSP) and works of Rs. 16 Crore under the Scheme for replacement of stop/ defective meters carried out during the financial year is as follows:

Table No. 5: Physical achievement during FY 2021-22

Sr. No.	Particular	Unit	Proposed		Actual achievement	
			Government schemes (ST(N), TSP, SCSP)	Scheme for replacement of stop/ defective meters	Government schemes (ST(N), TSP, SCSP)	Scheme for replacement of stop/ defective meters
1	Construction of 33/11 kV S/s	Nos.	25	--	8	--
2	33 kV Line	Km	765	--	185	--
3	11 kV line	Km	1,990	--	519	--
4	PTR new & augmentation	Nos.	108	--	75	--
5	DTR New & augmentation	Nos.	12,957	--	3878	--
6	LT Line with Cable	Km	536	--	225	--
7	Meterization of Stop Defective/ Un-Metered Consumers and NSC- DLF	Nos.	9,32,764	8,06,450	--	2,40,522

(B) Capex Plan for the period FY 2022-23 to FY 2025-26

12. The petitioner has submitted that the capital investment plan for the period FY 2022-23 to FY 2025-26 consists of works approved under the Revamped Distribution Sector Scheme (RDSS) and works under Government of Madhya Pradesh (GoMP) Schemes to be implemented under budgetary allocation of State Govt. The yearly cost outlay for the different works is shown below:

Table No. 6: Capital Investment Plan for the period FY 2022-23 to FY 2025-26 (Rs. Crore)

Sr. No.	Particulars	2022-23	2023-24	2024-25	2025-26	Total
(i)	Metering Works	641.58	719.38	2,026.37	-	3,387.33
<i>i(a)</i>	<i>Consumer Metering Works</i>	<i>613.46</i>	<i>446.85</i>	<i>2,026.37</i>	-	<i>3,086.67</i>
<i>i(b)</i>	<i>DT Metering Works</i>	<i>28.13</i>	<i>272.53</i>	-	-	<i>300.66</i>
(ii)	Distribution Infrastructure works for loss reduction	1,153.82	1,076.47	1,240.53	-	3,470.81
(iii)	Distribution Infrastructure works for modernisation	-	738.05	678.43	812.55	2,229.03
(A)	Sub-Total (RDSS)	1,795.40	2,533.90	3,945.32	812.55	9,087.17

Sr. No.	Particulars	2022-23	2023-24	2024-25	2025-26	Total
(B)	PMA for smart metering works					12.70
(C)	PMA for Loss reduction work					52.07
(D)	PMA for Modernization work					33.44
(E)	Sub-Total (RDSS including PMA Charges)					9,185.38
(iv)	Government schemes (ST(N), TSP, SCSP)	120	160	-	-	280.36
(F)	GRAND TOTAL	1,915.40	2,693.90	3,945.32	812.55	9,466

13. As per sanctioned letter of Nodal Agency, PFC dated 17/03/2022 in regard to ‘financial assistance in the implementation of RDSS’ and GoMP letter dated 30/05/2022 regarding ‘approval of Action Plan of State’s Distribution Licensees under RDSS issued by GoI’, Capex of Rs. 9185.38 Crore has been approved which includes works of Rs. 9087.17 Crore and PMA Charges of Rs. 98.21 Crore. Annexure E of aforesaid sanctioned letter dated 17/03/2022 provides ‘General Terms and Conditions Applicable for Availing Financial Assistance under Revamped Distribution Sector Scheme’

(A) For smart metering works, financial support under scheme shall be as under:

- a) 15% of sanction cost limited up to Rs.900 per meter for Consumer metering would be provided as grant by Government of India;
- b) The implementation of the metering scheme is proposed through PPP on TOTEX (Capex + Opex) mode. State Government/DISCOM may also provide budgetary support in TOTEX mode.
- c) An incentive of 7.5% of the cost per consumer meter worked out for the whole project or Rs. 450 per consumer meter whichever is lower, would be provided for prepaid Smart meters installed within the targeted timeline of first phase mission i.e., by December, 2023.

(B) For Distribution infrastructure works,

- a) The grant shall be restricted to 60% while balance 40% of sanction cost shall be either loan from Financial Institutions (REC/PFC or MDBs) or own funds of State Government.
- b) It is pertinent to mention that vide letter dated 30/05/22 of State Govt., it is stated that for

funding balance 40% of sanctioned cost for Distribution infrastructure works, State Govt. shall provide the loan and if required, it shall also provide necessary guarantee to financial institutions to avail loan in this regard.

14. The Government schemes (ST(N), TSP, SCSP)

- (a) The Petitioner has submitted works of Rs. 280.36 Crore under State Government Scheme to be funded through budgetary support of State Govt. These include Upgradation of 33/11 kV sub-station, laying of 33kV and 11kV lines, laying of LT Line with Cable, purchase of new DTRs, augmentation of DTRs and Replacement of unserviceable Asset of more than 25 Years. The detailed description of works to be carries out is provided below:

Table No. 7: Strengthening of Sub-Transmission & Distribution (SSTD) Works under GoMP Scheme proposed to be carried out during FY 2022-23 and FY 2023-24

Works	Unit	Proposed Quantity
Upgradation of 33/11 kV S/s	Nos.	200
33 kV Line	Km	70
11 kV line	Km	160.3
DTR New & augmentation	No.	2860
LT Line with Cable	Km	114.55
Replacement of unserviceable Asset of more than 25 Years (DTRs, 33 KV, 11 KV line etc.)– Lum sum amount	Rs. Cr	160.0
Total Outlay	Rs. Cr	280.36

- (b) The Petitioner submitted that the works under SSTD for FY 2023-24 has been proposed in anticipation of Budget allocation. The actual work(s) would be finalized after Budget allocation made by GoMP.

Commission’s observations and findings:

15. The Commission has noted that the Government of India has launched Revamped Distribution Sector Scheme (RDSS) with an objective of improving quality, reliability and affordability of Power Supply to consumer through a financially sustainable and operationally efficient distribution sector. The scheme has targeted to reduce AT&C losses to pan-India levels of 12-15% and to reduce ACS & ARR gap to zero by FY 2024-25. This scheme is reforms based and result linked. One of the components of the scheme is meterisation through smart and prepaid meters. The Scheme provides financial assistance to the participant States for implementing

projects to be covered under this scheme. Government of India is partially financing meterisation program under the scheme.

16. The Commission has also taken cognizance of the fact that subsequent to approval of RDSS scheme vide letter 17/03/2022, wherein, the ACS-ARR Gap was specified as Rs. (-) 0.10/kWh for FY 2024-25, the State Government has further requested the monitoring committee to revise the same as Rs. 0.20/kWh in light of the fact that it would be difficult to achieve the targets considering the topography of region and consumer mix of Discom. Having considered the request made by State Government, the competent authority vide letter dated 22/09/2022 revised the ACS-ARR gap as follows:

Table No. 8: Revised ACS-ARR Gap for FY 25

Discom Name	Unit	Base year and Baseline Values (FY2021)	Targets				Proposed Correction
			FY 22	FY 23	FY 24	FY 25	FY 25
MP-East Discom	Rs/kWh	1.77	1.62	1.04	0.8	(-)0.10	(+) 0.20

17. The Commission observed that as per Petitioner submission under RDSS scheme, a total outlay of Rs 6922.9 Crore has been sanctioned vide letter dated 17/03/2022 from competent authority comprising project cost as per following details:

Table No. 9: Approved Project Cost and GoI Grant Sanctioned under RDSS Scheme (Rs. Crore)

Sr. No.	Grant No.	Name of the Project	Approved Project Cost	GoI Grant Sanctioned	Additional Incentive (GoI Grant)
1	20981001	RDSS Smart Metering Works	3,387.33	508.10	51.36
2	20984S01	RDSS PMA Grant for Smart Metering Works	12.70	7.62	NA
		TOTAL	3,400.03	515.72	51.36
1	20982001	RDSS Loss Reduction Works	3,470.81	2,082.49	NA
2	20984L01	RDSS PMA Grant for Loss Reduction Works	52.06	31.24	NA
		TOTAL	3,522.87	2,113.73	NA
		Grand Total	6922.9	2629.45	

18. Petitioner has also submitted that, Govt of Madhya Pradesh vide their letter dated 30/05/2022 has also granted approval of Rs 2229 Crore towards Distribution Infrastructure works for

modernisation and PMA charges of Rs 33.44 Crore (i.e., 1.5% of project cost as per clause no 5 of Annexure E of sanctioned letter of PFC dated 17.03.22).

19. Further, Petitioner has sought approval of Rs 280.36 Crore towards SSTD works viz. Government schemes (ST(N), TSP, SCSP) to be allocated by GoMP as per budget allocation in anticipation. Accordingly, the petitioner has sought approval of total outlay of Rs 9466 Crore. Year wise capital expenditure plan for various works during plan period are as under:

Table No. 10: Capital Investment Plan for the period FY 2022-23 to FY 2025-26 (Rs. Crore)

Sr. No.	Particulars	2022-23	2023-24	2024-25	2025-26	Total	
(i)	Metering Works	641.58	719.38	2,026.37	-	3,387.33	
<i>i(a)</i>	<i>Consumer Metering Works</i>	<i>613.46</i>	<i>446.85</i>	<i>2,026.37</i>	-	<i>3,086.67</i>	
<i>i(b)</i>	<i>DT Metering Works</i>	<i>28.13</i>	<i>272.53</i>	-	-	<i>300.66</i>	
(ii)	Distribution Infrastructure works for loss reduction	1,153.82	1,076.47	1,240.53	-	3,470.81	
(iii)	Distribution Infrastructure works for modernisation	-	738.05	678.43	812.55	2,229.03	
(A)	Sub-Total (RDSS)	1,795.40	2,533.90	3,945.32	812.55	9,087.17	
(B)	PMA for smart metering works						12.70
(C)	PMA for Loss reduction work						52.07
(D)	PMA for Modernization work						33.44
(E)	Sub-Total (RDSS including PMA Charges)						9,185.38
(iv)	Government schemes (ST(N), TSP, SCSP)	120	160	-	-	280.36	
(F)	GRAND TOTAL	1,915.40	2,693.90	3,945.32	812.55	9,466	

20. The petitioner has submitted the circle wise and Discom wise physical and financial targets of proposed works along with cost benefit analysis. In respect of metering works, the timeline for meterisation as per sanctioned letter is summarized below: -

Table No. 11: Timeline for meterisation as per Sanction letter dated 17.03.2022

Particular	As per Sanction Letter dated 17.03.2022 issued by the Competent Authority
Consumer Metering	
Phase - 1	

Particular	As per Sanction Letter dated 17.03.2022 issued by the Competent Authority
All Division of AMRUT cities, with AT&C > 15%	December-2023
Urban Division with >50% Urban consumers & AT&C >15%	December-2023
Other Divisions with AT&C > 25% in base year	December-2023
Industrial and Commercial consumers	December-2023
All Government offices at Block level and above	December-2023
Phase - 2	
Urban Divisions with 50% Urban consumers & AT&C ≤ 15%	March-2025
All Other Division with AT&C ≤ 25% in base year	March-2025
DT Metering	
Phase – 1 Areas	March-2023
Phase – 2 Areas	December-2023

21. The RDSS plan envisages to ensure that Discom, timely adopts all suitable measures to meet the prequalifying criteria and to score at least 60% marks on the agreed Result Evaluation Matrix. As per scheme, if by the end of year 2025-26, it is found that the DISCOM is not eligible for release of any grant, the initial advance of 10% of the grant component of the cost of DPR for Loss Reduction will have to be refunded by the DISCOM. In view of above, the Commission hereby directs the Petitioner to adhere to the timeline prescribed by the Central Government for smart metering under phase 1 and 2 of RDSS Scheme communicated vide their letter dated 17/03/2022.
22. The Commission has observed that the Monitoring Committee vide sanction letter dated 17.03.2022 has prescribed the year wise target from FY 2021-22 to FY 2024-25, under Result Evaluation Matrix (REM) for Discom to be evaluated under parameters such as Financial Stability with 60% weightage, Outcomes of Infrastructure works (20% weightage), Infrastructure Works (10% weightage) and Policy and Structural Reforms (10% weightage) respectively as per Annexure A of aforesaid letter.
23. The Commission further observed that while it is necessary to invest in the Distribution network for bringing in operational efficiencies, it is also important to evaluate the impact of such investment in terms of its financial returns. The Petitioner should strive at offsetting the burden of investments by additional financial benefits and thereby reduce the impact on Tariff and pass

on the benefit to Consumers. The Commission, therefore, directs the Petitioner that outcome of the CAPEX be monitored closely and that the envisaged results through the CAPEX are met in a timely manner.

24. In view of the aforesaid observations, the Commission accords in-principle approval to the proposed Capex plan of Rs.9466 Crore for the period FY2022-23 to FY2025-26 filed by the petitioner in subject petition on the condition that admissibility of such investment in ARR of respective True up petition of petitioner for FY2022-23 to FY25-26 would be subject to prudence check and on account of physical & financial benefits accrued against targets. The servicing of debt, depreciation, return on equity included in the said investment would be permissible in the ARR to such extent only as considered by the Commission and does not adversely affect the interest of the consumers and only after such assets are capitalized and put to use. However, as far as AT&C loss trajectory approved under RDSS is concerned, the Commission has already notified Distribution Loss trajectory upto FY 2026-27 in MYT Tariff Regulations. This notified trajectory is applicable for retail supply tariff determination. Therefore, AT&C loss trajectory under approved RDSS shall be considered only for allowing capital works under Capex Plan. Discom should make all out efforts to achieve normative Distribution Loss trajectory by effective metering and billing process and vigorous checking.
25. Further, as per Order dated 06.12.2021 in Petition No. 11/2021, the Commission had approved Capex of Rs. 845 Crore for FY 2021-22. In response to the data gap the petitioner has informed that against the Rs 845 Crore, it could implement the works to extent of Rs. 93 Crore only. This includes works of Rs. 77 Crore under Govt Schemes (ST(N), TSP, SCSP) and works of Rs. 16 Crore under the Scheme for replacement of stop/defective meters. The Commission expressed its displeasure for not utilizing the Capex allocated during FY 2021-22. The Commission, therefore decided to allow only Rs. 93 Crore under capex for FY21-22 to be considered in respective True up.
26. With the above directions, the petition stands disposed of.

(Gopal Srivastava)
Member (Law)

(Mukul Dhariwal)
Member

(S.P.S Parihar)
Chairman