

Summary

Petition filed by TPL before Hon'ble GERC vide Case No. 2324/2024

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 the petition before the Hon'ble Commission for approval of:
- a) Truing up of ARR for FY 2022-23 and sharing of gains/losses on account of controllable/un-controllable factors,
 - b) Determination of ARR for FY 2024-25,
 - c) Determination of Gap/(Surplus) for FY 2024-25, and
 - d) Determination of tariff for FY 2024-25

True Up for FY 2022-23

- 1.2. The Hon'ble Commission had approved the ARR for FY 2022-23 for TPL-D (S) as per the Order dated 31st March, 2022 in Case No. 2034/2021. This was based on the projections for FY 2022-23. The ARR approval is subject to truing up based on the actual data for FY 2022-23.
- 1.3. TPL-D(S), for the purpose of truing up in accordance with the MYT Regulations, 2016, is submitting this petition on the basis of the Hon'ble Commission's order dated 31st March, 2022 in Case No. 2034/2021.
- 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 2022-23. The sale for Surat Supply Area was 3,692.01 MU. The actual distribution loss achieved for FY 2022-23 was better than approved loss of 3.54%.

- 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, 2022 vide Case No. 2034/2021. 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 MYT Regulations, 2016. There is an improvement in distribution loss for Surat supply area as compared to the approved distribution loss level. The gain on account of such improvement 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 2022-23

All figures in Rs. Crore		
ARR as per order	(a)	2,068.83
Gains/ (Losses) due to Uncontrollable Factors	(b)	(934.60)
Gains/ (Losses) due to Controllable Factors	(c)	26.19
Pass through as Tariff	$d = -(b + 1/3 \text{rd of } c)$	925.87
Trued Up ARR	$e = a + d$	2,994.69

- 1.8. TPL-D(S) states that the revenue towards recovery of earlier years' approved Gap/ (Surplus), has been considered Rs. 129.12 Crore as per the Hon'ble Commission's orders dated 31st March, 2022 read with 1st April, 2023.
- 1.9. The summary of the gap/ (surplus) for Surat Supply area for FY 2022-23 is shown in the table below.

Table 2: Revenue Gap/ (Surplus) for Surat Supply Area for FY 2022-23

All figures in Rs. Crore	Actual
Trued-up ARR	2,994.69

All figures in Rs. Crore	Actual
Revenue from Sale of Energy	2,865.48
Less: Revenue towards recovery of Earlier Years' approved Gap/(Surplus)	129.12
Balance Revenue	2,736.36
Gap/ (Surplus)	258.33

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 2024-25

1.11. The Hon'ble Commission vide its order dated 5th December, 2023 has directed the utilities to file the petition for ARR of FY 2024-25 and determination of tariff for FY 2024-25 based on the principles and methodology as provided in the MYT 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 2024-25 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 additional cost along with the increase in demand due to implementation of lab growth diamond technology. Further, the impact of Rooftop Solar has been duly factored. In this background, TPL has projected the sales based on 7-year CAGR to reflect the current spurt in growth.
- b) The O&M Expenses have been considered as a continued trajectory for Surat Supply Area for the Control Period upto FY 2024-25 as per the methodology prescribed in MYT 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, G-TAM/G-DAM, etc.

- 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.

1.13. The ARR thus computed for Surat Supply Area for FY 2024-25 is shown in the table below.

Table 3: ARR of Surat Supply Area for FY 2024-25

All Figures in Rs. Crore	FY 2024-25
Power Purchase	2,856.66
O&M expenses	155.27
Depreciation	96.03
Interest on loans	43.74
Interest on working capital	-
Interest on SD	31.65
Bad debts	0.28
Contingency reserve	0.40
RoE	123.36
Income Tax	20.63
Less: Non-tariff income	21.18
ARR	3,306.84

Revenue Gap/ (Surplus) for FY 2024-25

1.14. 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.

- 1.15. For FY 2023-24, the Hon'ble Commission has approved the base Power Purchase Cost at Rs. 5.55 per kWh and base FPPPA at Rs. 2.17 per kWh. For FY 2024-25, the estimated weighted average power purchase cost works out to be Rs. 6.75 per kWh as against base power purchase cost of Rs. 5.55 per kWh. Thus, revised base FPPPA which works to be Rs. 3.37 per kWh factoring the adjustment in PPC. The revenue for FY 2024-25 is estimated by considering the revised base FPPPA of Rs. 3.37 per kWh. Accordingly, the projected Revenue from sale of power is as under:

Table 4: Revenue from Sale of Power in FY 2024-25

All Figures in Rs. Crore	FY 2024-25
Surat Supply Area	3,410.26

- 1.16. The gap/ (surplus) is arrived at for FY 2024-25 by considering the revenue from sale of power including revenue from the revised base FPPPA. The summary of revenue gap/ (surplus) for FY 2024-25 is shown in the following table.

Table 5: Revenue Gap/ (Surplus) of Surat Supply for FY 2024-25

All figures in Rs. Crore	
ARR	3,306.84
Less:	
Revenue from sale of power at existing tariff rates including revised base FPPPA	3,410.26
Gap/ (Surplus)	(103.42)

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

- 1.17. 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. 0.15 Crore during FY 2022-23. Regarding the DSM Plan for the period starting from FY 2024-25, TPL-D(S) shall approach the Hon'ble Commission separately.

- 1.18. TPL-D(S) has also calculated carrying cost as per the settled principle. Based on above, the total gap 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 2024-25

All figures in Rs. Crore	
Gap/ (Surplus) of FY 2022-23	258.33
Carrying Cost	51.89
DSM	0.15
Gap/ (Surplus) of FY 2024-25	(103.42)
Cumulative Gap/ (Surplus) to be recovered through tariff	206.95

- 1.19. The recovery of the said cumulative gap necessitates increase in tariff during FY 2024-25. In turn, TPL-D(S) has proposed to recover the cumulative gap by way of Regulatory Charge of Rs. 0.26 per unit over the period of 2 years starting from 1st April, 2024 along with adjustment for deferment of recovery.
- 1.20. TPL-D(S) has submitted that despite the overall inflationary pressures in general, TPL-D(S) has been managing its costs largely through operational efficiencies. For FY 2024-25, TPL-D(S) has submitted the tariff proposal as above to enable TPL-D(S) to recover the gap and to maintain and further improve its high standards of quality, reliability and customer services.
- 1.21. Further, TPL-D(S) has proposed to recover the Gap/Carrying cost for matters pending with Hon'ble GERC / APTEL by way of Regulatory Charge as may be required.
- 1.22. For FY 2024-25, TPL-D(S) has proposed to continue "Green Tariff" of Rs. 1.50 per unit.