

## Summary

### Petition filed by TPL before Hon'ble GERC vide Case No.1764/2018

#### Torrent Power Limited-Ahmedabad Supply Area

##### Background

- 1.1 As per the provisions of the MYT Regulations, 2016, TPL has filed this petition before the Hon'ble Commission for approval of
- a) Truing up of ARR for FY 2017-18 and sharing of gains/losses on account of controllable/un-controllable factors,
  - b) Mid-term Review of FY 2019-20 and FY 2020-21,
  - c) Determination of Gap/(Surplus) for FY 2019-20, and
  - d) Determination of tariff for FY 2019-20

##### True Up for FY 2017-18

- 1.2 The Hon'ble Commission had approved the ARR for FY 2017-18 for TPL-D (A) as per the MYT order in Case No. 1627 of 2016 dated 9<sup>th</sup> June, 2017. This was based on the projections for FY 2017-18. The ARR approval is subject to truing up based on the actual data for FY 2017-18.
- 1.3 TPL, for the purpose of truing up in accordance with the MYT Regulations, 2016, has filed this petition on the basis of the Hon'ble Commission's MYT order in Case No. 1627 of 2016 dated 9<sup>th</sup> June, 2017.
- 1.4 TPL 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 2017-18. The sale for Ahmedabad Supply Area was 7,460.55 MU. The actual distribution loss achieved for FY 2017-18 was 6.31%. TPL-D (A) has outperformed the distribution loss target specified by the Hon'ble Commission.
- 1.6 The ARR has been arrived at by considering the actual expenses vis-à-vis approved

expenses as per the MYT Order in Case No. 1627 of 2016 dated 9<sup>th</sup> June, 2017. 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 is to be added to the ARR based on the sharing of gains/losses mechanism specified in the MYT Regulations, 2016. There is a reduction in distribution loss for Ahmedabad supply area as compared to the approved distribution loss level. The gain on account of such reduction in distribution loss is to be shared in accordance with the MYT Regulations, 2016.

- 1.7 The fixed cost items of Ahmedabad 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 Ahmedabad Supply Area for FY 2017-18**

All figures in Rs. Crore		
ARR as per MYT order	(a)	4,514.48
Gains/ (Losses) due to Uncontrollable Factors	(b)	(353.46)
Gains/ (Losses) due to Controllable Factors	(c)	19.38
Pass through as Tariff	$d = -(b+1/3rd \text{ of } c)$	347.00
Trued Up ARR	$e = a+d$	4,861.48

- 1.8 TPL would like to state that the revenue towards recovery of earlier years' approved Gap/ (Surplus) works out to Rs. 428.08 Crore as per the Hon'ble Commission's order dated 9<sup>th</sup> June, 2017 and 25<sup>th</sup> July, 2018 for TPL-D (A). TPL further submits that it has also considered an adjustment of Rs. 1.40 Crore in this referred gap based on the outcome of the third party audit carried out by the Hon'ble Commission appointed agency.
- 1.9 TPL would like to state that the revenue towards recovery of earlier years' approved Gap/ (Surplus) does not include carrying cost which has been kept in abeyance as the matter is subjudice before the Hon'ble ATE. TPL has requested the Hon'ble Commission to allow the recovery of same as carrying cost charge with necessary adjustment due to delay in recovery of same upon decision of the Hon'ble ATE in the said proceedings.

1.10 The summary of the gap/ (surplus) for Ahmedabad Supply area for FY 2017-18 is shown in the table below.

**Table 2: Revenue Gap/ (Surplus) for Ahmedabad Supply Area for FY 2017-18**

All figures in Rs. Crore	Actual
Trued-up ARR	4,861.48
Revenue from Sale of Energy	5,113.01
Less: Revenue towards recovery of Earlier Years' approved Gap/(Surplus)	426.68
<b>Balance Revenue</b>	<b>4,686.33</b>
<b>Gap/ (Surplus)</b>	<b>175.16</b>

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

**Revised ARR of FY 2019-20 and FY 2020-21 based on Mid-term Review**

1.12 TPL has revised the sales estimates based on the recent sales trends. The revised sales estimates for each category of tariff are detailed in the Petition. The summary of revised estimates is furnished in the following table:

**Table 3: Energy Sales for Ahmedabad Supply Area in FY 2019-20 and FY 2020-21 (In MUs)**

Category	FY 2019-20	FY 2020-21
Sales	8,145.79	8,480.99

1.13 Based on above sales estimates, TPL has arrived at the revised energy requirement. To meet this energy requirement, TPL has prepared the revised power procurement plan. While revising the power procurement plan, TPL has given due consideration to the availability of power from MYT approved sources and actual cost incurred.

1.14 TPL has also revised the Capital Investment Plan based on the infrastructural developments in the twin cities of Ahmedabad/Gandhinagar and requirement of additional supply points to enhance the import capacity. TPL has exercised due diligence while revising the capital investment plan to cater to the demand of the consumers.

1.15 The revised sales estimates, revised power procurement plan, revision in capital investment plan and its resultant effect on each component of ARR for FY 2019-20 & FY 2020-21 has been detailed in the petition. The summary of MYT approved ARR

and revised estimates of ARR for FY 2019-20 and FY 2020-21 is shown in the following table.

**Table 4: Revised ARR of Ahmedabad Supply Area for FY 2019-20 and FY 2020-21**

All Figures in Rs. Crore	FY 2019-20		FY 2020-21	
	MYT Order	Revised Estimates	MYT Order	Revised Estimates
Power Purchase	4,182.04	4,966.48	4,444.09	5,126.35
O&M expenses	324.42	343.76	342.97	363.42
Interest on loans	82.34	177.22	76.34	227.62
Interest on SD	58.85	45.34	64.22	49.67
Interest on working capital	-	-	-	-
Depreciation	204.56	266.27	216.02	324.66
Bad debts written off	4.92	4.92	4.92	4.92
Contingency reserve	0.60	0.60	0.60	0.60
RoE	221.95	297.97	230.77	350.46
Tax	97.80	83.41	97.80	83.41
Less: Non-tariff income	103.31	54.93	109.14	57.82
<b>ARR</b>	<b>5,074.17</b>	<b>6,131.05</b>	<b>5,368.59</b>	<b>6,473.28</b>

1.16 TPL has submitted to the Hon'ble Commission to approve the revised ARR for FY 2019-20 and FY 2020-21 as proposed by it.

#### **Gap/ (Surplus) Analysis for FY 2019-20**

1.17 The gap/ (surplus) is arrived at for FY 2019-20 by considering the revised ARR for FY 2019-20 and the revenue from sale of power including revenue from the existing FPPPA rate and revenue from OA consumers. The summary of revenue gap/ (surplus) for FY 2019-20 is shown in the following table.

**Table 5: Revenue Gap/ (Surplus) of Ahmedabad Supply for FY 2019-20**

All figures in Rs. Crore	
<b>ARR</b>	6,131.05
Less:	
Revenue from sale of power at existing tariff rates including FPPPA revenue @Rs. 2.09 per unit	5,952.94
Revenue from Open Access Charges	10.80
<b>Gap/ (Surplus)</b>	<b>167.31</b>

TPL has considered the gap/ (surplus) as proposed by it.

- 1.18 As per the GERC (Demand Side Management) Regulations, 2012, TPL 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. 4.45 Crore for Ahmedabad supply area. TPL submits that it has not incurred any expenses towards the DELP program as it has yet not received any invoices. Accordingly, during FY 2017-18, TPL has not incurred any expenditure towards DSM.
- 1.19 TPL has calculated carrying cost for the Gap/ (Surplus) of FY 2017-18 including pending claims which works out to Rs. 109 Crore for TPL-D (A) as per the methodology approved/specified by the Hon'ble Commission. TPL, therefore, requests the Hon'ble Commission to consider the aforementioned outstanding amount in addition to the Gap/ (Surplus) of FY 2017-18 & FY 2019-20 for the purpose of determination of tariff for FY 2019-20.
- 1.20 Based on the above, the total gap/(surplus) thus arrived at is Rs. 451.46 Crore. The summary of revenue gap/ (surplus) for determination of tariff FY 2019-20 is shown in the following table.

**Table 6: Cumulative Revenue Gap/(Surplus) for determination of tariff of Ahmedabad Supply Area for FY 2019-20**

All figures in Rs. Crore	
Gap/ (Surplus) of FY 2017-18	175.16
Carrying Cost	109.00
DSM	-
Gap/ (Surplus) of FY 2019-20	167.31
<b>Cumulative Gap/ (Surplus) to be recovered through tariff</b>	<b>451.46</b>

- 1.21 TPL has submitted that cumulative gap of Rs. 451.46 Crore is arising mainly on account of past years' under-recovery. Therefore, instead of seeking Tariff increase, TPL proposes to recover this cumulative gap by way of Additional Charge.
- 1.22 TPL has proposed recovery of gap by way of Additional Charge at the rate of Rs. 0.28 per unit w.e.f. 1st April, 2019 over a period of two years with necessary adjustment of cost due to deferment of recovery. Accordingly, TPL has proposed to recover about Rs. 228 Crore during FY 2019-20 and balance gap will be recovered next year.
- 1.23 TPL has proposed to merge part of existing FPPPA of Rs. 2.09 per unit to Energy

Charge. Accordingly, it has proposed to merge Rs. 1.23 per unit in the Energy Charge. However, TPL would like to clarify that this merger of part FPPPA does not lead to any increase in tariff.

- 1.24 It may kindly be noted that TPL's tariff was last increased in the year 2015-16. Since then, despite the overall inflationary pressures, TPL has been managing its costs largely through operational efficiencies. The approval of Additional Charge is essential so as to liquidate the burden of mainly past under recoveries and enable TPL to maintain and further improve its high standards of quality, reliability and customer services.

### **Prayers**

- 1.25 TPL has filed the present petition for Truing up of FY 2017-18, Mid-term Review of FY 2019-20 and FY 2020-21, and determination of tariff for FY 2019-20 for its Distribution business of Ahmedabad and Gandhinagar Supply area.
- 1.26 In view of the facts and circumstances, TPL has prayed to the Hon'ble Commission to:
- a) Admit the petition for truing up of FY 2017-18, Mid-term Review of FY 2019-20 and FY 2020-21, and determination of tariff for FY 2019-20.
  - b) Approve the trued up Gap/ (Surplus) of FY 2017-18.
  - c) Approve the sharing of gains/ losses as proposed by TPL for FY 2017-18.
  - d) Approve the revised ARR for FY 2019-20 and FY 2020-21 based on Mid-term review.
  - e) Approve the cumulative Gap/ (Surplus).
  - f) Approve the wheeling ARR and corresponding charges for wheeling of electricity with effect from 1<sup>st</sup> April, 2019.
  - g) Approve the recovery through retail tariff and/or Additional Charge as prayed for.
  - h) Allow recovery of the costs as per the Judgments of the Hon'ble Tribunal in the Appeals filed by TPL.
  - i) Allow additions/ alterations/ changes/ modifications to the petition at a future date.

- j) Permit TPL to file all necessary pleading and documents in the proceeding and documents from time to time for effective consideration of the proceeding.
- k) Allow any other relief, order or direction which the Hon'ble Commission deems fit to be issued.
- l) Condone any inadvertent omissions/ errors/ rounding off difference/ shortcomings.