

Summary

Petition filed by TPL before Hon'ble GERC vide Case No. 2180/2023

Torrent Power Limited-Surat Supply Area (TPL-D(S))

Background

- 1.1 As per the provisions of the GERC (Multi Year Tariff) Regulations, 2016, TPL-D(S) has filed the petition before the Hon'ble Commission for approval of:
- a) Truing up of ARR for FY 2021-22 and sharing of gains/losses on account of controllable/un-controllable factors,
 - b) Determination of ARR for FY 2023-24,
 - c) Determination of Gap/(Surplus) for FY 2023-24, and
 - d) Determination of tariff for FY 2023-24

True Up for FY 2021-22

- 1.2 The Hon'ble Commission had approved the ARR for FY 2021-22 for TPL-D (S) as per the Order dated 31st March, 2021 in Case No. 1927/2021. This was based on the projections for FY 2021-22. The ARR approval is subject to truing up based on the actual data for FY 2021-22.
- 1.3 TPL-D(S), for the purpose of truing up in accordance with the GERC (Multi Year Tariff) Regulations, 2016, has submitted the petition on the basis of the Hon'ble Commission's order dated 31st March, 2021 in Case No. 1927/2021.
- 1.4 TPL-D(S) has considered the following parameters for truing up of ARR:
- a) Variation in power purchase cost due to variation in power purchase mix, quantity and price.
 - b) Variation in fixed cost such as O&M expense, interest expenses, Depreciation, Return on Equity, Bad debts written off, Income Tax, and Non-Tariff Income.
 - c) Sharing of gains/ losses considering controllable & uncontrollable factors.

- 1.5 The energy requirement is based on the actual sales and the actual T&D losses for FY 2021-22. The sale for Surat Supply Area was 3,337.03 MU. The actual distribution loss achieved for FY 2021-22 was 3.38%.
- 1.6 The trued up ARR has been arrived at by considering the actual expenses vis-à-vis approved expenses as per the order dated 31st March, 2021 vide Case No. 1927/2021. The variation in power purchase cost on account of price, quantity and mix is uncontrollable and passed on in the ARR. However, the variation in expenses to the extent of variation in efficiency parameter is controllable and a portion of the gain/loss is to be added to the approved ARR based on the sharing of gains/losses mechanism specified in the GERC (Multi Year Tariff) Regulations, 2016. The decrease in distribution loss is treated in accordance with the GERC (Multi Year Tariff) Regulations, 2016.
- 1.7 The fixed cost items of Surat Supply Area, such as, O&M expenses, Interest expense, Depreciation, Bad debts, Return on Equity, Income Tax and Non-Tariff Income is trued-up based on the classification of controllable/un-controllable factors for each item head as applicable. Accordingly, the sharing of gains/losses has been arrived at and the trued-up ARR is worked out. The trued-up ARR thus worked out is shown in the table below:

Table 1: True-Up of ARR of Surat Supply Area for FY 2021-22

All figures in Rs. Crore		
ARR as per order	(a)	2,038.61
Gains/ (Losses) due to Uncontrollable Factors	(b)	(323.28)
Gains/ (Losses) due to Controllable Factors	(c)	21.83
Pass through as Tariff	d= -(b+1/3rd of c)	316.00
Trued Up ARR	e=a+d	2,354.61

- 1.8 TPL-D(S) states that the revenue towards recovery of earlier years' approved Gap/ (Surplus), has been considered Rs. 0.46 Crore as per the Hon'ble Commission's orders dated 31st March, 2021 read with 23rd December, 2021.
- 1.9 The summary of the gap/ (surplus) for Surat Supply area for FY 2021-22 is shown in the table below.

Table 2: Revenue Gap/ (Surplus) for Surat Supply Area for FY 2021-22

All figures in Rs. Crore	Actual
Trued-up ARR	2,354.61
Revenue from Sale of Energy	2,353.58
Less: Revenue towards recovery of Earlier Years' approved Gap/(Surplus)	0.46
Balance Revenue	2,353.12
Gap/ (Surplus)	1.50

1.10 TPL-D(S) has requested the Hon'ble Commission to approve the ARR & revenue gap/(surplus) as per the computation provided hereinabove.

ARR for FY 2023-24

1.11 The Hon'ble Commission vide its order dated 20th October, 2022 has directed the utilities to file the petition for ARR of FY 2023-24 and determination of tariff for FY 2023-24 based on the principles and methodology as provided in the GERC (Multi Year Tariff) Regulations, 2016. Accordingly, TPL-D(S) has submitted the petition for approval of the Aggregate Revenue Requirement and determination of tariff for TPL-D (S) for FY 2023-24 as per the provisions of the GERC (Multi Year Tariff) Regulations, 2016.

1.12 The ARR estimation is based on the assumptions as outlined hereunder:

- a. The energy sales forecast has been done based on the consideration of existing trends, likely scenario, conversion of residential & industrial units to commercial units, and shifting of industrial consumers due to environmental norms and associated additional cost alongwith the increase in demand due to implementation of lab growth diamond technology. Further, the negative impact of Rooftop Solar have been duly factored. In this background, TPL has projected the sales based on 6 year CAGR to reflect the current trend of growth.

- b. The O&M Expenses have been considered as a continued trajectory for Surat Supply Area for the Control Period upto FY 2023-24 as per the methodology prescribed in GERC (Multi Year Tariff) Regulations, 2016 read with earlier orders and by factoring in the existing trend.
- c. The energy requirement is proposed to be met from TPL – G (APP), SUGEN, UNOSUGEN, Renewable Energy Sources, Bilateral, and Power Exchange.
- d. The Renewable Purchase Obligation (RPO) is essentially proposed to be met through the purchase of power generated from tied up capacity of renewable sources including rooftop.
- e. The capital expenditure of Surat Supply Area includes EHV expenditure schemes, HV expenditure schemes, LT network expenditure schemes, Special projects and metering, customer care & IT, PSC, etc.
- f. Depreciation, interest on loans, interest on working capital, ROE, etc. have been computed as per the applicable Regulations.

The ARR thus computed for Surat Supply Area for FY 2023-24 is shown in the table below.

Table 3: ARR of Surat Supply Area for FY 2023-24

All Figures in Rs. Crore	FY 2023-24
Power Purchase	2,272.94
O&M expenses	152.82
Depreciation	89.35
Interest on loans	44.52
Interest on working capital	-
Interest on SD	16.39
Bad debts	0.92
Contingency reserve	0.40
RoE	117.17
Income Tax	13.25
Less: Non-tariff income	10.74
ARR	2,697.02

Revenue Gap/ (Surplus) for FY 2023-24

- 1.13 The revenue from sale of power has been computed considering the sales & existing tariff rates for different category of consumers which are detailed out in the respective formats including the FPPPA.
- 1.14 TPL-D(S) has further submitted that in the True up for FY 2020-21 and Determination of Tariff Order for FY 2022-23, the Hon'ble Commission has approved the base Power Purchase Cost at Rs. 4.88 per kWh and base FPPPA at Rs. 1.48 per kWh. As per approved FPPPA formula, any increase in power purchase cost during the year over and above base power purchase cost of Rs. 4.88 per kWh is to be recovered through FPPPA over and above base FPPPA of Rs. 1.48 per kWh on quarterly basis. As per projected ARR for FY 2023-24, the weighted average power purchase cost is worked out to Rs. 6.10 per kWh as against base power purchase cost of Rs. 4.88 per kWh. Thus, the incremental power purchase cost of Rs. 1.22 per kWh for FY 2023-24 will be recovered through revised base FPPPA which works to Rs. 2.70 per kWh. Therefore, revenue for FY 2023-24 is estimated by considering the revised FPPPA of Rs. 2.70 per kWh. Accordingly, the projected Revenue from sale of power is as under:

Table 4: Revenue from Sale of Power in FY 2023-24

All Figures in Rs. Crore	FY 2023-24
Surat Supply Area	2,769.04

- 1.15 The gap/ (surplus) is arrived at for FY 2023-24 by considering the revenue from sale of power including revenue from the revised FPPPA. The summary of revenue gap/ (surplus) for FY 2023-24 is shown in the following table.

Table 5: Revenue Gap/ (Surplus) of Surat Supply for FY 2023-24

All figures in Rs. Crore	
ARR	2,697.02
Less:	

All figures in Rs. Crore	
Revenue from sale of power at existing tariff rates including FPPPA revenue @Rs. 2.70 per kWh	2,769.04
Gap/ (Surplus)	(72.02)

TPL-D(S) has submitted to the Hon'ble Commission to consider the gap/ (surplus) as proposed by it.

- 1.16 As per the GERC (Demand Side Management) Regulations, 2012, TPL-D(S) had formulated and submitted to the Hon'ble Commission a DSM Plan for the license areas of Ahmedabad, Gandhinagar and Surat. The Hon'ble Commission has approved Rs. 5.70 Crore for Surat supply area. In this regard, TPL-D(S) has incurred Rs. 0.13 Crore during FY 2021-22. Regarding the DSM Plan for the period starting from FY 2023-24, TPL-D(S) shall approach the Hon'ble Commission separately.
- 1.17 TPL-D(S) has calculated carrying cost. TPL-D(S), therefore, requests the Hon'ble Commission to consider such outstanding amount in addition to the Gap/ (Surplus) of FY 2021-22 along with carrying cost.
- 1.18 Based on above, the total gap/(surplus) thus arrived at is shown in the following table.

Table 6: Cumulative Revenue Gap/(Surplus) for determination of tariff of Surat Supply Area for FY 2023-24

All figures in Rs. Crore	
Gap/ (Surplus) of FY 2021-22	1.50
Carrying Cost	15.61
DSM	0.13
Gap/ (Surplus) of FY 2023-24	(72.02)
Cumulative Gap/ (Surplus) to be recovered through tariff	(54.78)

- 1.19 TPL-D(S) has submitted that the cumulative gap/(surplus) of Rs. (54.78) Crore will be addressed at the time of truing up of FY 2023-24.
- 1.20 Further, TPL-D(S) has proposed to recover the Gap/Carrying cost for matters pending with Hon'ble GERC / APTEL by way of additional Regulatory Charge.

1.21 TPL-D(S) has also submitted that it is in receipt of representation regarding introduction of “Green Tariff” in its license areas. However, the methodology for determination of “Green Tariff” is required to be determined by the Hon’ble Commission. Hence, for FY 2023-24, TPL-D(S) has proposed “Green Tariff” of Rs. 1.50 per unit.