

Summary

Petition filed by TPL before Hon'ble GERC vide Case no. 1845/2019

Torrent Power Limited – Surat 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 (S) as per the MYT order in Case No. 1628 of 2016 dated 9th 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. 1628 of 2016 dated 9th 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 Surat Supply Area was 3,276.15 MU. The actual distribution loss achieved for FY 2018-19 was 3.43%. TPL-D (S) 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. 1628 of 2016 dated 9th 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/loss 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 Surat 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 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 2018-19

All figures in Rs. Crore		
ARR as per MYT order	(a)	2,021.30
Gains/ (Losses) due to Uncontrollable Factors	(b)	(321.56)
Gains/ (Losses) due to Controllable Factors	(c)	12.11
Pass through as Tariff	$d = -(b + 1/3 \text{rd of } c)$	317.52
Trued Up ARR	$e = a + d$	2,338.82

- 1.8 TPL would like to state that the revenue towards recovery of earlier years' approved Gap/ (Surplus) including carrying cost works out to Rs. 113.62 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. (0.32) 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. 2.91 Crore in the earlier years' gap, in accordance with the Statutory Regulations as applicable.

- 1.11 The summary of the gap/ (surplus) for Surat Supply area for FY 2018-19 is shown in the table below.

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

All figures in Rs. Crore	Actual
Trued-up ARR	2,338.82
Revenue from Sale of Energy	2,279.66
Less: Revenue towards recovery of Earlier Years' approved Gap/(Surplus)	113.62
Balance Revenue	2,166.04
Gap/ (Surplus)	172.78

- 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 24th April, 2019 in Case No. 1765/2018. Accordingly, TPL has considered the ARR of FY 2020-21 as shown in the following table.

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

All Figures in Rs. Crore	FY 20-21
Power Purchase	1,745.15
O&M expenses	140.94
Interest on loans	32.06
Interest on SD	19.34
Interest on working capital	-
Depreciation	57.87
Bad debts written off	0.39
Contingency reserve	0.40
RoE	97.05
Tax	39.68
Less: Non-tariff income	23.85

All Figures in Rs. Crore	FY 20-21
ARR	2,109.03

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. The summary of revenue gap/ (surplus) for FY 2020-21 is shown in the following table.

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

All figures in Rs. Crore	
ARR	2,109.03
Less:	
Revenue from sale of power at existing tariff rates including FPPPA revenue @Rs. 1.38 per unit	2,247.83
Gap/ (Surplus)	(138.80)

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. 5.70 Crore for Surat supply area. In this regard, TPL has incurred the expense of Rs. 0.14 Crore during FY 2018-19. TPL has submitted that it has not incurred any expense towards the DELP program during FY 2018-19 as no invoices were received.
- 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 29th 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 trued up ARR of FY 2018-19 of TPL-D (S).
- 1.17 TPL has calculated carrying cost for the Gap/ (Surplus) of FY 2018-19 including pending claims which works out to Rs. 35.99 Crore for TPL-D (S) 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. 71.99 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 Surat Supply Area for FY 2020-21

All figures in Rs. Crore	
Gap/ (Surplus) of FY 2018-19	172.78
Carrying Cost	35.99
DSM	0.14
Impact of change in law pertaining to FY 2017-18	1.88
Gap/ (Surplus) of FY 2020-21	(138.80)
Cumulative Gap/ (Surplus) to be recovered through tariff	71.99

- 1.20 TPL has proposed to recover the cumulative gap of Rs. 71.99 Crore, with effect from 1st April, 2020, by way of tariff revision of Rs. 0.21 per unit during FY 2020-21.
- 1.21 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 tariff revision is essential so as to liquidate under recoveries and enable the 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 Surat 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 the 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 1st 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 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 Surat Licence Area

Sr. No.	Category	Fixed Charge
1.	RGP Residential premises; I. Single-phase supply: Aggregate load up to 6 kW II. Three-phase supply: Aggregate load above 6 kW	Other than BPL consumers Single phase supply Rs. 35 per month per installation Three phase supply upto 15kW Rs. 75 per month per installation Three phase supply above 15kW Rs. 10 per kW per month
2.	GLP	Single phase supply Rs. 55 per month per installation Three phase supply Rs. 100 per month per installation
3.	Non-RGP (Supply of electricity to premises which are not covered in any other LT tariff categories, upto and including 15kW of connected load.)	First 10 kW Rs. 80 per kW per month Next 5 kW Rs. 95 per kW per month
4.	LTMD (Supply of electricity to premises which are not covered in any other LT Tariff categories, having connected load above 15 KW.)	Billing Demand upto and including Contract Demand Up to 20 kVA of Billing Demand Rs. 120 per kVA per month Above 20 kVA and up to 60 kVA Billing Demand Rs. 160 per kVA per month Above 60 kVA of Billing Demand Rs. 240 per kVA per month In excess of Contract Demand Rs. 300 per kVA per month
5.	HTMD-1 (Contract Demand of 100 kVA and above for purpose other than pumping stations run by local authorities)	Billing Demand upto Contract Demand First 500 KVA of billing demand Rs. 180 per kVA Above 500 KVA Rs. 300 per kVA

Sr. No.	Category	Fixed Charge
		In Excess of Contract Demand Rs. 415 per KVA
6.	HTMD-2 (Contract Demand of 100 kVA and above for Water and pumping stations run by local authorities)	Billing Demand upto and including Contract Demand First 500 KVA of billing demand Rs. 145 per kVA per month Above 500 KVA Rs. 235 per kVA per month In Excess of Contract Demand Rs. 375 per kVA per month
7.	HTMD-METRO Traction (Contract Demand of 100 kVA and above for Metro Traction)	Billing Demand upto and including Contract Demand Rs. 350 per kVA per month In Excess of Contract Demand Rs. 400 per kVA per month

- a) **Energy Charges:** TPL has proposed no change in Energy Charges of BPL consumers upto 30 units; whereas for all other categories and slabs, Energy Charges have been proposed to be increased by Rs. 0.15 per unit.
- b) **Open Access Charges:** TPL has proposed to determine the wheeling charges and cross-subsidy surcharge applicable to Open Access consumers.
- c) **Energy and ToU Charges for HTMD-Metro Traction:** TPL has proposed Energy Charge for HTMD-Metro Traction at Rs. 3.45 per unit and TOU Charge of Rs. 0.45 per unit for billing demand upto 500 KVA and Rs. 0.80 per unit for billing demand above 500 KVA.
- d) **Power Factor Adjustment Charges applicable to LTMD:**
 - The rebate is provided for each 1% improvement in power factor.
 - Power Factor 90%-95% - 0.15 paise / unit
 - Power Factor above 95% - 0.27 paise / unit
 - The penalty is levied for each 1% decrease in power factor.
 - Power Factor below 90% - 4.00 paise / unit