

RAJASTHAN ELECTRICITY REGULATORY COMMISSION, JAIPUR

Petition No. RERC 1844/2020, 1862/2020, 1847/2020

In the matter of approval of true up of Jaipur Vidyut Vitran Nigam Ltd (JVVNL), Ajmer Vidyut Vitran Nigam Ltd (AVVNL) and Jodhpur Vidyut Vitran Nigam Ltd (JdVVNL) for FY 2019-20.

Coram: **Dr. B.N. Sharma, Chairman**
Shri S.C. Dinkar, Member
Shri Prithvi Raj, Member

Petitioners: Jaipur Vidyut Vitran Nigam Ltd. Jaipur (1844/2020)
Ajmer Vidyut Vitran Nigam Ltd. Ajmer (1862/2020)
Jodhpur Vidyut Vitran Nigam Ltd. Jodhpur (1847/2020)

Date of hearing: **11.08.2021 & 12.08.2021**

Date of Order: **07.09.2021**

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 2019-20 under RERC (Terms and Conditions for Determination of Tariff) Regulations, 2019.
- 1.2 JVVNL, AVVNL and JdVVNL filed the petition on 25.11.2020, 29.12.2020 and 01.12.2020 respectively for FY 2019-20.
- 1.3 After examining the petitions, the Commission vide letter dated 23.02.2021 for JVVNL and 02.03.2021 for AVVNL & JdVVNL pointed out the deficiencies observed in the petitions for FY 2019-20 and the Discoms were directed to clarify along with supporting documents.

- 1.4 JVVNL, AVVNL & JdVVNL on dated 23.04.2021, 20.04.2020 & 22.04.2020 respectively, submitted reply to the deficiencies indicated by the Commission.
- 1.5 Further, the Commission vide letter dated 28.04.2021 pointed out additional deficiencies observed in the petition for FY 2019-20 for JVVNL, AVVNL and JdVVNL and the Discoms were directed to clarify along with supporting documents.
- 1.6 JVVNL, AVVNL and JdVVNL on dated 07.05.2021, 03.05.2021 and 16.06.2021 respectively filed the reply of additional deficiencies relating to approval of true up of ARR for FY 2019-20.
- 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 28.04.2021 allowed JVVNL, AVVNL & JdVVNL 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 02.06.2021 for JVVNL and 28.05.2021 for AVVNL & JdVVNL respectively:

Sr. No.	Name of Newspapers	JVVNL	AVVNL	JdVVNL
(i)	Times of India	07.05.2021		05.05.2021
(ii)	Danik Nav Jyoti	07.05.2021	06.05.2021	05.05.2021
(iii)	Hindustan Times		07.05.2021	
(iv)	Rajasthan Patrika	07.05.2021	06.05.2021	05.05.2021

- 1.9 In all, 5 numbers of comments/suggestions were received from the stakeholders on JVVNL and 4 numbers on AVVNL & JdVVNL for True Up petition for FY 2019-20. 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 Due to Covid pandemic, the public hearing in the matter was held on 11.08.2021 & 12.08.2021 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 2019-20 and dispose them through this common order.
- 1.14 Discoms prayed to approve the true up of FY 2019-20 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.
 - b) Section 2 - Stakeholders Comments/suggestions, Petitioners' response and the Commission's observations thereon.
 - c) Section 3 - True-up of ARR for FY 2019-20 of the three Discoms.

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

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 thereon 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 JVVNL and JdVVNL has taken audited accounts as a source of providing the actual cost incurred during FY 2019-20. In C&AG comment it has been mentioned that "As such, opinion given by the statutory auditor that the accounts given a "true and fair view" is not in order". Therefore, how these can be taken into account for consideration of this true-up petition.

2.1.2 Petitioner's Response

1. JVVNL and JdVVNL submitted that as per new accounting policy, financial statements are prepared in accordance with GAAP and applicable provisions of Electricity Act, 2003 under the historical cost convention on the accrual basis except those with significant uncertainty. GAAP comprises mandatory Accounting Standards as prescribed by the Companies Rules, 2006 and the provisions of the Companies Act, 2013.

2.1.3 Commission's View

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

2.2 Sales and revenue

2.2.1 Stakeholders Submission

1. It was submitted that Discoms are slow in reduction of flat rate consumers, therefore Commission may consider reduction in specific consumption.
2. It was submitted that in petition table-1 revenue from sale of electricity is Rs. 17644 Crore and in form no 2.1 revenue is 17839.62 Crore and after adding other charges revenue comes Rs. 17786.73 Crore JVVNL may clarify the same.

3. It was submitted that in the abstract of Rs. 17786.73 Crore an amount of Rs. 77.67 Crore stating as of revenue of wheeling has been subtracted but in form 2.1 the amount of Rs. 77.67 Crore is not appearing as revenue from wheeling. JVVNL may clarify the same that from where such amount has been arrived and for what reason such subtraction has been done.
4. It was submitted that total sale of power revenue is Rs. 17964.48 Crore which includes 177.74 Crore receipt from sale of power trading. The net revenue will however come as Rs. 17786.73 Crore Therefore, in what way the revenue of Rs. 17644 Crore has been shown in table-1. JVVNL may clarify the same.
5. It was submitted that in note 24.1 of account relating to “details of revenue from sale of power” an amount of Rs. 98.68 Crore has been shown from Railway Traction but in the energy sold no such amount is appearing. JVVNL may clarify the same.
6. It was submitted that revenue from sale of power in table 1, note 18.1 &18.2, form 2.1 and in Director Report are not the same. AVVNL may clarify the same.
7. It was submitted that in Note 31.9(i) and Note 31.9 revenue from sale of energy is not matching for the same MU's of total energy sold. JdVVNL may clarify the same.

2.2.2 Petitioner's Response

1. Discoms submitted that with regard to the reduction of deemed consumption of agriculture flat category by 5% every year for subsidy payment and shifting the same to petitioner in the next tariff order, it is submitted that such an approach would be detrimental to financial health of the petitioner, already in the severe distressed financial condition due to looming situation under COVID-19 pandemic. Thus, in view of above, the Discoms have requested that such implications may kindly be exempted. AVVNL submitted that one major issue raising due to unmetered consumption is the misuse of the ground water and resulting in decrease in the ground water table and any reduction in specific power consumption for unmetered consumers will aggravate the condition.
2. JVVNL submitted that information has been provided with the reply to the data gaps.
3. JVVNL submitted that form 2.2 for the said figures regarding the open access charges may be referred.
4. JVVNL submitted that the said figure can be reconciled with format 2.1.

5. JVVNL submitted that the quantum of energy sold to Railways is zero and the amount recovered in revenue is shown as Rs. 98.68 Crore. It is submitted that the amount pertains to open access charges recoverable from Railways.
6. AVVNL submitted that the gross revenue from the sale of power is INR 13537.54 Crore as provided in Note 18.1 and 18.2 of accounts, Form 2.1, and Directors report, while Rs 13351.71 Crore is the net revenue from the sale of power which comes after deducting meter rent, additional surcharges, cross subsidy surcharge, wheeling charges, misc. charges, etc. which is computed in Format 2.1 of the Petition.
7. JdVVNL submitted the difference in energy sales in Note 21.1 and Note 31.9 table of computation of AT&C losses as prescribed by CEA is due to the amount of rebate allowed to consumers as mentioned in Note 28 is subtracted and the amount pertaining to delayed payment charges which is mentioned in Note 21.3 is added in revenue from sale of power in calculation of AT&C Losses as per MoP guidelines.

2.2.3 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.

2.3 Power Purchase

2.3.1 Stakeholders Comment

1. It was submitted that at Para 5.2 of the petition total energy purchased has been mentioned as 31838 MU's and in Director Report & accounts same is shown as 32528.76 MU's. JVVNL may clarify the same.
2. It was submitted that rate and cost of power in respect of stations of RVUN and RWPL is concerned the same shall be as decided in respect of their true up petition.
3. It was submitted that the infirm power generated by STPS unit 7 during 2019-20 as received by Discoms has not been shown a single unit of such energy in the statements of availability form 3.1. Discom may intimate the quantum of such power received and amount paid for the same as well.
4. It was submitted that power purchase shown in form 3.1 is not correct. RVUN has submitted their true-up petition of the same year before the Commission. On

comparing the figures of energy sent out it is noted that Discoms are claiming on higher side than the actual of RVUN. Discom may provide the reason for such higher variance.

5. It was submitted that the past banking notional cost is not being allowed. Hence the energy as well as the cost should be disallowed.
6. It was submitted that in the petition table-20 Deviation analysis in respect of power purchase cost it has been mentioned that "power purchase cost and the quantum of energy purchased was higher than the approved quantum due to high sales and distribution losses being higher than the approved" and in table-2 of the petition it may be noted that approved sales excluding DF sales has been 25044 MU whereas actual sales including sales to DF at input level is only 24929 MU. Therefore JVVNL may state as to how their version that quantum of energy purchase has been higher due to higher sales is correct.
7. It was submitted that power from various resources has been costly. AVVNL may intimate as to for what reason such power was not refused specifically when power requirement has been lesser. In such circumstances only FC at the most would have been liable to pay but would have saved from payment costly energy charges and would have also saved the energy sale at lower cost. Discom may justify the same.

2.3.2 Petitioner's Response

1. JVVNL submitted that the net actual energy purchased by the Discom for FY 2019-20 was 31838 MU's (after considering the net impact of purchase and sales through exchange). The net sale through exchange to the tune of 405 MU's was reduced from the gross energy purchased. It is pertinent to mention that in Director's table the power procured is shown as the net energy requirement which is computed based on the actual demand grossed up by actual losses to actual energy requirement.
2. JVVNL and JDVVNL requested the Commission to take a prudent view on the same while approving the cost incurred by the Discom based on the principles as followed by the Commission in past true up orders.
3. The JVVNL & AVVNL submitted that the quantum of infirm power received from STPS unit 7 from 18-12-2018 to March 2019 is 0.693 MUs and amount paid for the infirm power is INR 9.47 Crore and the quantum of infirm power received from April 2019 to June 2019 is -1.838 MUs and the amount paid is INR 0.09 Crore.

4. JVVNL & AVVNL submitted that the figures have been submitted based on the audited accounts.
5. JVVNL & AVVNL requested the Commission to take a prudent view on the same while approving the costs incurred by the Discoms.
6. JVVNL submitted that the power purchase cost is an uncontrollable factor for the Discom, and the actual expense incurred by the Discom has been submitted in the True up petition. Further, the true intention of the Discom was that higher LT sales occurred when compared to the approved LT sales since the major contributing factor of distribution losses is computed to be LT sales in the Discom area. Further, the power purchase costs have been audited and increase in power purchase cost is due to uncontrollable factors such as change in cost of coal, transportation cost of coal etc.
7. AVVNL submitted that the power purchase cost is an uncontrollable factor for the Discom, and the actual expense incurred by the Discom has been submitted in the True-up petition. AVVNL further submitted that the Discom follow the principle of Merit Order Dispatch (MoD) and all the power is purchased on the basis of MoD principle. The power purchase costs have been audited and increase in power purchase cost is due to uncontrollable factors such as change in cost of coal, transportation cost of coal etc.

2.3.3 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.

2.4 Energy Balance

2.4.1 Stakeholders Submission

1. It was submitted that energy balance calculated based on the actual distribution losses i.e. 17.21% for JVVNL and 19.38% for JdVVNL is not correct. It should be calculated based on target losses of Commission Order.
2. It was submitted that in case of AVVNL, while calculating energy balance and cost of power purchase actual losses are to be considered when they are lower than the target losses.
3. It was submitted that while calculating energy balance no distribution losses

are to be added on supply made to Franchisee on input point.

4. It was submitted that the petitioner shall consider separate inter-state 3.15% and intra-state loss 3.35% for computing the transmission loss on energy procured from outside the state and total energy respectively and revise the estimates for gross energy requirement accordingly.

2.4.2 Petitioner's Response

1. JVVNL and JdVVNL recognize the importance of reducing the distribution losses in order to ensure that the state power sector remains viable. Discoms have already undertaken several steps and numerous measures are envisaged to be undertaken to bring down the existing loss levels. The decreased loss levels in the previous years are an indication of the thought process and line of action taken by the Discoms in this direction. JVVNL & JdVVNL submitted that have achieved a distribution loss level of 17.21% & 19.38% in FY 2019-20 as compared to 18.03% & 23.12% respectively in FY 2018-19. Thus, Commission may take a prudent view on the same.
2. AVVNL submitted that the distribution losses have been approved by the Commission according to normative losses. The Discom has been bearing the financial losses incurred in order to procure incremental power over and above normative energy requirement. The Commission has stated in its orders time and again that since, capital expenditure is being approved as per actual basis, losses are being approved as per normative basis. Based on similar lines, since the Discom has now tried to improve the operational parameters, it is requested to approve normative distribution losses.
3. AVVNL submitted that submission given by the stakeholder that supply to DF has no relation with the distribution losses is completely misleading and devoid of logic since the Discom has been providing power to the DF on input basis and thus, all the technical and commercial losses in the system now have to be borne by the franchisee in its area.
4. JVVNL submitted that the energy sent-out from the interstate generating stations is being reconciled with REA energy accounts published by RLDC, from intrastate generating stations is being reconciled with SLDC statements and energy received at Discom periphery is being reconciled with the RVPNL statements. Thus, under close interconnected monitoring environment, there is no room left for any miscellaneous activity in energy accounting process.

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

computing energy balance.

2.5 O&M Cost

2.5.1 Stakeholders Submission

1. It was submitted that in case of JVVNL and JdVVNL petition at table-1 audited employee cost has been shown, this has also been shown as audited in form 3.2 but in accounts nowhere such amount is appearing. Discoms may clarify the same.
2. It was submitted that in O&M expense should be allowed on normative basis only.
3. It was submitted that additional terminal benefit should be allowed on the basis of actually deposited amount by the Discom.
4. It is submitted that it should be clarified that whether O&M expenses claimed are inclusive of expenses incurred for distribution franchisee area or not.

2.5.2 Petitioner's Response

1. JVVNL and JdVVNL submitted that the comparison of approved and actual expenses is not relevant since in the ARR & Tariff order, the O&M expenses are approved as per the norms in the RERC Regulations 2019 whereas in the true up petition, actual expenses incurred by the Discom in the FY 2019-20 have been submitted. Further, the salaries of the employees are increasing every year and similarly all the expenses are growing based on the inflation rate, hence with each year, the expenses of the Discom are bound to increase.
2. JVVNL and JdVVNL requested to take a prudent view on the same while approving the costs incurred by the Discoms and AVVNL submitted that approve the actual O&M expenses since disallowance of the same shall further deteriorate the financial position of the Discom.
3. JVVNL and JdVVNL submitted that Terminal benefits have been submitted as per the actual amount deposited in the trust. AVVNL submitted that Terminal benefits have been submitted shown at Table 11 is as per the accounting principles which include the provision for the terminal benefits and the actual payment, while Rs. 155.50 Crore is the actual amount deposited in the trust. Further, Discoms submitted that the Commission may take a prudent view on the same.
4. JVVNL submitted that O&M expenses are allowed on per unit of sales in the

Discom area. DF is only internal arrangement between the Discom and the franchisee and in no way impacts how ARR for the Discom is to be computed. Similar practice is also adopted by all state regulators which have DF in their states.

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 O&M Expenses.

2.6 Depreciation

2.6.1 Stakeholders Submission

1. It was submitted that Discom may provide the details of the remaining depreciation value as on 31st March of the year closing after the period of 12 years for the purpose of calculating depreciation value.
2. It was submitted that for the purpose of calculating depreciation, opening balance would be the closing balance of True up order of FY 2018-19 however in form 3.6 it is not same. Discom may state the reason of the difference in the position in form 3.6 and to the Commission order. Discom may also refurnish form 3.6.
3. It was submitted that AVVNL has made investment higher than approved. Discom may provide copy of order of Commission of such additional investment has been approved.
4. It was submitted that the depreciation claimed by the JVVNL is 40% higher than the approved Rs. 719 Crore and 52% more than approved in the true up of the FY 2018-19 (Rs. 658.12 Crore). Further, Discom should reduce the depreciation to the extent of assets transferred to franchisee.

2.6.2 Petitioner's Response

1. AVVNL submitted that the details regarding depreciation of assets is submitted with the Petition. The Discom also submits that the Profit and Loss statements are already being audited by Controller Auditor General (CAG).
2. AVVNL submitted that it has submitted all the relevant information with the Petition as per the Commission regulation and directions.

3. AVVNL submitted that addition in fixed assets is made to meet the increased demand of consumers and augmenting the system to improve the quality and reliability of power supply. The details of capital expenditure incurred by the petitioner has been mentioned in Form 3.6.
4. JVVNL submitted that the depreciation claimed as per actual opening and closing balances of GFA in the books of accounts. With regards to depreciation, it is pertinent to mention that the JVVNL has not transferred any assets to the distribution franchisee it has only given right to use these assets to the DF therefore, the depreciation expenses are to be borne by the Discom and not the DF.

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 no interest be allowed on additional capitalisation which has been more than the approved one, loan obtained by the Discom to meet the gap created due to delayed/non availability of subsidy from the Govt., the amount gap created due to non recovery of upfront charges from PHED, on the amount of cost disallowed by the Commission in respect of additional power purchase, on the amount of cost of O&M spares inventory, on the gap created due to non recovery of dues from the customer, on amount mentioned for payment of delayed payment surcharge to generators/transmission companies, on loan obtained in excess of normative working capital etc.

2.7.2 Petitioner's Response

1. Discoms submitted that the interest on term loans in ARR are computed strictly on the basis of RERC Regulations. Only the normative loans and normative interest rate, as specified by the Commission, are taken for computation of interest on long term loans. Discoms further submitted that interest cost on account of loan taken to meet shortfall of tariff subsidy or loans for meeting any extraordinary expenses are not being passed on to consumers. Only prudent costs as per the methodology provided by the Commission is taken in the computation of ARR.

2.7.3 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.

2.8 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 Discom may state as to how much amount of interest on consumer security deposit has actually been paid to the consumers during the year.

2.8.2 Petitioner's Response

1. Discoms submitted that interest on working capital loans in ARR are computed strictly on the basis of RERC Regulations.
2. JVVNL submitted that Company holds security deposit (including interest accrued thereon) of Rs. 1727 Crore in respect of trade receivables. In absence of complete details, the security deposits cannot be correlated with the consumer wise outstanding under 'Trade receivable'. AVVNL and JDVNL submitted that the information about the Interest on Consumer security deposit is provided at Note 22 and Note 26.1 of the audited accounts respectively.

2.8.3 Commission's View

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

2.9 Others

2.9.1 Stakeholders Submission

1. It was submitted that Discom may provide the total amount recovered from the suppliers/contractors bills on account of penalties. It was further submitted that reasons for not reducing such recovered amount from the capital cost or from cost of material.

2. It was submitted that "interest on outstanding dues monthly from disconnected consumers pertaining upto the year 19-20 realized upto April, 2020 has been considered as accrued income for the year Amount so accrued in FY 2019-20 may be intimated by the petitioner. Reasons for not adjusting the security against such dues may also be provided.
3. It was submitted that in note 20 in accounts outstanding of Nigam dues as at 31.03.2020 is Rs. 2029.62 Crore This is other than dues against PDC consumer keeping such large outstanding against consumer means putting a large liabilities of interest. Discom may clarify reasons for non recovering of such dues.
4. It was submitted that True up of last year has already been done by the Commission hence, the question of adjustment of past period does not arise. If any adjustment of past period billing is required, the same can be done from past year's P&L A/c and not from the revenue of current year. Further, past billing adjustment must have been on account of excess consumption billed as well. Therefore, Discom may intimate the quantum of excess energy billed in FY 2018-19 which has necessitated the adjustment in this financial year.
5. It was submitted that in respect of PHED detail information may be provided.
6. It was submitted in respect of JVVNL that at Note 20.2 of Accounts doubtful debts has been equal to dues of PDC consumer. It may be clarified whether these are after adjusting the securities of such consumers as well as interest accrued thereon. If not, then in the event of such bad debts written off where the amount of securities and interest accrued thereon of such consumer will be accounted for may be stated.

2.9.2 Petitioner's Response

1. Discoms submitted that the amount deducted from contractors/suppliers bills has been included in miscellaneous income in annual accounts and thus, the same cannot be deducted from the total expenditure.
2. The Discoms, submitted that as per the procedures prescribed under the Clauses of Revenue manual-2004 the security of PDC consumers has been adjusted, the details of which are also envisaged in point 24 of compliance to directives report.
3. Discoms submitted that special vigilance drives are being carried out in order to recover the outstanding amount payable by the consumers and the amount of receivables pending on the consumer's end is decreasing. But the same might increase during the FY 2020-21 due to the Covid-19 pandemic.

4. JVVNL submitted that the adjustment of past billing is an ongoing phenomenon in which any dues or arrears of the bills pertaining to previous months adjusted in the subsequent billing months, difference in billing on account of wrong application of tariff, meter rent etc. Actual units credited and debited from their account is adjusted in the billing revenue and the Discom submitted that this revenue is unrelated to true up petition and depends upon request received from consumer. Further, during ongoing Covid pandemic, the billing cannot be done manually and is done mostly on provisional basis. So the Discom submitted that there can be high variations in adjustment of past billing since last year. Discom submitted that the Profit & Loss Statement are already being audited by CAG and once finalized the accounts cannot be updated. Adjustment of past billing is an ongoing phenomenon, the net profit and loss will be NIL and have no impact on true up petition. Discom submitted that quantum of excess energy debited/credited pertaining to last year has been included in the actual sales as represented in format 2.1.
5. Discoms submitted the order from GoR regarding release of new connections for PHED connection based on undertaking has been furnished.
6. JVVNL submitted that in reference to accounting policy 19(g) provision for Bad and Doubtful debts has been maintained equal to Sundry Debtors for Nigam's dues of PDC consumer. JVVNL submitted that provisioning for bad & doubtful debts in audited accounts has been done as per the policy framed U/s 7(1) of the Rajasthan State Electricity Distribution Act 2016. Further, as per the procedures prescribed under the Clause 74 to 77 of Revenue Manual-2004 the security of PDC consumers has been adjusted. All out efforts are continuously being undertaken for recovery of arrears, the details of which are also envisaged in point 24 of compliance to directives report.

2.9.3 Commission's View

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

2.10 Transmission charges and Losses

2.10.1 Stakeholders Submission

1. It was submitted that Discoms have mentioned combined transmission losses as 5.42%. Discom may provide the details of transmission losses separately for intrastate and Interstate.
2. It was submitted that as per true-up petition submitted by RVPNL for FY 2019-20 the actual intrastate losses are only 3.33%. Further from website it has been

noted that POC losses for FY 2019-20 are 2.83% only. This should be taken into consideration while calculating energy balance.

3. It was submitted that transmission and SLDC charges in respect of RVPN and SLDC shall also be decided by the Commission in their respective true up petition.

2.10.2 Petitioner's Response

1. Discoms submitted that as per the direction of the Commission to conclude the discrepancy, Discoms have initiated the process of formation of committee between RUVN, SLDC and Discoms. Further, while filing the ARR petition, Discom submitted the breakup on the basis of the trajectory of RVPN as approved by the Commission and while filing the true up petition, Discoms submitted the actual transmission losses which are duly audited by the third party auditor.
2. Discoms submitted that the energy sent-out from the interstate generating stations is being reconciled with REA energy accounts published by RLDC, from intrastate generating stations is being reconciled with SLDC statements and energy received at Discom periphery is being reconciled with the RVPNL statements. Thus, under close interconnected monitoring environment, there is no room left for any miscellaneous activity in energy accounting process.
3. Discoms requested the Commission to take a prudent view on the same while approving the cost incurred by the Discoms based on the principles as followed by the Commission in past true up orders.

2.10.3 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.

2.11 Subsidy

2.11.1 Stakeholders Submission

1. It was submitted that in the A/c book of FY 2018-19 JVVNL, subsidy assessed is Rs. 3164 Crore whereas in the reply it has been shown as Rs. 3286 Crore Discom may clarify the same.

2. It was submitted that each year subsidy received has been short from FY 2014-15 and even from earlier period. Discom should clarify whether every year they have approached the Govt. for making good of the shortfall.

2.11.2 Petitioner's Response

1. JVVNL submitted that the details submitted in the reply pertain to subsidy as assessed according to MIS and the stakeholder has compared the same with the figures of accounts. Thus, it is pertinent to mention that although, the cumulative subsidy figures shall always reconcile, but due to the different assessment, the figures of accounts and MIS would vary for a particular financial year.
2. JVVNL & JDVVNL submitted that they have been continuously pursuing the matter of dispute regarding the tariff subsidy and the same shall be resolved.

2.11.3 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.

2.12 Distribution Franchisee

2.12.1 Stakeholders Submission

1. It was submitted that JVVNL may provide the information of amount recoverable from Kota and Bharatpur Franchisee.
2. It was submitted that JVVNL may also intimate as to whether the above debited amount has since been received and has been accounted for in revenue for the year.
3. It is submitted that the petitioner shall clarify the discrepancies in data of energy sales to both of the distribution franchisees. If the differences are due to the loss in transmission of energy from the petitioner to the DF, we request the commission to allow the losses only as per intra-state loss approved in the tariff order FY 19-20 and the differences should be borne by the DF and limit the additional burden on the consumers.

2.12.2 Petitioner's Response

1. JVVNL submitted that amount recoverable from Bharatpur Franchisee is Rs. 7

Crore, Rs. 26 Crore, Rs. 5 Crore, Rs. 9 Crore & Rs. 18 Crore and from Kota Franchisee is Rs. 11 Crore, Rs. 54 Crore, Rs. 26 Crore, Rs. 49 Crore and Rs. 39 Crore for FY 2016-17 to FY 20-21 respectively.

2. JVVNL submitted that the receivables are continuously being billed to the DF and LPS on the outstanding is also recovered from the distribution franchisee, in case, if any.
3. JVVNL submitted that the sales mentioned for the purpose of computing energy balance are considered based on the energy at input level supplied to the distribution Franchisee provides category wise sales at the consumer level. Hence, due to impact of distribution loss in the DF area, sales at consumer level are lower than the sales considered at input level of DF area.

2.12.3 Commission's View

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

2.13 Fuel Surcharge

2.13.1 Stakeholders submission

It was submitted that the Commission in their True up order has been disallowing power purchase cost for short term sources as well as approved sources, on account of higher losses etc. Discom may state whether the incidence of this disallowed cost of power purchase of approved sources has been accounted for while calculating the fuel surcharge of sales or not and if not reasons for the same may be stated.

2.13.2 Petitioner's Response

Discoms submitted that as per the Regulation 88 of the RERC Regulations, 2019, fuel surcharge is to be calculated based on the consumption of previous quarter to be levied on the next quarter and the Discom issues the order to levy fuel surcharge in the next quarter. E.g. if calculation of FSA is based on the consumption of quarter 1 FY21, then the FSA is levied in Quarter 2 FY21.

2.13.3 Commission's View

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

2.14 Consumer contribution

2.14.1 Stakeholders submission

It was submitted that Discom may intimate the amount deposited by the consumers to obtain new connection, recovered from the consumer's and actual expenditure incurred against them category wise.

2.14.2 Petitioner's Response

Discoms submitted that the amount received from consumers against new connection is credited to 'Consumers Contribution towards service line' account without waiting for completion reports and the deposit works are also transferred to CC &SL after completion of work.

2.14.3 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 27.01.2021

The compliance with directives issued under True up order dated 27.01.2021 for FY 2018-19 have been submitted by the Discoms, which have been summarized as below:

S. No.	Commission Directive	Reply of Discoms
1	To furnish Energy Audit Report from 2015-16 to 2018-19 within 3 months from date of issue of order.(Para-2.2.3)	JVVNL: <i>Energy Audit Report for the FY 2015-16, FY 2016-17 and FY 2017-18 is submitted and for the FY 2018-19 is under progress.</i> AVVNL: for FY 2015-16 energy audit work could not be carried out. For FY 2016-17 Report has been submitted. For FY 2017-18 and FY 2018-19 audit work shall be taken up. JdVVNL report for FY 2015-16 is submitted and audit of FY 2016-17 is under process
2	To file details of scheme wise equity, grant and loan while filing the next true up petition. (Para-3.13)	The scheme wise equity, grant and loan has been furnished.
3	To furnish the Fixed Assets Register with the next year tariff/true up petition. (Para-3.30)	JVVNL: The Fixed assets register(FAR) of all circle upto 31.03.2019 has been submitted AVVNL: The FAR of Jhunjhunu Circle, Bhilwara Circle, Chittorgarh Circle, office of AO (IA), AVVNL, Ajmer, Pratapgarh Circle, Nagaur Circle & Sikar Circle upto 31.03.2020 have been submitted. In respect of the FAR of remaining circles the work is under progress. JdVVNL: FAR of seven circles i.e. Sriganganagar, Hanumangarh, Churu, Bikaner DC, Pali, Sirohi and

		Jalor upto 31.03.202019 have been submitted.
4	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 3.67)	The information regarding DFs have been submitted by the Discoms.
5	In future they should not extend the facility of providing connection on the basis of undertaking and ensure that all amount is deposited upfront by prospective consumers. (Para-2.15.3)	Due to acute shortage of budgetary provisions on ground and the letter of request regarding the release of connection during critical time period, only connections pertaining to PHED department are being provided based on the undertaking given by the PHED Infrastructure department

Commission's View

1. The Commission has noted the compliance and has taken appropriate view while allowing the true up of ARR.

Other Issues raised during hearing

2. It has been observed that there is some difference between ABR as approved and actual submitted by Discoms. In this matter, Discoms submitted that it's mainly because of meter rent, transformer rent, FSA, etc, which have been included in actual revenue. It is directed that for sake of clarity to stakeholders, Discoms should ensure that only energy charges and fixed charges are considered in ABR Calculation and wherever difference arises the Discoms should give justification.
3. It is further observed that Discoms have indicated collection efficiency of approx. 95%. Accordingly, the AT&C losses shall be higher than the approved Distribution losses. Any approval of higher AT&C losses than approved shall burden the Discoms with extra revenue Gap. Therefore, for purpose of energy requirement Commission has considered the approved Distribution Losses and actual revenue has been considered as indicated by the Discoms in

their annual Audited Accounts.

4. The issue of revenue from use of Discoms' asset has also been raised before the Commission where it was pointed out that the Discoms are not able to explore full potential due to inaction on their part.
5. It is observed that JVVNL and AVVNL in response to query of the Commission submitted that revenue from rent received towards lying of optical fiber based telecom cable on electric poles for 4G communication network is included in miscellaneous revenue and could not be bifurcated, further JdVVNL submitted that such revenue from 4 circles only, which is not acceptable to Commission, therefore, Discoms are directed to :
 - (i) Create a separate accounting head for "revenue from use of assets" in its account, which may further be bifurcated in sub heads i) revenue from use of poles and ii) revenue from use of other assets.
 - (ii) Furnish the circle-wise information indicating number of poles used/cable length and revenue therefrom.
 - (iii) Make sub division wise assessment of poles being used for laying communication cables and other purposes and work out the likely revenue from use of these. Thereafter, likely revenue be matched with actual revenue and internal audit systems be placed to ensure proper revenue on this account.
6. The Discoms should introduce proper and transparent mechanism for identification, measurement and verification of no. of poles/length of cable and take all necessary measures to comply with Regulation 13.5 "Optimum utilization of assets" of RERC (Electricity Supply Code and Connected Matters) Regulations, 2021.
7. Proper Utilization of assets, would generate extra revenue which will act as a revenue stream and will reduce the working capital requirement and in turn reduce the revenue gap of Discoms. In case of revenue loss due to connivance or negligence of staff of Discoms necessary disciplinary action be taken against the erring officers.
8. The Commission also directs Discoms to improve the internal audit and revenue audit system so as to control the expenses and plug revenue leakages and create proper accounting system commensurate with information sought by the Commission.
9. Directions given in ARR order dated 06.02.2020 have been dealt by the Commission in separate proceedings and further appropriate view will be taken at the time of determination of tariff for future years.

Section -3: Analysis of True Up of Discoms for FY 2019-20

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

- (i) JdVVNL – FY 2019-20
- (ii) JVVNL –FY 2019-20
- (iii) AVVNL –FY 2019-20

Analysis of True Up of ARR for FY 2019-20– JdVVNL

Sale of Energy

- 3.2 The Discom has indicated total sale of 20944.19 MUs including 1279.83 MUs sales to flat rate category. It has been observed that flat rate sales of 1279.83 MUs are within the limit of normative specific consumption, i.e., 1945 kWh/kW/year as specified by the Commission.
- 3.3 It is further observed that the above sale is inclusive of sale of power of 819.67 MUs to the Distribution Franchisee (DF). Whereas DF has sold 681.60 MUs to the end consumer. In accordance with view taken in previous true-up order, Commission accepts the sales of energy to end consumer only i.e. 20806.12 MUs. Keeping in view allowed sales of 20806.12 MUs, the distribution loss comes out to be 19.91% as against 19.38% indicated by the Discom.

Power Purchase Cost

- 3.4 Power purchase cost approved by Commission for FY 2019-20 was Rs. 11802 Crore vide ARR order dated 06.02.2020. For the purpose of truing up, JdVVNL has claimed Rs. 13382.98 Crore as power purchase cost (including short term power purchases and Transmission & SLDC charges).
- 3.5 The Discom petitioned that it has purchased 28026.60 MUs out of which it has sold 559.33 MUs through exchange.
- 3.6 Details of power purchase cost as submitted by Discom is given in table below:

Table 1: Power purchase cost submitted by JdVVNL FY 2019-20

Sr. No.	Particulars	Units (MU)	Amount	Average Rate
	<u>Energy petitioned by Discom</u>			
1	Total Energy Purchased by Discom (A)	28026.60	11622.69	4.15
2	Less: Purchase From Short term sources (B)	221.70	166.54	7.51
3	Balance Energy from approved Sources C= (A-B)	27804.90	11456.15	4.12
4	Add: Transmission and SLDC charges (D)		1760.29	
5	Total Power Purchase claimed (A+D)		13382.98	

3.7 The Discom submitted it has achieved distribution Losses target of 19.38% as against a target of 15%.

3.8 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.

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

3.10 The Discom has furnished total transmission losses (inter and intra state) in MUs terms without bifurcation into interstate and Intra state transmission losses. Despite direction of Commission, Discoms have not furnished the breakup of Transmission losses into intra state and interstate Losses hence Commission has considered the intra state losses as 3.33% based on RVPN true up petition for FY 2019-20 and Inter State Losses based on 52 weeks Average Losses of Northern and Eastern Region and remaining losses have been disallowed. While computing the PGCIL losses, the Commission has considered losses as per information available for weekly losses on NRLDC website. Northern region losses of 2.57% has been considered on Central power station located outside state and 2.24% losses have been considered on Central power station located within state. Whereas for power stations from eastern region, additional losses of 1.65% have been

applied and then Northern Region losses have been applied to such stations.

3.11 Accordingly Inter State losses have been worked out as 250.77 MUs. Discoms are again directed to keep a separate account of interstate and intrastate losses and give bifurcation while filing next true up petitions.

3.12 Details of gross energy requirement worked out on the basis of sales and losses as indicated in foregoing Para is given in the table below:

Table 2: Gross Energy Requirement of JdVVNL for 2019-20 (MUs)

Sr. No.	Particulars	Approved as per Order Dated 06.02.2020	Actual/Audited	Restated Level	Normative Calculation
1	Gross Energy Requirement	25077	28026.60	28026.60	26131.08
2	Less:- Sale Through Exchange	0	559.33	559.33	559.33
3	Net Energy Requirement	25077	27467.27	27467.27	25571.76
4	Inter State Transmission Loss (MU)	330	593.38	593.38	250.77
5	Energy Availability at RVPN (MU)	24747	26873.89	26873.89	25320.98
6	Intra State Transmission Loss(%)*	3.35%	3.33%	3.33%	3.33%
7	Intra State Transmission Loss(MU)	829	894.90	894.90	843.19
8	Energy Requirement at Distribution Periphery (MU)	23918	25978.99	25978.99	24477.79
9	Distribution Loss (%)	15.00%	19.38%	19.91%	15.00%
10	Distribution Loss (MUs)	3588	5034.80	5172.87	3671.67
11	Energy Sales (MUs)	20330	20944.19	20806.12	20806.12

3.13 It is observed that the Discom has purchased 1895.51 MUs in excess due to increase in distribution loss over the target given by the Commission, consideration of sale of power to DF and high transmission losses.

3.14 As per Regulation 75(5) of RERC Tariff Regulations, 2019, 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.

3.15 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 & 06.02.2020. 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. Therefore, 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.

- 3.16 Accordingly, the Commission allows energy requirement of 26131.08 MUs only based on targeted losses.
- 3.17 Discom has submitted the total power purchase cost of Rs. 11622.69 Crore including the provision for banking of Rs. 31.40 Crore and transaction cost of Rs. 13.86 Crore. In view of decision taken in the previous True-up orders, the Commission has not considered the provision for banking cost of Rs. 31.40 Crore as banking has been considered as cost neutral and only considered the transaction cost of Rs 13.86 Crore.
- 3.18 It is observed that in power purchase format, Discom has shown service charges to RUVNL of Rs. 7.75 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's order approach, the Commission has not considered the service charges to RUVNL, these are to be met by Discom from O&M expenses. Accordingly, the Commission has considered the total power purchase cost of Rs. 11583.54 Crore.
- 3.19 In response to data gap reply Discom submitted that disallowing the power purchase cost of the Discom by multiplying the quantum of disallowed energy by the Average Power Purchase Cost, results in disallowance of fixed costs payable to the generators by the Discom, which the Discom is ought to pay to the generators as per the PPA. Thus, The Discom requested the Commission to consider average variable cost of power purchase instead of APPC.

3.20 With regard to above, the Commission observes that excess power disallowed is on account of higher distribution losses of Discom. Discom is unable to maintain the losses as per target approved by the Commission. Excess power purchase is primarily due to Discom's inefficiency to control the Distribution losses, which shall not be passed on to the consumers. In case of consistent losses, to supply quantum of losses, certain capacity is blocked and to disincentives the Discom, it is necessary that average cost be taken. Accordingly, the Commission has not considered the Discom proposal of average variable cost and continues with its existing approach of disallowing the excess purchase from approved sources at APPC. However, the Commission has considered and allowed the fixed cost as submitted by the Discom while allowing power purchase.

3.21 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 2019-20 (Rs. In Cr.)

Sr. No.	Particulars	Units (MU)	Amount	Average Rate
	<u>Energy approved by Commission:</u>			
1	Total Energy Purchased by Discom (A)	28026.60	11583.54	4.13
2	Less: Disallowed short term sources (B)	221.70	166.54	7.51
3	Total Energy from approved sources (C=A-B)	27804.90	11417.00	4.11
4	Less: Disallowed approved sources (D)	1673.82	687.29	4.11
5	Power Purchase Cost Allowed E=(A-B-D)	26131.08	10729.71	
6	Add: Transmission and SLDC charges (F)		1760.29	
7	Total Power purchase cost allowed (E+F)		12490.00	

3.22 While disallowing the excess purchase of 1895.51 MUs by Discom, The Commission has first considered the power purchase of 221.70 MUs from short term sources (such as UI, Exchange and others) and rest 1673.82 MUs from long term sources.

3.23 Discom has submitted Rs. 1760.29 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 2019-20 is Rs. 12490.00 Crore.

Operations and Maintenance (O&M) Expenses

3.24 The O&M expenses approved by the Commission for FY 2019-20 vide Tariff order dated 06.02.2020 were Rs.1605 Crore including terminal benefit

liability of Rs. 625 Crore. For the purpose of true up, JdVVNL has claimed Rs. 1547.20 Crore as O&M expenses (including terminal benefits based on actuarial valuation of Rs. 739 Crore).

3.25 Regulation 82 of RERC (Terms & Conditions of Determination of Tariff) Regulations, 2019 provides for O&M expenses for the first year of the Control Period(i.e., FY 2019-20) as under:

“ a) *Employees expenses: Rs. 0.48/ per unit of sale*

c) *A&G Expenses: Rs. 0.065/ per unit of sale*

d) *R&M Expenses: R&M Expenses for each year (n) of Control Period: $k \times \text{GFA}_{n-1} \times (1+ER)$*

Where,

‘k’ is a constant (expressed in %) governing the relationship between R&M expenses and Gross Fixed Assets (GFA) for the (n-1)th year and shall be considered as 1.2%;

‘GFA’ is the average value of the Gross Fixed Assets of the (n-1)th year;

‘ER’ means the escalation rate as specified in Regulation 24;

‘n’ is the year for which R&M expenses is to be determined.”

3.26 Normative O&M expenses allowed at the commencement of the Control Period (i.e. FY 2019-20) under these Regulations shall be escalated at the rate of 3.63% per annum for each year of the Control Period.

3.27 O&M expenses are allowed as per the above norms specified in the Tariff Regulations, 2019 for base year 2019-20. Capitalization of O&M expenses has been considered as per actual percentage submitted by Discoms.

3.28 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

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

Table 4: O&M Expenses of JdVVNL for 2019-20**(Rs. in Crore)**

Sr. No.	Particular	Amount
1	Energy Sales approved by Commission excluding sales by DF (in MU)	20124.52
2	Normative Employee cost for FY 2019-20 (Rs. 0.48)	965.98
3	Normative A &G expenses (Rs. 0.065/unit)	130.81
4	Normative R&M expenses $\{K \times \text{Avg. GFA}(n-1) \times (1+ER)\}$	113.06
5	Less: Proportionate Employee Cost Capitalized	151.30
6	Less: Proportionate A &G cost capitalized (A&G)	23.54
7	Total O&M Expenses Allowed after True Up	1035.01

Terminal Benefit

3.30 The Commission had approved Rs. 625 Crore towards terminal benefit liability vide its tariff order dated 06.02.2020. JdVVNL submitted that they have deposited a sum of Rs. 132.50 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. 132.50 Crore deposited by the JdVVNL has been considered.

3.31 It has been observed over the period that Discom's actual deposition towards terminal benefit is on lower side against the approved in ARR order. Commission shows its concern regarding non funding of terminal benefit appropriately and advises the top management of Discom & State Government to ensure appropriate funding towards terminal benefit liability so as to meet the liability of the Discom on this account.

Depreciation

3.32 The depreciation approved by Commission for FY 2019-20 was Rs. 509 Crore vide Tariff order dated 06.02.2020 whereas the Discom has claimed Rs. 807.45 Crore as depreciation.

3.33 The Discom has informed that Rs. 786.73 Crore has been shown towards terminal benefit expenses and out of total employee cost capitalization of Rs. 150.91 Crore, the proportionate terminal benefit capitalization is Rs. 47.89 Crore. The Discom must have added the aforesaid terminal benefit capitalization to assets addition during FY 2019-20. 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 2019-20.

3.34 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 2018-19 has been considered as the opening balance for FY 2019-20. 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 after below mention adjustment.
- c) The Capitalization towards terminal benefit has been considered as per Discom submission.
- d) Consumer Contribution has been considered based on Audited Accounts and Grants have been considered as discussed below.
- e) The average depreciation rate as per Annual Audited Accounts has been considered for FY 2019-20.

3.35 **FIP/SIP:** It is observed that JdVVNL has filed the additional capitalization under FIP/SIP of Rs. 8.38 Crore, the Commission in the Investment Plan Order for FY 2019-20 has not considered investment of O&M nature under feeder Improvement Schemes and directed the Discoms to meet out the expenditure under O&M head. Thus the additional capitalization to the extent of Rs. 8.38 Crore is not considered by the Commission in this Order.

3.36 **Grant under DDUGJY, R-APDRP, IPDS and Saubhagya:** Discom has consistently been asked to submit detail of scheme wise equity, grant and loans. Commission is allowing the investment under central sponsored schemes, and as per the provision of these scheme, Discom is also expected to meet the desired targets and efficiency level. The purpose of the direction of the Commission was to ensure efficiency of investment and to ensure that the Discom has performed according to the targets of that scheme and Its impact is not Passed on the consumer by way of non receipt of grant. It is brought to the notice of Commission that Discoms are not able to get the full grant as envisaged under various schemes. It is observed that during FY 2019-20, under central sponsored scheme such as DDUGJY, R-APDRP, IPDS and Saubhagya scheme JDVVNL has incurred Rs. 868.09 Crore and in additional data gap reply, Discom has indicated Rs. 257.33 Crore as grants towards such works, whereas as per audited

accounts of Discom Rs. 249.74 Crore has been shown as grant received during FY 2019-20. Thus the difference of grant ought to be received and actually received has been considered as notional grant by the Commission. Accordingly, additional grant considered by the Commission is Rs. 7.59 Crore.

3.37 In this regard the Commission would like to note that it relies upon the information furnished by the Discom and audited accounts furnished by it. In absence of proper information of scheme wise grant, loan and equity, Commission is not able to assess the quantum of interest burden due to non receipt of grant, is to be passed on in the ARR. It is the duty of the Discoms' officers to maintain and submit authentic information in proper format. The Discom is directed to keep the record of scheme wise grant, loan and equity to be received and actually received and report the same in next true up and ARR filing. If need be, separate sub-heads be created in accounts. In case of non-furnishing of the information. MD of Discom should take action against the concerned officers. It is made clear that the Commission will not pass on the interest burden to consumers for the additional borrowings taken against the shortfall in the grant/equity to be received as per funding pattern approved in Schemes.

3.38 **Grant on release of New Agriculture Connection under RE Works:** It is observed that during FY 2019-20, Discom has indicated release of 40708 no of new agriculture connections. It is brought to the notice of Commission that 50% of difference between actual expenditure incurred on release of new connection and amount deposited by consumer shall be given by GoR to Discom. The Commission has considered it as a grant as it is a part of consumer contribution which would have to be borne by consumer, if Government had not provided aforesaid 50% grant support.

3.39 The Discom has submitted that an average expenses of Rs. 296000 per connection and consumer contribution of Rs. 43000 per connection. The 50% of the difference of per connection expenses and consumer contribution of the above shall be Rs. 126500 per connection. Based on this the total grant from government towards release of 40708 new agriculture connections during the year is worked out to be Rs. 514.96 Crore.

3.40 The Commission has considered this amount as additional grant, Discom may obtain this amount from the State Government.

- 3.41 The Commission in absence of detailed information has worked out the figure of grant on normative basis, in case of any discrepancy; Discom may come with actual figure of applicable grant and request to recalculate the impact of grant during next true up petition.
- 3.42 Discoms are required to indicate any liability to be discharged by government or to be paid by government such as tariff subsidy, capital subsidy, grants towards consumer contribution, any liability arising due to government directives and policy directives etc, as receivable in their audited accounts separately. The Commission finds that amount of grant towards consumer contribution receivable against release of agriculture connection, has not been accounted for. In view of above, Discoms are directed to account for amount of grant towards consumer contribution receivable against release of connection to certain categories from Govt. or any other state or central scheme under separate head of account from FY 2021-22 onwards. Further, if Discoms raise any loan due to non payment of subsidy/grant by government, the interest liability on such loan shall not be passed on to the consumer of the State.
- 3.43 **Fixed Assets Register (FAR):** with regard to FAR, Discom submitted that FAR of seven circles i.e. Sriganganagar, Hanumangarh, Churu, Bikaner DC, Pali, Sirohi and Jalor till 31.03.2019 have been submitted to the Commission. However it has been observed that Discom has not complied completely with Commission directives.
- 3.44 With regard to depreciation, Regulation 22 (4) of RERC Tariff Regulations 2019 provides that:
- “(4) Depreciation shall be calculated annually based on Straight Line Method (SLM) and at rates specified in Annexure-I to these Regulations for the assets of the Generating Station, transmission system and distribution system*
- Provided that the remaining depreciable value as on 31st March of the year closing after a period of 12 years from date of commercial operation shall be spread over the balance useful life of the assets.”*
- 3.45 Further, with regard to Fixed assets, Regulation 86 (2) of RERC Tariff Regulations 2019 provides that:

“(2) Wheeling charges so worked out shall be apportioned supply voltage-wise on the basis of fixed asset at each voltage level, as submitted by the Distribution Licensee:”

- 3.46 This year all Discoms has submitted the FAR, Commission appreciate the efforts of Discoms. However the FAR does not serve the purpose regarding the information required under the Regulations and requires more efforts at the level of Discoms.
- 3.47 From the reading of above Regulations and the submission of Discoms, the Commission observed that information of rate of depreciation, amount of depreciation and net fixed assets have not been provided by Discoms, further the information of voltage wise assets have not been provided, the reconciliation of same with scheme wise capitalization have not been provided. The petitioners have not submitted the information of fixed assets register to the full satisfaction of Commission.
- 3.48 In previous true up order, Commission has disallowed 5% of depreciation on account of non compliance of Commission directives for preparation of Fixed Assets Register.
- 3.49 Discom should furnish the complete upto date Asset Register for all circles in CD along with hard copy with executive summary duly reconciled with audited accounts showing details required as per RERC Tariff Regulations
- 3.50 In view of above, the Commission has reduced the approved depreciation for FY 2019-20 by 10% and directs the Discoms to furnish the Fixed Assets Register indicating information as required under the Regulations and scheme wise information of debt, equity, grant with the next year tariff/true up petition. On furnishing the Fixed Assets Register as above and scheme wise information of debt, equity, grant to the satisfaction of Commission, Discoms may request to consider to allow the aforesaid disallowed depreciation.
- 3.51 Details of depreciation charges allowed for FY 2019-20 are given in table below:

Table 5: Depreciation charges of JdVVNL for 2019-20**(Rs. in Crore)**

Sr. No.	Particular	Amount in crores
1	Depreciable assets at the beginning of the year (closing balance of FY 2018-19)	9479.05
2	Less: Deductions as per audited accounts	52.69
3	Capitalization during the year	2529.47
4	Less Capitalization towards terminal benefit	47.89
5	Less: Capital Outlay financed by Consumer Contribution and grant	1121.94
6	Depreciable assets added during the year (3-4-5)	1359.64
7	Closing balance of GFA (1-2+6)	10786.00
8	Average depreciable assets during the year	10132.53
9	Average depreciation rate	5.10%
10	Depreciation Allowed after True UP	516.71
11	Approved Depreciation after reduction of 10% due to incomplete submission of fixed assets register as detailed in foregoing paras	465.04

Interest and Finance Charges and Interest on Working Capital

3.52 The interest & finance charges approved by Commission for FY 2019-20 were Rs. 2782.50 Crore including interest on working capital as per the ARR order dated 06.02.2020. For the purpose of true up, JdVVNL has claimed Rs. 3043 Crore as interest and finance charges including interest on working capital.

3.53 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.

3.54 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 27.01.2021 has been considered as opening balance of long term loans for FY 2019-20.
- b) Equity and consumer contribution have been considered on the basis of actual as per audited accounts. Grants have been considered as discussed in preceding paras.
- 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 2019-20.
- e) Interest rate has been worked out as per Regulation 21 (5) of RERC Tariff Regulations, 2019 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.

3.55 With regard to Unfunded Gap, in the last true up order for FY 2018-19, the Commission has approved the unfunded gap of Rs. 15677.60 till 31.03.2019. the Commission has computed the interest on aforesaid amount.

3.56 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 2019-20**(Rs. in Crore)**

Sr. No.	Particular	Amount in Crores
1	Opening balance of Long term Loan (LTL) (closing balance of FY 2018-19)	3499.29
2	Add: Capitalization during the year	2529.47
3	Less: Capital Outlay financed by Equity	242.91
4	Less: Capital Outlay financed by Consumer Contribution and grant	1121.94
5	Less Capitalization towards terminal benefit	47.89
6	Addition to LTL for Capital Outlay {2-(3+4+5)}	1116.73
7	Less: Repayments equal to depreciation	516.71
8	Closing balance of LTL (1+6-7)	4099.30
9	Average LTL	3799.30
10	Add: Revenue Gap recognized for previous year after loan taken over under UDAY	15677.60
11	Total Long Term Loan Balance to be considered for allowing interest for FY 2019-20 (9+10)	19476.90
12	Average Interest rate of LTL	10.49%
13	Interest Charges on LTL and revenue gap	2043.03
14	Interest on security deposit from consumers - As per actual	45.44
15	Finance Charges-As per actual	135.97
16	Total Interest and Finance Charges Allowed after True UP (13+14+15)	2224.43

Interest on working capital

3.57 The Commission has approved the interest on working capital on normative basis as per Regulation 27 of RERC Tariff Regulations, 2019. In accordance with Regulation 27 of RERC Tariff Regulations, 2019, 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 2019-20 have been considered for the purpose of calculation of working capital requirement.
- b) Maintenance spares have been considered @15% of operation and maintenance expenses specified in Regulation 82.
- c) Receivables have been considered based on the ARR after the true up of FY 2019-20.
- d) Amount of security deposit as per audited accounts has been taken.

- e) The normative rate of interest on working capital has been taken as 300 basis points higher than the average Base Rate (1 year MCLR) of State Bank of India prevalent during first six months of the year previous to the relevant year.

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

Table 7: Interest on Working Capital of JdVVNL for 2019-20

(Rs. in Crore)

Sr. N o.	Particular	Amount considering normative interest rate	Amount considering interest rate submitted by Discom
1	O&M expenses of one month	86.25	86.25
2	Maintenance spares @ 15% of operation and maintenance expenses specified in regulation 82;	155.25	155.25
3	Receivables equivalent to one and a half (1½) months billing of consumers	2055.52	2055.52
4	Less: Security deposit from consumers	720.35	720.35
5	Total working capital requirement(1+2+3-4)	1576.67	1576.67
6	Rate of Interest	11.25%	10.79%
7	Interest on working capital allowed after true-up	177.38	170.16
8	Less : 50% gain arising from variation in Interest rate as per regulation 27 Of RERC 2019	3.61	
9	Net Interest on working capital	173.77	

3.59 It may be seen that gain on account of variation in interest rate is Rs. 7.22 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

3.60 JdVVNL has claimed prior period expenses of Rs. 196.09 Crore. It has been observed that the major item of the prior period expenses is the "Prior period adjustment of power purchase" of Rs. 172.43 Crore. The details of prior period expenses as per audited accounts are as follows:

(Amount in Rs. Crore)

Particulars	For the year ended 31.03.2020	
Prior period expenses/loss:		
Short Provisions for Power purchase in previous year		172.43
Employees cost relating to previous year	0.0064	
Int.& other finance charges relating to previous year	4.54	
Material related expenses relating to previous year	-	
Capitalization of Employee Cost (Prior period)	0.08	
Administrative & general expenses	19.04	23.66
Total		196.09

3.61 While carrying out the true up of any financial year, the Commission allows the capitalization, operation and maintenance expenses, interest and finance cost as per Tariff Regulations. Hence, expenses of Rs. 23.66 Crore on account of above expenses as shown 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 2018-19 as per the norms specified in the Tariff Regulations.

3.62 The Discom has furnished the item wise details of prior period expenses relating to power purchase. On perusal of information furnished by Discom towards prior period expense of power purchase of Rs. 172.43 Crore, it has been observed that these prior period expenses include:

a) Amount of Rs. (0.41) Cr. is due to power purchase of THDC, which is allowed by the Commission.

b) Amount of Rs. 0.54 Cr. is due to power purchase from NRLDC POSOCO, which is allowed by the Commission.

c) Amount of Rs. 45.12 Cr. is due to prior period LPS, which is not allowed by the Commission.

d) Amount of Rs. 3.74 Cr. and 0.41 Crore are on account of power purchase without any details or justification, which is not allowed by the Commission.

e) Amount of Rs. 0.0010 Cr. is due to bill of Non POC of Aug. 2018 of PGCIL wrongly entered with less amount, which is allowed by the Commission.

f) Bill of PTC-Karcham of Rs. 0.02 Cr. of due date 23.08.2018 not entered in PP Statement, which is now rectified, is not allowed by the Commission.

g) Prior period bill of Rs. 0.65 Cr. of NVVN Bundled received in April of JVVNL wrongly entered in JdVVNL (JVVNL Rs -33874854) (JdVVNL-Rs. 27413167), which is allowed by the Commission.

h) Previous Year ICT of RSMM of Ajmer Discom of Rs. 1.15 Cr., which is allowed by the Commission.

i) Amount of Rs. 100.61 Cr. is due to fuel Price Adjustment bill of RVUNL for 18-19 provisionally verified by RUVN and received on dated 25.07.19 and paid in dated 29.07.19 but not accounted in 2018-19, hence accounted as prior period in 2019-20 in view of AG MEMO of 18-19, which is allowed by the Commission.

j) CERC vide order dated 26.06.2019, direct the payment of arrear bill on account of revision of tariff of Rampur Hydro project of Rs. 20.61 Crore, out of which Rs. 16.57 Crore is allowed and Rs. 4.04 Crore towards interest is not allowed by Commission.

Considering the above, for the purpose of current true up, the Commission has considered the prior period expenses of Rs. 119.10 Crore against the JdVVNL claim of prior period expenses of Rs. 196.09 Crore.

Other Debits:

- 3.63 JdVVNL has claimed other debits of Rs. 69.28 Crore. It has been observed that the major item of other debits is the provision for bad and doubtful debts of Rs. 62.67 Crore, bad debts written off of Rs. 0.0068 Crore, compensation in case of injury/death of Rs. 5.32 Crore, loss due to theft of fixed assets of Rs. 0.62 Crore, Loss to stock on account of Fire Rs. 0.66 Crore.
- 3.64 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. 0.0068 Crore actually written off.
- 3.65 Further, with regard to loss due to theft of Fixed Assets and Loss to stock on account of Fire, the regulation 25 of RERC tariff Regulations, 2019 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. 0.62 Crore and Loss to stock on account of Fire Rs. 0.66 Crore being less than the normative insurance expenses.
- 3.66 Compensation paid towards injury /death of Rs. 5.32 Crore is considered as per actual.
- 3.67 The Commission accordingly has considered the other debit of Rs. 6.61 Crore against the Discom claim of Rs. 69.28 Crore.

Consumer Education and Rebate Allowed to Consumers

- 3.68 Regarding consumer education and awareness, Commission vide its Order dated 06.02.2020, allowed an additional amount of Rs. 50 lakh per Discom. As per Discom petition it has not incurred any amount towards consumer education and awareness programs, therefore Commission has not considered any amount towards aforesaid objective.
- 3.69 As discussed later in this order the Commission has not considered DPS from consumers as part of Non tariff income. As DPS is not considered as part of Non tariff income the rebate given on this account is also not being

considered to be passed on in the ARR. While JVVNL and AVVNL have shown a combined amount under head 78.727 and 78.728 towards rebate on account of DPS but JdVVNL has mentioned two heads separately. To maintain uniformity the Commission has considered the combined amount towards rebate on account of DPS. The JdVVNL has shown amount of Rs. 43.90 Crore and Rs.6.02 Crore totaling to Rs. 49.92 Crore.

- 3.70 JdVVNL has shown the rebate allowed to consumers of Rs. 125.76 Crore which is inclusive of LPS/DPS waived of Rs. 49.92 Crore as indicated above. As per Regulation 36 of RERC Tariff Regulations, the Commission has not considered the income towards DPS, therefore the expenditure on account LPS/DPS waived of Rs. 49.92 Crore is also not considered by the Commission.

Revenue

- 3.71 Revenue from sale of power, Non-Tariff Income, other Income, Wheeling Charges and Cross Subsidy Surcharge, additional surcharges ,sale of power through trading and Prior Period Income as petitioned by Discom has been accepted.
- 3.72 Fuel Surcharge: out of total income from sale of power, the income from fuel surcharge as per audited accounts is Rs. 476.83 Crore. Which is considered by the Commission for this Order.
- 3.73 Delayed Payment Surcharge (DPS): The Discom had submitted that Delayed Payment Surcharge (DPS) is Rs. 208.85 Crore considered as part of Non Tariff Income (NTI). However, while requesting for net Gap for FY 2019-20, Discom has reduced this amount from non tariff income.
- 3.74 The regulation 36 of RERC tariff Regulations, 2019 provides that-

“All revenues including but not limited to transformer rent, income from fixed deposit/ statutory investment(s), income from rent on land/buildings, income from sale of scrap, income from sale of ash/rejected coal, income from advertisement, Interest on advances to suppliers/contractors, etc., shall be considered as Non-Tariff Income:

Provided that Late Payment Surcharge and Interest on Late Payment earned by the Generating Company or the Licensee shall not be considered under Non-tariff Income."

- 3.75 In accordance with Regulation 36 of RERC tariff Regulations, 2019 the Commission has not considered Delayed Payment Surcharge (DPS) of Rs. 208.85 Crore as Non Tariff income.
- 3.76 Deferred Revenue Income: 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.
- 3.77 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.

Gap

- 3.78 The petitioner has informed that the profit of Rs. 10 Cr is after inclusion of UDAY grant of Rs. 3,707 Cr which is not cash profit and only book profit. The petitioner submitted that the grant of Rs. 3,707 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. Thus after reducing the UDAY grant of Rs. 3707 Crore and delayed payment surcharge of Rs. 209 Crore, the petitioner has requested for revenue gap of Rs. 3906 Crore during FY 2019-20.
- 3.79 Based on above discussions and data provided by JdVVNL, prayer of Discom for True-up of the expenditure and revenue for FY 2019-20 based

on the actual performance and for approval of the revenue gap of Rs. 3697.31 Crore (before reduction of DPS income) and revenue gap of Rs. 3906.16 Crore after reduction of DPS income 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 2019-20 (Rs. in Crore)

Sr. No.	Particulars	As per ARR order dated 06.02.2020	As per petition	Approved After truing up
1	Revenue			
2	Sale of power	13123.00	13696.60	13696.60
3	Fuel Surcharge	0.00	476.83	476.83
4	Non-tariff income and other income	140.00	441.61	232.76
5	Deferred Revenue Income	0.00	256.16	0.00
6	Wheeling charges, Cross Subsidy Surcharge and additional surcharge	36.00	45.41	45.41
7	Sale of power through trading	0.00	143.84	143.84
8	Prior Period Income	0.00	43.02	43.02
9	Total Revenue, A	13299.00	15103.47	14638.46
10	Expenditure			
11	Power purchase Cost	11802.00	13382.98	12490.00
12	O & M Expenses			
13	Employee cost	760.19	554.71	814.67
14	A&G expenses	102.81	92.97	107.27
15	R&M expenses	117.00	160.69	113.06
16	Terminal Benefits	625.00	738.84	132.50
17	Insurance Expenses	21.00	0.76	0.00
18	Consumer Education	0.50	0.00	0.00
19	Depreciation	509.00	807.45	465.04
20	Interest & finance charges	2596.82	3043.27	2224.43
21	Interest on working capital	185.68		173.77
22	Prior period expenses	0.00	196.09	119.10
23	Other debits	0.00	69.28	6.61
24	Rebate allowed to consumers	0.00	125.76	75.83
25	Total Expenditure, B	16720.00	19172.79	16722.30
26	Surplus/deficit, C = (A-B)	(3421.00)	(4069.32)	(2083.83)
27	Revenue subsidies received from State Government D	418.00	372.01	372.01
28	Revenue gap for FY 2019-20, E =(C+D)	(3003.00)	(3697.31)	(1711.83)
29	Gap worked out as per last true up order, F	0.00	(15677.60)	(15677.60)
30	Cumulative Revenue Gap to be carried forward, E+F	0.00	(19374.91)	(17389.43)
31	Cumulative Revenue Gap till FY 2019-20		(29764.92)*	(17389.43)

***As per audited accounts**

Analysis of True Up of ARR for FY 2019-20 – JVVNL

Sale of Energy

- 3.80 The Discom has indicated total sale of 24928.99 MUs including 292.51 MUs sales to flat rate category. It has been observed that flat rate sales of 292.51 MUs are within the limit of normative specific consumption, i.e., 1945 kWh/kW/year as specified by the Commission.
- 3.81 It is further observed that the above sale is inclusive of sale of power of 1556.74 MUs to the Distribution Franchisee (DF). Whereas DF has sold 1287.27 MUs to the end consumer. Thus, the sale to end consumer has been indicated as 24659.52 MUs. In accordance with view taken in previous true-up order, Commission accepts the sales of energy to end consumer only i.e. 24659.52 MUs. Keeping in view allowed sales of 24659.52 MUs, the distribution loss comes out to be 18.11% as against 17.21% indicated by the Discom.

Power Purchase Cost

- 3.82 Power purchase cost approved by Commission for FY 2019-20 was Rs.14550 Crore vide ARR order dated 06.02.2020. For the purpose of truing up, JVVNL has claimed Rs. 15696.56 Crore as power purchase cost (including short term power purchases and Transmission & SLDC charges).
- 3.83 The Discom has petitioned that they have purchased 32528.76 MUs out of which they have sold 691.14 MUs through exchange.
- 3.84 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 2019-20

Sr. No.	Particulars	Units (MU)	Amount	Average Rate
	<u>Energy petitioned by Discom</u>			
1	Total Energy Purchased by Discom (A)	32528.76	13705.40	4.21
2	Less: Purchase From Short term sources (B)	273.94	205.78	7.51
3	Balance Energy from approved Sources C= (A-B)	32254.82	13499.62	4.19
4	Add: Transmission and SLDC charges (D)		1991.16	
5	Total Power Purchase claimed (A+D)		15696.56	

3.85 The Discom submitted it has achieved distribution Losses target of 17.21% as against a target of 15%.

3.86 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.

3.87 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.

3.88 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 3.33% based on RVPN true up petition for FY 2019-20 and the interstate transmission losses based on 52 Weeks average losses of Northern and Eastern Region Losses as discussed in previous paras.

3.89 Details of gross energy requirement worked out on the basis of sales and losses as indicated in foregoing Para is given in the table below:

Table 2: Gross Energy Requirement of JVVNL for FY 2019-20 (MUs)

Sr. No.	Particulars	Approved as per Order Dated 06.02.2020	Actual/Audited	Restated Level	Normative Calculation
1	Gross Energy Requirement	30892	32528.76	32528.76	31006.22
2	Less:- Sale Through Exchange	0	691.14	691.14	691.14
3	Net Energy Requirement	30892	31837.62	31837.62	30315.08
4	Inter State Transmission Loss (MU)	407	687.79	687.79	304.53
5	Energy Availability at RVPN (MU)	30485	31149.82	31149.82	30010.55
6	Intra State Transmission Loss(%)*	3.35%	3.33%	3.33%	3.33%
7	Intra State Transmission Loss(MU)	1021	1037.29	1037.29	999.35
8	Energy Requirement at Distribution Periphery (MU)	29464	30112.53	30112.53	29011.20
9	Distribution Loss (%)	15%	17.21%	18.11%	15.00%
10	Distribution Loss (MUs)	4420	5183.55	5453.02	4351.68
11	Energy Sales (MUs)	25044	24928.99	24659.52	24659.52

3.90 It is observed that the Discom has purchased 1522.54 MUs in excess due to increase in distribution loss over the target given by the Commission, consideration of sale of power to DF and high transmission losses.

3.91 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. 1522.54 MUs from actual purchase of 32528.76 MUs and accordingly purchase of energy allowed shall be 31006.22 MUs.

3.92 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.

3.93 Discom submitted the total power purchase cost of Rs. 13705.40 Crore including provision for banking of Rs. 48.28 Crore and transaction cost of Rs. 17.13 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 service charges to RUVNL of Rs. 8.20 Crore is not considered by Commission. Accordingly, the Commission has considered the power purchase cost of Rs. 13648.92 Crore.

3.94 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 2019-20 (Rs. In Crores)

Sr. No.	Particulars	Units (MU)	Amount	Average Rate
	Energy approved by Commission:			
1	Total Energy Purchased by Discom (A)	32528.76	13648.92	4.20
2	Less: Disallowed short term sources (B)	273.94	205.78	7.51
3	Total Energy from approved sources (C=A-B)	32254.82	13443.14	4.17
4	Less: Disallowed approved sources (D)	1248.60	520.39	4.17
5	Power Purchase Cost Allowed E=(A-B-D)	31006.22	12922.75	
6	Add: Transmission and SLDC charges (F)		1991.16	
7	Total Power purchase cost allowed (E+F)		14913.91	

3.95 While disallowing the excess purchase of 1522.54 MUs by Discom, the Commission has first considered the power purchase of 273.94 MUs from short term sources (UI & Exchange) and rest 1248.60 MUs from long term at average power purchase rate.

3.96 Transmission and SLDC charges of Rs. 1991.16 Crore as per audited accounts of Discom have been allowed by the Commission. Accordingly, the total power purchase cost including Transmission and SLDC charges approved for FY 2019-20 is Rs. 14913.91 Crore.

Operations and Maintenance (O&M) Expenses

3.97 The O&M expenses approved by the Commission for FY 2019-20 were Rs. 1874 Crore including Terminal Benefit liability of Rs. 550 Crore vide Tariff order dated 06.02.2020. For the purpose of true up, JVVNL has claimed Rs. 1650.25 Crore as O&M expenses (including staff terminal benefits based on actuarial valuation of Rs. 593.68 Crore).

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

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

Table 4: O&M Expenses of JVVNL for FY 2019-20 (Rs. in Crore)

Sr. No.	Particulars	Amount
1	Energy Sales approved by Commission excluding sales by DF (in MU)	23372.25
2	Normative Employee cost for FY 2019-20 (Rs. 0.48/Unit)	1121.87
3	Normative A &G expenses (Rs. 0.065/unit)	151.92
4	Normative R&M expenses (k x GFAn-1 x (1+ER))	177.35
5	Less: Proportionate Employee Cost Capitalized	184.51
6	Less: Proportionate A &G cost capitalized (A&G)	35.90
7	Total O&M Expenses Allowed after True Up	1230.73

Terminal Benefit

3.100 The Commission had approved Rs. 550 Crore towards Terminal Benefit liability vide its tariff order dated 06.02.2020. However, JVVNL submitted that they have deposited a sum of Rs. 290.51 Crore towards terminal benefit liability. Accordingly, the terminal benefit liability to the extent of actual amount of Rs. 290.51Crore deposited by JVVNL has been considered by the Commission.

3.101 As Discussed in previous paras Commission advises the top management of Discom & State Government to ensure appropriate funding towards terminal benefit liability so as to meet the liability of the Discom on this account.

Depreciation

3.102 The depreciation approved by Commission for FY 2019-20 was Rs 719 Crore vide Tariff order dated 06.02.2020 and Discom has claimed Rs.997.38 Crore as depreciation.

3.103 **Grant Under DDUGJY, R-APDRP, IPDS and Saubhagya:** Discom has consistently been asked to submit scheme wise equity, grant and loans. Commission is allowing the investment under central sponsored schemes, and as per the provision of these scheme, Discom is also expected to meet the desired targets and efficiency level. The purpose of the direction of the Commission was to ensure efficiency of investment and to ensure that the Discom has performed according to the targets of that scheme and Its impact is not passed on the consumer by way of non receipt of grant. It is brought to the notice of Commission that Discoms are not able to get the full grant as envisaged under various schemes. It is observed that during FY 2019-20, under central sponsored scheme such as DDUGJY, R-APDRP, IPDS and Saubhagya scheme JVVNL has incurred Rs. 506.82 Crore and in additional data gap reply Discom has indicated Rs. 310.07 Crore as grants towards such works, whereas as per audited accounts of Discom Rs. 217.49 Crore has been shown as grant received during FY 2019-20. Thus the difference of grant ought to be received and actually received has been considered as notional grant by the Commission. Accordingly, additional grant considered by the Commission is Rs. 92.58 Crore.

3.104 In this regard the Commission would like to note that it relies upon the information furnished by the Discom and audited accounts furnished by it. In absence of proper information of scheme wise grant, loan and equity. Commission is not be able to assess as to upto what extent interest burden due to non receipt of grant is to be passed on in the ARR. It is the duty of the Discoms' officers to maintain and submit authentic information in proper format. The Discom is directed to keep the record of scheme wise grant, loan and equity to be received and actually received and report the same in next true up and ARR filing. If need be, separate sub-heads be created in accounts. In case of non-furnishing of the information. MD of Discom should take action against the concerned officers.

3.105 **Grant on release of New Agriculture Connection under RE Works:** It is observed that during FY 2019-20, Discom has indicated release of 28817 no. of new agriculture connections. It is brought to the notice of Commission that 50% of difference between actual expenditure incurred on release of new connection and amount deposited by consumer shall be given by GoR as grant to Discom.

- 3.106 The Discom has submitted that an average Rs. 296000 expenses per connection and consumer contribution of Rs. 43000 per connection. The 50% of the above shall be Rs. 126500 per connection. Based on this the total grant from government towards release of 28817 new agriculture connection is Rs. 364.54 Crore.
- 3.107 As Discussed earlier in this order, the Commission has considered this amount as additional grant, Discom may obtain this amount from State Government.
- 3.108 The Commission in absence of detailed information has worked out the figure of grant on normative basis, in case of any discrepancy, Discom may come with actual figure of applicable grant and request to recalculate the impact of grant during next true up petition.
- 3.109 **Fixed Assets Register (FAR):** with regard to FAR, Discom submitted that FAR of all circles upto 31.03.2019 have been submitted. However it has been observed that, Discom has not complied completely with Commission directives.
- 3.110 While dealing with Jodhpur Discom in the earlier paras, the Commission has reduced the approved depreciation for FY 2019-20 by 10% and directed the Discoms to furnish the Fixed Assets Register indicating information as required under the Regulations and scheme wise information of debt, equity, grant with the next year tariff/true up petition. Jaipur Discom is also directed to comply with the said directions.
- 3.111 The Commission has followed the methodology given earlier in the order for the calculation of depreciation being allowed.
- 3.112 Details of depreciation charges allowed for FY 2019-20 are given in table below:

Table 5: Depreciation Charges of JVVNL for FY 2019-20 **(Rs. in Crore)**

Sr. No.	Particulars	Amount
1	Depreciable assets at the beginning of the year (closing balance of FY 2018-19)	15061.97
2	Less: Deductions as per audited accounts	225.32
3	Capitalization during the year	1836.36
4	Less Capitalization towards terminal benefit	110.95
5	Less: Capital Outlay financed by Consumer Contribution and grant	966.56
6	Depreciable assets added during the year (3-4-5)	758.85

Sr. No.	Particulars	Amount
7	Closing balance of GFA (1-2+6)	15595.51
8	Average depreciable assets during the year	15328.74
9	Average depreciation rate	4.86%
10	Depreciation Allowed after True UP	745.03
11	Approved Depreciation after reduction of 10% due to incomplete submission of fixed assets register as detailed in foregoing paras	670.53

Interest and Finance Charges and Interest on Working Capital

3.113 The interest & finance charges approved by Commission for FY 2019-20 were Rs. 3001 Crore including interest on working capital as per the ARR order dated 06.02.2020. For the purpose of true up, JVVNL has claimed Rs. 3034.42 Crore as interest and finance charges including interest on working capital.

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

Table 6: Interest and Finance Charges of JVVNL for 2019-20 (Rs. in Crore)

Sr. No.	Particulars	Amount
1	Opening balance of Long term Loan (LTL) (closing balance of FY 2018-19)	7073.53
2	Add: Capitalization during the year	1836.36
3	Less: Capital Outlay financed by Equity	234.86
4	Less: Capital Outlay financed by Consumer Contribution and grant	966.56
5	Less Capitalization towards terminal benefit	110.95
6	Addition to LTL for Capital Outlay {2-(3+4+5)}	523.99
7	Less: Repayments equal to depreciation	745.03
8	Closing balance of LTL (1+6-7)	6852.49
9	Average LTL	6963.01
10	Add: Revenue Gap recognized for previous year after loan taken over under UDAY	15354.85
11	Total Long Term Loan Balance to be considered for allowing interest for FY 2018-19 (9+10)	22317.86
12	Average Interest rate of LTL	10.45%
13	Interest Charges on LTL and revenue gap	2333.31
14	Interest on security deposit from consumers - As per actual	87.63
15	Finance Charges-As per actual	144.51
16	Total Interest and Finance Charges Allowed after True UP (13+14+15)	2565.45

3.115 The Commission has approved the interest on working capital as per Regulation 27 of RERC Tariff Regulations, 2019. The details of Interest on working capital are given in table below:

Table 7: Interest on Working Capital of JVVNL for 2019-20

(Rs. in Crore)

Sr. N o.	Particular	Amount considering normative interest rate	Amount considering interest rate submitted by Discom
1	O&M expenses of one month	102.56	102.56
2	Maintenance spares @ 15% of operation and maintenance expenses specified in regulation 82;	184.61	184.61
3	Receivables equivalent to one and a half (1½) months billing of consumers	2481.54	2481.54
4	Less: Security deposit from consumers	1425.09	1425.09
5	Total working capital requirement(1+2+3-4)	1343.62	1343.62
6	Rate of Interest	11.25%	10.37%
7	Interest on working capital allowed after true-up	151.16	139.37
8	Less : 50% Gain arising from variation in Interest rate as per regulation 27 Of RERC 2019	5.90	
9	Net Interest on working capital	145.27	

3.116 It may be seen that gain on account of variation in interest rate is Rs. 11.80 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

3.117 JVVNL has claimed prior period expenses of Rs. 53.67 Crore. It has been observed that the major item of the prior period expenses is the "Prior period adjustment of power purchase" of Rs. 52.11Crore. The detail of prior period expenses as per audited accounts are as follows:

(In Rs. Crore)		
Particulars	For the year ended 31 March 2020	
Prior period expenses/loss		
Prior Period Adjustment of Power Purchase		52.11
Administration & General Expense	12.35	
Depreciation	6.18	
Int.& other finance charge	(16.97)	1.56
Total		53.67

3.118 While carrying out the true up of any financial year, The Commission allows the capitalization, operation and maintenance expenses, interest cost and interest on working capital as per Tariff Regulations. Hence, expenses of Rs. 1.56 Crore on account of above expenses as shown 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 2019-20 as per the norms specified in the Tariff Regulations.

3.119 the Discom has furnished, the item wise details of prior period expenses relating to power purchase of Rs. 52.11 Crore, It has been observed that these prior period expenses include:

- a) Amount of Rs. (5.73) Crore: Power purchase from Raj West Power has been booked in prior period and also included in the power purchase statement by RUVNL, hence JV has been proposed to rectify the same. Which is allowed by the Commission.
- b) Amount of Rs. 124.32 Crore: Fuel Price Adjustment bill of RVUNL for 18-19 provisionally raised on 24.07.2019 not accounted in 2018-19, hence accounted as prior period in 2019-20 in view of AG MEMO of 18-19, which is allowed by the Commission.
- c) Amount of Rs. 20.60 Crore: CERC vide order dated 26.06.2019, direct the payment of arrear bill on account of revision of tariff of Rampur Hydro project of Rs. 20.60 Crore, which is allowed by Commission.
- d) Amount of Rs. 0.07 Crore: Purchase of PXIL conducted through advance deposit amount in Oct-17 booked & JV proposed. Which is allowed by the commission.
- e) Amount of Rs. (92.19) Crore: Being adjustment of ICT of RVPN regarding energy over drawl bills of PPMCL & verified by SE (ISP) RVPN has been withdrawn as per MoM between Addl. chief Secretary, government of MP and Principal Secretary (Energy), Government of Rajasthan and also approved by WTD on dated 28.07.19, which is allowed by the Commission.

- f) Amount of Rs. 5.01 Crore: Correction JV proposed on the basis of letter received from RUVNL, being LPS amount is not allowed by the Commission.
- g) Amount of Rs. 0.03 Crore: Booking difference of incentive bill due to ratio change as per Reconciliation statement between RVPNL & JVVNL upto 31.03.2019 & ICT No. 1/03-19 of RVPNL, JV proposed. 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.47.10 Crore against the JVVNL claim of prior period expenses of Rs. 53.67 Crore.

Other Debits:

- 3.120 JVVNL has claimed other debits of Rs. 163.40 Crore. It has been observed that major item of other debits are provision for bad and doubtful debts-others of Rs. 89.56 Crore, loss on sale of fixed assets of Rs. 50.30 Crore, loss on valuation of inventory of Rs. 15.00 Crore, loss due to theft of fixed assets of Rs 2.78 Crore, compensation in case injury/death of Rs. 4.65 Crore, loss on obsolete store of Rs. 0.52 Crore and miscellaneous expenses of Rs 0.59 Crore.
- 3.121 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. 2.02 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. 2.02 Crore by the Discom subject to limit stipulated in the Tariff Regulations. Therefore, the Commission has not considered bad debts provision
- 3.122 Further, with regard to loss due to theft of Fixed Assets, the regulation 25 of RERC Tariff Regulations, 2019 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. 2.78 Crore being less than the normative insurance expenses.
- 3.123 Compensation to outsider paid of Rs. 4.02 Crore and compensation to employee of Rs. 0.63 Crore, loss on sale of fixed assets of Rs. 50.30 Crore, loss on obsolete store of Rs. 0.52 Crore, incentive of online payment of Rs. 0.17 Crore

and loss on exchange rate variation Rs. 0.2572 Crore are considered as per actual.

3.124 The Commission has not considered loss on valuation of Inventory amount to Rs. 15.00 Crore and deferred revenue expense written off of Rs. 0.1187 Crore.

3.125 Accordingly, the Commission has considered the other debit of Rs. 60.69 Crore against the Discom claim of Rs. 163.40 Crore.

Consumer Education and Rebate Allowed to Consumers

3.126 Regarding consumer education and awareness, Commission vide its Order dated 06.02.2020, 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. 14.93 Crore towards Consumer Education and Awareness, which is inclusive of expenditure towards operation of call center of Rs. 13.42 Crore, therefore, Commission has allowed Rs. 1.51 Crore against Discom claim of Rs. 14.93 Crore. The Discom should book the balance amount under O&M head.

3.127 JVVNL has shown the rebate allowed to consumers of Rs. 321.64 Crore which is inclusive of LPS/DPS waived of Rs. 71.13 Crore. As per Regulation 36 of RERC Tariff Regulations, the Commission has not considered the income towards DPS, therefore the expenditure on account LPS/DPS waived of Rs. 71.13 Crore is also not considered by the Commission.

Revenue

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

3.129 Fuel Surcharge: out of total income from sale of power, the income from fuel surcharge as per audited accounts is Rs. 727.73 Crore, which is considered by the Commission for this Order.

3.130 Delayed Payment Surcharge: The Discom had submitted that Delayed Payment Surcharge (DPS) is Rs. 291.22 considered as part of Non Tariff Income (NTI). The Regulation 36 of RERC tariff Regulations, 2019 provides that-

"All revenues including but not limited to transformer rent, income from fixed deposit/ statutory investment(s), income from rent on land/buildings, income from sale of scrap, income from sale of ash/rejected coal, income from advertisement, Interest on advances to suppliers/contractors, etc., shall be considered as Non-Tariff Income:

Provided that Late Payment Surcharge and Interest on Late Payment earned by the Generating Company or the Licensee shall not be considered under Non-tariff Income."

3.131 In accordance with Regulation 36 of RERC tariff Regulations, 2019 the Commission has not considered Delayed Payment Surcharge (DPS) of Rs. 291.22 Crore as Non Tariff income

3.132 Deferred Revenue Income: 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.

3.133 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.

Gap

3.134 The petitioner has informed that the profit of Rs. 2188 Cr. is after inclusion of UDAY grant of Rs. 4,794 Crore which is not cash profit and only book profit. The petitioner submitted that the grant of Rs. 4794 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 true up as it is shown only to reconcile the deficit/surplus as per true up petition with accounting profit/loss for the year.

3.135 Based on above discussions and data provided by JVVNL, the prayer of Discom for True-up of the expenditure and revenue for FY 2019-20 based on the actual performance and for approval of the revenue gap of Rs. 2605.75 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 2019-20

(Rs. in Crore)

	Particulars	As per order dated 28.05.2018	As per petition	Approved After trueing up
1	Revenue			
2	Sale of power	18192.00	16915.91	16915.91
3	Fuel Surcharges	0.00	727.73	727.73
4	Non-tariff income and other income	279.00	537.40	246.18
5	Deferred Revenue Income	0.00	232.84	0.00
6	Wheeling charges, Cross Subsidy Surcharge and additional surcharge	58.00	77.67	77.67
7	Sale of power through trading	0.00	177.74	177.74
8	Prior Period Income	0.00	22.34	22.34
9	Total Revenue, A	18529.00	18691.65	18167.58
10	Expenditure			
11	Power purchase Cost	14550.00	15696.56	14913.91
12	O & M Expenses			
13	Employee cost	985.56	687.21	937.36
14	A&G expenses	163.00	144.43	116.02
15	R&M expenses	175.00	240.00	177.35
16	Terminal Benefits	550.00	563.68	290.51
17	Insurance Expenses	30.00	1.90	0.00
18	Consumer Education	0.50	14.93	1.51
19	Depreciation	719.00	997.38	670.53
20	Interest & finance charges	2811.00		2565.45
21	Interest on working capital	190.00	3034.42	145.27
22	Prior period expenses	0.00	53.67	47.10
23	Other debits	0.00	163.40	60.69
24	Rebate allowed to consumers	0.00	321.64	250.52
25	Total Expenditure, B	20174.06	21919.21	20176.20
26	Surplus/deficit, C = (A-B)	(1645.06)	(3227.57)	(2008.63)
27	Revenue subsidies received from State Government D	770.00	621.82	621.82
28	Revenue gap for FY 2019-20, E =(C+D)	(875.06)	(2605.75)	(1386.81)
29	Gap worked out as per last true up order, F	0.00	(15354.85)	(15354.85)
30	Cumulative Revenue Gap to be carried forward, E+F	0.00	(17960.59)	(16741.65)
31	Cumulative Revenue Gap till FY 2019-20		(28872.34)*	(16741.65)

**As per audited accounts*

Analysis of True Up of ARR for FY 2019-20– AVVNL

Sale of Energy

- 3.136 The Discom has indicated total sale of 17294 MUs including 549.92 MUs sales to flat rate category. It has been observed that flat rate sales of 549.92 MUs are within the limit of normative specific consumption, i.e., 1945 kWh/kW/year as specified by the Commission.
- 3.137 It is further observed that the above sale is inclusive of sale of power of 540.46 MUs to the Distribution Franchisee (DF). Whereas DF has sold 489.83 MUs to the end consumer. In accordance with view taken in previous true-up order, Commission accepts the sales of energy to end consumer only i.e. 17243.61 MUs. Keeping in view allowed sales of 17243.61 MUs, the distribution loss comes out to be 14.73% as against 14.48% indicated by the Discom.

Power Purchase Cost

- 3.138 Power purchase cost approved by the Commission for FY 2019-20 was Rs. 10149 Crore vide ARR order dated 06.02.2020. For the purpose of truing up, AVVNL has claimed Rs. 10564.09 Crore as power purchase cost (including short term power purchase cost and Transmission & SLDC charges).
- 3.139 The Discom has petitioned that they have purchased 21847.49 MUs out of which they have sold 465.79 MUs through exchange.
- 3.140 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)	21847.49	9117.58	4.17
2	Less: Purchase From Short term sources (B)	184.62	138.69	7.51
3	Balance Energy from approved Sources C= (A-B)	21662.87	8978.89	4.14
4	Add: Transmission and SLDC charges (D)		1446.52	
5	Total Power Purchase claimed E=(A+D)		10564.09	
6	Additional power purchase claimed on account of saving in Distribution Losses (F)		54.00	
	Total Power Purchase claimed G= (E+F)		10618.09	

- 3.141 The Discom submitted that it has achieved Distribution losses of 14.48% as against a target of 15%, Commission appreciate the Discom to achieve target distribution losses for FY 2019-20.

3.142 During FY 2019-20, the power purchase cost as per audited account is Rs. 10564.09 Crore, However, Discom has claimed the additional power purchase cost of Rs. 54 Crore on account of saving in distribution losses. Therefore the Total power purchase claimed by Discom during FY 2019-20 is Rs. 10618.09 Crore.

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

3.144 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 3.33% based on RVPN true up petition for FY 2019-20 and the inter state transmission losses based on 52 weeks Average Losses of Northern and Eastern Region as discussed in previous paras.

3.145 Details of gross energy requirement worked out on the basis of sales and losses as indicated in foregoing Para is given below in table:

Table 18: Gross Energy Requirement of AVVNL for 2019-20 (MUs)

Sr. No.	Particulars	Approved as per Order Dated 06.02.2020	Actual/Audited	Restated Level	Normative Calculation
1	Gross Energy Requirement	21779	21847.49	21847.49	21660.05
2	Less:- Sale Through Exchange	0	465.79	465.79	465.79
3	Net Energy Requirement	21779	21381.70	21381.70	21194.25
4	Inter State Transmission Loss (MU)	275	462	461.91	208.84
5	Energy Availability at RVPN (MU)	21504	20920	20919.78	20985.41
6	Intra State Transmission Loss(%)*	3.35%	3.33%	3.33%	3.33%
7	Intra State Transmission Loss(MU)	720	697	696.63	698.81
8	Energy Requirement at Distribution Periphery (MU)	20784	20223.15	20223.15	20286.60
9	Distribution Loss (%)	15.00%	14.48%	14.73%	15.00%
10	Distribution Loss (MUs)	3118	2928.92	2979.54	3042.99
11	Energy Sales (MUs)	17666	17294.24	17243.61	17243.61

3.146 It is observed that at approved distribution loss level of 15%, Discom has purchased 187.44 MUs in excess due to high transmission losses and consideration of sale of power to DF. However during FY 2019-20, Discom restated distribution losses is 14.73% which is slightly lower than approved distribution losses of 15%.

- 3.147 As per Regulation 75(5) of RERC Tariff Regulations, 2019, the gains arising on account of distribution losses being lower than the target fixed for any year by the Commission, shall be shared in the ratio of 50:50 between the Distribution Licensee and the consumers.
- 3.148 As the Discom restated distribution losses level is lower than approved distribution losses, the total excess energy allowed by the Commission at Discom periphery is 63.45 MUs, whereas as per above regulation gains arising on account of distribution losses being lower than the target fixed for any year by the Commission, shall be shared in the ratio of 50:50 between the Distribution Licensee and the consumers. Accordingly, the 50 % of gain of 63.45 MUs i.e. 31.72 MUs shall be shared by Discom with consumers. As per table above, excess normative power requirement of 187.44 MUs is to be disallowed and out of gain of 63.45 MUs, 50% is also shared with consumers in form of reduction of power purchase cost. Accordingly, disallowances towards this shall be considered as 219.16 MUs. The impact of sharing of gain by Discoms is that the revenue gap for the year to that extent shall be reduced.
- 3.149 As such the Commission disallows excess purchase, i.e. 219.16 MUs from actual purchase of 21847.49 MUs and accordingly purchase of energy allowed shall be 21628.32 MUs.
- 3.150 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.
- 3.151 Discom submitted the total power purchase cost of Rs. 9117.58 Crore including provision for banking of Rs. 31.73 Crore, transactional cost of Rs. 11.54 Crore and provision for RPO obligation of Rs. 81.13 Crore. However, the Commission has not considered the provision for banking cost & RPO and considered only the transaction cost. Further, as discussed in earlier paras, the service charges to RUVNL of Rs. 5.53 Crore are not considered by Commission. Accordingly, the Commission has considered the power purchase cost of Rs. 8999.19 Crore.
- 3.152 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 2019-20

Sr. No.	Particulars	Units (MU)	Amount	Average Rate
	Energy approved by Commission:			
1	Total Energy Purchased by Discom (A)	21847.49	8999.19	4.12
2	Less: Disallowed short term sources (B)	184.62	138.69	7.51
3	Total Energy from approved sources (C=A-B)	21662.87	8860.51	4.09
4	Less: Disallowed approved sources (D)	34.54	14.13	4.09
5	Power Purchase Cost Allowed E=(A-B-D)	21628.32	8846.38	
6	Add: Transmission and SLDC charges (F)		1446.52	
7	Total Power purchase cost allowed (E+F)		10292.89	

3.153 While disallowing the excess purchase of 219.16 MUs by Discom, the Commission has considered the power purchase of 184.62 MUs from short term sources (UI, Exchange and Other) and 34.54 MUs from long term sources.

3.154 Transmission and SLDC charges of Rs. 1446.52 Crore as per audited accounts of Discom have been allowed by the Commission. Accordingly, the total power purchase cost including transmission and SLDC charges approved for FY 2019-20 is Rs. 10292.89 Crore.

Operations and Maintenance (O&M) Expenses

3.155 The O&M expenses approved by the Commission for FY 2019-20 were Rs. 1553 Crore including terminal benefit liability of Rs. 648 Crore vide ARR order dated 06.02.2020. For the purpose of true up, AVVNL has claimed Rs. 1510.66 Crore as O&M expenses (including terminal benefits of Rs. 354.76Crore).

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

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

Table 20: O&M Expenses of AVVNL for 2019-20**(Rs. in Crore)**

Sr. No.	Particulars	Amount
1	Energy Sales approved by Commission excluding sales by DF (in MU)	16753.78
2	Normative Employee cost for FY 2018-19 (Rs. 0.48/unit)	804.18
3	Normative A &G expenses (Rs. 0.065/unit)	108.90
4	Normative R&M expenses (k x GFAn-1 x (1+ER))	114.61
5	Less: Proportionate Employee Cost Capitalized	117.54
6	Less: Proportionate A &G cost capitalized (A&G)	12.49
7	Total O&M Expenses Allowed after True Up	897.66

Terminal Benefit

- 3.158 The Commission had approved Rs. 648 Crore towards terminal benefit liability vide its tariff order dated 06.02.2020. AVVNL submitted that they have deposited a sum of Rs. 155.50 Crore towards terminal benefit liability. Accordingly, the terminal benefit liability to the extent of actual amount of Rs. 155.50 Crore deposited by the AVVNL has been considered by the Commission.
- 3.159 As Discussed in previous paras, Commission advises the top management of Discom & State Government to ensure appropriate funding towards terminal benefit liability so as to meet the liability of the Discom on this account.

Depreciation

- 3.160 The depreciation approved by Commission for FY 2019-20 was Rs. 521 Crore vide ARR order dated 06.02.2020 and Discom has claimed Rs. 659.14 Crore as depreciation charges for the purpose of true up.
- 3.161 It is observed that AVVNL has filed the additional capitalization under FIP/SIP of Rs. 17.47 Crore, the Commission in the Investment Plan Order for FY 2019-20 has not considered investment under feeder Improvement Schemes and Directed the Discoms to meet out the expenditure under O&M head. Thus the additional capitalization to the extent of Rs. 17.47 Crore is not considered by the Commission in this Order.
- 3.162 **Grant Under DDUGJY, R-APDRP, IPDS and Saubhagya:** Discom has consistently been asked to submit scheme wise equity, grant and loans. Commission is allowing the investment under central sponsored schemes, and as per the provision of these scheme, Discom is also expected to meet the desired targets and efficiency level. The purpose of the direction of the Commission was to ensure efficiency of investment and to ensure that the Discom has performed according to the targets of that scheme and Its impact is not passed on the consumer by way of non-receipt of grant. It is brought to the notice of Commission that Discoms are not able to get the full grant as envisaged under various schemes. It is observed that during FY 2019-20, under central sponsored scheme such as DDUGJY, R-APDRP, IPDS and Saubhagya scheme AVVNL has incurred Rs. 1173.33 Crore and in additional data gap reply Discom has indicated Rs. 612.36 Crore as grants towards such works, whereas as per audited accounts of Discom Rs. 296.29 Crore has been shown as grant received during FY 2019-20. Thus the difference of grant ought to be received and actually

received has been considered as notional grant by the Commission. Accordingly, additional grant considered by the Commission is Rs. 316.07 Crore.

3.163 In this regard the Commission would like to note that it relies upon the information furnished by the Discom and audited accounts furnished by it. In absence of proper information of scheme wise grant, loan and equity. Commission is not be able to assess as to upto what extent interest burden due to non receipt of grant is to be passed on in the ARR. It is the duty of the Discoms' officers to maintain and submit authentic information in proper format. The Discom is directed to keep the record of scheme wise grant, loan and equity to be received and actually received and report the same in next true up and ARR filing. If need be, separate sub-heads be created in accounts. In case of non-furnishing of the information. MD of Discom should take action against the concerned officers.

3.164 **Grant on release of New Agriculture Connection under RE Works:** It is observed that during FY 2019-20, Discom has indicated release of 37045 no. of new agriculture connections. It is brought to the notice of Commission that 50% of difference between actual expenditure incurred on release of new connection and amount deposited by consumer shall be given by GoR as grant to Discoms.

3.165 The Discom has submitted that an average Rs. 200000 expenses per connection. The 50% of the above shall be Rs. 100000 per connection. Based on this the total grant from government towards release of 37045 new agriculture connection is Rs. 370.45 Crore.

3.166 While dealing with Jodhur Discom in the earlier paras of this order, the Commission has considered this amount as additional grant, Discom may obtain this amount from State Government.

3.167 The Commission in absence of detailed information has worked out the figure of grant on normative basis, in case of any discrepancy, Discom may come with actual figure of applicable grant and request to recalculate the impact of grant during next true up petition.

3.168 **Fixed Assets Register (FAR):** with regard to FAR, Discom submitted that FAR of Jhunjhunu Circle, Bhilwara Circle, Chittorgarh Circle, office of AO (IA), AVVNL, Ajmer, Pratapgarh Circle, Nagaur Circle & Sikar Circle upto 31.03.2020 have been submitted. In respect of the FAR of remaining circles the work is under

progress. However it has been observed that, Discom has not complied completely with Commission directives.

3.169 As discussed in earlier paras, the Commission has reduced the approved depreciation for FY 2019-20 by 10% and directed the Discoms to furnish the Fixed Assets Register indicating information as required under the Regulations and scheme wise information of debt, equity and grant with the next year tariff/true up petition. Ajmer Discom is also directed to comply with the said directions.

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

3.171 Details of depreciation charges allowed for FY 2019-20 are given in table below:

Table 21: Depreciation Charges of AVVNL for 2019-20 **(Rs. in Crore)**

Sr. No.	Particulars	Amount
1	Depreciable assets at the beginning of the year (closing balance of FY 2019-20)	9687.65
2	Less: Deductions as per audited accounts	66.20
3	Capitalization during the year	2030.87
4	Less Capitalization towards terminal benefit	27.93
5	Less: Capital Outlay financed by Consumer Contribution and grant	1253.30
6	Depreciable assets added during the year (3-4-5)	749.64
7	Closing balance of GFA (1-2+6)	10371.09
8	Average depreciable assets during the year	10029.37
9	Average depreciation rate	4.52%
10	Depreciation Allowed after True UP	453.00
11	Approved Depreciation after reduction of 10% due to incomplete submission of fixed assets register as detailed in foregoing paras	407.70

Interest and Finance Charges and Interest on Working Capital

3.172 The interest & finance charges approved by Commission for FY 2019-20 was Rs. 2327 Crore including interest on working capital as per the ARR order dated 06.02.2020. For the purpose of true up, AVVNL has claimed Rs. 2369.45 Crore as interest and finance charges including interest on working capital.

3.173 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 2019-20**(Rs. in Crore)**

Sr. No.	Particulars	Amount
1	Opening balance of Long term Loan (LTL) (closing balance of FY 2018-19)	3187.78
2	Add: Capitalization during the year	2030.87
3	Less: Capital Outlay financed by Equity	146.74
4	Less: Capital Outlay financed by Consumer Contribution and grant	1253.30
5	Less Capitalization towards terminal benefit	27.93
6	Addition to LTL for Capital Outlay {2-(3+4+5)}	602.90
7	Less: Repayments equal to depreciation	453.00
8	Closing balance of LTL (1+6-7)	3337.68
9	Average LTL	3262.73
10	Add: Revenue Gap recognized for previous year after loan taken over under UDAY	12991.08
11	Total Long Term Loan Balance to be considered for allowing interest for FY 2019-20 (9+10)	16253.81
12	Average Interest rate of LTL	10.59%
13	Interest Charges on LTL and revenue gap	1720.73
14	Interest on security deposit from consumers - As per actual	48.49
15	Finance Charges-As per actual	117.22
16	Total Interest and Finance Charges Allowed after True UP (13+14+15)	1886.43

3.174 The Commission has approved the interest on working capital as per Regulation 27 of RERC Tariff Regulations, 2019. Details of Interest on working capital are given in table below:

Table 23: Interest on Working Capital of AVVNL for 2019-20**(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	74.81	74.81
2	Maintenance spares @ 15% of operation and maintenance expenses specified in regulation 82;	134.65	134.65
3	Receivables equivalent to one and a half (1½) months billing of consumers	1691.64	1691.64
4	Less: Security deposit from consumers	1069.86	1069.86
5	Total working capital requirement(1+2+3-4)	831.24	831.24
6	Rate of Interest	11.25%	10.17%
7	Interest on working capital allowed after true-up	93.52	84.52
8	Less : 50% gain arising from variation in Interest rate as per regulation 27 Of RERC 2019	4.50	
9	Net Interest on working capital	89.02	

3.175 It may be seen that gain on account of variation in interest rate is Rs. 9.00 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 added from the amount of interest on working capital worked out on the basis of normative interest rate.

Prior Period Expenses

3.176 AVVNL has claimed prior period expenses of Rs. (26.82) 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. (49.75) 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 2020	
Prior period expenses/loss :		
Short Provisions for Power Purchase in Previous Years		(49.75)
Operating Expenses	14.37	
Employee Cost	(0.03)	
Depreciation under Provision	0.81	
Interest & Other Finance Charges	7.76	
Administration Expenses	0.02	22.93
Total		(26.82)

3.177 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. 22.93 Crore on account of these as shown 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 2018-19 as per the norms specified in the Tariff Regulations.

3.178 The Discom has furnished the item wise details of prior period expenses relating to power purchase of Rs. (49.75) Crore, it has been observed that the above prior period expenses include:

- a) Amount of Rs. 0.02 Crore pertains to RUVNL ICT No. 14 April, 19. Which is allowed by the Commission.
- b) Amount of Rs. (4.35) Crore consist of recovery of change in law compensation Rs. (5.32 Cr.), Income tax reimbursement invoice of Rs. 3.11 Cr & difference of fixed charges of Rs. (2.13 Cr.) as per AG Para No. 10, 11 & 12 of FY 2018-19. Which is allowed by the Commission.

- c) Amount of Rs. (2.55) Crore towards PTC amount booked twice in FY 2018-19. Which is allowed by the Commission.
- d) Amount of Rs. (66.21) Crore towards Adj. of ICT of RVPN regarding energy over drawl bills of PPMCL & verified by SE (ISP) RVPN has been withdrawn as per MoM between Addl. chief Secretary, government of MP and Principal Secretary (Energy), Government of Rajasthan and also approved by WTD on dated 28.07.19, which is allowed by the Commission.
- e) Amount of Rs. 23.11 Crore towards RVPN final settlement related to MPPCL. Which is allowed by the Commission.

3.179 Considering the above, for the purpose of current true up, the Commission has considered the prior period expenses of Rs. (49.75) Crore against the AVVNL claim of prior period expenses of Rs. (26.82) Crore.

Other Debits:

- 3.180 AVVNL has claimed other debits of Rs. 42.21 Crore. It has been observed that major item of other debits are the compensation in case of injury/death of Rs. 8.59 Crore, loss on theft of fixed assets of Rs. 3.00 Crore, Loss on obsolescence of fixed assets of Rs. 27.25 Crore, shortage on physical verification of stock of Rs. 0.01 and Bad & doubtful debts provision- others of Rs 3.36 Crore.
- 3.181 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. 4.95 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. 4.95 Crore.
- 3.182 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.
- 3.183 Further, compensation paid of Rs. 8.59 Crore and Loss on obsolescence of fixed assets Rs. 27.26 Crore are considered at actual.

- 3.184 The Commission has not considered the Shortage on physical verification of stocks of Rs. 0.01 Crore and accordingly, the Commission has considered the other debit of Rs. 43.79 Crore against the Discom claim of Rs. 42.21 Crore.

Consumer Education and Rebate Allowed to Consumers

- 3.185 Regarding consumer education and awareness, Commission vide its Order dated 06.02.2020, allowed an additional amount of Rs. 50 lakh per Discom. Discom has submitted that it has incurred Rs. 0.89740 Lakhs towards consumer education and awareness programs; therefore, Commission has considered an actual sum of Rs. 0.89740 Lakhs towards aforesaid objective. Commission has observed that Discom has not incurred requisite additional amount on consumer awareness.
- 3.186 AVVNL has shown the rebate allowed to consumers of Rs. 169.71 Crore which is inclusive of LPS/DPS waived of Rs. 22.70 Crore. As per Regulation 36 of RERC Tariff Regulations, the Commission has not considered the income towards DPS, therefore the expenditure on account LPS/DPS waived of Rs. 22.70 Crore is also not considered by the Commission.

Revenue

- 3.187 Revenue from sale of power, Non-Tariff Income, other Income, Wheeling Charges, Cross Subsidy Surcharge, Additional Surcharge sale of power through trading and Prior Period Income as petitioned by Discom has been accepted.
- 3.188 Fuel Surcharge: out of total income from sale of power, the income from fuel surcharge as per audited accounts is Rs. 1166 Crore (including Rs. 751.77 Crore income from special fuel surcharge), which is considered by the Commission for this Order. With regard to special fuel surcharge it has been observed that JVVNL and JVVNL have not recognized the impact of RERC order dated 13.06.2019, APTEL Order dated 14.09.2019 and Supreme Court order dated 31.08.2020 in its books of account for FY 2019-20. Whereas AVVNL has accounted Rs. 751.77 Crore as income from special fuel surcharge which include Rs. 712.01 Crore as income accrued. Supreme Court has issued final order in this regard and its overall impact will be reviewed in successive true-ups. Discoms should report the impact of this order separately in their successive petitions.

- 3.189 Delayed Payment Surcharge (DPS): In accordance with Regulation 36 of RERC tariff Regulations, 2019 the Commission has not considered Delayed Payment Surcharge (DPS) of Rs. 106.41 Crore as Non Tariff income.
- 3.190 Deferred Revenue Income: 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.
- 3.191 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.

Gap

- 3.192 The petitioner has informed that the losses of Rs. 826 Crore, without considering the income from DPS.
- 3.193 Based on above discussions and data provided by AVVNL, prayer of Discom for True-up of the expenditure and revenue for FY 2019-20 based on the actual performance and for approval of the revenue gap of Rs. 826 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 2019-20

(Rs. in Crore)

Sr. No.	Particulars	As per order dated 06/02/2020	As per petition	Approved After trueing up
1	Revenue			
2	Sale of power	12747.00	12185.11	12185.11
3	Fuel Surcharge	0.00	1166.60	1166.60
4	Non-tariff income and other income	228.00	209.95	209.95
5	Deferred Revenue Income	0.00	195.08	0.00
6	Wheeling charges, Cross Subsidy Surcharge and additional surcharge	64.00	127.17	127.17
7	Sale of power through trading	0.00	119.79	119.79
8	Prior Period Income	0.00	7.40	7.40
9	Total Revenue, A	13039.00	14011.09	13816.01
10	Expenditure			
11	Power purchase Cost	10149.20	10618.09	10292.89

12	O & M Expenses			
13	Employee cost	674.00	830.12	686.64
14	A&G expenses	115.00	113.83	96.41
15	R&M expenses	116.00	211.96	114.61
16	Terminal Benefits	648.00	354.76	155.50
17	Insurance Expenses	21.20	0.69	0.00
18	Consumer Education	0.50	0.01	0.01
19	Depreciation	521.20	659.14	407.70
20	Interest & finance charges	2208.00	2369.45	1886.43
21	Interest on working capital	119.20		89.02
22	Prior period expenses	0.00	-26.82	-49.75
23	Other debits	0.00	42.21	43.79
24	Rebate allowed to consumers	0.00	169.71	147.01
25	Total Expenditure, B	14572.30	15343.14	13870.26
26	Surplus/deficit, C = (A-B)	(1533.30)	(1332.05)	(54.26)
27	Revenue subsidies received from State Government D	522.00	506.31	506.31
28	Revenue gap for FY 2019-20, E =(C+D)	(1011.30)	(825.74)	452.05
29	Gap worked out as per last true up order, F	0.00	(12991.08)	(12991.08)
30	Cumulative Revenue Gap to be carried forward, E+F	0.00	(13816.82)	(12539.03)
31	Cumulative Revenue Gap till FY 2019-20		(28230.49)*	(12539.03)

***As per audited accounts**

3.194 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.

3.195 Despite a large disallowance considering all efficiency parameters and norms there still exist a revenue gap for Jaipur and Jodhpur Discoms. Ajmer Discom has shown surplus in true-up which is a welcome step and the Commission hopes that other Discoms will follow the suit and show turnaround. The surplus of Ajmer Discom has been used to reduce the unfunded gap. All Discoms should stick to all efficiency parameters and carry out its functions ensuring requisite prudence and make all out efforts to amortize the unfunded gap. The Commission in future years may consider not to allow any unfunded gap. The Government of Rajasthan as the principal owner should also look into the working of Discoms and provide necessary and timely financial support to Discoms so as to maintain their viability and capacity to serve consumers. Considering these, the Commission allows the approved unfunded revenue gap for 2019-20 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 ARR's.

3.196 The petitions 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

(B N Sharma)
Chairman

Annexure - A

1. Sh. G.L. Sharma (JVVNL, AVVNL and JdVVNL)
2. Sh. Y.K. Bolia (JVVNL, AVVNL and JdVVNL)
3. Sh. B. M. Sanadya, Samta Power, (JVVNL, AVVNL and JdVVNL)
4. M/s BASK Research Foundation (JVVNL)
5. Sh. D.P. Chirania (JVVNL, AVVNL and JdVVNL)

Annexure - B

1. Sh. G.L. Sharma
2. Sh. B.M Sanadhya
3. Sh. Y.K. Bolia
4. M/s BASK Research Foundation
5. Sh. D.P. Chirania