

# **GUJARAT ELECTRICITY REGULATORY COMMISSION**



## **Tariff Order**

Truing up for FY 2018-19  
and Determination of Tariff for FY 2020-21

**For**

**Torrent Power Limited - Distribution  
Surat**

**Case No. 1845 of 2019**

**31<sup>st</sup> March, 2020**

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**GUJARAT ELECTRICITY REGULATORY COMMISSION  
(GERC)**

**GANDHINAGAR**

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## ABBREVIATIONS

A&G	Administration and General Expenses
ATE/APTEL	Appellate Tribunal for Electricity
ARR	Aggregate Revenue Requirement
BHP	Brake Horse Power
BPL	Below Poverty Line
CAPEX	Capital Expenditure
CERC	Central Electricity Regulatory Commission
3 <sup>rd</sup> Control Period	FY 2016-17 to FY 2020-21
CSS	Cross Subsidy Surcharge
DGVCL	Dakshin Gujarat Vij Company Limited
DISCOM	Distribution Company
DoE	Diversion of Energy
DSM	Demand Side Management
EA	Electricity Act, 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
HTMD	High Tension Maximum Demand
HV	High Voltage
JGY	Jyoti Gram Yojna
kV	Kilo Volt
kVA	Kilo Volt Ampere
kVAh	Kilo Volt Ampere Hour
kW	Kilo Watt
kWh	Kilo Watt Hour
LT	Low Tension
LTMD	Low Tension Maximum Demand
MGVCL	Madhya Gujarat Vij Company Limited
MUs	Million Units (Million kWh)
MW	Mega Watt
MYT	Multi-Year Tariff
NTCT	Night Time Concession Tariff
OA	Open Access
O&M	Operations and Maintenance
p.a.	Per Annum
PBT	Profit Before Tax
PF	Power Factor



**Torrent Power Limited – Distribution (Surat)**  
**Truing up for FY 2016-17 and Determination of Tariff for FY 2018-19**

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PGCIL	Power Grid Corporation of India Limited
PGVCL	Paschim Gujarat Vij Company Limited
PPA	Power Purchase Agreement
PPC	Power Purchase Cost
R&M	Repairs and Maintenance
REC	Renewable Energy Certificate
RGP	Residential General Purpose
RLDC	Regional Load Despatch Centre
RoE	Return on Equity
RPO	Renewable Power Purchase Obligation
SBI	State Bank of India
SLC	Service Line Charges
SLDC	State Load Despatch Centre
TOU	Time Of Use
TPL	Torrent Power Limited
TPL-D	TPL Distribution
T&D	Transmission & Distribution
UGVCL	Uttar Gujarat Vij Company Limited
UI	Unscheduled Interchange
WRLDC	Western Regional Load Despatch Centre





**Before the Gujarat Electricity Regulatory Commission  
Gandhinagar**

**Case No. 1845 of 2019**

**Date of Order: 31/03/2020**

**CORAM**

Shri Anand Kumar, Chairman

Shri P.J. Thakkar, Member

**ORDER**

**1 Background and Brief History**

**1.1 Background**

Torrent Power Limited – Distribution (Surat) (hereinafter referred to as TPL-D (S) or the Petitioner) has filed the present petition on 30<sup>th</sup> November, 2019 under Section 62 of the Electricity Act, 2003 read in conjunction with the Gujarat Electricity Regulatory Commission (Multi-Year Tariff) Regulation, 2016 (hereinafter referred to as the GERC (MYT) Regulations, 2016) for True-up of FY 2018-19 and determination of tariff for FY 2020-21 for its distribution business at Surat.



Gujarat Electricity Regulatory Commission (hereinafter referred to as GERC or the Commission) notified the GERC (MYT) Regulations, 2016 on 29<sup>th</sup> March, 2016 which is applicable for determination of tariff in all cases covered under the Regulations from 1<sup>st</sup> April, 2016 onwards. Regulation 17.2 (b) of the GERC (MYT) Regulations, 2016 provides for submission of detailed application comprising Truing up for FY 2018-19, revenue from sale of power at existing tariffs and charges for the ensuing year, i.e., FY 2020-21, Revenue Gap or Revenue Surplus for the ensuing year for determination of tariff for FY 2020-21 to be carried out under the GERC (MYT) Regulations, 2016 and amendment thereof from time to time.

The Petition was registered on 4<sup>th</sup> December, 2019 after technical validation session 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) (TPL-D (S)) 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 order for approval of True-up for FY 2015-16 and approval of Multi-Year ARR from FY 2016-17 to FY 2020-21**

The Petitioner filed its petition for Truing up for 2015-16, Approval of Multi-Year ARR for FY 2016-17 to FY 2020-21 and Determination of tariff for 2017-18 on 30<sup>th</sup> November, 2016. The Petition was registered on 3<sup>rd</sup> December, 2016 (under Case No. 1628 of 2016).



The Commission vide order dated 9<sup>th</sup> June, 2017 (hereinafter referred to as the MYT Order) approved the Truing up for 2015-16, Multi-Year ARR from FY 2016-17 to FY 2020-21 and determined the tariff for FY 2017-18 for TPL-D (S).

#### **1.4 Commission’s Order for approval of True-up of FY 2016-17 and Determination of tariff for FY 2018-19**

The Petitioner filed its Petition for Truing up for FY 2016-17 and Determination of tariff for FY 2018-19 on 30<sup>th</sup> December, 2017. The Petition was registered on 3<sup>rd</sup> January, 2018 (under Case No. 1697 of 2018). The Commission vide Order dated 31<sup>st</sup> March, 2018 approved the truing-up for FY 2016-17 and determined the tariff for FY 2018-19.

#### **1.5 Commission’s Order for approval of True-up of FY 2017-18, Mid-Term Review of FY 2019-20 & FY 2020-21 and Determination of tariff for FY 2019-20**

The Petitioner filed its Petition for truing up of FY 2017-18, Mid-Term Review of FY 2019-20 and FY 2020-21 and determination of tariff for FY 2019-20 on 30<sup>th</sup> November, 2018. After technical validation the Petition was registered on 4<sup>th</sup> December, 2018 (Case No. 1765 of 2018). The Commission vide order dated 24<sup>th</sup> April, 2019 approved the Truing-up of FY 2017-18, Mid-term Review of FY 2019-20 & FY 2020-21 and determined the tariff for FY 2019-20.

#### **1.6 Background of the present petition**

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).

Further, 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.



## **1.7 Registration of the Current Petition and the Public Hearing Process**

The Petitioner submitted the current Petition for truing up of FY 2018-19 and determination of tariff for FY 2020-21 on 30<sup>th</sup> November, 2019. After technical validation the Petition was registered on 4<sup>th</sup> December, 2019 (Case No. 1845 of 2019), and as provided under Regulation 29.1 of the GERC (MYT) Regulations, 2016, the Commission has proceeded with this Tariff Order.

In accordance with Section 64 of the Electricity Act, 2003, the Commission directed TPL-D (S) to publish its application in an abridged form in the newspapers to ensure due public participation.

The Public Notice, inviting objections / suggestions from the stakeholders on the Petition filed by it, was published in the following newspapers:

**Table 1.1: List of Newspapers in which Public Notice was published by the Petitioner**

<b>Sr. No.</b>	<b>Name of Newspaper</b>	<b>Language</b>	<b>Date of Publication</b>
1	The Times of India	English	14/12/2019
2	Gujarat Samachar	Gujarati	14/12/2019
3	Gujarat Mitra	Gujarati	14/12/2019

The Petitioner also placed the Public Notice and the Petition on its website ([www.torrentpower.com](http://www.torrentpower.com)), for inviting objections and suggestions. The interested parties / stakeholders were asked to file their objections/suggestions on the Petition on or before 13<sup>th</sup> January, 2020.

The Commission also placed the Petition and additional details received subsequently from the Petitioner on its website ([www.gercin.org](http://www.gercin.org)) for information and study of all the stakeholders.

The Commission also issued a notice for Public Hearing in the following newspapers in order to solicit wider participation by the stakeholders:

**Table 1.2: List of Newspapers in which Public Notice for Hearing was published by the Commission**

<b>Sr. No.</b>	<b>Name of Newspaper</b>	<b>Language</b>	<b>Date of Publication</b>
1	The Indian Express	English	04/02/2020
2	Divya Bhaskar	Gujarati	05/02/2020
3	Sandesh	Gujarati	05/02/2020



The Commission received objections / suggestions from the 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 petitions on 13<sup>th</sup> February, 2020 at the Commission’s Office at Gandhinagar (for all the petitions of Torrent Power Ltd.) and 15<sup>th</sup> February, 2020 at GNFC Training Centre at Bharuch (for TPL-D (S) & TPL-D (D)) 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 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:

**Table 1.3: List of Stakeholders who commented on petition filed by TPL-D (S)**

Sr. No.	Name of Stakeholders	Written Submission	Oral Submission	Present during public hearing
1.	Akhil Gujarat Grahak Sewa Kendra	Yes	No	No
2.	Shri K.K. Bajaj	Yes	Yes	Yes
3.	Surat Municipal Corporation	Yes	No	No
4.	Laghu Udyog Bharati - Gujarat	Yes	No	No
5.	Bharatiya Samyawadi Paksh (Marxwadi) - Mansukhbhai N. Khorasiya	Yes	Yes	Yes
6.	Nareshkumar Jerambhai Gondaliya	Yes	No	No
7.	Utility Users Welfare Association	Yes	No	No
8.	Rashid A Chunavala	Yes	No	No
9.	Vishubhai Bhagawanbhai Desai	Yes	Yes	Yes
10.	Saiyad Jakiahemad Sairudhin	Yes	No	No
11.	Saiyad rafik Saiyad Hasan Kadri	Yes	No	No
12.	Nasrin Saiyad Nurudin	Yes	No	No
13.	Saiyadali Saiyadhasan Kadri	Yes	No	No
14.	Aabedabegam Saiyadali Kadri	Yes	No	No
15.	Saiyad Zahid Saiyad Ali	Yes	No	No

A short note on the main issues raised by the objectors in the submission in respect of the Petition, along with the response of TPL-D (S) and the Commission’s views on the response, are as given in Chapter 3.



## **1.8 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-D (S)'s Petition
3. The **third chapter** deals with the objections raised by various stakeholders, TPL-D (S)'s response and Commission's views on the response
4. The **fourth chapter** focuses on the details of truing up for FY 2018-19
5. The **fifth chapter** deals with the determination of tariff for FY 2020-21
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

## **1.9 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 from FY 2016-17 to FY 2021-22 vide MYT Order dated 9<sup>th</sup> June, 2017.

TPL-D (S) has approached the Commission with the present Petition for Truing up of FY 2018-19 and determination of tariff for FY 2020-21.

The Commission has undertaken Truing up for FY 2018-19, based on the submissions of the Petitioner and the annual accounts for FY 2018-19. The Commission has undertaken the computation of gains and losses for FY 2018-19, based on the annual accounts and final ARR for FY 2018-19 approved vide MYT Order dated 9<sup>th</sup> June, 2017.

While truing up for FY 2018-19 the Commission has been primarily guided by the following principles:



**Torrent Power Limited – Distribution (Surat)**  
**Truing up for FY 2018-19 and Determination of Tariff for FY 2020-21**

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- Controllable parameters have been considered at the level approved as per the MYT Order dated 9<sup>th</sup> June, 2017, 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 FY 2018-19 has been considered, based on the GERC (MYT) Regulations, 2016

Determination of Tariff for FY 2020-21 has been considered as per the GERC (MYT) Regulations, 2016 and amendments thereof as the base.



## 2 Summary of TPL-D (S)'s Petition

### 2.1 Introduction

TPL-D (S) has submitted the current Petition seeking approval of True-up for ARR for FY 2018-19. The Petitioner has also submitted the tariff proposal for FY 2020-21, based on the Revenue Gap for FY 2018-19 and ARR for FY 2020-21 (ARR for FY 2020-21 as approved vide Order dated 24<sup>th</sup> April, 2019).

### 2.2 Actuals for FY 2018-19 submitted by TPL-D (S)

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

**Table 2.1: Actuals Claimed by TPL-D (S) for FY 2018-19**

(Rs. Crore)

Particulars	Approved in the MYT Order	Actual as per TPL-D (S)
Power Purchase	1695.95	2004.49
O&M Expenses	126.10	133.70
Depreciation	56.04	55.19
Interest and Finance Charges	29.85	26.70
Interest on Security Deposit	19.46	17.32
Interest on Working Capital	-	-
Return on Equity	87.01	86.04
Bad Debts Written off	0.33	0.42
Contingency Reserve	0.40	0.40
Income Tax	42.24	14.75
Less: Non-Tariff Income	36.08	8.26
<b>Annual Revenue Requirement</b>	<b>2021.30</b>	<b>2330.75</b>

### 2.3 Sharing of gains and losses for FY 2018-19

The sharing of gains and losses as projected by TPL-D (S) is depicted below.

**Table 2.2: Summary of Sharing of Gains and Losses for TPL-D (S) for FY 2018-19**

(Rs. Crore)

Particulars	FY 2018-19 (MYT Order)	FY 2018- 19 Claimed	Over (+) / Under (-) recovery	Controll able Gain / (Loss)	Uncontroll able Gain / (Loss)
Power Purchase	1695.95	2004.49	(308.54)	4.84	(313.37)
O&M Expenses	126.10	133.70	(7.60)	7.37	(14.97)
Depreciation	56.04	55.19	0.85	-	0.85



**Torrent Power Limited – Distribution (Surat)**  
**Truing up for FY 2018-19 and Determination of Tariff for FY 2020-21**

Particulars	FY 2018-19 (MYT Order)	FY 2018- 19 Claimed	Over (+) / Under (-) recovery	Controll able Gain / (Loss)	Uncontroll able Gain / (Loss)
Interest and Finance Charges	29.85	26.70	3.15	-	3.15
Interest on Security Deposit	19.46	17.32	2.14	-	2.14
Interest on Working Capital	-	-	-	-	-
Return on Equity	87.01	86.04	0.97	-	0.97
Bad Debts Written off	0.33	0.42	(0.09)	(0.09)	
Contingency Reserve	0.40	0.40	-	-	-
Income Tax	42.24	14.75	27.49	-	27.49
Less: Non-Tariff Income	36.08	8.26	27.82	-	27.82
<b>ARR</b>	<b>2021.30</b>	<b>2330.75</b>	<b>(309.45)</b>	<b>12.11</b>	<b>(321.56)</b>

## 2.4 Summary of ARR, Revenue at Existing Tariff and Proposed Revenue Gap for FY 2018-19

The Table below summarises the proposed ARR claimed by TPL-D (S) for Truing up, revenue from sale of power at existing tariff and revenue gap estimated for FY 2018-19.

**Table 2.3: True-up ARR claimed by TPL-D (S) for FY 2018-19**

(Rs. Crore)

Particulars		Claimed
ARR as per MYT	a	2021.30
Gain/(Losses) due to uncontrollable factors	b	(321.56)
Gain/(Losses) due to controllable factors	c	12.11
Pass through as tariff	$d = -(1/3^{\text{rd}}$ of $c + b$ )	317.52
<b>Trued up ARR</b>	$e = a + d$	<b>2,338.82</b>

The Table below summarises the Revenue Gap / (Surplus) for TPL-D (S) for FY 2018-19:

**Table 2.4: Revenue Gap/ (Surplus) for TPL-D (S) for FY 2018-19**

(Rs. Crore)

Particulars	As Claimed
<b>True-up ARR</b>	<b>2,338.82</b>
Total Revenue from Sale of Energy	2,279.66



Particulars	As Claimed
Less: Revenue towards recovery of earlier years' approved gap	113.62
<b>Effective Revenue</b>	<b>2,166.04</b>
<b>Revenue Gap/(Surplus)</b>	<b>172.78</b>

## 2.5 ARR, Revenue at Existing Tariff, Revenue Gap and Tariff Proposal for FY 2020-21

**Table 2.5 Revenue Gap/(Surplus) of TPL-D (S) for FY 2020-21**

(Rs. Crore)

Particulars	Claimed
ARR for FY 2020-21	2,109.03
Revenue from sale of power at existing tariff rates including FPPPA revenue @1.38 per unit for FY 2020-21	2,247.83
<b>Gap/ (Surplus)</b>	<b>(138.80)</b>

TPL-D (S) has claimed the cumulative revenue gap/(surplus) for FY 2020-21 as detailed in the Table below:

**Table 2.6: Cumulative Revenue (Gap)/Surplus for determination of Tariff of TPL-D (S) for FY 2020-21**

(Rs. Crore)

Particulars	Claimed
Gap/ (Surplus) of FY 2018-19	172.78
Carrying Cost	35.99
DSM	0.14
Impact of change in law pertaining to FY 2017-18	1.88
Gap/ (Surplus) of FY 2020-21	(138.80)
<b>Cumulative Gap/ (Surplus) to be recovered through tariff</b>	<b>71.99</b>

The Petitioner proposes to recover the cumulative gap of Rs. 71.99 Crore, with effect from 1<sup>st</sup> April, 2020, by way of tariff revision of Rs. 0.21 per unit during FY 2020-21.

## 2.6 TPL-D (S)'s Prayer to the Commission

1. Admit the petition for truing up of FY 2018-19 and determination of tariff for FY 2020-21
2. Approve the trued-up Gap/(Surplus) of FY 2018-19



3. Approve the sharing of gains / losses as proposed by the Petitioner for FY 2018-19
4. Approve the Cumulative Gap/(Surplus)
5. Approve the wheeling ARR and corresponding charges for wheeling of electricity with effect from 1<sup>st</sup> April, 2020
6. Allow recovery on account of change in law and delayed payment charges as set out in the present Petition
7. Approve the recovery through retail tariff as prayed for
8. Allow recovery of the costs as per the Judgments of the Hon'ble Tribunal in the Appeals filed by the Petitioner
9. Allow additions / alterations / changes / modifications to the petition at a future date.
10. Permit the Petitioner to file all necessary pleading and documents in the proceeding and documents from time to time for effective consideration of the proceeding
11. Allow any other relief, order or direction which the Commission deems fit to be issued
12. 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**

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#### **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 2018-19 and determination of Tariff for FY 2020-21 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:

##### **3.1.1 Scrutiny and Admittance of the Petition**

The objector has submitted that the petition filed by the Petitioner is not in compliance of the GERC (Multi-Year Tariff) Regulations, 2016 and the Electricity Act, 2003 and suggested the Commission to scrutinize the Petitions and issue a validation certificate if it is found in line with the Conduct of Business and MYT Regulations.

The objector has also submitted that the present tariff petition has not been admitted and raised other technical objections relating to the procedure adopted by the Commission. The objector has also stated that public notice is to be issued only after proper scrutiny of the documents else inviting comments from stakeholders on the incomplete petition is in violation of provisions of the GERC (Conduct of Business) Regulations, MYT Regulations, and provisions of the Act.

##### **Response of TPL-D (S)**

The Petitioner has refuted the baseless allegations of the objector and submitted that it has filed the petition in line with the MYT Regulations and furnished all requisite information.

The Petitioner has also submitted that an Application under Section 64 (1) though referred to by any terminology like Petition, Case etc. is essentially an Application by a licensee or a Generating Company for determination of tariff under Section 62 of the



said Act. The Applicant in any tariff petition, being a Generating Company or Licensee is entitled to file an Application under Section 64 (1) of the Act. Once such an Application is filed further procedure is laid down under Section 64 itself. No stages of ad-interim, admission, interim and final hearing are contemplated for disposal of an Application for determination of tariff being filed under Section 64 (1) of the said Act. Further, Regulation 14 of the GERC (CoB) Regulations, 2004 devolves power on the Regulatory Commission to hold hearings, deliberations etc., as it may consider appropriate in the discharge of its functions. Thus, the Electricity Regulatory Commission is vested with the power to determine the manner of holding, hearings and deliberations under Section 64 of the Act. Section 64 (3) of the Act, read with Regulation 28.5 to 28.7 and 29.1 of the GERC (MYT) Regulations, 2016 clearly stipulate that the Gujarat Electricity Regulatory Commission will consider all “suggestions and objections received from the public” in determination of Tariff. It is therefore submitted that the Parliament has deemed it fit and proper to clearly define the role of consumers in the tariff determination process. Under Section 64 (2) the entitlement is to only an abridged form of the Application of determination of Tariff (Tariff Petition). Thus, the Electricity Act, 2003 does not contemplate a contentious proceeding, involving a lis between the Petitioner, TPL of the Tariff Petition and the Public. It is submitted that tariff determination which is essentially a price fixation activity is legislative in nature and does not attract the principles of natural justice. The statutory right to prefer suggestions and objections given to the public to ensure fairness in the tariff determination process does not make the process quasi-judicial. The Objector had completely misconstrued the nature of the proceedings which are essentially, Regulatory and quasi legislative.

The Petitioner has also submitted that it has issued the public notice in line with the provisions of the MYT Regulations.

### **Commission’s View**

Determination of Tariff is a long-drawn process and in order to complete exercise in time-bound manner, it is required to initiate the process of Tariff Determination in accordance with the relevant Regulations in this regard. The petition for Determination of Tariff is registered by the office of the Commission accordingly.



Further, under Section 64 (2) the Petitioner is required to share an abridged version of the petition. During the course of analysis of submission for tariff petition, if required, the Commission seeks additional details from the Petitioners. The petition and additional information submitted by the Petitioners are also placed on the Commission's as well as Utilities websites for information of all the stakeholders.

### **3.1.2 Special Audit by ICAI**

The objector has requested the Commission to direct the Petitioner to comply with the mandatory requirement of Accounting Statement. The objector has requested the Commission to send the audited accounts submitted by TPL to Institute of Chartered Accountants of India for verification whether it is in accordance with Regulation 17.3 of the GERC (MYT) Regulations, 2016 read with Section 41 and 51 of the EA 2003.

Another objector has made similar allegations and requested the Commission to audit the Petitioner's accounts.

### **Response of TPL-D (S)**

The Petitioner has submitted that it has prepared and maintained the accounts as per the Accounting Standards specified by the Institute of Chartered Accountants of India in accordance with the Companies Act, 2013. The segregated Financial Statements for FY 2018-19, duly certified by the Statutory Auditors' of the Company, have been made available along with the Petition. The Petitioner has submitted that it has been filing separate financial statements for each of its business along with the petition before the Commission. The Petitioner has denied that it has infringed any provision of the Electricity Act, 2003 or the Regulations framed thereunder.

The Petitioner has accordingly refuted the allegations by stating that the accounting statement is duly verified by the Statutory Auditor of the Company.

### **Commission's View**

The Petitioner has submitted the separate accounts for each licenced entity, duly certified by the Statutory Auditors of the Company in accordance with the EA, 2003 and the GERC (MYT) Regulations, 2016, which have been considered by the Commission for truing-up the expenses and revenue for FY 2018-19.



### **3.1.3 Separate Accounting Statements**

The objector has submitted that the accounting statement submitted is not an account kept separate as per Section 41 and 51 and Clause 17.3 of MYT Regulations, 2016. The segment-wise reporting of accounts is necessary as the licensee. Torrent operates in different supply area of the country like Bhiwandi in Maharashtra, Agra in U.P., Surat, and Ahmedabad/Gandhinagar. Not only that, since, Torrent group has amalgamated Torrent Cables, Torrent Energy Ltd., and its gas-based generation facilities like D-Gen, Uno-Sugen, etc., there are all possibilities of loading of expenditure of other non-regulated business into regulated business of Ahmedabad/Gandhinagar and Surat.

#### **Response of TPL-D (S)**

The Petitioner has submitted that it has prepared and maintained the accounts as per the Accounting Standards specified by the Institute of Chartered Accountants of India in accordance with the Companies Act, 2013. The segregated financial statements for FY 2018-19, duly certified by the Statutory Auditors' of the Company, have been made available along with the petition. The Petitioner has submitted that it has been filing separate financial statements for each of its business along with the petition before the Commission. The Petitioner has denied that it has infringed any provision of the Electricity Act, 2003 or the Regulations framed thereunder.

#### **Commission's View**

The Petitioner has submitted the separate accounts for each licenced entity, duly certified by the Statutory Auditors of the Company in accordance with the EA 2003 and the GERC (MYT) Regulations, 2016, which have been considered by the Commission for truing-up the expenses and revenue for FY 2018-19.

### **3.1.4 Deviation of Power Procurement Sources from MYT Order and Irregularity in Energy Requirement**

The objector has alleged that the Petitioner has not provided any justification for deviation from the sources of power procurement in the MYT figures in the petition.

Another objector stated that the power procurement is not legitimate and is total violation of National Tariff Policy Clause 5.1 that all Distribution Licensee should



procure their requirement of power only by competitive bidding process to bring down the cost of the power which is more than 85% of the tariff. TPL being a private entity is more efficient and is doing the business in a commercial principle, however, the efficiency in performance is not being reflected in reduction of tariff, a need has been converted into greed which is not a wisdom. In fact, TPL tariff should be 50% less than the Discoms to set a bench mark.

Further, the objector has tried to reconcile the figures of power purchase units of Ahmedabad and Surat license area and made allegations regarding the surplus power and irregularity in energy requirement.

### **Response of TPL-D (S)**

The Petitioner has submitted that all the requisite information including variation in the MYT approved power procurement plan is already provided in the petition.

During FY 2018-19, the Petitioner had carried out competitive bidding for procurement of short-term power up to 450 MW. In turn, the Petitioner could tie up bilateral power of 50 MW for the relevant period April, 2018 to August, 2018. The same has been approved by the Commission and procured balance power through power exchange. Also, fixed cost of SUGEN is recovered in line with the Hon'ble CERC order.

### **Commission's View**

Power purchase by distribution licensee depends on the estimated requirement of power and it is submitted for the ensuing year depending upon licensee's own generation capacity, bilateral contracts and the remaining deficit is planned to be sourced from short term / medium term / long term markets. There can be change in the quantum and source of supply depending upon the actual tie-up, availability of power during that period and market situation. Optimum balance has to be maintained so that 24x7 power supply is not affected to the consumers.

The Commission's detailed analysis of the source-wise quantum and cost of power purchase for FY 2018-19 have been elaborated in Chapter 4 of this Order. The Commission sought and obtained the necessary justification for the revised figures of source-wise quantum and price of power purchase for FY 2018-19 and has approved the figures for FY 2018-19 after due prudence check.



### **3.1.5 Absence of Consumer Benefit for Capital Investment**

The objector has stated that the Petitioner has not mentioned any consumers benefit for high capital investment. Another objector stated that the Petitioner has incurred substantial capital expenditure and capitalization during FY 2018-19 and requested the Commission to verify the details of major schemes energized.

#### **Response of TPL-D (S)**

The Petitioner refuted the allegations of the objector and submitted that the capital investment made for augmentation, up-gradation and modernization of network have helped the Petitioner in reducing and containing the distribution losses in addition to meeting the load growth and maintaining / enhancing the system reliability.

Also, the Petitioner has submitted that it has furnished all the details regarding the actual capital expenditure incurred and capitalization carried out during FY 2018-19 in its petition.

#### **Commission's View**

The Commission has approved the capital expenditure after due prudence check and based on the cost-benefit analysis of the capital expenditure schemes proposed by the Petitioner. The Commission ensures that only those capital expenditure schemes which benefits the consumers either in terms of quantity or quality / reliability of supply, are approved.

### **3.1.6 Additional Slab in Tariff of Residential Consumer**

The objector has submitted that it has been demanding additional slab of above 350 units since the last two years for residential consumers. Tariff Policy also mandates that tariff should be based on the paying capacity of the consumers. At present, consumer living in two bedrooms flat having one air conditioner pays same tariff as paid by consumers residing in a bungalow and having 4-5 air conditioners along with water softening plant. This is unjustified and puts burden on other consumers having monthly consumption of less than 200 units.

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	101-250	4.25	201-350	4.80*
5	-	-	Above 250	5.05	Above 350	5.40*

\* Imaginary figures

The objector has stated that the Petitioner has different tariffs at its three Discoms and requested the Commission to implement uniform tariff slabs for government and private Discoms.

The objector also stated that present tariff slabs of consumers using 200 units/month should not be disturbed. With an additional fourth slab, the deficit of the Petitioner should be approved as any additional burden of tariff should be absorbed by consumers with monthly consumption above 400 units.

#### **Response of TPL-D (S)**

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 in this regard in accordance with the applicable Statutory Provisions.

#### **Commission's View**

Rationalisation of Tariff Structure calls for reduction in number of categories and slabs. At present four energy slabs are prescribed for the residential consumers of Surat area and the Commission does not find merit in increasing the number of consumption slabs for the residential category.

#### **3.1.7 Rationalisation of Fixed Charges**

The objector has referred to the rationalization of tariff proposed by the Petitioner and welcomed the initiative to marginally increase the fixed/demand charges including introduction of load based fixed charges for consumers having connected load above



15 kW. However, the objector has suggested the Commission to specify separately the fixed /demand charges for consumers installing the solar rooftop plants.

**Response of TPL-D (S)**

The Petitioner has submitted that ideally the fixed cost of the licensee should be recovered through the fixed charges. However, as per existing tariff design, majority of the fixed cost is being recovered through energy charges. Consumers installing solar rooftop are paying energy charges applicable on net consumption only. This results in cross-subsidization of consumers with higher paying capacity by consumers having lower paying capacity. This is against the intent of the Act and Regulations. The Petitioner has requested the Commission to take appropriate view in this regard.

**Commission’s View**

There are different views and opinion amongst consumers / consumer groups. The Commission in the past has also received representations to reduce or remove the fixed charges. As such there is a need to gradually increase the recovery of fixed charges from the fixed cost component of tariff and the Commission shall take the appropriate view. The issue regarding fixed charges has been dealt with in Chapter 9 of this Order, along with the tariff philosophy adopted by the Commission while determining tariff for FY 2020-21.

**3.1.8 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 APTEL.

Considering the above, the objector contended that when the consumers are not responsible for decision made for tariff, recovery of carrying cost should not be allowed.

**Response of TPL-D (S)**

The Petitioner has submitted that the carrying cost for unrecovered gap is the legitimate claim of the Petitioner to recoup the financial losses incurred due to deferment in recovery of gap. The recovery of carrying cost is the settled position of law. All stakeholders are bound by the decisions of the hierarchy of adjudicating forums in this regard.



The Petitioner also clarified that the existing petition and the profits shown in the Audited Financial Statements are different under different statutes. The Audited Financial Statement is prepared as per provisions of the Companies Act, 2013 and in accordance with Accounting Standards duly audited by Statutory Auditors' of the Company. Whilst the Tariff Petition is made in accordance with the various Regulations specified by the Commission from time to time. Thus, it is not correct to compare financials as per Audited Financial Statements and the data submitted in the petition. Thus, any extraneous factor in relation to the settled position cannot be considered qua the entitlement of the Petitioner to carrying cost.

#### **Commission's View**

While determining retail tariff for the consumers, the Commission considers the approved gap as well as consumers' interest and tries to avoid tariff shocks. Carrying cost is considered in accordance with the GERC (MYT) Regulations, 2016 and it is dealt accordingly in subsequent chapters as approved by the Hon'ble APTEL.

#### **3.1.9 Rationalisation of Electricity Duty**

The objector has submitted that it been writing to the Government of Gujarat to reduce Electricity Duty in Gujarat since the last three years but the Government has not responded. Electricity Duty is charged on ad valorem basis which includes other amount of FPPPA charges. Actually, ED should be charged on actual consumption in the number of units per month as being followed by many states in India. The objector has requested the Commission to direct State Government either to reduce ED by 5% or charge on actual consumption in units per month.

#### **Response of TPL-D (S)**

In this regard, the Petitioner has submitted that the Electricity Duty is levied as per the Electricity Duty Act and the same is within the jurisdiction of the Government.

#### **Commission's View**

The levy of Electricity Duty is not within the Commission's jurisdiction.



### **3.1.10 Proposed Tariff Hike**

The objector has objected to the tariff increase sought by the Petitioner.

#### **Response of TPL-D (S)**

The Petitioner has submitted that it has arrived at the cumulative gap in accordance with the provisions of the MYT Regulations framed under the provisions of the EA, 2003 and submitted the tariff proposal to recover the gap. The Petitioner has submitted that deferment in recovery of gap attracts carrying cost which also burdens the consumers.

#### **Commission's View**

The issue regarding tariff fixation has been dealt with in Chapter 9 of this Order, along with the tariff philosophy adopted by the Commission while determining tariff for FY 2020-21.

### **3.1.11 Voltage-wise Cost of Supply**

The objector has submitted that the Petitioner has not provided the voltage-wise cost of supply in the Petition.

#### **Response of TPL-D (S)**

The Petitioner submitted that it has provided the necessary details in line with the provisions of the MYT Regulations and the forms prescribed thereunder. The average cost of supply for HT and LT tariff categories has been provided in the formats provided along with the petition.

#### **Commission's View**

It is noted that the Petitioner has not submitted the voltage-wise cost of supply. Necessary directions to the Petitioner in this regard would be issued.

### **3.1.12 Certificate of Income Tax not provided**

The objector has alleged that the Income tax claimed by the Petitioner is not supported by certificate of Income Tax paid and same is also not shown in the Audited Accounts.



**Response of TPL-D (S)**

The Petitioner has submitted that it files the supporting documents of income tax paid and the claim of the Petitioner is to be considered and allowed in accordance with the provisions of the MYT Regulations.

**Commission's View**

Income Tax, being a statutory levy, has to be paid by the Petitioner as per relevant Rules and Regulations of Government of India and the same is accounted for in the books of accounts. The Commission has verified the documentary evidence submitted by Petitioner. The Commission has allowed the Income Tax in accordance with the GERC (MYT) Regulations, 2016.

**3.1.13 O&M Expense**

The objector has submitted that the Petitioner is engaging contractors for its day to day work and is showing it as regular employees in the O&M. The objector has requested the Commission to call for the details of contractors and their payments.

**Response of TPL-D (S)**

The Petitioner has refuted all the baseless allegations of the objector. The Petitioner has submitted that it accounts for all the expenditure in accordance with the applicable accounting standards and claims the O&M expenses in line with the provisions of the MYT Regulations.

**Commission's View**

The employee recruitment, engagement and payments are governed by different set of Central and State Government Acts and Rules prevailing from time to time. The outsourcing of certain activities by the Distribution Licensee is a standard and accepted practice across the country. The cost of outsourcing is booked under A&G expenses, while the cost of regular employees is booked under employee expenses. The Commission allows O&M expenses on normative basis in accordance with the GERC (MYT) Regulations, 2016, and 1/3<sup>rd</sup> of the variation between actual and normative expenses is passed through to the consumers as share of efficiency gain/loss, in accordance with the GERC (MYT) Regulations, 2016.



### **3.1.14 Non-distribution of security amount to the generating facilities**

The objector has submitted that the security deposit amount is being collected in advance by the Petitioner from its retail consumers and contended that the same is not being distributed to the suppliers i.e. generating facilities which is not a fair business practice.

#### **Response of TPL-D (S)**

The Petitioner has strongly refuted the allegations made by the objector and submitted that the security deposit amount is being collected from its retail consumers as per the provisions of the GERC (Security Deposit) Regulations, 2005. Further, the same is being accounted in the ARR of the distribution business, in line with the provisions of the MYT Regulations. Therefore, the contention of the objector is not in consonance with the provisions of the applicable GERC Regulations.

#### **Commission's View**

The treatment of security deposit and amount collected for capital expenditure from the consumers is treated in accordance with relevant regulations and accounting principles and also as per the GERC (MYT) Regulations, 2016.

### **3.1.15 Misuse of provisions of Section 126 and hefty fines on additional load**

The objector has submitted that the Petitioner is misusing the provisions of 126 and imposes hefty fine for additional load and hence suggested to introduce LTMD category to all consumers above 6 kW load.

#### **Response of TPL-D (S)**

The Petitioner strongly denied the accusations regarding harassment. The Petitioner stated that demand-based categorization for 15 kW and above load, is being done for valid and verified reasons. The Petitioner submitted that its tariff structure gives option to NRGP Category consumers (having connected load less than 15 kW) to opt for demand-based tariff. Regarding giving option of contract demand-based tariff for RGP category, the Petitioner submitted that demand-based tariff was implemented for



residential consumers in past. However, same was withdrawn based on representations received from the consumers.

**Commission’s View**

The misuse of provisions of Section 126 of Electricity Act, 2003 does not fall within the purview of the present regulatory process. Regarding tariff categorisation, the same has been dealt with in Chapter 9 of this order.

**3.1.16 Reduction in Demand Charges having demand up to 10 kW**

The objector has suggested to reduce the Demand Charges for consumers having demand up to 10 kW on the ground of alleged harassment to the consumers for addition of load without extension.

**Response of TPL-D (S)**

The Petitioner submitted that as per the provisions of the GERC (Supply Code) Regulations, 2015, the consumer is required to approach the licensee for regularization of load as unauthorized extension of load could lead to compromise of the safety in addition to quality and reliability of network. Therefore, it is necessary to regularize any load extension. Further, provision like Section 126 of the Act, is a distinct provision in the Act enacted by the Parliament and therefore, cannot be used to contend support for tariff categorization.

**Commission’s View**

The categorisation of tariff and applicable tariff is elaborated in the Tariff Schedule section.

**3.1.17 Non-submission of Cost Records**

The objector has submitted that no cost records have been submitted along with the petition.

**Response of TPL-D (S)**

The Petitioner has submitted that it has furnished all the details of cost data as part of the petition. Further, the Petitioner has submitted that it prepares and maintains the accounts as per the Accounting Standards specified in accordance with the



Companies Act, 2013. The segregated financial statements for FY 2018-19, duly certified by the Statutory Auditors' of the Company, have been made available along with the Petition.

#### **Commission's View**

The Petitioner has submitted the separate Accounts for each licenced entity, duly certified by the Statutory Auditors of the Company in accordance with the EA, 2003 and the GERC (MYT) Regulations, 2016, which have been considered by the Commission for truing up the expenses and revenue for FY 2018-19.

Further, all relevant details for validation of expense and revenue heads were sought by the Commission while carrying out true-up of ARR for FY 2018-19. The same have been detailed in Chapter 4 of this order.

#### **3.1.18 Reconciliation of Power Purchase Units**

The objector has tried to reconcile the figures of power purchase units of Ahmedabad and Surat license area and made allegations regarding the surplus power.

#### **Response of TPL-D (S)**

The Petitioner refuted all the allegations and submitted that it has provided all the requisite details in the formats of its petitions.

#### **Commission's View**

The Commission's detailed analysis of the source-wise quantum and cost of power purchase for FY 2018-19 has been elaborated in Chapter 4 of this Order.

#### **3.1.19 Reconciliation of Power Purchase Cost**

The objector has compared the power purchase cost claimed in petition with the power purchase cost shown in the Audited Accounts and questioned the difference in the figures.

#### **Response of TPL-D (S)**

The Petitioner has submitted that the difference in cost of power purchase shown in audited accounts and claimed in the petition is on account of trued up ARR of TPL-G (APP) for FY 2018-19.



**Commission’s View**

The Commission has noted the difference in the figures of power purchase cost shown in the Petition and that claimed in the Audited Accounts. The Commission sought additional details from the Petitioner. The Petitioner vide additional details dated 22<sup>nd</sup> January, 2020 submitted the reconciliation of the power purchase cost with that of the audited accounts. The same is due to the difference in trued up ARR of TPL-G (APP) for FY 2018-19. The power purchase cost has been allowed after due prudence check as elaborated in Chapter 4 of this order.

**3.1.20 Non-Tariff Income**

The objector has alleged manipulation in the non-tariff income for FY 2018-19.

**Response of TPL-D (S)**

The Petitioner has strongly refuted the allegations and submitted that it has provided the requisite details in the petition.

**Commission’s View**

The non-tariff income as claimed by the Petitioner is treated as per GERC (MYT) Regulations, 2016 after due prudence check, in accordance with the audited accounts submitted by the Petitioner for FY 2018-19. The same has been discussed in Section 4.7.11 of this order.

**3.1.21 True-up of FPPPA**

The objector has submitted that the Petitioner has not provided the true-up of FPPPA.

**Response of TPL-D (S)**

The Petitioner has refuted the allegation of the objector and submitted that FPPPA is a mechanism for recovery of variation in fuel price and power purchase cost. The recovery from FPPPA is part of the Revenue of FY 2018-19 and details of the same are provided in the petition.

**Commission’s View**

FPPPA is a part of the tariff, and the same is levied in accordance with the FPPPA formula approved by the Commission. It is clarified that the Commission verifies the



FPPPA computations on a quarterly basis after exercising due prudence checks and validates the fuel and power purchase cost incurred during the quarter and accordingly FPPPA is approved. The same has accordingly been considered by the Commission in the true-up of ARR for FY 2018-19.

### **3.1.22 Mismatch in Revenue from Sale of Power claimed and shown in Accounts**

The objector has compared the revenue from sale of power claimed in petition with the revenue from contract with customers shown in Audited Accounts and questioned the difference in figures.

#### **Response of TPL-D (S)**

The Petitioner has submitted that the revenue considered in the petition excludes the amount of Rs. 263.36 Crore for Ahmedabad License Area and Rs. 43.26 Crore for Surat License Area considered on accrual basis in Revenue from sale of Electricity as shown in the Audited Accounts.

#### **Commission's View**

The Commission has noted the submission of the objector. The same has been allowed as per prevailing Accounting Standards and is discussed in Section 4.7.12 of this Order.

### **3.1.23 CAG audit of Petitioner's accounts**

The objector has submitted that the company has manipulated the Accounts and sought tariff increase. The objector has suggested the Commission to carry out CAG audit of the accounts submitted by the Petitioner.

#### **Response of TPL-D (S)**

The Petitioner has submitted that the Accounting Statements submitted by it are prepared as per provisions of the Companies Act and in accordance with Accounting Standards duly verified by Statutory Auditors' of the Company. In this context, the purported contentions raised by the objector are emphatically denied.



### **Commission's View**

The Petitioner has submitted the separate Accounts for each licenced entity, duly certified by the Statutory Auditors of the Company in accordance with the EA, 2003 and the GERC (MYT) Regulations, 2016, which have been considered by the Commission for truing-up the expenses and revenue for FY 2018-19.

#### **3.1.24 Profits as per TPL's accounts**

The objector has referred to the profits shown by TPL in the Annual Report and submitted that the tariff rise being sought should not be approved.

### **Response of TPL-D (S)**

The Petitioner has submitted that the existing petition and the profits shown in the Annual Reports are different under different statutes. The Annual Report is prepared as per provisions of the Companies Act, 2003 and in accordance with Accounting Standards duly audited by Statutory Auditors' of the Company, whilst the Tariff Petition is prepared in accordance with the various Regulations specified by the Commission from time to time. Thus, it is not correct to compare financials as per Annual Report of Company and the data submitted in the petition.

### **Commission's View**

The Petitioner has submitted the separate Accounts for each licenced entity, duly certified by the Statutory Auditors of the Company in accordance with the EA, 2003 and the GERC (MYT) Regulations, 2016, which have been considered by the Commission for truing up the expenses and revenue for FY 2018-19.

The Commission's detailed head-wise analysis of true-up of expenses and revenue for FY 2018-19 and cumulative revenue gap/(surplus) for FY 2020-21 has been elaborated in Chapter 4 and Chapter 5 of this Order.

#### **3.1.25 Free electricity up to 100 units**

The objector has suggested to provide free electricity up to 100 units per month to the consumers holding card under food security.



### **Response of TPL-D (S)**

The Petitioner has submitted that the BPL category tariff is applicable to only those consumers who are categorized as BPL by the concerned authority by issuing BPL card. It further submitted that the concessional tariff for consumption of 30 units per month is in accordance with the provisions of the Tariff Policy issued by the Central Government. The balance units are charged at the regular rate applicable to residential consumers as per the Tariff Schedule. The objective is to supply electricity up to specified level to such consumers at concessional tariff in line with the provisions of the Tariff Policy.

### **Commission's View**

It is a policy decision and a benefit provided to BPL category consumers as laid down in accordance with the policy issued by Central/State Governments and hence at present it is minimum 30 units. However, the Commission shall take appropriate view and shall be reflected in the Tariff Schedule.

### **3.1.26 Levy of excess demand charges**

The objector has submitted that the Petitioner is levying excess demand charges on consumers for using additional demand whereas in case of lower utilization of demand, it is charging entire demand charges from the consumer, which is unfair.

### **Response of TPL-D (S)**

The Petitioner has submitted that it is levying all charges in line with the Commission's tariff order. Further, excess demand charge is penal provision to ensure discipline in consumers and to encourage them for load regularization. Hence, the same cannot be equated with normal fixed/demand charges being levied on the consumers.

### **Commission's View**

The Commission agrees with the submission of the Petitioner. The tariff categorisation and applicable tariff is elaborated in the Tariff Schedule section.

### **3.1.27 Rebate on power factor in excess of 0.90 up to 0.95**

The objector has suggested to provide rebate for maintaining average power factor for HT services in excess of 0.90 up to 0.95.



**Response of TPL-D (S)**

The Petitioner has submitted that the Supply Code mandates consumers obtaining three phase supply to maintain an average power factor of not less than 90% in respect of their installation failing which their supply is liable to be disconnected. Further, the power factor rebate is being provided as an incentive to the consumers to maintain better power factor which is in the overall interest of the system and as per provisions of Section 62 of the Act. Therefore, the Petitioner has accordingly submitted that there is no requirement of any change.

**Commission’s View**

The applicable tariff is elaborated in the Tariff Schedule section.

**3.1.28 Inclusion of “Conveniences” in the definition of GLP**

The objector has suggested to include the term ‘conveniences’ in the definition of GLP and suggested to mention list of conveniences. Further, the objector has suggested that libraries built and operated by Govt. bodies and urban local bodies should also be considered as conveniences as this is used for general public service.

**Response of TPL-D (S)**

The Petitioner has submitted that it has proposed the tariff structure based on certain widely recognized best practices and in accordance with the legal framework. Some of the key factors considered by the Petitioner for tariff design are the varied factors contemplated under the Act, incentivizing energy conservation through telescopic tariff and promotion of efficient use of electricity. Hence, the Petitioner has respectfully suggested that there is no requirement of any change.

**Commission’s View**

The categorisation of tariff and applicable tariff is elaborated in the Tariff Schedule section.

## 4 Truing up for FY 2018-19

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### 4.1 Introduction

This Chapter deals with the truing up of FY 2018-19. The Commission has studied and analysed each component of the ARR for FY 2018-19 in the following paragraphs.

### 4.2 Energy Sales to the Consumers

#### Petitioner's Submission

The Petitioner has submitted category-wise actual energy sales for Surat area for FY 2018-19 along with the sales approved by the Commission in the MYT Order dated 9<sup>th</sup> June, 2017, as given in the Table below.

**Table 4.1: Energy Sales for FY 2018-19 for TPL-D (S)**

Category	Approved in the MYT Order	Actual Claimed
RGP	865.82	809.33
NON RGP	1268.41	1,209.29
LTMD	961.41	904.82
HT	337.17	325.47
Others	30.10	26.26
DoE units	-	0.98
<b>Total</b>	<b>3,462.91</b>	<b>3,276.15</b>

The actual sales is 3276.15 MUs for Surat area for FY 2018-19 as against 3462.91 MUs approved in the MYT Order.

The Petitioner has submitted that actual sales in FY 2018-19 were lower than the sales approved in MYT Order mainly due to a combined effect of slowdown in industry and lower temperature. The major reasons for the 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 2018-19
- 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 2018-19, 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 diamond industries)

- c) In HT category, the consumption is mainly attributed to the industrial and commercial establishments, water works and pumping stations run by local authority, and temporary services. During FY 2018-19, the actual sales in HT category were lower than the approved sales due to closure of textile units and wind/solar wheeling by local authority
- d) In Others category, the actual sales were marginally lower than approved. This was mainly attributable to installation of energy efficient streetlight by local authority

The GERC (MYT) Regulations, 2016 specifies that the variation in quantities of electricity supplied to the consumers is attributed as an uncontrollable factor. Therefore, the Petitioner has requested the Commission for the truing up of actual sales as shown in the table above.

### **Commission's Analysis**

The actual sales in FY 2018-19 was 3276.15 MUs as against 3462.91 MUs approved in the MYT Order dated 9<sup>th</sup> June, 2017 i.e. lower by 186.76 MU. The sales as submitted by the Petitioner have been 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-D (S) with the Chief Electrical Inspector and Collector of Electricity Duty vide additional details submitted on 22<sup>nd</sup> January, 2020.

The Commission approves the energy sales as mentioned in Table 4.1 for TPL-D (S) totalling to 3276.15 MUs for truing up for FY 2018-19.

**The Commission approves the energy sales as mentioned in Table 4.1 for Surat area totalling to 3276.15 MUs for truing up for FY 2018-19.**



### **4.3 Distribution Losses**

#### **Petitioner’s Submission**

The Petitioner has submitted that the distribution loss for Surat distribution license area was 3.69% as per MYT Order dated 9<sup>th</sup> June, 2017 whereas the actual distribution loss is 3.43% for FY 2018-19. TPL-D (S) has submitted that it has been making consistent efforts to contain the distribution losses. Consequently, it has outperformed the distribution losses approved by the Commission and submitted that the deviation from the approved value is to be considered controllable as shown in the Table below:

**Table 4.2: Distribution Losses for FY 2018-19 as submitted by TPL-D (S)**

Particulars	Approved in the MYT Order	Actual Claimed
Distribution loss	3.69%	3.43%

TPL-D (S) has submitted that the variation in the distribution loss compared to the approved value be considered as controllable.

#### **Commission’s Analysis**

The reduction in distribution losses in the licensed area has taken place due to upgrading / uprating of the distribution network, augmentation of the old assets, etc. Substantial capitalisation of assets amounting to Rs. 173.08 Crore has been done by TPL-D (S) during FY 2018-19, which has resulted in reduction in transformation losses as well as line losses and ultimately overall Distribution Losses. The Commission accepts TPL-D (S)’s submission and approves the actual Distribution Losses of 3.43% for FY 2018-19.

### **4.4 Energy Requirement**

#### **Petitioner’s Submission**

The Petitioner has submitted the actual energy requirement for Surat Supply area is based on the (i) actual energy sales, (ii) transmission loss and (iii) distribution loss for FY 2018-19 as given in the Table below:



**Table 4.3: Energy Requirement for FY 2018-19 for TPL-D (S)**

<b>Particulars</b>	<b>Approved in the MYT Order</b>	<b>Actual Claimed</b>
Energy Sales (MUs)	3,462.91	3,276.15
Distribution Loss (%)	3.69%	3.43%
Distribution Loss (MUs)	132.68	116.27
Energy input at distribution level (MUs)	3,595.59	3,392.42
Transmission Loss (MUs)	40.36	27.77
<b>Energy Requirement (MUs)</b>	<b>3,635.95</b>	<b>3,420.19</b>

The Petitioner submitted that the total energy requirement was met through various sources as discussed in the subsequent section.

### **Commission’s Analysis**

The actual energy requirement submitted by the Petitioner for FY 2018-19 along with energy requirement as per MYT Order dated 9<sup>th</sup> June, 2017 has been examined and verified by the Commission. The Commission observed that there is a reduction of 215.76 MUs in the energy requirement for TPL-D (S) against the quantum of 3,635.95 MUs approved in the MYT order.

The actual energy requirement is lower than that approved in the MYT Order. The distribution losses approved in the MYT Order dated 9<sup>th</sup> June, 2017 was 3.69% and the actual distribution losses as reported by TPL-D (S) is 3.43%. Since the actual sales and distribution losses have been less than that approved in the MYT Order, there has been a decrease in energy requirement as compared to that approved in the MYT Order. The actual energy requirement being the sum of energy sales, transmission and distribution losses, works out to 3,420.19 MUs for FY 2018-19.

**The Commission accordingly approves the energy requirement at 3,420.19 MUs for truing up of FY 2018-19 as given in the above Table 4.3.**

## **4.5 Energy Availability**

### **Petitioner’s Submission**

The Petitioner has submitted that the power is sourced collectively for Ahmedabad and Surat Licence area from TPL-G (APP), SUGEN, Renewable Sources of Energy and other sources such as Bilateral and purchase through Power Exchange. The source-wise power purchase is given in the Table below:



**Table 4.4: Energy Availability (Net) for FY 2018-19 for Ahmedabad & Surat**

(MUs)

Sl. No.	Energy Sources	Approved in the MYT Order	Actual Claimed
1	TPL-G (APP)	2,393.27	2,587.41
2	TPL-G (SUGEN)	4754.49	6,018.92
3	Bilateral and others	1,975.08	63.69
4	Power Exchange	1,440.18	1,889.91
5	Renewable Energy	1,536.66	1,105.37
6	Sub Total	12,099.68	11,665.30
7	Add: Sale of Surplus Power/UI	-	95.18
	<b>Total</b>	<b>12,099.68</b>	<b>11,760.49</b>

During FY 2018-19, lower forced outage at TPL-G (APP) resulted in higher availability of Sabarmati plant. In reference to SUGEN, the variation in the quantum of procurement is due to higher off-take from tied up LNG. However, with respect to Renewable Energy Sources, the variation is due to supply constraints.

The Petitioner has submitted that it has also procured power from bilateral sources and balance requirement has been fulfilled through procurement of top-up power from Power Exchange.

#### 4.5.1 Renewable Power Purchase Obligation

##### Petitioner's Submission

Regulation 4.1 of the GERC (Procurement of Energy from Renewable Energy Sources) Regulation, 2010 specifies the Renewable Power Purchase Obligation (RPPO) for FY 2010-11, FY 2011-12 and FY 2012-13. Subsequently, the Commission notified the GERC (Procurement of Energy from Renewable Sources) (Second Amendment) Regulations, 2018 specifying RPPO for the period FY 2017-18 to 2020-21. TPL-D has made all efforts to fulfil its RPPO.

The renewable energy requirement and renewable energy sourced for FY 2018-19 for TPL-D (A) and TPL-D (S) combined, is as under:

**Table 4.5: RPPO submitted by TPL for FY 2018-19**

Particulars	MU
<b>Energy Requirement</b>	11,760.49
<b>Obligation</b>	
Wind energy to be procured (@7.95%)	934.96
Solar energy to be procured (@4.25%)	499.82



Particulars	MU
Biomass/ Bagasee /Others (@0.50%)	58.80
Total (12.70%)	1,493.58
<b>Compliance (Non-Solar) in MU</b>	
Wind	834.13
Non-Solar REC	101.28
Compliance	935.41
Compliance (as % of Energy Requirement)	7.95%
<b>Compliance (Solar Energy) in MU</b>	
Solar	331.28
Solar-REC	100.00
Compliance	431.28
Compliance (as % of Energy Requirement)	3.67%
<b>Shortfall/(Excess) of FY 18-19 in MU</b>	
Non-Solar	58.35
Solar	68.54
<b>Total</b>	<b>126.89</b>

The Petitioner has approached the Commission in the matter of revision of minimum quantum of purchase (in %) from renewable energy sources for FY 2018-19 in accordance with the RPO Regulations vide its Petition No. 1830 of 2019.

Further, during FY 2018-19, the Petitioner has given adjustment of 60.91 MU of wind power towards the compliance of the Commission's order dated 8<sup>th</sup> January, 2019 in Case No. 1437 of 2014. Regarding solar power, the matter is sub-judice before the Commission in Case No. 1786 of 2019.

#### **Commission's Analysis**

The sources of power approved by the Commission in the MYT Order dated 9<sup>th</sup> June, 2017 are AMGEN, SUGEN, Bilateral Sources, Power Exchange and Renewable Energy.

The Commission had approved the total quantum of power purchase at 12,099.68 MUs for TPL-D (A) and TPL-D (S) combined for FY 2018-19 in the MYT Order dated 9<sup>th</sup> June, 2017 against which the Petitioner has purchased 11,760.49 MUs during FY 2018-19. The same is due to lower transmission and distribution losses despite higher than approved sales for FY 2018-19.

The Commission sought reconciliation of UI/Wind Set off submitted as 28.45 MUs as per Form F2. The Petitioner submitted vide additional details dated 22<sup>nd</sup> January, 2020



that the same corresponds to the adjustment for Unscheduled Interchange (UI), Open Access through Power Exchange, and Wind Set off, and furnished the following reconciliation:

**Table 4.6: UI/Wind Set-off reconciliation submitted by the Petitioner for FY 2018-19**

Particulars		MU
UI	a	85.89
Open Access Through PX	b	9.29
Wind Set off	c	-66.74
<b>Form 2 -</b>		
Renewable Energy Purchase	d	1,172.11
Adjustment for UI/Wind Setoff	e = a +b +c	28.45
Total	f = d + e	1,200.56
<b>Table 9 of the Petition</b>		
Renewable Energy Available	g = d + c	1,105.37
Surplus Power/ UI	h = e-c	95.18
Total	i = g + h	1,200.56

The Commission notes that TPL has procured renewable energy from the generators under preferential tariff besides procurement of RECs for compliance of RPO. The Petitioner has submitted that the Commission has specified the minimum RPO and the Petitioner is having a shortfall of 126.89 MU for FY 2018-19. The Commission notes that TPL has filed a separate Petition for compliance of RPO, which is pending for adjudication before the Commission. Therefore, as far as the compliance of RPO is concerned, the Commission will decide it in separate proceedings.

**The Commission has considered the aforesaid aspects and accordingly approves the availability of energy during FY 2018-19 as shown in the Table below:**

**Table 4.7: Approved Energy Availability (Net) for FY 2018-19 for TPL-D (A) and TPL-D (S) (MU)**

S. No.	Energy Sources	Approved in the MYT Order	Actual Claimed	Approved in Truing Up
1.	TPL-G (APP)	2,393.27	2,587.41	2,587.41
2.	TPL-G (SUGEN)	4754.49	6,018.92	6,018.92
3.	Bilateral	1,975.08	63.69	63.69
4.	Power Exchange	1,440.18	1,889.91	1,889.91



S. No.	Energy Sources	Approved in the MYT Order	Actual Claimed	Approved in Truing Up
5.	Renewables	1,536.66	1,105.37	1,105.37
6.	Sub-Total	12,099.68	11,665.30	11,665.30
7.	Add: Sale of Surplus power/UI	-	95.18	95.18
	<b>Total</b>	<b>12,099.68</b>	<b>11,760.49</b>	<b>11,760.49</b>

## 4.6 Power Purchase Cost

### Petitioner's Submission

TPL has submitted the actual power purchase cost for FY 2018-19 against the power purchase cost approved in the MYT Order dated 9<sup>th</sup> June, 2017 as shown in the Table below:

**Table 4.8: Power Purchase Cost projected by TPL for Ahmedabad and Surat area for FY 2018-19**

(Rs. Crore)

Energy Sources	Approved in the MYT Order	Actual Claimed
TPL-G (APP)	1,088.78	1,202.76
SUGEN	2,632.22	3,979.36
Bilateral	622.15	32.45
Power Exchange	449.34	1,000.75
Renewables	851.15	654.47
REC	0.00	22.75
<b>Total</b>	<b>5,643.64</b>	<b>6,892.53</b>

The Petitioner has 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 power purchase was planned to be done from two type of sources, i.e. (a) Long-term Sources (TPL-G (APP) sources, SUGEN and renewable energy sources), and (b) Short-term Sources (Bilateral sources / Power Exchange). TPL had considered procurement from SUGEN at more than 85% PLF for the entire control period. However, the Commission has considered the SUGEN generation estimate at 65% PLF for MYT projections based on actual level of generation for three quarters of FY 2016-17.



TPL has submitted that supply from SUGEN during three quarters of FY 2016-17 was about 65% due to the reduction in allotted supply of domestic gas by the Government of India and restricted opportunity for direct import of LNG from international market during that year. In order to address this shortage, SUGEN made permanent arrangement by tying up LNG from international markets till the year 2020. Thus, TPL has tied up fuel arrangement for its SUGEN plant and same was appraised to the Commission.

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 submitted that the power purchase for its Ahmedabad & 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. 2,004.49 Crore for FY 2018-19.

### **Commission's Analysis**

The Commission, in its MYT Order, had approved the power purchase plan for the entire MYT Control Period (FY 2016-17 to FY 2020-21) as per the details furnished and plan proposed by TPL in its Case No. 1627 & 1628 of 2016.

The Commission had approved power purchase for TPL-D (A) & (S) from long-term and short-term sources based on its availability during the previous three quarters of FY 2016-17. According to that, 65% PLF was estimated from its SUGEN generation, considering the shortage of availability of fuel during that period. Rest of the power procurement was to be tied up from short-term as per the availability of the cheapest sources. Over a period of time, availability of LNG for its SUGEN plant improved and firm fuel tie up was made by TPL for its SUGEN plant so that continuous power can be made available. Since fuel was tied up and there are offtake obligations, SUGEN has improved its PLF to 85% during the FY 2018-19. The availability of power from different sources is discussed and outlined in the following paras. Further, as submitted



by TPL bidding process for procurement of power on short-term basis was also done but the prices discovered were very high than the prevailing market price. However, TPL has tied up 50 MW from bilateral, which was approved by the Commission.

The Commission had approved the quantum of power purchase at 12,099.68 MUs for FY 2018-19 in the MYT Order dated 9<sup>th</sup> June, 2017 against which TPL has purchased 11,760.49 MUs. The energy requirement is evaluated based on the sale of energy and losses in the transmission and distribution system of Ahmedabad / Gandhinagar and Surat license area. The energy requirement for TPL-D (S) license area works out to 29.08% of the total energy requirement and accordingly, 29.08% of the total power purchase cost has been considered for TPL-D (S) license area.

The Commission observes that the total power purchase cost has increased by Rs. 1,248.89 Crore for FY 2018-19 over that approved in the MYT Order. The main reason for the increase in power purchase cost in FY 2018-19 is increase in the quantum and variable cost of purchase from SUGEN power plant. TPL-D has purchased power from SUGEN at a variable cost of Rs. 5.28 / kWh as against Rs. 3.89 / kWh approved by the Commission in the MYT Order dated 9<sup>th</sup> June, 2017. The gas prices during MYT period was around \$ 6 / MMBTU, however during the period under truing up i.e. FY 2018-19, the international gas prices went up to \$ 9 - \$ 10 / MMBTU. Therefore, the generation cost from SUGEN plant has increased, as mentioned above.

During FY 2018-19, lower forced outages at TPL-G (APP) resulted in higher availability of Sabarmati plant. The Petitioner has submitted that in reference to SUGEN, the variation in the quantum of procurement is due to higher off-take from tied up LNG.

The Petitioner has procured power from bilateral sources to meet the shortfall of energy from tied-up sources and balance requirement has been fulfilled through procurement of top up power from power exchange. The Petitioner has procured short-term power from Indian Energy Exchange (IEX) at the rate of Rs. 5.30 / kWh as submitted in Form F2. The Commission has noted the increasing trend of rates in the Power Exchange. The Petitioner has purchased power from bilateral sources at Rs. 5.10 / kWh as submitted in Form F2. Similarly, the power exchange price during the MYT period was taken on an average price prevailing during FY 2015-16, which was around Rs. 3.12 / kWh which went up to Rs. 5.30 / kWh during the truing up period i.e. FY 2018-19. These are the major reasons which have increased the power purchase



cost of TPL.

The Commission has specified the minimum RPO to be fulfilled by the Petitioner as per the GERC (RPO) Regulations. The break-up of purchase from Wind and Solar RE sources is given in the Table below.

**Table 4.9: Break-up of purchase from RE sources for FY 2018-19**

Sr. No.	Particulars	Quantum (MU)	Variable Cost (Rs./kWh)	Total Cost (Rs. Crore)
1	Wind	877.30	4.64	407.40
2	Solar	294.81	8.38	247.07
3	<b>Total Renewable</b>	<b>1,172.11</b>	<b>5.58</b>	<b>654.47</b>

The Commission has duly verified the annual accounts of TPL-D, Ahmedabad and Surat and the FPPPA approved in 4 (four) quarters of FY 2018-19.

The generation cost of TPL-G (APP) has been considered as per scheduled energy and the same has been considered as submitted by the Petitioner for FY 2018-19. The Commission has approved the power purchase cost for FY 2018-19 as given in the Table below:

**Table 4.10: Approved Power Purchase Cost for TPL-D (A) and TPL-D (S) for FY 2018-19**  
**(Rs. Crore)**

Energy Sources	Approved in the MYT Order	Actual Claimed	Approved in Truing Up
TPL-G (APP)	1,088.78	1,202.76	1,182.53
SUGEN	2,632.22	3,979.36	3,979.36
Bilateral	622.15	32.45	32.45
Power Exchange	449.34	1,000.75	1,000.75
Renewables	851.15	654.47	654.47
REC	0.00	22.75	22.75
<b>Total</b>	<b>5,643.64</b>	<b>6,892.53</b>	<b>6,872.30</b>

Considering the approved power purchase cost of Rs. 6,872.30 Crore for the approved total energy procurement of 11,760.49 MUs, the per unit power purchase cost works out to Rs. 5.8436 / kWh for FY 2018-19.

Since, the Commission has approved the energy requirement of TPL-D (S) licence area at its periphery which is 3,420.19 MUs, i.e. 29.08% of the total power purchase



quantum, the power purchase cost for TPL-D (S) licence area is computed at Rs. 1,998.60 Crore.

**The Commission accordingly approves the power purchase cost at Rs. 1,998.60 Crore for TPL-D (S) licence area in the True-Up for FY 2018-19.**

#### **4.6.1 Sharing of Gains/Losses due to reduction in Distribution Losses**

##### **Petitioner’s Submission**

TPL has computed the gain due to reduction in distribution loss for Surat area at Rs. 4.84 Crore on account of reduction in distribution losses. The Petitioner furnished the details of computation of gain due to distribution loss for Surat area in their petition as given in the Table below:

**Table 4.11: Gain due to reduction in energy requirement for FY 2018-19 claimed by TPL-D (S)**

<b>Particulars</b>	<b>Unit</b>	<b>Legend</b>	<b>Actual Claimed</b>
Actual energy purchased at distribution level	MU	a	3,392.42
Energy Sales	MU	b	3,276.15
Wheeling of energy	MU	c	50.91
Total energy wheeled	MU	d=b + c	3,327.06
Distribution loss (approved in MYT)	%	e	3.69%
Energy required at distribution level at approved loss	MU	f=d/(1-e)	3,454.53
Difference	MU	g=(f)-((a)+(c))	11.20
Units recovered as loss	MU	h	2.95
Reduction in energy requirement	MU	i=g-h	8.25
Average PPC	Rs/kWh	j	5.86
<b>Savings</b>	<b>Rs Cr</b>	<b>k=i * j</b>	<b>4.84</b>

Thus, TPL-D (S) has computed the gains due to reduction in distribution loss at Rs. 4.84 Crore.

##### **Commission Analysis**

The Commission has approved distribution loss at 3.69% in the MYT Order dated 9<sup>th</sup> June, 2017 whereas TPL-D (S) has claimed the actual distribution loss at 3.43% for FY 2018-19. The Commission has worked out gain on account of reduction in distribution losses as shown in the Table below:



**Table 4.12: Approved gains due to reduction in Distribution Losses for FY 2018-19**

Particulars	Unit	Legend	Approved in Truing Up
Actual energy purchased at distribution level	MU	a	3,392.42
Energy Sales	MU	b	3,276.15
Wheeling of energy	MU	c	50.91
Total energy wheeled	MU	d=b + c	3,327.06
Approved Distribution Loss	%	e	3.69%
Energy required at distribution level at approved loss	MU	f=d/(1-e)	3,454.53
Difference	MU	g=(f)-((a)+ ( c ))	11.20
Units recovered as loss	MU	h	2.95
Reduction in Energy Requirement	MU	i=g-h	8.25
Average PPC	Rs/kWh	j	5.84
<b>Savings</b>	<b>Rs Cr</b>	<b>k=i * j</b>	<b>4.82</b>

The Commission, accordingly, approves the gain on account of reduction in distribution loss at Rs. 4.82 Crore for TPL-D (S) during FY 2018-19 for truing up.

## 4.7 Fixed Charges

### 4.7.1 Operation and Maintenance (O&M) Expenses

#### Petitioner's Submission

The Petitioner has claimed Rs. 133.70 Crore as O&M expenses as against the total O&M expenses of Rs. 126.10 Crore approved for FY 2018-19 in the MYT Order as detailed in the Table below:

**Table 4.13: O&M expenses claimed by TPL- D(S) for FY 2018-19**

(Rs. Crore)

Particulars	Approved in the MYT Order	Actual Claimed
Total O&M Expenses	126.10	133.70

The Petitioner has submitted that the variation in O&M expenses should be considered as controllable except change in law and wage revision.

The Petitioner has submitted that there has been an increase in Employee Cost owing to the following uncontrollable factors:



- a) Wage Revision: The Petitioner was in discussions with unionized employees of Surat license area for wage revision. The exercise of wage settlement was concluded and its impact was crystalized in FY 2018-19. As wage revision had to come into effect from 1<sup>st</sup> January, 2016, the Petitioner had made the provision of Rs. 0.79 Crore and Rs. 3.15 Crore for wage revision in the employee expenses for FY 2015-16, FY 2016-17 and FY 2017-18, respectively, in its books. As the wage settlement was concluded in FY 2018-19, the impact of wage settlement crystalized during FY 2018-19. Further, crystallisation of wage revision has also increased leave encashment by Rs. 1.28 Crore.
- b) Gratuity: The Petitioner has submitted that there has been an increase in employee cost owing to change in law resulting in variation in the employee expenses. The Government of India issued a Notification dated 29<sup>th</sup> March, 2018, amending the Payment of Gratuity Act, 1972, inter alia increasing ceiling of gratuity to Rs. 20 Lakh from Rs. 10 Lakh. Prior to the amendment of the Payment of Gratuity Act, 1972 vide the Notification dated 29<sup>th</sup> March, 2018; the upper ceiling on gratuity amount payable under the Act was Rs. 10 Lakh. Pursuant to the amendment the ceiling has been raised to Rs. 20 Lakh. Thus, the employee cost has increased due to the amendment in the Payment of Gratuity Act, 1972. The Petitioner has therefore submitted that the said notification is a change in law in terms of Regulations 2(15) of the GERC (MYT) Regulations, 2016 and has resulted in the increase in Employee Cost by Rs. 4.62 Crore for FY 2018-19.

### **Commission’s Analysis**

TPL-D (S) has submitted the actual O&M expenses at Rs. 133.70 Crore inclusive of impact of “Re-measurement of Defined Benefit Plans” of Rs. 4.78 Crore in the truing-up for FY 2018-19.

It is observed that as per Annual Accounts the O&M Expenses are Rs. 136.65 Crore; whereas TPL-D (S) has claimed O&M Expenses of Rs. 133.70 Crore. The head-wise analysis is as under:

- a) Employee Expenses: Employee expenses as per annual accounts are Rs. 56.52 Crore net of expenses capitalised of Rs. 29.13 Crore. The Petitioner has added the Commission to Non-Executive Directors of Rs. 0.81 Crore (From



A&G expenses head) and expense towards re-measurement of defined benefit plans of Rs. 4.78 Crore. Accordingly, the employee expenses are Rs. 62.11 Crore. The Commission has approved the employee expenses as Rs. 62.11 Crore.

- b) A&G Expenses: A&G Expenses as per annual accounts are Rs. 43.87 Crore. The Petitioner has claimed the A&G Expenses after reduction on account of Commission to Non-Executive Directors (Rs. 0.81 Crore), Donations (Rs. 4.55 Crore), Leased Land Depreciation (Rs. 0.18 Crore), Allowance of Doubtful Debts Net (Rs. 0.36 Crore), Corporate Social Responsibility (Rs. 2.47 Crore), Sponsorship Expenses (Rs. 0.02 Crore), and Advertisement Expenses (Rs. 0.02 Crore). Accordingly, the Petitioner has claimed A&G expenses of Rs. 35.33 Crore. Since the Commission has considered Insurance Claim Receipt as a part of Non-Tariff Income, the same has not been reduced from A&G expenses. Accordingly, the Commission approves the A&G expense of Rs. 35.33 Crore. It is noted that this time the Petitioner has NIL insurance claim receipt amount.
- c) R&M Expenses: The Petitioner has claimed R&M expenses of Rs. 36.26 Crore as per annual accounts for FY 2018-19 and the Commission approves the same.

**The Commission, accordingly, approves the O&M expenses of Rs. 133.70 Crore, for truing up of FY 2018-19.**

Further as per the GERC (MYT) Regulations, 2016 the variation in O&M expenses is to be considered as controllable except due to change in law and wage revision. The increase in employee cost due to the amendment in the Payment of Gratuity Act, 1972 and due to the impact of wage revision has resulted in the increase in Employee Cost by Rs. 14.97 Crore for FY 2018-19. The same has been considered as uncontrollable and not subject to sharing of gain/(loss).

Accordingly, as per the GERC (MYT) Regulations, 2016 Gain/(Losses) on account of O&M expenses in the truing up for FY 2018-19 as approved by the Commission is given in the Table below:

**Table 4.14: O&M Expenses approved by the Commission for TPL-D (S) for FY 2018-19**

(Rs. Crore)

Particulars	Approved in the MYT Order	Approved in Truing Up	Deviation	Gains/(Losses) due to Controllable Factors	Gains/(Losses) due to Uncontrollable Factors
O&M Expenses	126.10	133.70	(7.60)	7.37	(14.97)

## 4.7.2 Capital Expenditure, Capitalization and Sources of Funding

### a) Capital Expenditure

#### Petitioner's Submission

The Petitioner has furnished actual capital expenditure of Rs. 184.34 Crore in the truing up for FY 2018-19 as against Rs. 236.93 Crore approved in the MYT Order dated 9<sup>th</sup> June, 2017 for FY 2018-19 as per the details given in the Table below:

**Table 4.15: Capital expenditure claimed by TPL-D (S) for FY 2018-19**

(Rs. Crore)

Particulars	Approved in the MYT Order	Actual Claimed
EHV Network	174.26	116.16
HT Network	23.17	30.10
LT Network	15.91	23.73
Special Projects	2.55	1.73
Civil Related work	0.26	0.08
220 kV Connectivity with GENSU	-	0.06
Metering	12.11	8.83
Customer Care	0.26	-
IT	3.47	2.28
Miscellaneous	4.93	1.38
<b>Total</b>	<b>236.93</b>	<b>184.34</b>

TPL has submitted that the capital expenditure incurred by Surat Supply Area in FY 2018-19 is Rs. 184.34 Crore 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 Commission had approved the capital expenditure of Rs. 174.26 Crore for EHV. In this regard, the Petitioner has incurred the expenditure of Rs. 116.16 Crore. The major variation is on account of the following:



- New 220 kV EHV SS: The project for commissioning of 220 kV C-GIS along with 220 kV & 66 kV inter-connectivity was initiated in FY 2017-18. During FY 2018-19 an expenditure of Rs. 103.80 Crore has been incurred towards commissioning of 220 kV and 66 kV GIS and 220 kV connectivity between C-Bhatar & C-Puna connectivity and 66 kV connectivity between C-A station.
  - Additional 66 kV connectivity to cater to load growth: Considering the peak loading of 66 kV incoming source and looking to difficulty in load transfer in case of fault, additional 66 kV connectivity schemes have been proposed during MYT. In this regard, Rs. 4.17 Crore has been incurred during FY 2018-19 for establishing additional 66 kV connectivity between Puna-E station
  - Augmentation / Replacement of Power Transformer & ICT: An expenditure of Rs. 2.42 Crore was incurred under the head of Augmentation / Replacement of Power Transformer and ICT. The variation in the expenditure is on account of lower purchase cost of Power transformer and equipment.
  - Technology Upgradation & Capacity enhancement of EHV SS: The project of 66 kV control room shifting at B station, initiated in FY 2017-18, was completed in FY 2018-19. Accordingly, Rs. 4.09 Crore was incurred during FY 2018-19.
  - Supporting Infrastructure: The deviation is mainly on account of deferment of expenditure towards ABT system upgradation to FY 2019-20 and lower cost incurred due to price variation of material procured.
  - In addition to the above, the Petitioner has also incurred the expenditure towards new 220 kV EHV sub-station and Rs. 5.90 Crore towards (i) Replacement of porcelain insulators by polymeric insulators in 220 kV network, and (ii) Replacement & Renovation in existing EHV substation. However, the Petitioner has deferred expenditure for new 66 kV substation at Katargam and Bhatena due to scarcity of suitable land.
- (b) **HT** – The Commission had approved the capital expenditure of Rs. 23.17 Crore for HT network. However, the actual expenditure was Rs. 30.10 Crore. The major reasons for variation was on account of (i) HT cable laid to create ready-to-serve network (ii) Implemented Automation in higher number of Distribution substations than estimated (iii) Higher number of HT connections released (iv) Higher number of Distribution Transformers upgraded / replaced for load balancing and to enhance



reliability; and (v) Procurement of HT cable fault locating van. The expenditure includes capex towards projects carried forward from FY 2017-18.

- (c) **LT** – The Commission had approved the capital expenditure of Rs. 15.91 Crore for LT network. However, the actual expenditure was Rs. 23.73 Crore due to development of new network for release of connections based on geographical locations like Ved, Dabholi, Singanpore, Udhna Magdalla Road, Umra. Expenditure has also been incurred towards replacement of deteriorated, aged, and unsafe MSP as well as towards replacement of LT equipment like earth clamp meters and thumper, etc.
- (d) **Metering** – The Commission had approved capital expenditure pertaining to Metering of Rs. 12.11 Crore. The variation in actual expenditure was mainly due to (i) Lower quantum of meter replacement than estimated and (ii) Deferment of fully automatic testing bench and CT/PT testing kit; and (iii) Deferment of central storage system.
- (e) **Special Projects** –The Commission had approved capital expenditure of Rs. 2.55 Crore towards special projects. In this regard, the deviation in actual expenditure is due to **rescheduling** the execution of sub-stores with Power Supply Centres. During FY 2018-19, Petitioner has incurred capex towards GIS.
- (f) **Others**– The Petitioner has incurred a capex of Rs. 2.28 Crore for hardware & software under the head of IT and communication, whereas, it has incurred lower capex **under** the head of Civil Works due to proposed PSCs. It may kindly be noted that the capex under the head of Customer Care has been deferred.

### **Commission’s Analysis**

The rapid urbanization and development of Surat City has resulted in a steep increase in the system demand over the past few years. It is expected that load density of Surat license area will further increase in the coming years. In order to meet the system demand, there has to be necessary augmentation and upgradation of EHV / HV / LV network. TPL-D had submitted the CAPEX plan for the MYT period and accordingly



CAPEX and capitalization is being undertaken and it is approved based on the yearly progress.

The Commission has observed that the Petitioner has claimed CAPEX of Rs. 184.34 Crore in FY 2018-19, as against approved CAPEX of Rs. 236.93 Crore in MYT Order. The Commission asked for additional information regarding difference in the CAPEX during the FY 2018-19 and capitalization against the approval of the Commission in MYT Order. With reference to the Commission’s query regarding detailed information for the deviation in CAPEX from the approved plan as per MYT Order, the Petitioner has submitted the details. The details of the approved CAPEX as per MYT Order and the actual CAPEX and the capitalization during FY 2018-19 is as mentioned in the Table below:

**Table 4.16: Details of Capex break-up along with Project Date & Date of Completion submitted by TPL-D (S) for FY 2018-19**

(Rs. Crore)			
Project Title	Project Start Date	Estimated Project Completion date	Cost of the Project
<b>EHV</b>			
New 220 kV EHV SS	FY 17-18	FY 20-21	103.80
220 kV EHV Line / Cable	FY 18-19	FY 18-19	0.56
Additional 66 kV Connectivity	FY 18-19	FY 19-20	4.17
Additional / Augmentation / Replacement of Power Transformer & ICT	FY 18-19	FY 18-19	2.42
Replacement & Renovation in existing EHV SS	FY 18-19	FY 18-19	0.60
Technology Upgradation & Capacity enhancement of EHV SS	FY 18-19	FY 18-19	4.09
Supporting Infrastructure - EHV	FY 18-19	FY 18-19	0.52
<b>Total EHV</b>			<b>116.16</b>
<b>HT</b>			
11 kV HT Network Development & Modification	FY 18-19	FY 18-19	6.15
Replacement / Shifting of HT Network	FY 18-19	FY 18-19	1.80
Distribution substation automation	FY 18-19	FY 18-19	3.80
New Distribution Substations	FY 18-19	FY 18-19	7.05
New HT Consumers	FY 18-19	FY 18-19	1.57
Additional / Augmentation / Replacement of Dist. Transformer	FY 18-19	FY 18-19	5.17
Installation / Replacement of 11 kV S/Gear / LT Panel / Breaker and Acc. for Safety	FY 18-19	FY 18-19	0.28
Reactive Power compensation	FY 18-19	FY 18-19	1.37
Supporting Infrastructure - HT	FY 18-19	FY 18-19	2.90
<b>Total HT</b>			<b>30.10</b>



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Project Title	Project Start Date	Estimated Project Completion date	Cost of the Project
<b>LT</b>			
New Connections / Load Extension	FY 18-19	FY 18-19	15.05
LT Network Development & Modification	FY 18-19	FY 18-19	6.43
Repl. of MSP / MB for Safety & Reliability	FY 18-19	FY 18-19	1.99
Supporting Infrastructure - LT	FY 18-19	FY 18-19	0.25
<b>Total LT</b>			<b>23.73</b>
<b>Special Projects</b>			
Establishment of Central Store at E SS	FY 18-19	FY 18-19	0.18
Implementation of Geographical Information system (GIS)	FY 18-19	FY 18-19	1.56
<b>Total Special Projects</b>			<b>1.73</b>
<b>Civil</b>	FY 18-19	FY 18-19	0.08
<b>220 kV connectivity with GENSU</b>	FY 18-19	FY 18-19	0.06
<b>Meter Management</b>	FY 18-19	FY 18-19	8.83
<b>Customer Care</b>	FY 18-19	FY 18-19	-
<b>IT</b>	FY 18-19	FY 18-19	2.28
<b>Others</b>	FY 18-19	FY 18-19	1.38
<b>Grand Total</b>			<b>184.34</b>

**Table 4.17: Approved CAPEX as per MYT Order & Actual CAPEX and Capitalization during FY 2018-19 for TPL-D (S)**

(Rs. Crore)

Project Particulars	Capex Proposed for FY 2018-19 in MYT Petition	Capex Approved for FY 2018-19 in MYT Order	Capitalization Proposed for FY 2018-19 in MYT Petition	Capitalization Approved for FY 2018-19 in MYT Petition	Capex Proposed in True-up of FY 2018-19	Capitalization Proposed in True-up of FY 2018-19	Diff. of Proposed & Approved Capitalization for FY 2018-19
<b>EHV</b>							
New 220 kV EHV SS	151.66	151.66	227.78		103.80	95.38	
220 kV EHV Line / Cable	-	-	-		0.56	0.56	
Additional 66 kV Connectivity	5.78	5.78	5.78		4.17	-	
Additional / Augmentation / Replacement of Power	2.91	2.91	2.91		2.42	2.69	



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Project Particulars	Capex Proposed for FY 2018-19 in MYT Petition	Capex Approved for FY 2018-19 in MYT Order	Capitalization Proposed for FY 2018-19 in MYT Petition	Capitalization Approved for FY 2018-19 in MYT Petition	Capex Proposed in True-up of FY 2018-19	Capitalization Proposed in True-up of FY 2018-19	Diff. of Proposed & Approved Capitalization for FY 2018-19
Transformer & ICT							
Replacement & Renovation in existing EHV SS	1.23	1.23	1.23		0.60	0.74	
Technology Upgradation & Capacity enhancement of EHV SS	8.31	8.31	6.31		4.09	5.72	
Supporting Infrastructure - EHV	4.37	4.37	4.37		0.52	0.53	
<b>Total EHV</b>	<b>174.26</b>	<b>174.26</b>	<b>248.38</b>	<b>-</b>	<b>116.16</b>	<b>105.61</b>	<b>-</b>
<b>HT</b>	<b>23.17</b>	<b>23.17</b>	<b>23.17</b>	<b>-</b>	<b>30.10</b>	<b>29.60</b>	<b>-</b>
<b>LT</b>	<b>15.91</b>	<b>15.91</b>	<b>15.91</b>	<b>-</b>	<b>23.73</b>	<b>23.66</b>	<b>-</b>
<b>Special Projects</b>	<b>2.55</b>	<b>2.55</b>	<b>2.55</b>	<b>-</b>	<b>1.73</b>	<b>1.71</b>	<b>-</b>
<b>Civil</b>	0.26	0.26	0.26		0.08	0.11	
<b>220 kV connectivity with GENSU</b>	-	-	-		0.06	0.06	
<b>Meter Management</b>	12.11	12.11	12.11		8.83	8.84	
<b>Customer Care</b>	0.26	0.26	0.26		-	0.11	
<b>IT</b>	3.47	3.47	3.47		2.28	2.28	
<b>Others</b>	4.93	4.93	4.93		1.38	1.10	
<b>Grand Total</b>	<b>236.93</b>	<b>236.93</b>	<b>311.05</b>	<b>129.50*</b>	<b>184.34</b>	<b>173.09</b>	<b>43.59</b>

\* 55% of Approved Capex based on 5 Years Trend

From the said details, it is observed that the major deviation in the capital expenditure is on account of deviation in EHV works. Against approved capital expenditure of Rs. 174.26 Crore for EHV works, the Petitioner has incurred capital expenditure of Rs. 116.16 Crore only. Under the head of EHV works, major expenditure has been incurred for the development of new 220 kV EHV sub-station of Rs. 103.80 Crore and other



major heads include expenditure of Rs. 4.17 Crore towards additional 66 kV connectivity and Rs. 4.09 Crore towards Technology Upgradation and Capacity enhancement of EHV SS. The project for commissioning of 220 kV C-GIS along with 220 kV & 66 kV inter-connectivity was initiated in FY 2017-18. During FY 2018-19 an expenditure of Rs. 103.80 Crore has been incurred towards commissioning of 220 kV and 66 kV GIS and 220 kV connectivity between C-Bhatar & C-Puna connectivity and 66 kV connectivity between C-A station.

In the case of HT network, the Commission had approved the capital expenditure of Rs. 23.17 Crore for HT network. However, the actual expenditure was Rs. 30.10 Crore. The actual capital expenditure in case of HT networks is more than the approved capex. The major reasons for variation was on account of (i) HT cable laid to create ready-to serve network (ii) Implemented Automation in higher number of Distribution substations than estimated (iii) Higher number of HT connections released (iv) Higher number of Distribution Transformers upgraded/replaced for load balancing and to enhance reliability; and (v) Procurement of HT cable fault locating van. The expenditure includes capex towards projects carried forward from FY 2017-18.

Further, in the case of LT network also the actual capital expenditure was more than the approved capex. Against approved capex of Rs. 23.17 Crore, actual capex of Rs. 30.10 Crore was incurred. The actual expenditure was higher due to development of new network for release of connections based on geographical locations like Ved, Dabholi, Singapore, Udhna Magdalla Road, Umra. Expenditure has also been incurred towards replacement of deteriorated, aged, and unsafe MSP as well as towards replacement of LT equipment like earth clamp meters and thumper, etc.

Another major capital expenditure head was metering. In the case of metering, actual expenditure of Rs. 8.83 Crore was incurred against approved capex of Rs. 12.11 Crore. The lower capex was mainly due to (i) Lower quantum of meter replacement than estimated and (ii) Deferment of fully automatic testing bench and CT/PT testing kit; and (iii) Deferment of central storage system.

In the case of special projects, actual capex of Rs. 1.73 Crore was incurred against approved capex of Rs. 2.55 Crore. In this regard, the deviation in actual expenditure is due to rescheduling the execution of sub-stores with Power Supply Centres. During FY 2018-19, Petitioner has also incurred capex towards GIS.



The Commission has verified from the annual accounts that the Petitioner has incurred capital expenditure of Rs. 184.34 Crore during FY 2018-19.

**The Commission, therefore, approves the capital expenditure of Rs. 184.34 Crore for FY 2018-19.**

**b) Capitalization**

**Petitioner’s Submission**

The Petitioner has claimed a sum of Rs.173.08 Crore towards capitalization, against the approved capitalization of Rs. 129.50 Crore in the MYT Order for FY 2018-19.

**Commission’s Analysis**

The Commission sought the details of scheme-wise breakup of actual capitalisation of Rs. 173.08 Crore with details of opening CWIP as on 1<sup>st</sup> April, 2018 and Closing CWIP as on 31<sup>st</sup> March, 2019, which was furnished by TPL-D (S) vide additional details dated 22<sup>nd</sup> January, 2020.

The Commission has observed that there is significant variation in the value of Opening GFA in the Annual Accounts and Petition. TPL-D (S) clarified that the Fixed Asset Schedule in Annual Accounts is on NFA basis as per Ind-AS. However, TPL-D (S) has submitted fixed asset schedule in the petition on GFA basis as per the GERC (MYT) Regulations, 2016 vide additional details dated 22<sup>nd</sup> January, 2020.

The Petitioner has given break-up of asset wise capitalization in Form 4.2 which is depicted in the Table below:

**Table 4.18: Break-up of capitalised assets for FY 2018-19**

(Rs. Crore)

Asset Classification	Actual Capitalisation
<b>EHV</b>	
New 220 kV EHV SS	95.38
220 kV EHV Line / Cable	0.56
Additional 66 kV Connectivity	-
Additional / Augmentation / Replacement of Power Transformer & ICT	2.69
Replacement & Renovation in existing EHV SS	0.74
Technology Upgradation & Capacity enhancement of EHV SS	5.72
Supporting Infrastructure - EHV	0.53
<b>Total EHV</b>	<b>105.61</b>



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Asset Classification	Actual Capitalisation
<b>HT</b>	
11 kV HT Network Development & Modification	6.15
Replacement / Shifting of HT Network	1.80
Distribution substation automation	3.80
New Distribution Substations	7.00
New HT Consumers	1.13
Additional / Augmentation / Replacement of Dist. Transformer	5.17
Installation / Replacement of 11 kV S/Gear / LT Panel / Breaker and Acc. for Safety	0.28
Reactive Power compensation	1.37
Supporting Infrastructure - HT	2.90
<b>Total HT</b>	<b>29.60</b>
<b>LT</b>	
New Connections / Load Extension	14.99
LT Network Development & Modification	6.43
Repl. of MSP / MB for Safety & Reliability	1.99
Supporting Infrastructure - LT	0.25
<b>Total LT</b>	<b>23.66</b>
<b>Special Projects</b>	
Establishment of Central Store at E SS	0.16
Implementation of Geographical Information system (GIS)	1.56
<b>Total Special Projects</b>	<b>1.71</b>
<b>Civil</b>	0.11
<b>220 kV connectivity with GENSU</b>	0.06
<b>Meter Management</b>	8.84
<b>Customer Care</b>	0.11
<b>IT</b>	2.28
<b>Others</b>	1.10
<b>Grand Total</b>	<b>173.08</b>

The addition to assets during FY 2018-19 is Rs. 173.08 Crore, as also verified from the annual accounts of TPL-D (S). The Commission observes that the Petitioner has capitalized higher amount as against Rs. 129.50 Crore approved by the Commission in the MYT Order for FY 2018-19.

Further, the Commission sought the following details with respect to the capitalization of the assets during the FY 2018-19.



**Table 4.19: Details of CEI Certificates & Transformer Loading for TPL-D (S) for FY 2018-19**

Sr. No.	Capex Head	Description	TR Capacity	CEI Inspection Date	Date of Charging / Commissioning	Asset Loading in MVA (FY2018-19)	
			MVA			Max	Min
1	New 220 kV EHV SS	C Station 66 kV TR1	40	23/01/19	30/01/19	5	1
2		C Station 66 kV TR2	40	23/01/19	30/01/19	9	2
3		C Station 66 kV TR3	25	27/02/19	01/03/19	13	3
4		C Station 66 kV TR4	25	07/03/19	09/03/19	12	4
5		C Station 66 kV TR5	25	29/03/19	31/03/19	10	4
6		C Station 66 kV TR6	25	29/03/19	31/03/19	9	3
7		220 kV BH-C cable			23/03/19	27/03/19	12
8	Additional / Augmentation / Replacement of Power Transformer & ICT	Augmentation of B Station 66 kV TR6	25	20/03/19	23/03/19	16	3

The Commission has noted the submissions of the Petitioner regarding the capital expenditure as well as capitalisation of assets. The Commission notes that TPL-D (S) has upgraded and uprated some of the existing sub-stations and lines as well as switchgears.

The Commission has verified the energisation of EHV system during FY 2018-19 from the Certificate of energisation issued by the Chief Electrical Inspector, as submitted vide additional details dated 12<sup>th</sup> February, 2020 which substantiates that the assets created through CAPEX have been put to service.

Based on the above observations, the Commission approves the capitalization of Rs. 173.08 Crore for FY 2018-19.

Further, TPL-D (S) has decapitalised assets to the extent of Rs. 11.32 Crore during FY 2018-19, and reduced the capitalisation during the year by deletion of the said amount from the fixed assets to work out net capitalisation for debt and equity component as provided in Regulation 33 of the GERC (MYT) Regulations, 2016.

**Based on the above observations, and verification from the annual accounts, the Commission approves the capitalization of Rs 173.08 Crore for FY 2018-19.**



**c) Funding of CAPEX**

**Petitioner’s Submission**

The Petitioner has submitted the capitalisation and funding of CAPEX, as detailed in the Table below:

**Table 4.20: Funding of capitalization claimed by TPL-D (S) for FY 2018-19**

(Rs. Crore)

Particulars	FY 2018-19	
	Approved in the MYT Order	Actual Claimed
Opening GFA	1,679.03	1,648.45
Addition to GFA	129.50	173.08
Deletion from GFA	-	11.32
Closing GFA	1,808.53	1,810.20
SLC additions	13.22	12.12
Capitalization for Debt	116.28	149.64
Capitalization for Equity	116.28	149.64
Normative Debt @ 70%	81.40	104.74
Normative Equity @ 30%	34.88	44.89

**Commission’s Analysis**

The Commission sought the details of actual source of financing of capitalised works for FY 2018-19. The Petitioner vide additional details dated 22<sup>nd</sup> January, 2020 has submitted that during FY 2018-19, no actual loan has been availed towards capex. The profit and cash generated for the year are Rs. 69.33 Crore and Rs. 321.49 Crore, respectively as per Annual Accounts. The normative debt-equity considered towards additional capitalisation are Rs. 104.74 Crore and Rs. 44.89 Crore, respectively. The Commission verified the above details and approves the capitalisation and funding thereof as shown in the Table below for truing-up of FY 2018-19:

**Table 4.21: Funding of capitalization approved for TPL-D (S) for FY 2018-19**

(Rs. Crore)

Particulars	FY 2018-19		
	Approved in the MYT Order	As Claimed	Approved in Truing-up
Opening GFA	1,679.03	1,648.45	1,648.45
Addition to GFA	129.50	173.08	173.08
Deletion from GFA	-	11.32	11.32
Closing GFA	1,808.53	1,810.20	1,810.20
Less: SLC Additions	13.22	12.12	12.12



Particulars	FY 2018-19		
	Approved in the MYT Order	As Claimed	Approved in Truing-up
Capitalisation for Debt	116.28	149.64	149.64
Capitalisation for Equity	116.28	149.64	149.64
Normative Debt @ 70%	81.40	104.74	104.74
Normative Equity @ 30%	34.88	44.89	44.89

**The Commission approves the capitalization and funding as shown in the above Table in the truing-up for FY 2018-19.**

### 4.7.3 Depreciation

#### Petitioner's Submission

TPL-D (S) has claimed a sum of Rs. 55.19 Crore towards actual depreciation in the truing up for FY 2018-19 as against Rs. 56.04 Crore approved in the MYT Order dated 9<sup>th</sup> June, 2017 as detailed in the Table below:

**Table 4.22: Depreciation claimed by TPL-D (S) for FY 2018-19**

Particulars	FY 2018-19	
	Approved in the MYT Order	Actual Claimed
Depreciation	56.04	55.19

(Rs. Crore)

TPL-D (S) 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 1<sup>st</sup> April, 2009 onwards, the depreciation has been computed at the rates specified in the GERC Regulations. The Petitioner has submitted that depreciation is an uncontrollable item.

#### Commission's Analysis

The Commission has considered the opening balance of GFA for FY 2018-19 equal to the closing balance of GFA for FY 2017-18 approved by the Commission vide Order dated 24<sup>th</sup> April, 2019 (Case No. 1765 of 2018).

The details of opening GFA as on 1<sup>st</sup> April, 2018, addition to and deduction from the Gross Block during FY 2018-19, and the asset classification-wise depreciation are given in F5 along with the petition.



The Commission has verified the depreciation from the annual accounts for FY 2018-19. It is observed that depreciation as per annual accounts is Rs. 63.76 Crore. The Petitioner has added leased land depreciation of Rs. 0.18 Crore by reducing it from A&G expenses and reduced the depreciation of Rs. 8.75 Crore on assets funded through service line contribution, and accordingly claimed depreciation of Rs. 55.19 Crore.

As per Regulation 39.2(b) of the GERC (MYT) Regulations, 2016, depreciation of assets financed through consumer contribution, deposit works, and grants should be considered as per Audited Accounts. However, since deferred income on this account has not been claimed under Non-Tariff Income, the depreciation on assets financed through consumer contribution and grants has been deducted.

**The Commission, accordingly, approves the depreciation of Rs. 55.19 Crore in the truing up for FY 2018-19.**

The deviation of Rs. 0.85 Crore is considered as an uncontrollable gain as the depreciation is dependent on capitalisation.

**The Commission, accordingly, approves the gains/ (losses) on account of depreciation in the truing up for FY 2018-19, as detailed in the Table below:**

**Table 4.23: Depreciation and Gains/Losses approved by the Commission for FY 2018-19**

(Rs. Crore)				
Particulars	Approved in the MYT Order	Approved in Truing-up	Deviation +/-	Gains/(Losses) due to Uncontrollable Factors
Depreciation	56.04	55.19	0.85	0.85

#### **4.7.4 Interest and Finance Charges**

##### **Petitioner's Submission**

The Petitioner has claimed a sum of Rs. 26.70 Crore towards actual interest expenses in the truing up for FY 2018-19 as detailed in the Table below as against Rs. 29.85 Crore approved in the MYT Order dated 9<sup>th</sup> June, 2017.



**Table 4.24: Interest Expense claimed by TPL-D (S) for FY 2018-19**

(Rs. Crore)

Particulars	Approved in the MYT Order	Actual Claimed
Addition to GFA		173.08
Less: Deletions from GFA		11.32
Less: SLC Additions		12.12
Capitalisation for Debts		149.64
Normative Debt @ 70%		104.74
Opening Balance of Loans	301.55	277.42
Loan addition during the year	81.40	104.74
Repayments	56.04	55.19
Closing Balance of Loans	326.91	326.97
Average Loan	314.22	302.19
Weighted average rate of interest	9.50%	8.66%
Interest Expense	29.85	26.18
Other Borrowing Cost	-	0.52
<b>Total Interest &amp; Finance Charges</b>	<b>29.85</b>	<b>26.70</b>

The Petitioner has 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.

The Petitioner has requested the Commission to approve the above-mentioned interest expenses. The variation in interest expenses compared to the approved expenses be treated as uncontrollable as it depends on the quantum of actual capitalization and the variation in the interest rates.

#### **Commission's Analysis**

The Commission has considered the normative closing balance of loan for FY 2017-18 as approved by the Commission vide Order dated 24<sup>th</sup> April, 2019 in Case No. 1765 of 2018 as the normative opening balance of loan of FY 2018-19.

The net additional loan of Rs. 104.74 Crore is in accordance with the requirements of capitalisation and source of funding as approved in the respective section. The repayment is considered equivalent to depreciation of Rs. 55.19 Crore as approved in the section of depreciation. The GERC (MYT) Regulations, 2016 provides for computation of interest on loan on normative basis on the opening balance of loan



brought forward from the previous year's closing balance, capitalisation and funding approved during the year.

As per first proviso of the 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 Licensee shall be considered as the rate of interest.

Accordingly, the Commission sought information such as the actual loan portfolio and computation of weighted average rate of interest, which the Petitioner submitted vide additional submission dated 22<sup>nd</sup> January, 2020. The Commission has verified the rate of interest of 8.66% claimed by the Petitioner for the actual loan portfolio submitted for FY 2018-19 and found it to be correct.

The Commission sought information on reconciliation of other borrowing cost, which the Petitioner has submitted vide additional details dated 22<sup>nd</sup> January, 2020. The Petitioner has given a reconciliation with respect to the other borrowing cost of Rs. 0.42 Crore and amortisation of borrowing cost of Rs. 0.21 Crore reported in Note 32 of Annual Accounts, based on which the Petitioner has claimed other borrowing cost of Rs. 0.52 Crore, after deducting Rs. 0.11 Crore against amortisation for FY 2015-16. The Commission accordingly approves the other borrowing cost of Rs. 0.52 Crore as claimed by the Petitioner.

The Commission has computed the interest on loan for FY 2018-19, as detailed in the Table below:

**Table 4.25: Interest Expenses approved by Commission during truing up of FY 2018-19**  
**(Rs. Crore)**

Particulars	Approved in Truing-Up
Opening Balance of Loan	277.42
Addition of Loan due to capitalisation during the year	104.74
Repayment of Loan during the year	55.19
Closing Balance of Loans	326.97
Average Balance of Loans	302.19
Weighted Average Rate of Interest on Actual Loans (%)	8.66%
<b>Interest Expenses</b>	<b>26.18</b>
<b>Finance Charges/Other Borrowing Cost</b>	<b>0.52</b>
<b>Total Interest &amp; Finance Charges</b>	<b>26.70</b>



**The Commission, accordingly, approves the interest and finance charges at Rs. 26.70 Crore in the truing up for FY 2018-19.**

As regards 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 over-runs/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) Regulations, 2016, if the gain is on account of lower capital expenditure and capitalization, it cannot be attributed to the efficiency of the utility to allow 2/3<sup>rd</sup> of gains to the utility. Similarly, if the loss is on account of higher capital expenditure and capitalization due to bona-fide 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 1/3<sup>rd</sup> of the losses in the ARR.

The Commission, accordingly, approves the Gains/(Losses) on account of interest and finance charges in the truing up for FY 2018-19, as detailed in the Table below:

**Table 4.26: Interest Expenses and Gains/ (Losses) approved by the Commission for FY 2018-19**

(Rs. Crore)

Particulars	Approved in the MYT Order	Approved in Truing-up	Deviation +/-	Gains/(Losses) due to Uncontrollable Factors
Interest and Finance charges	29.85	26.70	3.15	3.15

#### **4.7.5 Interest on Security Deposit**

##### **Petitioner's Submission**

The Petitioner has submitted a sum of Rs. 17.32 Crore towards interest on security deposit in the truing-up for FY 2018-19 as against Rs. 19.46 Crore approved in the MYT Order. The Commission in the 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 2018-19.



The Petitioner has submitted the actual interest expense on security deposit considering the rate of interest of 6.25% paid to consumers based on Bank Rate is submitted in the Table below.

**Table 4.27: Interest on Security Deposit claimed by TPL-D (S) for FY 2018-19**

Particulars	MYT Order	(Rs. Crore)
		Actual
Interest Rate	7.75%	6.25%
Interest on Security Deposit	19.46	17.32

The Petitioner has submitted that the variation in security deposit amount and the variation in interest rate are uncontrollable. Hence, the Petitioner has requested the Commission to treat the variation in interest on security deposit as compared to approved expenses as uncontrollable.

#### **Commission’s Analysis**

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

**The Commission, accordingly, approves the interest on security deposit at Rs. 17.32 Crore in the truing up for FY 2018-19.**

The deviation of Rs. 2.14 Crore is considered as gain on account of uncontrollable factors as detailed in the Table below:

**Table 4.28: Interest on Security Deposit and Gains/Losses approved by the Commission for FY 2018-19**

Particulars	Approved in the MYT Order	Approved in Truing-Up	Deviation +(-)	(Rs. Crore)
				Gains/(Losses) due to Uncontrollable Factors
Interest on Security Deposit	19.46	17.32	2.14	2.14

#### **4.7.6 Interest on Working Capital**

##### **Petitioner’s Submission**

The working capital requirement is arrived at as per the GERC (MYT) Regulations, 2016. As the working capital requirement is negative, the Petitioner has not claimed any interest on working capital.



**Table 4.29: Interest on Working Capital claimed by TPL-D (S) for FY 2018-19**

(Rs. Crore)

Particulars	Approved in the MYT Order	Actual Claimed
O&M Expense for 1 month	10.51	11.14
1 % of GFA for Maintenance Spares	16.79	16.48
Receivables for 1 month	178.33	189.97
Less: Security Deposit	251.07	288.06
Working Capital Requirement	-	-
Interest Rate (%)	11.70%	10.89%
Interest on Working Capital	-	-

The Petitioner has submitted that the variation in working capital requirement is primarily on account of variation in actual O&M expenses and receivables. Further, there is a variation in the interest rate applicable to working capital requirement. Accordingly, the Petitioner has requested the Commission to consider the variation in interest on working capital as uncontrollable.

#### **Commission's Analysis**

The Commission has computed the working capital requirement of TPL-D (S) as specified in Regulation 40.4 and Regulation 40.5 of the GERC (MYT) Regulations, 2016 read in conjunction with the GERC (MYT) (First Amendment) Regulations, 2016 after considering the security deposit amount available during the year.

TPL-D (S) has considered the working capital interest rate @ 10.89% per annum, being the weighted average 1-year MCLR prevailing during FY 2018-19 plus 250 basis points.

The Commission has verified the weighted average 1-year MCLR during FY 2018-19 from the State Bank of India website to be 8.39%.

The working capital requirement and the interest on working capital is as shown in the Table below:

**Table 4.30: Interest on Working Capital approved by the Commission for FY 2018-19**

(Rs. Crore)

Particulars	Approved in the MYT Order	Actual Claimed	Approved in Truing Up
O&M Expense for 1 month	10.51	11.14	11.14



Particulars	Approved in the MYT Order	Actual Claimed	Approved in Truing Up
1 % of GFA for Maintenance Spares	16.79	16.48	16.48
Receivables for 1 month	178.33	189.97	193.58
Less: Security Deposit	251.07	288.06	288.06
Working Capital Requirement	-	-	-
Interest Rate (%)	11.70%	10.89%	10.89%
Interest on Working Capital	-	-	-

The Commission, accordingly, approves the interest on working capital as NIL in the truing up for FY 2018-19.

#### 4.7.7 Return on Equity

##### Petitioner's Submission

TPL-D (S) has claimed a sum of Rs. 86.04 Crore towards return on equity @ 14% in the truing up for FY 2018-19 as against Rs. 87.01 Crore approved in the MYT Order dated 9<sup>th</sup> June, 2017 as detailed in the Table below:

**Table 4.31: Return on Equity claimed by TPL-D (S) for FY 2018-19**

(Rs. Crore)

Particulars	FY 2018-19	
	Approved in the MYT Order	Actual Claimed
Opening Equity	604.04	592.13
Equity addition during the year	34.88	44.89
Closing Equity	638.92	637.02
Average of Opening and Closing Equity	621.48	614.57
Rate of Return on Equity	14%	14%
<b>Return on Equity</b>	<b>87.01</b>	<b>86.04</b>

TPL-D (S) 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 2018-19.

The Petitioner has requested the Commission to consider the variation in RoE as uncontrollable and allow the same for the purpose of truing-up.



### Commission’s Analysis

The closing equity as on 31<sup>st</sup> March, 2018 approved in the Truing up order dated 24<sup>th</sup> April, 2019 in Case No. 1765 of 2018 has been considered as the opening equity for FY 2018-19. The equity addition during the year is considered at Rs. 44.89 Crore as approved in the section on funding of capitalisation as shown above. The rate of return is considered at 14% as per the GERC (MYT) Regulations, 2016 to work out the Return on Equity as shown in the Table below:

**Table 4.32: Return on Equity approved by the Commission for FY 2018-19**

(Rs. Crore)

Particulars	FY 2018-19		
	Approved in the MYT Order	Actual Claimed	Approved in Truing up
Opening Equity	604.04	592.13	592.13
Equity addition during the year	34.88	44.89	44.89
Closing Equity	638.92	637.02	637.02
Average of Opening and Closing Equity	621.48	614.57	614.57
Rate of Return on Equity	14%	14%	14%
<b>Return on Equity</b>	<b>87.01</b>	<b>86.04</b>	<b>86.04</b>

**The Commission, accordingly, approves the Return on Equity at Rs. 86.04 Crore in the truing up for FY 2018-19.**

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/(losses) on account of Return on Equity in the truing up for FY 2018-19 as detailed below.**

**Table 4.33: Return on Equity and Gains/Losses approved in truing-up for FY 2018-19**

(Rs. Crore)

Particulars	Approved in the MYT Order	Approved in Truing up	Deviation +/-	Gains/(Losses) due to Uncontrollable Factors
Return on Equity	87.01	86.04	0.97	0.97



#### **4.7.8 Income Tax**

##### **Petitioner’s Submission**

While passing the MYT Order, the Commission approved Rs. 42.24 Crore as Income Tax as per the actuals of FY 2015-16.

For FY 2018-19, 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.14.75 Crore.

**Table 4.34: Income Tax claimed by TPL-D (S) for FY 2018-19**

**(Rs. Crore)**

<b>Particulars</b>	<b>FY 2018-19</b>	
	<b>Approved in the MYT Order</b>	<b>Actual Claimed</b>
Income Tax	42.24	14.75

The Petitioner has requested the Commission to consider the variation in Income Tax as uncontrollable and allow the same for truing-up.

##### **Commission’s Analysis**

The Commission had asked TPL to furnish the details of segregation of income tax paid by TPL in respect of TPL-D (S) along with copies of challans of income tax paid. In its reply, TPL-D (S) submitted that being a single corporate entity, income tax is paid for the company as a whole along with copies of challan of income tax paid for the year. The Petitioner has computed the Income Tax by applying the ratio of PBT and after adjustment of tax credit.

The Commission has verified the PBT figures from the annual accounts for FY 2018-19. The Petitioner has shown a PBT of Rs. 69.33 Crore including Re-measurement of Defined Benefit Plans. The PBT as per standalone financial statement of TPL (including Re-measurement of Defined Benefit Plans) is Rs. 1238.81 Crore and the total tax paid by the Company as a whole is Rs. 274.06 Crore. It is observed that during FY 2018-19, the Petitioner has paid Minimum Alternate Tax (MAT) of 21.5488%, though the effective tax rate works out to be 22.12%.

Applying the MAT rate of 21.5488% on the PBT of TPL-D (S), the Income Tax for TPL-D (S) works out to be Rs. 14.94 Crore.



It is further observed that the standalone financial statement of the Petitioner also indicates a Tax Credit of Rs. 3.38 Crore (company as a whole). The same has been proportionately passed on to TPL-D (S) in the proportion of PBT of TPL-D (S) vis-à-vis the total PBT of the company. The tax credit to be adjusted for TPL-D (S) works out to be Rs. 0.19 Crore.

The Income Tax for TPL-D (S), (net of tax credit) as computed above, works out to be Rs. 14.75 Crore considering PBT net of re-measurement of defined benefit plans and tax credit.

**The Commission, accordingly, approves the Income Tax at Rs. 14.75 Crore in the truing up for FY 2018-19.**

The Commission has treated the Income Tax as an uncontrollable expense and, accordingly, approves the gains/losses on account of income tax in the truing up for FY 2018-19, as detailed in the Table below:

**Table 4.35: Income Tax and Gains/Losses approved in the truing up for FY 2018-19**  
(Rs. Crore)

Particulars	Approved in the MYT Order	Approved in Truing Up	Deviation +/-	Gains/(Losses) due to Uncontrollable Factors
Income Tax	42.24	14.75	27.49	27.49

#### **4.7.9 Bad Debts Written Off**

##### **Petitioner's Submission**

The Commission in the MYT order had approved the bad debts of Rs. 0.33 Crore on provisional basis for Surat supply area. The Petitioner has written off bad debts of Rs. 0.42 Crore during the year, as shown in the Table below.

**Table 4.36: Bad Debts Written-off claimed by TPL-D (S) for FY 2018-19**

(Rs. Crore)

Particulars	FY 2018-19	
	Approved in the MYT Order	Actual Claimed
Bad Debts Written off	0.33	0.42

The GERC (MYT) Regulations, 2016 provides that variation in bad debts written off is to be considered as controllable. Accordingly, the Petitioner has requested to consider



the variation in bad debts written off in FY 2018-19 as controllable for sharing of gains/losses in line with the Regulations.

**Commission’s Analysis**

The Petitioner has claimed Rs. 0.42 Crore towards bad debts written off during FY 2018-19 against which the recovery of bad debts made is Rs. 0.59 Crore, as claimed by the Petitioner under Non-Tariff Income. Therefore, the net recovery of bad debts (Rs. 0.59 Crore minus Rs. 0.42 Crore) is Rs. 0.17 Crore and the same is as per the annual accounts for FY 2018-19. The Commission has verified the same from the Annual Accounts for FY 2018-19.

**The Commission, accordingly, approves the bad debts written off at Rs. 0.42 Crore in the truing up for FY 2018-19.**

The deviation of Rs. 0.09 Crore in bad debts is considered as a controllable factor.

The Commission, accordingly, approves the gains/losses on account of bad debts in the truing-up for FY 2018-19 as detailed below:

**Table 4.37: Bad Debts Written Off and Gains/Losses approved for truing-up for FY 2018-19**

(Rs. Crore)				
Particulars	Approved in the MYT Order	Approved in Truing up	Deviation +/-	Gains/(Losses) due to Controllable Factors
Bad Debts Written off	0.33	0.42	(0.09)	(0.09)

**4.7.10 Contingency Reserve**

**Petitioner’s Submission**

The Commission had allowed token amount towards the contingency reserve for meeting the requirement of unexpected emergent circumstances. Accordingly, the Petitioner has considered the approved values as shown in the following Table:

**Table 4.38: Contingency Reserve claimed by TPL-D (S) for FY 2018-19**

(Rs. Crore)		
Particulars	FY 2018-19	
	Approved in the MYT Order	Actual Claimed
Contingency Reserve	0.40	0.40



The Petitioner has requested the Commission to approve the contingency reserve for the purpose of truing up.

#### **Commission’s Analysis**

The proposed contingency reserve is consistent with the GERC (MYT) Regulations, 2016. Accordingly, the same is approved as shown below.

**Table 4.39: Contingency Reserve and Gains/Losses approved for truing-up for FY 2018-19**

(Rs. Crore)

<b>Particulars</b>	<b>Approved in the MYT Order</b>	<b>Approved in Truing up</b>	<b>Deviation +/-</b>	<b>Gains / (Losses) due to Uncontrollable Factors</b>
Contingency Reserve	0.40	0.40	-	-

**The Commission, accordingly, approves the contingency reserve at Rs. 0.40 Crore in the truing-up for FY 2018-19.**

#### **4.7.11 Non-Tariff Income**

##### **Petitioner’s Submission**

The Commission had approved Non-Tariff Income of Rs. 36.08 Crore in the MYT Order dated 9<sup>th</sup> June, 2017 for FY 2018-19. The actual non-tariff income considered for truing-up is Rs. 8.26 Crore.

In the previous Control Period, the Petitioner had considered the treatment towards income and expense of bad debts on similar lines as per the Hon'ble APTEL Judgment, wherein, the variation in recovery of bad debts was considered as controllable.

However, the GERC (MYT) Regulations, 2016 provides that variation in bad debts written off is to be considered as controllable, while variation in bad debts recovery is to be considered as uncontrollable. Therefore, the Petitioner has considered the entire variation in bad debts recovery in FY 2018-19 as uncontrollable for sharing of gains/losses in line with the Regulations. However, the Petitioner has requested the Commission to revisit the provision related to bad debts recovery and expenses.



**Table 4.40: Non-Tariff Income claimed by TPL-D (S) for FY 2018-19**

(Rs. Crore)

Particulars	FY 2018-19	
	Approved in the MYT Order	Actual Claimed
Non-Tariff Income	36.08	8.26

The Petitioner has submitted that the variation in non-tariff income as detailed above has been considered as uncontrollable. Accordingly, it has requested the Commission to allow the above variation in Non-Tariff Income as uncontrollable for the purpose of truing-up.

**Commission’s Analysis**

The Non-Tariff Income is specified in Regulations 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 observes that the Non-Tariff Income claimed by the Petitioner for FY 2018-19 is Rs. 8.26 Crore. The Non-Tariff Income as per the Annual Accounts is Rs. 20.00 Crore. The Petitioner has reduced the Amortisation of Deferred Revenue (Rs. 8.75 Crore), Recovery of Bad Debts (net) (Rs. 0.17 Crore) and Delayed Payment Charges (Rs. 3.41 Crore) from the non-tariff income and included gross bad debts recovery of Rs. 0.59 Crore to arrive at claimed figure of Rs. 8.26 Crore.

**The Commission, accordingly, approves the Non-Tariff Income of Rs. 8.26 Crore for FY 2018-19.**

The Commission, accordingly, approves the gains/(losses) on account of Non-Tariff Income in the truing-up for FY 2018-19 as detailed below:

**Table 4.41: Non-Tariff Income and Gains/(Losses) approved for truing up for FY 2018-19**

(Rs. Crore)

Particulars	Approved in the MYT Order	Approved in Truing up	Deviation +/-	Gains / (Losses) due to Uncontrollable Factors
Non-Tariff Income	36.08	8.26	27.82	27.82



#### **4.7.12 Revenue from Sale of Power**

##### **Petitioner’s Submission**

The Petitioner has submitted the revenue from sale of power as Rs. 2,279.66 Crore as the revenue from sale of power in the truing-up for FY 2018-19 as detailed in the Table below.

**Table 4.42: Revenue from Sale of Power claimed by TPL-D (S) for FY 2018-19**

(Rs. Crore)

Particulars	Actual Claimed
Revenue from Sale of Power	2,279.66

##### **Commission’s Analysis**

The Commission has verified the revenue from sale of power from the annual accounts for FY 2018-19. The Commission has considered the revenue from sale of power as reflecting in the Note 29 of the audited accounts for FY 2018-19 i.e. Rs. 2322.92 Crore. The Commission notes that the Petitioner has claimed total tax on this total revenue of Rs. 14.75 Crore in the section on Income Tax. The same has been considered by the Commission based on the verification of the actual income tax challans submitted by the Petitioner for FY 2018-19.

**The Commission, accordingly, in accordance with the GERC (MYT) Regulations, 2016 approves the revenue from sale of power at Rs. 2,322.92 Crore in the truing up for FY 2018-19.**

#### **4.7.13 Gains/ Losses under truing-up for FY 2018-19**

The Commission has reviewed the performance of TPL-D (S) under Regulation 22 of the GERC (MYT) Regulations, 2016, for FY 2018-19. The Commission has computed the gain/loss for FY 2018-19 based on the truing up for each of the components discussed in the above paragraphs.

The Aggregate Revenue Requirement (ARR) approved in the MYT, and the actuals claimed in truing up, approved for truing up, Gains/(Losses) computed in accordance with the GERC (MYT) Regulations, 2016 are as given in the Table below:



**Table 4.43: ARR approved in respect of TPL-D (S) in the truing up for FY 2018-19**

(Rs. Crore)

Particulars	Approved in the MYT Order	Actual Claimed	Approved in Truing up	Over (+) / Under (-) recovery	Controllable Gain / (Loss)	Uncontrollable Gain / (Loss)
Power Purchase Expenses	1,695.95	2,004.49	1,998.60	(302.65)	4.82	(307.48)
Operation & Maintenance Expenses	126.10	133.70	133.70	(7.60)	7.37	(14.97)
Depreciation	56.04	55.19	55.19	0.85	-	0.85
Interest and Finance Charges	29.85	26.70	26.70	3.15	-	3.15
Interest on Security Deposit	19.46	17.32	17.32	-	-	2.14
Interest on Working Capital	-	-	-	-	-	-
Bad debts written off	0.33	0.42	0.42	(0.09)	(0.09)	-
Contribution to contingency reserves	0.40	0.40	0.40	-	-	-
Return on Equity Capital	87.01	86.04	86.04	0.97	-	0.97
Income Tax	42.24	14.75	14.75	27.49	-	27.49
Less: Non - Tariff Income	36.08	8.26	8.26	27.82	-	27.82
<b>ARR</b>	<b>2,021.30</b>	<b>2,330.75</b>	<b>2,324.86</b>	<b>(303.57)</b>	<b>12.10</b>	<b>(315.66)</b>

#### 4.7.14 Sharing of Gains/Losses for FY 2018-19

The Commission has shared the gains/losses on account of controllable and uncontrollable factors in accordance with Regulation 23 of the GERC (MYT) Regulations, 2016.

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 23 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.*

**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.”*



**Torrent Power Limited – Distribution (Surat)**  
**Truing up for FY 2018-19 and Determination of Tariff for FY 2020-21**

The trued up ARR for FY 2018-19 as claimed by TPL-D (S) and as approved by the Commission is summarized in the Table below:

**Table 4.44: Approved Trued up ARR incl. Gains/(Losses) for TPL-D (S) for FY 2018-19**  
**(Rs. Crore)**

Particulars		Actual Claimed	Approved in Truing Up
ARR as per MYT	(a)	2,021.30	2,021.30
Gains/(Losses) due to Uncontrollable Factors	(b)	(321.56)	(315.66)
Gains/(Losses) due to Controllable Factors	(c)	12.11	12.10
Pass through as tariff	$d = -(1/3^{\text{rd}}$ of $c + b$ )	317.52	311.63
<b>Trued-up ARR</b>	<b><math>e = a + d</math></b>	<b>2,338.82</b>	<b>2,332.93</b>

The Petitioner has requested the Commission to consider an amount of Rs. 113.62 Crore as revenue towards recovery of earlier years' approved Gap/(Surplus) as per the Commission's orders dated 31<sup>st</sup> March, 2018 (read with APTEL judgement dated 4<sup>th</sup> October, 2019) and 19<sup>th</sup> August, 2019 including the corresponding impact for subsequent periods.

The Petitioner has further submitted that it has considered an adjustment of Rs. (0.32) Crore in the amount of Gap based on the outcome of Third-Party Audit carried out by the audit agency appointed by the Commission as per Commission's order dated 24<sup>th</sup> April, 2019.

The Petitioner has also submitted that inadvertently, the Delayed Payment Charges for FY 2016-17 of Rs. 2.91 Crore had been considered as part of ARR for FY 2016-17. Thus, the delayed payment charges were considered in the tariff determination process but inadvertently given an erroneous treatment contrary to the applicable Regulations. Therefore, the Petitioner has requested the Commission to allow the correct treatment of Rs. 2.91 Crore in the earlier years' gap.

The Commission sought further break-up of the revenue of Rs. 113.62 Crore considered towards recovery of earlier years' approved Gap/(Surplus). The Petitioner vide additional details dated 22<sup>nd</sup> January, 2020 submitted the further break-up of the same (Rs. 75.28 Crore + Rs. 38.34 Crore = 113.62 Crore). The same is as shown below.



**Table 4.45: Break-up of Revenue towards recovery of earlier years approved Gap/(Surplus) for TPL-D (S) claimed for FY 2018-19**

(Rs. Crore)

Particulars	As claimed
Gap/(Surplus) of FY 2016-17	73.25
DSM	2.03
<b>Total</b>	<b>75.28</b>

**Table 4.46: Break-up of Carrying Cost and Other Consequential Orders / Directions for TPL-D (S) claimed for FY 2018-19**

(Rs. Crore)

Particulars	As claimed
Carrying Cost (Earlier Years')	3.91
GERC audit	(0.32)
Delayed Payment Charges for FY 2016-17	2.91
APTEL judgement in A. No. 257/2016	7.39
APTEL judgement in A. No. 246/2017	24.45
<b>Total</b>	<b>38.34</b>

The Commission analysed the above submitted details. The Commission has allowed the recovery of the past gap as claimed by the Petitioner after due diligence.

The revenue gap claimed and approved for TPL-D (S) for FY 2018-19 is detailed in the Table below:

**Table 4.47: Approved Revenue Gap for TPL-D (S) for FY 2018-19**

(Rs. Crore)

Particulars	Actual Claimed	Approved in Truing Up
<b>Trued up ARR</b>	<b>2,338.82</b>	<b>2332.93</b>
Revenue	2,279.66	2,322.92
Less: Revenue towards recovery of earlier years Approved Gap/(Surplus)	113.62	75.28
Balance Revenue	<b>2,166.04</b>	<b>2,247.64</b>
<b>Gap/(Surplus)</b>	<b>172.78</b>	<b>85.29</b>

Accordingly, the Commission now considers the trued-up Revenue Gap of Rs. 85.29 Crore for FY 2018-19, for determination of tariff for FY 2020-21.

The Commission has dealt with Rs. 38.34 Crore (as per Table 4.46) on account of carrying cost and other consequential orders / directions for TPL-D (S) claimed for FY 2018-19 in the next Chapter while deciding tariff for FY 2020-21.



The Commission is allowing quarterly power purchase difference in revenue of TPL based on its submissions. The carrying cost is to be allowed principally only on the actual gap of a particular year during the true-up and it should not be compounded, which ultimately leads to increase in burden on the consumers. Hence, the Commission has allowed carrying cost at the weighted average SBI Base Rate on the outstanding actual gap of truing up of FY 2020-21.

The Commission in its MYT Regulations, 2016 has prescribed that the 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, calculated on the simple interest basis at the weightage average SBI Base Rate for the relevant year, subject to prudence check and submission of documentary evidence for having incurred for carrying cost in the year during which revenue gap remains.

The principle of carrying cost as also deliberated in Hon'ble APTEL's Order dated 4<sup>th</sup> October, 2019 in Appeal Nos. 246 & 247 of 2017 is that, it is to be allowed on the revenue gap as a result of legitimate expenditure in the true-up to the Distribution Company by the Commission after verifying all the expenses / revenue as per the audited accounts against the approved one. In case of any gap, recovery of the same is allowed as carrying cost, as per well settled financial principles.

The Commission has the practice of allowing FPPPA in each quarter in case of any increase in power purchase cost to that approved for all licensees including TPL. This is a regular exercise and accordingly 85% of the ARR is true-up quarterly and there is generally no gap left at the time of true-up exercises. Therefore, in the present truing up exercise, the Commission is allowing carrying cost on past year gap only and not allowing carrying cost on the carrying cost. This step is being taken so as to balance the interests of licensee as well as of the consumers.

## **5 Determination of Tariff for FY 2020-21**

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This Chapter deals with the determination of revenue gap/surplus, as well as consumer tariff for the FY 2020-21.

The Commission has considered the ARR approved in the MTR Order dated 24<sup>th</sup> April, 2019 for FY 2020-21 and the adjustment on account of True-up for FY 2018-19, while determining the revenue gap/(surplus) for FY 2020-21.

### **5.1 Gap/(Surplus) for FY 2020-21**

#### **Petitioner's Submission**

The Petitioner has submitted that while passing the mid-term review order dated 24<sup>th</sup> April, 2019 in Case No. 1765 of 2018 for the balance control period of FY 2019-20 & FY 2020-21, the Commission had approved the revised ARR for Surat supply area. The same has accordingly been considered by the Petitioner, as detailed in the Table below.

**Table 5.1 Approved ARR for TPL-D (Surat) for FY 2020-21**

<b>Sr. No.</b>	<b>Particulars</b>	<b>(Rs. Crore)</b> <b>Amount</b>
1	Power Purchase Cost	1,745.15
2	Operations and Maintenance Expenses	140.94
3	Depreciation	57.87
4	Interest on Finance Charges	32.06
5	Interest on Working Capital	-
6	Interest on Security Deposit	19.34
7	Bad Debts Written off	0.39
8	Contingency Reserve	0.40
9	Return on Equity	97.05
10	Income Tax	39.68
11	Less: Non-Tariff Income	23.85
<b>12</b>	<b>Aggregate Revenue Requirement</b>	<b>2,109.03</b>

The Petitioner has submitted that the Revenue for FY 2020-21, arrived at considering sales and existing tariff is Rs. 2,247.83 Crore. The ARR of TPL-D (S) for FY 2020-21 is Rs. 2,109.03 Crore. Accordingly, the Petitioner has arrived at the surplus of Rs. 138.80 Crore, as shown in the Table below:



**Table 5.2: Projected Revenue Gap/(Surplus) of TPL-D (S) for FY 2020-21 (Rs. Crore)**

<b>Particulars</b>	<b>Claimed by TPL-D (S)</b>
ARR for FY 2020-21	2,109.03
Revenue from sale of power including FPPPA revenue @ Rs.1.38 per unit	2,247.83
Revenue from OA charges	-
<b>Surplus</b>	<b>(138.80)</b>

The Petitioner submitted that as per the GERC (Demand Side Management) Regulations, 2012, TPL had formulated and submitted to the Commission a DSM Plan for the licence areas of Ahmedabad, Gandhinagar and Surat. The Commission had approved Rs. 5.70 Crore for TPL-D (S). In this regard, the Petitioner has incurred Rs. 0.14 Crore during FY 2018-19. The Petitioner submitted that it has not incurred any expenses towards the DELP programme, as it has not received any invoices. Accordingly, the Petitioner has not incurred any expenditure towards DELP during FY 2018-19.

The Petitioner has also submitted that there has been an increase in employee expenses owing to change in law resulting in variation in the employee expenses. The Petitioner has submitted that the said notification is a change in law in terms of Regulations 2(15) of the GERC (MYT) Regulations, 2016 and has resulted in the increase in Employee Cost by Rs. 1.05 Crore for TPL-D (S) and Rs. 5.86 Crore for TPL-G (APP) for FY 2017-18. Accordingly, the Petitioner has requested the Commission to allow the consequential effect on account of change in law as uncontrollable in addition to the trued up ARR of FY 2018-19 of TPL-D (S).

The Petitioner has calculated carrying cost for the Gap/(Surplus) of FY 2018-19 including pending claims which works out to Rs. 35.99 Crore for TPL-D (S) as per the methodology approved / specified by the Commission. The Petitioner has, therefore, requested the Commission to consider the aforementioned outstanding amount in addition to the Gap/(Surplus) of FY 2018-19 & FY 2020-21 for the purpose of determination of tariff for FY 2020-21.

The Petitioner has submitted that the carrying cost of past periods kept in abeyance by the Commission should be allowed to be recovered as carrying cost charge upon decision of the Hon'ble APTEL.

Based on the above, the Petitioner has calculated the cumulative Gap/(Surplus) of FY 2020-21 for determination of tariff as under:



**Table 5.3: Projected Cumulative Revenue Gap/ (Surplus) for determination of tariff for TPL-D (S) for FY 2020-21 (Rs. Crore)**

Particulars	Claimed by TPL-D (S)
Gap/ (Surplus) of FY 2018-19	172.78
Carrying Cost	35.99
DSM	0.14
Impact of Change in law pertaining to FY 2017-18	1.88
Gap/(Surplus) of FY 2020-21	(138.80)
<b>Cumulative Gap/ (Surplus) to be recovered through tariff</b>	<b>71.99</b>

The Petitioner has submitted that it proposes to recover the cumulative gap of Rs. 71.99 Crore, with effect from 1<sup>st</sup> April, 2020, by way of tariff revision of Rs. 0.21 per unit during FY 2020-21. The Petitioner has also submitted that the Petitioner’s tariff was last increased in the year 2015-16. Since then, despite the overall inflationary pressures, the Petitioner has been managing its costs largely through operational efficiencies. The approval of tariff revision is essential so as to liquidate under recoveries and enable the Petitioner to maintain and further improve its high standards of quality, reliability and customer services.

#### **Commission’s Analysis**

The Commission has approved various components of the ARR for FY 2020-21 as per its order dated 24<sup>th</sup> April, 2019. The Commission has independently verified the revenue for TPL-D (S) for FY 2020-21 from projected category-wise sales and existing tariff i.e. the tariff approved by the Commission for FY 2019-20 vide order dated 24<sup>th</sup> April, 2019 in Petition No.1765 of 2018 and considered the revenue from existing tariff of Rs. 2,247.83 Crore for FY 2020-21.

The approved revenue gap/(surplus) of TPL-D (S) for FY 2020-21 is as shown below.

**Table 5.4: Approved Revenue Gap/ (Surplus) of TPL-D (S) for FY 2020-21 at Existing Tariff**

Particulars	Claimed	Approved
ARR for FY 2020-21	2,109.03	2,109.03
Less:		
Revenue from Sale of Power at Existing Tariff including FPPPA for FY 2020-21	2,247.83	2,247.83
Revenue from Open Access Charges	-	-
Total Revenue	2,247.83	2,247.83
<b>Gap/(Surplus)</b>	<b>(138.80)</b>	<b>(138.80)</b>



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Note: Base FPPPA of Rs. 1.38/unit has been considered for computing the revenue from sale of power at existing tariff

In Chapter 4, the Commission has approved the Revenue Gap after true-up for FY 2018-19 as Rs. 85.29 Crore as against Rs. 172.78 Crore submitted by the Petitioner.

The summary of cumulative revenue gap/(surplus) for determination of tariff for FY 2020-21 approved by the Commission is shown in the following Table:

**Table 5.5: Approved Cumulative Revenue Gap/ (Surplus) of TPL-D (S) for FY 2020-21 at Existing Tariff**

Particulars	Claimed	Approved
Gap/(Surplus) of FY 2018-19	172.78	85.29
DSM	0.14	0.14
Impact of change in law pertaining to FY 2017-18	1.88	1.88
Gap/(Surplus) of FY 2020-21	(138.80)	(138.80)
<b>Cumulative Gap/(Surplus) to be recovered through tariff</b>	<b>36.00</b>	<b>(51.49)</b>

Thus, as against the cumulative revenue gap of Rs. 36.00 Crore projected by TPL-D (S) without Carrying Cost, the Commission has approved cumulative revenue gap/(surplus) of Rs. (51.49) Crore for FY 2020-21.

The Petitioner has requested to consider the carrying cost of Rs. 35.99 Crore on the Revenue Gap of FY 2018-19 including pending claims in the tariff. The Commission has considered the recovery of carrying cost on the revenue gap of Rs. 85.29 Crore for FY 2018-19 which is Rs. 14.31 Crore, as per GERC (MYT) Regulations, 2016, as mentioned in Table below:

**Table 5.6: Break-up of Carrying Cost and Other Consequential Orders / Directions for TPL-D (S) approved for FY 2020-21**

Particulars	Approved
Carrying Cost (Earlier Years')	3.91
GERC audit	(0.32)
Delayed Payment Charges for FY 2016-17	2.91
APTEL judgement in A. No. 257/2016	7.39
APTEL judgement in A. No. 246/2017	24.45
<b>Sub-total</b>	<b>38.34</b>
Carrying Cost for FY 2018-19 (on Rs. 85.29 Crore) *	14.31
<b>Total</b>	<b>52.65</b>

\* At weighted average rate of 8.39% (SBI Base Rate for the period)



**The Commission allows Carrying cost of earlier years' along with other pending dues and payment towards the Hon'ble APTEL's Orders as mentioned in the Table above, which is Rs. 52.65 Crore.**

The Commission is allowing quarterly power purchase difference in revenue of TPL based on its submissions. The carrying cost is to be allowed principally only on the actual gap of a particular year during the true-up and it should not be compounded, which ultimately leads to increase in burden on the consumers. Hence, the Commission has allowed carrying cost at the weighted average SBI Base Rate on the outstanding actual gap of truing up of FY 2020-21.

The Commission in its GERC (MYT) Regulations, 2016 has prescribed that the 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, calculated on the simple interest basis at the weightage average SBI Base Rate for the relevant year, subject to prudence check and submission of documentary evidence for having incurred for carrying cost in the year during which revenue gap remains.

The principle of carrying cost as also deliberated in Hon'ble APTEL's Order dated 4<sup>th</sup> October, 2019 in Appeal Nos. 246 & 247 of 2017 is that, it is to be allowed on the revenue gap as a result of legitimate expenditure in the true-up to the Distribution Company by the Commission after verifying all the expenses / revenue as per the audited accounts against the approved one. In case of any gap, recovery of the same is allowed as carrying cost, as per well settled financial principles.

The Commission has the practice of allowing FPPPA in each quarter in case of any increase in power purchase cost to that approved for all licensees including TPL. This is a regular exercise and accordingly 85% of the ARR is true-up quarterly and there is generally no gap left at the time of true-up exercises. Therefore, in the present truing up exercise, the Commission is allowing carrying cost on past year gap only and not allowing carrying cost on the carrying cost. This step is being taken so as to balance the interests of licensee as well as of the consumers.

The Commission allows balance surplus of Rs. 51.49 for FY 2020-21 at revised tariff as mentioned in the Table below:

**Table 5.7: Approved Cumulative Revenue Gap/(Surplus) of TPL-D (S) for FY 2020-21 at Revised Tariff**

(Rs. Crore)

Particulars	Claimed	Approved
Cumulative Gap/(Surplus) to be recovered through tariff for FY 2020-21	36.00	(51.49)
Less:		
Additional revenue from sale of power at revised tariff including FPPPA @ Rs. 1.38 per unit for FY 2020-21	-	-
<b>Balance Gap/(Surplus)</b>	<b>36.00</b>	<b>(51.49)</b>

**Table 5.8: Approved Net Gap / (Surplus) of TPL-D (S) for FY 2020-21**

(Rs. Crore)

Particulars	Approved
Approved Cumulative Revenue Gap / (Surplus) of TPL-D (S) for FY 2020-21 at revised tariff	(51.49)
Carrying Cost and Other Consequential Orders / Directions for TPL-D (S) approved for FY 2020-21	52.65
<b>Approved Net Gap / (Surplus) of TPL-D (S) for FY 2020-21</b>	<b>1.16</b>

Thus, the Commission allows the net gap of Rs. 1.16 Crore for FY 2020-21 for TPL-D (S).



## 6 Compliance of Directives

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### 6.1 Earlier Directives

#### a) 'Demand Response' measures and Action Plan

*"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 a study for implementing 'Demand Response' measures and submit its Action Plan accordingly."*

In the last tariff order dated 24<sup>th</sup> April, 2019, the Petitioner was directed to expedite the appointment of Consultant and submit the Action Plan at the earliest.

#### Compliance

The Petitioner has submitted that it has already submitted the detailed report to the Commission.

#### Commission's Comments:

The Commission has noted the submission of the Petitioner.

#### b) Power Purchase Strategy (Planning):

*"The Petitioner shall endeavour to instil the 'least-cost planning' by studying objectively all potential alternatives of sources of power or combinations thereof in dynamic real-world scenarios, particularly with respect to agreements/arrangements for Bilateral, Power Exchange and SUGEN which maximizes consumers' benefits while minimizing the power purchase costs. The Petitioner is directed to submit a quarterly note, detailing the approach taken for quarterly Power Purchase, along with its FPPPA submissions."*

#### Compliance

The Petitioner has submitted that it is submitting its note on power purchase strategy on quarterly basis before the Commission.



**Commission’s Comments:**

TPL has submitted quarterly details of short-term power purchase through bilateral contracts through competitive bidding process and has purchased power ranging from 350 MW to 500 MW on monthly basis apart from its long-term PPA with AMGEN and SUGEN. The Commission has noted the submission of the Petitioner.

**c) Details of Capital Expenditure and Capitalization:**

*“The Petitioner shall furnish details about ongoing capital investment plan for all EHV schemes with the physical targets for current and remaining year of the control period by 30<sup>th</sup> June, 2019. The Petitioner shall seek a prior approval for capital expenditure on proposed EHV schemes provisionally considered in this Order, furnishing the details about project cost, sources of fund, its usefulness, timelines, technical significance, supplier / vendor selection mechanism etc.*

*The Petitioner shall also submit a quarterly report, describing the position of actual Capex for each EHV scheme with the target date and actual commissioning for physical verification/examination within one month of the completion of the relevant quarter.”*

**Compliance**

The Petitioner has submitted that it is submitting its report on actual capital expenditure incurred for each EHV scheme on quarterly basis.

**Commission’s Comments:**

The Commission has noted the submission of the Petitioner.

## **6.2 Fresh Directives**

### **Directive 1: Controlling the Price of Power Purchase**

TPL shall endeavour to plan its power purchase through long and medium term contracts to enable least cost strategy. TPL shall endeavour to manage its imported and domestic fuel supply in the most optimal way and it must take advantage of the present global scenario for availability of cheaper gas / coal at the appropriate time so as to reduce the power purchase cost in future

The Petitioner is directed to submit its plan for the next year and submit quarterly report on the purchase of imported fuel along with the necessary documents (copy of the agreement).

**Directive 2: Load Flow for Validation of Capital Expenditure and Capitalization**

The GERC Regulations allows the CAPEX to be passed through in tariff as and when the assets are put to use, after prudence check. Accordingly, the Petitioner is directed to keep a proper record of all the EHV assets which is approved for capitalization during FY 2019-20 along with the necessary details, including date of commissioning / testing, date of loading (maximum and minimum during the period), time and cost overrun with respect to the approved projections. TPL shall submit the progress and details to the Commission every quarter.

**Directive 3: Long-term Power Procurement Plan along-with RPO Commitments**

The Commission has declared RPO target for different licensees. Since, power from renewable is now becoming cheaper and available, TPL is directed to design optimal long-term mixed power purchase availability and planning for the next 10 years. TPL is directed to carry out a detailed study of the load growth and power requirement for the next decade and accordingly strategy to meet the requirement from conventional and RE sources till FY 2029-30. TPL is directed to submit the report by December, 2020.

## 7 Fuel and Power Purchase Price Adjustment

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### 7.1 Fuel Price and Power Purchase Price Adjustment

The Commission in Case No. 1309 of 2013 and 1313 of 2013 vide its order dated 29<sup>th</sup> October, 2013 has revised the formula for Fuel Price and Power Purchase Cost Adjustment (FPPPA) as mentioned below:

### 7.2 Formula

$$\text{FPPPA} = \frac{[(\text{PPCA}-\text{PPCB})]}{[100-\text{Loss in \%}]}$$

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 TPL-D including fixed cost, variable cost, etc. from the various sources for FY 2020-21 in this Order as given in the Table below:

**Table 7.1: Approved power purchase cost per unit for FY 2020-21**

Year	Total Energy Requirement (MUs)	Approved Power Purchase Cost (Rs. Crore)	Power Purchase Cost per unit (Rs./kWh)
FY 2020-21	12781.52	6089.06	4.77

Thus, the base Power Purchase cost for TPL-D is Rs. 4.77 / kWh for FY 2020-21.

The Commission notes that in the last tariff order, the Commission had approved base FPPPA of Rs. 1.38 / kWh for TPL-D (S) for FY 2019-20 based on the formula specified by the Commission. The Commission has analysed the cumulative revenue gap/(surplus) position of TPL-D (S) for FY 2020-21 in Chapter 5. The Commission observes that the cumulative revenue gap/(surplus) of TPL-D (S) for FY 2020-21 is Rs. (51.49) Crore for FY 2020-21. The Commission notes that TPL-D (S) is having a surplus of Rs. 51.49 Crore for FY 2020-21 and accordingly, there is no need to revise the base FPPPA charge for FY 2020-21. The Commission maintains the base FPPPA charge for FY 2020-21 at Rs. 1.38 / 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.

Any change in FPPPA rate shall be with the approval of the Commission.

## 8 Wheeling Charges and Cross Subsidy Surcharge

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### 8.1 Wheeling Charges

#### Petitioner's Submission

The Petitioner has submitted that 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 segregation of expenses between Wires and Supply business is as shown in the Table below:

**Table 8.1: Allocation Matrix for segregation of Wheeling and Retail Supply submitted by the Petitioner for FY 2020-21**

S. No.	Particulars	Wires Business (%)	Retail 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-D (S) has segregated the ARR of Ahmedabad Supply Area for Wires and Supply business as under:



**Table 8.2: Segregation of ARR into Wires and Supply Business for FY 2020-21**

(Rs. Crore)

Particulars	Wires Business	Retail Business
Power Purchase Expenses	-	1745.15
Employee Expenses	36.04	24.02
Administrative & General Expenses	19.51	19.51
Repair & Maintenance Expenses	37.67	4.19
Depreciation	52.08	5.79
Interest on Loan	28.85	3.21
Interest on Security Deposit	1.93	17.41
Interest on Working Capital	-	-
Bad Debts Written off	-	0.39
Income Tax	35.71	3.97
Contingency Reserve	0.40	-
Return on Equity	87.35	9.71
Non-Tariff Income	2.39	21.47
<b>Aggregate Revenue Requirement</b>	<b>297.16</b>	<b>1,811.87</b>

The Petitioner has submitted that the above segregated ARR has been considered to determine the Wheeling Charges and Cross-Subsidy Surcharge for FY 2020-21.

#### **Commission's Analysis**

The Commission, in order to compute the Wheeling Charges and Cross-Subsidy Surcharge, has considered the allocation matrix between the Wheeling and Retail Supply Business as per the GERC (MYT) Regulations, 2016.

Based on the ARR approved by the Commission, the allocation matrix thereof as provided in the GERC (MYT) Regulation, 2016, the ARR approved for Wires and Retail Supply Business for FY 2020-21 is shown in the Table below:

**Table 8.3: Approved Segregation of ARR into Wires and Supply Business for TPL-D (S) for FY 2020-21**

(Rs. Crore)

Particulars	Wires Business	Retail Business
Power Purchase Expenses	-	1745.15
Employee Expenses	36.04	24.02
Administrative & General Expenses	19.51	19.51
Repairs & Maintenance Expenses	37.67	4.19
Depreciation	52.08	5.79
Interest on Loan	28.85	3.21
Interest on Security Deposit	1.93	17.41



<b>Particulars</b>	<b>Wires Business</b>	<b>Retail Business</b>
Interest on Working Capital	-	-
Bad Debts	-	0.39
Income Tax	35.71	3.97
Contingency Reserve	0.40	-
Return on Equity	87.35	9.71
Non-Tariff Income	2.39	21.47
<b>Aggregate Revenue Requirement</b>	<b>297.16</b>	<b>1,811.87</b>

### **8.1.1 Determination of Wheeling Charges**

#### **Petitioner's Submission**

The Petitioner has submitted that the GERC (MYT) Regulations, 2016 specifies that the Wheeling Charges shall be determined based on the ARR allocated to the Wheeling Business. The Petitioner has computed the Wheeling Charges based on the allocation of ARR of distribution business, in accordance with the GERC (MYT) Regulations, 2016.

The Petitioner submitted that 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.

Based on the above approach, the ARR for the Wheeling Business has been apportioned to HT and LT voltage in two steps as under:

- Apportioning the ARR of Wheeling Business to HT and LT voltage level;
- Apportioning the ARR of the HT voltage level again between HT and LT voltage level

The ARR is apportioned between the HT and LT voltage level in proportion to the ratio of the closing GFA for FY 2018-19. Further, the HT voltage level ARR is further proposed to be segregated between HT and LT voltage levels.



The Petitioner has submitted that the GFA (excluding assets related to retail supply i.e. SLC and Meters) for Surat Supply Areas as on 31<sup>st</sup> March, 2019 is Rs. 1,523.30 Crore. In case of Surat Supply Area, the GFA identified for HT & LT business are Rs. 1,174.05 Crore and Rs. 349.24 Crore, respectively. The ratio of HT assets to LT assets is 77:23, 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 FY 2018-19 was 687.10 MW. In case of Surat Supply Area, the contract demand for all the HT consumers is about 112.24 MW. Assuming that 85% of the contract demand of HT consumers contributes to the system peak demand, the total demand of LT contributing to the system peak is computed as 591.70 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 charges determined in terms of Rs/kWh/Month has been tabulated as below:

**Table 8.4: Wheeling Charges proposed by TPL-D (S) for FY 2020-21**

Particulars	Value
<b>First Level Segregation of ARR (in Rs. Crore)</b>	
HT Voltage	229.03
LT Voltage	68.13
<b>Total</b>	<b>297.16</b>
<b>Second Level Segregation of ARR (in Rs. Crore)</b>	
HT Voltage	31.80
LT Voltage	265.36
<b>Total</b>	<b>297.16</b>
<b>Wheeling Charge (in Rs/ kWh)</b>	
HT Voltage	0.87
LT Voltage	0.85

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



**Table 8.5 : Proposed Wheeling Losses for TPL-D (S) for FY 2020-21**

Category	Value
HT Category	3.50%
LT Category	4.50%

### **Commission’s Analysis**

The Commission has determined the ARR of the Wires Business for FY 2020-21 in the earlier section, as Rs. 297.16 Crore.

The ARR is apportioned between the HT and LT Voltage level in the ratio of 77:23, which is the ratio of GFA of HT: LT for FY 2018-19.

The system peak demand for TPL-D (S) for FY 2018-19 was 687.10 MW. The contract demand for all the HT consumers is about 112.24 MW. Assuming that 85% of the contract demand of HT consumers contributes to the system peak demand, the HT demand contributing to the system peak works out to 95.40 MW. The balance contribution to the system peak has been considered against LT demand, which works out to 591.70 MW.

To determine the Wheeling Charges for the HT and 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 is shown in the Table below:

**Table 8.6: Wheeling Charges for TPL-D (S) for FY 2020-21**

Particulars	Approved
<b>First Level Segregation of ARR (in Rs. Crore)</b>	
HT Voltage	229.03
LT Voltage	68.13
<b>Total</b>	<b>297.16</b>
<b>Second Level Segregation of ARR (in Rs. Crore)</b>	
HT Voltage	31.80
LT Voltage	265.36
<b>Total</b>	<b>297.16</b>
<b>Wheeling Charge (in Rs/ kWh)</b>	
HT Voltage	0.87
LT Voltage	0.85



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

The Commission approves the following losses for open access consumers in addition to the Wheeling Charges:

**Table 8.7 : Wheeling Losses approved for Open Access consumers for TPL-D (S)**

Category	In %
HT Category	3.50%

## **8.2 Cross Subsidy Surcharge**

### **Petitioner's Submission**

The Petitioner has submitted that as per the principles enunciated in the amendment in the National Tariff Policy, the cross subsidy surcharge is to be computed based on Pooled Power Purchase cost. Further, the principles laid out in the Tariff Policy amply clarify to compensate the distribution licensee for the existing level of cross-subsidization.

The Petitioner has proposed the cross subsidy for HTMD-1, HTMD-2 and HT-Metro category consumer as 123 Paisa/kWh, 148 Paisa/kWh and 50 Paisa/kWh respectively, as shown in the Table below.

**Table 8.8 : Proposed Cross Subsidy Surcharge payable for Open Access Consumers in TPL-D (S) for FY 2020-21**

Particulars	HTMD-1	HTMD-2	HTMD Metro
T - Tariff for HT Category (Rs./kWh)	7.04	7.38	6.30
C - Wt. Avg. Power Purchase Cost (Rs./kWh)	4.94	4.94	4.94
D - Wheeling Charge (Rs./kWh)	0.87	0.87	0.87
L - Loss for HT Category (%)	3.50%	3.50%	3.50%
S = Cross Subsidy Surcharge (Rs./kWh)	1.23	1.48	0.50

### **Commission's Analysis**

The 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

Further, the Tariff Policy, 2016 also stipulates that the surcharge shall not exceed 20% of the tariff applicable to the category of consumers seeking Open Access.

Accordingly, the Commission has determined the Cross-Subsidy Surcharge based on the formula stipulated in the Tariff Policy, as shown in the Table below:

**Table 8.9: Approved Cross Subsidy Surcharge payable for open access consumers in TPL-D (S) for FY 2020-21**

Sr. No.	Particulars	HTMD-1	HTMD-2
1	T - Tariff for HT Category (Rs./kWh)	6.85	7.20
2	C - Wt. Avg. Power Purchase Cost (Rs./kWh)	4.77	4.77
3	D - Wheeling Charges (Rs./kWh)	0.87	0.87
4	L – Loss for HT Category (in %)	3.50%	3.50%
5	R - per unit cost of carrying Regulatory Assets (Rs./kWh)	-	-
6	S = Cross Subsidy Surcharge (Rs./kWh) (as per formula)	1.04	1.39
7	Cross Subsidy Surcharge in Rs./kWh (with cap)	1.37	1.44
8	<b>Cross Subsidy Surcharge in Rs./kWh (Approved)</b>	<b>1.04</b>	<b>1.39</b>

Thus, Cross Subsidy Surcharge as per formula given in the Tariff Policy, 2016 works out to Rs. 1.04 / kWh for HTMD-1 and Rs. 1.39 / kWh for HTMD-2. However, the Tariff Policy, 2016 also provides that the surcharge shall not exceed 20% of the tariff



applicable to the category of the consumers seeking open access. Hence, the aforesaid surcharge is restricted to 20% of tariff applicable to that category.

Accordingly, Cross Subsidy Surcharge for HTMD-1 = Rs.1.04 / kWh and HTMD-2 = Rs. 1.39 / kWh for FY 2020-21. The cross-subsidy surcharge for HT Metro category would be approved once the category is actually operationalised.

### **8.3 Additional Surcharge**

#### **Petitioner's Submission**

The Petitioner has submitted that as per Regulation 25 of the GERC (Terms & Conditions of Intra-State Open Access) Regulations, 2011, the OA consumer will also be required to pay an Additional Surcharge as per Section 42 (4) of the Electricity Act, 2003.

#### **Commission's Analysis**

The Petitioner should submit the requisite data and justification separately for determination of Additional Surcharge.

## 9 Tariff Philosophy and Tariff Proposals

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### 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 TPL-D (S) for FY 2020-21

#### Background

The Petitioner has computed the cumulative gap/(surplus) for FY 2018-19, FY 2020-21 and carrying cost as detailed in the earlier chapters. The Petitioner has proposed to:

1. Recover the accumulated gap/(surplus) during FY 2020-21 by way of tariff revision
2. Rationalize the tariff structure

#### Tariff Philosophy

The Petitioner has submitted 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. Principles of cross subsidy prescribed by Tariff Policy
- C. Incentivising energy conservation
- D. Demand Side Management
- E. Promotion of efficient use of electricity



The Petitioner has also submitted that the existing fixed charges are not depictive of the fixed costs. The majority of the fixed cost is being recovered through Energy Charges. In order to address this anomaly, the Petitioner has proposed to increase the fixed/demand charges in a phased manner.

#### **Determination of Retail Tariff**

The Petitioner has submitted that cumulative gap is arising mainly on account of past years' under-recovery. The Petitioner proposes to recover part of the cumulative gap of Rs. 71.99 Crore with effect from 1<sup>st</sup> April, 2020, by way of tariff revision of Rs. 0.21 per unit during FY 2020-21.

The Petitioner has proposed marginal increase in fixed/demand charges as part of tariff rationalisation during FY 2020-21 including introduction of a new category for HT-Metro Traction giving due consideration to its purpose and usage in accordance with the Electricity Act, 2003. Further, the Petitioner has proposed to streamline the reactive energy charges of LTMD category.

The Petitioner has also submitted that any variation in recovery of the said gap shall be dealt with during Truing up exercise for FY 2020-21. The Petitioner has also submitted that that the Petitioner's tariff was last increased in FY 2015-16. Since then, despite the overall inflationary pressures, the Petitioner has been managing its costs largely through operational efficiencies. The approval of tariff revision is essential so as to liquidate under recoveries and enable the Petitioner to maintain and further improve its high standards of quality, reliability and customer services.

### **9.3 Commission's Ruling on Retail Tariffs for TPL-D (S) for FY 2020-21**

The Commission has in the past Orders, rationalised the tariffs in order to ensure that the tariffs reflect, as far as possible, the cost of supply. The Commission has also tried to address operational and field issues, keeping in view the interest of the consumers, while rationalising the tariff structure.

TPL-D (S) has proposed to recover cumulative revenue gap of Rs. 71.99 Crore with effect from 1<sup>st</sup> April, 2020, by way of tariff revision of Rs. 0.21 per unit FY 2020-21. The Petitioner has also proposed marginal increase in the fixed/demand charges as part of tariff rationalisation during FY 2020-21, including introduction of a new category for HT



Metro Traction giving due consideration to its purpose and usage in accordance with the Electricity Act, 2003.

However, as discussed earlier, the Commission has approved a cumulative revenue surplus of Rs. 51.49 Crore during FY 2020-21 in Chapter 5. Keeping in view the cumulative surplus during FY 2020-21, the Commission decides to continue with the existing tariff structure. Accordingly, the category-wise tariff is retained at the same level as approved for FY 2018-19.

The Commission has allowed base FPPPA charge of Rs. 1.38 / kWh for recovery of increase in power purchase cost of FY 2020-21 and also to recover the carrying cost and other consequential recoveries as outlined in Table 5.6.

The Commission has maintained the tariff for the various consumer categories as per the last tariff order, except for the BPL consumers. Looking to the demand of various consumer groups, the limit of first slab of energy charge in RGP Category for the BPL consumers, which is Rs. 1.50 / unit for first 30 units consumption, is enhanced to Rs. 1.50 / unit for first 50 units consumption.

The Commission has agreed with the proposal of the Petitioner for introduction of new category for HT Metro Traction.

The detailed tariff is as per the tariff schedule annexed to this order.



## **COMMISSION'S ORDER**

The Commission approves the Aggregate Revenue Requirement (ARR) for TPL-D (Surat) for FY 2020-21 (as approved in MTR Order dated 24<sup>th</sup> April, 2019) as shown in the Table below:

**Approved ARR for TPL-D (Surat) for FY 2020-21**

(Rs. Crore)

Sr. No.	Particulars	FY 2020-21
1	Power Purchase Cost	1,745.15
2	Operations and Maintenance Expenses	140.94
3	Depreciation	57.87
4	Interest and Finance Charges	32.06
5	Interest on Working Capital	-
6	Interest on Security Deposit	19.34
7	Bad Debts Written off	0.39
8	Contingency Reserve	0.40
9	Return on Equity	97.05
10	Income Tax	39.68
11	Less: Non-Tariff Income	23.85
<b>12</b>	<b>Aggregate Revenue Requirement</b>	<b>2,109.03</b>

The retail supply tariffs for Surat distribution area for FY 2020-21 determined by the Commission are annexed to this order.

This order shall come into force with effect from 1<sup>st</sup> April, 2020. The revised rates shall be applicable for the electricity consumption from 1<sup>st</sup> April, 2020 onwards.

**Sd/-**

\_\_\_\_\_  
**P. J. THAKKAR**  
Member

**Sd/-**

\_\_\_\_\_  
**ANAND KUMAR**  
Chairman

Place: Gandhinagar

Date: 31/03/2020





**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 1<sup>st</sup> April, 2020**

**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) kilowatt-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. 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 CHARGE:**

**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 installation per month
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**PLUS**

**1.2 ENERGY CHARGE:**

**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 150 units during the month	425 Paise/unit
(d)	Above 250 units during the month	505 Paise/unit

**For BPL household consumers\***

(a)	First 50 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 50 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 Light, 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 6 kW

Three-phase supply- Aggregate load above 6 kW

**2.1 FIXED CHARGES:**

Fixed Charges	Rs. 55.00 per installation per month
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**PLUS**

**2.2 ENERGY CHARGES:**

Energy Charges	405 Paise/unit
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**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 10 kW 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 15 kW.

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
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**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
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**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
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**5.2. ENERGY CHARGE**

A flat rate of	500 Paise per Unit
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**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
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**PLUS**

**6.2 ENERGY CHARGES:**

Energy Charges	60 Paise/unit
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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
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**PLUS**

**7.2 ENERGY CHARGE**

Energy Charge	410 Paise per Unit
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**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
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**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:**

<b>Sr. No.</b>	<b>On Energy Charges:</b>	<b>Rebate @</b>
(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 3.3 kV 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:**

**A. 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

**B. For billing demand in excess of contract demand**

For Billing demand in excess over Contract demand	Rs. 360/- per kVA per month
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**Note:**

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

- i. Actual maximum demand established during the month
- ii. 85% 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 (ToU) 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 500 kVA	45 Paise per Unit
(b)	For Billing Demand above 500 kVA	80 Paise per Unit

**PLUS**

**9.4 POWER FACTOR:**

**Power Factor Adjustment Charge:**

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% of the Contract Demand, and
- iii. 100 kVA

**PLUS**

**10.2 ENERGY CHARGE**

For all units consumed during the month	695 Paise/Unit
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**PLUS**

**10.3 TIME OF USE (ToU) 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: HTMD- METRO TRACTION**

Applicable for supply of energy to Metro traction, contracting for maximum demand of 100 kW and above.

##### **11.1 FIXED CHARGE**

A. For Billing Demand up to and including Contract Demand

Fixed Charge per kW of Billing Demand per Month	Rs. 335 per kW
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B. For Billing Demand in excess of the Contract Demand

Fixed Charge per kW of Billing Demand per month	Rs. 385 per kW
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Note: The Billing Demand will be taken as under:

- i. The Maximum Demand recorded during the month OR
- ii. 85% of the Contract Demand OR
- iii. 100 kW

Whichever is the highest.

**11.2 ENERGY CHARGE**

A flat rate of	345 Paise/Unit
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**11.3 TIME OF USE (TOU) CHARGE**

For the Consumption during specified hours as mentioned here below- (i) For April to October period- 1200 Hrs. to 1700 Hrs. & 1830 Hrs. to 2130 Hrs. (ii) For November to March period- 0800 Hrs. to 1200 Hrs. & 1800 Hrs. to 2200 Hrs.	60 Paise per unit
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**11.4 NIGHT TIME CONCESSION**

The energy consumed during night hours between 22.00 hours and 06.00 hours next day recorded by the tariff meter having built in feature of time segments shall be eligible for rebate at the rate of 30 Paise per kWh.

**11.5 POWER FACTOR ADJUSTMENT CHARGE**

A. Where the average Power Factor during the Billing period exceeds 90%

For each 1% improvement in the Power Factor from 90% to 95%	Rebate of 0.15 Paise per unit
For each 1% improvement in the Power Factor above 95%	Rebate of 0.27 Paise per unit

B. Where the average Power Factor during the Billing period is below 90%

For each 1% decrease in the Power Factor below 90%	Penalty of 3.00 Paise per unit
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**12 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.

**12.1 FIXED CHARGE**

Fixed Charges	30% of the Demand Charges under relevant Tariff Category
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**12.2 ENERGY CHARGE**

A flat rate of	340 Paise per unit
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**12.3 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 12.2 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 12.2 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 12.2 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 12.0 above.
2. 10% of total units consumed during the billing period can be availed beyond the night hours prescribed as per para 12.0 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.

**13 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.

**13.1 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**

**13.2 ENERGY CHARGE**

Energy Charge	400 Paise per Unit
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