

Petition No. RERC 1599/2020, 1600/2020, 1613/2020

Coram: Shri Shreemat Pandey, Chairman
Shri S.C. Dinkar, Member
Shri Prithvi Raj, Member

Date of hearing: 09.12.2020

Date of Order: 27.01.2021

ORDER

Section-1: Background

- 1.1 The three distribution companies namely, Jaipur Vidyut Vitran Nigam Ltd. (JVVNL), Ajmer Vidyut Vitran Nigam Ltd. (AVVNL) and Jodhpur Vidyut Vitran Nigam Ltd. (JdVVNL), collectively called Discoms or Petitioners had filed petitions for approval of true-up of ARR for FY 2018-19 under RERC (Terms and Conditions for Determination of Tariff) Regulations, 2014.
- 1.2 JVVNL and AVVNL filed the petition on 16.01.2020 and JdVVNL on 27.01.2020 for FY 2018-19.
- 1.3 After examining the petitions, the Commission vide letter dated 04.03.2020 for JVVNL, AVVNL & JdVVNL pointed out the deficiencies observed in the petitions for FY 2018-19 and the Discoms were directed to clarify along with supporting documents.

- 1.4 JVVNL, AVVNL & JdVVNL on dated 18.05.2020, 12.06.2020 & 28.07.2020 respectively, submitted reply to the deficiencies indicated by the Commission vide its letter dated 04.03.2020.
- 1.5 Further, the Commission vide letter dated 22.05.2020 pointed out additional deficiencies observed in the petition for FY 2018-19 for JVVNL and the Discom was directed to clarify along with supporting documents.
- 1.6 JVVNL on dated 10.06.2020 filed the reply of additional deficiencies relating to approval of true up of ARR for FY 2018-19. AVVNL and JdVVNL also submitted additional submission on dated 07.07.2020 and 11.08.2020 respectively in addition to the reply of deficiencies.
- 1.7 As per Section 64(2) of the Act, 2003 which requires that applicant should publish application filed in such abridged form and manner as may be specified by the Appropriate Commission, the Commission on dated 18.06.2020, 09.07.2020 & 17.08.2020 allowed JVVNL, AVVNL & JdVVNL respectively to publish the notice in the newspapers.
- 1.8 Accordingly, public notices with salient features of the petitions, inviting comments/suggestions, were published in the following newspapers on the dates shown against each of the petitions and were also placed on the websites of the Commission and Discoms. The last date for submission of comments/ suggestions was notified as 15.07.2020, 06.08.2020 and 14.09.2020 for JVVNL, AVVNL & JdVVNL respectively:

Sr. No.	Name of Newspapers	JVVNL	AVVNL	JdVVNL
(i)	Dainik Bhaskar	23.06.2020	14.07.2020	22.08.2020
(ii)	Times of India	23.06.2020	-	-
(iii)	Danik Nav Jyoti	23.06.2020	-	-
(iv)	Hindustan Times	-	15.07.2020	23.08.2020
(v)	Rajasthan Patrika	-	14.07.2020	22.08.2020

- 1.9 In all, 4 numbers of comments/suggestions were received from the stakeholders on JVVNL and AVVNL and 3 numbers of comments/suggestions were received from the stakeholders on JdVVNL for True Up petition for FY 2018-19. The list of stakeholders is enclosed at **Annexure-A**.

- 1.10 The Commission forwarded the suggestions/comments submitted by the Stakeholders to the respective Discoms for furnishing the reply.
- 1.11 The public hearing in the matter was held on 09.12.2020 through video conferencing. the list of stakeholders who have made oral submissions during the hearing enclosed at **Annexure-B**.
- 1.12 The Commission has also considered the reply given by the Discoms in respect of queries of the Commission & stakeholders and oral submissions made by the Discoms & Stakeholders during the hearing and perused all the relevant records while finalizing this order.
- 1.13 As issues arising in all the petitions are common for all three Discoms and the Stakeholders have also made common submissions on all the petitions and a common hearing was held in the matter, the Commission, therefore, has decided to consider all the petitions together for FY 2018-19 and dispose them through this common order.
- 1.14 Discoms prayed to approve the true up of FY 2018-19 as submitted.
- 1.15 All energy figures used in this order, unless stated otherwise, are in Million Units (MUs).
- 1.16 For the purpose of representation, figures given in the tables are shown as rounded off. However, for calculation purpose, actual figures have been considered.
- 1.17 This order has been structured in three sections as given under.
- a) Section 1 – Background discussed in this part.
 - b) Section2 - Comments/suggestions of Stakeholders, Petitioners' response and the Commission's observations thereon.
 - c) Section 3 - True-up of ARR for FY 2018-19 of the three Discoms.

Section – 2 Stakeholders comments, Petitioners' response and the Commission's views:

Part I – General issues/comments related to True-up of FY 2018-19.

Various elements like power purchase cost, O&M expenses, interest cost and depreciation etc. Projection of the Petitioners with respect to various components of ARR, the Commission's analysis there on after consideration of views expressed by the Stakeholders and decision with respect to items given.

2.1 General

2.1.1 Stakeholders Comments

1. It was submitted that in case of JVVNL true up petition should be in accordance with ARR order & regulatory framework laid down by RERC.
2. It was submitted that in the public notice published by the JDVVNL figure of revenue for sale of electricity, non tariff income, income from wheeling charges, cross subsidy surcharge and additional surcharge etc are not matching with figures as approved in ARR order and Audited Accounts.
3. It was submitted that in case of JdVVNL and AVVNL, the Discoms have mentioned one of the factor in respect of variation in consumption as law of land. The Discom may clarify the in what way the law of land causes variation in consumption.
4. It was submitted that JdVVNL and AVVNL may provide the information of connections released and permanent disconnections during FY 2018-19.
5. It was submitted that the statutory auditor of JdVVNL has observed that company has received Rs. 99.99 Crore for electrification, which are lying since long, the Discom is required to clarify when & from which agency this amount was received.
6. It was submitted that in case of AVVNL, the number of consumers particularly as shown in form 2.1 of true up petition for FY 2018-19 are on variation with their petition for approval of ARR and Tariff for FY 2019-20.
7. It was submitted that JVVNL, AVVNL and JdVVNL have actual net revenue gap of Rs. 906.10 Crore (surplus), Rs. 467 Crore (surplus) and Rs. 1233.76 Crore (surplus) with the Uday grant of Rs. 4163 Crore, Rs. 3261.71 and Rs.4575.71 Crore respectively against approved revenue gap of Rs. 651.25 Crore (surplus), Rs. 26

Crore (surplus) and Rs. -1096 Crore (deficit) respectively. Discoms may intimate when and under which "Heads" it was utilized.

8. The true up petition for FY 2018-19 should have been filed before the November 2019. Discoms must clarify the reasons of delay.

2.1.2 Petitioner's Response

1. JVVNL submitted that the true-up petition has been filed as per the regulations. Further, the true up petition filed is supported by all the required documents and additional documents have been submitted for the perusal of the Commission and stakeholders.
2. JdVVNL resubmitted the copy of public notice as issued by the Discom for the perusal of the stakeholder.
3. JDVVNL and AVVNL submitted that Law of Land may not be interpreted limited to Land Reforms Act, 1961 but to the general case of restrictions/guidelines for the consumers of the Discoms that restrict them from accessing the power supply for the required purpose. For example, during the Covid-19 pandemic the lockdown restrictions imposed by Government of India and Government of Rajasthan restricted the Industrial and Commercial categories of consumers from accessing the electricity supply for the purpose of their connection. Similarly, such instances do have an unprecedented effect on the sales of the Discom.
4. JdVVNL and AVVNL have submitted information of connections released during FY 2018-19 and permanent disconnections during FY 2018-19.
5. JdVVNL submitted the amount of Rs. 99.99 Crore received as contribution from various organizations/government bodies towards capital works has been shown under the head "Deposit for Electrification". The same has been transferred to consumer Contribution for Service Connection & Line on completion of respective work & subsequent being written off in 25 years. Circle Accounts Officers have been advised to reconcile the balance in accounts. Amount reduced to Rs. 58.19 Crore from 99.99 Crore in FY 2019-20. Continuous efforts are being made for reconciliation of the same.

6. AVVNL submitted that the ARR petition for FY 2019-20 has been filed on the basis of audited data of FY 2017-18 and since the petition was filed on 6th August 2019, the audited data for the FY2018-19 were not available. It submitted that the ARR petition is filed on the basis of projection considering the YoY, 3-year, 5-year or 7-year CAGR growth for the consumers, connected load and sales. The deviation is purely uncontrollable factor for the Discoms, and the revenue assessed is based on the actual whereas in the ARR petition for the FY 2019-20, the revenue has been calculated based on the projected figures.
7. Discoms submitted that they are in huge financial stress. The profit after inclusion of UDAY grant is just a book profit and not a cash profit, since the UDAY grant has not been reflected in the cash flow statement. Hence, the Discoms in a state of cash loss, therefore, there is no state of utilization of "surplus funds".
8. Discoms submitted that the true up order for FY 2017-18 was issued on 31.12.2019, therefore the true up petition for FY 2018-19 could not be filed on time.

2.1.3 Commission's View

The Commission has taken note of the comments of the Stakeholders and reply of Discoms thereto.

2.2 Cost Records, Energy Report and Internal Control

2.2.1 Stakeholders Comments

1. JVVNL and AVNNL may furnish the cost record as prescribed by the Central Government and as required under Regulation 2(a)(v) of the RERC Tariff Regulations, 2014.
2. It was submitted that as per observation of chartered accountant JVVNL does not have internal control systems where correlation of capital expenditure incurred with the grant/subsidy received can be examine, which may result into incorrect recognition of deferred revenue.
3. It was submitted that as per observation of chartered accountant JVVNL internal financial control over accounting of power procured is not operating effectively as the power purchase cost is booked on the basis of bills received

till cut-off date and not on actual power purchased, this could potentially result in misstatement in trade payable and power purchase cost.

4. It was submitted that during the process of tariff order dated 28.05.2018, the Discoms submitted that energy audit for FY 2015-16 has been completed and the draft report is under verification. In this regard whether the draft report of energy audit for FY 2015-16 has since been verified and if so what is the result of such report and what action has been taken by Discom on such report. Copy of energy audit report may also be supplied.

2.2.2 Petitioner's Response

1. JVVNL and AVVNL submitted that the cost records for the FY 2018-19 have been submitted to stakeholder.
2. JVVNL submitted that detailed explanation in respect of accounting of grant/subsidy against capital expenditure have been provided at point no. 1 of Annexure-C of Auditors' Report.
3. JVVNL submitted that accounting of power purchase cost is being done on accrual basis which covers generally all the claims of suppliers pertaining to accounting year. Cut-off dates have been taken only for the claims which are of supplementary nature and having insignificant amount as compared to overall power purchase cost.
4. Discoms submitted that the energy audit report for the FY 2015-16 is under progress and the same shall be submitted as and when it is finalized.

2.2.3 Commission's View

The Commission has taken note of the comments of the Stakeholders and reply of Discoms thereto. It has been observed that Discoms have filed cost records and accounts. However the Commission is not satisfied with the reply as regard to Energy Audit Report and directs Discoms to furnish Energy Audit Report from 2015-16 to 2018-19 within 3 months from date of issue of order.

2.3 Sales and revenue

2.3.1 Stakeholders Submission

1. It was submitted that as per Audited Accounts, the revenue has been shown as 16434.84 Crore, whereas the petitioner in the data gap reply at revised table no.

2 has shown the revenue of Rs. 16751 Crore, JVVNL may clarify the same. Further with regard to JdVVNL it was submitted that as per Audited accounts, the revenue has been shown as 12918.01 Crore, whereas the petitioner in the petition at table no. 1 has shown the revenue of Rs. 12878.41 Crore, JdVVNL may clarify the same.

2. The sales and revenue from temporary connections of JVVNL and AVVNL as indicated in Annexure C have not been included in the total sales and revenue as indicated in the revised table no 2 of data gap reply. If such sales and revenue are considered then the sales and revenue will go on higher side.
3. JVVNL and JdVVNL may clarify that under which schedule/Note of Accounts the revenue from temporary connections have been accounted for.
4. While computing the sale of flat rate consumers, instead of specific consumption of 1945, JdVVNL has considered the specific consumption of 1953, accordingly the sales of flat rate category need to be reworked on approved specific consumption, this will decrease the total sales and will result in higher losses.
5. It was submitted that in form 2.1 of petition and in revised table 2 as submitted with data gaps, it is noted that actual sale of energy in respect of railway traction has been nil but revenue received has been shown as Rs 99 Crore, the JVVNL clarify this position.
6. It was submitted that in case of JVVNL and AVVNL, form 2.1, amount of adjustment of past billing is appearing this indicates that billing in last year has been on higher side reasons of such past billing may be clarified.
7. It was submitted that JVVNL and AVVNL may clarify whether fuel surcharges is being recovered from temporary supply consumers or not if not, reasons thereof be intimated.
8. It was submitted that in case of JdVVNL and AVVNL, there is difference in per unit revenue given in the table 2 of the petition and format 2.1. The Discoms may clarify the same.
9. It was submitted that in case of AVVNL and JdVVNL in form 2.1, the column of voltage rebate has been lying blank even in respect of those consumers whose supply has been on HT.

2.3.2 Petitioner's Response

1. JVVNL and JdVVNL submitted that the actual revenue of Rs. 16,751 Crore and 12878.41 Crore respectively has been submitted as cumulative of fixed charges, energy charges and fuel adjustment charges and not including other miscellaneous charges, adjustment of past billings etc. as the same can be referred to the Format 2.1 of the True-up formats submitted as a part of the petition.
2. JVVNL submitted that the details as submitted in the reply to data gaps, have already been accounted in the total revenue of Rs. 16,434.84 Cr. and the revenue from temporary connections is not to be considered separately. Similarly, total sales as submitted to be 24,045 MU includes the sales to temporary connections. AVVNL submitted that the as per prescribed monthly MIS there is no separate category of temporary consumers. A temporary supply consumer is also defined and categorized under respective corresponding category of tariff of supply as per purpose of temporary use of supply.
3. JVVNL and JdVVNL submitted that the revenue from temporary connections has been accounted for in the total revenue from sale of power (in Format 2.1 and table 2 of the petition) and not shown separately in the audited accounts.
4. It was submitted that there is a typographical error and the correct specific consumption of 1945 kWh/kW/year can be inferred from the Form 2.1 of the the petition.
5. JVVNL submitted that the energy charges of Rs. 99 Cr. pertains to the additional surcharge and cross-subsidy surcharge.
6. JVVNL submitted that billing is an ongoing phenomenon and amount excess recovered, if any, is adjusted in the bills of the consumers on a regular basis. AVVNL submitted that the adjustments of past billings pertains to the revision of bills of the consumers who were issued bills previously with inadvertent error in their payable amount and get their bill revised. AVVNL, further, submitted that past billing includes debits /credits related to previous years due to assessment proposed by internal audit, vigilance, meter wings and various level settlement committees, court judgments etc.
7. JVVNL and AVVNL submitted that FSA is being recovered from temporary connections, if such temporary connection has not been disconnected by the time.
8. AVVNL and JdVVNL submitted that the variation in ABR is on account of inclusion of other charges in Format 2.1 and only fixed charges, energy charges and fuel adjustment charges in Table 2 of the petition.

9. AVVNL and JdVVNL submitted that the voltage rebate given to the consumers has been included in the Form 4.2.

2.3.3 Commission's View

The Commission has taken note of the comments of the Stakeholders and reply of Discoms thereto and has taken an appropriate view while allowing various parameters in section-3.

2.4 Power Purchase

2.4.1 Stakeholders Comment

1. It was submitted that the deviation between approved ARR and actual ARR is largely contributed by power purchase cost which has risen from approved cost. Further it was submitted to provide plant wise details of deviation in Power purchase cost and reason with documentary evidence for the same.
2. It was submitted that in case of JVVNL and AVVNL, whether the power purchase information provided by RUVNL is on accrual basis or on the basis of actual bills received or of any other method.
3. It was submitted that in the power purchase table, JVVNL has indicated 'others' against this actual energy purchase of 183.50 MUs and cost of 150.64 Crore has been shown. Why such purchases has been made in the surplus scenario.
4. It was submitted that JVVNL and AVVNL may clarify whether the incidence of disallowance of power purchase cost has been accounted for while calculating the fuel surcharge of subsequent years or not.
5. It was submitted that whether Discom have reviewed the long term PPAs to identify the possibility of reduction in cost and if so which are those PPAs and whether such PPAs are to be terminated or quantity of power purchase is to be reduced and whether any negotiations have been carried from such power suppliers for lower the purchase cost etc.
6. It was submitted that Discoms may intimate the quantum and sources of power purchased through competitive bidding.
7. It was submitted that Giral power plant is under complete shut down and under disinvestment process. Whether Discoms has taken any action for not continuing the power purchase agreement from Giral and whether any notice has been served to this company in this regard and if so, copy of the same be supplied and if not what are the reasons for the continuing the PPA with this company in such circumstances.

8. It was submitted that Dholpur combined cycle power plant is also not working from November 2018, the JVVNL and JdVVNL is paying a large sum for no supply or for very small quantity of power. Discoms may state whether they have identified this plant for continuing the PPA and if so to what extent and if not then to terminate the agreement. The action taken in this regard may be intimated.
9. It was submitted that in reply to data gaps JVVNL, AVVNL and JdVVNL intimated the per unit cost of Anta GTPS of Rs 15.52/kWh, Rs 15.69/kWh), Rs 15.45/kWh, Auriga GTPS of Rs 24.18/kWh, Rs 24.15/kWh, Rs 24.10/kWh and Singuarli-hydel of Rs 26.83/kWh, Rs 27.42/kWh and Rs 26.65/kWh respectively. Discoms may state whether they have identified these power stations for continuing their PPAs in above circumstance and if not, what are the reasons. It may also be intimated as to on what date these PPAs were executed with these agencies and for what period.
10. It was submitted that as per PPA with Chhabra Thermal Power Station Stage-I Phase-II and Kalisindh Thermal Power Station, 95% of the installed capacity will be available for allocation to the three Discoms in a fixed ratio provided by the Government of Rajasthan. Remaining 5% capacity of these two power stations will be considered as un-allocated capacity and its allocation will be done under directions of Government of Rajasthan. JdVVNL may clarify that in case no allocation has been made by the Government of Rajasthan then on what basis the JdVVNL are purchasing power of 5% installed capacity of above two stations. Such additional purchases must have caused surplus power, causing sell surplus power at lower rate and causing the un-necessary losses.
11. It was submitted that Discoms have incurred additional power purchase due to non achievement of distribution losses and banking cost. The Commission in its order dated 31.12.2019 relating to True up for 2017-18 of Discoms disallowed such charges to avoid burden the consumer on account Discom's inefficiency. Further while disallowing the excess purchase the Commission has first considered the power purchase from short term sources and rest from approved sources. Similar decision may be taken here as well.
12. It was submitted that in case of JVVNL and AVVNL, services charges to RUVN of Rs. 6.22 Crore and Rs. 4.36 crore has been shown as included in Power purchase cost, these charges should be disallowed from power purchase and considered under O&M as decided in Commission order dated 31.12.2019.

2.4.2 Petitioner's Response

1. JVVNL and AVVNL submitted that while filing ARR, projections are submitted, which are subject to change and the Commission also recognizes the same as

an uncontrollable factor. Further the power purchase costs have been audited and the marginal increase in power purchase cost is due to uncontrollable factors such as change in cost of coal, transportation cost of coal etc. The details of plant wise Power Purchase Cost for FY 19 are already submitted in Table 5 and Table 7 of the petition respectively for JVVNL and AVVNL.

2. Discom submitted that accounting of power purchase cost is being done on accrual basis which covers generally all the claims of suppliers pertaining to accounting year.
3. JVVNL submitted that the power purchased from "Others" of 183 MU has been purchased from RFF station which can be inferred from format 3.1 of True-up formats as a part of the petition.
4. JVVNL and AVVNL submitted that the FSA is not applicable on power purchase through exchange and hence FSA has not been recovered on power purchase through exchange. Further, it was submitted that FSA is being calculated only on the approved power purchase sources (excluding hydro sources) as per the RERC Regulations, 2014.
5. It was submitted that Discoms are continuously monitoring the PPAs to reduce the power purchase cost burden on the consumers. DCCPP has been notified to reduce the cost in FSA and Discom has filed a petition in RERC requesting to exempt Discom from paying fixed/capacity charges since no power can be scheduled at Rs. 6/kWh or more. Further, RUVN, on behalf of Discoms has also filed a petition in RERC to direct KTPS to compute its unit wise tariff.
6. JVVNL submitted that the power purchased from Independent Power producers and renewable power under SECI is procured through competitive bidding methodology. AVVNL and JdVVNL submitted for supply of RTC power for the period from 01st August 2020 to 31st March 2021, the cut off price was INR 3.10 per kWh at Rajasthan periphery.
7. JVVNL submitted that the process of disinvestment of Giral power plant has been initiated and the same shall be completed soon. AVVNL and JdVVNL submitted that since no power is being scheduled from GLPL, there is no financial obligation on the Discoms.
8. It was submitted that RUVN, on behalf of Discoms has filed a petition in RERC requesting to exempt Discoms from paying fixed/capacity charges since no power is being scheduled due to high energy charges.
9. It was submitted that RUVN, on behalf of Rajasthan Discoms has filed a petition in RERC to allow deviation from MOD so as to schedule power from Anta, Auriya and Dadri power plants since Discoms are bound by take or pay obligation.

10. It was submitted that the new clauses are added to PPA: Clause No 16: - Third party sale of Energy "The RVUNL can undertake the third-party sale of energy within the state or outside the state if procurer of the energy does not clear its dues as per schedule." From this provisions of the PPA, it can be concluded that RRVUNL can undertake the third-party sale of energy subject to fulfilment of certain conditions with due consent of Discoms and approval of Government of Rajasthan and RERC.
11. It was submitted that Commission may take a view while approving the power purchase cost for the FY 2018-19.
12. AVVNL submitted that service charges have been paid to RUVN since the RUVN is providing service to the Discom in forecasting and scheduling demand of the Discom and procuring power at efficient costs based on merit order and taking an appropriate decision when to schedule power from the exchange based on the prevalent rates.

2.4.3 Commission's View

The Commission has taken note of the comments of the Stakeholders and reply of Discoms thereto. The Commission has taken an appropriate view while allowing power purchase cost.

2.5 O&M Cost

2.5.1 Stakeholders Submission

1. It was submitted that O&M expenses should be allowed on normative basis after deduction of Franchisee sales.
2. It was submitted that no capitalization be allowed in respect of establishment charges and general Admin Expenses.
3. It was submitted that terminal benefit are to be allowed to the extent of actual amount deposited in the designated fund.
4. It was submitted to provide breakup of expenses for consumer awareness under A&G expenses.
5. It was submitted that in case of JVVNL, AVVNL and JdVVNL, in Table 1, the audited Terminal benefits at serial no (A) (2.4) is mentioned as Rs. 651 Cr, Rs.661.21 Cr and Rs. 556 Cr respectively whereas in case of JVVNL in Table 6, AVVNL and JdVVNL in Table 8, under Actual column this figure is mentioned as Rs. 788.70 Cr, Rs. 758.23 Cr and Rs. 533.50 Cr. Respectively. Discoms is require to clarify which is the correct figure for terminal benefits.

2.5.2 Petitioner's Response

1. Discoms submitted that the Commission may take a view on the approval of True-up petition for the FY 2018-19.
2. JVVNL submitted the detailed breakup of Consumer awareness expenses amounting to Rs. 12.35 Cr. and similarly the amount of Rs. 4.15 Cr. has been spent in other circles. Further AVVNL submitted that the amount spent for consumer awareness during FY 2018-19 was Rs. 26,781 which has been included as a part of O&M expense for the year.
3. Discoms submitted that as per point no. A (2.4) of the True-up petition the total liability towards Superannuation and Gratuity, leave encashment on retirement and other benefits booked under the head of terminal benefit amounts to Rs. 788.70 Cr, Rs. 758.23 Cr and Rs. 533.50 Crore respectively for JVVNL, AVVNL and JdVVNL. Terminal Benefits after Capitalization and including additional contribution for FY 2018-19 is Rs. 651 Cr, Rs. 661.23 Cr and Rs. 556.00 Cr respectively. It is further submitted that the additional cost on account of superannuation and gratuity liability is not under the control of the Discom.

2.5.3 Commission's View

The Commission has taken note of the comments of the Stakeholders and reply of Discoms thereto. The Commission has taken an appropriate view while allowing the ARR.

2.6 Depreciation

2.6.1 Stakeholders Submission

It was submitted that Discoms have not furnished the information as per requirement of Regulation 22(4). Due to continuous non-compliance of Commission's directive, Commission in their order dated 31-12-2019 relating to true-up for FY 2017-18 and in their order date 6-2-2020 has deducted 5% of approved depreciation and as such here also such deduction be made. Further depreciation maybe calculated on the same basis as adopted in the above orders.

2.6.2 Petitioner's Response

JVVNL submitted that the Commission may take a prudent view on the approval of True up petition for the FY 2018-19. AVVNL submitted that a special drive was initiated in the FY 2017-18 for physical verification of installed fixed assets and detailed guidelines along with assets verification formats were provided to all the concerned offices. As a result of which the physical verification of AVVNL's

installed fixed assets as on 31-03-2018 was completed by all the circle offices. But, the continuous updation of the same on year to year basis has not been done by the concerned offices, thereby the information gathered has become obsolete in the present time. Further, as the process of updation was going on as per the direction of the Commission in its true up order dated 31.12.2019, the Covid-19 pandemic broke out and due to the lockdown restrictions, the works came to a halt. The Discom in this regard, requested to grant some more time.

2.6.3 Commission's View

The Commission has taken note of the comments of the Stakeholders and reply of Discoms thereto and has taken an appropriate view while allowing the ARR.

2.7 Interest on term Loan

2.7.1 Stakeholders Submission

1. It was submitted that in case of AVVNL, the Chartered Accountant has observed that company has not maintained any records/details to verify the end use of term loan. Therefore, the Discom is required to provide the information of each term loan raised, purpose for which these were raised and their utilization.
2. Interest worked out on state government bonds should be disallowed and interest on term loan should be allowed on line of Commission Order dated 31.12.2019

2.7.2 Petitioner's Response

1. AVVNL submitted that details of works executed by utilizing the loan amount released initially is submitted to the loaning authorities and after examination/scrutinizing the same, further installments as per conditions of approved loan are released by the loaning authorities. The aforesaid procedure itself elucidate the fact that sanctioned loan amount is specifically used for the purpose for which it was sanctioned. Further, for the sake of more clarification, details of term loans raised such as the financial institution from which they were raised, principal, purpose & its utilization are submitted.
2. It was submitted that the Commission may take a view on the same.

2.7.3 Commission's View

The Commission has taken note of the comments of the Stakeholders and replies of Discoms thereto and has taken an appropriate view while allowing the ARR.

2.8 Interest on Working Capital and security Deposit

2.8.1 Stakeholders Submission

1. It was submitted that Interest on working capital should be allowed on normative basis.
2. It was submitted that AVVNL and JdVVNL may provide the information of Interest on security deposit for FY 2018-19.
3. It was submitted that AVVNL may intimate that the security deposit of all permanent disconnected consumers has been adjusted against their dues.

2.8.2 Petitioner's Response

1. Discoms submitted that the Commission may take a view on the approval of True up petition for the FY 2018-19.
2. AVVNL and JdVVNL submitted that the actual interest cost on security deposits of consumers was Rs. 37.43 Crore and Rs. 20.19 Crore respectively for the FY 2018-19.
3. AVVNL submitted that there is a prescribed and regular procedure under provision 74 to 77 of Revenue Manual-2004 regarding adjustment of consumer security. The said adjustment is generally being carried out when the connection of a consumer is permanently disconnected.

2.8.3 Commission's View

The Commission has taken note of the comments of the Stakeholders and reply of Discoms thereto

2.9 Interest on DPS

2.9.1 Stakeholders Submission

1. It was submitted that in case JdVVNL from where and how the principle amount of DPS of Rs. 742.53 Crore has been worked out. Further the Hon'ble Tribunal has not allowed the interest on principle DPS, therefore no interest should be allowed. Further, the Discom is required to provide the information of DPS amount outstanding as on 31.03.2018 and 31.03.2019.

2.9.2 Petitioner's Response

1. JdVVNL submitted that the principal amount has been calculated using the DPS amount of Rs. 178.21 Cr grossing up by the interest rate of 24%/year. Further, the calculation of interest on funding of principal DPS is to allow the Discom to prudently cover its costs. Since, the DPS recovered from the consumers is

reduced from the ARR as non-tariff income, the interest burden incurred by the Discom is not covered, Further, the Discom submitted the latest amount outstanding available as on 31.3.2019 and 31.3.2020.

2.9.3 Commission's View

The Commission has taken note of the comments of the Stakeholders and reply of Discoms thereto.

2.10 Other Debits

2.10.1 Stakeholders Submission

It was submitted that in table 1 at sr. no. 12 against other expenses a sum of Rs. 538 Crore has been shown, details of this are not available in from D.4.2. These may be supplied by JVVNL.

2.10.2 Petitioner's Response

JVVNL submitted that that the total expense of Rs. 538 Crore as submitted in Table 1 of the True-up petition can be reconciled with the Format 4.2 of the True up formats. Out of Rs. 538, the detailed breakup of Rs. 451.5 Cr. has been submitted in Form 4.2 and the remaining Rs. 86.8 Cr. has been submitted as a part of reply to data gaps in "*Table 7: Details of Other debits*" to the Commission.

2.10.3 Commission's View

The Commission has taken note of the comments of the Stakeholders and reply of Discoms thereto.

2.11 Distribution Losses and AT&C Losses

2.11.1 Stakeholders Submission

1. It was submitted that the Commission in its ARR order for FY 2018-19 has allowed distribution losses of JVVNL, AVVNL, JdVVNL as 15%, whereas in the present petition the actual losses has been indicated as 20.54%, 18.03%, 23.12% respectively. The Commission may allow Distribution losses only up to the above approved figure.
2. It was submitted that in case of JVVNL and AVVNL, in data gap reply, Discom has stated that loss reduction targets have been prepared at division/circle/zonal level and concerned official have been made responsible for achieving the loss reduction target. The Discom is required to provide the copy of targets set for officers.
3. It was submitted that collection efficiency has been calculated on the basis of

guidelines issued by MoP for computation of AT&C losses. JdVVNL may supply the copy of such guidelines.

4. It was submitted that JdVVNL in its reply to data gap stated that AT&C losses have been reduced from 24.43% in FY 2015 to 14.14% in FY 2020 but the factual position is that in FY 2016-17 these losses have been 26.08%, in FY 2017-18 they came down to 23.37% but in FY 2018-19 increased to 35.04% as per their accounts. How petitioner Discom is justifying their efficiency with making comparison with FY 2015.
5. It was submitted that in case of JVVNL, AT&C losses for year FY18 stood at 25.22% while AT&C losses for year FY19 stands at 25.65% and in case of AVVNL AT&C losses for year FY 18 stood at 22.94% while AT&C losses for year FY 19 stand at 23.31%. This indicates deterioration of the performance of petitioners.
6. It was submitted that JVVNL and AVVNL should explain the reason for failure to meet UDAY target and the consumer should not be forced to bear the burden of their inefficiency and they should be penalized for failing to meet the target.

2.11.2 Petitioner's Response

1. AVVNL submitted that the distribution losses have been decreased in FY 2018-19 as compared to the FY 2017-18. The JdVVNL submitted that the significant reduction in distribution losses has been due to the vigorous vigilance drives and successful implementation of plans made by the Discom officials.
2. JVVNL and AVVNL submitted circle wise distribution losses as per MIS as on 31.03.2018, target allotted for the year 2018-19 and achievement as on 31.03.2019.
3. JdVVNL submitted that the required copy of the MOP guidelines for calculation of AT&C losses has been provided with reply.
4. The JdVVNL submitted that it has succeeded in reducing the AT&C losses but has not been able to sustain the reduced losses. As per MIS AT&C loss is 24.64% but as per MOP guidelines this is 35.04% as tariff subsidy of Rs. 1607.04 Cr. has been less received in FY 2018-19 which increased the AT&C losses and decreased the collection efficiency because of which the losses are on higher side in FY 2018-19. Since, looking at the broader timeline of 5 years, the losses have reduced significantly and hence, the Discom has compared accordingly.
5. (i) JVVNL submitted that the marginal increase in AT&C losses is due to increase in transmission losses, and the same is under resolution to avoid any discrepancy due to different transmission losses as reported by RVPNL and Discom. The Discom has been making continuous effort to reduce the distribution losses and

due to the same, the losses have been reduced by 0.52% from the previous year.

(ii) AVVNL submitted that the increase (considering the actual realized subsidy) in AT&C losses is due to increase in shortfall of actual subsidy released by the GoR compared to the subsidy assessed by the petitioner. The petitioner submits that the collection efficiency has been calculated on the basis of guidelines issued by MOP for computation of AT&C losses which provides tariff subsidy is to be considered in revenue on receipt basis instead of due basis. For evaluation of Discoms' performance, the AT&C loss levels as per MIS stood at 19.71% for FY 2017-18 and 18.57% for FY 2018-19. Thus, a clear decreasing trend is visible.

6. (i) JVVNL submitted that it has achieved a distribution loss level of 20.54% in FY 2018-19 against approved distribution loss of 15% duly considering the UDAY trajectory.

(ii) As Discom's losses are higher than the trajectory approved by the commission which represents that the Discom bears the burden for its inefficiency and not passed on to consumer. The Discom has been making continuous efforts to reduce the AT&C losses and all measures are being taken to reduce the loss level.

(iii) AVVNL Submitted that it recognizes the importance of reducing the distribution losses in order to ensure that the state power sector remains viable. The AVVNL has achieved a distribution loss level of 18.03% in FY 2018-19 as compared to 20.15% in FY 2017-18.

2.11.3 Commission's View

The Commission has taken note of the comments of the Stakeholders and reply of Discoms thereto and has dealt with this issue of distribution losses under true up analysis section of this order.

2.12 Transmission charges and Losses

2.12.1 Stakeholders Submission

1. It was submitted that information of actual Intra state losses and interstate losses and in energy balance quantum of energy received at intra state interface and energy received at interstate interface may be provided and accordingly energy balance may be calculated.
2. It was submitted that Transmission losses (Intra-state) and charges including SLDC may be allowed as per True Up order of RVPN and inter state losses as per CERC

order. It was submitted that NLDC/RLDC charges may be allowed as per CERC order.

2.12.2 Petitioner's Response

1. Discoms submitted that it has initiated the process of formation of committee between RUVN, SLDC and Discom to conclude the discrepancy.
2. Discoms submitted that the Commission may take view on the approval of True-up petition for the FY 2018-19

2.12.3 Commission's View

The Commission has taken note of the comments of the Stakeholders and reply of Discoms thereto and dealt with the issue of transmission charges and losses under true up analysis section of this order.

2.13 Subsidy

2.13.1 Stakeholders Submission

1. It was submitted that the Discoms have received lesser subsidy than the due amount from State Government, this is the violation of section 65 of Electricity Act 2003, Regulations 13 of RERC Tariff Regulations 2014 and Commission directives in this regard. It was also submitted that, when due subsidy amount was not received from Government, then subsidized tariff should not be allowed to the related consumers as it is violation of RERC order and Commission may take action in terms of Section 142 & 146 of Act for non-compliance of its order.
2. It was submitted that due to non-receipt of subsidy from Government on time, Discoms must have obtained the loan to bridge the gap, interest on such loan should be disallowed.

2.13.2 Petitioner's Response

1. Discoms submitted that the GoR is releasing subsidy on the subsidized rate committed in its order. The difference in subsidy assessed and released is due to the discrepancy in assessing the sales for metered consumers with defective meters. The Discoms are continuously in talks with the GoR to release the subsidy on the basis of actual subsidy assessed.

2. Discoms submitted that to meet the gap due to the non-release of the actual subsidy assessed, the Discoms do have to take working capital loans but during the approval of the True-up petition by the Commission, only normative working capital as per the RERC Regulations, 2014 is being incorporated as a part of the expenses and no surplus burden due to any inefficiencies of the Discom is passed on to the consumers.

2.13.3 Commission's View

The Commission while taking note of the reply given by Discoms observes that the payment of subsidy shall always be in accordance with the Provisions of Electricity Act, 2003 and the Regulations specified in this regard and has not passed burden of additional loan on the consumers.

2.14 Temporary Connection

2.14.1 Stakeholders Comments

1. It was submitted that Commission in its last true up order has observed that as far as temporary connections are concerned, the Discoms are directed to file separate information of category wise number of temporary connections, connected load, sales and revenue realization from them in next petition, the Discoms have not filed this information.
2. It was submitted that in case of JdVVNL, whether the sales and revenue from temporary connection is included in the total sales and revenue indicated in the petition.
3. It was submitted that with regard to MIP the average rate of temporary supply work out as Rs 35.98/kWh. JdVVNL may clarify the same.

2.14.2 Petitioner's Response

1. JVVNL submitted that the category wise details of temporary connections have been submitted with the reply of data gaps.
2. JdVVNL submitted that total sales as submitted includes the sales to temporary connections. Discom further submitted that revenue from temporary connections has been accounted for in the total revenue from sale of power (in Format 2.1 and table 2 of the petition) and not shown separately in the audited accounts.
3. JdVVNL submitted that the procuring a few units on a large connected load

(corresponding high fixed charges), the ABR comes out to be on a higher side.

2.14.3 Commission's View

The Commission has taken note of the comments of the Stakeholders and reply of Discoms thereto.

2.15 Connection, 11KV and 33 KV lines

2.15.1 Stakeholders Submission

1. It was submitted that the Discoms may provide the information of amount received/recovered from various categories of consumers for release of connection viz service connection charges, extension to distribution mains including 11KV/33KV etc. during FY 2018-19 and expenditure incurred for above purpose. Discoms may also provide the information of number of consumers/connection released during FY 2018-19.
2. It was submitted that the Discoms may provide the information of length of energization of voltage wise lines.
3. It was submitted that in the true up of FY 2017-18, a sum of Rs 31.27 Crores receivable was outstanding from PHED on account of release of new connections given on the basis of undertaking from PHED. The JVVNL may provide the copy of undertaking, total amount to be received from PHED in respect of connections released on the basis of undertaking, amount recovered during FY 17-18 and FY 18-19 and in further years and why interest on such outstanding has not been recovered from the PHED.

2.15.2 Petitioner's Response

1. JVVNL submitted that that the amount recovered from various consumers is not available with the Discom. JVVNL further submitted that the total expenditure incurred for providing connections to the consumers has been reflected in the capital expenditure incurred for the FY 2018-19 and category wise details are not available with the Discom. JVVNL has provided the information of connection released during FY 2018-19. AVVNL submitted that to release of service connections viz. service connection, extension of mains etc. amounting to Rs. 286.18 Cr. were recovered from prospective consumers as CCSL during 2018-19. For release of service connections, the Discom has to erect LT & HT lines, substations, service lines and metering equipment. The concerned expenditure is also booked under CWIP. Total CWIP for the year FY19 was Rs. 2454.37 Cr. which also includes Schemes and deposit works' CWIP. The total no. of permanent connections released in FY19 have been submitted. JDVVNL

submitted that the expenditure incurred by the Discom for release of such connections has been included in the actual capital expenditure.

2. The Discoms submitted the voltage wise length of lines.
3. JVVNL submitted the undertaking from PHED amount of Rs. 22.66 Crore is to be recovered from PHED as on 31.03.2019, JVVNL recovered Rs. 2.91 Crore and Rs. 4.63 Crore in FY 2017-18 and FY 2018-19 respectively and there is no provision to charge interest on the outstanding amount pertaining to new connections.

2.15.3 Commission's View

The Commission has taken note of the comments of the Stakeholders and reply of Discoms thereto. The Discoms are directed that in future they should not extend these kind of facility and ensure that all amount is deposited upfront by prospective consumers.

2.16 Fixed Assets

2.16.1 Stakeholders Submission

1. it was submitted that Discom may furnish the Fixed Assets Register , lease hold records and free hold records.
2. It was submitted that copy of certificate given by the circle SE is respect of capitalization of fixed assets be provided. Copy of certificate given by Electrical Inspector for allowing energizing the above assets be also provided.
3. It was submitted that JdVVNL may provide detail of fixed assets capitalized on the basis of above certificate during FY 2018-19.
4. It was submitted that JdVVNL may provide the date on which capitalization of lines and substations have been energized.

2.16.2 Petitioner's Response

1. JVVNL submitted that the process of compilation of fixed assets register has been taken up on war footing as per the orders of the Hon'ble Commission dated 31.12.2019. The Fixed Assets Registers of 8 (O&M) circles i.e. JPDC, JCC, Tonk, Dholpur, Dausa, Sawai Madhopur, Bundi and Kota & 4 (Non- O&M) circles i.e cash, Jaipur Zone, MM, M&P-IT are being submitted as part of this MYT petition. The physical verification of assets in the remaining circles is underway and the FAR of such circles shall be submitted once verification is completed by the concerned agency.

AVVNL submitted that the process of compilation of fixed assets register has

been taken up as per the Commission's order dated 31.12.2019. Upon completion of due processes of verification, valuation, reporting and preparation of asset register, the same shall be submitted to the Commission.

2. JdVVNL submitted the required certificates. AVVNL submitted that work completion certificates furnished by the circle SEs were presented before statutory auditors, who have not commented any deficiency thereof except that capitalization should be date wise instead of monthly, so that depreciation be charged from the date from which asset is put in use and not from the month. AVVNL and JdVVNL further submitted that as per GoR Notification No: F.23(3)/ Energy/2015 Dt. 21.03.2016, Discom is competent for self-certification for electric installations.
3. JdVVNL submitted the details of fixed assets capitalized during the FY 2018-19.
4. JdVVNL submitted that owing to the huge network of the Discom and multiple works going on, the date wise energization is not available

2.16.3 Commission's View

The Commission has taken note of the comments of the Stakeholders and replies of Discoms thereto and has taken an appropriate view while allowing the ARR.

2.17 Voltage Wise Cost of Supply

2.17.1 Stakeholders Submission

It was submitted that regarding the segregation of network cost, JdVVNL has not quoted the relevant judgment of tribunal, therefore the Discom is required to indicate matter and appeal no of the Hon'ble Tribunal judgment.

It was further submitted that while going through detail calculation of network cost per unit it is noted that interest on capital works, interest on consumer security deposit, bed debts and other expenses have added, the Discom is required to provide the justification for such additions in view of Hon'ble Tribunal Judgment on calculation of voltage wise cost of supply.

2.17.2 Petitioner's Response

JdVVNL submitted that the judgment of tribunal pertaining to the calculation of voltage wise cost of supply is in "Appeal no. 102 of 2010".

JdVVNL also submitted that the fixed costs have been included in the calculation of fixed network cost per unit

2.17.3 Commission's View

The Commission has taken note of the comments of the Stakeholders and reply of Discoms thereto.

2.18 Distribution Franchisee

2.18.1 Stakeholders Submission

1. It was submitted that JdVVNL may provide the information of amount submitted by the DF to the Discom pertaining to provident fund and pension fund contribution.
2. It was submitted that in case of AVVNL from form 2.1 (a), it is noted that voltage rebate has not been allowed to large industries by the Distribution franchisee and no fuel surcharge has been recovered in respect of SIP(WW).
3. It was submitted that AVVNL may furnish the details of capital investment incurred by Distribution Franchisee during FY 2018-19 along with the list of works executed.

2.18.2 Petitioner's Response

1. JdVVNL submitted that statement showing amount submitted by the DF to the Discom pertaining to provident fund and pension fund contribution is provided.
2. AVVNL submitted that the franchisee has provided voltage rebate to the eligible consumers of Rs. 0.17 Crore. The franchisee has also recovered Rs. 17,691 as fuel surcharge but due to rounding off, the figure has been rounded off to Rs. 0.00 Crore.
3. AVVNL submitted that the total capital expenditure incurred by the Distribution Franchisee was Rs. 29 Cr in the FY19 and a cumulative Rs. 64 Cr. against the planned cumulative of Rs. 51 Cr. The details of the works executed have been provided.

2.18.3 Commission's View

The Commission has taken note of the comments of the Stakeholders and reply of Discoms thereto.

2.19 Inter company receivable and advance to RVPNL

2.19.1 Stakeholders submission

1. It was submitted that JVVNL is to receive Rs. 908.87 Crore from JdVVNL, Petitioner may intimate as to on what account the above amount receivable. Further AVVNL is to receive Rs. 747.80 Crore from JVVNL and Rs. 659.07 Crore from JdVVNL. Commission may disallow the interest on such receivables

2. It was submitted that JVVNL has given Rs. 52.20 Crore to RVPNL against CASE 1, CASE 2 projects and Kesorai Patan 1000 MW gas based project and Rs. 4.35 Crore given to UMPP through PFC. Whether any power purchase agreement has been entered into all above referred projects.

2.19.2 Petitioner's Response

1. The JVVNL submitted that amount is receivable from JdVVNL on account of the inter-discom power purchase and material procured by JVVNL on behalf of JdVVNL. Hence, Rs. 908.87 Cr. is receivable on same account. Further AVVNL submitted that the Commission may take a prudent view on the same.
2. The JVVNL submitted that the amount of Rs. 52.2 Cr. and Rs. 4.35 Cr. has been paid to RVPN for Case-I & Case-II and UMPP projects. RVPN has been designated as the nodal agency and hence, the Discom has paid this amount.

2.19.3 Commission's View

The Commission has taken note of the comments of the Stakeholders and reply of Discoms thereto.

2.20 Payment to APRL

2.20.1 Stakeholders Submission

1. It was submitted that whether, amount paid to Adani Power Rajasthan Limited on account of change in law of Rs. 662.04 Crore has been included in this true up petition or audited accounts for FY 2018-19 of AVVNL. Further it was submitted that special FSA is not being recognized and therefore it may be intimated where the revenue so received is being shown in the accounts. The amount received through special fuel surcharge from consumers up to date year wise may be intimated. The details of payment made to APRL may also be intimated.
2. It was submitted that in case the amount paid to M/s APRL by AVVNL is fully recovered even prior to the decision of Hon'ble APTEL whether AVVNL will stop recovery of any amount through special FSA from that date onwards or not.
3. In case the amount recovered through special FSA up to the date of stoppage of the recovery, become on higher side of the amount paid to M/s APRL, whether such excess amount will be refunded to the consumers.

In case the judgment in appeal pending before Hon'ble Tribunal comes in favor of Discoms and on account of such judgment the amount paid to M/s APRL, JVVNL and AVVNL may clarify the total amount so received will be refunded in lump sum to the consumers irrespective of fact that amount recovered through

FSA from consumers has been less than same. Further, in case such amount is refunded to the consumers in installments necessary interest will also be paid on such refund, It may be clarified.

4. It was submitted that whether, amount paid to Adani Power Rajasthan Limited on account of change in law of Rs. 929.60 Crore has been included in this true up petition or audited accounts for FY 2018-19 of JVVNL. Whether any amount has been recovered from consumers on this account through special FSA. Whether any amount shall be refunded to the consumers.

2.20.2 Petitioner's Response

1. AVVNL submitted that Rs. 662.04 Crore are reflected in the annual accounts of the Ajmer Discom. This amount is included in the power purchase cost shown in the Table -1 of the petition and Note 20 of annual accounts. The Discom further submitted that the order to recover special fuel surcharge was issued on 28.08.2019 and the recovery started from the billing month Oct '19. Hence, the revenue assessed in the FY 2018-19 through special FSA in FY 2018-19 is NIL and for FY2019-20 it is Rs 39.77 Crore. The details of payment made to M/s APRL is provided.
2. AVVNL submitted that in case the amount paid to M/s APRL by AVVNL is fully recovered even prior to the decision of "Hon'ble APTEL" itself implies that the petitioner would have recovered the required amount from the consumers and it is clear from the concept of levying fuel surcharge that once the amount has been recovered then the Discom has to stop recovering the same. Further, the petitioner submits that the order of the Hon'ble Supreme Court (the Apex Court) passed on 31st August 2020 specifies that the petitioner is liable to pay M/s APRL on account of change in law.
3. AVVNL submitted that amount, if recovered in excess, shall be adjusted in true up or be adjusted in next bills issued to the consumers.

JVVNL and AVVNL submitted that the judgment by the Hon'ble Supreme Court has been declared and the Discoms are liable to pay to M/s APRL on account of change in law.

4. JVVNL submitted that Rs. 929.60 has not been included in this true petition, Rs 929.60 was paid in lump sum in month of November and December 2019, accordingly has not been booked in audited accounts for FY 2018-19. Judgment by the Hon'ble Supreme Court has been declared and the Discoms are liable to pay to M/s APRL on account of change in law.

2.20.3 Commission's View

The Commission has taken note of the comments of the Stakeholders and reply of Discoms thereto.

Compliance with directives issued under True up order dated 31.12.2019

The compliance with directives issued under True up order dated 31.12.2019 for FY 2017-18 have been submitted by the Discoms, which have been summarized as below:

S. No.	Commission Directive	Reply of Discoms
1	To file separate information of category wise number of temporary connections, connected load, sales and revenue realization from them in next petition.(Para-2.2.3)	The required information has been submitted in the reply to Data gaps to true up petition of FY 2018-19.
2	Take up the issue of calculation of transmission losses in appropriate proceeding or separately with RVPN. (Para-2.10.3)	The issue is being taken up by Discoms with RVPN.
3	The payment of subsidy shall always be in accordance with the Provisions of Electricity Act, 2003 and the Regulations specified in this regard. (Para-2.12.3)	It is being continuously pursued by the Discom to receive undisbursed subsidy from GoR.
4	To furnish the pin pointed replies while responding to the stakeholder comments. (Para-2.14.3)	The Discoms has assured to furnish pin-pointed replies.
5	Ensure that franchisee functions in an efficient manner and also make adequate investment so that impact of working of franchisee should be reflected in overall efficiency improvement and Discoms are able to achieve target loss level based on end consumer sale. (Para-3.6)	The report regarding DFs have been submitted by the Discoms.
6	To file details of scheme wise equity, grant and loan while filing the next true up petition. (Para-3.12)	Scheme wise bifurcation of equity and grant is not available with the Discom, since equity received by the petitioner is not segregated by the GoR on the basis of the scheme.

7	The Discoms to furnish the Fixed Assets Register with the next year tariff/true up petition. (Para-3.29)	The process of compilation of fixed assets register is under process and ground tasks have been stopped for a while owing to the safety of the employees due to the global Covid-19 pandemic.
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Commission's View

1. The Commission has noted the compliance and has taken appropriate view while allowing the true up of ARR.
2. Directions given in ARR order dated 28.05.2018 and 06.02.2020 are dealt by the Commission in separate proceedings.

Section -3: Analysis of True Up of Discoms for FY 2018-19

3.1 Discoms have submitted petitions for truing up of ARR on the basis of audited accounts as follows:

- (i) JdVVNL – FY 2018-19
- (ii) JVVNL – FY 2018-19
- (iii) AVVNL – FY 2018-19

Analysis of True Up of ARR for FY 2018-19– JdVVNL

Sale of Energy

3.2 The Discom has indicated total sale of 19505.11 MUs including 1287.66 MUs sales to flat rate category. It has been observed that flat rate sales of 1287.66 MUs are within the limit of normative specific consumption, i.e., 1945 kWh/kW/year as specified by the Commission. It is further observed that the above sale is inclusive of sale of power of 792.56 MUs to the Distribution Franchisee (DF). Whereas DF has sold 636.06 MUs to the end consumer. As such, Commission accepts the sales of energy to end consumer only i.e., 19348.61 MUs. Keeping in view allowed sales of 19348.61 MUs, the distribution loss comes out to be 23.74% as against 23.12% indicated by the Discom.

Power Purchase Cost

3.3 Power purchase cost approved by Commission for FY 2018-19 was Rs. 10742 Crore vide ARR order dated 28.05.2018. For the purpose of truing up, JdVVNL has claimed Rs. 12481.57 Crore as power purchase cost (including short term power purchases and Transmission & SLDC charges).

3.4 Details of power purchase cost as submitted by Discom is given in table below:

Table 1: Power purchase cost submitted by JdVVNL FY 2018-19

Sr. No.	Particulars	Units (MUs)	Amount	Average Rate
	Energy petitioned by Discom			
1	Total Energy Purchased by Discom (A)	27836.63	11027.17	3.96
2	Less: Purchase From Short term sources (B)	477.68	218.92	4.58
3	Balance Energy from approved Sources C= (A-B)	27358.95	10808.24	3.95
4	Add: Transmission and SLDC charges (D)		1454.40	
5	Total Power Purchase claimed (A+D)		12481.57	

- 3.5 The Discom petitioned that it has purchased 27836.63 MUs out of which it has sold 774.27 MUs through exchange.
- 3.6 The Commission has noted that it has prescribed the target losses in its ARR Order based on sales to end consumers and any consideration of sales to franchisee at input level will show reduction in losses whereas revenue accounted by the Discom already stands reduced due to lower rate at input level. As the franchisee is acting on behalf of the licensee, the Discom should ensure that franchisee functions in an efficient manner and also make adequate investment so that impact of working of franchisee should be reflected in overall efficiency improvement and Discoms are able to achieve target loss level based on end consumer sale.
- 3.7 The Commission has worked out the power purchase requirement based on the approved distribution losses, transmission losses and sales in accordance with approved methodology.
- 3.8 The Discom has furnished total transmission losses (inter and intra state) in MUs terms, therefore, to segregate the same, the Commission has used the intra state losses of 3.34% based on RVPN true up petition for FY 2018-19 and the interstate transmission losses @ 3.15% on units purchased from outside the State, as approved by the Commission based on ARR Order dated 28.05.2018.
- 3.9 The Commission in earlier orders of True ups has allowed Transmission losses as submitted by Discoms by using intra state losses based on RVPN true up petition and balance as interstate Losses. However, despite direction Discoms have not furnished the breakup of Transmission losses into intra state and interstate Losses hence Commission has considered the intra state losses based on RVPN true up petition and Inter State Losses @ 3.15 % as approved in ARR order dated 28.05.2018 and remaining losses have been disallowed.
- 3.10 Details of gross energy requirement worked out on the basis of sales as indicated in foregoing para is given in the table below:

Table 2: Gross Energy Requirement of JdVVNL for 2018-19 (MUs)

Sr. No.	Particulars	Approved as per Order Dated 28.05.2018	Actual/Audited	Restated Level	Normative Calculation
1	Gross Energy Requirement	25454	27836.64	27836.64	24632.50
2	Less:- Sale Through Exchange	0	774.27	774.27	774.27
3	Net Energy Requirement	25454	27062.36	27062.36	23858.22
4	Inter State Transmission Loss (MU)	317	814.14	814.14	308.59
5	Energy Availability at RVPN (MU)	25137	26248.22	26248.22	23549.63
6	Intra State Transmission Loss(%)*	3.35%	3.34%	3.34%	3.34%
7	Intra State Transmission Loss(MU)	842	876.69	876.69	786.56
8	Energy Requirement at Distribution Periphery (MU)	24295	25371.53	25371.53	22763.07
9	Distribution Loss (%)	15.00%	23.12%	23.74%	15.00%
10	Distribution Loss (MUs)	3644	5866.42	6022.92	3414.46
11	Energy Sales (MUs)	20651	19505.11	19348.61	19348.61

3.11 It is observed that the Discom has purchased 3204.14 MUs in excess due to increase in distribution loss over the target given by the Commission.

3.12 As per Regulation 76(5) of RERC Tariff Regulations, 2014, the losses on account of distribution licensees' failure to achieve the target set by the Commission be shared in the ratio of 50:50 between the distribution licensee & consumers.

3.13 It is further noted that during previous years and in the year under consideration, Discoms have made substantial investment in various loss reduction schemes with an objective of reduction of losses but still losses of Discoms are not as per trajectory set by the Commission vide order dated 20.02.2015 and subsequently revised trajectory in line with UDAY vide order dated 02.11.2017. Discoms are not able to bring in requisite improvement in metering, billing & collection activities etc. In Commission's View, the consumers should not be burdened on account of continuous non achievement of targets by Discoms despite being allowed requisite investment and accordingly, as while dealing with capital expenditure, the Commission has considered actual capitalization, the Commission has decided not to allow sharing on account of failure to achieve the targeted losses as done in the earlier orders and Discoms shall have to bear the burden of excess losses and meet the same in future years by improving their working. It has also been brought to the notice of the Commission that Discoms are not able to get the full grant as envisaged under various

schemes. Therefore, the Commission directs the Discoms to file details of scheme wise equity, grant and loan while filing the next true up petition.

3.14 Accordingly, the Commission allows energy requirement of 24632.50 MUs only based on targeted losses.

3.15 Discom has submitted the total power purchase cost of Rs. 11027.17 Crore including the provision for banking of Rs. 16.50 Crore and transaction cost of Rs. 6.37 Crore. In view of decision in the order dated 31.12.2019, the Commission has not considered the provision for banking cost of Rs. 16.50 Crore as banking has been considered as cost neutral and only considered the transaction cost of Rs. 6.37 Crore.

3.16 It is observed that in power purchase format, Discom has shown services charges to RUVNL of Rs. 4.80 Crore. The Stakeholders stated that since the function of power purchase is being managed by RUVNL, there would be saving in Operational cost to Discoms, whereas Commission has allowed O&M on normative basis without any deduction. Therefore following the last year order approach the Commission has not considered the services charges to RUVNL. Accordingly, the Commission has considered the total power purchase cost of Rs. 11005.86 Crore.

3.17 Details of power purchase cost as approved by the Commission is given in table below:

Table 3: Power purchase cost of JdVVNL approved for FY 2018-19

Sr. No.	Particulars	Units (MU)	Amount	Average Rate
	<u>Energy approved by Commission:</u>			
1	Total Energy Purchased by Discom (A)	27836.64	11005.86	3.95
2	Less: Disallowed short term sources (B)	477.68	218.92	4.58
3	Total Energy from approved sources (C=A-B)	27358.95	10786.93	3.94
4	Less: Disallowed approved sources (D)	2726.46	1074.97	3.94
5	Power Purchase Cost Allowed E=(A-B-D)	24632.50	9711.96	
6	Add: Transmission and SLDC charges (F)		1454.40	
7	Total Power purchase cost allowed (E+F)		11166.37	

3.18 While disallowing the excess purchase of 3204.14 MUs by Discom, The Commission has first considered the power purchase of 477.68 MUs from short term sources and rest 2726.46 MUs from approved sources.

3.19 Discom has submitted Rs. 1454.40 Crore as Transmission and SLDC charges which have been allowed as per actual by the Commission. Accordingly, the total power purchase cost including transmission and SLDC charges approved for FY 2018-19 is Rs. 11166.37 Crore.

Operations and Maintenance (O&M) Expenses

3.20 The O&M expenses approved by the Commission for FY 2018-19 vide Tariff order dated 28.05.2018 were Rs. 1370 Crore including terminal benefit liability of Rs. 325 Crore. For the purpose of true up, JdVVNL has claimed Rs. 1355.26 Crore as O&M expenses (including terminal benefits based on actuarial valuation of Rs. 556 Crore).

3.21 Regulation 83 of RERC (Terms & Conditions of Determination of Tariff) Regulations, 2014 provides for O&M expenses for the first year of the Control Period (i.e., FY 2014-15) as under:

- a) Employees expenses: 38 paisa per unit of sale
- b) A&G Expenses: 04 paisa per unit of sale
- c) R&M Expenses: 08 paisa per unit of sale

3.22 Normative O&M expenses allowed at the commencement of the Control Period (i.e., FY 2014-15) under these Regulations shall be escalated at the rate of 5.85% per annum for each year of the Control Period.

3.23 O&M expenses are allowed as per the above norms specified in the Tariff Regulations, 2014 for base year 2014-15. Capitalization of O&M expenses has been considered as per actual percentage submitted by Discoms.

3.24 As the O&M expenses of distribution area of DF are borne by the distribution franchisee (DF), therefore the normative O&M expenses have been calculated duly deducting the sales of distribution franchisee from the total sales

3.25 Details of normative O&M expenses as allowed are given in table below:

Table 4: O&M Expenses of JdVVNL for 2018-19

(Rs. in Crore)

Sr. No.	Particular	Amount
1	Energy Sales approved by Commission excluding sales by DF (in MU)	18712.55
2	Normative Employee cost for FY 2018-19 (Rs. 0.47703/ unit)	892.65

3	Normative A &G expenses (Rs. 0.05021/unit)	93.96
4	Normative R&M expenses (Rs. 0.10043/ unit)	187.93
5	Less: Proportionate Employee Cost Capitalized	136.04
6	Less: Proportionate A &G cost capitalized (A&G)	8.95
7	Total O&M Expenses Allowed after True Up	1029.54

Terminal Benefit

3.26 The Commission had approved Rs. 325 Crore towards terminal benefit liability vide its tariff order dated 28.05.2018. JdVVNL submitted that they have deposited a sum of Rs. 22.50 Crore towards terminal benefit liability to designated trust. Accordingly, as per the practice followed by the Commission in earlier True Up orders, the terminal benefit liability to the extent of actual amount of Rs. 22.50 Crore deposited by the JdVVNL has been considered.

Depreciation

3.27 The depreciation approved by Commission for FY 2018-19 was Rs. 494 Crore vide Tariff order dated 28.05.2018 whereas the Discom has claimed Rs. 683.07 Crore as depreciation.

3.28 The petitioner has informed that Rs. 593.39 Crore has been shown towards terminal benefit expenses and out of total employee cost capitalization of Rs. 135.03 Crore, the proportionate terminal benefit capitalization is Rs. 37.39 Crore. The petitioner must have added the aforesaid terminal benefit capitalization to assets addition during FY 2018-19. As the Commission in above paras has already considered the terminal benefit without capitalization, therefore, the Commission has deducted the capitalization of terminal benefit from the assets addition during FY 2018-19.

3.29 The Commission has worked out Depreciation as under:

- a) The closing balance of depreciable assets for the previous year approved by the Commission in the true up order for FY 2017-18 has been considered as the opening balance for FY 2018-19. The same has been reduced by amount of assets deduction as per audited accounts.
- b) Addition to capitalization for current year has been considered as per audited accounts.
- c) The Capitalization towards terminal benefit has been considered as per Discom submission.

d) Consumer Contribution and Grants have been considered based on Audited Accounts.

e) The average depreciation rate as per Annual Audited Accounts has been considered for FY 2018-19.

3.30 It has been observed that despite of repetitive direction by Commission for preparation of Fixed Assets Register, Discoms have not complied with Commission directives, therefore, the Commission has reduced the approved depreciation for FY 2018-19 by 5% and directs the Discoms to furnish the Fixed Assets Register with the next year tariff/true up petition. On furnishing the Fixed Assets Register to the satisfaction of Commission, Discoms may request to consider to allow the aforesaid disallowed depreciation.

3.31 Details of depreciation charges allowed for FY 2018-19 are given in table below:

Table 5: Depreciation charges of JdVVNL for 2018-19

(Rs. in Crore)

Sr. No.	Particular	Amount in crores
1	Depreciable assets at the beginning of the year (closing balance of FY 2017-18)	8704.76
2	Less: Deductions as per audited accounts	47.36
3	Capitalization during the year	2051.06
4	Less Capitalization towards terminal benefit	37.39
5	Less: Capital Outlay financed by Consumer Contribution and grant	1192.01
6	Depreciable assets added during the year (3-4-5)	821.66
7	Closing balance of GFA (1-2+6)	9479.05
8	Average depreciable assets during the year	9091.91
9	Average depreciation rate	5.03%
10	Depreciation Allowed after True UP	457.01
11	Approved Depreciation after reduction of 5% due to non submission of fixed assets register	434.16

Interest and Finance Charges and Interest on Working Capital

3.32 The interest & finance charges approved by Commission for FY 2018-19 were Rs. 2148 Crore including interest on working capital as per the ARR order dated 28.05.2018. For the purpose of true up, JdVVNL has claimed Rs. 2766.64 Crore as interest and finance charges including interest on working capital.

3.33 Stakeholders requested for disallowance of interest charges on the investment made by Discoms as they have failed to curtail the losses. Commission has considered the issue and finds that the investments are made not only for reduction of losses but also made for various other purposes, viz., system strengthening/ augmentation and improvement, consumer servicing, institutional strengthening, supply to consumers, power evacuation, meeting future load growth and strategic important schemes. The Discoms are also duty bound to develop and maintain an efficient, coordinated, and economical distribution system in their area of supply and also have a duty to supply on request as laid down in Electricity Act, 2003. Moreover, looking to the vast network and efforts to make electricity available to all, necessary investments have to be made. As far as the non achievement of target of reduction in losses is concerned, the Commission has already disallowed excess power purchase cost and sharing of distribution losses as discussed in foregoing paras. As such, the Commission accepts the capitalization as per audited accounts of Discom.

3.34 The interest and finance charges have been worked out by considering the following:

- a) The closing balance of long term loans for previous year approved by the Commission in its True up order dated 31.12.2019 has been considered as opening balance of long term loans for FY 2018-19.
- b) Equity, consumer contribution and grants have been considered on the basis of actual. Equity addition has been considered as per additional submission of Discom.
- c) Addition to long term loans during the year has been worked out by reducing the total capitalization by the amount of consumer Contribution, capital grants and equity received during the year and capitalization towards terminal benefit.
- d) Repayment has been treated equal to the depreciation allowed for FY 2018-19.
- e) Interest rate has been worked out as per Regulation 21 (5) of RERC Tariff Regulations, 2014 based on the information of term loan

submitted by the Discom.

- f) Finance charges and interest on security deposit of consumers are allowed as per actual. The Commission has not considered the delayed payment charges of power purchase and penalty on statutory dues.

3.35 With regard to Unfunded Gap, in the last true up order for FY 2017-18, the Commission has approved the unfunded gap of Rs. 14509 till 31.03.2018. the Commission has computed the interest on aforesaid amount.

3.36 Commission has allowed interest and finance charges as per the methodology explained in the above para. The details are given in table below:

Table 6: Interest and Finance Charges of JdVVNL for 2018-19 (Rs. in Crore)

Sr. No.	Particular	Amount in crores
1	Opening balance of Long term Loan (LTL) (closing balance of FY 2017-18)	3234.67
2	Add: Capitalization during the year	2051.06
3	Less: Capital Outlay financed by Equity	100.03
4	Less: Capital Outlay financed by Consumer Contribution and grant	1192.01
5	Less Capitalization towards terminal benefit	37.39
6	Addition to LTL for Capital Outlay {2-(3+4+5)}	721.63
7	Less: Repayments equal to depreciation	457.01
8	Closing balance of LTL (1+6-7)	3499.29
9	Average LTL	3366.98
10	Add: Revenue Gap recognized for previous year after loan taken over under UDAY	14509.00
11	Total Long Term Loan Balance to be considered for allowing interest for FY 2018-19 (9+10)	17875.98
12	Average Interest rate of LTL	10.49%
13	Interest Charges on LTL and revenue gap	1874.44
14	Interest on security deposit from consumers - As per actual	39.65
15	Finance Charges-As per actual	99.18
16	Total Interest and Finance Charges Allowed after True UP (13+14+15)	2013.27

Interest on working capital

3.37 The Commission has approved the interest on working capital on normative basis as per Regulation 27 of RERC Tariff Regulations, 2014. In accordance with Regulation 27 of RERC Tariff Regulations, 2014, for the calculation of gain or loss on account of variation in interest rate, the Commission has

considered the difference on account of interest rate submitted by Discom and normative interest rate allowed by the Commission. The details are given below:

- a) O&M expenses as approved for FY 2018-19 have been considered for the purpose of calculation of working capital requirement.
- b) Receivables have been considered based on the ARR after the true up of FY 2018-19.
- c) The normative rate of interest on working capital has been taken as 250 basis points higher than the average Base Rate of State Bank of India prevalent during first six months of the year previous to the relevant year.
- d) Amount of security deposit as per audited accounts has been taken.

3.38 Details of Interest on working capital are given in table below.

Table 7: Interest on Working Capital of JdVVNL for 2018-19 (Rs. in Crore)

Sr. No	Particular	Amount considering normative interest rate	Amount considering interest rate submitted by Discom
1	O&M expenses of one month	85.80	85.80
2	Maintenance spares @ 15% of operation and maintenance expenses specified in regulation 83;	154.43	154.43
3	Receivables equivalent to one and a half (1½) months billing of consumers	1848.73	1848.73
4	Less: Security deposit from consumers	666.26	666.26
5	Total working capital requirement (1+2+3-4)	1422.70	1422.70
6	Rate of Interest (SBI PLR Rate)	11.55%	11.48%
7	Interest on working capital allowed after true-up	164.32	163.32
8	Less : 50% gain arising from variation in Interest rate as per regulation 27 Of RERC 2014	(0.50)	
9	Net Interest on working capital	163.82	

3.39 It may be seen that gain on account of variation in interest rate is Rs. 1 Crore. As per Regulation 27 of RERC Tariff Regulations, 50% of such gain is to be passed on as a rebate in tariff and the licensee is allowed to retain only 50% of such gain. Accordingly, 50% of the gain has been reduced from the amount of interest on working capital worked out on the basis of normative interest rate.

Prior Period Expenses

3.40 JdVVNL has claimed prior period expenses of Rs. 32.06 Crore. The details of prior period expenses as per audited accounts are as follows:

(Amount in Rs. Crore)		
Particulars	For the year ended 31.03.2019	
Prior period expenses/loss:		
Short Provisions for Power purchase in previous year		21.75
Employees cost relating to previous year	9.60	
Material related expenses relating to previous year	(0.0037)	
Capitalization of Employee Cost (Prior period)	0.22	
Administrative & general expenses	0.49	10.31
Total		32.06

3.41 While carrying out the true up of any financial year, the Commission allows the capitalization, operation and maintenance expenses, depreciation, interest and finance cost as per Tariff Regulations. Hence, expenses of Rs. 10.31 Crore on account of A&G expenses in JdVVNL audited accounts have not been considered as prior period expenses as the Commission has already approved the above expenses in the true up order till FY 2017-18 as per the norms specified in the Tariff Regulations.

3.42 In additional information, the Discom has furnished the item wise details of prior period expenses relating to power purchase.

3.43 On perusal of information furnished by Discom towards prior period expense of power purchase of Rs. 21.75 Crore, the Commission observed that these prior period expenses include:

a) Amount of Rs. 21.21 Crore: is due to impact of change in law of Rs. 12.25 Crore in case of rajwest and Rs 8.97 Crore in case of PTC DB taken in prior period expenditure as pointed out by AG, Which is allowed by the Commission.

b) Prior period adjustment of Rs. 0.19 Crore, Rs. 0.35 Crore and Rs 0.00048 Crore against AVVNL, RVPN and RVUNL ICT respectively- not taken in previous years so adjusted in FY 2018-19, which are

allowed by the Commission.

Other Debits:

- 3.44 JdVVNL has claimed other debits of Rs. 36.96 Crore. It has been observed that the major item of other debits is the provision for bad and doubtful debts of Rs. 23.70 Crore, bad debts written off of Rs. 0.0018 Crore, compensation in case of injury/death of Rs. 1.29 Crore, deferred revenue expenses of Rs. 0.034 Crore, loss due to theft of fixed assets of Rs. 0.73 Crore, Shortage on physical verification of stock of Rs. 0.0077 Crore and Misc. Losses and write off of Rs. 11.19 Crore.
- 3.45 While carrying out the true up exercise, the Commission has not considered any provision towards bad and doubtful debts. The expenses are allowed only to the extent of bad debts actually written off by the Discom subject to limit stipulated in the Tariff Regulations. Therefore, the Commission has considered the bad debts of Rs. 0.0018 Crore actually written off.
- 3.46 Further, with regard to loss due to theft of Fixed Assets, the regulation 25 of RERC tariff Regulations, 2014 provides that actual insurance expenses incurred by the generating company or licensee shall be allowed separately, subject to a ceiling of 0.2% of average Net Fixed Assets for the year. The Commission accordingly has considered the loss due to theft of Fixed Assets of Rs. 0.73 Crore being less than the normative insurance expenses.
- 3.47 Compensation paid towards injury /death of Rs. 1.29 Crore is considered as per actual.
- 3.48 Further, the Commission has not considered shortage on physical verification of stock of Rs. 0.0077 Crore, deferred revenue expense written off of Rs. 0.034 Crore.
- 3.49 The Commission accordingly has considered the other debit of Rs. 13.21 Crore against the Discom claim of Rs. 36.96 Crore.

Consumer Education and Rebate Allowed to Consumers

3.50 Regarding consumer education and awareness, Commission vide its Order dated 28.05.2018, allowed an additional amount of Rs. 50 lakh per Discom. Discom has submitted that it has not incurred any amount towards consumer education and awareness programs, Therefore, Commission has not considered any amount towards aforesaid objective.

3.51 JdVVNL has shown the rebate allowed to consumers separately and the same has been considered by the Commission.

Revenue

3.52 Revenue from sale of power, Non-Tariff Income, other Income, Wheeling Charges and Cross Subsidy Surcharge, sale of power through trading and Prior Period Income as petitioned by Discom has been accepted.

3.53 Delayed payment Surcharge: with regard to delayed payment surcharge, the Commission in its order dated 28.05.2018 in the matter of Determination of ARR of Discoms for FY 2018-19, directed the Discoms as under:

“As discussed in ARR section of FY 2017, the Commission directs the Discoms to take up this matter while filing the petition for true-up for FY 2018-19 wherein Discoms should furnish detailed calculations corroborating their claim based on actual/audited data.”

3.54 In compliance to aforesaid observation of Commission, in the instant petition, the petitioner has submitted the following with regard to the delayed payment surcharge as under:

“The Petitioner accordingly submits that as per the audited annual accounts for FY 2018-19, the Non-tariff income and other income is Rs.535 Cr which includes Rs.178.21 Cr towards Delayed Payment Surcharge (DPS) from consumers. As the Petitioner charges DPS @ 24% per annum (2.0% per month), the principal amount works out to Rs.742.54 Crore on which DPS has been charged. The Commission in its order dated 2nd November 2017 has allowed 12.26% as the normative interest rate for working capital in accordance with the RERC (Terms and Conditions for Determination of Tariff) Regulations, 2014. Considering the same interest rate, the detailed computation of financing cost of DPS is summarized in the table below:

Interest on funding of Principal DPS	FY 2018-19 (Rs. Cr.)
DPS	178.21

Principal Amount on which DPS is charged (@2% per month)	742.53
Interest rate for funding principal of DPS	11.55%
Interest on funding of Principal DPS	85.76

Accordingly, the Non-Tariff Income may be appropriately adjusted by reducing it with the financing cost computed above."

3.55 The Discom had submitted that Delayed Payment Surcharge (DPS) is levied on the outstanding receivables of the consumers and considered in the books of accounts on accrual basis. If the accrued DPS is considered to form part of Non Tariff Income (NTI), it is important that the financing cost for corresponding receivables must also be considered. The Petitioner is allowed only 1.5 months receivable in allowance of working capital and for period beyond that period DPS is applicable. Thus the financing cost of such receivables must be allowed.

3.56 In the aforesaid matter, the Commission is of view that interest on delayed payment by Discom to power suppliers and vendors are not considered by Commission. Therefore, it would be appropriate that delayed payment surcharge received by Discom from consumers should also not be considered to form part of non tariff income.

3.57 The Hon'ble APTEL in appeal no 153 of 2009 vide judgment dated 30 July, 2010 held that the normative working capital compensates the distribution company in delay for the 2 months credit period which is given to the consumers. The late payment surcharge is only if the delay is more than the normative credit period as for the period of delay beyond normative period, the distribution company has to be compensated with the cost of such additional financing.

3.58 Accordingly, as per approach adopted in last true up order the interest on principal amount of delayed Payment Surcharge below has not been considered as part of non tariff income. While working out the interest on delayed payment surcharge Commission has considered the normative interest rate of working capital as under:

Particulars	Amount
Principal Amount on which DPS as claimed by Discom	742.53
Interest rate for funding principal of DPS	11.55%
Interest on funding of Principal DPS	85.76

3.59 Discom has stated that in their accounting policies consumer contribution for service connection & line, capital grants and subsidies received towards cost of capital assets have not been reduced from the cost of assets. The same has been treated as Deferred Revenue Income which is being amortized/written off in 25 years from the year of its receipt. The depreciation pertaining to such fixed assets is fully charged to revenue.

3.60 However, while computing the depreciation, the Commission has reduced the capitalization amount funded by the consumer contribution, capital grant and subsidy received during the year. Therefore, the Commission has not considered the depreciation benefit on such assets and consequently deferred revenue is also not accounted for.

3.61 The petitioner has informed that the profit of Rs. 1233.76 Cr is after inclusion of UDAY grant of Rs. 4,575.71 Cr which is not cash profit and only book profit. The petitioner submitted that the grant of Rs. 4575.71 Cr is shown as income for accounting purposes. The impact of such UDAY grant has already been taken into account by the Commission in its ARR and Tariff order dated 02.11.2017 while working out unfunded gap the Commission had reduced the regulatory assets to the extent of loans taken under UDAY. Hence petitioner request not to consider such exceptional item as income while truing up as it is shown only to reconcile the deficit/surplus as per true up petition with accounting profit/loss for the year.

3.62 Based on above discussions and data provided by JdVVNL, prayer of Discom for True-up of the expenditure and revenue for FY 2018-19 based on the actual performance and for approval of the revenue gap of Rs. 3341.95 Crore for the year has not been accepted as petitioned. The Commission has approved the same to the extent shown in following table.

Table 8: Summary of True up of JdVVNL for FY 2018-19 (Rs. in Crore)

Sr. No.	Particulars	As per order dated 28.05.2018	As per petition	Approved After truing up
1	Revenue			
2	Sale of power	12891	12878.41	12878.41
3	Non-tariff income and other income	370	302.78	217.02
4	Deferred Revenue Income	-	232.21	0.00

5	Wheeling charges, Cross Subsidy Surcharge and additional surcharge	49	10.54	10.54
6	Sale of power through trading		297.16	297.16
7	Prior Period Income	-	94.68	94.68
8	Total Revenue, A	13310	13815.79	13497.81
9	Expenditure			
10	Power purchase Cost	10742	12481.57	11166.37
11	O & M Expenses	1045		
12	Employee cost		543.00	756.61
13	A&G expenses		92.72	85.01
14	R&M expenses		163.54	187.93
15	Terminal Benefits	325	556.00	22.50
16	Insurance Expenses	20	0.39	-
17	Consumer Education	0.50	0.00	0.00
18	Depreciation	494	683.07	434.16
19	Interest & finance charges	1983	2766.64	2013.27
20	Interest on working capital	165		163.82
21	Prior period expenses	-	32.06	21.75
22	Other debits	-	36.96	13.21
23	Rebate allowed to consumers	-	152.81	152.81
24	Total Expenditure, B	14775	17508.75	15017.43
25	Surplus/deficit, C = (A-B)	(1,464.40)	(3,692.97)	(1,519.62)
26	Revenue subsidies received from State Government D	402	351.02	351.02
	RVUN true up order	(33.00)		
27	Revenue gap for FY 2018-19, E =(C+D)	(1,094.96)	(3,341.95)	(1,168.60)
28	Gap worked out as per last true up order,F	-	(14,509.00)	(14,509.00)
29	Cumulative Revenue Gap to be carried forward, E+F	-	(17,850.95)	(15,677.60)
30	Cumulative Revenue Gap till FY 2018-19		(29,774.77)*	(15,677.60)

***As per audited accounts**

Analysis of True Up of ARR for FY 2018-19 – JVVNL

Sale of Energy

3.63 The Discom has indicated total sale of 24044.98 MUs including 329.62 MUs sales to flat rate category. It has been observed that flat rate sales of 329.62 MUs are within the limit of normative specific consumption, i.e., 1945 kWh/kW/year as specified by the Commission. It is further observed that the above sale is inclusive of sale of power of 1580.20 MUs to the Distribution Franchisee (DF). Whereas DF has sold 1214.53 MUs to the end consumer. Thus, the sale to end consumer has been indicated as 23679.30 MUs. As such, Commission accepts the sales of energy to end consumer only i.e. 23679.30 MUs. Keeping in view allowed sales of 23679.30 MUs, the distribution loss comes out to be 21.75% as against 20.54% indicated by the Discom.

Power Purchase Cost

3.64 Power purchase cost approved by Commission for FY 2018-19 was Rs. 12424 Crore vide ARR order dated 28.05.2018. For the purpose of truing up, JVVNL has claimed Rs. 15081.37 Crore as power purchase cost (including short term power purchases and Transmission & SLDC charges).

3.65 Details of power purchase cost as submitted by Discom is given in the table below:

Table 1: Power purchase cost as submitted by JVVNL for FY 2018-19

Sr. No.	Particulars	Units (MU)	Amount	Average Rate
	<u>Energy petitioned by Discom</u>			
1	Total Energy Purchased by Discom (A)	33231.74	13300.55	4.00
2	Less: Purchase From Short term sources (B)	592.84	272.42	4.60
3	Balance Energy from approved Sources C= (A-B)	32638.90	13028.13	3.99
4	Add: Transmission and SLDC charges (D)		1780.82	
5	Total Power Purchase claimed (A+D)		15081.37	

3.66 The Discom has petitioned that they have purchased 33231.74 MUs out of which they have sold 955.65 MUs through exchange.

3.67 The Commission has noted that it has prescribed the target losses in its ARR Order based on sales to end consumers and any consideration of sales to franchisee at input level will show reduction in losses whereas revenue accounted by the Discom already stands reduced due to lower rate at input

level. As the franchisee is acting on behalf of the licensee, the Discom should ensure that franchisee functions in an efficient manner and also make adequate investment so that impact of working of franchisee should be reflected in overall efficiency improvement and Discoms are able to achieve target loss level based on end consumer sale.

3.68 The Commission has worked out the power purchase requirement based on the approved distribution losses, transmission losses and sales actually made to the end consumers in accordance with approved methodology.

3.69 The Discom has furnished total transmission losses (inter and intra state) in MUs terms, therefore, to segregate the same, the Commission has used the intra state losses of 3.34% based on RVPN true up petition for FY 2018-19 and the interstate transmission losses @ 3.15% on units purchased from outside the State, as approved by the Commission based on ARR Order dated 28.05.2018.

3.70 Details of gross energy requirement worked out on the basis of sales as indicated in foregoing para is given in the table below:

Table 2: Gross Energy Requirement of JVVNL for FY 2018-19 (MUs)

Sr. No.	Particulars	Approved as per Order Dated 28.05.2018	Actual/Audited	Restated Level	Normative Calculation
1	Gross Energy Requirement	28975.27	33231.74	33231.74	30152.41
2	Less:- Sale Through Exchange	0.00	955.65	955.65	955.65
3	Net Energy Requirement	28975.27	32276.09	32276.09	29196.76
4	Inter State Transmission Loss (MU)	397.00	970.98	970.98	376.15
5	Energy Availability at RVPN (MU)	28578.27	31305.11	31305.11	28820.61
6	Intra State Transmission Loss(%)*	3.35%	3.34%	3.34%	3.34%
7	Intra State Transmission Loss(MU)	957.37	1045.59	1045.59	962.61
8	Energy Requirement at Distribution Periphery (MU)	27620.90	30259.52	30259.52	27858.01
9	Distribution Loss (%)	15.00%	20.54%	21.75%	15.00%
10	Distribution Loss (MUs)	4143.14	6214.53	6580.21	4178.70
11	Energy Sales (MUs)	23477.77	24044.98	23679.30	23679.30

3.71 It is observed that the Discom has purchased 3079.33 MUs in excess due to increase in distribution loss over the target given by the Commission.

3.72 As discussed in earlier paras, the Commission does not wish to burden the consumer on account of Discom inefficiency. As such, the Commission disallows

100% of such excess purchase, i.e. 3079.33 MUs from actual purchase of 33231.74 MUs and accordingly purchase of energy allowed shall be 30152.41 MUs.

3.73 In view of discussion made earlier in this order, banking transactions are considered as cost neutral and no provision towards notional cost of banking is considered for true up of power purchase cost.

3.74 Discom submitted the total power purchase cost of Rs. 13300.55 Crore including provision for banking of Rs. 11.90 Crore and transaction cost of Rs. 4.96 Crore. However, the Commission has not considered the provision for banking cost and considered only the transaction cost. Further, as discussed in earlier paras, the services charges to RUVNL of Rs. 6.22 Crore is not considered by Commission. Accordingly, the Commission has considered the power purchase cost of Rs. 13282.42 Crore.

3.75 Details of power purchase cost as approved by the Commission is given in the table below:

Table 3: Power purchase cost of JVVNL as approved for FY 2018-19 (Rs. In Crores)

Sr. No.	Particulars	Units (MU)	Amount	Average Rate
	Energy approved by Commission:			
1	Total Energy Purchased by Discom (A)	33231.74	13282.42	4.00
2	Less: Disallowed short term sources (B)	592.84	272.42	4.60
3	Total Energy from approved sources (C=A-B)	32638.90	13010.01	3.99
4	Less: Disallowed approved sources (D)	2486.48	991.12	3.99
5	Power Purchase Cost Allowed E=(A-B-D)	30152.41	12018.88	
6	Add: Transmission and SLDC charges (F)		1780.82	
7	Total Power purchase cost allowed (E+F)		13799.70	

3.76 While disallowing the excess purchase of 3079.31 MUs by Discom, the Commission has first considered the power purchase of 592.84 MUs from short term sources and rest 2486.47 MUs from approved sources.

3.77 Discom has submitted Rs. 1780.82 Crore as Transmission and SLDC charges which have been allowed as per actual by the Commission. Accordingly, the total power purchase cost including Transmission and SLDC charges approved for FY 2018-19 is Rs. 13799.70 Crore.

Operations and Maintenance (O&M) Expenses

3.78 The O&M expenses approved by the Commission for FY 2018-19 were Rs. 1641 Crore including Terminal Benefit liability of Rs. 550 Crore vide Tariff order dated 28.05.2018. For the purpose of true up, JVVNL has claimed Rs. 1736.64 Crore as O&M expenses (including staff terminal benefits based on actuarial valuation of Rs. 651.12 Crore).

3.79 As the O&M expenses of distribution area are born by the distribution franchisee (DF), therefore, the normative O&M expenses should be calculated duly deducting the sales of distribution franchisee from the total sales.

3.80 Accordingly, in case of JVVNL, the Commission has worked out the normative O&M expenses as per the methodology explained in earlier part of this order after deducting the sales by distribution franchisee of 1214.53 MUs.

3.81 Details of normative O&M expenses as allowed are given in table below:

Table 4: O&M Expenses of JVVNL for FY 2018-19		(Rs. in Crore)
Sr. No.	Particulars	Amount
1	Energy Sales approved by Commission excluding sales by DF (in MUs)	22464.78
2	Normative Employee cost for FY 2018-19 (Rs. 0.47703/unit)	1071.64
3	Normative A &G expenses (Rs. 0.05021/unit)	112.80
4	Normative R&M expenses (Rs. 0.10043/ unit)	225.61
5	Less: Proportionate Employee Cost Capitalized	186.92
6	Less: Proportionate A &G cost capitalized (A&G)	15.21
7	Total O&M Expenses Allowed after True Up	1207.92

Terminal Benefit

3.82 The Commission had approved Rs. 550 Crore towards Terminal Benefit liability vide its tariff order dated 28.05.2018. However, JVVNL submitted that they have deposited a sum of Rs. 224 Crore towards terminal benefit liability. Accordingly, the terminal benefit liability to the extent of actual amount of Rs. 224 Crore deposited by JVVNL has been considered by the Commission.

Depreciation

3.83 The depreciation approved by Commission for FY 2018-19 was Rs. 732 Crore vide Tariff order dated 28.05.2018 and Discom has claimed Rs. 904.36 Crore as depreciation.

3.84 The Commission has followed the methodology given earlier in the order for the calculation of depreciation being allowed.

3.85 Details of depreciation charges allowed for FY 2018-19 are given in table below:

Sr. No.	Particulars	Amount
1	Depreciable assets at the beginning of the year (closing balance of FY 2017-18)	13460.24
2	Less: Deductions as per audited accounts	296.26
3	Capitalization during the year	2746.39
4	Less Capitalization towards terminal benefit	137.58
5	Less: Capital Outlay financed by Consumer Contribution and grant	710.82
6	Depreciable assets added during the year (3-4-5)	1898.00
7	Closing balance of GFA (1-2+6)	15061.97
8	Average depreciable assets during the year	14261.11
9	Average depreciation rate	4.86%
10	Depreciation Allowed after True UP	692.76
11	Approved Depreciation after reduction of 5% due to non submission of fixed assets register	658.12

Interest and Finance Charges and Interest on Working Capital

3.86 The interest & finance charges approved by Commission for FY 2018-19 were Rs. 2051 Crore including interest on working capital as per the ARR order dated 28.05.2018 . For the purpose of true up, JVVNL has claimed Rs. 3174.45 Crore as interest and finance charges including interest on working capital.

3.87 Interest and finance charges have been calculated as per the methodology explained earlier. The details are given in table below:

Sr. No.	Particulars	Amount
1	Opening balance of Long term Loan (LTL) (closing balance of FY 2017-18)	5985.73
2	Add: Capitalization during the year	2746.39
3	Less: Capital Outlay financed by Equity	117.44
4	Less: Capital Outlay financed by Consumer Contribution and grant	710.82
5	Less Capitalization towards terminal benefit	137.58
6	Addition to LTL for Capital Outlay {2-(3+4+5)}	1780.56
7	Less: Repayments equal to depreciation	692.76
8	Closing balance of LTL (1+6-7)	7073.53
9	Average LTL	6529.63
10	Add: Revenue Gap recognized for previous year after loan taken over under UDAY	14228.66

11	Total Long Term Loan Balance to be considered for allowing interest for FY 2018-19 (9+10)	20758.29
12	Average Interest rate of LTL	10.74%
13	Interest Charges on LTL and revenue gap	2229.44
14	Interest on security deposit from consumers - As per actual	74.17
15	Finance Charges-As per actual	110.21
16	Total Interest and Finance Charges Allowed after True UP (13+14+15)	2413.82

3.88 The Commission has approved the interest on working capital as per Regulation 27 of RERC Tariff Regulations, 2014. The details are given in table below:

Table 7: Interest on Working Capital of JVVNL for 2018-19 **(Rs. in Crore)**

Sr. No	Particular	Amount considering normative interest rate	Amount considering interest rate submitted by Discom
1	O&M expenses of one month	100.66	100.66
2	Maintenance spares @ 15% of operation and maintenance expenses specified in regulation 83;	181.19	181.19
3	Receivables equivalent to one and a half (1½) months billing of consumers	2311.96	2311.96
4	Less: Security deposit from consumers	1274.92	1274.92
5	Total working capital requirement (1+2+3-4)	1318.88	1318.88
6	Rate of Interest (SBI PLR Rate)	11.55%	10.37%
7	Interest on working capital allowed after true-up	152.33	136.80
8	Less : 50% loss arising from variation in Interest rate as per regulation 27 Of RERC 2014	(7.76)	
9	Net Interest on working capital	144.56	

3.89 It may be seen that gain on account of variation in interest rate is Rs. 15.53 Crore. As per Regulation 27 of RERC Tariff Regulations, 50% of such gain is to be passed on as a rebate in tariff and the licensee is allowed to retain only 50% of such gain. Accordingly, 50% of the gain has been reduced from the amount of interest on working capital worked out on the basis of normative interest rate.

Prior Period Expenses

3.90 JVVNL has claimed prior period expenses of Rs. 99.79 Crore. It has been observed that the major item of the prior period expenses is the "Prior period adjustment of power purchase" of Rs. 98.39 Crore. The detail of prior period expenses as per audited accounts are as follows:

Table 8:**(In Rs. Crore)**

Particulars	Amount
Prior period expenses/loss	
Prior Period Adjustment of Power Purchase	98.39
Administration & General Expense	1.39
Total	99.79

- 3.91 While carrying out the true up of any financial year, The Commission allows the capitalization, operation and maintenance expenses, depreciation, interest cost and interest on working capital as per Tariff Regulations. Hence, expenses of Rs. 1.39 Crore on account of these expenses in JVVNL audited accounts is disallowed as prior period expenses as the Commission has already approved the above expenses in the true up order till FY 2017-18 as per the norms specified in the Tariff Regulations.
- 3.92 In the additional information, the Discom has furnished, the item wise details of prior period expenses relating to power purchase.
- 3.93 On perusal of information furnished by Discom towards prior period expense of power purchase of Rs. 98.39 Crore, the Commission observed that these prior period expenses include:
- Amount of Rs. 115.39 Crore : Recording point of energy has been noted at different level in all the three Discoms because of this wrong inter Discom power purchase JV has been passed in FY 2017-18. Now the calculation of inter Discom PP has been revised, which is allowed by the Commission.
 - Amount of Rs. (16.58) Crore: Incentive bill of FY 2016-17 has been booked twice in FY 2017-18, hence correction entry has been made in FY 2018-19, which is allowed by the Commission.
 - Amount of Rs. (0.89) Crore: booking of power purchase bill raised in FY 2017-18 adjusted and booked by JVVNL in FY 2018-19 as per PoM No-08 of AG Audit, which is allowed by the Commission.
 - Amount of Rs. 0.46 Crore: Incentive bill of FY 2015-16 has been booked twice in FY 2017-18, hence correction entry has been made in FY 2018-19, which is allowed by the Commission.

Considering the above, for the purpose of current true up, the Commission has considered the prior period expenses of Rs. 98.39 Crore against the JVVNL claim of prior period expenses of Rs. 99.79 Crore.

Other Debits:

- 3.94 JVVNL has claimed other debits of Rs. 90.57 Crore. It has been observed that major item of other debits are provision for bad and doubtful debts-others of Rs. 3.14 Crore, loss on sale of fixed assets of Rs. 56.06 Crore, loss on valuation of inventory of Rs. 19.54 Crore, loss due to theft of fixed assets of Rs. 4.74 Crore, compensation in case injury/death of Rs. 6.22 Crore and miscellaneous expenses of Rs. 0.87 Crore.
- 3.95 While carrying out the true up exercise, the Commission has not considered any provision towards bad and doubtful debts. The Discom in reply to additional data gaps has submitted that the expenditure of Rs. 10.06 Crore has been booked as actual bad debts written off. The expenses are allowed only to the extent of debts actually written off of Rs. 10.06 Crore by the Discom subject to limit stipulated in the Tariff Regulations. Therefore, the Commission has not considered bad debts provision.
- 3.96 Further, with regard to loss due to theft of Fixed Assets, the regulation 25 of RERC Tariff Regulations, 2014 provides that actual insurance expenses incurred by the generating company or licensee shall be allowed separately, subject to a ceiling of 0.2% of average Net Fixed Assets for the year. The Commission accordingly has considered the loss due to theft of Fixed Assets of Rs. 4.74 Crore being less than the normative insurance expenses.
- 3.97 Compensation to outsider paid of Rs. 5.78 Crore and compensation to employee of Rs. 0.44 Crore, loss on sale of fixed assets of Rs. 56.06 Crore and loss on exchange rate variation Rs. 0.1526 Crore are considered as per actual.
- 3.98 The Commission has not considered loss on valuation of Inventory amount to Rs. 19.54 Crore and deferred revenue expense written off of Rs. 0.165 Crore.
- 3.99 Accordingly, the Commission has considered the other debit of Rs. 77.72 Crore against the Discom claim of Rs. 90.57 Crore.

Consumer Education and Rebate Allowed to Consumers

3.100 Regarding consumer education and awareness, Commission vide its Order dated 28.05.2018, allowed an additional amount of Rs. 50 lakh per Discom. Discom has submitted that it has incurred more than Rs. 50 lakh towards consumer education and awareness programs. It has been noticed by the Commission that JVVNL incurred an amount of Rs. 1235 Lakhs towards Call Center and same has been claimed as Consumer Education and Awareness therefore, Commission has not considered sum of Rs. 1235 Lakhs incurred for Call center and accordingly allowed Rs. 414 Lakhs out of 1650 Lakhs which have been claimed by the Petitioner.

3.101 JVVNL has shown the rebate allowed to consumers separately and the same has been accepted by the Commission.

Revenue

3.102 Revenue from sale of power, Non-Tariff Income, other Income, Wheeling Charges and Cross Subsidy Surcharge, sale of power through trading and Prior Period Income as petitioned by Discom has been accepted.

3.103 Discom has claimed Delayed Payment Surcharge (DPS) not to form part of non-tariff income as under:

Table 9: Interest on funding of principal amount of DPS

Interest on funding of Principal DPS	Value
DPS	276.72
Principal Amount on which DPS is charged (@2% per month)	1152.98
Interest rate for funding principal of DPS	11.55%
Interest on funding of Principal DPS	131.17

3.104 As discussed earlier in the order, the Commission has worked out the interest on Delayed Payment Surcharge based on normative interest rate of working capital as under:

Table 10: Interest on funding of principal amount of DPS

Particulars	Amount (Rs. Crore)
Principal Amount on which DPS as claimed by Discom	1152.98
Interest rate for funding principal of DPS	11.55%
Interest on funding of Principal DPS	133.17

3.105 Discoms have stated that in their accounting policies consumer contribution for service connection & line, capital grants and subsidies received towards cost of capital assets have not been reduced from the cost of assets. The same has been treated as Deferred Revenue Income which is being amortized/written off

in 25 years from the year of its receipt. The depreciation pertaining to such fixed assets is fully charged to revenue.

3.106 However, while computing the depreciation, the Commission has reduced the capitalization amount funded by the consumer contribution, capital grant and subsidy received during the year. Therefore, the Commission has not considered the depreciation benefit on such assets and consequently deferred revenue is also not accounted for.

3.107 The petitioner has informed that the profit of Rs. 906 Cr. is after inclusion of UDAY grant of Rs. 4,164 Crore which is not cash profit and only book profit. The petitioner submitted that the grant of Rs. 4164 Cr is shown as income for accounting purposes. The impact of such UDAY grant has already been taken into account by the Commission in its ARR and Tariff order dated 02.11.2017 while working out unfunded gap the Commission had reduced the regulatory assets to the extent of loans taken under UDAY. Hence petitioner request not to consider such exceptional item as income while truing up as it is shown only to reconcile the deficit/surplus as per true up petition with accounting profit/loss for the year.

3.108 Based on above discussions and data provided by JVVNL, the prayer of Discom for True-up of the expenditure and revenue for FY 2018-19 based on the actual performance and for approval of the revenue gap of Rs. 3257.55 Crore for the year has not been accepted as petitioned. The Commission has approved the same to the extent shown in following table:

Table 16: Summary of True up of JVVNL for FY 2018-19

(Rs. in Crore)

Sr. no.	Particulars	As per order dated 28.05.2018	As per petition	Approved After truing up
1	Revenue			
2	Sale of power	16384	16,350.97	16350.97
3	Non-tariff income and other income	377	599.55	466.38
4	Deferred Revenue Income	-	212.46	0.00
5	Wheeling charges, Cross Subsidy Surcharge and additional surcharge	133	30.47	30.47
6	Sale of power through trading	0	366.40	366.40
7	Prior Period Income	-	13.02	13.02
8	Total Revenue, A	16894	17572.86	17227.24
9	Expenditure			
10	Power purchase Cost	12424	15081.37	13799.70

11	O & M Expenses	1091		
12	Employee cost		670.10	884.72
13	A&G expenses		182.14	97.60
14	R&M expenses		233.30	225.61
15	Terminal Benefits	550	651.12	224.00
16	Insurance Expenses	29	1.71	-
17	Consumer Education	0.50	16.50	4.14
18	Depreciation	732	904.36	658.12
19	Interest & finance charges	1912	3174.45	2413.82
20	Interest on working capital	140		144.56
21	Prior period expenses	-	99.79	98.39
22	Other debits		90.57	77.72
23	Rebate allowed to consumers	-	364.12	364.12
24	Total Expenditure, B	16878	21469.50	18992.51
25	Surplus/deficit, C = (A-B)	16	(3,896.63)	(1,765.27)
26	Revenue subsidies received from State Government D	676	639.09	639.09
	RVUN true up order	(41)		
27	Revenue gap for FY 2018-19, E =(C+D)	651	(3,257.55)	(1,126.19)
28	Gap worked out as per last true up order,F	-	(14,228.66)	(14,228.66)
29	Cumulative Revenue Gap to be carried forward, E+F	-	(17,486.21)	(15,354.85)
30	Cumulative Revenue Gap till FY 2018-19		(31,060.49)*	(15,354.85)

***As per audited accounts**

Analysis of True Up of ARR for FY 2018-19– AVVNL

Sale of Energy

3.109 The Discom has indicated total sale of 16776.02 MUs including 590.39 MUs sales to flat rate category. It has been observed that flat rate sales of 590.39 MUs are within the limit of normative specific consumption, i.e., 1945 kWh/kW/year as specified by the Commission. It is further observed that the above sale is inclusive of sale of power of 528.43 MUs to the Distribution Franchisee (DF). Whereas DF has sold 469.09 MUs to the end consumer. As such, Commission accepts the sales of energy to end consumer only i.e., 16716.68 MUs. Keeping in view allowed sales of 16716.68 MUs, the distribution loss comes out to be 18.32% as against 18.03% indicated by the Discom.

Power Purchase Cost

3.110 Power purchase cost approved by the Commission for FY 2018-19 was Rs. 8764 Crore vide ARR order dated 28.05.2018. For the purpose of truing up, AVVNL has claimed Rs. 10793 Crore as power purchase cost (including short term power purchase cost and Transmission & SLDC charges).

3.111 Details of power purchase cost submitted by Discom are given in the table below:

Table 17: Power purchase cost submitted by AVVNL

Sr. No.	Particulars	Units (MU)	Amount in Crores	Average Rate
	Energy petitioned by Discom			
1	Total Energy Purchased by Discom (A)	22482.16	9510.90	4.23
2	Less: Purchase From Short term sources (B)	408.11	187.46	4.59
3	Balance Energy from approved Sources C= (A-B)	22074.05	9323.44	4.22
4	Add: Transmission and SLDC charges (D)		1281.82	
5	Total Power Purchase claimed (A+D)		10792.73	

3.112 The Discom has petitioned that they have purchased 22482.16 MUs out of which they have sold 653.33 MUs through exchange.

3.113 The Commission has noted that it has prescribed the target losses in its ARR Order based on sales to end consumers and any consideration of sales to franchisee at input level will show reduction in losses whereas revenue accounted by the Discom already stands reduced due to lower rate at input level. As the franchisee is acting on behalf of the licensee, the Discom should ensure that franchisee functions in an efficient manner and also make adequate investment so that impact of working of franchisee should be

reflected in overall efficiency improvement and Discoms are able to achieve target loss level based on end consumer sale.

3.114 The Commission has worked out the power purchase requirement based on the approved distribution losses, transmission losses and sales in accordance with approved methodology.

3.115 The Discom has furnished total transmission losses (inter and intra state) in MUs terms, therefore, to segregate the same, the Commission has used the intra state losses of 3.34% based on RVPN true up petition for FY 2018-19 and the interstate transmission losses @ 3.15% on units purchased from outside the state as approved by the Commission based on ARR Order dated 28.05.2018.

3.116 Details of gross energy requirement worked out on the basis of sales as indicated in foregoing para is given below in table:

Table 18: Gross Energy Requirement of AVVNL for 2018-19 (MUs)

Sr. No.	Particulars	Approved as per Order Dated 28.05.2018	Actual/Audited	Restated Level	Normative Calculation
1	Gross Energy Requirement	20428	22482.16	22482.16	21260.86
2	Less:- Sale Through Exchange	0	653.33	653.33	653.33
3	Net Energy Requirement	20428	21828.83	21828.83	20607.53
4	Inter State Transmission Loss (MU)	278	656.69	656.69	261.29
5	Energy Availability at RVPN (MU)	20150	21172.14	21172.14	20346.24
6	Intra State Transmission Loss(%)*	3.35%	3.34%	3.34%	3.34%
7	Intra State Transmission Loss(MU)	675	707.15	707.15	679.56
8	Energy Requirement at Distribution Periphery (MU)	19475	20464.99	20464.99	19666.68
9	Distribution Loss (%)	15.00%	18.03%	18.32%	15.00%
10	Distribution Loss (MUs)	2921	3688.97	3748.31	2950.00
11	Energy Sales (MUs)	16554.03	16776.02	16716.68	16716.68

3.117 It is observed that the Discom has purchased 1221.30 MUs in excess due to increase in distribution loss over the target given by the Commission.

3.118 As discussed in earlier paras, the Commission does not wish to burden the consumer on account of Discom inefficiency. As such the Commission disallows 100% of such excess purchase, i.e. 1221.30 MUs from actual purchase of 22482.16 MUs and accordingly purchase of energy allowed shall be 21260.86 MUs.

3.119 In view of discussion made above in this order, banking transactions are considered as cost neutral and no provision towards notional cost of banking is considered for true up of power purchase cost.

3.120 Discom submitted the total power purchase cost of Rs. 9510.90 Crore including provision for banking of Rs. 6.64 Crore, transactional cost of Rs. 5.36 Crore and provision for RPO obligation of Rs. 98.57 Crore. However, the Commission has not considered the provision for banking cost & provision for RPO and considered only the transaction cost. Further, as discussed in earlier paras, the services charges to RUVNL of Rs. 4.36 Crore are not considered by Commission. Accordingly, the Commission has considered the power purchase cost of Rs. 9401.34 Crore.

3.121 Details of power purchase cost as approved by the Commission is given in the table below:

Table 19: Power purchase cost of AVVNL approved for FY 2018-19

Sr. No.	Particulars	Units (MU)	Amount	Average Rate
	Energy approved by Commission:			
1	Total Energy Purchased by Discom (A)	22482.16	9401.34	4.18
2	Less: Disallowed short term sources (B)	408.11	187.46	4.59
3	Total Energy from approved sources (C=A-B)	22074.05	9213.88	4.17
4	Less: Disallowed approved sources (D)	813.18	339.43	4.17
5	Power Purchase Cost Allowed E=(A-B-D)	21260.86	8874.45	
6	Add: Transmission and SLDC charges (F)		1281.82	
7	Total Power purchase cost allowed (E+F)		10156.27	

3.122 While disallowing the excess purchase of 1221.30 MUs by Discom, the Commission has first considered the power purchase of 408.11 MUs from short term sources and the rest 813.18 MUs has been considered from approved sources.

3.123 Discom has submitted Rs. 1281.82 Crore as Transmission and SLDC charges which have been allowed as per actual by the Commission. Accordingly, the total power purchase cost including transmission and SLDC charges approved for FY 2018-19 is Rs. 10156.27 Crore.

Operations and Maintenance (O&M) Expenses

3.124 The O&M expenses approved by the Commission for FY 2018-19 were Rs. 1390 Crore including terminal benefit liability of Rs. 620 Crore vide ARR order dated

28.05.2018. For the purpose of true up, AVVNL has claimed Rs. 1596.54 Crore as O&M expenses (including terminal benefits of Rs. 661.21 Crore).

3.125 The Commission has worked out the normative O&M expenses as per the methodology explained in earlier part of this order.

3.126 Details of normative O&M expenses as allowed are given in table below:

Table 20: O&M Expenses of AVVNL for 2018-19 (Rs. in Crore)

Sr. No.	Particulars	Amount
1	Energy Sales approved by Commission excluding sales by DF (in MUs)	16247.59
2	Normative Employee cost for FY 2018-19 (Rs. 0.47703/unit)	775.06
3	Normative A &G expenses (Rs. 0.05021/unit)	81.59
4	Normative R&M expenses (Rs. 0.10043/ unit)	163.17
5	Less: Proportionate Employee Cost Capitalized	99.18
6	Less: Proportionate A &G cost capitalized (A&G)	8.70
7	Total O&M Expenses Allowed after True Up	911.94

Terminal Benefit

3.127 The Commission had approved Rs.620 Crore towards terminal benefit liability vide its tariff order dated 28.05.2018. AVVNL submitted that they have deposited a sum of Rs. 49.50 Crore towards terminal benefit liability. Accordingly, the terminal benefit liability to the extent of actual amount of Rs. 49.50 Crore deposited by the AVVNL has been considered by the Commission.

Depreciation

3.128 The depreciation approved by Commission for FY 2018-19 was Rs. 466 Crore vide ARR order dated 28.05.2018 and Discom has claimed Rs. 576.25 Crore as depreciation charges for the purpose of true up.

3.129 The Commission has followed the methodology given earlier in the order for the calculation of depreciation being allowed.

3.130 Details of depreciation charges allowed for FY 2018-19 are given in table below:

Table 21: Depreciation Charges of AVVNL for 2018-19 (Rs. in Crore)

Sr. No.	Particulars	Amount
1	Depreciable assets at the beginning of the year (closing balance of FY 2017-18)	8744.95
2	Less: Deductions as per audited accounts	28.18
3	Capitalization during the year	1883.34

4	Less Capitalization towards terminal benefit	97.03
5	Less: Capital Outlay financed by Consumer Contribution and grant	815.44
6	Depreciable assets added during the year (3-4-5)	970.88
7	Closing balance of GFA (1-2+6)	9687.65
8	Average depreciable assets during the year	9216.30
9	Average depreciation rate	4.76%
10	Depreciation Allowed after True UP	438.54
11	Approved Depreciation after reduction of 5% due to non submission of fixed assets register	416.61

Interest and Finance Charges and Interest on Working Capital

3.131 The interest & finance charges approved by Commission for FY 2018-19 was Rs. 1612 Crore including interest on working capital as per the ARR order dated 28.05.2018. For the purpose of true up, AVVNL has claimed Rs. 2514.30 Crore as interest and finance charges including interest on working capital.

3.132 Interest and finance charges have been calculated as per the methodology given earlier in the order as shown in table below:

Table 22: Interest and Finance Charges of AVVNL for 2018-19 (Rs. in Crore)

Sr. No.	Particulars	Amount
1	Opening balance of Long term Loan (LTL) (closing balance of FY 2017-18)	2743.46
2	Add: Capitalization during the year	1883.34
3	Less: Capital Outlay financed by Equity	88.02
4	Less: Capital Outlay financed by Consumer Contribution and grant	815.44
5	Less Capitalization towards terminal benefit	97.03
6	Addition to LTL for Capital Outlay {2-(3+4+5)}	882.86
7	Less: Repayments equal to depreciation	438.54
8	Closing balance of LTL (1+6-7)	3187.78
9	Average LTL	2965.62
10	Add: Revenue Gap recognized for previous year after loan taken over under UDAY	12283.88
11	Total Long Term Loan Balance to be considered for allowing interest for FY 2018-19 (9+10)	15249.50
12	Average Interest rate of LTL	11.21%
13	Interest Charges on LTL and revenue gap	1709.47
14	Interest on security deposit from consumers - As per actual	39.38
15	Finance Charges-As per actual	95.09
16	Total Interest and Finance Charges Allowed after True UP (13+14+15)	1843.94

3.133 The Commission has approved the interest on working capital as per Regulation 27 of RERC Tariff Regulations, 2014. Details of Interest on working capital are given in table below:

Table 23: Interest on Working Capital of AVVNL for 2018-19 (Rs. in Crore)

Sr. No	Particular	Amount considering normative interest rate	Amount considering interest rate submitted by Discom
1	O&M expenses of one month	75.99	75.99
2	Maintenance spares @ 15% of operation and maintenance expenses specified in regulation 83;	136.79	136.79
3	Receivables equivalent to one and a half (1½) months billing of consumers	1666.60	1666.60
4	Less: Security deposit from consumers	981.63	981.63
5	Total working capital requirement(1+2+3-4)	897.76	897.76
6	Rate of Interest (SBI PLR Rate)	11.55%	11.60%
7	Interest on working capital allowed after true-up	103.69	104.14
8	Add : 50% Loss arising from variation in Interest rate as per regulation 27 Of RERC 2014	0.23	
9	Net Interest on working capital	103.91	

3.134 It may be seen that Loss on account of variation in interest rate is Rs. 0.46 Crore. As per Regulation 27 of RERC Tariff Regulations, 50% of such loss is to be passed on in tariff. Accordingly, 50% of the Loss has been added from the amount of interest on working capital worked out on the basis of normative interest rate.

Prior Period Expenses

3.135 AVVNL has claimed prior period expenses of Rs. 229.08 Crore. It has been observed that the major item of the prior period expenses is the "Prior period adjustment of short provision for power purchase" of Rs. 199.52 Crore. The details of prior period expenses as per audited accounts are as follows:

(Amount in Rs. Crore)		
Particulars	For the year ended 31 March	
	2019	
Prior period expenses/loss :		
Short Provisions for Power Purchase in Previous Years		199.52
Operating Expenses	(0.28)	
Employee Cost	(0.12)	
Depreciation under Provision	28.82	
Interest & Other Finance Charges	0.73	
Administration Expenses	0.42	
		29.57
Total		229.09

- 3.136 While carrying out the true up of any financial year, the Commission allows the capitalization, operation and maintenance expenses, depreciation, interest cost, and interest on working capital as per Tariff Regulations. Hence, expenses of Rs. 29.57 Crore on account of these in AVVNL audited accounts have not been considered as prior period expenses as the Commission has already approved the above expenses in the true up order till FY 2017-18 as per the norms specified in the Tariff Regulations.
- 3.137 In its reply to data gap, the Discom has furnished the item wise details of prior period expenses relating to power purchase.
- 3.138 On perusal of information furnished by Discom towards prior period power purchase of Rs. 199.52 Crore, the Commission observed that the above prior period expenses include:
- a) Amount of Rs. 260.35 Crore pertains to the provision made for the shortfall from the obligation for purchase of Renewable energy (RPO) as per the targets set by the RERC for FY 2017-18, which is not allowed by the Commission.
 - b) Amount of Rs. (56.85) Crore pertains to accounting of Inter Discom adjustment for energy drawl by JVVNL on the basis of Outgoing meters installed at feeders during the FY 2017-18 instead of Incoming meters installed at Feeders as regularly followed by Discoms every year, and also the difference in quantum of open access energy units as wheeled by AVVNL during the year 2017-18, which are allowed by the Commission.
 - c) Amount of Rs. (4.01) Crore towards Earlier year cost payable to Rajwest was booked in FY 2016-17 and thereafter again booked in FY 2017-18, hence rectified during the FY 2018-19, which is allowed by the Commission.
 - d) Amount of Rs. 0.03 Crore towards Entries made for earlier year cost as per the Reconciliation with RVUN and Rs 0.0044 Crore pertains to Bill Of March 18 Wrongly Booked As Rs. 8850861 In Place of Rs. 8894632. Hence difference booked in 2018-19, which are allowed by the Commission.

3.139 Considering the above, for the purpose of current true up, the Commission has considered the prior period expenses of Rs. (60.83) Crore against the AVVNL claim of prior period expenses of Rs. 229.08 Crore.

Other Debits:

3.140 AVVNL has claimed other debits of Rs. 55.51 Crore. It has been observed that major item of other debits are the provision for bad & doubtful debts of Rs. 25.15 Crore, compensation in case of injury/death of Rs. 7.88 Crore, loss on theft of fixed assets of Rs. 3.00 Crore, Misc. balance written off Rs. 0.0053 Crore and miscellaneous expenses of Rs. 19.47 Crore.

3.141 While carrying out the true up exercise, the Commission has not considered any provision towards bad and doubtful debts. The Discom in reply to data gaps has submitted that the expenditure of Rs. 2.46 Crore has been booked as actual bad debts written off. The expenses are allowed only to the extent of debts actually written off by the Discom subject to limit stipulated in the Tariff Regulations. Therefore, the Commission has considered the actual bad debts written off of Rs. 2.46 Crore and Misc. balance written off of Rs. 0.0053 Crore.

3.142 Further, with regard to loss due to theft of Fixed Assets, the regulation 25 of RERC Tariff Regulations 2014 provides that actual insurance expenses incurred by the generating company or licensee shall be allowed separately, subject to a ceiling of 0.2% of average Net Fixed Assets for the year. The Commission accordingly has considered the loss due to theft of Fixed Assets of Rs. 3.00 Crore being less than the normative insurance expenses.

3.143 Further, compensation paid of Rs. 7.88 Crore and miscellaneous expenses 19.47 Crore are considered at actual.

3.144 The Commission has not considered the Shortage on physical verification of stocks of Rs. 0.0024 Crore and accordingly, the Commission has considered the other debit of Rs. 32.81 Crore against the Discom claim of Rs. 55.51 Crore.

Consumer Education and Rebate Allowed to Consumers

3.145 Regarding consumer education and awareness, Commission vide its Order dated 28.05.2018, allowed an additional amount of Rs. 50 lakh per Discom. Discom has submitted that it has incurred Rs. 0.26781 Lakhs towards consumer education and awareness programs; therefore, Commission has considered an actual sum of Rs. 0.26781 Lakhs towards aforesaid objective. Commission has

observed that Discom has not incurred requisite amount on consumer awareness.

- 3.146 AVVNL has shown the rebate allowed to consumers separately and the same has been accepted by the Commission.

Revenue

- 3.147 Revenue from sale of power, Non-Tariff Income, other Income, Wheeling Charges and Cross Subsidy Surcharge, sale of power through trading and Prior Period Income as petitioned by Discom has been accepted.

- 3.148 Discom has claimed Delayed Payment Surcharge (DPS) not to form part of non tariff income as under:

Table 11: Interest on funding of Principal DPS for FY 2018-19

Particulars	Amount (Rs. Cr.)
DPS	101.47
Principal Amount on which DPS is charged (@2% per month)	422.81
Interest rate for funding principal of DPS	11.55%
Interest on funding of Principal DPS	48.83

- 3.149 As discussed earlier in the order, the Commission has worked out the interest on Delayed Payment Surcharge based on normative interest rate of working capital as under.

Table 12: Interest on funding of Principal DPS for FY 2018-19

Particulars	Amount (Rs. Cr.)
Principal Amount on which DPS as claimed by Discom	422.81
Interest rate for funding principal of DPS	11.55%
Interest on funding of Principal DPS	48.83

- 3.150 Discoms have stated that in their accounting policies consumer contribution for service connection & line, capital grants and subsidies received towards cost of capital assets have not been reduced from the cost of assets. The same has been treated as Deferred Revenue Income which is being amortized/ written off in 25 years from the year of its receipt. The depreciation pertaining to such fixed assets is fully charged to revenue.

- 3.151 However, while computing the depreciation, the Commission has reduced the capitalization amount funded by the consumer contribution, capital grant and subsidy received during the year. Therefore, the Commission has not considered

the depreciation benefit on such assets and consequently deferred revenue is also not accounted for.

3.152 The petitioner has informed that the profit of Rs. 466.82 Cr. is after inclusion of UDAY grant of Rs. 3260.65 Cr which is not cash profit and only book profit. The petitioner submitted that the grant of Rs. 3260.65 Cr is shown as income for accounting purposes. The impact of such UDAY grant has already been taken into account by the Commission in its ARR and Tariff order dated 02.11.2017 while working out unfunded gap the Commission had reduced the regulatory assets to the extent of loans taken under UDAY. Hence petitioner request not to consider such exceptional item as income while truing up as it is shown only to reconcile the deficit/surplus as per true up petition with accounting profit/loss for the year.

3.153 Based on above discussions and data provided by AVVNL, prayer of Discom for True-up of the expenditure and revenue for FY 2018-19 based on the actual performance and for approval of the revenue gap of Rs. 2793.83 Crore for the year has not been accepted as petitioned. The Commission has approved the same to the extent shown in following table:

Table 24: Summary of True up of AVVNL for FY 2018-19 (Rs. in Crore)

Sr. No	Particulars	As per order dated 28.05.2018	As per petition	Approved After truing up
1	Revenue			
2	Sale of power	11438	11898.83	11898.83
3	Non-tariff income and other income	232	307.81	258.98
4	Deferred Revenue Income	-	175.45	0.00
5	Wheeling charges, Cross Subsidy Surcharge and additional surcharge	146	64.24	64.24
6	Sale of power through trading	-	250.36	250.36
7	Prior Period Income	-	(1.16)	(1.16)
8	Total Revenue, A	11817	12695.54	12471.25
9	Expenditure			
10	Power purchase Cost	8764	10792.73	10156.27
11	O & M Expenses	770		
12	Employee cost		607.17	675.88
13	A&G expenses		132.25	72.89
14	R&M expenses		195.91	163.17
15	Terminal Benefits	620	661.21	49.50
16	Insurance Expenses	20	0.67	-
17	Consumer Education	0.50	0.003	0.003
18	Depreciation	466	576.25	416.61
19	Interest & finance charges	1521	2514.30	1843.94

20	Interest on working capital	91		103.91
21	interest on consumer security deposit			0.00
22	Prior period expenses	-	229.08	-60.83
23	Other debits	-	55.51	32.81
24	Rebate allowed to consumers	-	201.87	201.87
25	Total Expenditure, B	12253	15966.95	13656.03
26	Surplus/deficit, C = (A-B)	(436)	(3,271.41)	(1,184.78)
27	Revenue subsidies received from State Government D	440	477.58	477.58
	RVUN true up order	(29)		
28	Revenue gap for FY 2018-19, E =(C+D)	(23)	(2,793.83)	(707.20)
29	Gap worked out as per last true up order,F	-	(12,283.88)	(12,283.88)
30	Cumulative Revenue Gap to be carried forward, E+F	-	(15,077.71)	(12,991.08)
31	Cumulative Revenue Gap till FY 2018-19		(29,018.55)*	(12,991.08)

***As per audited accounts**

4. While carrying out the true up the Commission has allowed losses upto the target prescribed by the Commission and disallowed excess transmission and distribution losses. O&M Cost, interest cost and other costs have also been allowed on normative basis.
5. Despite a large disallowance considering all efficiency parameters and norms there still exist a revenue gap for all Discoms. The tariff was last revised vide order dated 06.02.2020 just prior to onset of COVID. All sectors of economy are still in the process of recovering from the effect of COVID. Any tariff increase or regulatory liability surcharge at this juncture may cause a tariff shock to consumers and affect them adversely. Accordingly, the Commission allows the approved unfunded revenue gap for 2018-19 for all Discoms to be carried forward on which carrying cost shall also be allowed. However, recovery of this unfunded gap will be considered later appropriately in future ARRs
6. The petition stand disposed off accordingly. Copy of this order may be sent to the petitioners, stakeholders, CEA and Government of Rajasthan.

(Prithvi Raj)
Member

(S.C. Dinkar)
Member

(Shreemat Pandey)
Chairman

Annexure - A

1. Sh. Anshuman Gothwal (JVVNL and AVVNL)
2. Sh. G.L. Sharma (JVVNL, AVVNL and JdVVNL)
3. Sh. Y.K. Bolia (JVVNL, AVVNL and JdVVNL)
4. Sh. D.S. Agarwal (JVVNL, AVVNL and JdVVNL)

Annexure - B

1. Sh. G.L.Sharma
2. Sh. Y.K.Bolia
3. Sh. B.M.Sanadhya
4. Sh. Anshuman Gothwal
5. Sh. D.S. Agarwal