

Summary

Petition filed by TPL before Hon'ble GERC vide Case No. 2034/2021

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

Background

- 1.1 As per the provisions of the GERC (Multi Year Tariff) Regulations, 2016, TPL-D(S) has filed the petition before the Hon'ble Commission for approval of:
- a) Truing up of ARR for FY 2020-21 and sharing of gains/losses on account of controllable/un-controllable factors,
 - b) Determination of ARR for FY 2022-23,
 - c) Determination of Gap/(Surplus) for FY 2022-23, and
 - d) Determination of tariff for FY 2022-23

True Up for FY 2020-21

- 1.2 The Hon'ble Commission had approved the revised ARR for FY 2020-21 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 2020-21. The ARR approval is subject to truing up based on the actual data for FY 2020-21.
- 1.3 TPL-D(S), for the purpose of truing up in accordance with the GERC (Multi Year Tariff) Regulations, 2016, has submitted the 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 2020-21. The sale for Surat Supply Area was 2,603.54 MU. The actual distribution loss achieved for FY 2020-21 was 4.06%.

- 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 GERC (Multi Year Tariff) Regulations, 2016. The increase in distribution loss is treated in accordance with the GERC (Multi Year Tariff) 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 2020-21

All figures in Rs. Crore		
ARR as per MTR order	(a)	2,109.03
Gains/ (Losses) due to Uncontrollable Factors	(b)	268.98
Gains/ (Losses) due to Controllable Factors	(c)	6.83
Pass through as Tariff	d= -(b+1/3rd of c)	(271.26)
Trued Up ARR	e=a+d	1,837.78

- 1.8 TPL-D(S) would like to state that the revenue towards recovery of earlier years' approved Gap/ (Surplus), has been considered Rs. 139.96 Crore as per the Hon'ble Commission's order dated 31st March, 2020.
- 1.9 The summary of the gap/ (surplus) for Surat Supply area for FY 2020-21 is shown in the table below.

Table 2: Revenue Gap/ (Surplus) for Surat Supply Area for FY 2020-21

All figures in Rs. Crore	Actual
Trued-up ARR	1,837.78
Revenue from Sale of Energy	1,885.70
Less: Revenue towards recovery of Earlier Years'	139.96

All figures in Rs. Crore	Actual
approved Gap/(Surplus)	
Balance Revenue	1,745.74
Gap/ (Surplus)	92.04

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 2022-23

1.11 The Hon'ble Commission vide its order dated 24th September, 2021 has directed the utilities to file the petition for ARR of FY 2022-23 and determination of tariff for FY 2022-23 based on the principles and methodology as provided in the GERC (Multi Year Tariff) 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 2022-23 as per the provisions of the GERC (Multi Year Tariff) 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. 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 2022-23 as per the methodology prescribed in GERC (Multi Year Tariff) 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.
- e. The capital expenditure of Surat Supply Area includes Rs. 100.34 Crore in EHV expenditure schemes, Rs. 53.49 Crore in HV expenditure schemes, Rs. 38.86 Crore in LT network expenditure schemes, Rs. 103.30 Crore towards Special projects and a balance of Rs. 23.99 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 2022-23 is shown in the table below.

Table 3: ARR of Surat Supply Area for FY 2022-23

All Figures in Rs. Crores	FY 2022-23
Power Purchase	1,973.58
O&M expenses	154.48
Depreciation	80.78
Interest on loans	30.38
Interest on working capital	-
Interest on SD	15.01
Bad debts	0.51
Contingency reserve	0.40
RoE	107.26
Income Tax	35.95
Less: Non-tariff income	18.43
ARR	2,379.92

Revenue Gap/ (Surplus) for FY 2022-23

- 1.13 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.
- 1.14 TPL-D(S) has further submitted that in the True up for FY 2019-20 and Determination of Tariff Order for FY 2021-22, the Hon'ble Commission has approved the base Power Purchase Cost at Rs. 4.85 per kWh and base FPPPA at Rs. 1.38 per kWh. As per

approved FPPPA formula, any increase in power purchase cost during the year over and above base power purchase cost of Rs. 4.85 per kWh is to be recovered through FPPPA over and above base FPPPA of Rs. 1.38 per kWh on quarterly basis. As per projected ARR for FY 2022-23, the weighted average power purchase cost is worked out to Rs. 5.63 per kWh as against base power purchase cost of Rs. 4.85 per kWh. Thus, the incremental power purchase cost of Rs. 0.84 per kWh for FY 2022-23 (i.e. increase in power purchase cost grossed up by T&D losses) will be recovered through FPPPA. Therefore, estimated revenue from FPPPA for FY 2022-23 is considered at revised base FPPPA of Rs. 2.22 per kWh (i.e. grossing up by T&D losses). Accordingly, the projected Revenue from sale of power is as under:

Table 4: Revenue from Sale of Power in FY 2022-23

All Figures in Rs. Crores	FY 2022-23
Surat Supply Area	2,388.09

- 1.15 The gap/ (surplus) is arrived at for FY 2022-23 by considering the revenue from sale of power including revenue from the base FPPPA. The summary of revenue gap/ (surplus) for FY 2022-23 is shown in the following table.

Table 5: Revenue Gap/ (Surplus) of Surat Supply for FY 2022-23

All figures in Rs. Crore	
ARR	2,379.92
Less:	
Revenue from sale of power at existing tariff rates including base FPPPA revenue @Rs. 2.22 per unit	2,388.09
Gap/ (Surplus)	(8.17)

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

- 1.16 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 not incurred any expense during FY 2020-21 including expense towards the DELP program. Regarding the DSM Plan for the period starting from FY 2022-23, TPL-D(S) shall approach the Hon'ble Commission separately.
- 1.17 TPL-D(S) has calculated carrying cost as per the methodology approved/ specified by the Hon'ble Commission. TPL-D(S) has, therefore, requested the Hon'ble Commission to consider such outstanding amount in addition to the Gap/ (Surplus) of FY 2020-21 along with carrying cost as per the methodology approved/specified by the Hon'ble Commission.
- 1.18 Based on above, the total gap thus arrived at is Rs. 108.74 Crore. The summary of revenue gap for determination of tariff FY 2022-23 is shown in the following table.

Table 6: Cumulative Revenue Gap/(Surplus) for determination of tariff of Surat Supply Area for FY 2022-23

All figures in Rs. Crore	
Gap/ (Surplus) of FY 2020-21	92.04
Carrying Cost	24.87
DSM	-
Gap/ (Surplus) of FY 2022-23	(8.17)
Cumulative Gap/ (Surplus) to be recovered through tariff	108.74

- 1.19 TPL-D(S) has submitted that part of the cumulative gap of Rs. 108.74 Crore is arising mainly on account of past years' under-recovery. Therefore, TPL-D(S) has proposed to recover the same by way of a Regulatory Charge at the rate of Rs. 0.17 per unit w.e.f. 1st April, 2022 over a period of two years with necessary adjustment of cost due to deferment of recovery.

- 1.20 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 in general, TPL-D(S) has been managing its costs largely through operational efficiencies. For FY 2022-23, TPL-D(S) 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.
- 1.21 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.
- 1.22 TPL-D(S) has also submitted that it is in receipt of representation regarding introduction of "Green Tariff" in its license areas. However, the methodology for determination of "Green Tariff" is required to be determined by the Hon'ble Commission. Hence, for FY 2022-23, TPL-D(S) has proposed "Green Tariff" of Rs. 0.50 per unit in line with the existing "Green Tariff" decided for Deendayal Port Trust.

Prayers

- 1.23 TPL-D(S) has filed the present petition for Truing up of FY 2020-21, Determination of Aggregate Revenue Requirement (ARR) for FY 2022-23, and determination of tariff for FY 2022-23 for its Distribution business of Surat Supply area.
- 1.24 In view of the facts and circumstances, TPL-D(S) has prayed to the Hon'ble Commission that it may be pleased to:
- a) Admit the petition for truing up of FY 2020-21, Aggregate Revenue Requirement for FY 2022-23, and determination of tariff for FY 2022-23.
 - b) Approve the trued up Gap/ (Surplus) of FY 2020-21 including impact of change in law as set out in the petition.
 - c) Approve the sharing of gains/ losses as proposed by TPL-D(S) for FY 2020-21.
 - d) Approve the Aggregate Revenue Requirement for FY 2022-23.
 - e) Approve the cumulative Gap/ (Surplus).
 - f) Approve the wheeling ARR and corresponding charges for wheeling of electricity with effect from 1st April, 2022.
 - g) Approve the recovery of Regulatory Charge as proposed and/or through

retail tariff of FY 2022-23.

- 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.