

Summary

Petition filed by TPL before Hon'ble GERC vide Case No. 1927/2021

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

Background

- 1.1 As per the provisions of the MYT Regulations, 2016, TPL-D(S) has filed petition before the Hon'ble Commission for approval of:
- a) Truing up of ARR for FY 2019-20 and sharing of gains/losses on account of controllable/un-controllable factors,
 - b) Determination of ARR for FY 2021-22,
 - c) Determination of Gap/(Surplus) for FY 2021-22, and
 - d) Determination of tariff for FY 2021-22

True Up for FY 2019-20

- 1.2 The Hon'ble Commission had approved the revised ARR for FY 2019-20 for TPL-D (S) as per the MTR order dated 24th April, 2019 vide Case No. 1765/2018. This was based on the revised projections for FY 2019-20. The ARR approval is subject to truing up based on the actual data for FY 2019-20.
- 1.3 TPL-D(S), for the purpose of truing up in accordance with the MYT Regulations, 2016, has submitted this petition on the basis of the Hon'ble Commission's MTR order dated 24th April, 2019 in Case No. 1765/2018.
- 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 2019-20. The sale for Surat Supply Area was 3,286.01 MU. The actual distribution loss achieved for FY 2019-20 was 3.43%.

- 1.6 The trued up ARR has been arrived at by considering the actual expenses vis-à-vis approved expenses as per the MTR order dated 24th April, 2019 vide Case No. 1765/2018. 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 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 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 2019-20

All figures in Rs. Crore		
ARR as per MTR order	(a)	2,074.34
Gains/ (Losses) due to Uncontrollable Factors	(b)	(165.83)
Gains/ (Losses) due to Controllable Factors	(c)	6.12
Pass through as Tariff	$d = -(b + 1/3 \text{rd of } c)$	163.79
Trued Up ARR	$e = a + d$	2,238.13

- 1.8 TPL-D(S) would like to state that the revenue towards recovery of earlier years' approved Gap/ (Surplus) including carrying cost works out to Rs. 113.46 Crore as per the Hon'ble Commission's orders dated 24th April, 2019 and 5th September, 2020 (read with APTEL judgement dated 9th June, 2020). TPL-D(S) has submitted that the carrying cost of past periods, not allowed by the Hon'ble Commission should be allowed to be recovered in totality as per Hon'ble Tribunal's Judgment. Accordingly, same has been considered by TPL-D(S).
- 1.9 The summary of the gap/ (surplus) for Surat Supply area for FY 2019-20 is shown in the table below.

Table 2: Revenue Gap/ (Surplus) for Surat Supply Area for FY 2019-20

All figures in Rs. Crore	Actual
Trued-up ARR	2,238.13
Revenue from Sale of Energy	2,326.15
Less: Revenue towards recovery of Earlier Years' approved Gap/(Surplus)	113.46
Balance Revenue	2,212.69
Gap/ (Surplus)	25.44

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 2021-22

1.11 The Hon'ble Commission vide its order dated 22nd December, 2020 has directed the utilities to file the petition for ARR of FY 2021-22 and determination of tariff for FY 2021-22 based on the principles and methodology as provided in the MYT Regulations, 2016. Accordingly, TPL-D(S) has submitted this petition for approval of the Aggregate Revenue Requirement and determination of tariff for TPL-D (S) for FY 2021-22 as per the provisions of the MYT 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 cost would impact the energy sales. Further, the negative impact of COVID-19, as presently known, as well as Rooftop Solar have been duly factored. In this background, TPL has projected the sales based on 5 year CAGR to reflect the current trend of growth.
- b. The distribution loss and O&M Expenses have been considered as a continued trajectory for Surat Supply Area for the Control Period upto FY 2021-22.
- 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.
- e. The major capital expenditure of Surat Supply Area includes Rs. 61.20 Crore in EHV expenditure schemes, Rs. 37.40 Crore in HV expenditure schemes, Rs. 35.54 Crore in LT network expenditure schemes and a balance of Rs. 87.20 Crore in 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 2021-22 is shown in the table below.

Table 3: ARR of Surat Supply Area for FY 2021-22

All Figures in Rs. Crores	FY 2021-22
Power Purchase	1,695.22
O&M expenses	149.01
Depreciation	78.46
Interest on loans	35.59
Interest on working capital	-
Interest on SD	15.88
Bad debts	0.51
Contingency reserve	0.40
RoE	103.66
Income Tax	22.19
Less: Non-tariff income	10.24
ARR	2,090.69

Gap/ (Surplus) Analysis for FY 2021-22

- 1.13 The gap/ (surplus) is arrived at for FY 2021-22 by considering the revenue from sale of power including revenue from the base FPPPA. The summary of revenue gap/ (surplus) for FY 2021-22 is shown in the following table.

Table 4: Revenue Gap/ (Surplus) of Surat Supply for FY 2021-22

All figures in Rs. Crore	
ARR	2,090.69
Less:	
Revenue from sale of power at existing tariff rates including base FPPPA revenue @Rs. 1.38 per unit	2,100.57
Gap/ (Surplus)	(9.88)

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

- 1.14 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 the expense of Rs. 0.54 Crore during FY 2019-20 including expense towards the DELP program. Regarding the DSM Plan for the period starting from FY 2021-22, TPL-D(S) shall approach the Hon'ble Commission separately.
- 1.15 TPL-D(S) has calculated carrying cost as per the methodology approved/ specified by the Hon'ble Commission. TPL-D(S), therefore, requests the Hon'ble Commission to consider such outstanding amount in addition to the Gap/ (Surplus) of FY 2019-20 along with carrying cost as per the methodology approved/specified by the Hon'ble Commission.
- 1.16 Based on above, the total gap/(surplus) thus arrived at is Rs. 29.93 Crore. The summary of revenue gap/ (surplus) for determination of tariff FY 2021-22 is shown in the following table.

Table 5: Cumulative Revenue Gap/(Surplus) for determination of tariff of Surat Supply Area for FY 2021-22

All figures in Rs. Crore	
Gap/ (Surplus) of FY 2019-20	25.44
Carrying Cost	13.83
DSM	0.54
Gap/ (Surplus) of FY 2021-22	(9.88)

All figures in Rs. Crore	
Cumulative Gap/ (Surplus) to be recovered through tariff	29.93

- 1.17 TPL-D(S) has submitted that the cumulative gap of Rs. 29.93 Crore is arising mainly on account of past years' under-recovery. Therefore, TPL-D(S) has not proposed any increase in tariff and has proposed to recover this cumulative gap by way of time bound Regulatory Charge at the rate of Rs. 0.09 per unit during FY 2021-22.
- 1.18 It may kindly be noted that TPL-D(S)'s tariff was last increased in the year 2015-16. Since then, despite the overall inflationary pressures, TPL-D(S) has been managing its costs largely through operational efficiencies. Even for FY 2021-22, TPL-D(S) is not requesting a permanent increase in tariff and is proposing to recover the past-period under-recoveries through a Regulatory Charge. The approval of Regulatory Charge is essential so as to liquidate under recoveries and enable TPL-D(S) to maintain and further improve its high standards of quality, reliability and customer services.
- 1.19 Further, TPL-D(S) has proposed to recover the Gap/Carrying cost for matters pending with Hon'ble GERC / APTEL within the FPPPA ceiling of Rs. 2.21 per unit.

Prayers

- 1.20 TPL-D(S) has filed the present petition for Truing up of FY 2019-20, Determination of Aggregate Revenue Requirement (ARR) for FY 2021-22, and determination of tariff for FY 2021-22 for its Distribution business of Surat Supply area.
- 1.21 In view of the facts and circumstances, TPL-D(S) has prayed to the Hon'ble Commission that it may be pleased to:
- Admit the petition for truing up of FY 2019-20, Aggregate Revenue Requirement for FY 2021-22.
 - Approve the trued up Gap/ (Surplus) of FY 2019-20 including impact of change in law as set out in the petition.
 - Approve the sharing of gains/ losses as proposed by TPL-D(S) for FY 2019-20.
 - Approve the Aggregate Revenue Requirement for FY 2021-22.
 - Approve the cumulative Gap/ (Surplus).

- f) Approve the wheeling ARR and corresponding charges for wheeling of electricity with effect from 1st April, 2021.
- g) Approve the recovery of Regulatory Charge as proposed and/or through retail tariff of FY 2021-22.
- h) Allow recovery of the costs as proposed as per the Judgments/ orders of the Hon'ble Tribunal/ Hon'ble Commission in the Appeals/ Review Petitions filed by TPL-D(S).
- i) Allow additions/ alterations/ changes/ modifications to the petition at a future date.
- j) Permit TPL-D(S) 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.