GUJARAT ELECTRICITY REGULATORY COMMISSION

Tariff Order

Truing up for FY 2016-17

and Determination of Tariff for FY 2018-19

For

Torrent Power Limited - Distribution
Surat

Case No. 1697 of 2018

31st March, 2018

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GUJARAT ELECTRICITY REGULATORY COMMISSION (GERC)

GANDHINAGAR

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ABBREVIATIONS

A&G	Administration and General Expenses
ARR	Aggregate Revenue Requirement
CAPEX	Capital Expenditure
CERC	Central Electricity Regulatory Commission
3rdControlPeriod	FY2016-17 to FY 2020-21
DGVCL	Dakshin Gujarat Vij Company Limited
DISCOM	Distribution Company
EA	ElectricityAct,2003
EHV	Extra High Voltage
FPPPA	Fuel and Power Purchase Price Adjustment
FY	Financial Year
GEB	Gujarat Electricity Board
GERC	Gujarat Electricity Regulatory Commission
GETCO	Gujarat Energy Transmission Corporation Limited
GFA	Gross Fixed Assets
GoG	Government of Gujarat
GSECL	Gujarat State Electricity Corporation Limited
GUVNL	Gujarat Urja Vikas Nigam Limited
HT	High Tension
JGY	Jyoti Gram Yojna
kV	Kilo Volt
kVA	Kilo Volt Ampere
kVAh	Kilo Volt Ampere Hour
kWh	Kilo Watt Hour
LT	Low Tension Power
MGVCL	Madhya Gujarat Vij Company Limited
MUs	Million Units (Million kWh)
MW	Mega Watt
MYT	Multi-Year Tariff
O&M	Operations and Maintenance
p.a.	Per Annum
PF	Power Factor
PGCIL	Power Grid Corporation of India Limited
PGVCL	Paschim Gujarat Vij Company Limited
PPA	Power Purchase Agreement
R&M	Repairs and Maintenance
RLDC	Regional Load Despatch Centre
SBI	State Bank of India
SLDC	State Load Despatch Centre
UGVCL	Uttar Gujarat Vij Company Limited
WRLDC	Western Regional Load Despatch Centre

Before the Gujarat Electricity Regulatory Commission Gandhinagar

Case No. 1697 of 2018

Date of Order: 31/03/2018

CORAM

Shri Anand Kumar, Chairman

Shri K. M. Shringarpure, Member

Shri P.J. Thakkar, Member

ORDER

1 Background and Brief History

1.1 Background

Torrent Power Limited (here in after referred to as TPL or the Petitioner) has filed the present Petition on 30th December, 2017 under Section 62 of the Electricity Act, 2003 read with the Gujarat Electricity Regulatory Commission (Multi-Year Tariff)) Regulation, 2016 for True up for FY 2016-17 for determination of tariff for its distribution business at Surat for FY 2018-19.

Gujarat Electricity Regulatory Commission notified the GERC (Multi-Year Tariff) Regulations, 2016 on 29th March, 2016 which shall be applicable for determination of tariff in all cases covered under the Regulations from 1st April, 2016 onwards. Regulations 17.2 (b) of the GERC (Multi-Year Tariff) Regulations, 2016 provides for submission of detailed application comprising of truing up for FY 2016-17 to be carried out under the Gujarat Electricity Regulatory Commission (Multi-Year Tariff) Regulations, 2016, revenue from the sale of power at existing tariffs and charges for the ensuing year (FY 2018-19) and revenue gap or revenue surplus for the third year of the Control Period calculated based on Aggregate Revenue Requirement approved in the MYT Order and truing up for the previous year and determination of tariff for FY 2018-19.

After technical validation of the petition, it was registered on 3rd January, 2018 and as provided under Regulation 29.1 of the GERC (MYT) Regulations, 2016, the Commission has proceeded with this tariff order.

1.2 Torrent Power Limited (TPL)

Torrent Power Limited (TPL) a company incorporated under the Companies Act, 1956 is carrying on the business of Generation and Distribution of electricity in the cities of Ahmadabad, Gandhinagar, Surat and Dahej. The present petition has been filed by TPL-Distribution (Surat) for its distribution business in Surat.

TPL had assumed the business, consequent upon the amalgamation of Torrent Power Ahmadabad Limited (TPAL), Torrent Power Surat Limited (TPSL) and Torrent Power Generation Limited (TPGL) with Torrent Power Limited. Besides, TPL is also engaged in other businesses, which do not come under the regulatory purview of the Commission.

1.3 Commission's Orders for tariff of FY 2016-17

The Commission in its order dated 2nd December, 2015, in the Suo Motu Petition No. 1534 of 2015 decided that the approved ARR of FY 2015-16 of the licensees / generating companies concerned be considered as provisional ARR of the licensees / generating companies for FY 2016-17.

The Commission also decided that the licensees / generating companies shall file the ARR for FY 2016-17 based on the MYT Regulations for FY 2016-17 to FY 2020-21 and the true-up for the same shall also be governed as per the new MYT Regulations. It is also decided that the licensees / generating companies shall file the petition for determination of ARR and tariff for FY 2016-17 and true-up for FY 2014-

15 within 3 weeks from the date of issuance of this order for Commission's consideration and decision.

Accordingly, the Petitioner filed its petition for Truing-up of FY 2014-15 and determination of tariff for FY 2016-17 on 23rd December, 2015. The petition was registered on 28th December, 2015. The Commission approved the provisional ARR vide order dated 31st March, 2016, and the tariff for FY 2016-17 was determined accordingly.

1.4 Commission's order for Approval of final ARR for FY 2016-17 and Approval of Multi-Year ARR for FY 2016-17 to FY 2020-21

The Petitioner filed a petition for Truing up for 2015-16, Approval of Final ARR for 2016-17, Approval of Multi-Year ARR for FY 2016-17 to FY 2020-21 and Determination of tariff for 2017-18 on 30th November 2016. The petition was registered on 3rd December 2016 (under Case No. 1628 of 2016). The Commission vide order dated 9th June, 2017 approved the Truing up for 2015-16, Final ARR for 2016-17, Multi-Year ARR for FY 2016-17 to FY 2020-21 and determined the tariff for FY 2017-18.

1.5 Background of the present petition

The Commission has notified the GERC (MYT) Regulations, 2016 for the control period of FY 2016-17 to FY 2020-21. Regulation 16.2 (iii) of the GERC (MYT) Regulations, 2016 provides for the truing up of previous year's expenses and revenue based on audited accounts vis-à-vis the approved forecast and categorization of variation in performance as those caused by factors within the control of the applicant (controllable factors) and those caused by factors beyond the control of the applicant (uncontrollable factors).

Regulation 16.2 (vi) of the GERC (MYT) Regulations, 2016 provides for annual determination of tariff for the Generating Company, Transmission Licensee, SLDC, Distribution Wire Business and Retail Supply Business, for each financial year, within the Control Period, based on the approved forecast and results of the truing up exercise.

1.6 Registration of the Current Petition and Public Hearing Process

The Petitioner submitted the current petition for "truing up" of FY 2016-17 and determination of tariff for FY 2018-19 on 30th December, 2017. After technical validation of the petition, it was registered on 3rd January, 2018 (Case No. 1697 of 2018) and as provided under Regulation 29.1 of GERC (MYT) Regulations, 2016, the Commission has proceeded with this tariff order.

In accordance with Section 64 of the Electricity Act, 2003, TPL was directed to publish its application in newspapers to ensure public participation.

The Public Notice, inviting objections /suggestions from the stakeholders on the Truing up and tariff determination petition filed by it, was published in the following newspapers:

Sl. No.	Name of Newspaper	Language	Date of Publication
1	The Times of India	English	10/01/2018
2	Sandesh	Gujarati	10/01/2018
3	Gujarat Samachar	Gujarati	10/01/2018
4	Divya Bhaskar	Gujarati	10/01/2018
5	Gujarat Mitra	Gujarati	10/01/2018

The Petitioner placed the public notice and the petition on its website (www.torrentpower.com) for inviting objections and suggestions on the petition. The interested parties /stakeholders were asked to file the objections/ suggestions on the petition on or before 9th February, 2018.

The Commission also placed the petition and additional details received from the Petitioner on its website (www.gercin.org) for information and study for all the stakeholders.

The Commission received objections / suggestions from consumers / consumer organizations as shown in Table below. The Commission examined the objections / suggestions received from the stakeholders and fixed the date for public hearing for the petition on 15th February, 2018 at the Commission's Office at Gandhinagar and subsequently a communication was sent to the objectors to take part in the public hearing process for presenting their views in person before the Commission.

The Commission received request from some of the stakeholders to postpone the date of public hearing and considering the request, the Commission fixed second date of public hearing for the petition on 26th February, 2018. Both the public hearings were conducted in the Commission's Office at Gandhinagar as scheduled on the above dates.

The status of stakeholders who submitted their written suggestion / objections, those who remained present in public hearing, those who could not attend the public hearings and those who made oral submissions is given in the Table below:

Sr. No.	Name of Stakeholders	Written Submission	Oral Submission	Present on 15.02.2018	Present on 26.02.2018
1.	Surat Citizen's Council Trust	Yes	Yes	No	Yes
2.	Surat Municipal Corporation	Yes	Yes	No	Yes
3.	Bharatiya Samyawadi Paksh (Marxwadi) - Shri Mansukhbhai N. Khorasiya	Yes	Yes	Yes	No
4.	Laghu Udyog Bharati - Gujarat	Yes	Yes	Yes	No
5.	Shri K.K. Bajaj	Yes	Yes	Yes	No
6.	Shri Amarsinh Chavda	Yes	No	No	No
7.	Gujarat Chamber of Commerce & Industry	Yes	Yes	No	Yes
8.	Utility Users' Welfare Association (UUWA)	No	Yes	Yes	No
9.	Shri R.G. Tillan	No	Yes	Yes	No

A short note on the main issues raised by the objectors in the submissions in respect to the petition, along with the response of GETCO and the Commission's views on the response, are given in Chapter 3.

1.7 Contents of this Order

The order is divided into **Nine** Chapters as detailed under: -

1. The **first chapter** provides a brief background regarding the Petitioner, the petition on hand and details of the public hearing process and approach adopted in this Order.
2. The **second chapter** outlines the summary of TPL's Petition.
3. The **third chapter** deals with the objections raised by various stakeholders, TPL's response and Commission's views thereon.
4. The **fourth chapter** focuses on the details of truing up for FY 2016-17.
5. The **fifth chapter** deals with the determination of tariff for FY 2018-19

6. The **sixth chapter** deals with compliance of directives and issue of fresh directives.
7. The **seventh chapter** deals with FPPPA charges
8. The **eighth chapter** outlines the wheeling charges and cross subsidy surcharge
9. The **ninth chapter** deals with tariff philosophy and tariff proposals

1.8 Approach of this Order

The GERC (MYT) Regulations, 2016, provide for "Truing up" of the previous year and determination of tariff for the ensuing year. The Commission has approved ARR for five years of the control period of FY 2016-17 to FY 2021-22 in the MYT Order dated 9th June, 2017.

The Commission in its order dated 2nd December, 2015, in the Suo Motu Petition No. 1534/2015 decided that the approved ARR of FY 2015-16 of the licensees / generating companies concerned be considered as provisional ARR of the licensees / generating companies for FY 2016-17.

The Commission on 9th June, 2017 passed order for truing up of FY 2015-16, determination of final ARR for FY 2016-17, determination of ARR for the third Control Period i.e. FY 2016-17 to FY 2020-21 and determination of tariff for the FY 2017-18.

TPL has approached the Commission with the present Petition for "Truing up" of FY 2016-17 and determination of tariff for FY 2018-19.

The Commission has undertaken "Truing up" for FY 2016-17, based on the submissions of the Petitioner. The Commission has undertaken the computation of gains and losses for the FY 2016-17, based on the annual accounts and final ARR for FY 2016-17 approved vide Order dated 9th June, 2017..

While truing up for FY 2016-17 the Commission has been primarily guided by the following principles:

- Controllable parameters have been considered at the level approved as per the MYT Order, unless the Commission considers that there are valid reasons for revision of the same.
- Uncontrollable parameters have been revised, based on the actual performance observed.

- The Truing up for the FY 2016-17 has been considered, based on the GERC (MYT) Regulations, 2016.

The Commission has also considered the difference between provisional and final approved ARR for FY 2016-17, since the tariff for FY 2016-17 was determined by the Commission and recovered by TPL based on provisional ARR.

Determination of Tariff for FY 2018-19 have been considered as per the GERC (Multi-Year Tariff) Regulations, 2016.

2 A Summary of TPL's Petition

2.1 Actual for FY 2016-17 submitted by TPL-D (S)

Torrent Power Limited (TPL) submitted the current Petition, seeking approval of True-up for ARR of FY 2016-17 and determination of tariff for FY 2018-19.

2.2 Actuals for FY 2016-17 Submitted by TPL

The details of expenses under various heads of ARR are given in the Table below:

Table 2.1: Actual Claimed by TPL for FY 2016-17

(Rs. Crore)

Particulars	FY 2016-17 (MYT Order)	FY 2016-17 (Claimed)
Power Purchase	1,629.65	1593.98
O&M Expenses	112.83	120.03
Depreciation	51.48	48.50
Interest and Finance Charges	31.56	34.24
Interest on Security Deposits	17.52	18.14
Interest on Working Capital	-	-
Return on Equity	78.77	79.02
Bad Debts Written off	0.33	0.90
Contingency Reserve	0.40	0.40
Income Tax	42.24	43.56
Less: Non-Tariff Income	34.38	27.50
Annual Revenue Requirement	**1,930.40**	**1,911.27**

2.3 Sharing of gains and losses for FY 2016-17

Table 2.2: Summary of sharing of gains and losses

(Rs. Crore)

Particulars	FY 2016-17 (MYT Order)	FY 2016-17 Claimed	Over (+) / Under (-) recovery	Controllable Gain / (Loss)	Uncontrollable Gain / (Loss)
Power Purchase	1,629.65	1593.98	35.67	(0.74)	36.41
O&M Expenses	112.83	120.03	(7.20)	(7.20)	
Depreciation	51.48	48.50	2.98	-	2.98
Interest and Finance Charges	31.56	34.24	(2.68)	-	(2.68)
Interest on Security Deposits	17.52	18.14	(0.62)	-	(0.62)
Interest on Working	-	-	-	-	-

Particulars	FY 2016-17 (MYT Order)	FY 2016-17 Claimed	Over (+) / Under (-) recovery	Controllable Gain / (Loss)	Uncontrollable Gain / (Loss)
Capital					
Return on Equity	78.77	79.02	(0.25)	-	(0.25)
Bad Debts Written off	0.33	0.90	(0.57)	(0.57)	
Contingency Reserve	0.40	0.40	-	-	-
Income Tax	42.24	43.56	(1.32)	-	(1.32)
Less: Non-Tariff Income	34.38	27.50	6.88	-	6.88
ARR	**1,930.40**	**1,911.27**	**19.13**	**(8.51)**	**27.64**

2.4 Summary of ARR, Revenue at Existing Tariff and Proposed Revenue Gap

Table below summarises the revised ARR for FY 2016-17 after true up.

Table 2.3: True-up ARR claimed by TPL for FY 2016-17

(Rs. Crore)

Particulars		Claimed in true up for FY 2016-17
ARR as per MYT	a	1,930.40
Gain/(losses) due to uncontrollable factors	b	27.64
Gain/(losses) due to controllable factors	c	(8.51)
Pass through as tariff	d=-(1/3rd of c + b)	24.80
Trued up ARR	e	**1,905.60**

Table below summarises the proposed ARR claimed by TPL for truing up, revenue from sale of power at the existing tariff and the revenue gap estimated for FY 2016-17.

Table 2.4: Revenue Gap/ (Surplus) for TPL-D (Surat) Supply Area for FY 2016-17

(Rs. Crore)

Particulars	As Claimed by petitioner for FY 2016-17
True up ARR	**1,905.60**
Total Revenue from Sale of Energy	1,985.12
Less: Revenue towards recovery of earlier years' approved gap	183.66
Effective Revenue	**1,801.46**
Revenue Gap	**104.14**

2.5 ARR, Revenue at existing Tariff, Revenue Gap and Tariff proposal for FY 2018-19

Table 2.5 Revenue Gap of TPL-D (Surat) Supply Area for FY 2018-19

(Rs Crore)

Particulars	Amount
ARR	2,021.31
Revenue from sale of power at existing tariff rates including FPPPA revenue @1.23 per unit	2,164.10
Gap/ (Surplus)	**(142.79)**

TPL has claimed the cumulative revenue gap/ (surplus) up to FY 2018-19 as detailed in the Table below:

Table 2.6: Cumulative Revenue (Gap)/Surplus for determination of Tariff of Surat Supply Area for FY 2018-19

(Rs. Crore)

Particulars	Amount
Gap/ (Surplus) of FY 2016-17	104.14
Carrying Cost	24.64
DSM	2.03
Gap/ (Surplus) of FY 2018-19	(142.79)
Cumulative Gap/ (Surplus) to be recovered through tariff	(11.98)

TPL has proposed to recover the cumulative gap of Rs. 67.79 Crore, consisting of the aforementioned cumulative surplus of Rs. 11.98 Crore and carrying cost of Rs. 79.77 Crore kept in abeyance during truing up of FY 2015-16.

2.6 TPL's request to the Commission

a) Admit the petition for truing up of FY 2016-17 and determination of tariff for FY 2018-19.

b) Approve the trued up Gap/ (Surplus) of FY 2016-17.

c) Approve the sharing of gains/ losses as proposed for FY 2016-17.

d) Approve the cumulative Gap/ (Surplus).

e) Approve the wheeling ARR and corresponding charges for wheeling of electricity with effect from 1st April, 2018.

f) Approve the recovery through retail tariff and/or Regulatory Charge for FY 2018-19.

g) Allow recovery of the costs as per the Judgments of the Hon'ble Tribunal in the Appeals filed by the Petitioner.

h) Allow additions/ alterations/ changes/ modifications to the petition at a future date.

i) Permit to file all necessary pleading and documents in the proceeding and documents from time to time for effective consideration of the proceeding.

j) Allow any other relief, order or direction which the Commission deems fit to be issued.

k) Condone any inadvertent omissions/ errors/ rounding off difference/ shortcomings.

3 Brief outline of Objections raised, Response from TPL-D (S) and the Commission's View

3.1 Stakeholder's suggestions / objections, Petitioner's response and the Commission's view

In response to the public notice inviting objections / suggestions from the stakeholders on the Petition filed by TPL-D (S) for Truing up of ARR for FY 2016-17 and determination of Tariff for FY 2018-19 under the GERC (MYT) Regulations, 2016, a number of Consumers / organizations filed their objections / suggestions in writing. Some of these objectors participated in the public hearing also. The objections / suggestions by the consumers / consumers' organizations, the response from the Petitioner and the views of the Commission are given below:

1. **Illegal recovery of FPPPA**

   The objector has submitted that the FPPPA was 80 paise in August-2016 which rose to 145 paise in August-2017. Thus, the hike of 65 paise in FPPPA charges means that TPL is not in loss.

   Response of TPL

   The Petitioner has submitted that the Commission allows variation in power purchase cost through the FPPPA formula as per provisions of the Electricity Act, 2003. The Petitioner recovers FPPPA charges in accordance with the approval and such recovery is subject to truing up by the Commission.

   Commission's View

   The mechanism of quarterly adjustment of FPPPA charges is in force for near real-time recovery of the expenses and to avoid tariff shocks to the consumers at year end. Annual truing up exercise of ARR is required to deal with the deviation in other components and under recovery/ over recovery of FPPPA charges.

2. **CAG Audit o TPL Accounts**

   The objector has submitted that the accounts of TPL should be verified by CAG.

Response of TPL

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Commission's View

This is not within purview of the Commission.

3. **Manipulation of accounts to seek tariff rise**

The Objector has submitted that the TPL has manipulated the Accounts and sought tariff increase.

Response of TPL

The Petitioner has submitted that the petition has been filed in line with the GERC (MYT) Regulations, 2016 under the provisions of the Electricity Act, 2003. The Accounting Statements submitted by the Petitioner is prepared as per provisions of the Companies Act and in accordance with Accounting Standards duly verified by Statutory Auditors' of the Company.

Commission's View

The Commission has noted the Petitioner's response.

4. **Conduct Hearing in Surat**

The objector has submitted that the hearing for consumers of Surat is conducted in Gandhinagar which is about 300 k.m. from Surat. The Objector has requested to conduct the hearing for the consumers of TPL-D (S) in Surat.

Response of TPL

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Commission's View

Looking to the number of tariff petitions and the available timeframe for issue of Orders on all these matters, it is practical to keep the public hearing of Tariff matters at GERC office. However, the Commission would like to schedule other interaction/ meetings with the stakeholders at various places in the State.

5. Illegal recovery of Security Deposit

The Objector has submitted that the Petitioner has recovered the Security Deposit of Rs. 200 Crore from the consumers of Surat by giving notices to the consumers under the provisions of the GERC (Electricity Supply Code and Related Matters) Regulations, 2015 and the same is not being shown in the balance sheet of the company.

Response of TPL

Regarding the recovery of Security Deposit, the Petitioner has submitted that the same is being recovered from the consumers in accordance with the provisions of the Security Deposit Regulations. The Petitioner has submitted that it has sought the approval of the Trued up ARR and its adjustments in accordance with the provisions of the Law. The Petitioner further submitted that it recovers all amounts in line with the provisions of the Regulations and subsequent amendments from time to time. Further, all the amounts received from consumers is being shown in the Accounting Statements which are duly verified by the Statutory Auditors' of the Company and as per the provisions of the Regulations.

Commission's View

The stakeholders are requested to provide details related to specific cases of recovery of security deposit in contravention of the GERC Regulations.

6. Petition to be provided in Gujarat Language

The Objector has submitted that a 6-page summary of the petition is provided in Gujarati language. The Gujarati translation is not adequate. The Objector has therefore requested the Commission to direct the Petitioner to make the Petition available in Gujarati language else it would defeat the principles of natural justice.

Response of TPL

The Petitioner has submitted that it has filed the Petition in accordance with the provisions of Section 62 and 64 of the Electricity Act, 2003 read with the GERC (Multi Year Tariff) Regulations, 2016. With reference to translation of the Petition in Gujarati language, the Petitioner has submitted that the proceedings of the Commission are being conducted in English language in accordance with the provisions of the applicable Regulations. The Petitioner further stated that the Summary of the Petition in Gujarati language has also been published additionally along with the tariff petition.

Commission's View

The Commission has directed the licensee to provide assistance to the stakeholders to understand the Tariff filing. The Commission is of the view that the short summary of the tariff petition in Gujarati is more practical and convenient approach.

7. Minimum Charges and penalty for excess drawl

The Objector has submitted that TPL recovers penal charges for excess drawal and at the same time there are minimum charges for no drawal by the consumers. This practice requires to be corrected.

Response of TPL

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Commission's View

Arrangement of minimum charges or fixed/demand charges is desirable in order to reduce/ avoid cross subsidisation among consumers. Similarly, penal rates for excess drawal also provided to maintain reliable operation of the electricity grid.

8. Subsidy for Residential Consumers

The Objector has requested the Commission to advise the Government to reintroduce the scheme of subsidy of 20% for consumption below 100 units for residential consumers as same was prevailing in the past.

Response of TPL

The scheme of subsidy is within the purview of the Government of Gujarat under Section 65 of the Electricity Act, 2003.

Commission's View

It is the prerogative of the State Government to grant subsidy in electricity tariff to any category of the consumers.

9. Taxes and Duty applicable to Power Sector

The Objector has suggested that the Commission should represent before the State & Central Government to rationalize the Duty and Taxes applicable to the Power Sector and to bring the Electricity under the Goods and Service Tax regime. The Objector has further requested the Commission to request the Government to exempt the Power Sector from the Excise, Custom and GST as the same would further reduce the retail tariff of the end consumers.

Response of TPL

The Duty and Taxes applicable to Power Sector are within the preview of the Government.

Commission's View

Stakeholders are required to represent before the State Government regarding exemption from Tax and Electricity Duty and to the Central Government for bringing the electricity under the purview of GST.

10. Recovery of past gaps and carrying cost

The Objector has referred to the past under recoveries and associated carrying cost and has suggested not to accumulate such under recoveries as same attracts the carrying cost as per the Judgments of the Hon'ble Tribunal. The Objector has also requested the Commission to verify the carrying cost sought by the Petitioner and see that it is computed correctly by applying correct interest rate only on the approved gaps.

Response of TPL

The Petitioner has submitted that it has requested the Commission to approve the accumulated gap including the carrying cost to ensure speedy recovery as any further delay would result in incurring carrying cost which would burden the consumers. The proposed gap has been arrived at in accordance with the provisions of the Regulatory Framework based on the judgments and orders of the Hon'ble Tribunal and the Commission. Regarding the calculation of carrying cost, the Petitioner has submitted that it has calculated the carrying cost as per the methodology approved by the Commission by applying correct interest rate only on the past approved gap.

Commission's View

While determining retail tariff for the consumers, Commission considers projected gap as well as consumers' interest and tries to avoid tariff shocks. Regulation 21.6 of the GERC (MYT) Regulations 2016 provides for allowing the carrying cost at the weighted average State Bank Base Rate 1 year MCLR/ any replacement thereof.

11. Consumer Awareness for Safety

The Objector has requested the Commission to organise Consumer Awareness Programmes to safeguard the consumers from electrical accidents.

Response of TPL

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Commission's View

As such Distribution Licensees are organising such type of awareness programmes and Commission monitors the activity of the licensees with regard to electrical safety through interaction with the members of State Advisory Committee.

12. Additional slab in tariff of residential consumer

The objector has submitted that it has been demanding additional slab of above 400 units for residential consumers of Gujarat due to prevailing high standard of living in major cities of Gujarat. Due to basic necessities of electricity a middle class consumer has an average consumption of 200/300 units per month. But high society consumers staying in posh bungalows with five air conditioners and other gadgets also pay the same tariff, which is highly unjustified. Mumbai and Delhi have slabs above 1000 units/month for residential consumers as Tariff Policy also mandates that tariff should be based on the paying capacity of the consumers.

The Objector has suggested following changes in tariff slabs of residential category:

Slab No.	Present Slabs – Ahmedabad		Present Slabs – Surat		Proposed Slabs	
	Units / Month	Rs./ Unit	Units / Month	Rs./ Unit	Units / Month	Rs./ Unit
1	0-50	3.20	0-50	3.20	0-50	3.20
2	51-200	3.90	51-100	3.65	51-200	3.90
3	201 - Above	4.90	101-200	4.25	201-400	4.70*
4	-	-	201-250	4.35	401 - Above	5.30*
5	-	-	251 - Above	5.05	-	-

* Imaginary figures

The Objector has stated that it has given an example for third and fourth slabs but the Commission can decide these rates with no financial loss to distribution companies. The loss incurred due to drop in tariff for Slab-3 should be recovered by new slab with increased tariff. The tariff for first and second slabs should remain same and consumers with monthly consumption above 400 units should be compelled to pay higher tariff.

Response of TPL

The Petitioner has submitted that it has proposed the tariff structure based on certain widely recognized best practices in accordance with the legal framework. Some of the key factors considered by the Petitioner for tariff design are consumers' capacity to pay, adhering to the band of cross subsidy prescribed by Tariff Policy, incentivizing energy conservation through telescopic tariff and promotion of efficient use of electricity. However, the Commission may take appropriate view this regard since the Petitioner, as distribution licensee is revenue neutral.

Commission's View

Rationalisation of Tariff Structure calls for reduction in number of categories and slabs. At present three energy slabs are prescribed for the residential consumers of Ahmedabad and Gandhinagar area. Commission would like to continue existing slabs till Commission takes decision for other licensees in the State in this regard. Commission will decide on the slabs proposed by the Objector at appropriate time after conducting detailed study of the impact of such slabs on the consumers as well as utilities.

13. Merger of Meter Rent in Fixed/Demand Charges

The Objector has submitted that it has been demanding merger of Meter Rent into Fixed/Demand Charges since last couple of years as Meter rent continues in spite of recovery of entire meter cost. The meter rent has been abolished in many States to avoid confusion to consumers. Therefore, the Commission is requested to abolish meter rent and merge this amount in Fixed/Demand Charges with effect from 01.04.2018. Same will also help in avoiding any controversy or applicability of additional taxes. The Commission is requested to abolish meter rent and add this cost in Fixed /Demand charges per month without any financial loss to utilities and without any additional burden on consumers of Gujarat.

Response of TPL

The Petitioner has submitted that it recovers the meter rent in line with the provisions of the GERC (Licensee's Power to Recover Expenditure incurred in providing supply and other Miscellaneous Charges} Regulations, 2005. The Commission may take a view to merge the meter rent with fixed/demand charges to address the issue of applicability of multiple taxes on different component of electricity bill like energy charge, fixed charge, meter rent etc.

Commission's View

In view of the representation from the stakeholders and submission of the licensee, Commission decided to abolish meter rent for the electricity consumers with effect from 1st April 2018.

14. Consumer Advocacy Cell

The Objector has recommended that consumer advocacy cell should be formed in GERC, as detailed in model regulations framed by the Forum of Regulators, for giving guidance and legal aid to consumers.

The electricity supply companies with array of senior lawyers, that too at stakeholders' expense, are getting the favourable decisions in the absence of effective participations by consumers in the GERC hearing procedures. Most of consumer organizations are voluntary in nature, represented by their members and not having financial resources like electricity companies. While Supply companies are engaging senior lawyers at hefty fees, the normal stakeholder's voice is suffocated at hearing.

Response of TPL

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Commission's View

As such at present, Staff of the Commission processing consumer complaints and providing guidance to individual consumer /Consumer Associations. However, considering representation from the various stakeholders, Commission will explore the option of constituting 'Consumer Advocacy Cell'.

15. Admission of incomplete Tariff Petition by GERC

The Objector has submitted that Regulation 25.1 of the GERC (MYT) Regulations, 2016 specifies that the proceedings to be held by the Commission for determination of tariff shall be in accordance with the GERC (Conduct of Business) Regulations, 2004 as amended from time to time. The Commission has not conducted the proceedings for admitting the tariff petitions as per the GERC (Conduct of Business) Regulations, 2004 and without verifying the petition whether it is complete or not, without directing TPL to comply with the discrepancy, without passing any admission order violated its own regulations which is bad in law.

Before the petitions are registered as stipulated in Regulation 28.2 of the GERC (MYT) Regulations, 2016, because the petition falls within the definition of petition under Regulation 2.1 (h) of the GERC (Conduct of Business) Regulations, 2004, under Regulation 34 of the said Regulations, the Secretary has to ensure beforehand whether the petition is conforming the provisions and requirements of the Acts and Regulations made by the Commission under them. And in the event of any petition not conforming to the provisions and requirements of the Act, then, he is required to refuse to get it registered.

Because of failure of statutory duty on the part the Secretary in non-compliance of requirements as stipulated in Regulations 34 of the Conduct of Business Regulations in as much as he has ignored the fact that the petitioner's prayers are in violation of provisions of Section 64(3) read with Section 64(1) of the Act read with Regulations 16.2(vi), 19.8(a), 31, 94.1 and 102.2 of the MYT Regulations, 2016 read with Clause 5.3(h).4, 8.2.2 and 8.4 of the Tariff Policy. Year to year, Ahmedabad / Gandhinagar consumers who were entitled to huge relief in tariffs, have already suffered loss in the financial year 2016-17 and 2017-18 and are likely to suffer loss in FY 2018-19.

It is submitted that TPL has submitted incomplete petitions and till all the details and information on which Commission rely upon to pass a tariff order is made available to the consumers and its organization, it is not just and fair to invite objections and suggestions in the subject matter.

Response of TPL

The Objections have been filed completely disregarding the nature of the proceedings which is essentially a Regulatory proceeding. The hearing of suggestions and objections is not akin to an adjudicatory process. There is no lis between a Distribution Licensee and its consumers when the suggestions and objections of the Consumers are heard for tariff determination under Section 64 (3). These are not contentious proceedings.

The Petitioner has further stated that the objections filed by SCCT ignore the fact that the Commission comprises of the Chairman and the Members. The Secretary of the Commission does not constitute the Commission. The Secretary therefore does not deal with the merits of the Petitions. The role of the Secretary has been misconstrued by the Objector. The Secretary is bound to rely on the provisions of the GERC (MYT) Regulations, 2016, in undertaking the filing of the Tariff Petition. Regulation 28 of the GERC (MYT) Regulations, 2016 brings out the regulatory nature of the filing. These specialized Regulations will prevail over the general Regulations namely the GERC (Conduct of Business) Regulations, 2004.

The GERC (Conduct of Business) Regulations, 2004 ensure that the Commission which undertakes various other functions like adjudication, regulatory functions other than Tariff, advisory functions and which is a quasi-judicial Authority functions under its own procedural framework. These general Regulations are applicable for the proceedings in Tariff which mean they apply to the hearings, meetings, discussions, deliberations, inquiries, investigations and consultations. Regulation 28 of the GERC (MYT) Regulations, 2016 being a special provision will prevail over any filing and registration procedure contemplated under the GERC (Conduct of Business) Regulations, 2004.

The Petitioner has submitted that the present proceedings are a part of Tariff Proceedings. The GERC (Conduct of Business) Regulations, 2004 have been framed under Section 181 of the Electricity Act, 2003 read with Section 12 of the Gujarat Industry (Reorganisation and Regulation) Act, 2003. The State enactment (GIR&R Act, 2003) deals with the proceedings before the Commission.

The other Regulations namely, GERC (MYT) Regulations, 2016 are framed under inter alia Section 181, 61, 62 and provisions of the Electricity Act, 2003 and Section 32 of the GIR&R Act, 2003. Section 32 of the state enactment specifically deals with tariff.

Therefore, it can be concluded that the Regulations contemplated in Section 64 (1) of the Act are the GERC (MYT) Regulations, 2016. The MYT Regulations are special Regulations and it is pertinent to note that Sub-section (zh) of Section 181 devolves power on the Commissions to frame Regulations in respect of issuance of tariff orders. The Special Regulations would therefore prevail over general Regulations.

The Petitioner has submitted that Regulation 34 of the GERC (Conduct of Business) Regulations, 2004 confers authority on the Secretary to deal with issues which are in the nature of Objections in filing (i.e.) the mode, manner and method of filing pleadings and not with the adjudication of pleadings. A perusal of Regulations 34 to 38 reveals that the said provisions relate to presentation of the Petitions. As an illustration it is pointed out that if a Petition is not accompanied by the Affidavit in Support, the Petition may be kept in objection. If the objections are not removed as directed by the Secretary, then under Regulation 34; the Petition stands dismissed. These objections invariably relate to the presentation and lodging of the Petition. The scrutiny contemplated, when the Petitions are presented, is in the nature of defects in the Petition which are required to be corrected by the Petitioner. There are two different stages even under the GERC (Conduct of Business) Regulations, 2004. It is only upon the objections being attended to that subsequent steps follow.

The Petitioner has denied the allegations relating to the purported surplus as claimed by the Objector. But more importantly the Objector has made these submissions in support of the alleged inaction by the Secretary in exercising jurisdiction under Regulation 34 of the GERC (Conduct of Business) Regulations, 2004. It is submitted that the essence of the allegations made by the Objector do not fall within the scope and ambit of the Objections which relate to the filing of the pleadings and presentation of the Petition. The action of the Secretary at the time of lodging of the Petition cannot encompass issues relating to Tariff, if any, on merits.

Admission of a proceeding is a stage in the procedural aspect concerning litigation. Stricto Sensu the admission of a proceeding is between the Petitioner and the adjudicating Authority.

It is in this light, that power has been conferred on the Commission to admit a Petition for hearing, without requiring the attendance of the party. This is specifically pointed out as the Objector is relying on the GERC (Conduct of Business) Regulations, 2004, to the exclusion of the special Regulations namely the GERC (MYT) Regulations, 2016.

The Objector has raised various procedural objections relating to the Petition filed under the Electricity Act, 2003 without appreciating the role of a Electricity Regulatory Commission in Tariff determination under the Act. The statute contemplates formulation of policies under Section 3. It is pertinent to note that the National Tariff Policy enjoins the Electricity Regulatory Commissions to even undertake a Suo-Motu Tariff Determination exercise upon a Utility failing to approach them. This basic essence of the proceedings under the subject Tariff Determination Provisions have been lost sight of by the Objector.

The Objections therefore on the issue of admission of the tariff petition besides being hyper technical, are not in consonance with the spirit of Section 64 (3).

Commission's View

As provided in the GERC (MYT) Regulations 2016, Secretary of the Commission is authorised for registration of tariff application and intimating the Petitioner for publication of notice in this regard. Further, as provided in Tariff Policy, Commission has to initiate tariff determination exercise in the absence of filing by the licensee or incomplete filing.

16. Special Audit by ICAI

The Objector has requested the Commission to pass necessary orders for special audit by the Institute of Chartered Accounts of India (ICAI) to determine the actual income especially non-tariff income as per the MYT Regulations.

Response of TPL

The Petitioner has submitted that this objection cannot be part of present proceedings. The Petitioner prepares and maintains the accounts in accordance with the Accounting Standards issued by the Institute of Chartered Accountants of India. Further, the Accounting Statement is prepared in line with the Companies Act and duly verified by the Statutory Auditor of the Company. All the requisite information for the present proceedings is already provided in accordance with the GERC MYT Regulations.

Commission's View

Commission carries out detailed analysis and prudence check during tariff determination exercise.

17. Issuance of Circulars

The Objector has requested the Commission to direct the licensees not to issue any circular (which involves financial burden or financial benefit to any consumer) without getting the approval of Commission. Approval granted by the Commission or the power to issue the circular quoting the provisions of Act, Rules and Regulations should be disclosed in the circular. If any circular is issued which does not involve financial implications, DISCOM should give certificate on that circular confirming that no financial part is involved in this circular thus no permission is required from the Commission for this particular circular.

Response of TPL

The Petitioner has submitted that it issues circulars/notices in accordance with the statutory and legal requirements of the Companies Act, GERC Regulations and/or under the applicable legal framework. Further, it mentions the references of provisions of Act, Law and Regulations in its Notices as per the requirements of Authorities. Circulars are also issued in respect of internal working / departmental instructions, within the organization and which may or may not have any nexus with Tariff. The Objector should not seek micromanagement of the TPL by the Commission.

Commission's View

Normally, activities of licensees having financial impact on its consumers are governed through various Regulations notified by the Consumers. Stakeholders may bring specific instances in this regard to the notice of the Commission.

18. Disclosure of Total Income

The Objector has requested the Commission to direct the licensee to disclose the total income including the Tariff and Non-Tariff income, which they collect from the consumers as per Supply code, Schedule of Charges, General Condition of tariff, Schedule of Tariff, Electricity Supply, and all other income collected under Section 126, slow meter charges, Late payment surcharge with interest, fees and fines, and all other charges collected from consumers, advertisement income, and all other income with details of income received from every head.

Response of TPL

The Petitioner has submitted that it prepares and maintains the accounts in accordance with the Accounting Standards issued by the Institute of Chartered Accountants of India. Further, the Accounting Statement is prepared in line with the Companies Act and duly verified by the Statutory Auditor of the Company.

The Petitioner has stated that it has disclosed the details of income from sale of power and Non-Tariff income in its Audited Accounts, at Note 28 & 29.

Commission's View

During prudence check of the submission from licensee, whenever required Commission asks licensee to provide additional details and clarification. This time Commission has placed all the additional information received from licensee in tariff determination exercise on Commissions' website and made it available to all the stakeholders.

19. Disclosure of FPPA Charges

The Objector has requested the Commission to direct the licensee to disclose income earned from Fuel Surcharge charged from consumers separately for each category which is over and above the tariff income earned by them calculating as per Tariff rates. It is observed that income collected from consumers under head FPPA charges has not been shown in revenue income and one cannot find out whether supply company charged FPPA charges correctly or in excess.

The variation in power purchase cost (gain/loss) is immediately recovered by DISCOM, but in ARR it is shown as controllable/uncontrollable. The Gap is carried forward to be recovered from the following year consumers who have not consumed the electricity for that period. The increase in power purchase cost, when it is collected by DISCOMs for that year consumers, it should not be a part of controllable and uncontrollable variations in ARR gap calculations. There is no reconciliation of FPPA charges recovered and increase in power purchase cost account is done.

The Objector has requested the Commission to remove the benchmark FPPA charges of Rs. 1.23 / unit and same is to be merged with Tariff charges. This will bring transparency in the system.

Response of TPL

The income from sale of power as shown in Annual Accounts includes the income from FPPPA charges. Further, a detailed breakup of income from sale of power is provided at Form 10 of the Petition including income from FPPPA charges.

Commission's View

Recovery from consumers under FPPPA charges is covered in the revenue from sale of energy by licensee and same is considered while working out gap/surplus. Further due to ceiling of 10 paise per unit increase in regular FPPPA charges and difference in quarterly electricity consumption, normally there is mismatch in FPPPA charges and its recovery.

20. Electricity Duty account ledger in TPL books

The Objector has submitted that, on behalf of the Government of Gujarat, the Petitioner is collecting Electricity Duty from consumers and deposit the same with Government. Though it is revenue neutral, account of Electricity Duty collected and deposited should be part of AFR. The Commission should direct TPL to provide Electricity Duty account ledger in TPL books.

Response of TPL

The Petitioner has submitted that it prepares and maintains the accounts as per the Accounting Standards specified by the Institute of Chartered Accountants of India in accordance with the provisions of the Companies Act. The Petitioner collects the Electricity duty from the consumers on behalf of the Govt. of Gujarat in accordance with the Bombay Electricity Duty Act, 1958 and deposits the same with the GOG. The suggestion is outside the purview of the present proceedings.

Commission's View

Electricity Duty is the subject matter of the State Government and the Collector of Electricity Duty is the authority to examine the books of accounts of the Petitioner for their purpose.

21. Temporary Connection

The Objector has submitted that the tariff of Temporary Connection is too high as compared to tariff of permanent supply consumers. The income from Temporary Connection is not shown in Tariff income. Non disclosing of these figures will affect the consumer tariff.

Every new connection is given permanent connection after completing the construction of Factory shed and office building by getting Temporary Connection only. This practice by licensee is hampering the growth of new industries in Gujarat State as it raises the cost of construction too high. The Commission is requested to classify separate Tariff Schedule for new construction activities, allowing consumers to carry out construction activity. Otherwise construction activity for all consumers should be allowed at the prevailing rate of tariff for that category after completion. This will save consumers from paying huge amounts as fine recovered by electricity supply companies or being saved from undue extortion by supply company officials, under disguise of unauthorized use of electricity under Section 126 of Electricity Act.

Response of TPL

Detailed category wise breakup of income from sale of power is provided at Form 10 of the petition. The same includes the income from sale of power from consumers of temporary category.

In case of TPL, the construction activity is allowed at NRGP tariff applicable for permanent category. Thus, the issue raised is not relevant for consideration of the Petition.

Commission's View

Request for electricity supply for more than 2 years qualifies for permanent/ regular electricity connection and it is not treated as 'Temporary' in accordance with the present Regulations.

22. Introduction of LTMD Tariff above 1 KW in all categories

The Objector has submitted that majority of small industrial enterprise and small commercial business falls under NRGP category of consumers having connected load up to 15 KW. These consumers are periodically harassed by Torrent inspectors by booking the case under Section 126 of Electricity Act for any additional load found in the industry/business place. The consumer is honest and has not done any theft of electricity yet he is required to pay hefty sum as per the provisions of the Act or being victim of undue extortion by supply company officials. The Objector has stated that this is major source of corruption prevailing in the system.

The Objector has requested the Commission:

- Either to create new demand based RGP/GLP/NRGP tariff for consumers having connected load from 1 KW to 15 KW (LTMD 1)
  OR
- Demand based Tariff should be applicable to all small consumers having load from 1 KW and above in all categories including Residential /Commercial/ Industrial and GLP category.

The Objector has requested the Commission to consider the request for option of LTMD tariff for all categories above 6 KW load. This will save small consumers from harassment due to misuse of Section 126 of Electricity Act.

i. Residential Demand based Tariff LTRDT:
For residential three phase consumers having connected load 6 KW and above having demand charges 50% of LTMD, Unit charges and reactive energy charges same as LTMD tariff.

ii. LT GLP demand based LTGLPDT:
Tariff with demand charges 50% of LTMD, Unit charges and reactive energy charges same as LTMD tariff.

iii. LTMD tariff for Construction work:
There should be a separate LTMD Tariff for construction activity from 6 KW and above or construction should be allowed in all category tariffs for the ongoing project (Means RGP/GLP/NRGP/HTP, etc.).

iv. Option to NRGP Consumers to switch over to LTMD Category without any restrictions from 6 KW load and above

Response of TPL

The accusations regarding corruption are denied. The demand based categorization for 15 KW and above load, is being done for valid and verified reasons. The tariff based on contracted demand are used as indicative price signals to reflect the costs for creating the capacity and is helpful to the consumers in regulating its usage despite higher connected load. Small consumers may find it difficult to adopt tariff based on contract demand in Non-RGP category.

With reference to the suggestions of the Objector to reduce the Demand Charges to 50%, the Petitioner has submitted that the Objector has not given any justification / rationale for proposed changes in tariff structure and rates except the alleged harassment to the consumers. The Petitioner has requested the Commission to ensure that the tariff structure is not distorted and results into the new level of cross subsidization. Further, provision like Section 126 of the Act, is a distinct provision in the Act enacted by the Parliament and cannot be used to contend support for tariff categorization.

Commission's View

Based on representation from the stakeholders, Commission decides to provide option of Demand based tariff to small consumers as provided to the electricity consumers of State owned Distribution Licensees.

23. Revenue Billed and Revenue Collected

The Objector has requested the Commission to direct Discoms to submit figures of revenue billed and revenue collected during FY 2016-17.

Response of TPL

All the required information in accordance with the GERC (MYT) Regulations, 2016 is provided in the petition. The Petitioner considers the amount billed as its revenue on accrual basis and the same is offered in ARR. Any under-recovery on account of lower collection efficiency, will reflect in receivables. The bad debts written off is specified as controllable parameter, as per the GERC (MYT) Regulations, 2016. Thus, any inefficiency results into the loss to the Petitioner.

Commission's View

Commission considers revenue billed as revenue in tariff determination exercise. Further actual bad debts written off is considered after prudence check during truing up exercise.

24. Discrepancy in Power Purchase Cost as per Petition & Annual Accounts

The Objector has compared the power purchase cost claimed in the petition with the power purchase cost shown in the Audited Accounts and power purchase cost as per FPPPA and questioned the difference in figures.

Response of TPL

The power purchase cost claimed in the Petition includes cost of Rs. 54.48 Crs towards the purchase of RECs as well as the difference of Rs. 38.23 Crores on account of trued-up ARR of TPL-G (APP) claimed in the Petition No. 1695/2018. Thus, the cost considered in FPPPA does not include these two figures. Similarly, the difference in cost of power purchase shown in the Audited Accounts and claimed in the petition is Rs. 38.23 Crs on account of trued up ARR of TPL-G (APP).

Commission's View

Detailed analysis of approved power purchase expenses is covered in chapter 4 of this Order.

25. Certificate of Income Tax paid not provided

The Objector has submitted that there is claim of Rs. 43.56 Crs for Income Tax. As per MYT Regulation 41 the Commission allows the actual Income Tax paid for the period, duly certified by Audited accounts. The Objector has submitted that the Income tax claimed by the Petitioner is not supported by certificate of Income Tax paid.

Response of TPL

The supporting documents of income tax paid and the claim of the Petitioner has to be considered and allowed in accordance with the provisions of the MYT Regulations

Commission's View

Detailed analysis of approved expenses under Income Tax is covered in chapter 4 of this Order.

26. Retained earnings is transferred to H.O.

The Objector has suggested to deduct the amount of retained earnings transferred to HO from the ARR.

Response of TPL

The ARR is arrived at in accordance with the provisions of the GERC (MYT) Regulations, 2016 and the Financial Statements are prepared in accordance with the provisions of the Companies Act, 2013.

Commission's View

According to the present Regulations, the licensee is free to use its retained earnings/ return on equity.

27. Petitioner is in Revenue Surplus

The Objector has raised the issue of purported revenue surplus to which the consumers are entitled as and by way of refund. The Objector has requested the Commission to not allow additional regulatory charges as requested by the Petitioner.

Response of TPL

The Objector while filing the objections in the present proceedings cannot seek to reopen the past tariff orders which have attained finality, including those orders which have been subsequently subjected to clarification/ rectification petitions, Appeals and subsequent proceedings held under the Electricity Act, 2003.

Secondly, the Objector has also tried to compare various figures to arrive at fictitious surplus for Ahmedabad and Surat Supply Areas by considering irrelevant and non-descript information and has tried to mislead the Commission. The sources from which the figure has been derived by the Objector are not only erroneous but completely disregard the estimations contemplated in the tariff determination process.

Thirdly, the Objector has further submitted that the gaps approved by the Commission have already been factored into tariff vide previous tariff orders. The Petitioner has filed the present Petition under Section 62 and 64 of the Electricity

Act, 2003 read with GERC (Multi Year Tariff) Regulations,2016 for Truing up of FY 2016-17 and Determination of tariff for FY 2018-19 for its Distribution businesses of Ahmedabad and Surat Supply Areas.

Any outstanding gap that has already been considered by the Commission has not been considered again while filing the present tariff petition. Hence, the submission made by the Objector is erroneous and the same is denied. The Commission in the tariff order dated 08.06.2017 approved tariff for FY 2016-17 to recover cumulative gap which included amongst others the then previous years' approved gap as well. Hence, at the time of truing up, the revenue recovered in the FY 2016-17 is required to be compared with the components against which it was approved for. Further, those components of gap have also been revised due to various applicable orders by the Hon'ble Tribunal as well as the Commission. The overall result is thus working out to be a Revenue Gap recoverable by the Petitioner. The same has been proposed to be recovered by way of regulatory charge.

Commission's View

Surplus or Gap in recovery of Aggregate Revenue Requirement is required to be determined on the basis of projections for the ensuing year and the result of truing up exercise for the previous year. The detailed analysis in this regard is covered in the related chapters of this Order.

28. Delayed filing of Tariff Petition

The Objector has submitted that it had requested the Commission to grant extension to enable him to study the tariff petitions filed by TPL. However, the Commission has not granted the request in spite of the facts that TPL as per Regulation-28.8 of MYT Regulation, 2016, ought to have filed the petitions on or before 30th November. The word used in the Regulation is "SHALL" which leaves no space for relaxation on part of the Commission. However, Commission seems to have granted the relaxation and extension to TPL on what ground is neither mentioned by TPL in its petitions nor mentioned in the public notice for inviting suggestions and objections on delayed petitions.

The Objector has submitted that TPL is not vigilant and alert for its recovery and is lethargic in submission of tariff petitions on or before 30th November. Further, the Commission is anxious and eager to pass the tariff order on 31st March, 2018 by depriving the Consumers of their right of participation in the tariff determination process, which is against the principle of Natural Justice.

The Objector has submitted that the Petitioner should be penalized for delay in filing the petition.

Further it is submitted that if the reasons for delay in submission of petition is election and formation of State Government as to which political party comes into power, it has nothing to do with such political events to the tariff proceedings because GERC is an independent, Statutory body bound to act independently, impartially, in the interest of justice, within four corners of the provision of the Act, and without any influence of any Government.

Response of TPL

The Petitioner has submitted that it had sought the extension of time considering prevalent scenario in the State at that point of time and in turn, the Commission had granted time period till 31.12.2017 to file the Petition and the petition was filed on 30.12.2017. The Commission is entitled under the Statutory Regulations to abridge or extend time.

Commission’s View

The Tariff Policy notified by the Ministry of Power provides that Commission should initiate tariff determination on a suo motu basis in case the licensee does not initiate filing in time. It is also provided that it is desirable that requisite tariff changes come into effect from the date of the commencement of each financial year.

Accordingly, in accordance with the MYT Regulations 2016, the Commission accepted delayed filing by the licensee and 30 days’ time period was provided to the stakeholders to file their suggestions /objections from the date of publication of advertisement in daily newspapers. Subsequently, on request from some of the stakeholders, further time period (beyond 30 days) was also provided to them for filing suggestions and objections.

29. Redetermination of ARR of FY 2016-17 and truing up of FY 2016-17 as per provisionally approved ARR and GERC (MYT) Regulations, 2011

The Objector has submitted that there is no provision in either E.A. 2003 or MYT or other Regulations to determine the ARR for the same financial year (FY 2016-17) because the sharing of gain/loss of controllable and uncontrollable factors of tariff is the comparison of approved value with the actual received in the truing up. The question is which ARR is to be considered valid which is approved in the tariff petitions No. 1551/1552/1553 of 2015 which is based on the MYT Regulations, 2011 or approved in the tariff petitions No. 1626/1627/1628 of 2016 which is based on the MYT Regulations, 2016. Both the tariff orders for approval of ARR of FY 2016-17 are valid and legal.

ARR is approved in Petitions No. 1551, 1552 and 1553 of 2015 vide order dated 31.03.2016 is based on the MYT Regulations, 2011 and TPL has recovered the charges on the strength of the said order, how the truing up of the same ARR can be carried out under MYT Regulations, 2016 and with the ARR approved in the Petitions No.1626, 1627 and 1628 of 2016 Order dated 09.06.2017. The ARR for FY 2016-17 under the MYT Order is after completion of FY 2016-17 and no tariff increase or decrease was decided in the said order dated 09.06.2017. The Objector submitted that the truing up of FY 2016-17 should be compared with ARR determined vide Orders dated 31.03.2016 and not at all with ARR approved in Orders dated 09.06.2017.

Response of TPL

The Petitioner has stated that the Petition for truing-up of FY 2014-15 and determination of tariff for FY 2016-17 was duly filed with the Commission as was directed in the order in Suo Motu Petition No. 1534/2015. Further, as stated in the said order the Petitioner had also filed ARR for the third control period of FY 2016-17 to FY 2020-21 as per the GERC (MYT) Regulations, 2016. In turn, the Commission issued the order approving final ARR for FY 2016-17. The MYT Regulations, 2016 provide for truing up of FY 2016-17 as per the MYT Regulations, 2016. Thus, there is no irregularity or infirmity in the proceedings and the issue raised by the Objector does not survive. The Petitioner submitted that the Objector had also participated in both the tariff proceedings. The Objector is now seeking to obliquely assail the order passed in Suo Motu proceedings viz. Petition No. 1534 of 2015 and the subsequent orders and the MYT Regulations notified by the Commission.

Commission's View

Tariff Policy provides that it is desirable that requisite tariff changes come into effect from the date of the commencement of each financial year. Accordingly, the Commission adopted ARR approved for FY 2015-16 as provisional ARR for determination of tariff for the FY 2016-17. In order to carry out truing up exercise for FY 2016-17, it is required to approve final ARR for FY 2016-17 with targeted/benchmarked controllable parameters. Accordingly, approval of ARR for FY 2016-17 was considered by the Commission in MYT Order. The deviation between the provisional ARR and final ARR is to be considered as uncontrollable.

30. Maintaining separate accounting statements as per MYT Regulations

The Objector has submitted that the Regulation 17.3 of the MYT Regulations specifies that TPL has to maintain separate entity wise, business wise and segment wise books of accounts. It should be audited and such audited accounting statement as mandated in the MYT Regulations should be submitted as part of tariff petitions. However, TPL has not complied with this mandatory requirement of the MYT regulations and has breached the mandatory requirement. Violating the Regulations is bad in law and petitions are required not to be admitted till the compliance is made by TPL in this regard.

Response of TPL

The Petitioner has submitted that it prepares and maintains the accounts as per the Accounting Standards specified by the Institute of Chartered Accountants of India in accordance with the provisions of the Companies Act. The Petitioner has furnished the separate Financial Statements, duly certified by the Statutory Auditors' of the Company for the FY 2016-17 in accordance with the statutory provisions.

Commission's View

Commission accepted the separate Accounting Statements duly certified by the statutory auditors of the petitioner. Further, the Commission also engage third party experts for analysis of submission and carry out detailed prudence check during truing up of ARR exercise. Over and above, Commission also appointed Chartered Accounting firm empanelled by CAG for exhaustive third party audit of accounts submitted/ prepared by the petitioner.

31. Non submission of various information and supporting documents

The Objector has submitted that the Petitioner has not submitted various information and supporting documents.

Response of TPL

The Petitioner has submitted that it has furnished all the information as specified in the GERC (MYT) Regulations, 2016. The current proceedings are to be conducted as per the scope and ambit of Part VII of the Electricity Act, 2003.

Commission's View

After receiving the application for the determination of tariff from the licensee, the Commission carries out detailed analysis of the submission and if required, calls for additional information and clarification/supporting documents from the petitioner. As suggested earlier by some of the stakeholders, the Commission has placed the additional information received from the petitioner on GERC website and accordingly, same is made available to all the stakeholders.

32. Allocation of SUGEN power purchase cost as per allocation percentage defined in the PPA

The objector has submitted that the sale of energy, number of consumers, nature of consumption, category of consumers in Ahmedabad and Surat supply area is quite different. Also separate tariff of electricity is being determined for Ahmedabad and Surat supply area. The power procurement sources approved and quantum of share of SUGEN power for Ahmedabad is 25% and 50% is of Surat area of 1147.5 MW installed capacity which is 286 MW for Ahmedabad and 573 MW for Surat. SUGEN power is costly power. The allocation of power purchase cost of Ahmedabad and Surat is not justified because it should be scheduled only as per the approved PPA for Ahmedabad and Surat. The Ahmedabad consumers should not bear the brunt of excess power purchase cost of Sugen when its share is only 25%. TPL has not submitted a certificate from SLDC for verification of power scheduled for Ahmedabad and for Surat from Sugen. The Commission is requested to call for the details to prevent Ahmedabad consumers from subsidizing Surat consumers for SUGEN power procurement cost.

Response of TPL

The Petitioner has submitted that the apprehension of the Objector is misplaced. The Commission approves the total power purchase cost for Ahmedabad/ Gandhinagar and Surat Supply Areas collectively. The aforesaid power purchase cost is then allocated between both the areas based on their actual energy requirement for the year. Thus, the question of one area subsidising another does not arise. The collective power purchase helps to reduce the overall cost including reduction of risk due to diversification of sources. It does not result in any extra recovery to TPL-D.

Commission's View

For the MYT control period 2011-16, in order to get benefit of diversity and to optimise total cost of power purchase, Commission has considered combined power procurement for Ahmedabad and Surat licensee area and the same practice is continued for the current MYT period 2016-21.

33. Non-approval of Final PPA for SUGEN

The Objector has submitted that the Power Purchase Agreement has been approved conditionally by the Commission vide Order dated 23.12.20015 in Petitions No. 813 and 814 of 2004. These PPAs were given provisional approval subject to submission of Fuel Supply Agreement and subject to adoption of tariff by the Commission to be determined by Central Electricity Regulatory Commission under Section 79 (1) (b) read with Section 62 (1) (a) of E.A.2003 SUGEN being Inter-State generating power plant. As stated at page No. 28 and 29 concluding para of the Order dated 23.12.2005, the Commission has not accorded the final approval of the PPAs in question.

Hence, the recovery of fixed cost under legal force of approval of these PPAs vide Order dated 23.12.2005 is totally null and void. The approval for power procurement from SUGEN power plant itself is contrary to the Commission's own order and the power procurement cost of SUGEN is required not to be permitted for truing up. The fixed cost recovered for SUGEN is required to be refunded with bank interest.

Response of TPL

The Petitioner has submitted that that the Commission has approved the PPAs vide order dated 23.12.2005 in Petition No. 813 & 814 of 2004. While granting approval, the Commission had observed that the tariff of SUGEN, being an Inter-State Generating Station, was to be determined by the Central Electricity Regulatory Commission (CERC). Upon approval by the CERC, same was to be adopted by the Commission. Meanwhile, the Commission issued the Regulatory Framework for the first MYT Control Period (FY 2008-09 to FY 2010-11). In turn, TPL furnished all the details of SUGEN tariff as part of its MYT Petition and sought comments/ suggestions from all the Stakeholders. Based on the same, the Commission granted approval in its MYT Tariff order and allowed the recovery of cost of power purchase of SUGEN from the consumers upon commissioning of SUGEN. Thus, the contention of purchase of power from SUGEN without approval is baseless and incorrect.

Commission's View

Commission consistently considered the arrangement of supply of power from SUGEN to TPL distribution business since commissioning of SUGEN plant. In past, the Commission had on representation from some of the stakeholders, advised TPL to explore the possibilities of increasing the allocated capacity from SUGEN to its distribution business to take benefits of lower cost of generation.

34. Sharing of Gains/ (Losses) arising out of variations in price of fuel and power purchase

The Objector has submitted that the Regulation 10.2 of the MYT Regulations, 2007 and Regulation 24.3 of the MYT Regulations, 2011 does not permit TPL to share any gain or loss arising out of variations in the price of fuel and power purchase, which shall be dealt with as specified by the Commission from time to time. Therefore, all the tariff orders in which truing up is carried out to arrive at either revenue gap/surplus and are passed under the above MYT Regulations, 2007 and 2011 from FY 2008-09 to FY 2016-17, and in which the sharing of gain/loss is considered is totally invalid, unjust and against the GERC's own MYT Regulations, 2007 and 2011. The truing up of FY 2016-17 as proposed in the current petitions is required to be carried out under the MYT Regulations, 2011.

It is a fact that the variation in price of fuel and power purchase is immediately recovered by TPL under the FPPPA determined by the Commission in view of the direction of Hon'ble Appellate Tribunal for Electricity in Order OP 1 of 2011 dated 11.11.2011 that variation in the price of fuel and power purchase should be recovered immediately from the embedded contemporary consumers of the licensee so that future consumers who are added can be protected from paying past dues on account of the variation of price for fuel and power purchase. Here in this case, it is carried forward and those consumers who have not consumed that energy are forced to pay the unwarranted past charges. The motive of introduction, adoption and implementation of the Multi Year Tariff system is the sole base of this solution.

It has come to know after careful perusal of the tariff orders of various Government Utilities as well as private, in the truing up, the revenue gap/surplus on account of variation in price of fuel and power purchase is also allowed as pass through resulting into very heavy revenue gap which is not fair and valid in view of the facts that the same difference is allowed to be recovered under the FPPPA formula approved by the Commission. Even Regulation 10.2 and Regulation 24.3 of the MYT Regulations, 2007 and 2011 respectively do not permit the Commission to allow the recovery of variation in price of fuel and power purchase. This tantamounts to double recovery of FPPPA amount which is illegal and not valid.

The objector has requested the Commission that before determining the ARR for FY 2018-19 and before approval of truing up of accounts of FY 2016-17, the revenue gap arrived in the truing of accounts of earlier years in which the variation in price of fuel and power purchase is carried forward is required to be reviewed by Suo Motu proceedings to arrive at the correct revenue gap/surplus as specified in the MYT Regulations, 2007 and 2011.

Response of TPL

The Petitioner has submitted that the ARR and revenue gap has been arrived at as per the provisions of the GERC (MYT) Regulations, 2016. The sharing of Gains/(Losses) due to variation in Power purchase cost, O&M expenses etc. are calculated in accordance with the provisions of the GERC (MYT) Regulations, 2016. Regarding issue of suo motu, the Petitioner submitted that the Tariff orders pertaining to past control periods have attained finality. Hence, the issue is no longer res integra.

The Petitioner submitted that the present tariff proceedings have been adopted in accordance with the Statutory Regulations. All the filings, details and information have been already undertaken in accordance with the Regulations.

Commission's View

Regulation 23.3 of the GERC (MYT) Regulations provide that- Nothing contained in Regulations related to mechanism for pass through of gains or losses on account of uncontrollable factors shall apply in respect of any gain or loss arising out of variations in the price of fuel and power purchase, which shall be dealt with **as specified by the Commission from time to time**.

The Commission has consistently considered the gain or loss arising out of variation in the fuel and price of power purchase and its recovery during truing up exercise only and treated the same as uncontrollable.

4 Truing up for FY 2016-17

4.1 Introduction

This Chapter deals with the truing up of FY 2016-17.

The Commission has studied and analysed each component of the ARR for the FY 2016-17 in the following paragraphs.

4.2 Energy Sales to the Consumers

Petitioner's submission

TPL has submitted the category-wise actual energy sales for Surat area for FY 2016-17 along with the sales approved by the Commission in the MYT Order dated 9th June, 2017 in Petition No. 1628 of 2016 as given in the Table below:

Table 4.1: Energy sales for FY 2016-17 for Surat area

(MU)

Category	MYT Order	Actual
RGP	801.24	772.33
NON RGP	1254.53	1194.98
LTMD	964.41	914.82
HT	308.03	299.05
Others	28.25	27.85
DoE units	0.00	1.51
Total	**3356.46**	**3210.54**

The actual sales is 3210.54 MUs for Surat area for FY 2016-17 as against 3356.46 MUs approved in the MYT Order.

The actual sales in FY 2016-17 were lower than the sales approved in MYT Order mainly due to a combined effect of lower temperature and demonetization. The major reasons for deviation in category-wise sales are enumerated hereunder:

a) The actual sales of RGP category is lower than the MYT approved sales. This is primarily due to lower temperature registered during FY 2016-17.

b) Sales in Non RGP & LTMD category arise mainly from industrial and non-industrial services. The industrial services comprise of textile, diamond and embroidery segments whereas non-industrial services comprise of shops, showrooms and offices. During FY 2016-17, the actual sales for Non RGP & LTMD category is lower than the approved sales. This is mainly due to impact of demonetization and slowdown of industries (mainly textiles and its allied industries).

c) In HT category, the consumption is mainly attributed to the textile, diamond industries and commercial establishments in HTMD-1 category and water works and pumping stations run by Surat Municipal Corporation covered in HTMD-2 category. During FY 2016-17, the sales in HTMD-1 category are lower due to impact of demonetization and slowdown of industries (mainly textiles and its allied industries). Whereas higher set off given for wind/solar energy has impacted the sales of HTMD-2 category.

d) In others category the actual sales are marginally lower than approved.

The GERC (MYT) Regulations, 2016 specifies that the variation in quantities of electricity supplied to the consumers is attributed as uncontrollable factor.

Commission's Analysis

The Commission, in the MYT Order dated 9th June, 2017 had considered estimated sales of 3356.46 MUs for Surat license area for FY 2016-17. The actual energy sales in Surat area was 3210.54 MUs, lower by 145.92 MUs than the estimated sales considered by Commission in the MYT Order.

The sales as submitted by TPL is verified, compared and confirmed with the sale of energy furnished in the monthly return under Form A specified in Rule 6 (1) (A) filed by TPL with the Chief Electrical Inspector and Collector of Electricity Duty. The report shows information regarding energy supplied, consumed, consumption charges and electricity duty recovered and paid to Government month wise during FY 2016-17. The sales has also been verified and confirmed from the financial statement submitted by TPL along with the Petition.

The Commission approves the energy sales as mentioned in Table 4.1 for Surat area totalling to 3210.54 MUs for truing up for FY 2016-17.

4.3 Distribution Loss

Petitioner's submission

TPL has submitted that the distribution loss for Surat distribution license area was 3.89% as per MYT Order dated 9th June, 2017 whereas the actual distribution loss is 3.92% as given in the Table below.

Table 4.2: Petitioner's submission of Distribution loss for 2016-17

(%)

Particulars	Approved MYT	Actual
Distribution loss	3.89%	3.92%

TPL submitted that it has been making consistent efforts to maintain the distribution losses at lower levels and consequently the Petitioner is operating at the frontier of the efficiency at minimum levels.

TPL submitted to revisit the trajectory specified for the TPL as despite attaining the distribution loss level below 4%, the TPL is put to bear the loss instead of being incentivised for better performance.

Commission's Analysis

The distribution losses claimed by the Petitioner are marginally higher than the losses approved in the MYT Order dated 9th June, 2017 for FY 2016-17. Approval of losses higher than the losses approved in the MYT Order shall burden the consumers with higher tariff. Therefore, the Commission decides to approve the distribution losses at 3.89% for the truing up for FY 2016-17 to keep the burden on the consumers at minimum level.

4.3.1 Energy Requirement

Petitioner's submission

The Petitioner has submitted the actual energy requirement for Surat Supply area based on the (i) actual energy sales (ii) transmission loss and (iii) distribution loss for FY 2016-17 as given in the Table below.

Table 4.3: Energy Requirement for FY 2016-17 for Surat area

Particulars	MYT Order	Actual
Energy Sales (MUs)	3356.46	3210.54
Distribution Loss (%)	3.89%	3.92%
Distribution Loss (MUs)	135.85	131.00
Energy input at distribution level (MUs)	3492.31	3341.54
Transmission Loss (MUs)	39.19	35.14
Energy Requirement (MUs)	**3531.50**	**3376.68**

Commission's Analysis

The actual energy requirement submitted by the Petitioner for FY 2016-17 along with energy requirement as per MYT Order dated 9th March, 2017 has been examined and verified by the Commission.

The actual energy sale is lower than that approved in the MYT Order dated 9th June, 2017 in Petition No. 1628 of 2016. The distribution losses approved in the MYT Order dated 9th June, 2017 was 3.89% and the actual distribution losses as reported by TPL is 3.92%. Since the actual sales has been less than that approved in the MYT Order, therefore there has been a decrease in energy requirement as compared to that approved in the MYT Order. Whereas, due to actual distribution losses of 3.92%, the energy requirement is slightly increased. The Commission for truing up for FY 2016-17 has considered the distribution losses at 3.89%.

Accordingly, the actual energy requirement, being the sum of energy sales and transmission and distribution losses, works out to 3375.63 MUs for FY 2016-17 as shown in the Table below:

Table 4.4: Energy Requirement for FY 2016-17 for Surat area

Particulars	Claimed	Approved
Energy Sales (MUs)	3210.54	3210.54
Distribution Loss (%)	3.92%	3.89%
Distribution Loss (MUs)	131.00	129.94
Energy input at distribution level (MUs)	3341.54	3340.49
Transmission Loss (MUs)	35.14	35.14
Energy Requirement (MUs)	**3376.68**	**3375.63**

4.3.2 Energy Availability

TPL-D has submitted that it sources power collectively for its Ahmadabad and Surat license areas from TPL-G (APP), SUGEN, Renewable Energy and other sources such as bilateral purchase /power exchange.

It is further submitted by TPL that during FY 2016-17, lower forced outages at TPL-G (APP) have resulted in higher availability of Sabarmati plant. In reference to SUGEN, the quantum of procurement of power is almost in line with the approval. However, with respect to Renewables, there is major variation due to supply constraints.

TPL has also procured power from bilateral sources in line with the Commission's approval. Balance requirement has been fulfilled through procurement of top up power from power exchange.

The details of energy availability (net) from different sources from whom the TPL-D purchased the energy during FY 2016-17 is stated in the Table below:

Table 4.5: Energy Availability (Net) for FY 2016-17 for Ahmadabad & Surat

(MUs)

Sl. No.	Energy Sources	MYT Order	Actual
1	TPL-G (APP)	2470.20	2520.31
2	TPL-G (SUGEN)	4754.49	4749.53
3	Bilateral and others	1180.51	1229.85
4	Power Exchange	1671.25	1642.97
5	Renewable Energy	1119.60	558.43
6	UI	-	89.87
	Total	**11196.05**	**10790.97**

Commission's Analysis

It is seen from the above Table that TPL has procured power from TPL-G (APP), SUGEN power plant, through Bilateral, Power Exchange and Renewable energy. TPL-G (APP), SUGEN, bilateral, Power Exchange and Renewable energy are approved sources of power by the Commission as per the MYT Order dated 9th June, 2017.

The Commission noted that TPL has procured the renewable energy from generators under preferential tariff besides procurement of RECs for compliance of RPO. The Commission has also noted that TPL has filed a separate Petition for compliance of

RPO which is pending for adjudication before the Commission. Therefore, as far as compliance of RPO is concerned, the Commission will decide it in separate proceedings.

The Commission has considered the aforesaid aspects and accordingly determined the availability of energy during FY 2016-17 as shown in the Table 4.6 below:

Table 4.6: Approved Energy Availability (Net) for FY 2016-17 for Surat

(MU)

Sl. No.	Energy Sources	MYT Order	Approved
1	TPL-G (APP)	2470.20	2520.31
2	TPL-G (SUGEN)	4754.49	4749.53
3	Bilateral and others	1180.51	1229.85
4	Power Exchange	1671.25	1642.97
5	Renewable Energy	1119.60	558.43
6	UI	0.00	89.87
	Total	**11196.05**	**10790.97**

The Commission approves the source wise power purchased by TPL(D) as summarized in Table 4.6 above for truing up for FY 2016-17.

4.4 Power Purchase

TPL has submitted the actual power purchase cost for FY 2016-17 against the power purchase cost approved in the MYT Order dated 9th June, 2017 as shown in the Table below:

Table 4.7: Power Purchase cost projected by TPL for Ahmedabad and Surat area for FY 2016-17

(Rs. Crore)

Energy Sources	MYT Order	Actual
TPL-G(APP)	1113.67	1135.56
TPL-G(SUGEN)	2616.98	2623.16
Bilateral	371.86	394.92
Power Exchange	521.43	493.74
Renewables	543.29	375.28
REC	0.00	54.48
*GETCO LTOA Charges	-	16.80
Total	**5167.23**	**5093.94**

*As per Form 2 of the petition.

TPL-Distribution submitted that the quantum of power purchase depends on energy sales and distribution loss and the mix of power purchase depends on availability and cost of different sources at a point of time.

The variation in the power purchase cost from the MYT Order is on account of variation in sales and distribution losses, variation in actual cost with respect to the base rate along with purchase of power from short term sources to meet the shortfall during the year.

TPL has also submitted that the variation in power purchase cost is an uncontrollable component except on account variation in distribution losses. Hence, the same needs to be allowed in ARR as per Regulations.

TPL-D submitted that the power purchase for its Ahmadabad & Surat license areas has been carried out on collective basis and the total power purchase cost has been apportioned between Ahmadabad & Surat on the basis of usage of power. Accordingly, the allocated power purchase cost for Surat Supply area is Rs. 1,593.98 Crore for FY 2016-17.

Commission's Analysis

The Commission had approved the quantum of power purchase at 11,196.05 MUs for FY 2016-17 in the MYT Order dated 9th June, 2017 against which TPL has purchased 10,790.97 MUs. The energy requirement is evaluated based on the sale of energy and losses in the transmission and distribution system of Ahmadabad/Gandhinagar and Surat license area. The energy requirements for TPL-Surat license area works out to 31.29% of total energy requirement and accordingly the total power procurement cost for the TPL-Surat license area has been evaluated based on 31.29% of total power requirement for TPL- Surat area.

The Commission observed from Table 4.7 above that the total power purchase cost reduced by Rs. 73.29 Crores against the cost approved in the MYT Order. The main reason for decrease in power purchase cost is due lower sale, and consequently lower purchase of power against what is approved by the Commission.

The Commission has duly verified the annual accounts of TPL-D, Ahmadabad and Surat and the FPPPA approved in 4 (four) quarters of FY 2016-17.

TPL carries out the power purchase for Ahmadabad and Surat license area on collective basis and the total power purchase cost is apportioned between these two license areas based on usage of power. The Commission has approved the generation cost of TPL's Ahmadabad Generation Plant at Rs 1128.79 Crore in the true up of FY 2016-17. The Commission approved the power purchase cost as given in the Table below.

Table 4.8: Power Purchase cost approved for Ahmadabad & Surat area for FY 2016-17

(Rs. Crore)

Energy Sources	MYT Order	Approved in Truing Up
TPL-G(APP)	1113.67	1128.79
TPL-(SUGEN)	2616.98	2623.16
Bilateral	371.86	394.92
Power Exchange	521.43	493.74
Renewable Energy	543.29	375.28
REC	0.00	54.48
GETCO LTOA Charges		16.80
Total	**5167.23**	**5087.18**

Considering the approved power purchase cost of Rs 5087.18 Crore for the approved total energy procurement of 10790.97 MUs, the per unit power purchase cost works out to Rs 4.71/kWh. For the actual energy requirement of Surat license area at 3376.68 MUs, the power purchase cost for Surat license area is computed at Rs 1591.86 Crore. The Commission accordingly approves the power purchase cost of Rs 1591.86 Crore for Surat license area in the True Up for FY 2016-17.

4.4.1 Loss due to higher distribution losses

Petitioner's Submission

TPL has computed the loss due to higher distribution loss for Surat area at Rs. 0.74 Crore, as given in the Petition, on account of increase in distribution losses. TPL furnished the details of computation of loss due to distribution losses for Surat area in their Petition as given in the Table below:

Table 4.9: loss due to increase in energy requirement for FY 2016-17 claimed by TPL-D (Surat)

Particulars	Unit	Legend	Actuals
Actual energy purchased at distribution level	MU	a	3,341.54
Energy Sales	MU	b	3,210.54

Wheeling of energy	MU	c	43.29
Total energy wheeled	MU	d=b+c	3,253.83
Distribution loss (approved in MYT)	%	e	3.89%
Energy required at distribution level at approved loss	MU	f=d/(1-e)	3,385.53
Difference	MU	g=(f)-((a)+(c))	0.70
Units recovered as loss	MU	h	2.27
Reduction in energy requirement	MU	i=g-h	(1.57)
Average PPC	Rs/kWh	j	4.72
Savings	**Rs Cr**	k=i*j	(0.74)

Commission Analysis

The Commission has approved distribution loss at 3.89% in the MYT Order dated 9th June, 2017 whereas TPL has claimed the actual distribution loss at 3.92% for FY 2016-17. The Commission has worked out the loss on account of increase in distribution losses as shown in the Table below:

Table 4.10: Approved loss due to increase in energy requirement for FY 2016-17

Particulars	Units	Legend	Approved
Actual energy purchased at distribution level	MU	a	3,341.54
Energy Sales	MU	b	3,210.54
Wheeling of energy	MU	c	43.29
Total energy wheeled	MU	d=b+c	3,253.83
Distribution loss (approved in MYT)	%	e	3.89%
Energy required at distribution level at approved loss	MU	f=d/(1-e)	3,385.53
Difference	MU	g=(f)-((a)+(c))	0.70
Units recovered as loss	MU	h	2.27
Reduction in energy requirement	MU	i=g-h	(1.57)
Average PPC	Rs/kWh	j	4.71
Savings	Rs Cr	k=i*j	(0.74)

The Commission, accordingly, approves the loss on account of increase in distribution losses at Rs. 0.74 Crores during FY 2016-17 for truing up.

4.5 Fixed Charges

4.5.1 Operation and Maintenance (O&M) expenses

TPL has claimed Rs. 120.03 Crore as O&M expenses as against the total O&M expenses of Rs. 112.83 Crore approved for FY 2016-17 in the MYT Order as detailed in the Table below:

Table 4.11: O&M expenses claimed by TPL- Surat for FY 2016-17

(Rs. Crore)

Particulars	MYT Order	Actual	Over(+) / Under (-) recovery	Controllable	Uncontrollable
Total O&M Expenses	112.83	120.03	(7.20)	(7.20)	-

Petitioner's submission

TPL has submitted that the actual O&M expenses of Surat supply area have exceeded the approved value mainly due to higher A&G and Employee Expenses.

TPL further submitted that the GERC (MYT) Regulations, 2016 provide that variation in O&M expenses is to be considered as controllable except the change in law and wage revision. The Petitioner has considered the entire variation in O&M expenses in FY 2016-17 as controllable for sharing of gains/losses in line with the Regulations.

Commission's Analysis

It is observed that as per Annual Accounts O&M Expenses are Rs.126.48 Crore; whereas TPL has claimed O&M Expenses of Rs.120.03 Crore.

(a) Employee Expenses: - Employee expenses as per annual accounts are Rs. 53.71 Crore. TPL has added the commission to non-executive directors of Rs. 0.17 Crore (From A&G expenses head) and expenses towards re-measurement of defined benefit plans of Rs 0.72 Crore. Accordingly, the Petitioner has claimed employee expenses of Rs. 54.60 Crore.

(b) A&G: A&G Expenses as per annual accounts is Rs. 42.19 Crore. The Petitioner has claimed the A&G Expenses after reduction on account of commission to non-executive directors (Rs.0.17 Crore), donations (Rs.4.07 crore), Bad debts written off (Rs.0.90 Crore), DSM Expenses (Rs. 2.03 Crore) and lease land depreciation (Rs.

0.18 Crore) totalling to Rs. 7.35 Crore. Accordingly, TPL has claimed A&G expenses of Rs. 34.84 Crore.

(c) R&M: The Petitioner has claimed R&M expenses of Rs.30.58 Crore as per annual accounts.

The Commission, accordingly, approves the O&M expenses of Rs. 120.02 Crore, for truing up for FY 2016-17.

Table 4.12: O&M expenses approved by Commission for FY 2016-17

(Rs Crore)

Particulars	MYT Order	Approved	Over(+) Under(-) (-) recovery	Gain/(loss) due to Controllable factor	Gain/(loss) due to Uncontrollable factor
O&M Expenses	112.83	120.02	(7.19)	(7.19)	-

4.5.2 Capital expenditure, Capitalization and Sources of Funding

TPL has furnished actual capital expenditure of Rs. 106.03 Crores in the truing up for FY 2016-17 against Rs. 140.42 Crores approved in the MYT Order dated 9th June, 2017 for FY 2016-17 as per the details given in the Table below:

Table 4.13: Capital expenditure claimed by TPL- Surat for FY 2016-17

(Rs Crore)

Particulars	MYT Order	Actual
EHV Network	39.00	30.96
HT Network	23.93	15.63
LT Network	14.85	16.40
220kV Connectivity with GENSU	30.00	28.68
Meter Management	12.01	7.21
Special Projects	10.64	4.10
Other Departments	2.09	1.04
Miscellaneous	4.10	1.82
IT & Related Expenditure	3.79	0.21
Total	**140.42**	**106.03**

Petitioner's submission

TPL has submitted that the capital expenditure incurred by Surat Supply Area in FY 2016-17 is Rs. 106.03 Crores which is lower than the approved value.

The reasons for the major variances in the actual expenditure against the approved expenditure are enumerated hereunder:

(a) **EHV** – The Hon'ble Commission had approved the capital expenditure of Rs.39 Crores for EHV. In this regard, the Petitioner has incurred the expenditure of Rs. 30.96 Crores. The major variation is on account of the following:

- <u>Commissioning of new 66 kV EHV Sub-station</u>: The project of commissioning of new 66 kV Puna sub-station was initiated in FY 2015-16 and completed in FY 2016-17. An expenditure of Rs. 18.55 Crore was incurred in FY 2016-17. The reason for lower expenditure incurred than estimated is due to lower purchase cost of GIS equipment & civil work.
- <u>Augmentation / Replacement of Power Transformer & ICT</u>: An expenditure of Rs. 5.60 Crore was incurred under the head of Augmentation / Replacement of Power Transformer & ICT. The variation in the expenditure is on account of lower purchase cost of Power transformer and equipment. Further, the power transformer at C station has been replaced.
- <u>Supporting Infrastructure</u>: An expenditure of Rs. 0.43 Crore was incurred under the head of supporting infrastructure. The deviation is mainly on account of lower cost incurred due to price variation of material procured.
- In addition to the above, the Petitioner has also incurred the expenditure of Rs. 0.47 Crore towards new 220 kV EHV sub station and Rs. 5.90 Crore towards Replacement & Renovation in existing EHV sub station. There is no major variation in this regard.

(b) **HT –** The Commission had approved the capital expenditure of Rs. 23.93 Crores for HT network. However, the actual expenditure was Rs. 15.63 Crores. One of the major reasons for variation was on account of deferment of SMC BRTS project. Further lower Capex was incurred due to (i) Price variation (ii) Less cable requirement (iii) lower quantum of DT & panel procurement due to reuse of old recovered DT & panel; and (iv) Lower RR charges than estimated. The Petitioner has also deferred the projects related to feeder automation, DT replacement APFC panels, and Compact sub stations to future years.

(c) **LT –** The Commission had approved the capital expenditure of Rs. 14.85 Crores for LT network. However, the actual expenditure was Rs. 16.40 Crores due to development of new network for release of connections based on new TP schemes at Ved Karada & Dabholi and micro-surfacing of road by Surat Municipal Corporation at various locations.

(d) **Metering** – The Commission had approved capital expenditure of Rs. 12.01 Crores. The actual expenditure was lower as compared to the approved due to lower quantum of meter replacement.

(e) **Special Projects** –The Commission had approved capital expenditure of Rs. 10.64 Crore towards special projects. In this regard, the Petitioner has initiated the projects for establishment of central stores and GIS. The Petitioner has incurred an expenditure of Rs. 4.10 Crore.

(f) **220 kV connectivity with GENSU**: During FY 2016-17, the Petitioner has incurred an expenditure of Rs. 28.68 Crore towards 220 kV connectivity with GENSU. Balance expenditure of Rs. 1.32 Crore has been carried forward to FY 2017-18.

(g) **Others**– The Petitioner has incurred lower capex under the head of Civil Works, IT, Customer Care and Admin related works during FY 2016-17 due to deferment of major Capex to FY 2017-18.

Commission's Analysis

The Commission observed that the Petitioner has incurred capital expenditure of Rs. 106.03 Crores, as against Rs. 140.42 Crores approved by the Commission in the MYT Order dated 9th June, 2017. The Commission has verified from the annual accounts that the Petitioner has incurred capital expenditure Rs. 106.03 Crore during FY 2016-17.

With regard to scheme wise details of Capex, TPL has submitted list of projects where Capex have been incurred in FY 2016-17. The summary of TPL's submission is shown in the Table below.

Table 4.14: Details of Capital expenditure for each scheme for FY 2016-17

(Rs. Crore)

Project Title	FY 2016-17
EHV Network	30.96
HT Network	15.63
LT Network	16.40
220kV Connectivity	28.68
Meter Management	7.21
Special Projects	4.10
Other Departments	1.04
Miscellaneous	1.82
IT & Related Expenditure	0.21
Total	**106.03**

The Commission, approves the capital expenditure of Rs 106.03 Crores for FY 2016-17.

Capitalization

Petitioner's Submission

TPL has claimed a sum of Rs.104.66 Crores towards capitalization, as against the actual capital expenditure of Rs.106.03 Crores.

Commission's Analysis

The addition to assets during FY 2016-17 is Rs 104.66 Crore, as verified from the annual accounts of TPL-Surat. The Commission observed that the Petitioner has capitalized higher amount, as against Rs. 76.75 Crore approved by the Commission in the MYT Order for FY 2016-17. The Petitioner has given break up of asset wise capitalization as depicted in the Table below.

Table 4.15: Break up of capitalised assets for FY 2016-17

(Rs Crore)

Project Code	Project Title	Capitalization
EHV Network	New 220 kV EHV SS	0.47
	New 66 kV EHV SS	19.35
	Additional / Augmentation / Replacement of Power Transformer & ICT	5.60
	Replacement & Renovation in existing EHV SS	5.95
	Supporting Infrastructure - EHV	0.43
	Total EHV	**31.79**
HT	11 kV HT Network Development & Modification	5.27

Project Code	Project Title	Capitalization
Network	Replacement / Shifting of HT Network	1.09
	New Distribution Sub stations	4.11
	New HT Consumers	2.29
	Additional / Augmentation / Replacement of Dist. X'mer	2.60
	Installation / Replacement of 11 kV S/Gear / LT Panel / Breaker and Acc. for Safety	0.17
	Reactive Power compensation	0.13
	Supporting Infrastructure - HT	0.15
	Total HT	**15.80**
LT Network	New Connections / Load Extension	13.12
	LT Network Development & Modification	3.44
	Supporting Infrastructure - LT	0.00
	Total LT	**16.57**
Special Projects	Establishment of Central Store at E SS	1.75
	Establishment of Sub Store	0.17
	Implementation of Geographical Information system (GIS)	0.02
	Total Special Projects	**1.94**
Others	Civil	0.49
	220 kV connectivity with GENSU	28.21
	Meter Management	7.24
	Customer Care	0.55
	IT	0.21
	Others	1.87
	Grand Total	**104.66**

The Commission has noted the submissions of TPL in the earlier paragraphs regarding the capital expenditure as well as capitalisation of assets. In the present case, the Commission notes that TPL has Commissioned new 66 kV EHV Sub station and carried out Augmentation / Replacement of Power Transformer & ICT. TPL has also incurred the expenditure towards new 220 kV EHV sub station and Replacement & Renovation in existing EHV sub stations.

Based on the above observations, and verification from the annual accounts, the Commission approves capitalization of Rs 104.66 Crore for FY 2016-17.

Funding of CAPEX

TPL has submitted the capitalisation and funding, as detailed in the Table below:

Table 4.16: Projected capitalization and sources of funding for FY 2016-17

(Rs. Crore)

Particulars	FY 2016-17	
		As Claimed
Opening GFA	a	1,487.07
Addition to GFA	b	104.66
Deletion from GFA	c	8.85
Closing GFA	d= a+b-c	1,582.89
Less: (i) SLC additions	e	15.01
Capitalization for Debt and Equity	f= b-c-e	80.80
Normative Debt @ 70%	g= f*70%	56.56
Normative Equity @ 30%	h= f*30%	24.24

The Commission approves the capitalization and funding as shown in the above Table in the truing up for FY 2016-17.

4.5.3 Depreciation

TPL has claimed a sum of Rs. 48.50 Crores towards actual depreciation in the truing up for FY 2016-17 against Rs. 51.48 Crores approved in the MYT Order dated 9th June, 2017 as detailed in the Table below:

Table 4.17: Depreciation claimed by TPL- Surat for FY 2016-17

(Rs. Crore)

Particulars	FY 2016-17	
	MYT Order	Actual
Depreciation	51.48	48.50

Petitioner's submission

TPL has submitted that the depreciation rates, as per CERC (Terms and Conditions of Tariff) Regulations, 2004, are applied on the Opening GFA of FY 2009-10 and for addition of assets from 1st April, 2009 onwards, the depreciation has been computed at the rates specified in the GERC Regulations.

Commission's Analysis

The details of opening balance of GFA, as on 1st April, 2016, addition to and deduction from the Gross Block, during FY 2016-17, and the depreciation on the assets, asset classification-wise, are given in the Petition. The Commission has verified the same from the annual accounts for FY 2016-17. It is observed that depreciation as per annual accounts is Rs. 55.65 Crore. The Petitioner has added lease land depreciation of Rs. 0.18 Crore and reduced the depreciation on account of service line contribution of Rs. 7.32 Crore and accordingly claimed the depreciation of Rs. 48.51 Crore.

The Commission, accordingly, approves the depreciation of Rs. 48.51 Crore in the truing up for FY 2016-17.

The deviation of Rs. 2.97 Crore is assessed as a gain and the Commission has considered it as uncontrollable item as the depreciation is dependent on Capex and capitalization.

The Commission, accordingly, approves the gains / losses on account of depreciation in the truing up for FY 2016-17 as detailed in the Table below:

Table 4.18: Depreciation and gain / loss due to depreciation approved in the truing up for FY 2016-17

(Rs. Crore)

Particulars	As per MYT Order FY 2016-17	Approved in truing up for FY 2016-17	Deviation +(-)	Gain/(loss) due to uncontrollable factor
Depreciation	51.48	48.51	2.97	2.97

4.5.4 Interest and Finance Charges

TPL has claimed Rs. 34.24 Crores towards actual interest expenses in the truing up for FY 2016-17 against Rs. 31.55 Crores approved in the MYT Order dated 9th June, 2017 as detailed in the Table below:

Table 4.19: Interest claimed in the truing up for FY 2016-17

(Rs. Crore)

Particulars	MYT Order	Actual
Opening Balance of Loan	285.16	285.16
Addition during the year	48.24	56.56
Repayment during the year	51.48	48.50
Closing Balance of Loans	281.92	293.22
Average Balance of Loan	283.54	289.19
Weighted average Rate of interest on actual Loans (%)	11.13%	11.28%
Interest Expenses	**31.55**	**32.61**
Finance Charges	0.00	1.64
Total Interest & Finance Charges	**31.55**	**34.24**

Petitioner's submission

The Petitioner submitted that the GERC (MYT) Regulations, 2016 provide for the calculation of interest expenses on normative basis considering the amount of depreciation as the amount of repayment.

The Petitioner has calculated the interest expenses by applying Weighted Average Rate of interest of the actual loan portfolio of the Petitioner during the year on the loan component while repayment has been considered equal to the depreciation of the assets for the year.

Commission's Analysis

The existing loans outstanding as on 31st March, 2016 have been verified with the tariff order dated 9th June, 2017 and found to be correct. The additional loan of Rs. 56.56 Crore is in accordance with the requirements of capitalization and source of funding as approved in Table 4.16 above. GERC (MYT) Regulations, 2016 provide for computation of interest on loan on normative basis on the opening balance of loan brought forward from the previous year's closing balance, capitalization and funding approved during the year. The opening balance of loan for FY 2016-17 has been brought forward from the closing balance of the actual loan outstanding as on 31.03.2016. As per GERC (MYT) Regulations, 2016, repayment of the loan is considered equal to the depreciation allowed.

As per first proviso to Regulation 38.5 of the GERC (MYT) Regulations, 2016, at the time of truing up, the weighted average rate of interest calculated on the basis of the actual loan portfolio during the year applicable to the Distribution Company shall be considered as the rate of interest. As per aforesaid Regulations, the Commission has worked out the interest rate of 11.13% based on information such as lender wise portfolio with periodical variation in interest rate, principle repayment and tenure during FY 2016-17 as received from the Petitioner vide e-mail dated 20th March 2018.

The other borrowing cost, as per annual accounts, is Rs. 1.64 Crore for FY 2016-17 (including the expenditure towards amortization). The Commission has recomputed the interest on loan for FY 2016-17, as detailed in the Table below:

Table 4.20: Interest approved by Commission during truing up of FY 2016-17

(Rs Crore)

Particulars	**As per MYT Order FY 2016-17**	**Approved in truing up for FY 2016-17**
Opening Balance of Loan	285.16	**285.16**
Addition of Loan due to capitalisation during the year	48.24	56.56
Repayment of loan during the year	51.48	48.51
Closing Balance of Loan	281.92	293.21
Average Balance of Loan	283.54	289.19
Weighted average Rate of Interest on actual Loans (%)	11.13%	11.13%
Interest Expenses	31.55	32.19
Finance Charges	0.00	1.64
Total Interest & Finance Charges	31.55	33.83

The Commission, accordingly, approves the interest and finance charges at Rs. 33.83 Crore in the truing up for FY 2016-17.

With regard to the computation of Gains/ (Losses), Regulation 22.2 of the GERC (MYT) Regulations, 2016 considers variation in capitalization on account of time and/or cost overruns / efficiencies in the implementation of capital expenditure project, not attributable to an approved change in scope of such project, change in statutory levies or force majeure events, as a controllable factor. As per Regulation 24 of the GERC (MYT) Regulation, 2016, if the gain is on account of lesser capital expenditure and capitalization, it cannot be attributed to the efficiency of the utility to allow 2/3rd of gain to the utility. Similarly, if the loss is on account of more capital expenditure and capitalization due to bonafide reasons beyond the control of utility due to Force Majeure event like Act of God, non-receipt of statutory approval etc., the utility cannot be penalized by allowing only 1/3rd of the loss in the ARR. Accordingly, the Commission decides to consider variation in capitalization as uncontrollable. Hence, the components of ARR related to capitalization, like interest and finance charges, depreciation and return on equity are considered as uncontrollable.

The Commission, accordingly, approves the Gains/(Losses) on account of interest and finance charges in the truing up for FY 2016-17, as detailed in the Table below:

Table 4.21: Gains / losses approved in the truing up for FY 2016-17

(Rs. Crore)

Particulars	As per MYT Order for FY 2016-17	Approved in truing up for FY 2016-17	Deviation +(-)	Gain /(loss) due to uncontrollable factor
Interest and Finance Charges	31.55	33.83	(2.28)	(2.28)

4.5.5 Interest on Security Deposit

TPL has claimed Rs. 18.14 Crores towards interest on security deposit in the truing up for FY 2016-17 against Rs. 17.52 Crores approved in the MYT Order.

The Commission in its MYT order had approved the interest on security deposit for the Petitioner considering 7.75% interest rate on the average estimated balance of security deposit for FY 2016-17.

The actual interest expense on security deposit considering the rate of interest of 7.75% paid to consumers based on Bank Rate is submitted in the Table below for the approval of the Commission.

TPL submitted that the variation in interest on security deposit compared to the approved expenses is to be treated as uncontrollable.

Table 4.22: Interest on security deposit claimed by TPL-Surat for FY 2016-17

(Rs. Crore)

Particulars	MYT Order	Actual
Interest Rate	7.75%	7.75%
Interest on Security Deposit	17.52	18.14

Commission's Analysis

The Commission has verified the actual interest on security deposit and found the same to be as per the financial statements submitted with the petition.

The Commission, accordingly, approves the interest on security deposit at Rs. 18.14 Crore in the truing up for FY 2016-17.

The deviation of Rs. 0.62 Crore is considered a loss on account of uncontrollable factor as detailed in the table below:

Table 4.23: Approved gain / loss due to interest paid on security deposit in the truing up for FY 2016-17

(Rs. Crore)

Particulars	Approved in the MYT Order for FY 2016-17	Approved in the truing up for FY 2016-17	Deviation +(-)	Gain/(loss)due to uncontrollable factor
Interest on Security Deposit	17.52	18.14	(0.62)	(0.62)

4.5.6 Interest on Working Capital

The working capital requirement is arrived at as per the GERC (MYT) Regulations, 2016. TPL has claimed Rs Nil Crores towards interest on working capital.

Table 4.24: Interest on working capital claimed by TPL- Surat for FY 2016-17

(Rs. Crore)

Particulars	MYT Order	Actual
O&M expenses for 1 month	9.40	10.00
1% of GFA for maintenance spares	14.87	14.87
Receivables for 1 month	170.32	165.43
Less: Security Deposit	226.08	239.68
Normative Working Capital	0.00	0.00
Interest Rate (%)	11.70%	11.31%
Interest on Working Capital	-	-

Commission's Analysis

The Commission has examined the interest on working capital claimed by TPL for FY 2016-17.

While computing the working capital, the Commission has reduced the working capital requirement by considering the average security deposit of Rs. 239.68 Crore for FY 2016-17 as per annual accounts. The working capital requirement works out to be negative as shown in the Table below.

The Commission, accordingly, approves the interest on working capital at Rs Nil Crore in the truing up for FY 2016-17.

Table 4.25: Interest on working capital approved for TPL- Surat for FY 2016-17

(Rs Crore)

Particulars	MYT Order	Approved
O&M Expenses for 1 month	9.40	10.00
1% of GFA for maintenance spares	14.87	14.87
Receivables for 1 months	170.32	165.43
Less: Security Deposit	226.08	239.68
Total Working Capital	**(31.49)**	**(49.38)**
Interest Rate (%)	11.70%	11.31%
Interest on Working Capital	-	-

4.5.7 Return on Equity

TPL has claimed Rs. 79.02 Crores towards return on equity @ 14% in the truing up for FY 2016-17 against Rs. 78.77 Crores approved in the MYT Order dated 9th June, 2017 as detailed in the Table below:

Table 4.26: Return on equity claimed for TPL- Surat for FY 2016-17

(Rs. Crore)

Particulars	FY 2016-17	
	MYT Order	Actual
Opening Equity	552.33	552.33
Equity addition during the year	20.67	24.24
Closing Equity	573.00	576.57
Average of Opening and Closing Equity	562.67	564.45
Rate of Return on Equity	14%	14%
Return on Equity	**78.77**	**79.02**

Petitioner's submission

TPL has submitted that the closing balance of equity has been arrived at considering additional equity equivalent to 30% of the capitalization during the year. The return on equity has been computed by applying the rate of 14% on the average of the opening and closing balance of equity for FY 2016-17.

Commission's Analysis

The opening equity for FY 2016-17 is same as the closing equity for FY 2015-16 approved in the true up order for FY 2015-16. The addition of equity of Rs. 24.24

Crores is due to net capitalization during FY 2016-17 as approved in 4.5.2 of this Order

The Commission has observed that there is an addition to GFA of Rs 104.66 Crore and as per Table 4.16 deletion from GFA of Rs 8.85 Crore during FY 2016-17. Thus, net capitalization during the year is Rs 95.81 Crore and considering the Service Line Contribution received during the year of Rs 15.01 Crore, the balance capitalization works out to Rs 80.80 Crore. The GERC (MYT) Regulations, 2016 provide for funding of such balance capitalization through a mix of debt and equity in the ratio of 70:30. Accordingly, the equity addition for the year works out to Rs 24.24 Crore and considering the rate of return of 14% as per the GERC (MYT) Regulations, 2016 on average equity, the return on equity works out to Rs 79.02 Crore as given in the Table below.

Table 4.27: Return on equity approved for TPL- Surat for FY 2016-17

(Rs. Crore)

Particulars	FY 2016-17	
	MYT Order	Approved
Opening Equity	552.33	552.33
Equity addition during the year	20.67	24.24
Closing Equity	573.00	576.57
Average of Opening and Closing Equity	562.67	564.45
Rate of Return on Equity	14%	14%
Return on Equity	**78.77**	**79.02**

The Commission, accordingly, approves the return on equity at Rs. 79.02 Crore in the truing up for FY 2016-17.

The return on equity depends on the amount of capitalization during the year and the debt equity ratio considered during the Financial Year and these parameters are uncontrollable in nature. The variance in the amount of return on equity is therefore treated as an uncontrollable item.

The Commission, accordingly, approves the gains / loss on account of return on equity in the truing up for FY 2016-17 as detailed below.

Table 4.28: Return on equity and gain / loss approved in the truing up for FY 2016-17

(Rs. Crore)

Particulars	As per MYT Order for FY 2016-17	Approved in truing up for FY 2016-17	Deviation +(-)	Gain/(loss)due to uncontrollable factor
Return on Equity	78.77	79.02	(0.25)	(0.25)

4.5.8 Income Tax

TPL has claimed Rs. 43.56 Crore towards Income Tax in the truing up for FY 2016-17 against Rs. 42.24 Income Tax approved in the MYT Order dated 9th June, 2017 as detailed in the Table below:

Table 4.29: Income Tax claimed by TPL- Surat for FY 2016-17

(Rs. Crore)

Particulars	FY 2016-17	
	MYT Order	Actual
Income Tax	42.24	43.56

Petitioner's submission

While passing the MYT Order, the Commission approved Rs. 42.24 Crore as income tax as per the true up of FY 2015-16.

For FY 2016-17, the Petitioner has claimed the Income Tax based on the actual tax paid in proportion to the PBT of TPL-D(S). Hence, the total amount claimed under the head of income-tax is Rs. 43.56 Crore.

Commission's Analysis

The Commission had asked TPL to furnish the details of segregation of income tax paid by TPL in respect of TPL Surat along with copies of challans of income tax paid. In its reply, TPL submitted that being a single corporate entity, income tax is paid for the company as a whole. TPL has also submitted that it has computed the income tax, by applying the prevailing MAT rate on the PBT, as per the annual accounts and submitted the copies of challans of income tax paid.

The Commission verified the PBT figures from the annual accounts for FY 2016-17. The Petitioner has shown a PBT of Rs. 195.81 Crore (Net of Remeasurement of Defined Benefit Plans). The corresponding PBT as per standalone financial statement of TPL is Rs. 574.21 crore and the total current tax paid is Rs 128.30 crore. It is observed that during FY 2016-17, the Petitioner has paid the MAT.

The Commission has computed the income tax of Rs. 118.89 Crore by applying the MAT rate of 21.3416% on the PBT of TPL (G), TPL (A), TPL (S) and TPL (Dahej) (PBT of Rs. 557.06 Crore @ 21.3416%).

It is further observed that apart from MAT of Rs. 128.30 Crore, the standalone financial statement of the Petitioner also indicates a tax credit of Rs. 6.35 Crore, and hence the aforesaid MAT of Rs. 118.89 Crore computed on the PBT of TPL (G), TPL (A), TPL (S) and TPL (Dahej) has been further adjusted by the tax credit of Rs. 6.16 Crore (proportionately). Accordingly, the Commission computed the MAT to be allowed to TPL(G), TPL(A), TPL(S) and TPL(Dahej) at Rs. 112.73 Crore (Rs. 118.89 Crore minus Rs. 6.16 Crore) with the condition that the MAT amount computed above does not exceed the actual tax paid for the Company as a whole of Rs. 121.95 Crore net of tax credit (Rs. 128.30 Crore Minus Rs. 6.35 Crore).

The share of income tax for TPL(Surat) in the total tax of TPL (G), TPL (A), TPL (S) and TPL (Dahej) of Rs.112.73 Crore (net of tax credit) as computed above works out to Rs. 39.62 Crore considering the PBT net of Remeasurement of Defined Benefit Plans and tax credit.

The Commission, accordingly, approves the income tax at Rs. 39.62 Crore in the truing up for FY 2016-17.

The Commission has treated the income tax as an uncontrollable expense and, accordingly, approved the gains / losses on account of income tax in the truing up for FY 2016-17, as detailed in the Table below:

Table 4.30: Income tax and gain / loss due to income tax approved in the truing up for FY 2016-17

(Rs. Crore)

Particulars	As per MYT Order for FY 2016-17	Approved in truing up for FY 2016-17	Deviation +/(-)	Gain/(loss)due to uncontrollable factor
Income Tax	42.24	39.62	2.62	2.62

4.5.9 Bad Debts Written Off

TPL has claimed Rs. 0.90 Crore towards bad debts written off in the truing up for FY 2016-17 against Rs.0.33 Crore approved in the MYT Order dated 9th June, 2017 as detailed in the Table below:

Table 4.31: Bad debts claimed by TPL- Surat for FY 2016-17

(Rs. Crore)

Particulars	FY 2016-17	
	MYT Order	Actual
Bad Debts Written off	0.33	0.90

Petitioner's submission

TPL has requested to consider the actual bad debts written off as controllable item.

Commission's Analysis

The Commission has verified the bad debts written off from the annual accounts submitted by TPL for FY 2016-17.

The Commission, accordingly, approves the bad debts written off at Rs. 0.90 Crore in the truing up for FY 2016-17.

The deviation in bad debts is Rs. 0.57 Crore due to controllable factor.

The Commission, accordingly, approves the gain / loss on account bad debts in the truing up for FY 2016-17 as detailed below:

Table 4.32: Bad debts and gain / loss approved in the truing up for FY 2016-17

(Rs. Crore)

Particulars	As per MYT Order for FY 2016-17	Approved in truing up for FY 2016-17	Deviation +(-)	Gain/(loss) due to controllable factor
Bad Debts Written off	0.33	0.90	(0.57)	(0.57)

4.5.10 Contingency Reserve

Petitioner's submission

TPL has proposed the contingency reserve at Rs. 0.40 Crore in the truing up for FY 2016-17 which is the same as approved in the MYT Order dated 9th June, 2017as detailed in the Table below:

Table 4.33: Contingency Reserve claimed by TPL- Surat for FY 2016-17

(Rs. Crore)

Particulars	FY 2016-17	
	MYT Order	Actual
Contingency Reserve	0.40	0.40

Commission's Analysis

The proposed contingency reserve is consistent with the GERC (MYT) Regulations, 2016. Accordingly, the Commission has approved the contingency reserve of Rs. 0.40 Crore.

Table 4.34: Contingency reserve and gain/loss approved in the truing up for FY 2016-17

(Rs. Crore)

Particulars	As per MYT Order for FY 2016-17	Approved in truing up for FY 2016-17	Deviation +(-)	Gain/(loss) due to uncontrollable factor
Contingency Reserve	0.40	0.40	0.00	0.00

The Commission, accordingly, approves the contingency reserve at Rs. 0.40 Crore in the truing up for FY 2016-17.

There is no deviation in the contingency reserve.

4.5.11 Non-Tariff Income

TPL has claimed a sum of Rs. 27.50 Crore as the non-tariff income in the truing up for FY 2016-17 against Rs. 34.38 Crore approved in the MYT Order dated 9th June, 2017 as detailed in the Table below:

Table 4.35: Non-Tariff income claimed for TPL- Surat for FY 2016-17

(Rs. Crore)

Particulars	FY 2016-17	
	MYT Order	Actual
Non-Tariff Income	34.38	27.50

Commission's Analysis

The non-tariff income is specified in Regulation 89 and 97 of the GERC (MYT) Regulations, 2016, which includes various items such as income from sale of scrap, income from statutory investment, interest on advances to supplier/contractor, etc. The Commission noted that the non-tariff income claimed by the Petitioner for FY 2016-17 is Rs. 27.50 Crores.

It is observed that the non-tariff income as per annual accounts is Rs.35.94 Crore. The Petitioner has reduced the provision for doubtful debts no longer required (Rs 1.12 Crore) and Deferred income (Rs 7.32 Crore) from the aforesaid non-tariff income to arrive at claimed figure of Rs. 27.50 crore.

Further, the Commission has verified the non-tariff income from the annual accounts and found that non-tariff income shown by the Petitioner for FY 2016-17 is correct.

The Commission, accordingly, approves the non-tariff income at Rs. 27.50 Crore in the truing up for FY 2016-17.

The Commission, accordingly, approves the gains / losses on account of non-tariff income in the truing up for FY 2016-17 as detailed below.

Table 4.36: Non-tariff income and gains / losses approved in the truing up for FY 2016-17

(Rs. Crore)

Particulars	As per MYT Order for FY 2016-17	Approved in truing up for FY 2016-17	Deviation+(-)	Gain/(loss) due to uncontrollable factor	Gain/(loss) due to controllable factor
Non-Tariff income	34.38	27.50	6.88	-	6.88

4.5.12 Revenue from Sale of Power

Petitioner's submission

TPL has submitted a sum of Rs. 1985.12 Crore as the revenue from sale of power in the truing up for FY 2016-17 as detailed in the Table below.

Table 4.37: Revenue with existing tariff claimed by TPL- Surat for FY 2016-17

(Rs. Crore)

Particulars	Actual
Revenue from existing tariff	1985.12

Commission's Analysis

As per annual accounts submitted by TPL, the revenue from sale of power for FY 2016-17 is Rs 1985.12 Crore.

The Commission, accordingly, approves the revenue from sale of power at Rs. 1985.12 Crore in the truing up for FY 2016-17.

4.5.13 Gain / Loss under truing up for FY 2016-17

The Commission has reviewed the performance of TPL-D Surat Supply Area under Regulation 21 of GERC (MYT) Regulations, 2016, for FY 2016-17. The Commission has computed the gain / loss for FY 2016-17 based on the truing up for each of the components discussed in the above paragraphs.

Table 4.38: ARR approved in respect of TPL- Surat in the truing up or FY 2016-17

(Rs. Crore)

Particular	FY 2016-17 (MYT Order)	FY 2016-17 (Claimed)	Approved for FY 2016-17	Over (+) / Under (-) recovery	Controllable Gain / (Loss)	Uncontrollable Gain / (Loss)
Power Purchase Expenses	1,629.65	1593.98	1591.86	37.79	(0.74)	38.53
O&M Expenses	112.83	120.03	120.02	(7.19)	(7.19)	-
Depreciation	51.48	48.50	48.51	2.97	-	2.97
Interest and Finance Charges	31.55	34.24	33.83	(2.28)	-	(2.28)
Interest on Security Deposits	17.52	18.14	18.14	(0.62)	-	(0.62)
Interest on Working Capital	-	-	0.00	-	-	-
Return on Equity	78.77	79.02	79.02	(0.25)	-	(0.25)
Bad debts written off	0.33	0.90	0.90	(0.57)	(0.57)	-
Contingency Reserve	0.40	0.40	0.40	-	-	-
Income Tax	42.24	43.56	39.62	2.62	-	2.62
Less: Non-Tariff Income	34.38	27.50	27.50	6.88	-	6.88
ARR	**1,930.40**	**1,911.27**	**1,904.80**	**25.59**	**(8.50)**	**34.09**

4.5.14 Sharing of Gains / Losses for FY 2016-17

The Commission has analysed the gains / losses on account of controllable and uncontrollable factors.

The relevant Regulations are extracted below:

"Regulation 23. Mechanism for pass-through of gains or losses on account of uncontrollable factors

23.1 The approved aggregate gain or loss to the Generating Company or Transmission Licensee or SLDC or Distribution Licensee on account of uncontrollable factors shall be passed through as an adjustment in the tariff of the Generating Company or Transmission Licensee or SLDC or Distribution Licensee over such period as may be specified in the Order of the Commission passed under these Regulations.

23.2 The Generating Company or Transmission Licensee or SLDC or Distribution Licensee shall submit such details of the variation between expenses incurred and revenue earned and the figures approved by the Commission, in the prescribed format to the Commission, along with the detailed computations and supporting documents as may be required for verification by the Commission.

23.3 Nothing contained in this Regulation 23shall apply in respect of any gain or loss arising out of variations in the price of fuel and power purchase, which shall be dealt with as specified by the Commission from time to time.

Regulation 24. Mechanism for sharing of gains or losses on account of controllable factors

24.1 The approved aggregate gain to the Generating Company or Transmission Licensee or SLDC or Distribution Licensee on account of controllable factors shall be dealt with in the following manner:

(a) One-third of the amount of such gain shall be passed on as a rebate in tariffs over such period as may be stipulated in the Order of the Commission under Regulation 21.6;

(b) The balance amount, which will amount to two-thirds of such gain, may be utilised at the discretion of the Generating Company or Transmission Licensee or SLDC or Distribution Licensee.

24.2 The approved aggregate loss to the Generating Company or Transmission Licensee or SLDC or Distribution Licensee on account of controllable factors shall be dealt with in the following manner:

(a) One-third of the amount of such loss may be passed on as an additional charge in tariffs over such period as may be stipulated in the Order of the Commission under Regulation 21.6; and

(b) The balance amount of loss, which will amount to two-thirds of such loss, shall be absorbed by the Generating Company or Transmission Licensee or SLDC or Distribution Licensee."

The trued up ARR for FY 2016-17 as claimed by TPL-D Surat and as approved by the Commission is summarized in Table below:

Table 4.39: Trued up ARR incl. Gains/(Losses) for TPL-D Surat for FY 2016-17

Particulars		Claimed in true up for FY 2016-17	Approved in true up for FY 2016-17
ARR as per MYT	a	1,930.40	1,930.40
Gains/(losses) due to uncontrollable factors	b	27.64	34.09
Gains/(losses) due to controllable factors	c	(8.51)	(8.50)
Pass through as tariff	d=-(1/3rd of c+b)	24.80	31.25
Trued up ARR	e	1,905.60	1,899.15

The Petitioner has submitted to consider the amount of Rs. 183.66 Core of Revenue towards recovery of earlier years' approved Gap/(Surplus). With reference to the Commission's query for reconciliation of Rs 183.66 Crore, TPL has furnished the break up of aforesaid Rs. 183.66 crore i.e. carrying cost of Rs. 24.45 Crore from FY 2007-08 to 2012-13 and FY 2014-15 and Rs. 159.22 Crore towards gap of FY 2014-15.

With regard to carrying cost claim of Rs. 24.45 Crore, the Commission has dealt with this issue separately in Chapter 5. Thus, the same has not been considered here.

The Commission has considered revenue gap of FY 2014-15 of Rs. 159.22 Crore and Revenue of Rs. 1985.12 Crore for the computation of net revenue gap for FY 2016-17.

The revenue gap claimed and approved for Surat supply area for FY 2016-17 are detailed in the Table below:

Table 4.40: Revenue Gap for TPL- Surat for FY 2016-17

(Rs. Crore)

Particulars	As Claimed by petitioner for FY 2016-17	As approved for FY 2016-17
Total revenue	1,985.12	1,985.12
Less: Revenue towards recovery of earlier years' approved gap	183.66	159.22
Effective Revenue	1,801.46	1,825.90
Trued up ARR	1,905.60	1,899.15
Revenue Gap	104.14	73.25

Accordingly, the Commission now considers the true-up revenue gap of Rs. 73.25 Crore for FY 2016-17 for determination of tariff for FY 2018-19.

5 Determination of Tariff for FY 2018-19

This Chapter deals with the determination of revenue gap/surplus, as well as consumer tariff for the FY 2018-19.

The Commission has considered the ARR approved in the MYT Order dated 9th June, 2017 for FY 2018-19 and the adjustment on account of True-up for FY 2016-17, while determining the revenue gap/surplus for FY 2018-19.

5.1 Approved ARR for F.Y.2018-19

Based on the above approach, the Table below summaries the Annual Revenue Requirement, as approved by the Commission for FY 2018-19 in the MYT Order dated 09.06.2017

Table 5.1 Approved ARR for TPL-D (Surat) for FY 2018-19

(Rs. Crore)

Sl. No.	Particulars	Amount
1	Power Purchase Cost	1,695.95
2	Operations and Maintenance Expenses	126.11
3	Depreciation	56.04
4	Interest on Finance Charges	29.85
5	Interest on Working Capital	-
6	Interest on Security Deposits	19.46
7	Bad Debts Written off	0.33
8	Contingency Reserve	0.40
9	Return on Equity	87.01
10	Income Tax	42.24
11	**Total Expenditure**	**2,057.39**
12	Less: Non-Tariff income	36.08
13	**Aggregate Revenue Requirement**	**2,021.31**

5.2 Projected Revenue from existing tariff for FY 2018-19

Petitioner's Submission

The revenue for FY 2018-19, arrived at considering the projected sales and existing tariff, is Rs 2,164.10 Crores. The ARR for Surat Supply Area in FY 2018-19 is Rs.

2021.31 Crores. Accordingly, the Petitioner has arrived at the Surplus of Rs. 142.79 Crores.

Table 5.2: Projected Revenue Gap/(Surplus) of Surat Supply Area for FY 2018-19

(Rs Crore)

Particulars	Amount
ARR	2,021.31
Revenue from sale of power at existing tariff rates including FPPPA revenue @1.23 per unit	2,164.10
Gap/ (Surplus)	**(142.79)**

As per the GERC (Demand Side Management) Regulations, 2012, the Petitioner had formulated and submitted to the Commission a DSM Plan for Surat supply area. The Petitioner has incurred the expense of Rs. 2.03 Crores during FY 2016-17.

The Petitioner has calculated carrying cost for the Gap/ (Surplus) of FY 2016-17 which works out to Rs. 24.64 Crores for Surat Supply Area. Also, the Petitioner has considered the pending carrying cost for FY 2013-14 and FY 2015-16 which results in a further claim of Rs. 79.77 Crores for Surat Supply Area. The Petitioner, therefore, requested the Commission to consider the aforementioned outstanding amount in addition to the Gap/ (Surplus) of FY 2016-17 for the purpose of determination of tariff for FY 2018-19. The total gap is thus arrived at Rs. 67.79 Crores as shown in the Table below:

Table 5.3: Projected cumulative revenue gap/ (surplus) for determination of tariff for TPL-D (Surat)

(Rs Crore)

Particulars	Amount
Gap/ (Surplus) of FY 2016-17	104.14
Carrying Cost for FY 2016-17	24.64
DSM	2.03
Gap/ (Surplus) of FY 2018-19	(142.79)
Carrying cost for FY 2013-14 and FY 2015-16 Gap	79.77
Cumulative Gap/ (Surplus) to be recovered through tariff	67.79

Commission's Analysis

The Commission has gone through the merits of the Petition and determined the various components of the tariff in this order and accordingly the Commission has independently worked out the ARR as well as revenue for TPL-D (Surat) for FY 2018-19. The Commission has also considered the revenue receivable from the Open Access consumers as Cross Subsidy Surcharge, Transmission Charges, wheeling charges, losses to the Petitioner and the same has been factored in the total revenue receivable by the Petitioner. This has resulted in surplus revenue of Rs 142.79 crore for FY 2018-19 as shown in the table below.

Table 5.4: Approved Revenue Gap/ (Surplus) of Surat Supply Area for FY 2018-19

(Rs Crore)

Particulars	Amount
ARR for FY 2018-19	2,021.31
Revenue from sale of power at existing tariff rates including FPPPA revenue @ 1.23 per unit	2,164.10
Revenue from Open Access Charges	0.00
Gap/ (Surplus)	**(142.79)**

Treatment of Carrying Cost

TPL-D (S), in the present petition, has claimed carrying cost of Rs. 24.45 Crores as against truing up for FY 2014-15, Rs. 79.77 Crore against 2015-16 and Rs.24.64 Crores against the truing up of FY 2016-17 and proposed to recover such gap from the consumers through a regulatory charge @ 20 paise per unit with effect from 1st April, 2018.

In the true up orders for 2014-15 & 2015-16, the Commission had kept carrying cost of Rs. 24.45 Crore and Rs. 79.77 Crore in abeyance.

However, the above orders of the Commission have been challenged by the licensee before the Hon'ble APTEL and the same is pending. As the matter is sub judice, the Commission is of the opinion to deal with the carrying cost for previous years after disposal of the matter by the Hon'ble APTEL.

In the current tariff proceedings on truing up for FY 2016-17, the Commission examined the carrying cost of Rs. 24.64 Crore as claimed by TPL vis-à-vis provisions of the current MYT Regulations. Regulation 21.6 (c) of the GERC (MYT) Regulations, 2016 which provides that:

> *"Carrying cost to be allowed on the amount of Revenue Gap or Revenue Surplus for the period from the date on which such gap/surplus has become due, i.e., from the end of the year for which true-up has been done, till the end of the year in which it is addressed, calculated <u>on simple interest basis at the weighted average State Bank Base Rate (SBBR) / 1 year State Bank of India (SBI) Marginal Cost of Funds Bused Lending Rate (MCLR)</u> / any replacement thereof by SBI for the time being in effect applicable for 1 year period, as may be applicable for the relevant year, i.e. the year for which Revenue Gap or Revenue Surplus is determined:*
>
> *Provided that carrying cost on the amount of revenue gap shall be allowed up to the above limit subject to prudence check and submission of documentary evidence for having incurred the carrying cost in the years prior to the year in which the revenue gap is addressed:*

TPL-D (S) in its submission on the carrying cost has submitted that carrying cost should be allowed on financial principle for time value of money and to be worked out based on simple mathematical formula for the period of delay in addressing the gap. TPL has claimed compounding of interest for working out the carrying cost in its proposal. In this context, it is to be noted that Hon'ble APTEL in its order in Appeal No. 250 of 2015 decided that:

> *"We tend to agree with the State Commission's view that there is no concept of compound interest in dealing with various provisions related to interest calculations in the Tariff Regulations, 2011. Thus the principle applied by the State Commission in absence of specific provisions of interest rate of carrying cost is equitable and just and there is no need of interference by us on the same."*

During the current proceedings, TPL-D (S) has presented its statement of accounts for FY 2016-17 wherein loan from Head Office to TPL-D (S) during the year, is shown for its requirement of funding. Accordingly, in view of above Regulation and considering the time value of money, the Commission allows Rs 3.91 Crore as carrying cost for FY 2016-17 at a simple interest rate of 8.81% for 2 years i.e. FY 2017-18 and FY 2018-19, to be claimed in the ARR of FY 2018-19.

Accordingly, the summary of revenue gap/ (surplus) for determination of tariff FY 2018-19 as approved by the Commission is shown in the Table below:

Table 5.5: Summary of total gap/(surplus) to be recovered through tariff

(Rs. Crore)

Particulars	Amount
Gap/ (Surplus) of FY 2016-17	73.25
Carrying Cost	3.91
DSM	2.03
Gap/ (Surplus) of FY 2018-19	(142.79)
Cumulative Gap/ (Surplus) to be recovered through tariff	(63.60)

6 Compliance of Directives

6.1 Earlier Directives

a) Recovery of "Regulatory Charge"

TPL-D was directed to submit a statement of actual recovery of "Regulatory Charge" along with units sold on bi-monthly basis to the Commission duly certified by the Statutory Auditors and shall also host these details on their website.

Compliance

The Petitioner has submitted the certificate of Regulatory Charge to the Commission and has also placed the same on its website.

Commission's comment:

The Commission has noted the submission

b) Interest Cost Reduction

TPL-D was directed to negotiate with the lenders for reduction in the rate of interest on the borrowings failing which they should replace high cost debt with low cost debt so that the net benefit of interest cost reduction is available to the consumers.

TPL-D shall furnish Quarterly Progress Report about the action taken and results thereof.

Compliance

Petitioner submitted that it has successfully pursued the Banks/FIs for reduction of interest rate and accordingly, the interest rates have been revised leading to substantial saving to consumers.

Commission's comments:

The Commission has noted the submission

6.2 Directives issued in the MYT Order dated 9th June, 2017

Directive 1: Approval from Commission for capex of projects and Providing details of capitalization of assets in the respective years of 3rd MYT Control Period.

TPL is directed to take in principle approval for any CAPEX more than Rs. 5 Crores by furnishing information to Commission prior to undertaking any work/projects that needs a capital investment of Rs. 10 crore or more. TPL shall furnish details about such projects in the form of 'Detailed Project Report' which shall include the information regarding project cost, source of fund, cost benefit analysis, timelines, technical significance, supplier/vendor selection mechanism etc. Further, the procurement of materials, selection of EPC contractors etc. shall be carried out by following competitive biddings. TPL is directed to submit the details consisting of technical, commercial, financial aspects justifying the capitalization of assets. Further the cost benefit analysis shall be submitted with consideration of technical and financial benefits available from such capitalization of assets to the consumer as well as retail tariff.

Compliance

The Petitioner submitted that it had furnished various details pertaining to capex and capitalization in its MYT petition and related proceedings. In turn, the Commission has approved the capex as part of the MYT order. The Petitioner is required to continuously incur Capex to provide reliable & quality power supply and to cater to the increase in demand of its existing & new consumers. Accordingly, in case the Petitioner incurs any additional EHV capex in excess of Rs. 10 Crore over and above the Schemes already included in the MYT Petition, it shall approach the Commission for its approval.

Commission's comments:

The Commission has noted the submission and directed to submit Half Yearly progress report of the projects for which Capex approved in MYT Order dated 9th June, 2017

Directive 2: Power Procurement

The Commission has in this order has decided the source of power procurement and its quantum, price etc. The petitioner was directed to adhere to the aforesaid quantum of power procurement from the approved source as far as possible. If the Petitioner is able to reduce the power procurement cost as approved in this order from specific source, in that case, the Petitioner may procure the same.

Compliance

The Petitioner submitted that it has already submitted the power purchase arrangements made by TPL. In case of any bilateral power purchase arrangement, the Petitioner shall take approval of the Commission.

Commission's comments:

The Commission has noted the submission

Directive 3: Procurement of renewable energy through competitive bidding

The Commission has observed that TPL Distribution Ahmedabad and Gandhinagar has signed PPAs for Wind and solar generation procurement without calling expression of interest from the generators. The tariff of wind energy generators as well as solar energy discovered under the competitive bidding carried out in the country has been lower than the preferential generic tariff determined by the Commission. Therefore, TPL is directed to ensure that the procurement of renewable energy specifically wind and solar is carried out on the lines of GUVNL.

Compliance

The Petitioner submitted that it has noted the directive of the Commission and shall approach the Hon'ble Commission appropriately.

Commission's comments:

The Commission has noted the submission

Directive 4: Additional Surcharge

The Commission notes that there are some of the consumers who are availing the open access in the license area of TPL-Ahmedabad and Gandhinagar. They are paying the Cross Subsidy Surcharge as determined by the Commission and also paying transmission and wheeling charges as the case may be. The Commission has also noted that Section 42(4) of the Electricity Act, 2003 provides that whenever any consumer avails the open access it is liable to pay an additional surcharge on the charges of the wheeling as may be specified by the Commission. Regulation 25 of the GERC (Terms and Conditions of Intra-State Open Access) Regulations, 2011 also provides that the open access consumers are liable to pay the additional surcharge. The additional surcharge is an amount payable by the open access customer against the stranded cost required to be borne by the open access customers. Therefore, it is necessary to determine the additional surcharge for the open access customer, otherwise the cost of stranded capacity of the licensee is borne by the other consumers. TPL Ahmedabad has not filed any Petition for determination of the additional surcharge. Therefore, TPL – Ahmedabad is directed to file a Petition with complete details within 3 months from the passing of this order for determination of additional surcharge in the license area of TPL.

Compliance

The Petitioner submitted that it has fully utilizes the tied up power purchase capacity. Therefore, the issue of stranded capacity due to consumers seeking open access is not presently relevant. Therefore, the Petitioner has not filed any petition for determination of additional surcharge. However, the Petitioner will keep reviewing the situation and file a petition for determination of additional surcharge as and when stranded capacity on account of open access arises.

Commission's comments:

The Commission has noted the submission

Directive 5: Renegotiation of PPA for stranded generating stations due to non-availability of fuel or costly fuel

Some of the stakeholders represented that there is an adverse impact on the tariff rates of the consumers because of fixed cost liability of some generating stations which are not working either due to non-availability of fuel or costly fuel. In view of the above, the Distribution Licensee is hereby directed to explore the possibilities of reduction in fixed cost elements e.g. normative O&M charges, Return on Equity, normative interest on working capital etc. by renegotiating existing PPAs of such stranded generating stations. The Distribution Licensee is also directed to submit action taken report in this regard by 30th September, 2017.

Compliance

The Petitioner submitted that it has long term power purchase arrangements with SUGEN and AMGEN in addition to various Renewable Power Purchase arrangements. For AMGEN, necessary FSA with M/s SECL exists whereas for SUGEN, requisite gas from international markets has been tied up due to shortfall of domestic gas. Hence, as of now there is no stranded generating station and therefore, question of renegotiation of any PPA does not arise.

Commission's comments:

The Commission has noted the submission

Directive 6: Review of existing fuel purchase agreement

TPL-D should impress upon SUGEN as well as AMGEN to seek better terms in their existing fuel purchase agreements and try to reduce the cost as far as possible.

Compliance

The petitioner submitted that AMGEN has necessary FSA with M/s SECL whereas SUGEN has tied up requisite gas from international markets to the extent of shortfall in domestic gas. It may kindly be noted that the cost of gas being supplied by IOCL to SUGEN under long term contract is in accordance with the Master Contract between Petronet LNG Ltd and Rasgas, Qatar. This Master Contract was renegotiated in 2016 on a government-to-government basis between GoI and Government of Qatar. Similarly, AMGEN has been continuously pursuing M/s SECL for supply of quality coal and compensation in case of grade slippages. Accordingly, the Petitioner submits that all efforts are being made to reduce the fuel costs.

Commission's comments:

The Commission has noted the submission

6.3 Fresh Directives

Directive 1:

It is required to match the electricity demand curve with the availability of electricity supply and in order to optimise the overall cost of electricity supply to consumers and to move towards recovery of cost of supply according to time of use of electricity supply, Commission would like to introduce Demand Response measures. Accordingly, the Distribution Licensee is directed to initiate study for implementing 'Demand Response' measures and submit its Action Plan accordingly.

7 Fuel and Power Purchase Price Adjustment

7.1 Fuel Price and Power Purchase Price Adjustment

The Commission in Case No. 1309/2013 and 1313/2013 vide its order dated 29.10.2013 has revised the formula for Fuel Price and Power Purchase Cost Adjustment (FPPPA) as mentioned below:

7.2 Formula

FPPPA = [(PPCA-PPCB)]/ [100-Loss in %]

Where,

PPCA	is the average power purchase cost per unit of delivered energy (including transmission cost), computed based on the operational parameters approved by the Commission or principles laid down in the power purchase agreements in Rs./kWh for all the generation sources as approved by the Commission while determining ARR and who have supplied power in the given quarter and transmission charges as approved by the Commission for transmission network calculated as total power purchase cost billed in Rs. Million divided by the total quantum of power purchase in Million Units made during the quarter.
PPCB	is the approved average base power purchase cost per unit of delivered energy (including transmission cost) for all the generating stations considered by the Commission for supplying power to the company in Rs./kWh and transmission charges as approved by the Commission calculated as the total power purchase cost approved by the Commission in Rs. Million divided by the total quantum of power purchase in Million Units considered by the Commission.
Loss in %	is the weighted average of the approved level of Transmission and Distribution losses (%) for the four DISCOMs / GUVNL and TPL applicable for a particular quarter or actual weighted average in Transmission and Distribution losses(%) for four DISCOMs / GUVNL and TPL of the previous year for which true-up have been done by the Commission, whichever is lower.

7.2.1 Base Price of Power Purchase (PPCB)

The Commission has approved the total energy requirement and the total Power Purchase Cost for all TPL-D including fixed cost, variable cost etc. from the various sources for FY 2018-19 in this Order as given in the Table below:

Table 7.1: Power purchase cost per unit

Year	Total Energy Requirement (MUs)	Approved Power Purchase Cost (Rs. Crore)	Power Purchase Cost per unit (Rs./kWh)
FY 2018-19	12099.68	5643.63	4.66

As mentioned above the base Power Purchase cost for TPL-D is Rs. 4.66 per kWh and the base FPPPA charge is Rs. 1.23/kWh.

TPL may claim difference between actual power purchase cost and base power purchase cost approved in the table above as per the approved FPPPA formula mentioned in para 7.2 above.

Information regarding FPPPA recovery and the FPPPA calculations shall be kept on website of TPL.

For any increase in FPPPA, worked out on the basis of above formula, beyond ten (10) paise per kWh in a quarter, prior approval of the Commission shall be necessary and only on approval of such additional increase by the Commission, the FPPPA can be billed to consumers.

FPPPA calculations shall be submitted to the Commission within one month from end of the relevant quarter.

8 Wheeling Charges and Cross Subsidy Surcharge

8.1 Wheeling charge

Regulation 87 of the GERC (MYT) Regulations, 2016 stipulates that the ARR be segregated as per the allocation matrix for segregation of expenses between Distribution Wires Business and Retail Supply Business for determination of wheeling charges. The allocation of expenditure to wheeling and retail supply business is based on the consideration that the distribution infrastructure up to the service line is part of the wheeling business and the distribution infrastructure from service line to consumer premises is a part of the retail supply business.

The allocation matrix as specified by the Commission for the segregation of expenses between Wires and Supply business is shown in the Table below:

Table 8.1: Allocation matrix for segregation to Wheeling and Retail Supply for FY 2018-19 as per GERC (MYT) Regulations, 2016

Sl. No.	Particulars	Wire business (%)	Retail Supply business (%)
1	Power Purchase Expenses	0	100
2	Employee Expenses	60	40
3	Administration and General Expenses	50	50
4	Repairs and Maintenance Expenses	90	10
5	Depreciation	90	10
6	Interest on Long term Loan Capital	90	10
7	Interest on Working Capital and Security Deposits	10	90
8	Bad Debts Written off	0	100
9	Income Tax	90	10
10	Contribution to Contingency Reserve	100	0
11	Return on Equity	90	10
12	Non-Tariff Income	10	90

Based on the above allocation matrix TPL has segregated the ARR of Surat Supply Area for Wires and Supply business as under:

Table 8.2: Allocation matrix for segregation to Wheeling and Retail Supply submitted by TPL-D Surat supply area for FY 2018-19

(Rs Crore)

ARR Components	Wire Business	Retail Business
Power Purchase Expenses	0.00	1695.95
Employee Expenses	32.24	21.50
Administration & General Expenses	17.46	17.46
Repairs & Maintenance Expenses	33.71	3.75
Depreciation	50.44	5.60
Interest on Long term Loan	26.87	2.99
Interest on Security Deposits	1.95	17.51
Interest on Working Capital	-	-
Bad Debts Written off	0.00	0.33
Income Tax	38.02	4.22
Contingency Reserve	0.40	0.00
Return on Equity	78.31	8.70
Non-Tariff Income	3.61	32.47
Aggregate Revenue Requirement	**275.77**	**1745.54**

Thus, TPL has segregated the total ARR for Surat Supply Area into ARR for Wheeling and Retail Supply business as under:

(i) ARR of Wheeling Business – Rs. 275.77 Crore

(ii) ARR of Retail Supply Business – Rs. 1745.54 Crore

TPL has computed the wheeling tariff based on the allocation of ARR of distribution business, in accordance with the GERC (Multi Year Tariff) Regulations, 2016.

Distribution wires are identified as carrier of electricity from generating station or transmission network to consumer point. The consumption at a particular voltage level requires network at that voltage level and also at all higher voltage levels. Thus consumption at the lower voltages should contribute to the cost of the higher voltage levels also. However, the consumers connected to the higher voltages would not be utilizing the services of the lower voltage level and hence would not be required to contribute to the recovery of cost of lower voltage level.

Determination of Wheeling Charges

Due to difficulties in segregating costs at HT and LT level, the ARR for wheeling business, TPL-D has proposed to apportion the cost between the HT and LT level in proportion to the ratio of their closing GFA of F.Y.2016-17. The HT voltage level ARR is further proposed to be segregated between HT and LT voltage levels.

TPL submitted that:

- The GFA (excluding assets related to retail supply i.e. SLC and Meters) for Surat Supply Area as on 31st March, 2017 is Rs 1,367.71 Crores. In case of Surat Supply Area, the GFA identified for HT & LT business are Rs. 1030.14 Crores & Rs. 337.57 Crores, respectively. The ratio of HT assets to LT assets is 75:25, which is considered for the apportionment of ARR for the wheeling business into HT and LT businesses.
- Further as the HT level assets cater to the requirement of customers at both HT and LT levels, the ARR for HT is again apportioned between HT and LT voltage based on their ratio of contribution to the peak.
- The system peak demand for Surat Supply Area for the year FY 2016-17 was 651.40 MW. In case of Surat Supply Area, the contract demand for all the HT consumers is about 99.78 MW. Assuming that 85% of the contact demand of HT consumers contributes to the system peak demand, the total demand of LT contributing to the system peak is computed as 566.59 MW.

To determine the wheeling charges for the HT & LT voltage levels, the ARR of the respective voltage level is divided by the sales handled at the respective voltage level.

Accordingly, the wheeling charge determined in terms of Rs/ kWh/ Month has been tabulated below:

Table 8.3: Proposed Wheeling charges in case of Surat Supply Area for FY 2018-19

(Rs Crore)

First Level of apportionment on the basis of GFA	
ARR for HT Assets	207.71
ARR for LT Assets	68.06
Total	**275.77**
Second Level of apportionment on the basis of Contract Demand	
ARR for HT Assets	27.04
ARR for LT Assets	248.73
Total	**275.77**

Wheeling Tariff Rs / kWh	
HT Category	0.80
LT Category	0.80

The Petitioner further stated that an open access consumer will also have to bear the following wheeling losses in addition to the wheeling charges:

Table 8.4: Proposed wheeling losses of Surat Supply Area for FY 2018-19

(%)

Category	Value
HT Category	4.00

Commission's Analysis

The Commission, in order to compute the wheeling charges and cross subsidy surcharges, has considered the allocation matrix between the wheeling and retail supply business as per the GERC (MYT) Regulations, 2016.

Based on the allocation as approved by the Commission, the approved ARR for wires business and retail supply business are computed as shown below:

Table 8.5: Approved segregation of expenses by the Commission for FY 2018-19

(Rs Crore)

ARR Components	Wire Business	Retail Business
Power Purchase Expenses	0.00	1695.95
Employee Expenses	32.24	21.50
Administration & General Expenses	17.46	17.46
Repairs & Maintenance Expenses	33.71	3.75
Depreciation	50.44	5.60
Interest on Long term Loan	26.87	2.99
Interest on Security Deposits	1.95	17.51
Interest on Working Capital		
Bad Debts Written off	0.00	0.33
Income Tax	38.02	4.22
Contingency Reserve	0.40	0.00
Return on Equity	78.31	8.70
Non-Tariff Income	3.61	32.47
Aggregate Revenue Requirement	**275.77**	**1745.54**

Based on the approved wheeling ARR, the wheeling charge for Surat Supply Area has been determined by the Commission as shown in the Table below.

Table 8.6: Wheeling charges in case of Surat Supply Area for FY 2018-19

(Rs Crore)

First Level of apportionment on the basis of GFA	
ARR for HT Assets	207.71
ARR for LT Assets	68.06
Total	**275.77**
Second Level of apportionment on the basis of Contract Demand	
ARR for HT Assets	27.04
ARR for LT Assets	248.73
Total	**275.77**
Wheeling Tariff Rs / kWh	
HT Category	0.80
LT Category	0.80

The Commission has accordingly approved the wheeling charges for HT and LT voltage as shown in the Table above.

The Commission has also agreed with the Petitioner and approves the following losses for Open Access consumer in addition to the wheeling charges:

Table 8.7: Approved wheeling losses in kind of Surat Supply Area for FY 2018-19

Category	Value
HT Category	4.00%
LT Category	4.50%

8.2 Cross Subsidy Surcharge

Petitioner's Submission

Determination of Cross-Subsidy Surcharge

TPL-D has proposed the Cross Subsidy for HTMD-1 and HTMD-2 category consumer as 139 Paisa/kWh and 142 Paisa/kWh.

Commission's Analysis

Hon'ble APTEL in its judgement on the issue of formula for calculation of Cross-subsidy has endorsed the use of the formula depicted in the Tariff Policy. The Central

Government has issued Tariff Policy, 2016. Wherein the formula for Cross Subsidy Surcharge is given as under;

S = T – [C / (1 - L/100) + D + R]

Where,

S is the surcharge

T is the tariff payable by the relevant category of consumers, including reflecting the Renewable Purchase Obligation

C is the per unit weighted average cost of power purchase by the Licensee, including meeting the Renewable Purchase Obligation

D is the aggregate of transmission, distribution and wheeling charge applicable to the relevant voltage level

L is the aggregate of transmission, distribution and commercial losses, expressed as a percentage applicable to the relevant voltage level

R is the per unit cost of carrying regulatory assets.

The Cross Subsidy Surcharge based on the above formula is worked out as shown in the table below:

Table 8.8: Cross subsidy surcharge for FY 2018-19

Sl. No.	Particulars	HTMD
1	T - Tariff for HT Category (Rs./kWh)*	6.85
2	C - Wt. Avg. Power Purchase Cost (Rs./kWh)	4.66
3	D - Wheeling Charge (Rs./kWh)	0.80
4	L - Aggregate T&D Loss (%)	4%
5	R - per unit cost of carrying regulatory assets (Rs./kWh)	-
6	S = Cross subsidy surcharge (Rs./kWh)	1.20

S = 6.85-[4.66/(1-4/100)+0.80+0.00]

= 1.20 Rs./KWH

Thus, Cross Subsidy Surcharge as per Tariff Policy, 2016 works out to Rs. 1.20 / kWh for HTMD category for FY 2018-19 which is within the stipulated limit of 20% of the tariff applicable to the category of the consumer seeking open access.

9 Tariff Philosophy and Tariff Proposals

9.1 Introduction

The Commission is guided by the provisions of the Electricity Act, 2003, the National Electricity Policy, the Tariff Policy, the Regulations on Terms and Conditions of Tariff issued by the Central Electricity Regulatory Commission (CERC) and GERC (MYT) Regulations, 2016 notified by the Commission.

Section 61 of the Act lays down the broad principles and guidelines for determination of retail supply tariff. The basic principle is to ensure that the tariff should progressively reflect the cost of supply of electricity and reduce the cross subsidy amongst categories within a period to be specified by the Commission.

9.2 Proposal of TPL for increase in Retail Tariffs for Surat for FY 2018-19

Tariff Philosophy

The Petitioner submits that the Commission has approved the existing tariff structure based on widely recognized best practices in accordance with the legal framework as detailed hereunder:

A. Consumers' capacity to pay
B. Adhering to the band of cross subsidy prescribed by Tariff Policy
C. Incentivising energy conservation through telescopic tariff
D. Demand Side Management by shifting of consumption from peak hours to off-peak hours
E. Promotion of efficient use of electricity

Determination of Retail Tariff

The Petitioner submitted that cumulative gap is arising on account of past years' under-recovery. Therefore, instead of seeking Tariff increase, the Petitioner proposes to recover this cumulative gap of Rs. 67.79 Crore by way of Regulatory Charge at the rate of Rs. 0.20 per unit w.e.f. 1st April, 2018. The Petitioner submitted that this Regulatory Charge will be applicable for FY 2018-19 and for part of FY 2019-20 till such time that the said cumulative gap of Rs. 67.79 Crore is fully recovered and would be discontinued upon completion of recovery of cumulative gap.

9.3 Commission's Analysis

The Commission noted that the Petitioner has not proposed any changes in the Tariff Structure or Tariff Rates except for Regulatory Charge @ Rs.0.20 per unit to address earlier Years' gap. However, as stated earlier, the Commission has decided to address the issue of carrying cost on disposal of the matter by Hon'ble APTEL and has accordingly, arrived at revenue surplus for FY 2018-19 which does not necessitate levy of Regulatory Charge as proposed by the Petitioner and the same shall be accommodated in ensuing year as per Regulations.

However, some of the stakeholders have also suggested modification in retail tariff schedule. The details of proposal and suggestions considered by the Commission is given here below:

1. Meter Rent

The State owned Distribution Licensees have proposed merging of meter charges with the fixed charges/ demand charges. Some of the stakeholders have repeatedly suggested to abolish meter rent from the electricity bill.

At present Meter Rent is being collected by the Distribution Licensee in accordance with the Gujarat Electricity Regulatory Commission (Licensee's Power to Recover Expenditure incurred in providing supply and other Miscellaneous Charges) Regulations, 2005.

In view of the proposal of the State Owned Discoms, representations of the stakeholders and in exercise of the powers conferred under the aforesaid Regulations, the Commission decides to abolish Meter Charges of the consumers of TPL effective from 1st April 2018.

2. Clarity for shifting tariff category for exclusive night time tariff

In order to reduce ambiguity and to provide more clarity in switching of tariff category from regular tariff to exclusive night time tariff and period of notice, the Commission decides to reword existing condition as follows:

‘The option can be exercised to shift from regular tariff category to exclusive night time tariff or from exclusive night time tariff category to regular tariff four times in a calendar year by giving not less than 15 days’ advance notice in writing before commencement of billing period.’

3. Extending benefit of Optional Demand Based Tariff to small consumers

At present, all the Non-RGP installations above 15 kW are covered under demand based tariff category. Some of the stakeholders represented that option for demand based tariff may also be extended to small consumers in line with the option available to small consumers in State Owned Discoms. The Commission agrees with the suggestion and accordingly, description of applicability of ‘Rate: LTMD’ is modified to allow small Non-RGP consumer to avail benefit of demand based tariff, if so opts.

4. Tariff for Electric Vehicle (EV) charging facilities

The Commission is also aware about initiative taken by the Government to encourage use of electric vehicles. One of the challenges in this regard is identified as lack of EV charging infrastructure. The Commission would like to clarify that the consumers getting electricity supply under regular tariff categories may use electricity supply for EV charging under same consumer category.

Further, in order to promote creation of new EV charging facilities, the Commission decides to introduce special tariff category for exclusive EV Charging infrastructure with Fixed Charges of Rs. 25 per month per installation and Energy Charges of Rs. 4.10 per kWh for LT consumers and Fixed Charges of Rs. 25 per kVA per month and Energy Charges of Rs. 4.00 per kWh for HT consumers. Such consumers also required to pay the FPPPA charges as applicable from time to time.

In view of the above referred modifications, it is estimated that the revenue of TPL-D (S) will be affected, which will be duly considered by the Commission in the truing up exercise.

COMMISSION'S ORDER

The Commission approves the Aggregate Revenue Requirement (ARR) for TPL-D (Surat) for FY 2018-19, as shown in the Table below:

Approved ARR for TPL-D (Surat) for FY 2018-19

(Rs. Crore)

Sl. No.	Particulars	FY 2018-19
1	Power Purchase Cost	1,695.95
2	Operations and Maintenance Expenses	126.11
3	Depreciation	56.04
4	Interest and Finance Charges	29.85
5	Interest on Working Capital	-
6	Interest on Security Deposits	19.46
7	Bad Debts Written off	0.33
8	Contingency Reserve	0.40
9	Return on Equity	87.01
10	Income Tax	42.24
11	**Total Expenditure**	**2,057.39**
12	Less: Non-Tariff Income	36.08
13	**Aggregate Revenue Requirement**	**2,021.31**

The retail supply tariffs for Surat distribution area for FY 2018-19 determined by the Commission are annexed to this order.

This order shall come into force with effect from the 1st April, 2018. The revised rates shall be applicable for the electricity consumption from 1st April, 2018 onwards.

Sd/-	Sd/-	Sd/-
P. J. THAKKAR	**K. M. SHRINGARPURE**	**ANAND KUMAR**
Member	Member	Chairman

Place: Gandhinagar
Date: 31/03/2018

ANNEXURE: TARIFF SCHEDULE

TARIFF SCHEDULE FOR SURAT LICENSE AREA OF TORRENT POWER LIMITED- SURAT

TARIFF FOR SUPPLY OF ELECTRICITY AT LOW TENSION, HIGH TENSION AND EXTRA HIGH TENSION

Effective from 1st April, 2018

GENERAL CONDITIONS

1. This tariff schedule is applicable to all the consumers of TPL in Surat Area.
2. All these tariffs for power supply are applicable to only one point of supply.
3. Except in cases where the supply is used for purposes for which a lower tariff is provided in the tariff schedule, the power supplied to any consumer shall be utilized only for the purpose for which supply is taken and as provided for in the tariff.
4. The charges specified in the tariff are on monthly basis; TPL may decide the period of billing and adjust the rates accordingly.
5. The various provisions of the GERC (Licensee's power to recover expenditure incurred in providing supply and other miscellaneous charges) Regulations, except Meter Charges, will continue to apply.
6. Conversion of Ratings of electrical appliances and equipments from kilowatt to B.H.P. or vice versa will be done, when necessary, at the rate of 0.746 kilowatt equal to 1 B.H.P.
7. The billing of fixed charges based on contracted load or maximum demand shall be done in multiples of 0.5 (one half) Horse Power, kilo -Watt, kilo- Volt -Ampere (HP, kW, kVA), as the case may be. The fraction of less than 0.5 shall be rounded to next 0.5. The billing of energy charges will be done on complete 1.0 (one) kilo-watt-hour (kWh) or kilo-volt-ampere-hour (kVAh) or kilo-volt-ampere-reactive hour (kVARh), as the case may be.
8. Contract Demand shall mean the maximum kW or kVA for the supply of which TPL undertakes to provide facilities to the consumer from time to time.

9. Maximum Demand in a month means the highest value of average kVA or kW as the case may be, delivered at the point of supply of the consumer during any consecutive 15/30 minutes in the said month.

10. TPL may install KWh and kVARh meter for ascertaining power factor, reactive units and KWh units.

11. Payment of penal charges for usage in excess of contract demand/load for any billing period does not entitle the consumer to draw in excess of contract demand/load as a matter of right.

12. The fixed charges, minimum charges, demand charges and the slabs of consumption of energy for energy charges mentioned shall not be subject to any adjustment on account of existence of any broken period within billing period arising from consumer supply being connected or disconnected any time within the duration of billing period for any reason.

13. Prompt payment discount on the total bill excluding all types of levies, duties or taxes levied by the Government or any other competent authorities but including fixed charges, energy charges and minimum charge may be allowed at the 1% rate for all tariff categories provided that the payment is made within 7 days of presentation of bill and that no previous amount is outstanding as on the date of the bill. ToU charges wherever applicable unless otherwise notified shall be levied for the energy consumption during the period between 07.00 hours and 11.00 hours; and between 18.00 hours and 22.00 hours, termed as PEAK HOURS. Night hours concession wherever applicable will be given for the energy consumption during the period between 22.00 hours and 06.00 hours next day, termed as 'OFF PEAK HOURS'.

14. Fuel Price and Power Purchase Adjustment (FPPPA) charges shall be applicable in accordance with the formula approved by the Gujarat Electricity Regulatory Commission from time to time.

15. Delayed Payment Charges

    a. No delayed payment charges will be levied if the bill is paid on or before due date indicated in the bill.

b. Delayed payment charges, if the bill is paid after due date, will be levied at the rate of 15% per annum (computed on daily basis) on the outstanding bill from the due date till the date of payment.

16. Statutory Levies: These tariffs are exclusive of Electricity Duty, Tax on Sales of Electricity, Taxes and other Charges levied/may be levied or such other taxes as may be levied by the Government or other Competent Authorities on bulk/retail supplies from time to time.

17. The payment of power factor penalty does not exempt the consumer from taking steps to improve the power factor to the levels specified in the Regulations notified under the Electricity Act-2003 and TPL shall be entitled to take any other action deemed necessary and authorized under the Act.

PART-I

RATE SCHEDULE - LOW /MEDIUM TENSION

230/400 VOLTS

1. RATE: RGP

This tariff is applicable for supply of electricity to residential premises.

Single-phase supply- Aggregate load up to 6 kW

Three-phase supply- Aggregate load above 6 kW

1.1 FIXED CHARGES:

For Other than BPL consumers

(a)	Single Phase Supply	Rs. 25 per installation per month
(b)	Three Phase Supply	Rs. 65 per installation per month

For BPL household consumers*

(a)	Fixed Charges	Rs. 5.00 per month per installation

PLUS

1.2 ENERGY CHARGES:

For Other than BPL consumers

(a)	First 50 units during the month	320 Paise/unit
(b)	Next 50 units during the month	365 Paise/unit
(c)	Next 100 units during the month	425 Paise/unit
(d)	Next 50 units during the month	435 Paise/unit
(d)	Above 250 units during the month	505 Paise/unit

For BPL household consumers*

(a)	First 30 units consumed per month	150 Paise per Unit
(b)	For remaining units consumed per month	Rate as per Residential

** The consumer who wants to avail the benefit of the above tariff has to produce a copy of the Card issued by the authority concerned at the zonal office of the Distribution Licensee. The concessional tariff is only for 30 units per month.*

2. RATE: GLP

This tariff will be applicable for use of energy for lights, fans, heating, general load and motive power in premises:

i. Crematoriums and Government and Municipal Hospitals.
ii. Charitable Institutions like hospital, dispensary, educational and Research Institute and Hostel attached to such Institution, religious premises exclusively used for worship or community prayers, registered with Charity Commissioner and specifically exempted from levy of general tax under section 2 (13) of Bombay Trust Act, 1950 read with section 9 of The Income Tax Act, 1961.
iii. Public streets Lights, gardens and conveniences.
iv. Water works and sewerage pumping services operated by Municipal Corporations.

Note: Halls or gardens or any portion of the above premises let out for consideration or used for commercial activities at any time shall be charged at Non-RGP tariff.

Single-phase supply- Aggregate load up to 6kW

Three-phase supply- Aggregate load above 6kW

2.1 FIXED CHARGES:

Fixed Charges	Rs. 55.00 per installation per month

PLUS

2.2 ENERGY CHARGES:

Energy Charges	405 Paise/unit

3. RATE: NON-RGP

This tariff is applicable for supply of electricity to premises which are not covered in any other LT tariff categories, up to and including 15 kW of connected load.

3.1 FIXED CHARGES:

(a)	First 10 kW	Rs. 70 Per kW per month
(b)	Next 5 kW	Rs. 90 Per kW per month

3.2 ENERGY CHARGES:

(a)	For installations having connected load up to 10 kW	435 Paise/unit
(b)	For installations having connected load above 10kW and up to 15 kW	455 Paise/unit

4. RATE: LTMD

This tariff is applicable for supply of electricity to premises which are not covered in any other LT tariff categories, having connected load above 15kW.

This tariff shall also be applicable to consumer covered in category- 'Rate: Non-RGP' so opts to be charged in place of 'Rate: Non-RGP' tariff.

4.1 DEMAND CHARGES:

(a)	Up to 20 kVA of billing demand	Rs. 115 per kVA /month
(b)	Above 20 kVA & up to 60 KVA billing demand	Rs. 155 per kVA /month
(c)	Above 60 kVA of billing demand	Rs. 225 per kVA /month
(d)	In excess of contract demand	Rs. 250 per kVA /month

Note: BILLING DEMAND: Billing demand during the month shall be the highest of the following:

i. Maximum demand recorded during the month.
ii. 85 % of the contract demand.
iii. 6 kVA

PLUS

4.2 ENERGY CHARGES:

Energy charges	485 Paise/unit

PLUS

4.3 REACTIVE ENERGY CHARGES (KVARH UNITS):

For installation having contracted load of 40 kVA and above

For all the reactive units drawn during the month	10 Paise/kVARh

5. RATE: TMP

Applicable to installations for temporary requirement of electricity supply.

5.1. FIXED CHARGE

Fixed Charge per Installation	Rs.25 per kW per Day

5.2. ENERGY CHARGE

A flat rate of	500 Paise per Unit

6. RATE: AGP

This tariff is applicable to motive power services used for irrigation purpose.

The rates for following group are as under

6.1 FIXED CHARGES:

Fixed Charges	Rs. 20.00 per HP per month

PLUS

6.2 ENERGY CHARGES:

Energy Charges	60 Paise/unit

Note:

1. The agricultural consumers shall be permitted to utilize one bulb or CFL up to 40 watts in the Pump House without recovering any charges. Any

further extension or addition of load will amount to unauthorized extension.

2. No machinery other than pump for irrigation will be permitted under this tariff.

7. RATE: LT - Electric Vehicle (EV) Charging Stations

This tariff is applicable to consumers who use electricity **EXCLUSIVELY** for electric vehicle charging installations.

Other consumers can use their regular electricity supply for charging electric vehicle under same regular category i.e. RGP. NRGP, LTMD etc.

7.1 FIXED CHARGE

Rs. 25 per month per installation

PLUS

7.2 ENERGY CHARGE

Energy Charge	410 Paise per Unit

PART-II

RATE SCHEDULE FOR SERVICE AT HIGH TENSION

8 RATE HTMD-1

This tariff shall be applicable for supply of energy to consumers at 3.3 KV and above for contracting the demand of 100 KVA and above for purposes other than pumping stations run by Local Authorities.

8.1 DEMAND CHARGES:

8.1.1 For billing demand up to contract demand

(a)	First 500 KVA of billing demand	Rs. 170 per KVA
(b)	Above 500 KVA	Rs. 285 per KVA

8.1.2 For billing demand in excess over contract demand

For billing demand in excess over contract demand	Rs.395/- per KVA

Note:

BILLING DEMAND: Billing demand shall be the highest of the following:

i. Actual maximum demand established during the month

ii. 85 per cent of the Contract Demand, and

iii. 100 KVA

PLUS

8.2 ENERGY CHARGES:

(a)	First 400 units per kVA billing demand per month	480 Paise/unit
(b)	Remaining units consumed per month	470 Paise/unit

PLUS

8.3 TIME OF USE CHARGE:

For energy consumption during the two peak periods, Viz., 0700 Hrs. to 1100 Hrs. and 1800 Hrs. to 2200 Hrs.	
For Billing Demand up to 500kVA	65 Paise per Unit
For Billing Demand above 500kVA	100 Paise per Unit

PLUS

8.4 POWER FACTOR:

8.4.1 Power Factor Adjustment Charges:

a) The power factor adjustment charges shall be levied at the rate of 1% on the total amount of electricity bills for the month under the head "Energy Charges", arrived at using tariff as per para 8.2 of this schedule, for every 1% drop or part thereof in the average power factor during the month below 90% up to 85%.

b) In addition to the above clause, for every 1% drop or part thereof in average power factor during the month below 85% at the rate of 2% on the total amount of electricity bill for that month under the head "Energy Charges", arrived at using tariff as per para 8.2 of this schedule, will be charged.

8.4.2 Power Factor Adjustment Rebate:

If the average power factor of the consumer's installation in any month is above 95%, the consumer will be entitled to a rebate at the rate of 1% in excess of 95% power factor on the total amount of electricity bill for that month under the head "Energy Charges", arrived at using tariff as per para 7.2 of this schedule, for every 1% rise or part thereof in the average power factor during the month above 95%.

8.5 NIGHT TIME CONCESSION:

The energy consumed during night hours between 22.00 hours and 06.00 hours next day (recorded by the tariff meter operated through time switch or built in feature of time segments, if incorporated) shall be eligible for concession of 30 Paise per KWH. The meter and time switch shall be procured and installed by consumer at his cost, if required by TPL-Surat. In such case, TPL-Surat will seal the metering equipment.

8.6 REBATE FOR SUPPLY AT EHV:

Sr. No.	On Energy Charges:	Rebate @
(a)	If supply is availed at 33/66 KV	0.5 %
(b)	If supply is availed at 132 KV and above	1.0 %

9 RATE: HTMD-2

This tariff shall be applicable for supply of energy at 3.3KV and above and contracting for demand of 100 KVA and above for water works and pumping stations run by Local Authorities.

9.1 DEMAND CHARGES:

9.1.1 For billing demand up to contract demand

(a)	First 500 KVA of billing demand	Rs. 140/- per KVA per month
(b)	Above 500 KVA of billing demand	Rs. 225/- per KVA per month

9.1.2 For billing demand in excess of contract demand

For Billing demand in excess over Contract demand	Rs. 360/- per KVA per month

Note:

BILLING DEMAND: Billing demand shall be the highest of the following:

i. Actual maximum demand established during the month
ii. 85 per cent of the Contract Demand, and
iii. 100 KVA

PLUS

9.2 ENERGY CHARGES:

(a)	First 400 units per kVA billing demand per month	475 Paise/unit
(b)	Remaining units consumed per month	470 Paise/unit

PLUS

9.3 TIME OF USE CHARGES:

For energy consumption during the two peak periods, Viz., 0700 Hrs. to 1100 Hrs. and 1800 Hrs. to 2200 Hrs.		
(a)	For Billing Demand up to 500kVA	45 Paise per Unit
(b)	For Billing Demand above 500kVA	80 Paise per Unit

PLUS

9.4 POWER FACTOR:

Power Factor Adjustment Charges:

1. The power factor adjustment charges shall be levied at the rate of 1% on the total amount of electricity bills for the month under the head "Energy Charges", arrived at using tariff as per para 9.2 of this schedule, for every 1% drop or part thereof in the average power factor during the month below 90% up to 85 %.
2. In addition to the above clause, for every 1% drop or part thereof in average power factor during the month below 85% at the rate of 2% on the total amount of electricity bill for that month under the head "Energy Charges", arrived at using tariff as per para 9.2 of this schedule, will be charged.

Power Factor Adjustment Rebate:

If the average power factor of the consumer's installation in any month is above 95%, the consumer will be entitled to a rebate at the rate of 1% in excess of 95% power factor on the total amount of electricity bill for that month under the head "Energy Charges", arrived at using tariff as per para 9.2 of this schedule, for every 1% rise or part thereof in the average power factor during the month above 95%.

9.5 NIGHT TIME CONCESSION:

The energy consumed during night hours between 22.00 hours and 06.00 hours next day (recorded by the tariff meter operated through time switch or built in feature of time segments, if incorporated) shall be eligible for concession of 30 Paise per KWH. The meter and time switch shall be procured and installed by consumer at his cost, if required by TPL-Surat. In such case, TPL-Surat will seal the metering equipment.

9.6 REBATE FOR SUPPLY AT EHV:

Sr. No.	On Energy Charges:	Rebate @
(a)	If supply is availed at 33/66 KV	0.5 %
(b)	If supply is availed at 132 KV and above	1.0 %

10 RATE: HTMD-3

This tariff shall be applicable to a consumer taking supply of electricity at high voltage, contracting for not less than 100 kVA for temporary period. A consumer not taking supply on regular basis under a proper agreement shall be deemed to be taking supply for temporary period.

10.1 FIXED CHARGE

For billing demand up to contract demand	Rs. 25/- per kVA per day
For billing demand in excess of contract demand	Rs. 35/- per kVA per day

Note:

BILLING DEMAND: Billing demand shall be the highest of the following:

i. Actual maximum demand established during the month
ii. 85 per cent of the Contract Demand, and
iii. 100 KVA

PLUS

10.2 ENERGY CHARGE

For all units consumed during the month	695 Paise/Unit

PLUS

10.3 TIME OF USE CHARGES:

For energy consumption during the two peak periods, Viz., 0700 Hrs. to 1100 Hrs. and 1800 Hrs. to 2200 Hrs.	
(a) For Billing Demand up to 500kVA	45 Paise per Unit
(b) For Billing Demand above 500kVA	80 Paise per Unit

10.4 POWER FACTOR:

Power Factor Adjustment Charges:

1. The power factor adjustment charges shall be levied at the rate of 1% on the total amount of electricity bills for the month under the head "Energy Charges", arrived at using tariff as per para 10.2 of this schedule, for every 1% drop or part thereof in the average power factor during the month below 90% up to 85 %.
2. In addition to the above clause, for every 1% drop or part thereof in average power factor during the month below 85% at the rate of 2% on the total amount of electricity bill for that month under the head "Energy Charges", arrived at using tariff as per para 10.2 of this schedule, will be charged.

Power Factor Adjustment Rebate:

If the average power factor of the consumer's installation in any month is above 95%, the consumer will be entitled to a rebate at the rate of 1% in excess of 95% power factor on the total amount of electricity bill for that month under the head "Energy Charges", arrived at using tariff as per para 10.2 of this schedule, for every 1% rise or part thereof in the average power factor during the month above 95%.

11 RATE- NTCT (NIGHT TIME CONCESSIONAL TARIFF)

This is night time concessional tariff for consumers for regular power supply who opt to use electricity **EXCLUSIVELY** during night hours between 22.00

hours and 06.00 hours next day. The consumer shall provide the switching arrangement as shall be acceptable to TPL-Surat to regulate supply hours.

11.1 FIXED CHARGE

Fixed Charges	30% of the Demand Charges under relevant Tariff Category

11.2 ENERGY CHARGE

A flat rate of	340 Paise per unit

11.3 POWER FACTOR

Power Factor Adjustment Charges:

1. The power factor adjustment charges shall be levied at the rate of 1% on the total amount of electricity bills for the month under the head "Energy Charges", arrived at using tariff as per para 11.2 of this schedule, for every 1% drop or part thereof in the average power factor during the month below 90% up to 85 %.

2. In addition to the above clause, for every 1% drop or part thereof in average power factor during the month below 85% at the rate of 2% on the total amount of electricity bill for that month under the head "Energy Charges", arrived at using tariff as per para 11.2 of this schedule, will be charged.

Power Factor Adjustment Rebate:

If the average power factor of the consumer's installation in any month is above 95%, the consumer will be entitled to a rebate at the rate of 1% in excess of 95% power factor on the total amount of electricity bill for that month under the head "Energy Charges", arrived at using tariff as per para 11.2 of this schedule, for every 1% rise or part thereof in the average power factor during the month above 95%.

NOTE:

1. *15% of the contracted demand can be availed beyond the night hours prescribed as per para 11.0 above.*
2. *10% of total units consumed during the billing period can be availed beyond the night hours prescribed as per para 11.0 above.*
3. *In case the consumer failed to observe condition no. 1 above during any of the billing month, then demand charge during the relevant billing month shall be billed as per HTMD category demand charge rates given in para 8.1 of this schedule.*
4. *In case the consumer failed to observe condition no. 2 above during any of the billing month, then entire energy consumption during the relevant billing month shall be billed as per HTMD category energy charge rates given in para 8.2 of this schedule.*
5. *In case the consumer failed to observe above condition no. 1 and 2 both during any of the billing month, then demand charge and entire energy consumption during the relevant billing month shall be billed as per HTMD category demand charge and energy charge rates given in para 8.1 and 8.2 respectively, of this schedule.*
6. *This tariff shall be applicable if the consumer so opts to be charged in place of HTMD tariff by using electricity exclusively during night hours as above.*
7. *The option can be exercised to shift from regular HTMD tariff category to Rate: NTCT or from Rate: NTCT to regular HTMD tariff four times in a calendar year by giving not less than 15 days' advance notice in writing before commencement of billing period.*

12. RATE: HT - Electric Vehicle (EV) Charging Stations

This tariff is applicable to consumers who use electricity **EXCLUSIVELY** for electric vehicle charging installations.

Other consumers can use their regular electricity supply for charging electric vehicle under same regular category i.e. HTMD-1, HTMD-2, HTMD-3 and NTCT.

12.1 DEMAND CHARGE

For billing demand up to contract demand	Rs. 25 per kVA per month
For billing demand in excess of contract demand	Rs. 50 per kVA per month

PLUS

12.2 ENERGY CHARGE

Energy Charge	400 Paise per Unit