

## Summary

### **Petition filed by TPL before Hon'ble GERC vide Case No.1844/2018**

#### **Torrent Power Limited - Ahmedabad-Gandhinagar Supply Area**

##### **Background**

- 1.1 As per the provisions of the GERC MYT Regulations, 2016, TPL has filed this petition before the Hon'ble Commission for approval of
  - a) Truing up of ARR for FY 2018-19 and sharing of gains/losses on account of controllable/un-controllable factors,
  - b) Determination of Gap/(Surplus) for FY 2020-21, and
  - c) Determination of tariff for FY 2020-21

##### **True Up for FY 2018-19**

- 1.2 The Hon'ble Commission had approved the ARR for FY 2018-19 for TPL-D (A) as per the order in Case No. 1627 of 2016 dated 9<sup>th</sup> June, 2017. This was based on the projections for FY 2018-19. The ARR approval is subject to truing up based on the actual data for FY 2018-19.
- 1.3 TPL, for the purpose of truing up in accordance with the GERC MYT Regulations, 2016, has submitted 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 2018-19. The sale for Ahmedabad Supply Area was 7,835.27 MU. The actual distribution loss achieved for FY 2018-19 was 5.61%. TPL-D (A) has outperformed the distribution loss target specified by the Hon'ble Commission.
- 1.6 The trued up 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 GERC 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 GERC 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 2018-19**

<b>All figures in Rs. Crore</b>		
ARR as per MYT order	(a)	4,780.68
Gains/ (Losses) due to Uncontrollable Factors	(b)	(1,091.64)
Gains/ (Losses) due to Controllable Factors	(c)	63.27
Pass through as Tariff	$d = -(b + 1/3 \text{rd of } c)$	1,070.55
Trued Up ARR	$e = a + d$	5,851.23

- 1.8 TPL would like to state that the revenue towards recovery of earlier years' approved Gap/ (Surplus), has been considered Rs. 543.43 Crore as per the Hon'ble Commission's orders dated 31st March, 2018 (read with APTEL judgement dated 4th October, 2019) and 19th August, 2019 including the corresponding impact for subsequent periods.
- 1.9 Further, recovery of earlier years' gap is adjusted by Rs. (0.58) Crore based on the observations of the third party audit carried out by the audit agency appointed by the Hon'ble Commission read with Hon'ble Commission's order dated 24th April, 2019.
- 1.10 TPL states that the tariff determination under the Electricity Act, 2003 is carried out under the principles incorporated in the Act and the Regulations. The GERC MYT Regulations specify the list of items to be considered for ARR of a distribution licensee. However, the delayed payment charges of FY 16-17 were considered in the tariff determination process but inadvertently given an erroneous treatment

contrary to the applicable Regulations. Therefore, TPL has humbly requested the Hon'ble Commission to allow the correct treatment of Rs. 8.94 Crore in the earlier years' gap, in accordance with the Statutory Regulations as applicable.

- 1.11 Based on the above, the summary of the gap/ (surplus) for Ahmedabad Supply area for FY 2018-19 is shown in the table below.

**Table 2: Revenue Gap/ (Surplus) for Ahmedabad Supply Area for FY 2018-19**

All figures in Rs. Crore	Actual
Trued-up ARR	5,851.23
Revenue from Sale of Energy	5,624.47
Less: Revenue towards recovery of Earlier Years' approved Gap/(Surplus)	543.43
<b>Balance Revenue</b>	<b>5,081.04</b>
<b>Gap/ (Surplus)</b>	<b>770.19</b>

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

#### **ARR of FY 2020-21**

- 1.13 The Hon'ble Commission has approved the ARR of FY 2020-21 vide its order dated 24<sup>th</sup> April, 2019 in Case No. 1764/2018. Accordingly, TPL has considered the ARR of FY 2020-21 as shown in the following table.

**Table 3: ARR of Ahmedabad Supply Area for FY 2020-21**

All Figures in Rs. Crore	FY 2020-21
Power Purchase	4,343.92
O&M expenses	342.97
Depreciation	212.81
Interest on loans	156.68
Interest on SD	49.67
Interest on working capital	-
Bad debts	4.70
Contingency reserve	0.60
RoE	292.96
Income Tax	83.40
<b>Less: Non-tariff income</b>	<b>57.82</b>

All Figures in Rs. Crore	FY 2020-21
<b>ARR</b>	<b>5,429.89</b>

### Gap/ (Surplus) Analysis for FY 2020-21

1.14 The gap/ (surplus) is arrived at for FY 2020-21 by considering the revenue from sale of power including revenue from the base FPPPA and revenue from OA consumers. The summary of revenue gap/ (surplus) for FY 2020-21 is shown in the following table.

**Table 4: Revenue Gap/ (Surplus) of Ahmedabad Supply for FY 2020-21**

All figures in Rs. Crore	
<b>ARR</b>	5,429.89
Less:	
Revenue from sale of power at existing tariff rates including FPPPA revenue @Rs. 1.38 per unit	5,590.41
Revenue from Open Access Charges	10.70
<b>Gap/ (Surplus)</b>	<b>(171.22)</b>

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

- 1.15 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 has submitted that it has not incurred any expense towards the DELP program during FY 2018-19 as no invoices were received. Accordingly, no expenses are incurred under the head of DSM.
- 1.16 TPL has submitted that there has been an increase in Employee expenses owing to change in law resulting in variation in the employee expenses. The Government of India issued a Notification dated 29<sup>th</sup> March, 2018, amending the Payment of Gratuity Act, 1972, inter alia increasing ceiling of gratuity to Rs. 20 lakhs from Rs. 10 lakhs. TPL therefore has submitted that the said notification is a change in law in terms of Regulations 2(15) of the GERC MYT Regulations, 2016. Accordingly, TPL has requested the Hon'ble Commission to allow the consequential effect on account of change in law as uncontrollable in addition to the tried up ARR of FY 2018-19 of TPL-D (A).

- 1.17 TPL has calculated carrying cost for the Gap/ (Surplus) of FY 2018-19 including pending claims which works out to Rs. 164.20 Crore for TPL-D (A) as per the methodology approved/specified by the Hon'ble Commission. TPL, therefore, has requested the Hon'ble Commission to consider the aforementioned outstanding amount in addition to the Gap/ (Surplus) of FY 2018-19 & FY 2020-21 for the purpose of determination of tariff for FY 2020-21.
- 1.18 TPL has submitted that the carrying cost of past periods kept in abeyance by the Hon'ble Commission should be allowed to be recovered as carrying cost charge upon decision of the Hon'ble ATE.
- 1.19 Based on above, the total gap/(surplus) thus arrived at is Rs. 772.43 Crore. The summary of revenue gap/ (surplus) for determination of tariff FY 2020-21 is shown in the following table.

**Table 5: Cumulative Revenue Gap/(Surplus) for determination of tariff of Ahmedabad Supply Area for FY 2020-21**

<b>All figures in Rs. Crore</b>	
Gap/ (Surplus) of FY 2018-19	770.19
Carrying Cost	164.20
DSM	-
Impact of change in law pertaining to FY 2017-18	9.26
Gap/ (Surplus) of FY 2020-21	(171.22)
<b>Cumulative Gap/ (Surplus) to be recovered through tariff</b>	<b>772.43</b>

- 1.20 The recovery of the said cumulative gap of Rs. 772.43 Crore would have necessitated higher increase in tariff during FY 2020-21. However, in order to insulate the consumers from the cumulative impact of the past under-recoveries in a single year, TPL has proposed to recover part of the cumulative gap by increase in tariff of Rs. 0.21 per unit only. TPL has further proposed to spread the recovery of the balance cumulative gap with effect from 1<sup>st</sup> April, 2020 by way of Regulatory Charge @ Rs. 0.35 per unit over a period of two years with necessary adjustment of cost due to deferment of recovery.
- 1.21 It may kindly be noted that the 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 tariff revision and regulatory charge is essential so as to liquidate under recoveries and enable TPL to maintain and further improve its high standards of quality, reliability and customer

services.

1.22 The proposed changes in tariff schedule is summarized at **Annexure-1**.

### **Prayers**

1.23 TPL has filed the present petition for Truing up of FY 2018-19 and determination of tariff for FY 2020-21 for its Distribution business of Ahmedabad and Gandhinagar Supply area.

1.24 In view of the facts and circumstances, TPL has prayed to the Hon'ble Commission that it may be pleased to:

- a) Admit the petition for truing up of FY 2018-19 and determination of tariff for FY 2020-21.
- b) Approve the trued up Gap/ (Surplus) of FY 2018-19.
- c) Approve the sharing of gains/ losses as proposed by TPL for FY 2018-19.
- d) Approve the cumulative Gap/ (Surplus).
- e) Approve the wheeling ARR and corresponding charges for wheeling of electricity with effect from 1<sup>st</sup> April, 2020.
- f) Allow recovery on account of change in law and delayed payment charges as set out in the present Petition.
- g) Approve the recovery through retail tariff and/or Regulatory 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.

## Proposed Tariff for Ahmedabad-Gandhinagar Licence Area

Sr. No.	Category	Fixed Charge
1.	<b>RGP</b> i. Residential purpose; and ii. Installations having connected load upto & including 15 kW for common services like elevators, water pumping systems, passage lighting in Residential premises and Pumping stations run by local authorities	<b>Other than BPL consumers</b> <b>Single phase supply</b> Rs. 35 per month per installation <b>Three phase supply upto 15KW</b> Rs. 75 per month per installation <b>Three Phase Supply above 15 kW for Residential purpose</b> Rs.10 per kW per month
2.	<b>GLP</b> Applicable for supply of electricity to 'other than residential' premises used for charitable purposes	<b>Single phase supply</b> Rs. 50 per month per installation <b>Three phase supply</b> Rs. 100 per month per installation
3.	<b>Non-RGP</b> (Supply of electricity to premises which are not covered in any other LT tariff categories, upto and including 15kW of connected load.)	<b>For Connected Load upto and including 5 kW</b> Rs. 75 per kW per month <b>For Connected Load more than 5 kW and upto 15 kW</b> Rs. 95 per kW per month
4.	<b>LTMD-1</b> (Supply of electricity to installations above 15 kW of connected load used for common services like elevators, water pumping system and passage lighting for residential purposes and pumping stations run by local authorities)	<b>Billing Demand upto and including Contract Demand</b> <b>First 50 kW</b> Rs. 165 per kW per month <b>Next 30 kW</b> Rs. 195 per kW per month <b>Rest of Billing demand</b> Rs. 255 per kW per month <b>In excess of Contract Demand</b> Rs. 400 per kW per month
5.	<b>LTMD-2</b> (Supply of electricity to premises not covered in any other LT tariff categories and having connected load above 15kW)	<b>Billing Demand upto and including Contract Demand</b> <b>First 50 kW</b> Rs. 185 per kW per month <b>Next 30 kW</b> Rs. 245 per kW per month <b>Rest of Billing demand</b> Rs. 315 per kW per month <b>In excess of Contract Demand</b> Rs. 475 per kW per month

Sr. No.	Category	Fixed Charge
6.	<b>HTMD-1</b> (Contract Demand of 100 kW and above for purpose other than pumping stations run by local authorities)	<b>Billing Demand upto and including Contract Demand</b> <b>Upto 1000 KW</b> Rs. 275 per kW per month <b>1000 KW and above</b> Rs. 350 per kW per month <b>In Excess of Contract Demand</b> Rs. 435 per kW per month
7.	<b>HTMD-2</b> (Contract Demand of 100 kW and above for Water and Sewage pumping stations run by local authorities)	<b>Billing Demand upto and including Contract Demand</b> Rs. 235 per kW per month <b>In Excess of Contract Demand</b> Rs. 335 per kW per month
8.	<b>HTMD-METRO Traction</b> (Contract Demand of 100 kW and above for Metro Traction)	<b>Billing Demand upto and including Contract Demand</b> Rs. 350 per kW per month <b>In Excess of Contract Demand</b> Rs. 400 per kW per month

- a) **Energy Charges:** TPL has proposed no change in Energy Charges of BPL consumers upto 30 units and HT Metro Traction Tariff Category; whereas for RGP category, it is proposed to increase Energy Charge by Rs. 0.10 per unit for first 50 units. For all other categories and slabs, Energy Charges have been proposed to be increased by Rs. 0.15 per unit.
- b) **Regulatory Charge:** TPL has proposed Regulatory Charge of Rs. 0.35 per unit.
- c) **Open Access Charges:** TPL has proposed to determine the wheeling charges and cross-subsidy surcharge applicable to Open Access consumers.