UTTAR PRADESH ELECTRICITY REGULATORY COMMISSION

LUCKNOW

Petition No. 1382 of 2018

APPROVAL OF AGGREGATE REVENUE REQUIREMENT (ARR) AND TARIFF FOR FY 2019-20, ANNUAL PERFORMANCE REVIEW FOR FY 2018-19 AND TRUE-UP OF ARR AND REVENUE FOR FY 2017-18

FOR

Noida Power Company Ltd. (NPCL)

ORDER UNDER SECTION 62 & 64 OF

THE ELECTRICITY ACT, 2003

September 03, 2019

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Before

UTTAR PRADESH ELECTRICITY REGULATORY COMMISSION

Petition No. 1382 of 2018

IN THE MATTER OF:

Approval of Annual Performance Review for FY 2018-19, Determination of Revised Estimates of Annual Revenue Requirement and Tariff for FY 2019-20 and True-Up for FY 2017-18 in terms of Regulation 135 of the Uttar Pradesh Electricity Regulatory Commission (Conduct of Business) Regulations, 2004 read with Section 64 (1) of the Electricity Act, 2003 and Section 24 (4) of the UP Electricity Reforms Act, 1999 and in accordance with the provisions of the Uttar Pradesh Electricity Regulatory Commission (Terms and Conditions for Determination of Distribution Tariff) Regulations, 2006 and Uttar Pradesh Electricity Regulatory Commission (Multi Year Distribution Tariff) Regulations, 2014.

And

IN THE MATTER OF:

Noida Power Company Limited (NPCL), Gr. Noida

Before

UTTAR PRADESH ELECTRICITY REGULATORY COMMISSION

ORDER

The Commission having deliberated upon the above Petition and subsequent filings by NPCL, admitted the Petition on July 01, 2019 and having considered the views/ comments/ suggestions/ objections/ representations received during the course of the above proceedings and also in the public hearing held, in exercise of power vested under Sections 61, 62, 64 and 86 of the Electricity Act, 2003, hereby passes this Order signed, dated and issued on September_____, 2019. The Licensee, in accordance with Regulation 13.3 of the Uttar Pradesh Electricity Regulatory Commission (Multi Year Distribution Tariff) Regulations, 2014, shall publish within three working days, the Tariff and Regulatory Surcharge, etc., approved herein by the Commission in at least two (2) English and two (2) Hindi daily newspapers having wide circulation in the area of supply and shall put up the approved tariff/rate schedule on its website and make available for sale, a booklet both in English and Hindi containing such approved tariff/rate schedule, as the case may be, to any person upon payment of reasonable reproduction charges.

The tariff so published shall be in force after seven days from the date of such publication of the tariff and shall, unless amended or revised, continue to be in force until further Orders of the Commission. The Regulatory Surcharge shall be applicable as detailed in this Order. The Commission may issue clarification/ corrigendum/ addendum to this Order as it deems fit from time to time with the reasons to be recorded in writing.

1. BACKGROUND AND PROCEDURAL HISTORY

1.1 BACKGROUND

1.1.1 M/s Noida Power Company Limited (hereinafter referred to as 'Petitioner', 'Licensee' or 'NPCL') was granted a 30 -year supply licence on August 30, 1993 by the State Government under Section 3(1) of the Indian Electricity Act, 1910, which authorized it to supply electricity in the licenced area. NPCL started its operations in December, 1993.

1.2 DISTRIBUTION TARIFF REGULATIONS

1.2.1 The Uttar Pradesh Electricity Regulatory Commission (Terms and Conditions for Determination of Distribution Tariff) Regulations, 2006 (herein after referred to as the "Distribution Tariff Regulations, 2006") were notified by the Commission on October 6, 2006.

1.2.2 These Regulations were applicable for the purpose of ARR filing and Tariff determination to all the Distribution Licensees within the State of Uttar Pradesh upto FY 2016-17.

1.2.3 Further, the Commission has notified Uttar Pradesh Electricity Regulatory Commission (Multi Year Distribution Tariff) Regulations, 2014 (herein after referred to as Distribution MYT Regulations, 2014) on May 12, 2014. Embarking upon the MYT framework, the Commission has divided the period of five years (i.e., April 1, 2015 to March 31, 2020) into two periods namely –

a. Transition period (April 1, 2015 to March 31, 2017)

b. Control Period (April 1, 2017 to March 31, 2020)

1.2.4 The transition period being of two years, ended on March 31, 2017. From April 1, 2017, Distribution MYT Regulations, 2014 shall be applicable.

1.3 FILING OF ANNUAL PERFORMANCE REVIEW (APR) PETITION

1.3.1 As per the provisions stipulated in Distribution MYT Regulations, 2014, the Licensees under Regulation 12.2 were required to file before this Commission a Petition for approval of Aggregate Revenue Requirement (ARR) and Tariff for FY 2019-20, Annual Performance Review (APR) of FY 2018-19 and Truing Up for FY 2017-18, complete in all respects on or before November 01, 2018. NPCL filed the Petition on October 29, 2018.

1.4 PRELIMINARY SCRUTINY OF THE PETITION

1.4.1 NPCL, in the said Petition, has submitted the following information: -

A. Comparison of latest estimated performance for FY 2018-19 with approved forecast for FY 2018-19 along-with Revised Estimates of ARR for FY 2019-20
B. Tariff proposal for FY 2019-20
C. Truing-up of ARR for FY 2017-18
D. Allocation of ARR into Wheeling and Retail Supply
E. Compliance of the Commission's Directives

1.4.2 A preliminary scrutiny of the Petition was carried out by the Commission and a detailed deficiency note was issued to the Licensee vide letter dated February 15, 2019, wherein the Licensee was directed to provide the required information. Subsequently, the Petitioner submitted its replies vide its letter dated April 16, 2019.

1.4.3 Further, NPCL made a presentation on True-Up of FY 2017-18, Annual Performance Review of FY 2018-19 and Revised estimates of Annual Revenue Requirement along with Tariff proposal of FY 2019-20 on June 11, 2019, wherein the officials from NPCL along with the officers of the Commission were present.

1.4.4 In terms of Distribution MYT Regulations, 2014, the audited accounts for FY 2017-18 have been considered for Truing- Up of FY 2017-18. Further, revised estimates of Aggregate Revenue Requirement and Tariff Determination for FY 2019-20 have been considered in terms of Distribution MYT Regulations, 2014.

1.5 ADMITTANCE OF APR PETITION OF THE LICENSEE

1.5.1 The Commission through its Admittance Order dated July 01, 2019, for Approval of Annual Performance Review of FY 2018-19, Determination of Revised Estimates of Annual Revenue Requirement along with Tariff for FY 2019-20 and True-Up for FY 2017-18 directed NPCL to publish the Public Notice detailing the summary and highlights of the Petition for determination of Revised Estimates of Annual Revenue Requirement along with Tariff Proposal (Tariff Proposed for different categories / sub-categories of consumers) for FY 2019-20 and True-Up for FY 2017-18, along with their website, in at least two (2) English and two (2) Hindi daily newspapers having wide circulation in the area of supply, inviting views / comments / suggestions / objections / representations within 15 days from the date of publication of the Public Notice(s) by all stakeholders and public at large.

1.5.2 The Commission also directed that the Public Notice should also contain the details of the cumulative revenue gap (regulatory asset) and its treatment,

proposed 'Regulatory Surcharge', Distribution losses, average power purchase cost, average cost of supply, average retail Tariff realised from each category / sub-category of consumers and the percentage of average Tariff rise for each category / sub-category of consumers and the increase required to cover the revenue gap.

1.5.3 The Commission also directed the Petitioner to put all details on its website, in PDF format, showing detailed computations, the applications made to the Commission along with all regulatory filings, information, particulars and documents, clarification and additional information on inadequacies, etc., and all subsequent events and material placed on record if any, made before the issuance of final Order subject to confidentiality of information, which requires prior approval of the Commission and to ensure that for downloading the same, there is no requirement of providing personal information.

1.6 PUBLICITY OF THE PETITION

1.6.1 The Public Notice detailing the salient information and facts of the Revised ARR for FY 2019-20, APR for FY 2018-19 and the True Up for FY 2017-18, appeared in the following Hindi and English language daily newspapers:

1. Nav Bharat Times (Hindi): July 04, 2019
2. Dainik Jagran (Hindi): July 04, 2019
3. The Times of India (English): July 04, 2019
4. The Statesman (English): July 04, 2019

1.7 STATE ADVISORY COMMITTEE (SAC) MEETING

1.7.1 SAC Meeting of the State of UP was held on August 20, 2019 in the Office of the Commission. Various issues were discussed in the meeting like- Seasonal variation in electricity Demand, impact of Renewable Power purchase obligation (RPO) on power procurement portfolio having ramification on Tariff and issues related to tariff. Comments and objections of the SAC members have been taken into consideration for tariff determination.

2. PUBLIC HEARING PROCESS

2.1 PUBLIC HEARING

2.1.1 The Commission invited suggestions from consumers and all other stakeholders and conducted public hearing at Noida on July 26, 2019, to get the views / comments / objections, if any, of the various stakeholders and public at large on the proposals submitted by the Petitioner. Further, Public Hearings were held at Kanpur, Lucknow, Agra and Varanasi on July 17, July 18, July 25 and July 31, 2019 respectively in the matter of State Discoms. Consumer representatives, industry associations and other individual consumers participated actively in the Public hearing process. The Petitioner was also given an opportunity to respond to the stake-holders. The Commission has also taken into consideration the oral and written suggestions / comments / views / objections received from various stakeholders through post, e-mail and in person during the public hearing while disposing the ARR / Tariff petition filed by the Petitioner.

2.1.2 The comments of the consumers play an important role in the determination of rate schedule and tariff design and factors like quality of electricity supply and the service levels have to be considered while determining the tariff. The Commission considers the submissions of the consumers before it embarks upon the exercise of determining the tariff for a particular period.

2.1.3 The Commission has taken note of the various views and suggestions made by the stakeholders and appreciate their keen participation in the process to provide feedback to the Commission on various issues. The major comments / views of various stakeholders in response to the Petition, the replies given by the Petitioner and the views of the Commission have been summarized below:

2.2 Distribution losses

A. Comments / Suggestions of the Public:

1. Shri R S Awasthi submitted that NPCL has projected Distribution Loss of 8.33% for FY 2018-19, which is more than the approved target of 8.00% given by the Commission in its Tariff Order for FY 2018-19. NPCL has claimed higher losses in the earlier years too. The table below shows the approved vs. actual Distribution losses.

Name of Discom	FY 2012-13		FY 2013-14		FY 2014-15		FY 2015-16	
	Tariff Order	Trued-up	Tariff Order	Trued – up	Tariff Order	Trued-up	Tariff Order	Trued - up
NPCL	7.61%	7.61%	7.94%	7.94%	8.00%	8.00%	8.00%	8.00%

Name of Discom	FY 2016-17		FY 2017-18		FY 2018-19		FY 2019-20	
	Tariff Order	Trued - up	MYT Order	True- up Estimated	MYT Tariff Order	Estimated in APR Petition	MYT Tariff Order	Estimated in Revised ARR
NPCL	8.22%	8.00%	8.00%	7.99%	8.00%	8.33%	8.00%	8.60%

2. He further submitted that till FY 2017-18, NPCL has continuously shown losses @8% +/- 0.02%. However, in FY 2018-19 and FY 2019-20 losses are projected at 8.33% and 8.60%, it clearly indicates that NPCL is manipulating the sales data. Further, all private Companies in India are able to reduce losses, while, NPCL proposes to increase the losses. Also, HV2 and HV1 sale is more than 70% where losses are 1.3% as per their cost audit statements, which means in LT they have losses of 25%, which is worse than any Government Discom.
3. He further submitted that the CAPEX done by NPCL in each year is increasing, and also NPCL has its maximum consumer on 33 kV voltage level, GIS based substations have been put in place, there are no theft cases - as there is no FIR or assessment amount, and collection efficiency is at 98-99%. In view of the above factors, it is unclear that why NPCL is not able to reduce the distribution losses beyond the 8% level. Therefore, the AT&C losses of NPCL should not be allowed more than 6-6.5% considering high HT sales and if they have difficulty, area should be given to UPPCL to manage and they can bring it down to 6%, as they have done in Noida area.
4. He requested the Commission to direct NPCL to submit detailed justification on why they are not able to reduce their losses beyond 8% level.

B. Petitioner's response:

1. The Licensee submitted that the objector has not used the updated information filed vide letter no. P-77A/ 2019/003 dated April 16, 2019. The Licensee has already

clarified on the above at point no. 16(f) of letter dated April 16, 2019 apart from the reasoning provided in the Petition no. 1382 / 2018.

C. Commission's view:

1. The Commission has taken note of the objections/suggestions made by the stakeholders in this regard. The Commission has dealt with the issue of Distribution losses for FY 2018-19 and FY 2019-20 in the relevant Chapters of this Order.
2. The Commission would like to inform that irrespective of the Licensee's submissions in respect of distribution losses, normative losses (as set by the Commission) are allowed by the Commission as per the provisions of applicable Regulations.

2.3 UI under drawal

A. Comments / Suggestions of the Public:

1. Shri R S Awasthi submitted that NPCL has projected considerable increase of 400% in UI under drawal for FY 2018-19 and FY 2019-20 as compared to FY 2017-18.

Particulars	UOM	FY 2017-18	FY 2018-19	FY 2019-20
UI Under drawal	Rs. Cr	9.97	43.38	47.09

2. Shri Awasthi further submitted that despite showing implementation of SCADA, NPCL is claiming huge amounts under UI under drawal. He requested the Commission to disallow such claims.

B. Petitioner's response:

The Petitioner submitted that the Objector has given incorrect and wrong information to mislead the Commission. The correct information as per Form no. PPC FY_18, PPC FY_19_APR & PPC FY_20_APR of Petition No. 1382 /2018 is shown in the table below:

Particulars	UOM	FY 2017-18	FY 2018-19	FY 2019-20
UI Under drawl	Rs. Crore	2.78	4.34	4.71

C. Commission's view:

The Commission has taken note of the objections/suggestions made by the stakeholders in this regard. The Commission has dealt with the issue of UI under

drawal for FY 2018-19 and FY 2019-20 in the relevant Chapters of this Order. Further, all the approvals by the Commission are given as per the provisions of applicable Regulations and Orders of the Commission.

2.4 Power Purchase cost

A. Comments / Suggestions of the Public:

1. Shri R S Awasthi submitted that NPCL in its Petition has submitted the following information with respect to the power purchase cost for FY 2018-19:

Particulars	Power Purchase	Sales	Average Power Procurement Cost (APPC)	Average Cost of Supply (ACOS)
	MU	MU	Rs. / kWh	Rs. / kWh
Approved in MYT Order dated Nov 30, 2017	2219	2042	4.94	7.28
Claimed in APR Petition	2022	1854	5.52	8.26
Variation	**- 9%**	**- 9%**	**12%**	**13%**

2. Shri R S Awasthi submitted that the above table compares the figures approved in MYT Tariff Order dated November 30, 2017 and current APR Petition for FY 2018-19 wherein it can be observed that sales and power purchase quantum have decreased by 9%, however, on the contrary, APPC and ACOS have increased by 12% and 13%, respectively, for FY 2018-19, which deserves serious scrutiny. He requested the Commission that proper scrutiny should be done for FY 2018-19, as the variation in parameters is not logical.

3. Shri R S Awasthi added that NPCL in its Petition has submitted the following information w.r.t to the power purchase cost and sales for FY 2017-18 and FY 2018-19:

Particulars	Cost of Power Procurement (Rs. Cr)	Sales (MU)
FY 2017-18 (True up estimates)	751	1668
FY 2018-19 (APR Estimates)	956	1854
Variation	**27%**	**11%**

4. Shri R S Awasthi further submitted that it can be observed from the above table that sales have increased by 11% in FY 2018-19, however, the cost of power procurement has increased by 27% as compared to FY 2017-18. The drastic

increase in power purchase cost in FY 2018-19 requires careful review of power procurement by NPCL, as increase in power purchase cost should normally be commensurate with increase in sales. He requested the Commission that proper scrutiny should be done for FY 2018-19, as the parameters are undergoing a drastic change.

Due – diligence on off-take from M/s DIL (Form F 13A)

5. Shri R S Awasthi further submitted that considering capacity of 170 MW for 365 days and 24 hours, total units for DIL works out to 1490 MU. In FY 2017-18, offered units by M/s DIL are 1176.26 MU, i.e., 78.9%, and offtake by NPCL is 72%, i.e., 1073.26 MU. Similarly, for FY 2018-19, M/s DIL offered 85% but NPCL has taken only 79%. The important question is whether DIL is paid 100% Fixed Charges or is there any deduction. If there is no deduction, then under schedule is done by NPCL and Fixed Charges against this should be deducted from NPCL's profit and also UI under drawal should not be allowed. He requested the Commission that in the light of increased APPC, proper scrutiny of such claims should be done.

B. Petitioner's response:

1. The Petitioner submitted that the objector in his own wisdom has chosen not to use the updated information filed vide letter no. P-77A/ 2019/003 dated April 16, 2019 and the Tariff Order dated January 22, 2019. The observations of the Objector in his affidavit are factually incorrect and misleading. A comparison of the information provided by the objector and the actual updated information as per the Tariff Order dated January 22, 2019 and NPCL's letter dated April 16, 2019 is given below:

As per objector					Actual submission				
Particulars	Power Purchase	Sales	PPC	ACOS	Particulars	Power Purchase	Sales	PPC	ACOS
	MU	MU	Rs./ kWh	Rs./ kWh		MU	MU	Rs./ kWh	Rs./ KWh
Approved in MYT Order dt. 30th Nov 2017	2219	2042	4.94	7.28	Approved in Tariff Order dt. 22 Jan, 2019	2015	1854	5.06	7.44
Claimed in APR Petition filed on 26th Oct' 2018	2022	1854	5.52	8.26	Revised APR filed on 16th Apr'19	2022	1854	5.08	7.73
Variation	-9%	-9%	12%	13%	Variation	N.A.*	Nil	0.40%	3.89%

As per objector					Actual submission				
Particulars	Power Purchase	Sales	PPC	ACOS	Particulars	Power Purchase	Sales	PPC	ACOS
	MU	MU	Rs./ kWh	Rs./ kWh		MU	MU	Rs./ kWh	Rs./ KWh
					*lower purchase volume was due to lower T&D loss approval.				

2. As regards the long-term Power Purchase Cost from DIL, in its Petition No. 1382 / 2018 and subsequent submissions vide letter dated 16th April 2019, it has already explained in detail the power procurement strategy with respect to Long-term, Short-term and Renewable power as well as estimated power purchase cost thereof for FY 2018-19 and FY 2019-20.

C. Commission's view:

1. The Commission has taken note of the objections/suggestions made by the stakeholder in this regard. The Commission has dealt with the issue of Power Purchase Cost for FY 2018-19 and FY 2019-20 in the relevant Chapters of this Order.

2.5 Investments and Capitalisation

A. Comments / Suggestions of the Public:

1. Shri R S Awasthi submitted that there has been decrease in the actual investments of NPCL as compared to that approved by the Commission, as new infrastructure is already in place, as shown below:

FY 2017-18 (Rs. Crore)			FY 2018-19 (Rs. Crore)		
MYT Tariff Order	Estimated in Previous APR Petition	Estimated in True Up Petition	MYT Tariff Order	Estimated in Previous Petition	Estimated in APR Petition
224.55	248.71	150.45	231.49	205.22	196.50

FY 2019-20 (Rs. Crore)		
MYT Tariff Order	Estimated in APR Petition	Estimated in ARR Petition
227.87	-	194.71

2. He further submitted that initially the Licensee projects higher CAPEX and at the time of true up, the actual CAPEX is lower; which accordingly translates into increased amounts / adjustment against other heads / expenses.

3. He requested the Commission that close scrutiny of the CAPEX should be done, as projected CAPEX has never been utilised by NPCL, and the higher projected CAPEX results in unreasonable Tariff burden on the end consumer.

B. Petitioner's response:

1. The CAPEX submitted in the Petition No. 1145 and 1146/2016 and APR Petition No. 1349/2018 and approved by the Commission in Tariff Order dated November 30, 2017 and January 22, 2019, respectively, were based on certain assumptions and projections prevailing in October, 2016 and July 2018 respectively. Since then, the Licensee has already submitted the reasons for variation in CAPEX for FY 2017-18 as Annexure-15 to the Reply of the Licensee dated September 24, 2018 on Deficiency Note of the Commission's letter no. UPERC/ Secy/ D(Tariff)/ 18-851 dated August 23, 2018 (on which the objector had submitted the comments earlier in December 2018 as well).
2. The Licensee further submitted that in the aforesaid CAPEX plan for FY 2017-18 to FY 2019-20, an amount of Rs. 60 Cr, Rs. 84 Cr and Rs. 96 Cr was included in the capex for construction of 220 kV Substation at KP V and BZP in Greater Noida. As submitted in reply vide letter P-77A/ 2019/003 dated April 16, 2019, due to ongoing litigation in the matter of R C Green and Gharbara Substation being pending with the Commission (during FY 2017-18 and at the time of filing APR Petition No. 1382 of 2018), the Licensee had not taken up these projects in the respective years, which has resulted in lesser capital expenditure in these years.
3. As regards variation in CAPEX in FY 2018-19, the Licensee has already provided the reasoning in Petition No. 1382/2018 and subsequent reply vide letter dated April 16, 2019, that the projected capital expenditure of Rs. 24 Cr during FY 2018-19 for proposed 220 kV Substation at Sectors BZP and KP-5 were not taken up in view of the ongoing litigation in respect of RC Green and Gharbara Substations. Similarly, estimated CAPEX for FY 2019-20 was also revised and submitted to the Commission vide its letter dated April 16, 2019, which the objector has not considered.

C. Commission's view:

1. The Commission has taken note of the objections/suggestions made by the stakeholders in this regard. The Commission has dealt with this issue in detail in relevant chapters of this Order.

2.6 O&M expenses

A. *Comments / Suggestions of the Public:*

1. Shri R S Awasthi submitted that NPCL in its Petition has submitted the following details wr.t. O&M Expenses, Power Purchase and Sales for FY 2015-16 and FY 2019-20: -

Particulars	UOM	FY 2015-16	FY 2019-20	% Increase
O & M Expenses	Rs. Cr	47.70	138.51	190%
Power Purchase	MU	1425.30	2307.27	62%
Sales	MU	1309.89	2108.87	61%

2. Shri R S Awasthi further submitted that it can be observed from the above table, that O&M expenses have increased by 2 times, however, the Power Purchase and Sales have increased by only 0.6 times in last 5 years.

3. Shri R S Awasthi further submitted that under the Employees details (Form F32, p.142 of Petition), it can be observed that the strength of Technical, Administrative and IT officers is more than the support staff, which is generally against the norms and huge hiring is being done / planned year-on-year, which has ultimately resulted in increased O&M expenses [for instance, Employee Expenses for FY 2017-18 have increased from Rs. 26.73 Cr (MYT Order) to Rs. 43.91 Cr (True -up Petition), with reasons beyond clarity and norms]. There are 45 nos. of employees shown in Accounts and Finance, which is 10% of total employee strength.

4. Shri R S Awasthi further submitted that as per Form F 31C, it can be observed that there is 20-30% increase in salary cost on yearly basis, which is too high for such low performance. Further, much of the work (such as meter reading, collection and maintenance) has been outsourced by NPCL.

5. He requested that the Commission must order Forensic Audit to ascertain that NPCL has employed people only for consumers of Greater Noida and not for other sister companies. Full salary account and employee head count should be investigated by an independent audit agency.

6. Further, he provided the following details of the Tariff Petition:

<u>As per Form F 14</u>

- NPCL has shown Rs 330 per consumer per month employee cost, which is too high. Further, A&G expense per employee per annum is Rs 3.0 lakh, i.e., Rs

25000 per month. It is submitted that engineers are available in the private sector at Rs 30000/- per month and NPCL is spending Rs 25000 per month only in A&G expense apart from Salary. All appointments need to be audited by independent auditors.

- Wheeling network availability index of 96%, Supply availability index reducing from 97.4% to 95% is the poorest performance by NPCL. Even in remote districts, UPPCL provide better network availability. In industrial area of Greater Noida, it should be more than 99.5%.

As per Form P9

- The no. of outages due to tripping in HT Feeders / Transformers is reported as 2800 No's., resulting into approx. 3300 hours of outages in FY 2017-18. It implies no money has been spent from R&M head.

7. Further, Shri R S Awasthi submitted that NPCL in its filings have submitted the following w.r.t to their area of operation: -
    a. Transformer failure rates are very less
    b. GIS based substations have been put in place
    c. No human accident has been reported
    d. Only one animal accident reported
    e. No theft cases, as there is no FIR or assessment amount.
    f. IT implementation through SCADA
    g. Maximum infrastructure at 33 kV voltage levels and most consumers connected at 33 kV.
    h. Efficiency – 98% to 99%
    i. Maximum infrastructure network (including lines, transformer, among others) are new.

    Shri R S Awasthi further submitted that considering the advancements in infrastructure, NPCL still claims O&M expenses to the tune of 10 to 12% of total power procurement cost, which is completely un-reasonable and without rationale. The actual O&M expenses will not be more than 3-5% of the total power procurement cost.

8. Shri R S Awasthi further submitted that even after huge O&M expenses being allowed to NPCL, consumers and residents of Greater Noida area are subjected to Electrocution accidents, the latest accident occurred in March 20, 2019, wherein

three children were electrocuted. The objector has apprised the Commission on the electrocution accident, and the matter is pending before the Commission.

9. Shri R S Awasthi further submitted that in line with previous years' submissions, no advertisement for tender of the O&M work, for recruitment in newspaper or on website has been published by NPCL. In a 'cost plus regime', it has been mandated by the provisions of the various Regulations and Act that transparent process through tendering shall be adopted for award of any contracts. He requested the Commission to form an investigating committee to have a clear picture of the year-wise O&M expenses incurred by NPCL for the past 5 trued–up years.

10. Shri R S Awasthi further submitted that the investigating committee should also examine whether the Work Orders issued for the O&M work to the various Firms / Companies are in place or not. The required certification / approvals of the Firms / Companies from various Govt. departments such as Labour Dept., Electricity Safety Inspector, among others should also be scrutinized. The actual verification of the work done shall also be done by the Committee. If any discrepancies are found, forensic audit shall be done for all the expenses made by NPCL. He requested the Commission to closely scrutinise before allowing the O&M expenses for all the past trued up years and the ensuing year.

B. Petitioner's response:

As regards the O&M Expenses, the Licensee submitted the following:

1. The Objector has provided incorrect information. The below Table provides the factual position–

Particulars	UoM	FY 2015-16		FY 2019-20	CAGR (FY 20: claimed vis-à-vis Audited FY 16)
		Audited	Approved	APR Petition	
Power Purchase	MU	1,498	1,497	2,307	14%
Sales	MU	1,377	1,377	2,109	13%
O&M Expenses	Rs. Cr	60	45	139	23%
O&M Expenses	Rs/ kWh	0.40	0.30	0.60	13%

2. From the above Table, it can be seen that increase in O&M expenses on actual basis are commensurate with the increase in the operations of the business of the Licensee. The objector has compared the approved figure of O&M Expenses for FY 2015-16 vis-à-vis claimed in the Petition to exaggerate the percentage increase.

3. Further, the Commission from time to time has appointed independent professional agencies for carrying out study to benchmark O&M Expenses of the Licensee not only with State Discoms but also with various other Discoms across the country. The report submitted by such independent agencies affirmed that the O&M expenses of the Licensee are most competitive vis-à-vis other Discoms and in fact, to maintain its overall efficiency vis-à-vis fast rising business operations in its licensed area, the Licensee needs to scale-up its O&M Costs. M/s Feedback Infra in their report, viz., Benchmarking Study Report dated 7th July 2017 observed as follows:

> *"It is evident that NPCL has been managing O&M at the very low cost; however, with heavy stress on this front for NPCL in order to maintain quality supply, services and AT&C losses, NPCL may need to spend more in order to improve the services and supply."*

4. A snapshot of the Licensee's O&M expense comparison with UP Discoms and Delhi Discoms is given below -

Discom	FY 2017-18	
	Actual (Rs./kWh)	Approved (Rs./kWh)
NPCL	0.49	0.37
UP Discoms	Actuals not available	0.52
Delhi Discoms	0.94	0.78

5. For procurement of material and services, the Licensee follows transparent process of e-bidding including reverse auction through relevant SAP-ERP module, viz., Supplier Relationship Management (SRM) to ensure best possible prices vis-à-vis quality, which has been duly reviewed by the statutory auditors as well as the auditors appointed by the Commission.

C. Commission's view:

1. The Commission has taken note of the objections/suggestions made by the stakeholders in this regard. The Commission has dealt with the issue of O&M expenses in the relevant Chapter of this Order.

2. The Commission would like to inform that irrespective of Licensee's submission in respect of actual O&M expenses, normative expenses are allowed by the Commission as per the provisions of applicable Regulations.

3. Further, the Commission has time and again appointed independent professional agencies for carrying out study to benchmark O&M Expenses of the Licensee not only with State Discoms but also with various other Discoms across the country.

2.7 Cost of Distribution

A. Comments / Suggestions of the Public:

1. Shri R S Awasthi submitted that NPCL in its True up Petition for FY 2017-18 has submitted the cost of distribution as follows: -

Particulars	Cost of Distribution (Rs. Cr)
Approved in MYT Order dated Nov 30, 2017	359.80
Claimed in True Petition	479.51
Variation	**33%**

2. Shri R S Awasthi further submitted that it can be observed from the above Table that in the True Up petition for FY 2017-18, the cost of distribution has increased by 33% when compared to that approved in the MYT Order dated November 30, 2017. This drastic increase demands close scrutiny by the Commission.

B. Petitioner's response:

1. The Licensee vide the Petition No. 1382/ 2018 and subsequent submissions vide letter dated 16th April 2019 has submitted comprehensive component-wise justification of the true-up petition for FY 2017-18. The Commission is requested to consider the Petitioner's submission while truing-up the same.

C. Commission's view:

1. The Commission has taken note of the objections/suggestions made by the stakeholders in this regard. The Commission has dealt with the issue of cost of distribution and other expenses in the relevant Chapter of this Order.

2.8 Miscellaneous expenses write off and Debts

A. Comments/Suggestions of the Public:

1. Shri R S Awasthi submitted that NPCL in its Form No. S3 of the Petition, has claimed Miscellaneous Expenditure written off. The figures for five-year horizon are as follows:

(In Rs. Cr)

FY 2015-16	FY 2016-17	FY 2017-18	FY 2018-19	FY 2019-20
0.41	0.92	0.83	1.46	1.55

Further, Debts / Advances written off in five-year horizon are as follows

(In Rs. Cr)

FY 2015-16	FY 2016-17	FY 2017-18	FY 2018-19	FY 2019-20
13.20	15.64	15.60	23.28	26.49

2. Shri Awasthi further submitted that from the above Tables it can be observed that:
   - There is a sudden increase of 50% in write-off from FY 2017-18 to FY 2018-19.
   - Also, in last 5 years, write off has increased by more than 100%.
3. Shri Awasthi further submitted that NPCL in its Petition has mentioned that there is no dispute with the consumer and also no Recovery Certificate has been issued, thereby the above write offs seems fictitious. He requested the Commission to direct NPCL to provide the basis for such write offs, and the provisions of the Tariff Regulations (2006 & 2014) under which such write offs are being made.
4. Shri Awasthi further requested that if there is no basis for above claims, then it shall be dis-allowed for the current year and all the preceding years, as it will be a burden on the consumers in the form of Tariff.

B. Petitioner's response:

1. The Licensee in this regard submitted the following:

a) As per Clause 29 of MYT Distribution Tariff Regulations 2014, bad and doubtful debts shall be allowed as a legitimate business expense with ceiling limit of 2% of the revenue receivables. Accordingly, from the table given below, the Commission will see that with its efficient, resilient, robust, inclusive, tailor-made initiatives, the Company has been able to contain the bad debts w/off within the normative limit of 2% -

Financial Year	Source	Sales incl. Regulatory Surcharge & Electricity Duty	Bad Debts	
		Rs. Cr	Rs. Cr	% of sales
2014-15	T.O. dt. 01.08.16	975.97	10.61	1.09%
2015-16	T.O. dt. 30.11.17	1,102.58	13.20	1.20%
2016-17	T.O. dt. 22.01.19	1,239.42	15.64	1.26%
2017-18	APR dt. 16.04.19	1,409.54	15.60	1.11%
2018-19	APR dt. 16.04.19	1,552.22	23.28	1.50%
2019-20	APR dt. 16.04.19	1,766.07	26.49	1.50%

b) For FY 2018-19 and FY 2019-20, the Licensee has estimated the aforesaid expenses not only within the normative limits but also in line with the bad debts and miscellaneous expenses approved by the Commission in its Tariff Order dated November 30, 2017 and January 22, 2019.

c) Miscellaneous Expenses relates to loss incurred at the time of replacement / retirement of Fixed Assets. It has been more than 25 years since the Licensee has been in operation and many assets due to wear and tear, severe damage require replacement. The Licensee has been able to contain the Miscellaneous Expenses within 0.10% of the sales as is evident from the following Table:

Financial Year	Source	Sales incl. Reg. Sur. & Elect. Duty	Misc. Exp.	
		Rs. Cr	Rs. Cr	% of sales
2014-15	T.O. dt. 01.08.16	975.97	0.08	0.01%
2015-16	T.O. dt. 30.11.17	1,102.58	0.41	0.04%
2016-17	T.O. dt. 22.01.19	1,239.42	0.92	0.07%
2017-18	APR dt. 16.04.19	1,409.54	0.83	0.06%
2018-19	APR dt. 16.04.19	1,552.22	1.46	0.09%
2019-20	APR dt. 16.04.19	1,766.07	1.55	0.09%

C. Commission's view:

1. The Commission has taken note of the objections/suggestions made by the stakeholder in this regard and has also noted the reply by the Petitioner. In the matter of ARR and Revenue Gap for FY 2018-19 and FY 2019-20, the Commission has dealt with the issue in relevant Chapters of this Order.

2. In this matter, Regulation 29 of the Distribution MYT Regulations, 2014 provides as follows:

"29. Bad and Doubtful Debts:
Bad and Doubtful Debts shall be allowed as a legitimate business expense with the ceiling limit of 2% of the revenue receivables provided the distribution licensee actually identifies and writes off bad debts as per the transparent policy approved by the Commission. In case there is any recovery of bad debts already written off, the recovered bad debt will be treated as other income."

3. Also, the Commission in MYT Order dated November 30, 2017 stipulated the following in the above matter:

Quote

5.12.5 The Commission has approved bad-debts for FY 2017-18 to FY 2019-20 at 1.50% of estimated revenue billed during the year. Regulation 29 of the Distribution MYT Regulations, 2014, provides for bad-debts with ceiling limit up to 2% of revenue receivables and that the same are written off actually with transparent policy approved by Commission. ....

5.12.6 The Commission approves the provisioning at 1.50% for the first control period on the basis of approved Receivable from Customers at the beginning of the year, approved Revenue billed & Collection for the year. Any variations would be considered at the time of true-up...

Unquote

2.9 Electricity Duty

A. Comments/Suggestions of the Public:

1. IIA submitted that the right of adjustment of Government Duty should be with the Discom so that the overall process becomes simple and easy.
2. Delhi Metro Rail Corporation (DMRC) submitted that Electricity Duty should be waived off for them.

B. Petitioner's response:

The applicability as well as collection of Electricity Duty is governed by the provisions of the U. P Electricity (Duty) Act, 1952 and is therefore, outside the purview of the Licensee.

C. Commission's view:

The matter of Electricity Duty is not in the ambit of Commission and is fixed by the State Government. Therefore, the adjustment of Electricity Duty is not in the purview of the Commission or Licensee.

2.10 Other Charges

A. Comments/Suggestions of the Public:

1. Shri R S Awasthi submitted that NPCL in Form No. F34 of this Petition, has claimed Substation Maintenance expenses by private agencies, the figures for five-year horizon are as follows:

(In Rs. Cr)

FY 2015-16	FY 2016-17	FY 2017-18	FY 2018-19	FY 2019-20
1.91	4.34	5.33	7.46	10.44

It can be observed that,

- There is a sudden increase in payments towards private agencies of 50% from FY 2017-18 to FY 2018-19.
- In last 5 years, expenses have increased by more than 450%.

2. Shri Awasthi further submitted that NPCL in Form No. F35C of this Petition, has claimed Other Professional Charges, the figures for five-year horizon are as follows:

(In Rs. Cr)

FY 2015-16	FY 2016-17	FY 2017-18	FY 2018-19	FY 2019-20
1.06	1.55	4.23	5.07	6.08

It can be observed that,

- There is a sudden increase in payments of 170% from FY 2016-17 to FY 2017-18.
- In last 5 years, other professional charges have increased by more than 470%.

3. Shri Awasthi further submitted that NPCL in Form No. F35C of this Petition, has claimed Other departmental charges, Legal charges, meter reading charges, the figures for five-year horizon are as follows:

(In Rs. Crore)

Particulars	FY 2015-16	FY 2016-17	FY 2017-18	FY 2018-19	FY 2019-20
Other Dept. Charges	0.75	0.86	0.49	0.90	1.28
Legal Charges	1.02	1.88	1.18	3.00	3.50

Particulars	FY 2015-16	FY 2016-17	FY 2017-18	FY 2018-19	FY 2019-20
Meter Reader Charges	0.76	0.81	0.88	1.06	1.27

4. Shri Awasthi further submitted that under all the above heads, there is a sudden increase of 50% from FY 2017-18 to FY 2018-19. He requested the Commission to direct NPCL to explain the reasons for such drastic increase. He further requested that if it is established that there is no basis for above claims, then it shall be disallowed for the current year and all the preceding years, as it will be a burden on the consumers in the form of Tariff.

B. Petitioner's response:

1. The Licensee in this regard has submitted the same reasons as submitted for O&M expenses as shown above.

C. Commission's view:

1. The Commission has taken note of the objections/suggestions made by the stakeholder in this regard and has also noted reply by the Petitioner. In the matter of other expenses, the Commission has dealt the issue in relevant Chapters of this Order.

2.11 ARR and Revenue for FY 2018-19 and FY 2019-20

A. Comments/Suggestions of the Public:

1. Shri R S Awasthi submitted that in FY 2018-19 and FY 2019-20, ARR is shown to be increased by Rs. 25-30 Crore per year, whereas Revenue from existing tariff is shown to be declining by Rs. 200 Crore from approved figures. Increase in ARR and decrease in Revenue at the same time needs close scrutiny, as same can be done to manipulate AT&C losses by booking more units in lower tariff category consumers and fictitious consumers. He requested that Forensic Audit of NPCL should be done to validate such variations.

B. Petitioner's response:

2. The Licensee in this regard submitted the following:
   a) The objector, in his own wisdom has chosen not to use the updated information filed vide letter no. P-77A/ 2019/003 dated April 16, 2019 and the Tariff Order dated January 22, 2019. The observations of the Objector in his affidavit are

factually incorrect and misleading. The actual updated information as per letter dated April 16, 2019 is given below -

Particulars	Ref.	FY 2018-19		FY 2019-20	
		T.O. 22.01.2019	APR 16.04.2019	T.O. 30.11.2019	APR 16.04.2019
ARR including Carrying Cost	a	**1,379.48**	**1,432.68**	**1,649.38**	**1,652.59**
Revenue from existing tariff	b	1,380.33	1,386.54	1,783.68	1,577.44
Revenue from Regulatory Surcharge	c	82.56	82.49	107.00	93.99
Revenue from proposed tariff & surcharge	d	-	-	-	107.20
Total Revenue	e=b+c	**1,462.89**	**1,469.03**	**1,890.68**	**1,778.63**
Revenue Gap/ (Surplus) for the year	f=a-e	(83.41)	(36.35)	(241.29)	(126.04)
Revenue Gap from preceding year	g	212.02	311.58	141.68	275.23
Cumulative Revenue Gap	h=f+g	**128.61**	**275.23**	**(99.61)**	**149.19**

b) Detailed reasoning for the above variation has already been provided in Petition No. 1382/2018 and subsequent reply vide letter dated April 16, 2019.

C. Commission's view:

1. The Commission has taken note of the objections/suggestions made by the stakeholder in this regard and has also noted reply by the Petitioner. In the matter of ARR and Revenue Gap for FY 2018-19 and FY 2019-20, the Commission has dealt with the issues in the relevant Chapters of this Order.

2.12 Collection Efficiency for FY 2018-19 and FY 2019-20

A. Comments/Suggestions of the Public:

1. Shri R S Awasthi submitted that the NPCL in its Petition, has submitted the Collection efficiency over the years as follows:

(In % terms)

FY 2015-16	FY 2016-17	FY 2017-18	FY 2018-19	FY 2019-20
97.99	100.87	100.05	88.18	98.05

2. Shri R S Awasthi further submitted that it can be observed that collection efficiency for FY 2018-19 has suddenly dropped to 88.18% as compared to other financial years. However, on the contrary, the meter reading charges and cash collection incentive have increased for FY 2018-19.

3. Further, the customer arrear days have increased from 24 to 63 days in 5 years period (as per Form P14), thereby raising concerns on meter reading charges and cash collection incentive. He requested the Commission to direct NPCL to explain the reasons for drop in Collection Efficiency specifically for FY 2018-19. Further, NPCL must be asked to submit the billing and collection efficiency for the last 10 trued-up years (FY 2007-08 to FY 2016-17) to observe the trends in efficiency.

B. Petitioner's response:

1. The Licensee in this regard submitted that it has already clarified on the above issue at point no. 24 of its letter dated April 16, 2019.

C. Commission's view:

1. The Commission has taken note of the objections/suggestions made by the stakeholder in this regard and has also noted the reply of the Petitioner. The Petitioner vide its reply dated April 16, 2019 (reply to Deficiency note dated February 15, 2019) submitted the information of Collection Efficiency for FY 2018-19 and FY 2019-20, which is reproduced below for reference:

For FY 2018-19

Quote

...The Company has submitted the Collection Efficiency as 95% for FY 2017-18, whereas, based on the figures till 30th October 2018 the Company has estimated the collection efficiency as 84%, yet the Company assures the Hon'ble Commission that it is making all possible efforts to improve the Collection Efficiency and is quite confident to achieve the collection efficiency in-line with preceding year's performance.

Unquote

For FY 2019-20

Quote

... Based on the latest figures available with the Company at the time of filing the present petition, the Company had estimated the collection efficiency as 84% for FY 2019-20, however, Company assures the Hon'ble Commission that it will be making all possible efforts to improve the Collection Efficiency and achieve the efficiency in-line with preceding years.

Unquote

2. The Commission has also dealt with this issue in the relevant Chapters of this Order.

2.13 220 kV RC Green and Gharbara Substation/ KP-V and BZP Substation

A. Comments/Suggestions of the Public:

1. Shri R S Awasthi submitted that the Commission has in its Order dated October 30, 2018 in the matter of Petition No. 987 of 2014 and Petition No. 1020 of 2015, directed NPCL to claim refund of the amount deposited with GNIDA towards cost of land and construction. Further, the investment allowed by the Commission on account of RC Green and Gharbara Substation to NPCL in the distribution Tariff shall be trued up again after deducting the refund. This matter was raised by the Objector in the previous filings for FY 2018-19.
2. Shri R S Awasthi further submitted that thereafter, the Commission has in its Order dated January 22, 2019 for FY 2018-19 (point no. 4.6.4, p.105) directed NPCL to submit the compliance status and impact adjustment of investments allowed towards RC Green and Gharbara Station. However, no submission on compliance status and impact adjustment has been made in the current Petition. The Commission should disallow the cost in this year's ARR and initiate proceeding under Section 142 for non – compliance of Commission's Order.
3. Shri Awasthi further submitted that on p. 246 of the Petition, Point No. 5.9 – 5.11, it can be observed that NPCL has proposed upgradation cost of approx. Rs. 80 Crore for RC Green and Gharbara substation. The question arises whether NPCL has the authority to claim / incur such expenses, based on the Commission's past Orders. He requested the Commission to look into this serious matter of re-investing in RC Green and Gharbara Station.
4. Shri Awasthi further submitted that on KP-5 and BZP substation, it was made clear by the Commission's Order that NPCL cannot undertake and claim any expenses

towards such construction of substations. However, in non- compliance of above, NPCL has proposed CAPEX for the ensuing years for KP-5 and BZP substation in the current Petition to the tune of Rs. 507.73 Crore (apart from Rs. 240 Crore for associated transmission line). Further, there is no clarity on whether any land procurement has been made for KP-5 and BZP substations and whether such amount towards land procurement has been passed on to the consumer. Also, the land procurement issue for KP-5 and BZP was raised last year also by the objector. The clipped submission of Capex claimed by NPCL has been shown below:

Table 20: Capital Expenditure Plan

Rs. Cr.

Sl. No.	Project	Cost	FY 17-18	FY 18-19	FY 19-20	FY 20-21
1	RC Green	36.12	19.12	17.00	-	-
2	Gharbara	30.00	-	12.00	18.00	-
3	BZP + KP5*	240.00	-	24.00	55.20	160.80
4	Kasna Store	14.00	-	6.30	7.70	-
5	Other Capex		150.45	145.92	150.71	-
6	**Capital Expenditure**		**169.57**	**205.22**	**231.61**	
7	Add: Opening CWIP		14.13	33.58	42.30	
8	Less: Closing CWIP		33.58	42.30	79.20	
9	**Net Addition to GFA**		**150.12**	**196.50**	**194.71**	

*Do not include the cost of associated transmission lines

Source: p. 248 pf NPCL Petition

5. Shri Awasthi requested the Commission that all claims related to such substation (BZP, KP-5, etc.) shall be disallowed with reference to this Commission's Order dated October 30, 2018, and any expenses made shall be recovered from NPCL and passed on to the consumer. He requested the Commission that NPCL must be directed to clarify on all the above concerns.

B. Petitioner's response:

1. The Licensee in this regard submitted the following:
   a) The projected capital expenditure in Table 20 of Appendix – IV, Chapter - 5: Capital Expenditure of Petition No. 1349 of 2018 and 1382 of 2018 for capacity enhancement at R C Green and Gharbara Substation was submitted in July 2018 much before the Order of the Commission dated October 30, 2018.

b) Following submission was made by the Licensee under the above-said Appendix – IV:

"5.2 At present, the Company has been drawing up to 257 MW power through 17 nos. of 33 kV feeders emanating from 220/132/33 kV RC Green sub-station and 98 MW power through 7 nos. of 33 kV feeders emanating from 132/33 kV Surajpur sub-station. The Transmission / EHV capacity made available by UPPTCL to the Company is 355 MW, without any provision of redundancy whereas the demand in summer of FY 2018-19 has already crossed 366 MW in May'2018 and expected to touch 400-415 MW in Jul-Oct'2018. Therefore, the Company must have available transmission / EHV capacity of 550-600 MW which can provide adequate redundancy in the network to provide reliable and uninterrupted electricity to its Consumers....."

c) Therefore, to service the increasing load of the consumers of the Greater Noida area, additional bays as well as transformation capacity and creation of redundancy was necessary. Accordingly, the following proposals, in consultation with UPPTCL, were considered:
   i) Installation of new transformers to increase the distribution capacity at 220kV / 132 132 kV level at R C Green Substation;
   ii) LILO at 220 kV from Sec 148 / Sec 129 400 kV Substation to provide additional feed to RC Green Sub-station for reliability;
   iii) Construction of 6 nos. of 33 kV bays at 220 kV RC Green Sub-station
   iv) Replacement of existing 100 MVA transformer by 1 X 160 MVA, 220/132 kV transformer
d) All the above work was proposed to be carried out by UPPTCL under deposit scheme and accordingly, the capital expenditure was planned for FY 2018-19 and FY 2019-20. The justification of the above proposed works has been provided in APR Petition No. 1349/ 2018 and 1382 /2018.
e) Further, as UPPTCL did not grant connectivity at 220 / 33 kV Gharbara Substation, despite the order of the Commission, the Licensee did not incur the proposed capital expenditure on Gharbara Substation during the Control Period.
f) With respect to proposed capital expenditure at 220 kV KP-V and BZP substation, the Licensee in its reply vide letter no. P-77A/ 2019/003 dated April 16, 2019 has already confirmed that the proposed 220 kV Substation at sectors BZP and KP-5 were not taken up in view of the ongoing litigation in respect of RC Green and Gharbara Substations.

C. Commission's view:

1. The Commission has taken note of the objections/suggestions made by the stakeholder in this regard and has also noted the reply by the Petitioner. In the matter of construction of 220 kV Sub- Station in KP-5 and BZP area in Greater Noida and Gharbara and RC Green Sub-stations by NPCL, the Commission has dealt with the issue in detail in the relevant Chapters of this Order.

2.14 Regulatory Surcharge

A. Comments/Suggestions of the Public:

1. Shri Avadesh Kumar Verma, Chairman of UP Rajya Vidyut Upbhokta Parishad (UPRVUP) submitted that NPCL is supplying only 10-2 hours of supply in 118 villages in its licenced area. UPRVUP is demanding CAG Audit for NPCL since a long time.
2. He further requested that Regulatory Surcharge for NPCL should be made NIL (0%).
3. Similarly, Indian Industries Association (IIA), Greater Noida requested that Regulatory Surcharge for NPCL should be made NIL.

B. Petitioner's response:

1. No response submitted.

C. Commission's view:

1. The Commission has taken note of the objections/suggestions made by the stakeholders in this regard. The Commission has dealt with the issue of Regulatory Surcharge in the relevant Chapters of this Order.

2.15 Tariff hike for FY 2019-20

A. Comments/Suggestions of the Public:

1. DMRC submitted that its tariff in the State of UP is the highest amongst all 3 States of its operations. The tariff should be fixed in line with the Agreement between DMRC and Noida Authority.
2. IIA submitted that in Urban and Industrial categories, the recovery of tariff is almost 100%, hence, there is no reason of tariff hike for these categories.

3. Federation of RWA's, Greater Noida, submitted that the residents of Greater Noida are supplied with the most expensive power in NCR. So, the tariff of electricity should be reduced.

4. Shri Mahesh Singh, resident of village Ladpura, submitted that the current tariff is quite high which causes financial and mental loss to him. So, appropriate determination of tariff should be done.

B. Petitioner's response:

The Licensee has submitted its Annual Performance Review for FY 2018-19, Revised Estimates of Annual Revenue Requirement along with Tariff proposal for FY 2019-20 and True-up for the FY 2017-18 to recover its Annual Revenue Requirement as well as liquidation of accumulated Regulatory Asset for approval of the Commission.

C. Commission's view:

1. The Commission has taken note of the objections/suggestions made by the stakeholders in this regard. The Commission has dealt with the issue of Tariff Hike in the relevant Chapters of this Order.

2.16 Subsidy by State Government

A. Comments/Suggestions of the Public:

1. IIA submitted that the load of subsidy provided by the State Government to subsidized categories of consumers should not be put on Industrial consumers. They further submitted that subsidy should be given to those who are using alternate (non- conventional) sources of energy.

B. Petitioner's response:

1. The Licensee has submitted its Annual Performance Review for FY 2018-19, Revised Estimates of Annual Revenue Requirement along with Tariff proposal for FY 2019-20 and True-up for the FY 2017-18 to recover its Annual Revenue Requirement as well as liquidation of accumulated Regulatory Asset for approval of the Commission.

2. Further, this is not within the purview of the Licensee.

C. Commission's view:

1. The Commission has taken note of the objections / suggestions made by the stakeholders in this regard. It is clarified that no subsidy is provided for the consumers of NPCL. The subsidy is only provided the consumers of State Discoms of UP.

2.17 Open Access

A. Comments/Suggestions of the Public:

1. Shri R S Awasthi submitted that Form F7 provides that HV 2 consumers are getting subsidy of Rs 61.98 Cr in FY 2018-19 and Rs 37.70 Cr in FY 2019-20, which implies that any electricity sold to HV2 consumers is loss of revenue to NPCL. As per Form F10B and F12, it is further submitted that per unit loss of revenue on sale of each unit to HV2 consumer is 66 paise / unit in FY 2018-19 and 36 paise / unit in FY 2019-20.
2. Shri Awasthi requested the Commission not to allow loss of revenue to NPCL against HV -2 consumers to be passed on to the Consumers. If Open Access would have been allowed to HV2 consumers in Greater Noida with zero cross subsidy surcharge and zero additional charges, loss would not have happened for FY 2018-19. Further, all losses such be recovered from the profits of NPCL.
3. He further requested that similar treatment should be done for FY 2017-18 and FY 2019-20. Further, it would help in reducing Regulatory Surcharge at faster rate for NPCL.

B. Petitioner's response:

1. The Licensee submitted that the objector has not used the updated information filed vide letter no. P-77A/ 2019/003 dated April 16, 2019 and the Tariff Order dated January 22, 2019. The observations of the Objector in his affidavit are factually incorrect and misleading. As per the revised RTFs, viz., F-7 and F-10B submitted vide letter dated April 16, 2019, the under- recovery is only Rs. 0.14 per unit and Rs. 0.26 per unit in FY 2018-19 and FY 2019-20, respectively.
2. The Licensee further submitted that the above deficit is arising without considering Regulatory Surcharge @ 6%. After considering the Regulatory Surcharge @ 6%, the deficit will actually convert into surplus of Rs. 0.30 per unit and Rs. 0.17 per unit for FY 2018-19 and FY 2019-20, respectively.

C. Commission's view:

1. The Commission has taken note of the objections / suggestions made by the stakeholders in this regard. The Commission has dealt with the issue of Open Access in the relevant chapters of this Order.
2. The Commission has also revised the Tariff for FY 2019-20 based on the cost of supply of Licensee and revenue gap, that will help the Licensee to recover its cost of supply.

2.18 Additional Surcharge for FY 2019-20

A. Comments/Suggestions of the Public:

1. Shri R S Awasthi submitted that NPCL has claimed Additional Surcharge of Rs 1 / kWh for FY 2019-20. However, the above claim should be dis-allowed for the following reasons:
   - There is positive variation in sales to domestic category (including societies) due to higher demand in view of increasing occupancy of residential dwelling in Greater Noida area (refer point no. 1.1.3 and p. 222)
   - NPCL has planned for short-term power procurement in FY 2019-20 in its total power purchase mix. It may reduce the short-term quantum proportionally, on account of any open access transaction.
   - No open access is being given to desirable consumers, so no quantum is getting stranded. Also, NPCL must submit the quantum that may get stranded due to open access for FY 2019-20 and ensuing years.
   - The Commission has disallowed the same in its MYT Order dated November 30, 2017.
2. He requested the Commission to disallow the claim of Additional Surcharge.

B. Petitioner's response:

1. The Licensee submitted that in its Petition No. 1382 / 2018 and subsequent submissions vide letter dated April 16, 2019, it has already provided comprehensive justification for the levy as well as quantum of additional surcharge.

C. Commission's view:

1. The Commission has taken note of the objections / suggestions made by the stakeholders in this regard. The Commission has dealt with the issue of Additional Surcharge in the relevant Chapters of this Order.

2.19 CAG Audit

A. *Comments/Suggestions of the Public:*

1. Federation of RWA's, Greater Noida, submitted that no financial consideration of NPCL should be considered in the future until the audit of CAG has been done. Any increase in the power tariff should not be considered in the future.

B. *Petitioner's response:*

The Licensee has submitted its Annual Performance Review for FY 2018-19, Revised Estimates of Annual Revenue Requirement along with Tariff proposal for FY 2019-20 and True-up for the FY 2017-18 to recover its Annual Revenue Requirement as well as liquidation of accumulated Regulatory Asset for approval of the Commission.

C. *Commission's view:*

The Commission has taken note of the objections/suggestions made by the stakeholders in this regard. The Commission has dealt with different issues as per the provisions of Electricity Act, 2003 and applicable UPERC Regulations.

2.20 Billing matters

A. *Comments/Suggestions of the Public:*

1. Shri Saurabh Juneja and Shri Nitin Agarwal, from PG Association submitted that no Parallel connection is provided by the landlords to students living in PG who are charged LMV-2 (commercial) tariff. He requested that LMV-1 (domestic) Billing should be charged to such students living in PG.

B. *Petitioner's response:*

1. No comments submitted.

C. *Commission's view:*

1. The Commission has taken note of the objections/suggestions made by the stakeholders in this regard. The Commission has observed that this is a Billing mater which needs to be taken up in Consumer Grievance Redressal Forum (CGRF).

2.21 Number of Supply hours

A. *Comments/Suggestions of the Public:*

1. Shri Devendra Tiger submitted that NPCL is not supplying 24 hours of supply in its licenced area as per the directions of the Commission. He requested that the Licensee should be directed to supply 24 hours power.
2. Federation of RWAs submitted that NPCL is not supplying 24 hours of supply in Greater Noida.

B. Petitioner's response:

The observations are vague and incorrect. The Licensee has been supplying 24x7 power in urban and industrial areas and 18 – 22 hours power in villages despite high AT&C Losses in many such villages.

C. Commission's view:

As regards supply hours, the Licensee informed the Commission that as mentioned in the APR Petition No. 1382 of 2018 and subsequent submissions, considering the Government directives, the supply hours in rural areas has improved significantly from around 14 – 16 hours to 17 to 20 hours during FY 2017-18 and onwards. Further, the Commission has also dealt with the issue of supply hours in the relevant Chapters of this Order.

2.22 Other General Issues

1. Increase in Arrears

A. Comments/Suggestions of the Public:

Shri R S Awasthi submitted that in Form P4 of the Petition, arrears in FY 2018-19 were approx. Rs. 71.71 crore, whereas in FY 2019-20, arrears have increased to Rs. 255.16 crore. To fund this arrear amount, NPCL would have obtained short-term / medium-term loan. He requested the Commission that detailed scrutiny is required as interest burden of such short-term / medium-term loan should not be passed on to the consumers.

B. Petitioner's response:

No response submitted.

C. Commission's view:

Interest expenses are given only for Capex related long-term loans, and are not given on loans taken for working capital, which is given on normative basis only.

2. Fatal Accidents

A. Comments/Suggestions of the Public:

1. Sri RS Awasthi submitted that as per Form P12, only one animal accident has been reported by NPCL. However, there are case of human fatal accident, which have not been reported by NPCL, the latest accident occurred in March, 2019, wherein three children were electrocuted. The objector has apprised the Commission on the electrocution accident in April, 2019, and the matter is pending before the Commission. It seems that NPCL management wishes to hide the truth by non-reporting of cases. He requested the Commission to initiate Suo -moto action against NPCL for wrong reporting of information.
2. Federation of RWAs submitted that safety related guidelines and Rules should be reviewed from time to time for NPCL and the Licensee should be directed to implement safety works and safety precautions.

B. Petitioner's response:

1. The subject Petition no. 1382/2018 was filed on October 26, 2018 and therefore, contained information relating to accident occurred till March, 2018. The referred unfortunate incident occurred in March, 2019 which was duly reported to Directorate of Electrical Safety (DoES).

2. Although, the Licensee is vigilant and frequently and regularly undertakes repair and maintenance work for the electrical assets such as substations, feeder pillars, etc., however, due to widespread vandalism and frequent pilferage of electrical apparatus, energy, etc., in Greater Noida area and more particularly in areas which are sparsely inhabited, e.g., PHI-4, CHI-3, CHI-4 and all Sectors of MU, XU, Omicron, etc., some of these assets at times found in damaged condition. Such problems get further compounded due to illegal and unauthorised occupations of the migrant labourers / miscreants in the vacant houses generally abandoned by the house owners after obtaining Completion Certificate from GNIDA. Often many of them are found involved in stealing the electricity as well as electrical items such as fuse, plates, wires & cables, doors of the feeder pillars, etc., and in this process damage the electrical installation including feeder pillar boxes. The Loss Control Cell has repeatedly booked electricity theft cases multiple times; however, in absence of punitive action against them, such menace continues, which sometime may culminate into fatal accidents. The Licensee has always been giving safety as its top

most priority and in pursuit thereof regularly / frequently undertakes repair and maintenance of its electrical network and equipment. It is for this reason that overall safety record of the Licensee has been quite good.

C. Commission's view:

Noted.

3. Reporting of Errors in Billing

A. Comments/Suggestions of the Public:

Shri R S Awasthi submitted that as per Form P6, no errors in billing has been received under Consumer complaints, which implies that there are no billing disputes. However, in Commission's Public hearing itself, the consumer has raised billing issues, which in itself is contradictory in nature, it also means that data is hidden from the public for any scrutiny. He requested to the Commission that this matter should be taken up with NPCL.

B. Petitioner's response:

There was not even a single complaint related to Billing issues in the Public Hearing held on July 26, 2019. Thus, the observation is false, baseless and misleading.

C. Commission's view:

The Commission has observed that there are some Billing issues related complaints in the Public Hearing, which have been summarised in this Chapter of the Tariff Order. The Petitioner is directed to compile all the data with proper scrutiny and ensure the correctness of all submissions.

4. Reporting of Timeline of New Service Connection

A. Comments/Suggestions of the Public:

Shri R S Awasthi submitted that as per Form P16, all the consumers were released new service connection within 30 days in last 5 years. However, in Commission's Public hearing itself, many consumers have raised the issue of delay in release of new service connection, which in itself is contradictory in nature. It also means that data is fudged up to avoid any scrutiny and non-compliance of Standards of Performance. He requested the Commission to take up this matter with NPCL.

B. Petitioner's response:

There was not even a single complaint related to this issue in the Public Hearing held on July 26, 2019. Thus, the observation is false, baseless and misleading.

C. Commission's view:

Noted.

5. Increase in consumer base to 3 lakh consumers

A. Comments/Suggestions of the Public:

Shri R S Awasthi submitted that on Page 24 of the Petition, Point No. 5.13, NPCL has submitted that its consumer base will increase to 3 lakh in next 3-4 years. On the contrary, in last 26 years, the consumer base has reached to 80,000 nos. He requested the Commission to direct NPCL to submit the basis for such projections.

B. Petitioner's response:

The Licensee has made the projections considering conversion of all Single Point connections into Multi-Point connections for which it has taken necessary action as per the directives of the Commission.

C. Commission's view:

Noted.

6. Revenue from advertisement under Non-Tariff Income

A. Comments/Suggestions of the Public:

Shri R S Awasthi submitted that NPCL must explore the option of getting revenue from advertisement on its various physical assets.

B. Petitioner's response:

The Objector may forward a specific proposal, if any, in this regard which the Licensee will suitably consider.

C. Commission's view:

Noted.

7. Different tariff for NPCL and PVVNL

A. Comments/Suggestions of the Public:

Shri R S Awasthi submitted that NPCL and PVVNL have separate ARR and Power Purchase Agreements, along with better collection efficiency, low distribution losses and others. He requested that different tariffs may be designed for NPCL and PVVNL for FY 2019-20 and ensuing years.

B. Petitioner's response:

The Licensee has submitted Petition no. 1382/2018 for Annual Performance Review for FY 2018-19, Annual Revenue Requirement for FY 2019-20 along with Tariff Proposal and True-up for FY 2017-18 for approval of the Commission.

C. Commission's view:

The Commission has noted the matter. The issues related to Tariff determination for FY 2019-20 are discussed in the relevant Chapters of this Order.

8. History of NPCL and Licence cancellation proceedings sub-judice in Hon'ble Supreme Court

A. Comments/Suggestions of the Public:

Shri R S Awasthi submitted that the Greater Noida Industrial Development Authority (GNIDA) promoted M/s NPCL, as the 'Special Purpose Vehicle" for the specific purpose of undertaking distribution and supply of electricity to the consumers in the Greater Noida area.

On August 30, 1993, NPCL was granted a licence for 30 years by the Government of Uttar Pradesh under Section 3 of the Indian Electricity Act, 1910 for the distribution and retail supply of electricity in the Greater Noida area and the licence was valid till 2023.

Further, the termination of licence of M/s NPCL is sub-judice in Hon'ble Supreme Court. It is submitted that only 4-5 years of operations of NPCL are left, it is requested that huge CAPEX and O&M should not be allowed to NPCL, as it will be a direct burden on the consumers of Greater Noida area.

B. Petitioner's response:

No response submitted.

C. Commission's view:

The Commission has noted the matter. The issues related to O&M and CAPEX are discussed in the relevant Chapters of this Order.

9. Unreadable font and text provided in the uploaded Petition

A. Comments/Suggestions of the Public:

Shri R S Awasthi submitted that the uploaded Petition has lot of pages (such as Pg 45 to 50 of pdf, Form No. F13 G2) with unreadable font and text, leading to data unavailability and incomplete scrutiny of Petition. Thereby, NPCL must be directed to upload the MYT formats in excel sheets (soft copy).

B. Petitioner's response:

The complete information was uploaded on the website of the Licensee as per the directions of the Commission. In case of any difficulty, Mr Awasthi could have contacted the Licensee for suitably addressing the same.

C. Commission's view:

Taking into cognizance of this matter, the Commission directed the Petitioner to reupload the illegible pages of the Petition. Also, the Commission has observed there is no Form F13 G2 in the APR Petition for FY 2018-19. The Petitioner informed that since, some formats e.g. F10A contains large data, therefore, this format was uploaded not in a single page but in 6 pages, however, it is still not clear because the format contains lot of data.

10. MYT Formats left blank and reviewing the blank MYT Format

A. Comments/Suggestions of the Public:

1 Shri R S Awasthi submitted that the uploaded Petition has some MYT formats left blank such as Form – F 3A, F 13E (Form 3A – Determination of Average Coincident Peak demand, Form F 13E – Monthly units sold and peak demand).

2 Shri Awasthi further submitted that NPCL has informed that such Forms are not applicable for them. So, it is requested that the Commission should withdraw such Formats if they are not relevant, or otherwise, non -compliance proceedings should be initiated against NPCL for non-submission of data.

B. Petitioner's response:

1. No response submitted.

C. Commission's view:

The Commission has taken note of the objections/suggestions made by the stakeholders in this regard. The Commission has already initiated the process of formulation of UPERC (Distribution and Transmission) Regulations, 2020 wherein the MYT Formats have been revised and only relevant Formats are included.

11. Applicability of RTI

A. Comments/Suggestions of the Public:

1. Indian Industries Association submitted that NPCL is associated with Public works and therefore, it should come under the purview of Right to Information (RTI) Act.

B. Petitioner's response:

1. The Licensee submitted that the status of an entity or person under the purview of RTI is governed by the provisions of the Right to Information Act, 2005, that are presently not applicable to it.
2. In any case, all relevant information regarding ARR/Tariff/Regulations, etc., are available on the website of the Licensee and also the Commission.

C. Commission's view:

1. The Commission has taken note of the objections/suggestions made by the stakeholders in this regard.

12. Charges for exceeding contracted demand

A. Comments/Suggestions of the Public:

1. Indian Industries Association submitted that levying of Penalty and fixed charge for exceeding Contracted Demand on the consumers is unjustified. They requested to have the same provision when usage is below contracted demand.

B. Petitioner's response:

1. The Licensee submitted that charges for exceeding Contracted Demand is levied by the Licensee as per the provisions of Clause 6.9 of Electricity Supply Code, 2005 and directions contained in Tariff Orders issued by the Commission from time to time.

C. Commission's view:

1. Charges for exceeding Contracted Demand is to be levied by the Licensee as per the provisions of Clause 6.9 of Electricity Supply Code, 2005. The Commission has also put the Charges to be levied by the Licensee for exceeding Contracted Demand in Tariff Schedule part of this Order. The Licensee has to adhere to the same.

13. TOD Billing

A. Comments/Suggestions of the Public:

1. Indian Industries Association submitted that TOD Billing should be abolished with immediate effect.

B. Petitioner's response:

1. The Licensee submitted that TOD Tariff is levied by it as per the provisions of the Rate Schedule approved by the Commission from time to time.

C. Commission's view:

1. The Commission has taken note of the objections/suggestions made by the stakeholders in this regard. The Commission has determined the tariff in accordance to the Electricity Act, 2003 and UPERC Distribution Tariff Regulations, 2006, UPERC Distribution MYT Regulations, 2014, whichever is applicable.

14. One Nation, One GST, One Tariff

A. Comments/Suggestions of the Public:

1. Indian Industries Association submitted that in power Sector also **"One Nation, one GST, one Tariff"** policy should be implemented and electricity tariff should be same as with other neighbouring States of UP.

B. Petitioner's response:

The Licensee has submitted its Annual Performance Review FY 2018-19, Revised Estimates of Annual Revenue Requirement along with Tariff proposal for FY 2019-20 and True-up for the FY 2017-18 to recover its Annual Revenue Requirement as well as liquidation of accumulated Regulatory Asset for approval of the Commission.

C. Commission's view:

1. The Commission has taken note of the objections/suggestions made by the stakeholders in this regard. The Commission has determined the tariff in accordance to the Electricity Act, 2003 and UPERC Distribution Tariff Regulations, 2006, UPERC Distribution MYT Regulations, 2014, whichever is applicable.
2. The Commission feels that the approach of **"One Nation, one GST, one Tariff"** is difficult to implement as electricity is a concurrent subject and there has to be consensus for uniform power tariffs. The electricity retail tariffs are decided by SERCs based on social and economic conditions of the State and depending on other factors such as GDP of the state, per capita income, paying capacity of the consumers etc. Also, Discoms in different States have signed power purchase agreements (PPAs) at different rates with power Generating Companies. Since, the rates of purchase of power is varying across the nation, the ARR of Discom also varies. Further, the sales mix, consumption mix, O&M expenses all vary from one State to another, which effectively leads to the variation in Tariff across the country.

15. B&L form

A. Comments/Suggestions of the Public:

1. IIA submitted that while applying for load reduction the need for Work Completion Certificate and Test Report (B&L form) should not be made mandatory.

B. Petitioner's response:

B&L form is required pursuant to provisions of Chapter 4 of the Electricity Supply Code, 2005. The Licensee does not have any objections if NOCs of the concerned departments are made available to the applicant / the Licensee online.

C. Commission's view:

1. The Commission has taken note of the objections/suggestions made by the stakeholders in this regard. Since, this matter is related to the amendment of UPERC Electricity Supply Code, the objector may kindly take up the matter at the time of review of Supply Code by the Commission.

16. Process for new Connection

A. Comments/Suggestions of the Public:

1. IIA submitted that the overall process of applying for a new connection should be made more simple and Online facility for providing NOC should be made by the companies.

B. Petitioner's response:

Process for a new connection is pursuant to provisions of Chapter 4 of the Electricity Supply Code, 2005. The Licensee does not have any objections if NOCs of the concerned departments are made available to the applicant / the Licensee online.

C. Commission's view:

The Commission has taken note of the objections/suggestions made by the stakeholders in this regard. Since, this matter is related to the amendment of UPERC Electricity Supply Code, the objector may kindly take up the matter at the time of review of Supply Code by the Commission.

17. Net Metering

A. Comments/Suggestions of the Public:

1. Indian Industries Association submitted that Net metering should be allowed for industries.

B. Petitioner's response:

The Commission may kindly look into the matter.

C. Commission's view:

The matter is not related to this tariff proceedings.

18. Reduction of load

A. Comments/Suggestions of the Public:

Indian Industries Association submitted that if someone applies for reduction of his/her existing load then it should be allowed within 3 months of the date of commencement of supply which at present is of 2 years.

B. Petitioner's response:

The Commission may kindly look into the matter.

C. Commission's view:

Reduction of load is done as per 4.41 clause of UPERC Supply Code Regulations. Hence, the matter is not related to this tariff proceedings. The objector may kindly approach the Commission at the time of amendment of Supply Code Regulations.

19. Connection charges

A. Comments/Suggestions of the Public:

1. Federation of RWA submitted that NPCL is levying various charges under the head "Connection charges". They requested the Commission that various charges levied in the Bill such as Meter charges, Cable charges, etc., should be clearly shown in the Bills and the Connection charges should be reduced further.

B. Petitioner's response:

Application for new connections is processed by the Licensee as per the provisions of Chapter 4 of the Electricity Supply Code, 2005 read with the provisions of Cost Data Book approved by the Commission from time to time. Further, the Cost data book, as approved by the Commission, specifies charges in lump-sum based on the category as well as load applied. Accordingly, the invoice for new connection charges do not include the beak-up with respect to meter, cables and other related items.

C. Commission's view:

Connection charges are levied as per the provisions of UPERC Supply Code Regulations. Hence, the matter is not related to this tariff proceedings. The objector may kindly approach the Commission at the time of amendment of Supply Code Regulations.

20. Venue of Public Hearing

A. Comments/Suggestions of the Public:

1. Federation of RWA submitted that it has been observed in the past that the Public Hearing is conducted at different venues but not at Greater Noida. However, the Licensee is supplying power to Greater Noida area. So, there is no point in conducting Public Hearing at venues different than the license area of the Licensee. The Commission may kindly think on this matter in Public interest.

B. Petitioner's response:

The Public Hearing was conducted in Noida in accordance with the directions of the Commission.

C. Commission's view:

The Commission in Public interest conducts Public Hearing for both PVNNL and NPCL together on a same date at same venue. However, this may change as per the request of the stakeholders from next tariff proceedings.

3. TRUE-UP FOR FY 2017-18

3.1 INDEPENDENT AUDIT FOR FY 2017-18

3.1.1 As regards the demand of the stakeholders for a Comptroller & Auditor General (CAG) Audit or any third-party audit, the Commission in its Tariff Order for FY 2014-15 had directed the Petitioner that from FY 2014-15 onwards it should get its accounts audited by an independent auditor. Such auditor should be appointed with the prior approval of the Commission. Apart from auditing of the financial accounts, the power purchase and the energy sales of the Licensee should also be audited on the regular basis so that deficiencies, if any, can be identified and removed. In accordance with the Commission's Letter UPERC/Director (Tariff)/2016-1481 dated November 30, 2016, an independent auditor M/s. S. N. Kapur and Associates Chartered Accountants (hereinafter referred to as 'auditor') was appointed by the Petitioner.

3.1.2 Thereafter, as per the directions of the Commission vide letter dated November 30, 2017, a draft Audit Report of Financial Accounts of NPCL for FY 2017-18 was prepared by the Auditor on which the Commission issued certain queries.

3.1.3 A presentation on Financial Accounts of NPCL for FY 2017-18 was made before the Commission on March 25, 2019. Based on the discussion after the aforementioned presentation, the recorded notes of discussion (Minutes of Meeting) were sent to NPCL and the Auditor vide Letter no. UPERC/Secy/D(Tariff)/19-055 dated April 05, 2019.

3.1.4 The Auditor submitted its final Audit Report on Financial Accounts of NPCL for FY 2017-18 to the Commission on May 28, 2019, which covers the following aspects:

1. Audit of Energy Sales
2. Audit of Power Purchase
3. Audit of Financial Accounts with special emphasis on ARR.

3.1.5 Major observations by the Auditor in the Report are as discussed below:

1. Audit of Energy Sales

On random verification of bills, it was found that the rates were charged to the consumers on pro-rata basis, i.e., bills for the period up to 09.12.2017 were charged on old rates whereas bills for the period 10.12.2017 onwards were charged on revised rates. NPCL has hired the services of M/s Imperial Electric Company (IEC) for the purpose of meter reading of Urban Domestic customers.

For meter reading in rural areas, NPCL appointed Village Contact Persons (VCP). NPCL also used the application for meter reading through Window based tablets being used for meter reading with onsite observations as well as capture photographs of meter readings.

i) **Unmetered Consumers**

NPCL has converted 42 unmetered consumers to metered consumers in FY 2017-18. However, there are still 2527 unmetered consumers in the LMV-1 category which is 3.41% of the total consumers and 737 unmetered consumers in LMV-5 category, which is 62.35% of the total consumers.

ii) **Billing determinants for FY 2017-18-** The actual billing determinants and the approved figures for FY 2017-18 are as shown below:

Table 3-1: Consolidated Billing determinants for FY 2017-18

Particulars	No. of Consumers	Connected Load (kW)	Energy Sales (MU)	ABR (Rs/kWh)
Approved	84014	794500	1780.99	7.96
Actuals	82231	832370	1667.62	7.46

Further it is observed that:

(i) For categories like LMV-1, LMV-2, LMV-6, LMV-7 and HV-1, the actual number of consumers are lesser than that approved in the Tariff Order dated November 30, 2017 for FY 2017-18, whereas the actual energy sales for LMV-1, LMV-3, LMV-5, LMV-7, LMV-8 and HV-1 is higher than that approved in Tariff Order dated November 30, 2017 for FY 2017-18, as shown in the Table below:

Table 3-2: Billing determinants for FY 2017-18

Categories	Consumer nos. as approved in TO dated 30.11.2017	Actual Consumers	Energy sales as in TO dated 30.11.2017 (MU)	Actual Energy Sales (MU)
LMV-1	74470	73017	342.66	366.54
LMV-2	3548	2798	33.60	33.28
LMV-3	20	20	33.51	34.35
LMV- 5	966	1182	23.83	31.68
LMV-6	2706	2602	75.93	69.17
LMV-7	277	220	18.73	19.94
LMV-8	1	1	0.31	0.6
HV-1	177	149	142.54	174.77

(ii) For categories like LMV-4, LMV-5, LMV-9 and HV-2 the actual number of consumers are higher than that approved in Tariff Order dated November 30, 2017, while the energy sales of LMV-4, LMV-9 and HV-2 are lower than that approved while for LMV-5 it is higher than that approved in the Tariff Order dated November 30, 2017 as shown below:

Table 3-3: Billing determinants for FY 2017-18

Categories	Consumers nos. as approved in TO dated 30.11.2017	Actual Consumers	Energy sales as approved in TO dated 30.11.2017 (MU)	Actual Energy Sales (MU)
LMV-4	385	633	19.67	13.27
LMV-5	966	1182	23.83	31.68
LMV-9	862	971	56.24	47.17
HV-2	600	638	1033.97	876.82

It can be seen from the above that the number of consumers and energy sales approved in Tariff Order dated November 30, 2017 are in substantial variation than the actual figures for FY 2017-18.

2. Power Purchase

(i) Distribution Losses- Actual distribution losses of NPCL for FY 2017-18 is 7.99% against the approved losses of 8.00%. Actual distribution losses of NPCL for FY 2016-17 was 8.003% while actual distribution losses of NPCL for FY 2015-16 was 8.04%.

(ii) Power Purchase- Actual average rate of power purchase is Rs.4.14/kWh for long term purchase, purchase from trader, purchase from RE, transmission expenses and power purchase expenses of previous years as compared to the approved rate of Rs. 4.87/ kWh.

(iii) Total Power Purchase- Power purchase for long term was approved by the Commission at an average rate of Rs.4.21/kWh (excluding transmission charges). While NPCL has purchased the total power at an average per unit cost of Rs. 4.14/kWh (excluding transmission charges), NPCL has paid transmission charges amounting to Rs.86.83 Cr.

(iv) NPCL in MYT Petition proposed energy purchase of 1942.70 MU against which the commission approved 1935.86 MU for FY 2017-18 in Tariff Order dated November 30, 2017. However, NPCL is able to purchase 1812.47 MU only (short by 123.39 MU).

(v) Power Purchase Cost Vs Indian Energy Exchange Prices

In the comparison of monthly Power Purchase Cost of NPCL vis-à-vis monthly power prices of North Region as per Indian Energy Exchange prices, it is observed the average purchase price of the Company is higher as compared to Exchange price in all the months (except Sept 2017).

(vi) Power Purchase Cost Vs UPERC approved rates:

In the comparison of monthly Power Purchase Cost of the company vis-à-vis the annual average rates approved by the Commission, it was observed that the average purchase price of the Company is lower. However, in the month of November 2017 average purchase cost of the company exceeded by Rs 0.99/kWh against the rate approved by UPERC.

3. Audit of Financial Accounts

i) Capital Expenditure (Capex)

The capex projected for FY 2017-18 was Rs 229.26 Crore whereas actual amount capitalized as shown in the Audit Report is Rs 187.24 Crore, which is lower than the amount approved in Tariff Order dated November 30, 2017.

ii) Operations and Maintenance (O&M) Expenses

The O&M Expenses approved in Tariff Order dated November 30, 2017 for FY 2017-18 is Rs. 72.24 Crore whereas the actual O&M Expenses as shown in the Audit Report is Rs. 88.79 Crore.

iii) Employee Expenses

The total expenses on account of employee benefit expenses have increased by **Rs.7.42 crore,** which is **17.85%** increase over previous year's expenses.

3.1.6 The Commission has taken cognizance of the comments of the independent auditor and the same have been considered while doing the True- Up of FY 2017-18.

3.2 NUMBER OF CONSUMERS AND CONNECTED LOAD

3.2.1 The Petitioner has submitted that the Commission in its Tariff Order dated November 30, 2017 noted the number of consumers and Connected Load for FY 2017-18 at 84,014 and 794.50 MW, respectively, based on the submissions made by the Petitioner, while, as per the True- Up of FY 2017-18, the actual number of

Consumers and Connected load are 82,231 and 832.36 MW, respectively, as given in the following Table:

Table 3-4: No. of Consumers and Connected Load submitted by the Petitioner for FY 2017-18

Sl. No	Category	No. of Consumers	Connected Load (MW)
1	LMV-1: Domestic Light, Fan & Power	73,017	303.70
2	LMV-2: Non-Domestic Light, Fan & Power	2,798	21.59
3	LMV-3: Public Lamps	20	12.68
4	LMV-4: Institution	633	5.86
5	LMV-5: Private Tube Wells	1,182	5.63
6	LMV 6: Small and Medium Power	2,602	59.29
7	LMV-7: Public Water Works	220	7.27
8	LMV-8: STW and Pumped Canals	1	0.11
9	LMV-9: Temporary Supply	971	31.46
10	HV-1: Non-Industrial Bulk Power	149	85.90
11	HV-2: Large and Heavy Power	638	298.87
	Total	**82,231**	**832.36**
	For FY 2016-17	**75,918**	**758.54**
	Growth over previous year	**8.32%**	**9.73%**

3.2.2 The Petitioner has submitted that the projection of number of consumers and connected load was based on certain assumptions regarding various factors such as forthcoming development in area, Master Plan of Greater Noida Industrial Development Authority, consumer mix, etc., however, the actual number of consumers and connected load vary because of variations in the aforesaid parameters.

3.3 ENERGY SALES

3.3.1 The Petitioner in the True- Up Petition for FY 2017-18 has shown 1667.60 MU as Energy Sales for FY 2017-18 as shown in the table below reflecting growth of 11.14% over FY 2016-17:

Table 3-5: Category-wise Energy Sales for FY 2017-18 submitted by the Petitioner (MU)

Sl. No.	Category	Approved vide T.O. 30/11/2017	True Up Petition
1	LMV-1: Domestic Light, Fan & Power	342.66	366.54
2	LMV-2: Non-Domestic Light, Fan & Power	33.6	33.28
3	LMV-3: Public Lamps	33.51	34.35
4	LMV-4: Institutions	19.67	13.27
5	LMV-5: Private Tube Wells	23.83	31.68
6	LMV 6: Small and Medium Power	75.93	69.17
7	LMV-7: Public Water Works	18.73	19.94
8	LMV-8: STW and Pumped Canals	0.31	0.60
9	LMV-9: Temporary Supply	56.24	47.17
10	HV-1: Non-Industrial Bulk Power	142.54	174.77
11	HV-2: Large and Heavy Power	1033.97	876.82
	Sub Total	**1780.99**	**1667.60**

3.3.2 The Petitioner has submitted that approval of Energy Sales at 1780.99 MU in the Tariff Order dated November 30, 2017 by the Commission was based on certain assumptions regarding various factors such as supply hours, load shedding hours, unrestricted transmission capacity, power factor, consumption under various time blocks etc., however, the actual sales as per Audited Annual Accounts vary because of variations in the aforesaid parameters based on actual consumption and supply conditions.

3.3.3 The Petitioner further submitted that during FY 2017-18, it has recorded unrestricted peak demand of up-to 343 MW and restricted peak demand of 305 MW. However, the Petitioner was able to supply power only upto 268 MW till June 2017 and 298 MW thereafter, due to the restrictions imposed by UPPTCL/ UPSLDC on transmission of power to Greater Noida area. Therefore, the Petitioner was hindered from achieving, the sales levels it had estimated for FY 2017-18.

3.3.4 The Petitioner further submitted that sales in industrial category has been lower than estimates owing to various factors like lower consumer demands, GST implications, etc. Further, in view of the State Governments' directives to supply 18-24 hrs supply in rural areas and restricted availability of transmission capacity, the Petitioner had to restrict supply in industrial area leading to lower industrial sales volume. However, there have been positive variations in sale to domestic

category (including societies) due to higher demand in view of increasing occupancy of residential dwellings in Greater Noida area.

3.3.5 The Petitioner further submitted that it maintains its books of accounts including billing register in SAP –ERP system. All billing parameters viz. the details of category / sub-category, rate schedule of the respective category / subcategory, other parameters applicable under each category, general clauses of rate schedule and provisions of Electricity Supply Code are configured in the SAP-ERP only. Hence, the sale of energy is recorded / computed by the SAP-ERP system automatically. The SAP-ERP generates the billing register for the purpose of preparation of bills, printing thereof, sales and consumers' ledgers. The Petitioner prepares its Audited Financial Statement on the basis of such system generated sales register only.

Commission's Analysis

3.3.6 Actual energy sales for FY 2017-18 is 113.37 MU lower than the energy sales approved for FY 2017-18 by the Commission vide Tariff Order dated November 30, 2017. However, the energy sales in FY 2017-18 represents a growth of 11.14 % over the energy sales in FY 2016-17. The Commission approves the actual energy sales at 1667.60 MU.

3.3.7 The category-wise energy sales approved for FY 2017-18 is shown in the Table below:

Table 3-6: Category wise Sales for FY 2017-18 as approved by the Commission (in MU)

S. No.	Category	Approved vide T.O. 30/11/2017	True-up Petition	Approved upon Truing Up
1	LMV-1: Domestic Light, Fan & Power	342.66	366.54	366.54
2	LMV-2: Non-Domestic Light, Fan & Power	33.60	33.28	33.28
3	LMV-3: Public Lamps	33.51	34.35	34.35
4	LMV-4: Institutions	19.67	13.27	13.27
5	LMV-5: Private Tube Wells	23.83	31.68	31.68
6	LMV 6: Small and Medium Power	75.93	69.17	69.17
7	LMV-7: Public Water Works	18.73	19.94	19.94
8	LMV-8: STW and Pumped Canals	0.31	0.60	0.60
9	LMV-9: Temporary Supply	56.24	47.17	47.17
10	HV-1: Non-Industrial Bulk Power	142.54	174.77	174.77
11	HV-2: Large and Heavy Power	1033.97	876.82	876.82
	Total	**1780.99**	**1667.60**	**1667.60**

3.3.8 The category-wise number of consumers, connected load and energy sales approved / Trued- Up for FY 2017-18 are summarized in the Table below:

Table 3-7: Category wise No. of Consumers, Connected Load & Energy Sales as approved for FY 2017-18

S. No.	Category	No. of Consumers	Connected Load (MW)	Sales (MU)
1	LMV-1: Domestic Light, Fan & Power	73,017	303.70	366.54
2	LMV-2: Non-Domestic Light, Fan & Power	2,798	21.59	33.28
3	LMV-3: Public Lamps	20	12.68	34.35
4	LMV-4: Institutions	633	5.86	13.27
5	LMV-5: Private Tube Wells	1,182	5.63	31.68
6	LMV 6: Small and Medium Power	2,602	59.29	69.17
7	LMV-7: Public Water Works	220	7.27	19.94
8	LMV-8: STW and Pumped Canals	1	0.11	0.60
9	LMV-9: Temporary Supply	971	31.46	47.17
10	HV-1: Non-Industrial Bulk Power	149	85.90	174.77
11	HV-2: Large and Heavy Power	638	298.87	876.82
	Total	**82,231**	**832.36**	**1667.60**

3.4 DISTRIBUTION LOSSES

3.4.1 The Petitioner has submitted that the actual Distribution Losses for FY 2017-18 is 7.99%, which is lower than the losses approved by the Commission for FY 2017-18 in the Tariff Order dated November 30, 2017.

3.4.2 The Petitioner submitted that as the demand of electricity is growing steadily, unfortunately, the power sector is badly affected by "Apollo Syndrome" facing huge commercial losses, representing inefficient utilization of natural resources and consequently, casts unwanted burden on end-use of electricity.

3.4.3 The Petitioner stated that it has been striving to implement/ emulate efficient, resilient, robust, inclusive, tailor-made initiatives to tackle the ever-rising menace of commercial loss, which all distribution utilities are struggling hard to contain. While many initiatives tendered significant results, sometimes most worthy models have failed due to the volatile environment, which are beyond the control of the distribution licensee.

3.4.4 Further, the Petitioner added that it is trying its best through regular enforcement drives as well as social intermediation and has been able to contain Distribution losses at 7.99% for FY 2017-18.

Commission's Analysis

3.4.5 The Commission in Tariff Order dated November 30, 2017 approved Distribution Losses of 8% for FY 2017-18. The actual Distribution Losses of the Petitioner for FY 2017-18 is 7.99%, which is lower than the losses approved by the Commission. Considering the submissions made by the Petitioner, the Commission for the purpose of Truing Up for FY 2017-18 approves the actual Distribution Losses as submitted by the Petitioner, as shown in the Table below:

Table 3-8: Distribution losses as approved by the Commission for FY 2017-18

Particulars	Approved vide T.O. 30/11/17	True-up Petition	Approved upon Truing Up
Distribution Loss (%)	8.00%	7.99%	7.99%

3.5 ENERGY BALANCE

3.5.1 The Commission in the above sections has discussed about Truing-Up of energy sales and distribution losses. Based on Trued- Up energy sales and distribution losses, the approved power purchase requirement (Energy Purchase at Discom periphery) and the approved Energy Balance for FY 2017-18 is as shown in the Table below:

Table 3-9: Energy Balance as approved by the Commission for FY 2017-18

Particulars	Approved vide T.O. 30/11/2017	True-up Petition	Approved upon Truing Up
Energy Sales (MU)	1780.99	1667.60	1667.60
Distribution Loss %	8.00%	7.99%	7.99%
Distribution Losses (MU)	154.87	144.87	144.87
Energy Purchase at Discom Periphery (MU)	**1935.86**	**1812.47**	**1812.47**

3.5.2 The Commission in Deficiency Note dated February 15, 2019 directed the Petitioner to submit the reconciliation of Energy purchased in the format prescribed by the Commission in the Tariff Order dated January 22, 2019. The Petitioner vide its reply dated April 16, 2019 has submitted the following:

Table 3-10: Total Energy Purchase for FY 2017-18 as submitted by the Petitioner

Particulars	Formulae	Actual
Energy purchased from outside the State at Gen ex- Bus (MU)	A	1,920.26
Inter- State losses (%)	B	1.90%

Particulars	Formulae	Actual
Total Energy from outside the state at State Periphery (MU)	C=A-(A*B)	1,883.74
Intra- State losses (%)	D	3.79%
Energy at Discom periphery (MU)	E=C-(C*D)	1,812.47
Energy purchased directly at Discom periphery (MU)	F	-
Total Energy at Discom periphery (MU)	G=E+F	1,812.47

3.5.3 It can be observed from the above Table that Total Energy purchased by the Petitioner before Inter-State losses is 1,920.26 MU. Intra-State transmission losses are considered as 3.79% while, Inter-State transmission losses (PGCIL losses) are considered as 1.90%. After netting off all the losses the energy required at Discom periphery by the Petitioner is 1,812.47 MU.

3.6 POWER PURCHASE

3.6.1 The Petitioner has submitted that the Commission in Tariff Order dated November 30, 2017 has approved Power Purchase quantum and cost at Rs. 1,935 MU and Rs. 942.91 Cr respectively.

3.6.2 The Petitioner further submitted that during the year, UPPTCL upgraded Bulk Transmission Agreement (BPTA) to 400 MW on January 17, 2018, yet it signed Connection Agreement for 355 MW only and thereby limited the drawal of power by the Petitioner upto 355 MW henceforth. In view of the above, total quantum of energy procured during FY 2017-18 was 1,812.47 MU which includes power procured from Renewable Sources and Captive generation.

3.6.3 The Petitioner further submitted that the majority of the load of the consumers is met through duly approved Long Term Power Purchase Agreement (LTPPA) with Dhariwal Infrastructure Limited (DIL) which supplied 187 MW (Net 170 MW at DIL Plant Bus after 9% Auxiliary Consumption) RTC power. The Petitioner procured 1073.26 MU power from DIL during FY 2017-18.

3.6.4 The Petitioner submitted that during FY 2016-17 and FY 2017-18 it has paid Energy Charge and Capacity Charge to DIL as per the Commission's Order dated April 20, 2016 and Tariff Order dated November 30, 2017, respectively. However, DIL has filed its MYT Petition for FY 2016-17 to FY 2018-19 before the Commission for approval of generation Tariff and has claimed Energy Charge and Capacity Charges for FY 2017-18 as Rs. 2.01/kWh and Rs. 2.03 /kWh respectively (excluding income

tax, impact of additional coal and change in law), which is more than the tariff paid by the Company during FY 2016-17 and FY 2017-18. Therefore, the Petitioner has calculated the arrear amounting to Rs. 35.73 Cr payable for tariff difference for FY 2016-17 and FY 2017-18. However, since FY 2017-18 is already over, the payment of arrears for FY 2016-17 and FY 2017-18 has not been considered in FY 2017-18 and the same would be claimed in subsequent years. Based on the approval of the Commission, the same would be paid by the Petitioner, whenever it become due.

3.6.5 The Petitioner further submitted that apart from the Long-Term Power, it has procured 607.39 MU short term power during FY 2017-18 from Open Access at Rs. 3.79/kWh, which is well within the rate of Rs. 3.87/ kWh approved by the Commission for FY 2017-18 in Tariff Order dated November 30, 2017.

3.6.6 The Petitioner further submitted that it also procured 14.01 MU (at NPCL Bus Bar) at Rs. 4.44/kWh under Power-Banking arrangement to be returned during August, 2018 and September, 2018 and has valued the same at settlement price.

3.6.7 Accordingly, the Petitioner has in aggregate procured 621.41 MU of non-renewable power through Open Access at Rs. 3.81/kWh which is well within the approved rate of Rs. 3.87/kWh.

3.6.8 For Renewable Power, the Petitioner has submitted that it has procured 1.35 MU of solar power from Greater Noida Industrial Development Authority (GNIDA) and generated 0.23 MU of solar power from the solar generation plants at the rooftops of its office buildings. Apart from the above, the Petitioner has also granted several connections under the Net- Metering policy approved by the Commission under the Roof-top Solar PV Regulations, 2015 from which it has procured 13.47 MU during FY 2017-18. Thus, the Petitioner has procured solar power to the extent of 0.83% as against its Solar RPO of 1% during FY 2017-18. The Petitioner has also procured 124.35 MU of Non- Solar renewable power during FY 2017-18 and met its Non- Solar RPO of 5% for FY 2017-18. In fact, in aggregate the Company fulfilled its RPO Obligation to the extent of 7.69% as against stipulated 6%, so as to meet part of its unfulfilled Non-solar RPO accumulated till FY 2016-17.

3.6.9 The Petitioner further submitted that it also incurred transmission charges of Inter-State and Intra--State Transmission network aggregating to Rs. 86.83 Cr during FY 2017-18 as against Rs. 135.54 Cr approved by the Commission for FY 2017-18 in the Tariff Order dated November 30, 2017.

3.6.10 The Petitioner further added that an amount of 0.27 Cr has been determined as payable against net under-drawal in Deviation Settlement Mechanism (Sale) of 10.52 MU during the FY 2017-18. The details of power purchase quantum and cost approved vide Tariff Order dated November 30, 2017 and actual power purchased by NPCL is shown in the Table below:

Table 3-11: Power purchase as submitted by the Petitioner for FY 2017-18

Sources of Power Purchase	Approved in TO dt 30/11/2017			True- Up Petition		
	Energy (MU)	Rate (Rs/kWh)	Cost (Rs Cr)	Energy (MU)	Rate (Rs/kWh)	Cost (Rs Cr)
Long-Term Power	1170.53	4.21	492.55	1073.26	4.17	447.36
Power Purchase from Traders	649.18	3.87	251.23	607.39	3.79	230.15
Power Purchase from RE	116.15	5.47	63.59	128.32	5.19	66.61
Unscheduled Interchange (UI)	-	-	-	(0.88)		2.78
Power Banking				14.01	4.71	6.60
Sale of Energy				(9.64)	2.6	(2.51)
Sub-Total	**1935.86**	**4.17**	**807.37**	**1812.47**	**4.14**	**751.00**
Total Transmission Charges		0.70	135.54		0.48	86.83
Total Power Purchase	**1,935.86**	**4.87**	**942.91**	**1,812.47**	**4.62**	**837.83**

Commission's Analysis

3.6.11 Based on the above Trued-Up Energy Balance for FY 2017-18, the power purchase requirement as worked out by the Commission is 1812.47 MU.

3.6.12 It is observed that the Petitioner has procured overall cheaper power than that approved by the Commission in the Tariff Order dated November 30, 2017. Also, there is drastic reduction from approved Transmission Charges of Rs 135.54 Cr to actual Transmission Charges of Rs 86.83 Cr. The Commission vide Deficiency Note dated February 15, 2019 directed the Petitioner to submit clarification in this regard. The Petitioner vide its reply dated April 16, 2019 submitted that transmission charges of Rs. 135.54 Crore for FY 2017-18 were based on the assumption that the delivery point for power to be purchased will be NR periphery. However, during the year, some power purchases were tied-up with delivery point of Discom periphery, and hence, the energy charges were inclusive of Inter-State and Intra-State Transmission charges resulting into lesser transmission charges of Rs. 86.63 Crore. In this regard, the Commission directed the Petitioner to submit PPAs of Renewable Energy power tied up in FY 2017-18 for which no transmission charges have been claimed. The Petitioner submitted some PPAs with Arunachal

Pradesh Power Corporation Pvt. Ltd. and with Mittal Processors Pvt. Ltd. for the perusal of the Commission via mail dated July 01, 2019. The Commission observed that the contracted power is at the NPCL periphery and transmission charges are inbuilt in the rate of that contracted power and hence, no separate transmission charges are claimed by the Petitioner.

3.6.13 As regards Long- term power, the Petitioner has procured 1073.26 MU from Dhariwal Infrastructure Ltd. (DIL), Unit- II of 170 MW (net). The Commission vide Deficiency Note dated February 15, 2019 asked the Petitioner to submit the impact of purchase rate approved by the Commission in Petition No. 1235 of 2017 vide Order dated February 05, 2019 for long term power procured from DIL for FY 2016-17 to FY 2018-19. The Petitioner vide its reply dated April 16, 2019 submitted that based on the aforesaid Commission's Order, an amount of Rs. 4.15 Cr becomes recoverable from DIL for the period FY 2016-17 to FY 2017-18 vis-à-vis provisional tariff approved by the Commission earlier. The aforesaid recoverable amount has been shown separately in Power Purchase Details for FY 2018-19. However, the impact, if any, in respect of the following has not been considered at present:

- Fuel cost due to variation on account of GCV of FSA coal supplied- vide Clause No. 4.2.14 in Commission's order dated 5/2/2019 on DIL Petition No.1235 of 2017
- Coal procured due to shortage in supply of FSA coal- vide Clause No. 4.2.13 in Commission's order dated 5/2/2019 on DIL Petition No.1235 of 2017
- Change in law- vide Clause No. 4.2.13 in Commission's order dated 5/2/2019 on DIL Petition No.1235 of 2017
- Variation on account of CERC's escalation norms for coal and transportation- vide Clause No. 4.2.13- in Commission's order dated 5/2/2019 on DIL Petition No.1235 of 2017

NPCL submitted that any recoverable/ payable on account of above shall be considered separately at appropriate time.

3.6.14 The Commission vide mail dated June 22, 2019 directed the Petitioner to submit an Affidavit for compliance of Commission's Order dated 05.02.2019 in making payment to DIL towards supply of power. The Petitioner vide mail dated July 12, 2019 submitted the same. Further, for approval of procurement of additional coal DIL has filed Petition 1318/1319 of 2018 in case of shortfall in FSA grade coal in FY 2017-18 and FY 2018-19. Therefore, the Commission for the purpose of True- Up of FY 2017-18 has considered the rates as submitted by the Petitioner. The impact

of additional coal on energy charge rate shall be dealt with after the True up of ARR of DIL for respective year is done.

3.6.15 As regards power purchase from Traders, it is observed that as against the Commission's approval in Tariff Order dated November 30, 2017 for 649.18 MU to be procured at the rate of Rs 3.87/kWh amounting to Rs 251.23 Cr, the Petitioner has procured 607.39 MU at the rate of Rs 3.79/kWh which amounts to Rs 230.15 Cr. Thus, the Petitioner has procured cheaper power from Traders.

3.6.16 As regards power procured from Renewable Energy, the Petitioner has procured 1.35 MU solar power from GNIDA and 0.23 MU of solar power has been procured from the Captive Solar plants and from Traders like Arunachal Power Corporation Ltd. Apart from the above, the Petitioner has also procured 2.39 MU of power from its net-metering connections under the UPERC Roof-top Solar PV (RSPV) Regulations, 2015. The Petitioner has also procured 124.35 MU non-solar renewable power during FY 2017-18. Thus, the Petitioner procured 128.32 MU through Solar and Non-Solar Energy sources, which is equivalent to 7.08 % of its total power purchase for FY 2017-18 and was thus, able to fully meet its cumulative Renewable Purchase Obligation (RPO) target of 6%. The Petitioner vide its affidavit dated September 13, 2018 in Suo- Moto Proceedings regarding meeting RPO targets by obligated entities has also submitted the roadmap for fulfilment of full RPO of the Company in FY 2018-19 itself.

3.6.17 The Commission observed that in spite of the efforts being made by the Petitioner, sufficient Solar renewable energy is not being procured by the Petitioner to fulfil its Solar RPO. The Petitioner should ensure that the RPO target as specified by the Commission through Regulations or Orders is strictly met in the coming years. For the purpose of Truing Up, the Commission has approved the actual power procured through Renewable Energy sources.

3.6.18 As regards to the banking of Power, the Commission vide Deficiency Note dated February 15, 2019 asked the Petitioner to submit the details along with computation for the amount of Rs. 6.60 Cr incurred towards Banking of power for FY 2017-18. The Petitioner vide its reply dated April 16, 2019 submitted that it has entered into an Energy Banking Agreement (EBA) with Arunachal Pradesh Power Corporation Limited (APPCL) on February 28, 2018 for sourcing of power from Haryana (HPPC Discom through banking) and the details of Agreement submitted are as follows:

- Quantum of Power-20 MW

- Duration-March 2018
- Nature of Drawal-RTC
- Liability to pay Rs. 4.15 per unit for each unit of unadjusted power at the end of the banking cycle.
- Return Obligation: @ 106%
- Nature of Return: RTC
- Trading Margin payable @ Rs. 0.04 per unit at the time of return of power
- Accordingly, the Effective Rate is Rs. 4.44 per unit (Rs. 4.15*1.06) +(0.04)
- Based on the above, cost of power drawn during FY 2017-18 has been computed at Rs. 6.60 Crore (i.e., 14.88 MU x Rs. 4.44). 14.88 MU of power is on the Generator ex- bus, while 14.01 MU of power is on NPCL periphery after deducting transmission losses.

3.6.19 The Commission has also observed that the Petitioner has sold 9.64 MU of energy at the rate of Rs 2.60/ kWh amounting to Rs 2.51 Cr. The Petitioner has also made under drawal of 0.88 MU that costs it Rs 2.78 Cr under Deviation Settlement Mechanism (DSM). The Commission during technical validation session directed the Petitioner to submit the documentary evidence (DSM Bills) to substantiate the cost of power under drawal through DSM. The Petitioner submitted the Bills for Week- 44 of FY 2017-18.

3.6.20 From the above observations, the summary of power purchase cost as approved by the Commission for FY 2017-18 is as shown in the Table below:

Table 3-12: Power Purchase as approved by the Commission for FY 2017-18

Item	True- Up Petition			Approved upon Truing Up		
Sources of Power Purchase	Energy (MU)	Rate (Rs/kWh)	Cost (Rs Cr)	Energy (MU)	Rate (Rs/kWh)	Cost (Rs Cr)
Long-Term Power	1073.26	4.17	447.36	1073.26	4.17	447.36
Power Purchase from Traders	607.39	3.79	230.15	607.39	3.79	230.15
Power Purchase from RE	128.32	5.19	66.61	128.32	5.19	66.61
Power Banking	14.01	4.71	6.60	14.01	4.71	6.60
Unscheduled Interchange (UI)	(0.88)		2.78	(0.88)		2.78
Sale of Energy	(9.64)	2.6	(2.51)	(9.64)	2.6	(2.51)
Sub-Total	**1812.47**	**4.14**	**751.00**	**1812.47**	**4.14**	**751.00**
PGCIL Transmission Charges			66.02			66.02

Item	True- Up Petition			Approved upon Truing Up		
UPPTCL Transmission Charges			20.81			20.81
Total Transmission Charges		**0.48**	**86.83**		**0.48**	**86.83**
Total Power Purchase	**1,812.47**	**4.62**	**837.83**	**1812.47**	**4.62**	**837.83**

3.6.21 The Commission has approved 1812.47 MU of power purchase for FY 2017-18 with Distribution Loss of 7.99% and total Transmission Charges are approved at Rs. 86.83 Crore. Accordingly, the approved total power purchase cost upon Truing Up is Rs. 837.83 Cr for FY 2017-18.

3.7 OPERATION & MAINTENANCE EXPENSES

3.7.1 Operation and Maintenance (O&M) expenses comprise Employee Expenses, Administrative and General (A&G) Expenses, and Repair and Maintenance (R&M) Expenses.

3.7.2 The Petitioner submitted that the Commission in Tariff Order dated November 30, 2017 had approved the O&M expenses at Rs. 72.24 Crore (net of capitalised employee cost) for FY 2017-18. However, the actual O&M expenses as per Audited Accounts for FY 2017-18, excluding Goods and Service Tax (GST), is Rs. 86.40 Crore. (net of capitalised employee cost). The Petitioner has submitted the details of actual O&M Expenses for FY 2017-18 along with the amount approved by the Commission in the Tariff Order dated November 30, 2017 for FY 2017-18 as shown in the Table below:

Table 3-13: O&M expenses as submitted by the Petitioner for FY 2017-18 (Rs. Cr)

Sl. No.	Particulars	Approved in TO dtd 30/11/2017	Actuals (as per audited accounts)	True- Up Petition
1	Repair & Maintenance	39.53	41.48	39.88
2	Employees Expenses	26.75	43.87	43.87
3	Administrative & General Expenses	11.95	14.03	13.00
4	**Total O&M Expenses**	**78.23**	**99.38**	**96.74**
5	Employee Cost Capitalised	(5.99)	(10.34)	(10.34)
6	**Net O&M Expenses (exc. GST component)**	**72.24**	**89.04**	**86.40**

3.7.3 The Petitioner further submitted that there is huge gap between the amount approved by the Commission and the actual expenses with respect to Employee expenses besides the considerable gap in Repair and Maintenance & Administrative Expenses as per Audited Annual Accounts due to following reasons:

a) Increase in Minimum Wages:

1. The Government of Uttar Pradesh revises minimum wages under the provisions of the Minimum Wages Act, 1948 twice in a year (i.e., with effect from April and October). The State Government vide notification Nos. 560/581/Enforcement (M/W)/15 dated 29/03/2016 and 1290-1317/Enforcement-(M/W)/15 dated 26th September, 2016 has revised the minimum wages. Thus, the wages applicable for full year, i.e., FY 2017-18 were significantly higher as compared to the same applicable during previous years.

2. The Petitioner further submitted that the minimum wages has a direct and substantial impact on most of the components of O&M expenses, e.g., Breakdown gang, security charges, job costing of various repair assignments etc. Further, as lower cadre staff are governed by the provisions of the Minimum Wages Act-1948, increase in minimum wages also leads to consequent cascading effect on remuneration of senior cadre staff as well.

3. The Petitioner submitted that all enterprises, associations, partnership, body corporates, companies, etc., are bound by the provisions of Minimum Wages Act, 1948 and it has no option but to comply with the same. Therefore, impact of the changes in minimum wages is beyond the control of the Petitioner and cannot be subsumed within normative employee cost.

4. The Petitioner further submitted that it is very difficult for a private organization to quantify the impact of wage revision in its overall O&M Expenses. However, these revisions increase the overall cost where man power is involved much more than the increase in CPI being allowed through the normative Employee Cost. Thus, the amount of escalation allowed by the Commission is not taking into account the revisions in wages.

5. The Petitioner has further submitted that Regulations 25(c), (d) and (e) of the MYT Regulations, 2014 provide for allowance of higher expenditure actually incurred by the Licensee on account of factors beyond the control of Licensee. The

Petitioner further added that the impact of increase in minimum wages do not get compensated through incremental CPI.

6. The Petitioner further submitted that Regulation 29 of MYT Regulations, 2014 provides admissibility of Bad and Doubtful Debts as a legitimate business expense with the ceiling limit of 2% of the revenue receivables in the Tariff. However, the Petitioner has been able to contain the same to 1.11% during FY 2017-18. This has resulted in huge saving in the Bad and Doubtful Debts, which will ultimately pass on to the Consumers. However, it is able to limit Bad and Doubtful Debts at 1.11% against 2%, due to deployment of additional man power for recovery of dues from the consumers, prompt billing, aggressive actions against theft, timely action against the defaulters, etc. In case, the Petitioner opts to reduce its man power to align actual employee cost with the normative employee cost as per MYT Regulations, 2014, it may lead to higher bad debts which will ultimately burden the diligent consumers. The Petitioner has requested to approve its employee cost at actuals.

b) Recommendation of Sixth /Seventh Pay Commission

1. With implementation of the Seventh Central Pay Commission Recommendations, the average pay of government employees has gone up by more than 25% approx. including that of State Governments' employees. This has led to considerable rise in salary package at entry level as well as higher level of employees in the private sector also. In this backdrop, the Petitioner has been facing an uphill task to retain talented and motivated workforce and minimize attrition in the increasingly competitive market with more and more participation of private sector in the utility segment including electricity distribution. Hence, it is necessary that the compensation structure on one hand meets the expectations of the employees and on the other hand motivates them to strive for superior performance through congruence of individual and organization goals. Therefore, any increase in emoluments given by the Central Pay Commission will have a direct bearing on the salary and emoluments of the Petitioner's employees so as to retain and motivate them appropriately.

c) Other Cost Drivers:

1. The Petitioner submitted that it has been striving hard to control and optimize its O&M Expenses primarily keeping the consumers' interest in view. However, due

to weak and deficient manpower, the law and order situation is very poor in the area. Also, due to frequent and violent incidents occurring in the area, the administration or police personnel seldom find time for listening to the complaints of pilferages/manhandling of the equipment of the Petitioner like transformer, cable, etc. This in turn causes frequent breakdown and repair, resulting into more Repair & Maintenance expenses.

2. The Commission in its Tariff Order dated October 14, 2010 had mentioned that:

Quote

"22 (j) In relative analysis, performance parameters of other Distribution Licensees within the same state or in other states, shall be considered by the Commission to estimate norms."

Unquote

3. The Petitioner further submitted that based on the above, the Commission in its Tariff Order dated October 14, 2010 had directed it to conduct a study to benchmark its O&M expenses and it has accordingly appointed ICRA Management Consultancy Services Private Limited to conduct the study after conducting competitive bidding and prior approval of the Commission. The Petitioner submitted that based on the study conducted, it is no more feasible to sustain the existing low-cost operation without compromising with service and safety standards. Therefore, the denial of justified expenses to the Petitioner would jeopardize the operational efficiency achieved by it over the past 24 years.

4. The Petitioner further submitted that all expenses have been duly audited by Statutory Auditors and approved by the Board of Directors of the Company. These expenses are allowed in full not only in the Companies Act, 2013 but also in the Income Tax Act, 1961. The Petitioner submitted that its O&M Expenses are low as compared to other Distribution Utilities of U.P. as well as Discoms of other States. The Petitioner submitted that it has become imperative to take additional and timely efforts to meet the upcoming demand growth in the area and to maintain a reliable and efficient power supply and it has already started initiatives in this regard. Therefore, it has requested to allow the O&M expenses in full as per audited accounts for FY 2017-18.

d) Capitalization of Employee Cost:

1. The Petitioner has further submitted that it has capitalized an amount of Rs. 10.34 Crore out of the total employee cost of Rs. 43.87 Crore incurred during FY 2017-18, as per past practice duly approved by the Commission. For the purpose of capitalization of employee costs, the Petitioner at the time of execution of project, records actual man hours spent by each engineer/ executive into the system / SAP Software. These hours are then matched with the cost per hour of that employee by the software itself and actual employee cost so incurred, is capitalized along with the specific project. Further, the Petitioner added that the entire process of its project/financial accounting is through SAP, and there is least manual intervention in computation of expenses to be capitalized.

2. The Petitioner added that these man-hours and cost are duly verified by the statutory auditors of the Petitioner in detail and are approved by the Board of directors subsequently. In view of the above, the Petitioner requested the Commission to approve the capitalisation of employee cost at Rs. 10.34 Crore and net O&M expenses at Rs 86.40 Crore for FY 2017-18 based on its audited annual accounts.

Commission's Analysis

3.7.4 The Commission sought the detailed computation of each component of O&M Expenses based on normative parameters which the Petitioner has duly submitted. The Commission also asked the Petitioner to provide the reasons for not making the comparison of minimum wages of FY 2017-18 with FY 2016-17 but with FY 2013-14. In this regard, the Petitioner submitted that at the time of determination of norms for O&M Expenses including Employee cost, the Commission had used the mean FY/Base Year as FY 2013-14. Accordingly, the Petitioner has compared the minimum wages of FY 2017-18 with that of FY 2013-14 in order to show that the minimum wages have risen sharply, which has not been adequately compensated by the increase in CPI/WPI over the period.

3.7.5 The Commission vide Deficiency Note dated February 15, 2019 asked the Petitioner to submit the reconciliation of the Employee Expenses and A&G Expenses with the cost as per the audited accounts. The Petitioner vide its reply dated April 16, 2019 submitted reconciliation of the O&M Expenses as claimed in the Petition with the audited accounts, as shown in the Table below:

Table 3-14: Reconciliation of O&M expenses as submitted by Petitioner for FY 2017-18

S. No.	Description	Amount (Rs. Cr)	Reference
1	Employee cost as shown in the Audited Accounts for FY 2017-18	31.21	Note-34 of Audited Accounts
2	Re-measurement of post-employment benefit obligations (as per Ind AS requirement)	0.35	Statement of Profit & Loss in Audited Accounts
3	Other Expense as shown in the Audited Accounts for FY 2017-18	**77.59**	Note-37 of Audited Accounts
4	**Total Operating Expenses as per Audited Accounts**	**109.14**	
5	Less: Bad debts written off & provision for doubtful debts	16.54	Note-37 of Audited Accounts
6	Less: Loss on sale of Fixed Assets	**0.83**	Note-37 of Audited Accounts
7	Less: CSR Expenses	2.67	Note-37 of Audited Accounts
8	Less: GST Impact	**2.68**	Included under "Misc expenses" shown under Note-37 of Audited Accounts and claimed separately in Form F-51 of True- Up Petition.
9	**Net O&M Expenses for True-up**	**86.40**	**As per RTF F-1**

3.7.6 Further, Regulation 25 of UPERC (Multi Year Distribution Tariff) Regulations, 2014 is as reproduced below:

Quote

25. Operation & Maintenance Expenses

The Commission shall stipulate a separate trajectory of norms for each of the components of O&M expenses viz., Employee cost, Repairs and maintenance (R&M) expense and Administrative and General Expense (A&G) expense. Provided that such norms may be specified for a specific Distribution Licensee or a class of Distribution Licensees.

(b) Norms shall be defined in terms of combination of number of personnel per 1000 consumers and number of personnel per substation along with annual expenses per personnel for Employee cost; combination of A&G expense per personnel and A&G expense per 1000 consumers for A&G expenses and R&M expense as percentage of gross fixed assets for estimation of R&M expenses:

(c) One-time expenses such as expense due to change in accounting policy, arrears paid due to pay commissions etc., shall be excluded from the norms in the trajectory.

(d) The expenses beyond the control of the Distribution Licensee such as dearness allowance, terminal benefits etc. in Employee cost etc., shall be excluded from the norms in the trajectory.

Unquote

3.7.7 As per the provisions of the aforesaid Regulations, the Commission in MYT Order dated November 30, 2017 has computed the norms for Employee expenses, R&M expenses and A&G expenses. The relevant extract of the Order is as follows:

Quote

Computation of Employee Cost:

5.3.11 Step-4: Then year wise i.e. FY 2017-18, FY 2018-19 and FY 2019-20 Employee

Expense (Consumers) and Employee Expense (Substation) is calculated considering norms per 1000 consumers and norms per substation (calculated above) using following formulae:

*Employee Expense (Consumers)= (Norms per 1000 consumers * Number of consumers) / 1000*

*Employee Expense (Substation)= (Norms per substation * Number of consumers)*

Particulars	***Base Value***	***FY 2016-17***	***FY 2017-18***	***FY 2018-19***	***FY 2019-20***
CPI Inflation		*4.12%*	*7.21%*	*7.21%*	*7.21%*
Norms per 1000 consumers*(RsCrore)*	***0.269***	*0.314**	*0.337*	*0.361*	*0.387*
No of consumers		*77672*	*84016*	*91602*	*99328*
Employee Expense (F)*(RsCrore)*		***24.41***	***28.31***	***33.09***	***38.46***
Norms per substation*(RsCrore)*	***0.003***	*0.004**	*0.004*	*0.004*	*0.005*
No of sub-stations		*5967*	*6211*	*6453*	*6641*
Employee Expense (G)*(RsCrore)*		***22.58***	***25.20***	***28.07***	***30.97***

**Note- 0.314 and 0.004 is arrived after escalating the base values by applying CPI inflation for FY 2014-15, FY 2015-16 and FY 2016-17.*

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Computation of Repair & Maintenance (R&M) Cost:

5.3.17 Step-4: Kb for control period has been computed by considering the audited figures of the preceding five years (i.e FY 2011-12 to FY 2015-16) with the formulae as follows:

Kb = % of (R&M Expenses / Average GFA)

Particulars	FY 2015-16	FY 2016-17	FY 2017-18	FY 2018-19	FY 2019-20
WPI Inflation		1.73%	**0.94%**	**0.94%**	**0.94%**
Kb	**2.57%** = Avg. of previous 5 years	2.62% = 2.57% *(1+ 1.73%)	**2.64%** =2.62*(1+ 0.94%)	**2.67%** =2.72%*(1+ 0.94%)	**2.69%** =2.77%*(1+ 0.94%)

.....

Computation of Administrative & General (A&G) Cost:

5.3.23 Step-4: Then the year wise i.e. FY 2017-18, FY 2018-19 and FY 2019-20 total A&G Expenses are calculated considering A&G Expense (Consumers) and A&G Expense (Employee) per 1000 consumers as shown below:

*A&G Expense (Consumers)= (Norms per 1000 consumers * Number of consumers) / 1000*

*A&G Expense (Employee)= (Norms per employee * Number of employee)*

Particulars	Base Value	FY 2016-17	FY 2017-18	FY 2018-19	FY 2019-20
Norms per 1000 consumers (Rs Crore)	**0.120**	0.119	0.120	0.121	0.122
No of consumers (nos.)		77672	84016	91602	99328
A&G Expense (F) (Rs Crore)		**9.24**	**10.09**	**11.10**	**12.15**
Norms per substation (Rs Crore)	**0.0314**	0.0311	0.0314	0.0317	0.0320
No of employees (nos.)		362	440	500	574
A&G Expense (G) (Rs Crore)		**11.25**	**13.81**	**15.84**	**18.35**

*Note- *0.120 & 0.0314 is arrived after escalating the base values by applying WPI inflation for FY 2014-15, FY 2015-16 and FY 2016-17.*

Unquote

3.7.8 The Commission in the previous years has been allowing the O&M expenses as per the UPERC (Multi Year Distribution Tariff) Regulations, 2014. The Commission is of the view that if the O&M expenses are allowed on the basis of actual O&M expenses as suggested by the Petitioner, there will be no sanctity of fixation of norms for Employee expenses, R&M expenses and A&G expenses in Tariff Regulations and hence each of them have to be dealt individually & appropriately. As per the UPERC (Multi Year Distribution Tariff) Regulations, 2014, some of the elements of ARR are considered on normative basis and the actual expenses under some elements may be higher as compared to approved expenses, while the actual expenses under some elements may be lower as compared to approved expenses.

3.7.9 The Hon'ble APTEL in its Judgment dated June 2, 2016 in the matter of NPCL Vs. UPERC has held that normative approach has to be followed while allowing O&M expense. The relevant extract of the said Judgment has been reproduced below:

Quote

The State Commission in the Impugned Tariff Order has allowed O&M expenses based on norms as per the provisions of the Distribution Tariff Regulations which has been followed by it in its earlier Tariff orders. We do not find any infirmity in this approach followed by the State Commission.

Unquote

3.7.10 Therefore, the Commission for the purpose of True- Up of Employee expenses, R&M expenses and A&G expenses has taken the same norms as computed in the aforementioned MYT Order dated November 30, 2017 as shown below:

Table 3-15: Normative Employee expenses for FY 2017-18 (Rs Cr)

S.no	Particulars	FY 2017-18
A	**Norms per 1000 consumers**	**0.337**
B	Number of consumers	82231
C	Employee Expenses (consumers) (a)	27.71
D	**Norms per Substation**	**0.004**
E	Number of Substation	6258
F	Employee Expenses (Substation) (b)	25.03
G	Total Employee Expenses as per norms {c=(a+b)/2}	26.37

Table 3-16: Normative R&M expenses for FY 2017-18 (Rs Cr)

Sl No.	Parameters	Reference	FY 2017-18
1	Opening GFA	A	1378.39
2	Additions	B	187.05
3	Deletions	C	6.23
4	Closing GFA	D=A+B-C	1559.21
5	Average GFA considered for R&M	E=(A+D)/2	**1468.80**
6	k_b	F	2.64%
7	**Approved R&M expenses (Rs Cr)**	**G=E×F**	**38.78**

Table 3-17: Normative A&G expenses for FY 2017-18 (Rs Cr)

S.no	Particulars	FY 2017-18
A	**Norms per 1000 consumers**	**0.1200**
B	Number of consumers	82231
C	A&G Expenses (consumers) (a)	9.87
D	**Norms per Employee**	**0.0314**
E	Number of Employee	421
F	A&G Expenses (Employees) (b)	13.22
G	Total A&G Expenses as per norms {c=(a+b)/2}	11.54

3.7.11 Based on the above, the computation of Trued- Up O&M expenses for FY 2017-18 as per the norms specified in the UPERC (Multi Year Distribution Tariff) Regulations, 2014, is as shown in the Table below:

Table 3-18: Approved O&M expenses for FY 2017-18 (Rs Cr)

S.N	Particulars	Approved in TO dtd 30.11.2017	Audited	True- Up Petition	Approved upon Truing Up
1	Employee Expenses	26.75	43.87	43.87	26.37
2	Repair & Maintenance Expenses	39.53	41.48	39.88	38.78
3	Administrative and General Expenses	11.95	14.03	13.00	11.54
4	**Gross O&M Expenses**	**78.23**	**99.38**	**96.75**	**76.69**
5	Less: Employee Expenses capitalized	5.99	10.34	10.34	10.34
6	**Net O&M Expenses**	**72.24**	**89.04**	**86.40**	**66.35**

Expenses incurred due to change in Law-GST:

3.7.12 The Petitioner has further submitted that the Central Government has made new GST effective from July 01, 2017, which covers almost all goods and service within its ambit. The new GST has stipulated tax rate of 18% and 28% for most of the goods and services as against Service Tax of 15% and VAT of 14.5%. Apart from above, it has also brought in new service under Reverse Charge Mechanism which leads to higher indirect tax burden on service users.

3.7.13 The Petitioner has further submitted that it has got the impact analysis of GST done from M/s Lakshmikumaran & Sridharan, Attorney. The report summarizes and bring forth the impact of GST Act as well as rules, notifications, etc., made thereunder, on the distribution of electricity done by the Petitioner, with emphasis on cost of various expenses incurred by the Petitioner pre and post implementation of GST. This Report provides an insight into the indirect taxation system of the country post GST and contains an analysis of the cost increase/decrease to Petitioner after the implementation of GST.

3.7.14 The Petitioner has further submitted that it has analysed the impact of introduction of GST on its O&M Expenses and has estimated the same to be at around Rs. 2.68 Cr (i.e. approx. 3% of O&M Expenses) for FY 2017-18 on all the goods and services taken together forming part of O&M Expenses.

3.7.15 The Petitioner has further submitted that the CBEC vide Circular No. 34/8/2018-GST dated 1st March' 2018 has clarified that the services as stated below when provided by DISCOMS to consumer are taxable:

i. Application fee for releasing connection of electricity
ii. Rental Charges against metering equipment
iii. Rental Charges against metering equipment
iv. Testing fee for meter/transformer, capacitors etc.
v. Labour charges from customer for shifting of service lines

3.7.16 The Petitioner has further submitted that it has not considered the impact of this Circular in above estimated GST impact of Rs. 2.68 Cr and it will claim the same on actual basis at an appropriate time. The Petitioner has separately claimed an amount of Rs. 2.68 Cr out of its actual O&M expenses in its True-up ARR for FY 2017-18 to account for the additional expenditure arising due to introduction of GST being a Change in Law.

Commission's Analysis

3.7.17 The Commission noticed that the Petitioner did not consider the impact of GST on services as listed in CBEC's Circular No. 34/8/2018-GST dated March 01, 2018. The Commission in Deficiency note dated February 15, 2019 directed the Petitioner to submit the list of services on which it has now claimed Rs. 2.68 Crore as the impact of introduction of GST and also to submit the reconciliation of same with the audited accounts. In this regard, the Petitioner vide its reply dated April 16, 2019 has submitted the following:

Table 3-19: Reconciliation of GST expenses as submitted by the Petitioner for FY 2017-18

S. No.	Description	Amount (Rs. Cr)	Remark
1	GST component in R&M Expenses	1.60	Form -F34A of MYT Formats
2	GST Component in Employee Expenses	0.04	Form -F31C of MYT Formats
3	GST Component in A&G Expenses	1.03	Form-F35C of MYT Formats
4	**Total GST Impact**	**2.68**	**Form-F51 of MYT Formats**

3.7.18 As regards expenses incurred towards GST, the Commission during Technical Validation Session directed the Petitioner to submit the computation of GST and documentary evidence of the same to substantiate their claim. The Petitioner submitted the following computation of GST as shown in the Tables below:

Table 3-20: GST computation as submitted by the Petitioner

S. No.	GST Item	Service Tax Rate (%)	GST Rate (%)	Variance (%)
1	Services (e.g. security, contractor etc.)	15.00	18.00	3.00
2	Material/ service (e.g. vehicle spares)	14.00	28.00	14.00
3	Lawyers fee (reverse charge)	15.00	18.00	3.00
4	Material (others)	14.50	18.00	3.50
	Average	**14.63**	**20.50**	**5.88**

Table 3-21: Net impact of GST as submitted by the Petitioner (Rs. Cr)

S. No.	GST Item	Reference	Rs Cr
1	Other Expenses (as per Note-33 of audited accounts)	a	77.59
2	Bad debts written off (net)	b	1.27
3	Provision for doubtful debts	c	15.27

S. No.	GST Item	Reference	Rs Cr
4	Expenses not subject to GST/ Service Tax	d	16.54
5	Net expenses affected by GST/ Service Tax	e	61.05
6	Proportionate expenses of GST Period	f=e×9/12	45.79
7	Average incremental rate of GST	g	5.88%
8	**Net impact of GST**	**h=f×g**	**2.68**

3.7.19 The above computation clearly shows that the average incremental rate of GST is 5.88%. The Commission has computed the net impact of GST on R&M expenses and A&G expenses and has taken the incremental rate of GST as computed by the Petitioner, as shown in the computation above. The net impact of GST as approved by the Commission is as follows:

Table 3-22: Net impact of GST as approved by the Commission (Rs. Cr)

S. No.	GST Item	Reference	Rs Cr
1	Repair & Maintenance Expenses	a	38.78
2	Administrative and General Expenses	b	11.54
3	Net expenses affected by GST/ Service Tax	c=a+b	50.32
4	Proportionate expenses of GST Period	d=c×9/12	37.74
5	Average incremental rate of GST	e	5.88%
6	**Net impact of GST**	**f=d×e**	**2.22**

3.8 CAPITAL EXPENDITURE (CAPEX)

3.8.1 The Petitioner in the True- Up Petition has claimed capital investments of Rs. 150.45 Crore (excluding assets of Rs. 37.12 Crore handed over by GNIDA for distribution of electricity to its consumers and maintenance thereof) during FY 2017-18 as against Rs. 224.55 Crore approved by the Commission in Tariff Order dated November 30, 2017 for FY 2017-18. The details of the same are given in the Table below:

Table 3-23: Capital Expenditure as submitted by the Petitioner (Rs. Cr)

S. No.	Nature of Works	Approved vide TO dtd 30/11/2017	True- Up Petition
1	New Connection	13.09	13.27
2	Replacement Stock	1.97	3.77
3	Metering	2.66	0.16
4	220/33 and 33/11 kV Substation	84.84	53.33
5	33 kV Network Development	4.16	5.37
6	11 kV Network Development	14.72	13.05
7	LT Network Development	3.62	6.66
8	Network at Villages	4.21	5.78
9	Network Renovation	1.40	0.41
10	Process System Automation	14.78	11.90
11	Civil Works & Office Infrastructure Facility	39.96	21.79
12	IT Projects	13.00	14.67
13	Tools / Testing Equipment, Vehicles etc.	1.99	0.29
14	Demand Side Management	2.00	0.00
15	Land	4.00	0.00
16	Misc./Contingent works	6.50	0.00
17	**Sub-Total**	**212.89**	**150.45**
18	Interest Capitalisation	5.67	Included above
19	Salary Capitalisation	5.99	
20	**Total Capex incurred**	**224.55**	**150.45**
21	Add: Assets taken over from GNIDA	0.00	37.12
	Grand Total	**224.55**	**187.57**

3.8.2 The Petitioner submitted that at the time of MYT Order, it had submitted its capital expenditure plan for the Control Period based on the forecast of maximum system demand and anticipated developments in its licence area, i.e., Greater Noida relating to new load, replacement of existing assets, strengthening and modernization in response to new load which, inter-alia, includes construction of 220/33kV Substation as shown in the Table below:

Table 3-24: 220/33 kV Substation Proposed by the Petitioner

S. No.	Location	Type	Capacity (in MVA)
1	BZP- Sector , Greater Noida	GIS	200
2	KP-V- Sector , Greater Noida	GIS	200
	Total		**400**

3.8.3 The Petitioner submitted that at that time it was estimated that it will incur an amount of Rs. 60 Crore during FY 2017-18 for construction of proposed 220/33 kV substations and PowerGrid Corporation of India Limited (PGCIL) was appointed by the Petitioner for the purpose of carrying out route survey of the above proposed sub-stations at BZP and KP-V and to connect it to nearest 400 kV Sub-station. PGCIL was assigned for preparation of Detailed Project Report (DPR) along with a model tender document for selection of bidder(s) to construct the substations and associated lines. However, PGCIL could not finalise the DPR of the same during FY 2017-18, and therefore, the Petitioner has not incurred any amount towards construction of the substations during FY 2017-18.

3.8.4 The Petitioner further submitted that it has paid an amount of Rs. 11.93 Crore to UPPTCL through GNIDA for the augmentation of its existing EHV substations located at R C Green and also to meet the immediate demand.

3.8.5 The Petitioner further submitted that during FY 2017-18 it has also paid advance amount of Rs. 19.12 Crore to UPPTCL for the purpose of construction of 220kV LILO lines. Since the work is yet to be completed by UPPTCL, the same has been included in closing CWIP of FY 2017-18.

3.8.6 The Petitioner further submitted that as per Regulation 21.1 of the MYT Regulations, 2014, the capital expenditure is required to be funded in the Debt-Equity ratio of 70:30. Accordingly, based on capex for FY 2017-18, the details of the funding of the aforesaid capital expenditure as provided in the Table below:

Table 3-25: Funding of Capital Expenditure as submitted by the Petitioner for FY 2017-18 (Rs Cr)

Particulars	Ref.	Approved vide TO dtd 30/11/2017	True- Up Petition
Total Additions to Assets	a	224.55	150.45*
Add: Closing CWIP	b	2.00	33.58
Less: Opening CWIP	c	2.00	14.13
Capital Expenditure	**d=a+b-c**	**224.55**	**169.90**
Less: Assets Retired	e	2.95	6.23
Net Capex	**f=d-e**	**221.60**	**163.67**
Consumer Contribution	g	15.41	30.32
Net Capex	**h=f-g**	**206.19**	**133.35**
Debt - 70%	i=h x 70%	144.33	93.34

Particulars	Ref.	Approved vide TO dtd 30/11/2017	True- Up Petition
Equity- 30%	j=h x 30%	61.86	40.01

** The Assets taken over from GNIDA and UPSIDC of Rs 36.60 Cr has not been considered.*

Commission's Analysis:

3.8.7 In this regard, the UPERC (Multi Year Distribution Tariff) Regulations, 2014 specifies as follows:

Quote

21 Capital Cost of the Project

21.1 The capital cost of the project shall include the following:

a) Expenditure incurred or projected to be incurred on original scope of work, including the interest during construction and financing charges, any gain or loss on account of foreign exchange risk variation, during construction, on the loan – (i) being equal to 70% of the funds deployed, in the event of the actual equity in excess of 30% of the funds deployed, by treating the excess equity as normative loan, or (ii) being equal to the actual amount of loan in the event of the actual equity less than 30% of the funds deployed, - up to the date of commercial operation of the project, as admitted by the Commission, after prudence check shall form the basis for determination of Tariff;

.....

23. Debt-Equity Ratio

a. For all capital expenditure incurred after April 1, 2015, debt equity ratio shall be 70:30. Where equity employed is more than 30%, the amount of equity for the purpose of tariff shall be limited to 30% and the balance amount shall be considered as loan.

Provided that in case actual equity employed is less than 30%, the actual debt and equity shall be considered for determination of tariff.

Provided that in case of existing projects, the actual debt equity shall be used for tariff determination. However, any additional capital expenditure shall be in the abovementioned ratio.

b. The debt and equity amounts arrived at in accordance with clause (a) above shall be used for calculating interest on loan and return on equity.

Unquote

3.8.8 As per the provisions of the aforementioned Regulations, the Commission in Deficiency Note dated February 15, 2019 asked the Petitioner to submit the reconciliation for Capital Expenditure as claimed in the Petition with the audited accounts. The Petitioner vide its reply dated April 16, 2019 provided the reconciliation of the above as shown in the Table below:

Table 3-26: Capital Expenditure as submitted by the Petitioner (Rs. Cr)

S. No	Description	Amount (Rs. Crore)	Remark
1	Addition during the year in Property, Plant and equipment as shown in Audited Accounts for FY 2017-18	142.94	Note-3 of Audited Accounts
2	Addition during the year in Other Intangible Assets as shown in Audited Accounts for FY 2017-18	7.51	Note-4 of Audited Accounts
3	Capital Expenditure	150.45	Form-F19C of MYT Formats
4	Add: Assets handed over by GNIDA	37.12	Explanatory Notes no. iv of Note 3 of Audited Accounts
5	**Total Capital Expenditure**	**187.57**	

3.8.9 The Commission observed that actual capital expenditure for FY 2017-18 has been considered as per the audited accounts. The opening capital work in progress (CWIP) for FY 2017-18 as submitted by the Licensee is Rs. 14.13 Crore against Rs. 2.00 Crore approved in Tariff Order dated November 30, 2017. Total capitalization i.e., transfers to GFA as per the audited accounts is Rs. 150.45 Crore excluding interest capitalization for FY 2017-18. The consumer contribution of Rs. 30.32 Crore is taken as per the audited accounts for FY 2017-18.

3.8.10 The Commission in Deficiency Note dated February 15, 2019 directed the Petitioner to submit the details for GNIDA asset worth Rs. 37.12 Crore which have been shown in Capex and also directed to submit its impact on the ARR. The Petitioner vide its reply dated April 16, 2019 provided the details of GNIDA Assets as shown in the table below:

Table 3-27: GNIDA asset details as submitted by the Petitioner

S. No	Asset Description	Amount (Rs. Cr)
1	High-tension Transformers	0.57
2	High-Tension Switchgears	3.28
3	High-Tension Tower, Poles, Fixtures & devices	8.52
4	High-Tension Conductors & Devices	2.83
5	Extra High-Tension Underground Cable & Ducts	3.65
6	High-Tension Underground Cable & Ducts	18.28
Total		**37.12**

3.8.11 The Petitioner has further submitted that GNIDA is the Local Development Authority responsible for the development and upkeep of Greater Noida area. Every year the basic electric network developed by GNIDA is handed over to it for facilitation of distribution of power to the consumers of Greater Noida and proper maintenance thereof. However, the Ownership of the Asset is not transferred to the Petitioner. Hence, for the purpose of accounting, upkeep and insurance, the Petitioner considers these assets at the value declared by GNIDA which is accordingly considered for the purpose of determination of Tariff. Since the Ownership of these assets is not transferred to the Petitioner, it is not considered in addition to fixed assets. Hence, there is no impact on computation of ROE, interest on Term Loans and depreciation with respect to these assets. These assets are only considered while determining normative allowances, i.e., O&M expenses.

3.8.12 The above has also been recognized by the Commission in the Tariff Order dated January 22, 2019 as shown below:

Quote

"3.7.10 The gross O&M expenses also include additional O&M expenses at 2.50% capitalization of assets in the preceding year. The capitalized assets in the preceding year include assets handed over by GNIDA and UPSIDC free of cost. These assets have been considered on the basis of values declared by respective authorities. The Commission has also gone through the audited accounts of NPCL wherein, the value of those assets is ascertained by the auditor. Further the audited accounts mention that the assets have been handed over for maintenance purpose only while the ownership is yet to be transferred. Accordingly, the Commission has considered the additional O&M expenses for these assets to be allowed for O&M purposes only. Any other impact on other parameters like depreciation, interest, ROE etc. is not being allowed till the

Petitioner takes ownership of the assets, and that also depends on the funding pattern....."

Unquote

3.8.13 The Commission vide Deficiency Note dated February 15, 2019 directed the Petitioner to apprise it about the compliance of the Order dated October 31, 2018 in Petition No. 1020 of 2015 in the matter of Denial / Delay by UPPTCL in granting connectivity to the 220 kV Gharbara Substation to the Petitioner at 400 kV Greater Noida (Pali) Substation of UPPTCL and the Order dated October 31, 2018 in Petition No. 987 of 2014 in the matter of Denial /Delay by UPPTCL in handing over the physical possession of the 220 kV R.C. Green Substation at Greater Noida to the Petitioner.

3.8.14 In reply, the Petitioner submitted that vide letter no. P-77A/ 050 dated 20th November 2017, it has filed two separate Appeals before the Hon'ble Appellate Tribunal for Electricity (APTEL) against the orders dated October 30, 2018 of the Commission passed in Petition No. 987 of 2014 and Petition No. 1020 of 2015. Presently, both the matters are sub-judice before the Hon'ble APTEL and therefore, no precipitatory action should be warranted at this stage in the matter.

3.8.15 In this regard, the Petitioner vide mail further submitted the report of UPPTCL wherein it was observed that the estimated amount of Rs 19.12 Cr has been framed to cover the cost of work of LILO of 220 kV Greater Noida Sec- 129, Noida Ckt- I and construction of 02 nos. of 220 kV bays at 220 kV RC Green Substation to improve the reliability, the power availability and remedy for its radial feed. The corresponding cost of the 220 kV DC line and 220 kV bays is Rs 14.59 Cr and Rs 4.53 Cr respectively. The said works had been approved by UPPTCL vide TWC meeting held on 25.11.2017.

3.8.16 In the Order dated October 31, 2018 in Petition No. 987 of 2014 in the matter of Denial / Delay by UPPTCL in granting connectivity to the 220 kV RC Green Substation at NPCL at Greater Noida, the Commission has stated the following:

Quote

49. Keeping in view the overall efficiency, economical and integrated operations of state transmission sector, interest of consumers of Greater Noida area coupled with the obligation of GNIDA to provide free land and bear the cost of substation up to 220 kV, the Commission decides that:

a. *NPCL petition for owning, operating and maintaining 220 kV sub-station as distribution licensee is dismissed.*
b. *NPCL shall claim refund of the amount deposited with Greater Noida Authority towards* ***costs of land and construction of 220 KV sub-station at RC Green and associated 220 kV line to NPCL.***
c. *The investment allowed by this Commission to NPCL in the distribution tariff shall be trued up again after deducting this refund.*
d. *UPPTCL as STU and transmission licensee, shall own, operate and maintain 220 kV Sub-Station at RC Green.*

Unquote

3.8.17 The Commission observed that the Petitioner has claimed Rs 19.12 Cr for construction of 220 KV sub-station at RC Green and associated 220 kV line to NPCL which is against the Commission's aforesaid decision. Since the work is yet to be completed by UPPTCL, the same has been included in closing CWIP of FY 2017-18 by the Petitioner.

3.8.18 Although, the matter is sub-judice in APTEL, the Commission finds it appropriate to disallow this amount from the closing CWIP subject to final decision of APTEL in this matter. **The Petitioner is directed to apprise the Commission about the matter during the True- Up of FY 2018-19.**

3.8.19 Based on the above, the details of Capital expenditure allowed by the Commission for FY 2017-18 as per the norms specified in UPERC (Multi Year Distribution Tariff) Regulations, 2014 are as shown in the table below:

Table 3-28: Details of Capex for FY 2017-18 as approved by the Commission (Rs. Cr)

Particulars	Approved vide T.O. 30/11/2017	True-up Petition	Approved upon Truing Up
Total Additions to Assets (excluding interest capitalisation)	218.88	150.45	150.45
Add: Closing CWIP	2.00	33.58	14.46
Less: Opening CWIP	2.00	14.13	14.13
Total Capex (excluding interest capitalisation)	218.88	169.90	150.78
Add: Interest Capitalisation	5.67	0.00	0.00
Total Capex	**224.55**	**169.90**	**150.78**
Consumer Contribution & GNIDA	15.41	30.32	30.32
Net Capex	**209.14**	**139.58***	**120.46**
Debt @ 70%	146.40	97.71	84.32
Equity @ 30%	62.74	41.87	36.14

**Deduction of Rs 6.23 Crs for assets retired is shown by the Petitioner.*

3.9 INTEREST AND FINANCE CHARGES

3.9.1 The Petitioner has claimed Interest and Finance Charges, which includes the following components:

- Interest on Long-Term Loans
- Finance Charges
- Interest on Working Capital
- Interest on Consumer Security Deposits
- Carrying Cost of Regulatory Asset

Each of the above elements are discussed separately below.

3.10 INTEREST ON LONG-TERM LOANS

3.10.1 In the True- Up Petition for FY 2017-18, the Petitioner has claimed interest on loan as Rs. 42.94 Crore after considering loan additions of Rs. 93.34 Crore. Brief details of the interest on Term loan as submitted by the Petitioner are provided below:

a) Considering the actual net capital expenditure of Rs. 163.67 Crore and consumer contribution of Rs. 30.32 Crore and specified debt equity of 70:30, normative debt is worked out to Rs. 93.34 Cr for FY 2017-18.

b) Opening balance of normative loans are considered as per the closing balance of Term Loans as considered in True-Up Petition for FY 2016-17 filed by the Petitioner along with Annual Performance Review Petition for FY 2017-18.

c) The Repayments have been considered as equivalent to the depreciation in accordance with Regulation 27(e) of the MYT Regulation, 2014.

d) The Petitioner has considered Normative Interest on Term Loan as Rs. 42.94 Cr for True-up of FY 2017-18.

3.10.2 Based on above, the Petitioner has claimed interest on long term loan as shown under:

Table 3-29: Interest on Long- Term Loan as submitted by the Petitioner for FY 2017-18 (in Rs Cr)

Sl. No.	Loan Computation	Formulae	Approved vide TO dtd 30/11/2017	Actual
1	Gross Normative loan – Opening	A	741.66	741.23

Sl. No.	Loan Computation	Formulae	Approved vide TO dtd 30/11/2017	Actual
2	Cumulative repayment of Normative Loan upto previous year	B	319.88	332.24
3	**Net Normative loan – Opening**	**C= A-B**	**421.78**	**408.99**
4	Increase/Decrease due to ACE during the Year	D	144.33	93.34
5	Repayments of Normative Loan during the year	E	54.63	44.96
6	**Net Normative loan – Closing**	**F= C+D-E**	**511.48**	**457.37**
7	Average Normative Loan	G = (C+F)/2	466.63	433.18
8	Weighted average Rate of Interest on actual Loans	H	10.34%	9.91%
9	**Interest on Normative loan**	**I= G x H**	**48.23**	**42.94**

Commission's Analysis

3.10.3 The provisions for treatment of Interest on Loans as per UPERC (Multi Year Distribution Tariff) Regulations, 2014 are as follows:

Quote

27 Treatment of Interest on Loan:

.....

(d) The normative loan outstanding as of April 1 of transition period/control period shall be computed by deducting the cumulative repayment as approved by the Commission (basis as mentioned below) up to March 31 of current period (year before transition period / control period as applicable) from the gross normative loan.

(e) The repayment for the transition / control period as applicable shall be deemed to be equal to the depreciation allowed for the year.

(f) Notwithstanding any moratorium period availed by the Distribution Licensee, the repayment of the loan shall be considered for the transition / control period, as applicable, as per annual depreciation allowed.

(g) The rate of interest shall be the weighted average rate of interest calculated on the basis of actual loan portfolio at the beginning of each year of the transition / control period, in accordance with terms and conditions of relevant loan agreements, or bonds or non-convertible debentures...

Unquote

3.10.4 The Commission in Deficiency Note dated February 15, 2019 directed the Petitioner to submit the details of computation of weighted average interest rate of long-term loans actually borrowed for FY 2017-18. The Petitioner vide its reply dated April 16, 2019 provided the details as shown in Table below:

Table 3-30: Interest on long term loans as submitted by Petitioner for FY 2017-18 (Rs. Cr)

FY	Lenders	Sanctioned Amount	Outstanding as on 1st Apr'17	Interest for FY 2017-18
2010-11	IDBI Bank Limited	75.00	3.12	11.10%
2011-12	ICICI Bank Limited	125.00	31.25	10.60%
2012-13	ICICI Bank Limited	40.00	18.33	10.60%
2013-14	ICICI Bank Limited	100.00	77.50	10.60%
2014-15	HDFC Bank Limited	75.00	52.03	8.80%
2016-17	HDFC Bank Limited	100.00	15.00	9.55%
			25.00	8.80%
Total Loan/Weighted Average Interest Rate			**222.24**	**9.91%**

3.10.5 The Commission has gone through the interest expenses claimed by the Petitioner for FY 2017-18. The opening balance of loan trued-up for FY 2017-18 has been considered as per trued-up closing balance of loan for FY 2016-17. The normative loan of FY 2010-11 is continued in FY 2017-18 with repayment considered based on 07-year repayment period.

3.10.6 The Commission approves the long- term loan so availed as per audited accounts @ 70% of the actual capital expenditure incurred during the year at the time of truing-up for that financial year, irrespective of the actual term loans borrowed by the Petitioner. Thus, the term loan actually borrowed and approved by the Commission varies almost every year. The debt component has been considered at 70% and accordingly the closing balance during FY 2017-18 is at Rs. 222.24 Crore as shown in the Table below, along the rate of interest.

3.10.7 Hence, the rate of interest is approved as per claimed loan portfolio for FY 2017-18 is shown in the Table below:

Table 3-31: Interest Rate on actual long- term loans approved by the Commission for FY 2017-18

FY	Lenders	Sanctioned Amount	Outstanding as on 1st Apr'16	Outstanding as on 1st Apr'17	Interest for FY 2017-18
2010-11	IDBI Bank Limited	75.00	15.62	3.12	0.35

FY	Lenders	Sanctioned Amount	Outstanding as on 1st Apr'16	Outstanding as on 1st Apr'17	Interest for FY 2017-18
2011-12	ICICI Bank Limited	125.00	52.08	31.25	3.31
2012-13	ICICI Bank Limited	40.00	25.00	18.33	1.94
2013-14	ICICI Bank Limited	100.00	92.50	77.50	8.22
2014-15	HDFC Bank Limited	75.00	64.56	52.03	4.58
2016-17	HDFC Bank Limited	15.00	-	15.00	1.43
2016-17	HDFC Bank Limited	25.00	-	25.00	2.20
Total Loan				**222.24**	**22.03**
Weighted Average Interest Rate					**9.91%**

3.10.8 Hence, the interest on long term loans are approved as per claimed loan portfolio for FY 2017-18 as shown in the Table below:

Table 3-32: Computation of Interest on Term Loan approved by the Commission for FY 2017-18 (in Rs Cr)

Sl. No.	Loan Computation	Formulae	Approved vide TO dtd 30/11/2017	True- Up Petition	Approved upon Truing Up
1	Gross Normative loan – Opening	A	741.66	741.23	731.40
2	Cumulative repayment of Normative Loan upto previous year	B	319.88	332.24	322.40
3	**Net Normative loan – Opening**	**C= A-B**	**421.78**	**408.99**	**408.99**
4	Increase/Decrease due to ACE during the Year	D	144.33	93.34	79.96
5	Repayments of Normative Loan during the year	E	54.63	44.96	48.52
6	**Net Normative loan – Closing**	**F= C+D-E**	**511.48**	**457.37**	**440.43**
7	Average Normative Loan	G = (C+F)/2	466.63	433.18	424.71
8	Weighted average Rate of Interest on actual Loans	H	10.34%	9.91%	9.91%
9	**Interest on Normative loan**	**I= G x H**	**48.23**	**42.94**	**42.10**

3.11 INTEREST ON WORKING CAPITAL

3.11.1 As per the provisions of UPERC (Multi Year Distribution Tariff) Regulations, 2014, the Petitioner is allowed interest on Working Capital requirement on the basis of

one month's O&M expenses, 60 days of Revenue after netting off Security Deposit received from the Consumers, and 40% of the R&M Expenses.

3.11.2 The Petitioner has considered Interest rate for interest on working capital as 13.68 % based on the weighted average SBI PLR for FY 2017-18 as shown in the table below:

Table 3-33: SBI PLR during FY 2017-18 as submitted by the Petitioner

From	To	Days	SBI-PLR (%)
01-Jan-18	31-Mar-18	90	13.40
01-Oct-17	31-Dec-17	92	13.70
01-Jul-17	30-Sep-17	92	13.75
01-Apr-17	30-Jun-17	91	13.85
Weighted Average		**365**	**13.68**

3.11.3 Accordingly, the computation of interest on working capital for FY 2017-18 in accordance with Regulation 28 of MYT Regulations, 2014 is submitted by the Petitioner as shown in the Table below:

Table 3-34: Interest on Working Capital FY 2017-18 (Rs Cr)

Particulars	Approved	Actual
O&M expenses for 1 month	6.02	7.42
Two months equivalent of expected revenue	220.21	234.92
Maintenance spares @ 40% of R&M expenses for two months	2.64	2.66
Gross Total	**228.86**	**245.01**
Total Security Deposits by the Consumers reduced by Security Deposits under section 47(1)(b) of the Electricity Act, 2003		
Opening Balance	180.90	187.38
Received during the year (Net of Refunds)	21.50	36.09
Closing Balance	202.40	223.47
Average Security Deposit	**191.65**	**205.43**
Less: Security Deposit with UPPCL	11.28	11.28
Total Security Deposits by the Consumers reduced by Security Deposits under section 47(1)(b) of the Electricity Act 2003	**180.37**	**194.15**
Net Working Capital	**48.49**	**50.86**
Rate of Interest for Working Capital (SBI - PLR)	14.05%	13.68%
Interest on Total Working Capital	**6.81**	**6.96**

3.11.4 The Petitioner submitted that it has considered the amount of Regulatory Surcharge and Electricity Duty as part of the Revenue for commutation of two months' receivables as per past practice followed by the Commission in its various Tariff Orders while approving the receivables as part of working capital.

3.11.5 The Petitioner has deducted the security deposit of Rs. 11.28 Cr, which was passed on to UPPCL till FY 2005-06 from the total security deposit available in accordance with past arrangement.

Commission's Analysis

3.11.6 As per the UPERC (Multi Year Distribution Tariff) Regulations, 2014, interest rate on the working capital loan shall be equal to the State Bank Advance Rate (SBAR) as on the date of acceptance of Petition for determination of tariff by the Commission. In this regard, the relevant provision of the Regulation 28 of the UPERC (Multi Year Distribution Tariff Regulations), 2014 is reproduced below:

Quote

The Distribution Licensee shall be allowed interest on estimated level of working capital for the financial year, computed as follows:

a) O&M expenses for one month.
b) Two months equivalent of expected revenue.
c) Maintenance spares @ 40% of R&M expenses for two months.

Less:
Security deposits from consumers, if any.

Provided that the interest on working capital shall be on normative basis and rate of interest shall be equal to the State Bank Advance Rate (SBAR) as of the date on which petition for determination of tariff is accepted by the Commission.

Provided further that interest shall be allowed on consumer security deposits as per the provisions of the Electricity Supply Code, 2005 and its subsequent amendments / addendums & the new regulations made after repeal of the same.

Unquote

3.11.7 As per the provisions of aforesaid Regulations, the Commission for the purpose of computing interest on working capital for FY 2017-18 has considered SBAR (SBI-PLR) as on September 04, 2017 (the date of admittance of Tariff Petition for determination of tariff for FY 2017-18), i.e., 13.75%.

(Source: https://www.sbi.co.in/portal/web/interest-rates/interest-rates)

3.11.8 In the truing up Petition for FY 2017-18, the Petitioner has considered the security deposit passed to UPPCL amounting to Rs. 11.28 Crore. Such amount has been deducted while computing the total working capital requirement for FY 2017-18, as had been done in previous years.

3.11.9 The Commission has worked out the working capital and interest on working capital for FY 2017-18 as given in Table below:

Table 3-35: Interest on working capital as approved by the Commission for FY 2017-18 (Rs Cr)

Particulars	Approved vide T.O. 30/11/2017	True-up Petition	Approved upon Truing Up
One Month's O&M Expenses	6.02	7.42	5.53
Maintenance spares @ 40% of R&M expenses for two months	2.64	2.66	2.59
Receivables equivalent to 60 days of expected revenue	220.21	234.92	234.92
Gross Total	228.86	245.01	243.04
Total Security Deposits by the Consumers reduced by Security Deposits under section 47(1)(b) of the Electricity Act 2003			
Opening Balance	180.90	187.38	187.38
Received during the year	21.50	36.09	36.09
Closing Balance	202.40	223.47	223.47
Less: Security Deposit with UPPCL	11.28	11.28	11.28
Net Security Deposits by the Consumers reduced by Security Deposits under section 47(1)(b) of the Electricity Act 2003	180.37	194.15	194.14
Net Working Capital	**48.49**	**50.86**	**48.90**
Rate of Interest for Working Capital	14.05%	13.68%	13.75%
Interest on Total Working Capital	**6.81**	**6.96**	**6.72**

3.12 FINANCE CHARGE

3.12.1 The Petitioner submitted that it has to incur various finance charges for availing of financial products and services for the purpose of meeting its financial and other

business needs. These charges are genuine business expenditure as depicted below:

a) **Loan Processing Charges –** The Petitioner during FY 2017-18 incurred expenses on renewal of the existing Working Capital Facilities including LC facilities for payment security of Power Purchase Agreements in accordance with their respective terms of agreement to maintain liquidity to meet its short-term financial obligations. The summary of processing charges as claimed by the Petitioner for FY 2017-18 is provided in the Table below:

Table 3-36: Summary of processing charges as claimed by the Petitioner (Rs. Cr)

Sl. No.	Financing Activity	Facility Amount	Charges Paid	Charges as % of Facility
1	Fund Based WCF Renewal and CP Issue	120.00	0.42	0.35%
2	Non-Fund Based WCF Renewal & CP Issue	160.00	0.55	0.35%
	Total	**280.00**	**0.97**	**0.35%**

b) **Credit Rating Charges –** Credit rating of banking facilities (Fund / Non-Fund based) under the Basel II Norms. As per these norms, unrated facilities will be financed at least 4.50% higher as per credit adequacy requirements in comparison with rated facilities. In order to comply with the above requirement of RBI and also to save additional 4.50% p.a. interest cost, the Petitioner has been getting its credit rating from India Rating & Research (P) Limited.

c) **Collection Facilitation Charges:** The Petitioner submitted that the Commission vide its Order dated May 29, 2015 directed it to provide more avenues to the consumers for payment of electricity dues through Online Mode and has also directed it to bear charges for such service upto an amount of Rs. 4,000/- per transaction. So, it has started new initiatives for enabling consumers to make payment via Internet, Payment-Kiosks, retail counters at their nearby grocery shop through NEFT/RTGS, etc. The Petitioner submitted that such facilities require some expenditure, which has been included in collection facilitation charges.

d) **Other Finance Charges:** The Petitioner submitted that there are some other bank charges as well like Loan documentation charges, LC issue charges, banking charges and other miscellaneous charges.

3.12.2 Thus, the Petitioner has claimed Finance Charges as shown in the table below:

Table 3-37: Finance Charges as claimed by the Petitioner for FY 2017-18

Sl.No.	Financing Activity	Approved	Actual
1	Processing Fee	1.34	0.97
2	Credit Rating Charges	0.15	0.05
3	Collection Facilitation Charges	0.60	0.56
4	SBLC & Other Finance Charges	1.15	0.06
	Total	**3.24**	**1.64**

3.12.3 Further, the Petitioner submitted that the Commission has been allowing the processing fees on all facilities including working capital in preceding Tariff Orders. Thus, it is a well settled principle of allowing finance charges including processing fees on actual paid basis. Further, all the charges have been incurred to meet the ongoing funding requirements and are well within the approved limits. The Petitioner requested the Commission to approve the same in full.

Commission's Analysis

3.12.4 The Commission observed that in Table 17 of the True- Up Petition, the Petitioner has claimed Rs. 1.65 Crore for Finance charges. The Commission in deficiency note dated February 15, 2019 directed the Petitioner to submit the reconciliation for the same with the audited accounts.

3.12.5 The Petitioner vide its reply dated February 16, 2019 submitted the reconciliation statement of the Finance charges as provided in the Table below:

Table 3-38: Summary of Finance charges as claimed by the Petitioner (Rs. Cr)

S. No.	Description	Amount (Rs. Crore)	Remarks
1	Other borrowing costs	3.55	Note-31 of Audited Accounts
2	Less: Term Loan prepayment charges not considered in ARR	(1.91)	Included in other borrowing costs
3	**Finance Charges**	**1.65**	**Form F1 of MYT Formats**

3.12.6 The Commission has observed that in order to meet the day to day working capital requirements, the Petitioner secured sanction/renewal of Fund Based Working

Capital facilities of Rs. 120 Crore and Non- fund based facilities of Rs. 160 Crore during FY 2017-18 from various commercial banks on which finance charges of Rs. 1.65 Crore were incurred. In view of the above, the Commission approves the following processing charges:

Table 3-39: Processing charges as approved by the Commission (Rs. Cr)

S. No.	Financing Activity	True- Up Petition	Approved upon Truing Up
1	Fund Based WCF Renewal & CP Issue	0.42	0.42
2	Non-Fund Based WCF Renewal	0.55	0.55
	Total	**0.97**	**0.97**

3.12.7 The summary of the Finance charges as claimed by the Petitioner and as approved by the Commission for FY 2017-18 are shown in the Table below:

Table 3-40: Finance charges approved by the Commission (Rs. Cr)

Particulars	Approved vide T.O. 30/11/17	True-up Petition	Approved upon Truing Up
Processing Fee	1.34	0.97	0.97
Credit Rating Charges	0.15	0.05	0.05
Collection Facilitation Charges	0.60	0.56	0.56
SBLC & Other Finance Charges	1.15	0.06	0.06
Total Finance Charges	**3.24**	**1.64**	**1.64**

3.13 INTEREST ON SECURITY DEPOSIT

3.13.1 The Commission in Tariff Order dated November 30, 2017 approved the Interest on Security Deposit at 7.75%. The Petitioner in its True-up Petition has claimed interest on security deposit as Rs. 14.09 Crore at an average rate of 6.75%.

3.13.2 The Petitioner submitted that Regulation 21 of the UPERC MYT Regulations, 2014 provides that the licensee shall pay interest equivalent to the Bank Rate or more on the consumer security deposits as specified by the Commission. The Petitioner submitted that the Commission vide its Tariff Order dated November 30, 2017 has approved the Interest on Security Deposit @ 7.75% p.a. However, the RBI's Bank Rate prevailing on the April 01, 2017 was 6.75% p.a. The amount of interest payable on security deposit considering RBI's Bank Rate at 6.75% p.a. prevailing from April 01, 2017 is computed by the Petitioner as shown in the Table below:

Table 3-41: Interest on Security Deposit for FY 2017-18 (Rs Cr)

Particulars	Ref.	Approved	Actual
Opening Balance of Security Deposit	a	180.90	187.38
Addition During the year net of refund	b	21.50	36.09
Closing Balance of Security Deposit	c=a+b	202.40	222.47
Average Balance of Security Deposit	**d=(a+c)/2**	**191.65**	**205.43**
Rate of Interest	e	7.75%	6.75%
Interest payable on Security Deposit	**f=dxe**	**14.85**	**14.09**

3.13.3 The Petitioner submitted that the interest on consumer security deposit is computed on outstanding balance of each individual customer for the period during which his security deposit was available with it and such computation is done by the automated ERP System of the Petitioner (viz. SAP).

3.13.4 The Petitioner submitted that the aforesaid interest on security deposit has been duly audited by the Statutory Auditors with respect to its provision and computation. The average rate of interest when reverse calculated from interest amount paid to the consumer and average of cumulative security deposit works out to 6.86%, however, the same is not in line with actual interest paid to consumers.

Commission's Analysis

3.13.5 In this regard, the relevant provision of the Regulation 28 of the UPERC (Multi Year Distribution Tariff Regulations), 2014 is reproduced below:

Quote

.....

Provided further that interest shall be allowed on consumer security deposits as per the provisions of the Electricity Supply Code, 2005 and its subsequent amendments / addendums & the new regulations made after repeal of the same.

Unquote

3.13.6 In the MYT Order dated November 30, 2017, the Commission based on the submission of the Petitioner approved the rate of interest to be paid on security deposits at 7.75% for FY 2017-18. However, as per the provisions of the UPERC (Multi Year Distribution Tariff Regulations), 2014 the applicable interest rate for security deposit is 6.75%.

(Source: https://m.rbi.org.in/Scripts/WSSView.aspx?Id=21327)

3.13.7 The Petitioner vide its Letter dated April 16, 2019 in reply of the Commission deficiency note dated February 15, 2019 submitted that the interest on Consumer

Security Deposit claimed by the Company is exactly the same amount as being paid to the consumers.

3.13.8 The Commission has approved the actual interest on security deposit paid/ provided for FY 2017-18 as per audited accounts for FY 2017-18. The details of the interest on security deposits trued-up by Commission for FY 2017-18 are given in the Table below:

Table 3-42: Interest on security deposit as approved by the Commission (Rs Cr)

Particulars	Approved vide T.O. 30/11/17	True-up Petition	Approved upon Truing Up
Opening Balance of Security Deposit	180.90	187.38	187.38
Addition during the year	21.50	36.09	36.09
Closing Balance for Security Deposit	202.40	223.47	223.47
Average Balance for Security Deposit	191.65	205.43	205.42
Interest paid on Security Deposit	**14.85**	**14.09**	**14.09**
Rate of Interest	7.75%	6.75%	6.75%

3.13.9 As shown from the above Table, the interest on security deposit is trued-up at Rs. 14.09 Crore as per the Audited Accounts of FY 2017-18.

3.14 SUMMARY OF INTEREST & FINANCE CHARGES

3.14.1 The summary of Interest and Finance Charges trued-up by the Commission for FY 2017-18 is given in the Table below:

Table 3-43: Summary of Interest & Finance charges approved by the Commission (Rs Cr)

Particulars	Approved vide T.O. 30/11/17	True-up Petition	Approved upon Truing Up
Interest on Long term loans	48.23	42.94	42.10
Interest on short term loans/working capital	6.81	6.96	6.72
Finance charges	3.24	1.64	1.64
Interest on security deposit	14.85	14.09	14.09
Total Interest & Finance charges	**73.13**	**65.62**	**64.55**
Less: Interest capitalization	5.67	0.00	0.00
Net Interest & Finance charges	**67.47**	**65.62**	**64.55**

3.15 EFFICIENCY GAINS DUE TO SWAPPING OF LOAN

3.15.1 The Petitioner submitted that in its continuous endeavour to minimize the cost of borrowing, in preceding years it renegotiated its various loan facilities by swapping

of these loan facilities with new facilities bearing lower cost. Such, swapping of loans resulted in accrual of saving in interest cost to be shared with its consumers.

3.15.2 The Petitioner has further submitted that it estimated the accrual of such efficiency gain in the MYT Petition for Control Period and claimed part of the above efficiency gains pertaining to FY 2017-18 in the MYT Petition, which has been approved by the Commission in its Tariff Order dated November 30, 2017. The Petitioner has considered the efficiency gains accruing on swapping of loan as approved by the Commission, as shown in the Table below:

Table 3-44: Efficiency gains on term loan swapping for FY 2017-18 as claimed (Rs Cr)

S.N.	Bank	Loan Amount	Approved	Actual
1	ICICI Bank (FY 14)	125	0.16	0.16
2	ICICI Bank (FY 14)	40	0.09	0.09
3	Central Bank of India	75	0.21	0.21
4	ICICI Bank (FY 17)	125	0.04	0.04
5	ICICI Bank (FY 17)	40	0.05	0.05
6	ICICI Bank (FY 17)	100	0.40	0.40
7	**Total**		**0.95**	**0.95**
8	**50% Efficiency Gain Claimed/ approved**		**0.47**	**0.47**

Commission's Analysis

3.15.3 It is clear that the consumers as well as Licensee are benefited by resetting or swapping of term loans, if such loans result in lowering the net interest rate. In this regard, the relevant provisions of the UPERC (Multi Year Distribution Tariff) Regulations, 2014 in this regard are reproduced below:

Quote

27 Treatment of Interest on loan

.....

The Distribution Licensee shall make every effort to refinance the loan as long as it results in net benefit to the consumers.

Provided that the cost associated with such refinancing shall be eligible to be passed through in tariffs and the benefit on account of refinancing of loan and interest on loan shall be shared in the ratio of 50:50 between the Distribution Licensee and the consumers.

Provided further that the Distribution Licensee shall submit the calculation of such benefit to the Commission for its approval.

Unquote

3.15.4 The Commission enquired from the Petitioner regarding the break- up of Efficiency gains claimed for FY 2017-18 and directed it to submit the same. The Petitioner vide mail submitted the break- up of Efficiency gains claimed for FY 2017-18 as shown in the table below:

Table 3-45: Summary of Efficiency Gain for FY 2017-18 on Refinancing of loan

S.No.	Particulars	Interest Reset/ Loan Swap	Old Interest	Revised Interest	Annual Accrual of Efficiency Gains (Rs Cr)									
					FY 14	FY 15	FY 16	FY 17	FY 18	FY 19	FY 20	FY 21	FY 22	Total
1	ICICI Bank Limited-125 Cr	Interest Reset	13.90%	11.75%	0.30	0.60	0.45	0.31	0.16	0.03	-	-	-	1.85
2	ICICI Bank Limited-40 CR	Interest Reset	12.75%	11.75%	0.10	0.21	0.17	0.13	0.09	0.05	0.01	-	-	0.77
3	IDBI Bank Limited-75 Cr	Interest Reset	13.25%	11.85%	0.42	0.44	0.29	0.12	-	-	-	-	-	1.27
4	Bank of Maharashtra-55 Cr	Interest Reset	13.50%	12.25%	0.12	0.17	0.11	0.02	-	-	-	-	-	0.42
5	Central Bank of Inida-80 Cr	Loan Swap	12.00%	10.85%	-	-	0.51	0.36	0.21	0.06	-	-	-	1.14
6	ICICI Bank Limited-125 Cr	Interest Reset	11.10%	10.60%	-	-	-	0.02	0.04	0.01				0.06
7	ICICI Bank Limited-40 CR	Interest Reset	11.10%	10.60%	-	-	-	0.02	0.05	0.03	0.01			0.10
8	ICICI Bank Limited-100 CR	Interest Reset	11.20%	10.60%	-	-	-	0.15	0.40	0.30	0.21	0.11	0.01	1.18
9	Yes Bank Ltd- 30 Cr	Loan Swap	12.50%	10.00%	0.14	0.03								
	Total				**1.08**	**1.46**	**1.54**	**1.12**	**0.95**	**0.48**	**0.23**	**0.11**	**0.01**	**6.79**

3.15.5 It can be observed from the above Table that the Licensee has shown Rs 0.95 Cr of efficiency gains due to interest resetting and loan swapping. The Petitioner has shown two cases of Loan swapping, i.e., Rs 80 Cr from Central Bank of India and Rs 30 Cr from Yes Bank Ltd., as shown in the table above was done by the Petitioner in FY 2014-15 and FY 2012-13, respectively.

3.15.6 Further the Commission enquired to the Petitioner that whether the reduction in interest rate/ resetting of interest rate was because of any change in the regulatory regime. The Commission also asked the Petitioner that why should the efficiency gains be allowed in FY 2017-18 when the interest gains were allowed in FYs prior to FY 2017-18. The Petitioner vide E-mail submitted his replies as shown below:

Quote

The change in the rates of interest with respect to loans from ICICI Bank is clearly because of effort done by the Company for renegotiating the prevailing interest rates on loans from ICICI Bank Limited and it was not because of any change in the regulatory regime. We are enclosing a mail conversation held with ICICI Bank Limited during Sep'2016 which clearly shows the acceptance by ICICI Bank Limited for reducing the rates on all Term Loans which was later implemented through revised sanction letter.

With respect to claim of the Company that the efficiency gains do arise in FY 2017-18 as the company has negotiated loan in FY 2016-17, we humbly submits that a term loan spreads over a period of 6 -7 years and any change in ROI in one year will have consequential changes in subsequent period as well. We have already submitted a table along with detailed working for each loan clearly depicting the benefit arising over the remaining period of the respective loan Accordingly, the Company has claimed the benefit arising in FY 2017-18, FY 2018-19 and FY 2019-20 on the basis of loans assumed to be outstanding in that particular year and benefit arising due to resetting of rates.

Also, you will agree that had the Company not negotiated the loan in FY 2016-17, the interest rate utilised in computation of weighted average ROI as per MYT Distribution Tariff Regulations 2014 would be higher and thus, the interest expense computed accordingly would have been higher than claimed in current ARR. Thus, the benefit arising due to such reduced ROI during the control period only has been claimed on 50% basis strictly in accordance with the provisions of the aforesaid regulations.

Unquote

3.15.7 From the above reply of the Petitioner, the Commission holds that the Petitioner is eligible for efficiency gains an account of refinancing of loans. Therefore, the Commission allows efficiency gains of Rs 0.47 Cr, as claimed by the Petitioner for FY 2017-18.

3.16 CAPITALISATION OF ASSETS & COMPUTATION OF EQUITY

3.16.1 The Petitioner has claimed return on equity at 16.00% on the equity base determined as per Regulation 31 of the UPERC (Multi Year Distribution Tariff Regulations), 2014.

Commission's Analysis:

3.16.2 As per Regulation 31 of the MYT Regulations, 2014, return on equity shall be allowed at the rate of 16% on the capital base or actual equity, whichever is lower as determined in accordance with the MYT Regulations, 2014.

3.16.3 The capitalisation of assets or capital formation takes place from opening Work in Progress (WIP) and investments / capex undertaken during the year. The computation of equity approved by the Commission upon truing-up for FY 2017-18 is shown in the Table below:

Table 3-46: Capitalisation of assets & portion of equity as approved by the Commission (Rs. Cr)

Particulars	Approved vide T.O. 30/11/17	True-up Petition	Approved upon Truing Up
Opening CWIP	2.00	14.13	14.13
Capital Investment	224.55	169.90	150.78
Total capitalization=Transfer to GFA	224.55	150.45	150.45
Capitalization of Capex approved during the year	222.55	136.32	136.32
Consumer contribution	15.41	30.32	30.32
Remaining investment	209.14	139.58	120.46
Debt	146.40	97.71	84.32
Equity	62.74	41.87	36.14
Portion of investment assumed to be capitalized through Consumer Contribution	15.27	24.33	27.41
Portion of remaining investment to be capitalized	207.28	112.00	108.91
Debt	145.10	78.40	76.24
Equity	62.18	33.60	32.67
Portion of Opening CWIP	0.55	3.73	3.73
Total Equity Addition for RoE	**62.73**	**37.33**	**36.41**

3.17 GROSS FIXED ASSETS (GFA) & WORK-IN-PROGRESS

3.17.1 The Petitioner has submitted the audited GFA for truing-up and the same is presented in the table below along with Commission's approval for FY 2017-18:

Table 3-47: Gross Fixed Assets as approved by the Commission (Rs. Cr)

Particulars	Approved vide T.O. 30/11/17	True-up Petition	Approved upon Truing Up
Opening Balance (GFA)	1,235.50	1,214.10	1,214.12
Addition during the Year	224.55	150.45	150.45
Retirement during the Year	2.95	6.23	6.23
Closing Balance	1,457.10	1,358.32	1,358.33

3.17.2 The Petitioner has further submitted that the above additions to the GFA do not include the assets handed over by GNIDA and UPSIDC amounting to Rs. 37.12 Cr. for distribution of electricity to its consumers and maintenance thereof.

3.18 DEPRECIATION

3.18.1 The Petitioner submitted that depreciation on Plant, equipment, and installations has been computed under separate categories voltage- wise in accordance with the rates prescribed under the UPERC (Multi Year Distribution Tariff) Regulations, 2014. The Petitioner submitted that the Depreciation corresponding to the consumer contribution has been reduced from depreciation on above GFA. The summary of Depreciation as claimed by the Petitioner is shown in the Table below:

Table 3-48: Depreciation as claimed by the Petitioner for FY 2017-18 (Rs Cr)

Sl.No.	Description	Approved	Actual
1	Depreciation on Gross Fixed Assets	60.35	54.14
2	Less: Depreciation on Consumer Contribution	5.72	9.18
3	**Net Depreciation**	**54.63**	**44.96**
4	Average GFA	1346.30	1286.21
5	Weighted Average Depreciation Rate	4.48%	4.49%

3.18.2 The Petitioner further submitted that vide its letter no. P-77/L(II)/002 dated 4th May, 2018 it requested the Commission for review and amendment in Regulation 6 read with Annexure-C of MYT Regulations, 2014. The Petitioner therein informed that it has computed depreciation on its assets for FY 2017-18 in accordance with the rates of depreciation provided in the aforesaid Annexure – C of the MYT Tariff Regulations, 2014 on Written Down Value Method (WDV), however, this is leading to a situation where the Maximum Depreciation allowed, i.e., 90% of the value of the assets, cannot be recovered during the Fair life of assets as prescribed in the Annexure-C of the MYT Tariff Regulations, 2014.

3.18.3 In reply of the aforementioned Letter of the Petitioner, the Commission vide its letter no. UPERC/Secy/D(Tariff)F-245/18-155 dated July 16, 2018 stated that matter has been noted and the same shall be treated appropriately in the MYT Regulations for the next Control Period. The Petitioner has considered the depreciation at the rates as prescribed in Annexure-C of the MYT Tariff Regulation, 2014 on WDV method for finalization of its Audited Accounts for FY 2017-18. In case there is any variation in MYT ARR due to change in method, rate or useful life

of the assets subsequent to the disposal of the above review by the Commission, the Petitioner would without prejudice claim the same at appropriate time.

Commission's Analysis:

3.18.4 The Commission in UPERC (Multi Year Distribution Tariff) Regulations, 2014 has specified the rates to be utilized for the purposes of computing depreciation for different class of assets. The relevant provisions of the UPERC (Multi Year Distribution Tariff) Regulations, 2014 is shown below:

Quote

26 Treatment of Depreciation

a) Depreciation shall be calculated for each year of the control period on the written down value of the fixed assets of the corresponding year.

b) Depreciation shall not be allowed on assets funded by consumer contributions or subsidies / grants.

c) Depreciation shall be calculated annually on the basis of rates as detailed in Annexure – C or as may be notified by the Commission vide a separate order.

d) The residual value of assets shall be considered as 10% and depreciation shall be allowed to a maximum of 90% of the original cost of the asset.

Provided that Land shall not be treated as a depreciable asset and its cost shall be excluded while computing 90% of the original cost of the asset.

e) Depreciation shall be charged from the first year of operation of the asset.

Provided that in case the operation of the asset is for a part of the year, depreciation shall be charged on proportionate basis.

f) Provision of replacement of assets shall be made in the capital investment plan.

Unquote

3.18.5 The Commission in deficiency note dated February 15, 2019 directed the Petitioner to submit the detailed computation of depreciation on the assets added during the FY 2017-18 considering the actual date of capitalization and relevant depreciation rates as per UPERC (Multi Year Distribution Tariff) Regulations, 2014.

3.18.6 In reply to the above, the Petitioner in its Letter dated April 16, 2019 submitted that it maintains its Fixed Asset Register (FAR) in renowned SAP-ERP system. The details of each fixed asset have been entered into the SAP-ERP and the applicable Depreciation Rate, Method and Extent as provided in UPERC (Multi Year

Distribution Tariff) Regulations, 2014 upto the maximum limit of 90%. The SAP-ERP generates the FAR comprising the Gross Block, Assets Retired, Depreciation for the year, Accumulated Depreciation, etc. The Petitioner prepares its Audited Financial Statement on the basis of such system generated FAR only. The depreciation so arrived at, is being sample checked manually for accuracy.

3.18.7 The Petitioner further submitted that it has considered the depreciation at the rates as prescribed in Annexure -C of the UPERC (Multi Year Distribution Tariff) Regulations, 2014 except for Solar power generation equipment that is being depreciated as per the rates and in the manner prescribed under Central Electricity Regulatory Commission (Terms and Conditions for Tariff Determination from renewable Energy Sources) Regulations, 2009 and for computer and computer software, the depreciation is considered at the rate of 30% which is approved vide the Commission in Tariff Order dated September 1, 2008 on WDV method for finalisation of its Audited Accounts for FY 2017-18.

3.18.8 Considering the above, the depreciation expenses as approved by the Commission for FY 2017-18 are as provided in the Table below:

Table 3-49: Depreciation as approved by the Commission (Rs Cr)

Particulars	Approved vide T.O. 30/11/2017	True-up Petition	Approved upon Truing Up
Gross allowable Depreciation	60.35	54.14	57.70
Less: Depreciation on Consumer Contribution	5.72	(9.18)	(9.18)
Net Depreciation	**54.63**	**44.96**	**48.52**
Average Normative GFA	1,346.30	1,286.21	1,286.22
Weighted average depreciation rate	4.48%	4.21%	4.21%

3.19 INCOME TAX

3.19.1 The Petitioner submitted that Regulation 4.13 of Distribution tariff Regulations, 2006 provides for determination of Income Tax to be considered in ARR. The relevant extract of the Regulations is reproduced below:

Quote

4.13 Tax on Income:

1. *Tax on the income streams of the distribution licensee from core business shall be treated as an expense and shall be recovered in tariff.*

2. *Any under-recoveries or over-recoveries of tax on income shall be adjusted every year on the basis of income tax assessment under the Income Tax Act, 1961 as certified by the statutory Auditors.*
   Provided that tax on the excess profit, allowed to be retained entirely by the licensee under Para 4.11 of these regulations, shall not constitute a pass-through component in the tariff and tax on such profits shall be payable by the licensee.
   Provided further that tax on any income stream other than the core business shall not constitute a pass-through component in the tariff and tax on such other income shall be payable by the licensee.
   Provided further that the benefits of tax-holiday as applicable in accordance with the provisions of the Income-Tax Act, 1961 shall be suitably accounted for.

Unquote

3.19.2 The Petitioner further submitted that Regulation 32 of MYT Regulations provides for determination of Income Tax to be considered in ARR for Control period. The relevant extract of the Regulations is reproduced below:

Quote

32. Income Tax

a) Income Tax, if any, on the Licensed business of the Distribution Licensee shall be treated as expense and shall be recoverable from consumers through tariff.

.....

b) The income tax actually payable or paid shall be included in the ARR. The actual assessment of income tax should take into account benefits of tax holiday, and the credit for carry forward losses applicable as per the provisions of the Income Tax Act 1961 shall be passed on to the consumers.

.....

Unquote

3.19.3 The Petitioner further submitted that for FY 2007-08 to FY 2016-17, Distribution Tariff Regulations, 2006 were applicable and for MYT control period i.e. for FY 2017-18 to FY 2019-20, MYT Distribution Regulations, 2014 are applicable.

3.19.4 The Petitioner in True- Up for FY 2017-18 has claimed Rs 162.35 Crs as the total income tax for FY 2017-18 while the Commission in MYT Order dated November

30, 2017 in the matter of NPCL, allowed Rs 30.64 Cr as the income tax for FY 2017-18.

3.19.5 During technical validation session held on June 03, 2019, the Petitioner was directed to provide certain clarifications in this regard. The Petitioner submitted its justification on June 07, 2019. The petitioner's computation of total income tax as claimed in FY 2017-18 is as follows:

Table 3-50: Income tax for FY 2017-18 as submitted by the Petitioner

Particulars	Formula	Amount (Rs Crs)
Tax liability for preceding years	A	80.10
Income tax Rate	B	34.97%
Grossing up impact of Tax liability for preceding years	C= A×B/(1-B)	43.07
Total Tax liability for preceding years	D=A+C	123.17
Tax liability for FY 2017-18	E	39.18
Total tax liability	**F=D+E**	**162.35**

Commission's Analysis:

3.19.6 As observed from the above Table, the total income tax of Rs 162.35 Cr has been claimed by the Petitioner for FY 2017-18 which can be segregated into the following components:

I. Tax demand for years prior to FY 2017-18- **Rs 80.10 Crs**
II. Grossing up impact of tax demand for years prior to FY 2017-18- **Rs 43.07 Crs**; and
III. Tax demand of FY 2017-18- **Rs 39.18 Crs**

3.19.7 Component wise analysis of these components is done by the Commission which is as follows:

I. Tax demand for years prior to FY 2017-18-

3.19.8 The tax (pending, if any) of period falling in the years prior to FY 2017-18 (covered under Distribution Tariff Regulations, 2006) will also have to be allowed as per the Distribution Tariff Regulations, 2006. Under the previous regime, the Commission has been approving Tax on actual paid basis including demand for earlier years. Since, the petitioner is not involved in any business other than Distribution of Power in Greater Noida, the entire tax liability supported by Tax challans was allowed as per the applicable Regulations.

3.19.9 During technical validation session the Petitioner was directed to submit assessment Orders/ Tax demand of income tax Department to substantiate their

claim of tax demand for years prior to FY 2017-18. The Petitioner submitted the same along with the challans for income tax paid in respect of different years as shown in the table below:

Table 3-51: Income tax Challans submitted by the Petitioner for years prior to FY 2017-18

FY	Amount (Rs Crs)
FY 2012-13	24.73
FY 2013-14	17.85
FY 2014-15	7.03
FY 2015-16	21.16*
FY 2016-17	10.71
Sub- Total	**81.48**

**After scrutiny it was found that some challans worth Rs 12.29 Crs were already submitted to the Commission during True- Up of FY 2014-15 out of which the Petitioner had claimed only Rs. 6.31 and submitted that the remaining amount would be claimed later. The Petitioner again submitted those particulars challans for the record. Hence, the Petitioner was directed to resubmit the income tax computation for FY 2015-16.*

3.19.10 The computation of income tax for FY 2015-16 along with the challans for amount Rs 21.16 Cr were resubmitted by the Petitioner via mail dated June 28, 2019. Therein it was observed that some challans were deposited against demand for TDS and paid under 'Fee for professional or Technical services' and others as income tax for years other than FY 2015-16. The Petitioner was directed to submit the reasons for the same. The Petitioner in its reply dated July 03, 2019 submitted their justification which is quoted below:

Quote

This is with reference to the payments towards tax demand for FY 2015-16, wherein, the Company has submitted that the challans deposited (under protest) in the TDS matter will be adjusted towards the demand raised for FY 2015-16.

In this regard, we would like to submit that for Financial years 2009-10 to 2013-14, the DCIT/ACIT (TDS) had raised demands totalling to Rs 14.94 Cr. for non-deduction of tax at source on the payment of transmission and wheeling charges under section 194J of the Income Tax Act, 1961. The Company protested the aforesaid demand and filed appeals at CIT (A) / ITAT which has since decided in favour of the Company. In the meanwhile, the Company

deposited Rs. 5.05 Cr against the aforesaid demand in order to seek stay against any coercive legal action for default in payment of the demands. Since, the aforesaid amount was paid by the Company against the demand and not against the PAN of the transmission service provider (PGCIL/ UPPTCL), the same was not utilised against their PAN and has been lying unadjusted in the TAN account of the Company.

Therefore, after giving the appeal effect of order of ITAT, the amount of INR 5.05Cr so deposited under protest would be refundable to the Company either through bank transfer or adjustment against any demand outstanding in the PAN / TAN account of the Company.

It is, therefore, humbly submitted to kindly consider the adjustment as submitted vide the trail mail towards payment of the o/s demand of Rs. 17.06 CR for AY 2016-17 as legitimate discharge of the demand for FY 2015-16.

Unquote

3.19.11 Also, the Commission asked the Petitioner to provide justification for the revised submission of Income tax for FY 2015-16 wherein challans of Rs 2 Cr against advance tax for FY 2014-15 is claimed against the demand of FY 2015-16. The Petitioner in its mail dated August 07, 2019 submitted their justification which is quoted below:

Quote

The Hon'ble Commission vide Tariff Order dt. 18.06.2015 approved the provisional ARR for FY 2015-16 and trued up ARR for FY 2013-14, impact of which was given in audited financial statement for FY 2014-15. Consequently, the advance tax paid during FY 2014-15 was surplus in comparison to the final tax liability based on audited financial statement for the year. Resultantly, in the Income Tax Return for FY 2014-15, the Company claimed a refund of Rs. 2.27 Cr. which was adjusted by the Assessing Officer against the subsequent tax demands of the Company. Accordingly, the above-referred challan of Rs. 2 Cr has been adjusted against the final tax demand for FY 2015-16.

Unquote

3.19.12 From the submission of the Petitioner it was found that demand of TDS was paid under protest for FY 2010-11 which after getting favourable orders from ITAT, is now due and would be refundable to the Petitioner through bank transfer or adjustment against any demand outstanding in its PAN / TAN account. It has also found that Petitioner has claimed taxes paid under protest for FY 2011 and

advance tax paid for FY 2015 against the demand for FY 2015-16. The detailed submission of the Petitioner is shown in the Table below:

Table 3-52: Revised submission of Income- Tax for FY 2015-16 as submitted by the Petitioner

Sl.No.	Particulars	Challan Value	Amount already claimed in True-up	Tax Paid to be claimed	Remarks	Date of Payment	Bank
1	Tax paid under protest for FY 11 now due for refund to be adjusted with tax demand for FY 16	2.46	2.46	-	Submitted and Claimed in True-up of FY 15	30-May-14	IDBI
2	Tax paid under protest for FY 11 now due for refund to be adjusted with tax demand for FY 16	1.85	1.85	-	Submitted and Claimed in True-up of FY 15	07-Jul-14	IDBI
3	Tax paid under protest for FY 11 now due for refund to be adjusted with tax demand for FY 16	1.00	1.00	-	Submitted and Claimed in True-up of FY 15	05-Feb-15	HDFC
4	Tax paid under protest for FY 11 now due for refund to be adjusted with tax demand for FY 16	1.00	1.00	-	Submitted and Claimed in True-up of FY 15	27-Feb-15	HDFC
5	Tax paid under protest for FY 11 now due for refund to be adjusted with tax demand for FY 16	2.00	-	2.00	Submitted but not Claimed in True-up of FY 15	30-Mar-15	HDFC
6	Tax paid under protest for FY 11 now due for refund to be adjusted with tax demand for FY 16	1.85	-	1.85	Submitted but not Claimed in True-up of FY 15	07-Oct-14	HDFC
7	Tax paid under protest for FY 11 now due for refund to be adjusted with tax demand for FY 16	2.13	0.56	1.57	Submitted but Claimed only Rs. 56 Lacs in True-up of FY 16	17-Sep-15	HDFC
	Sub- Total	**12.29**	**6.87**	**5.42**			
8	Advance tax paid for FY 15	**2.00**	-	**2.00**	Submitted but not Claimed in True-up of FY 15	13-Mar-15	ICICI
9	Tax paid under protest for FY 11 now due for refund to be adjusted with tax demand for FY 16	2.10	-	2.10	Submitted but not Claimed in True-up of FY 16	23-Sep-15	HDFC
10	Tax paid under protest for FY 11 now due for refund to be adjusted with tax demand for FY 16	1.00	-	1.00	Not submitted in any petition	17-Mar-17	HDFC
	Sub- Total	**3.10**	-	**3.10**			

Sl.No.	Particulars	Challan Value	Amount already claimed in True-up	Tax Paid to be claimed	Remarks	Date of Payment	Bank
11	Tax paid under protest for FY 10 now due for refund to be adjusted with tax demand for FY 16	0.89	-	0.89	Not submitted in any petition	26-Mar-15	IDBI
12	Tax paid under protest for FY 11 now due for refund to be adjusted with tax demand for FY 16	0.22	-	0.22	Not submitted in any petition	12-Aug-14	IDBI
13	Tax paid under protest for FY 11 now due for refund to be adjusted with tax demand for FY 16	0.22	-	0.22	Not submitted in any petition	19-Sep-14	HDFC
14	Tax paid under protest for FY 11 now due for refund to be adjusted with tax demand for FY 16	0.22	-	0.22	Not submitted in any petition	20-Oct-14	HDFC
15	Tax paid under protest for FY 11 now due for refund to be adjusted with tax demand for FY 16	0.22	-	0.22	Not submitted in any petition	19-Dec-14	HDFC
16	Tax paid under protest for FY 11 now due for refund to be adjusted with tax demand for FY 16	0.22	-	0.22	Not submitted in any petition	20-Jan-15	HDFC
17	Tax paid under protest for FY 11 now due for refund to be adjusted with tax demand for FY 16	0.22	-	0.22	Not submitted in any petition	20-Nov-14	HDFC
18	Tax paid under protest for FY 12 now due for refund to be adjusted with tax demand for FY 16	0.27	-	0.27	Not submitted in any petition	12-Aug-14	IDBI
19	Tax paid under protest for FY 12 now due for refund to be adjusted with tax demand for FY 16	0.27	-	0.27	Not submitted in any petition	19-Sep-14	HDFC
20	Tax paid under protest for FY 12 now due for refund to be adjusted with tax demand for FY 16	0.27	-	0.27	Not submitted in any petition	20-Oct-14	HDFC
21	Tax paid under protest for FY 12 now due for refund to be adjusted with tax demand for FY 16	0.27	-	0.27	Not submitted in any petition	20-Nov-14	HDFC
22	Tax paid under protest for FY 12 now due for refund to be adjusted with tax demand for FY 16	0.27	-	0.27	Not submitted in any petition	19-Dec-14	HDFC
23	Tax paid under protest for FY 12 now due for refund to be adjusted with tax demand for FY 16	0.27	-	0.27	Not submitted in any petition	20-Jan-15	HDFC

Sl.No.	Particulars	Challan Value	Amount already claimed in True-up	Tax Paid to be claimed	Remarks	Date of Payment	Bank
24	Tax paid under protest for FY 13 now due for refund to be adjusted with tax demand for FY 16	0.71	-	0.71	Not submitted in any petition	26-Mar-15	IDBI
25	Tax paid under protest for FY 14 now due for refund to be adjusted with tax demand for FY 16	0.50	-	0.50	Not submitted in any petition	26-Mar-15	IDBI
	Sub- Total	**5.05**	**-**	**5.05**			
26	Tax Demand Payment (FY-16)	**5.59**	**-**	**5.59**	Paid against latest tax demand, not claimed in any petition	28-Jun-19	HDFC
	Total	**28.03**	**6.87**	**21.16**			

3.19.13 The Petitioner's reply was taken into cognizance and hence, the amount of Rs 21.16 Cr is considered for further computation of income tax to be allowed for years prior to FY 2017-18.

3.19.14 During True- Ups of various years prior to FY 2017-18, the Commission has allowed income tax as per Distribution Tariff Regulations, 2006. So, the balance tax to be payable can be computed by netting of the amount allowed by the Commission during True- Up from the demand raised by the income tax Department. And, the net tax to be allowed for respective years can be computed as lower of the balance tax payable or the tax deposited as per challans. The above computation is shown in the Table below:

Table 3-53: Income tax allowed for FY 2012-13 to FY 2016-17

S.No.	FY	Total demand as per Demand Note (Rs Crs)	Income Tax (IT) allowed as per True-Up (Rs Crs)	Balance Tax payable (Rs Crs)	IT Challans as submitted by NPCL (Rs Crs)	IT allowed by the Commission
1	2012-13	63.56	40.32	23.24	24.73	23.24
2	2013-14	45.33	27.46	17.87	17.85	17.85
3	2014-15	24.60	17.55	7.05	7.03	7.03
4	2015-16	57.06	36.15	20.91	21.16	20.91
5	2016-17	41.86	31.07	10.79	10.71	10.71
6	**Total upto FY 2016-17**			**79.86**	**81.48**	**79.74**

3.19.15 As observed from the above Table, the total income tax challans submitted by the Petitioner is of Rs 81.48 Cr while, the income tax allowed by the Commission is coming out to be Rs 79.74 Cr.

II. Grossing up impact of tax demand for years prior to FY 2017-18 in FY 2017-18

3.19.16 The petitioner's computation of total income tax as claimed in FY 2017-18 is as follows:

Table 3-54: Total income tax for FY 2017-18 as submitted by the Petitioner

Particulars	Formula	Amount (Rs Crs)
Tax liability for preceding years	A	80.10
Income tax Rate	B	34.97%
Grossing up impact of Tax liability for preceding years	C= A×B/(1-B)	43.07
Total Tax liability for preceding years	D=A+C	123.17
Tax liability for FY 2017-18	E	39.18
Total tax liability	**F=D+E**	**162.35**

3.19.17 As observed from the above Table, the grossing up impact of tax liability for preceding years prior to FY 2017-18 claimed by the Petitioner is of Rs 43.07 Cr. In this regard, the Petitioner vide its justification dated June 07, 2019 has submitted the Tax Computation for FY 2012-13 to FY 2014-15 (under MAT), as shown below:

Table 3-55: Tax for FY 2012-13 to FY 2014-15 (under MAT) submitted by the Petitioner (in Rs Cr)

Particulars	Reference	FY 2012-13	FY 2013-14	FY 2014-15
Tax liability for preceding years*	a	9.56	2.95	6.16
Tax Rate	b	20.01%	20.96%	20.96%
Tax Grossing up	c= axb/(1-b)	2.39	0.78	1.63
Total Tax liability for preceding years	**d= a+c**	**11.95**	**3.74**	**7.79**
Tax liability for the year without demand	e	33.33	26.25	15.93
Total Tax Liability	**f= d+e**	**45.28**	**29.99**	**23.73**

**In FY 2012-13, only Rs 2.82 Cr was included in True- Up of FY 13 as remaining amount had been claimed in earlier years on payment basis.*

3.19.18 It was observed that for FY 2012-13 and FY 2013-14, the amounts are shown in P&L statement of respective years, as tax relating to earlier years. However, for FY 2014-15, the Petitioner has shown the tax liability for preceding years as Rs 6.16 Cr (as shown in the above table), but in the Audited accounts for FY 2014-15, the tax for preceding years is Rs 4.34 Cr only. On enquiry for FY 2014-15, the petitioner vide E-mail dated August 07, 2019 replied the following:

Quote

In FY 2014-15, at the insistence of the Statutory Auditor. the interest portion with respect to the tax demand for earlier years was shown separately under "interest on shortfall of advance tax" while in preceding years the same were included under the head "tax expense for previous years" only. It is only a difference in representation and will not affect the computation of grossing up amount.

Unquote

For FY 2015-16 and FY 2016-17, the petitioner vide E-mail dated August 07, 2019 replied the following:

Quote

As explained during our telephonic discussion, in FY 2015-16 and FY 2016-17, there was no tax demand for past years, hence, the above computation was not submitted for these years.

Unquote

3.19.19 The following is found in the Audited accounts for FY 2012-13 to FY 2016-17:

Table 3-56: Tax details for FY 2012-13 to FY 2016-17 (Rs Cr)

FY	Tax for preceding years	Interest on shortfall of advance tax
FY 2012-13	9.56	2.55
FY 2013-14	2.95	2.06
FY 2014-15	4.34	1.95
FY 2015-16	Nil	1.62
FY 2016-17	Nil	0.58

3.19.20 The relevant extract of the True- Up Orders in regard to the income tax are shown below:

For FY 2012-13

Quote

4.18.4 As against the approved income tax of Rs. 10.75 Crore for FY 2012-13, the Petitioner in its Petition has claimed the Income Tax as Rs. 41.11 Crore. Petitioner in its Petition has also submitted the challans for the income tax payments. The Commission while examining the submitted challans had observed some discrepancies in the Income Tax claimed in the Petition and as per the challans submitted as shown in the Table below:

Table 4:23: INCOME TAX AS CLAIMED BY THE PETITIONER AND AS PER CHALLANS (Rs. Crore)

Particulars	Challans	Petition
MAT	38.704	38.27
Income Tax Demand	2.81	2.84
Total	41.514	41.11

4.18.5 In respect of the above, the Commission asked the Petitioner to submit the justification for the above discrepancy.

4.18.6 In reply to the above, the Petitioner submitted that the amount of tax in the true-up petition was inadvertently shown as Rs. 41.11 Crore despite actual tax payment (based on challan), being Rs. 41.51 Crore. Petitioner also requested the Commission to condone the omission and allow Taxes of Rs. 41.51 Crore in the True-up of ARR for FY 2012-13 as per challans, being, actually paid by it.

4.18.7 It may be noted that as the Commission has been allowing the Income Tax as per the actual payments made in a year which may include the income tax liability for other years also. This will result in higher allowable income tax for some years while allowable income tax based on actual payments for other years may be lower than the actual. For the Truing-up purpose the Commission in line with the approach followed in previous years, has approved the actual Income Tax liability of Rs. 41.51 Crore as per the challans submitted.

Unquote

For FY 2013-14

Quote

4.19.2 The Petitioner has claimed the Income Tax as Rs. 30.00 Crore as against the approved income tax of Rs. 25.84 Crore for FY 2013-14. The Petitioner in its Petition has also submitted the challans for the income tax payments. The Income Tax claimed in the Petition approved by the Commission is shown in the Table below:

Table: INCOME TAX AS CLAIMED BY THE PETITIONER AND AS PER CHALLANS (Rs. Crore)

Sl.No.	Nature of Tax	Approved	Actual
1	Minimum Alternate Tax	25.84	27.04
2	Income Tax Demand		2.95
3	**Total Tax Expense**	**25.84**	**30.00**

4.19.3 For the purpose of Truing-up, the Commission, in line with the approach followed in previous years, has approved the actual Income Tax liability of Rs. 30.00 Crore as per the Income tax challans submitted by the Petitioner.

Unquote

For FY 2014-15

Quote

5.19.2 The Petitioner has claimed the Income Tax as Rs. 23.84 Crore as against the approved income tax of Rs. 12.91 Crore for FY 2014-15. The Petitioner in its Petition has also submitted the challans for the income tax payments. The Income Tax claimed in the Petition approved by the Commission is shown in the Table below:

Table: INCOME TAX AS CLAIMED BY THE PETITIONER AND AS PER CHALLANS (Rs. Crore)

Sl.No	Nature of Tax	Approve	Actua
1	Minimum Alternate Tax	12.91	17.55
2	Income Tax Demand for earlier	0.00	6.29
3	**Total Tax Expense**	**12.91**	**23.84**

5.19.3 For the purpose of Truing-up, the Commission, in line with the approach followed in previous years, has approved the actual Income Tax liability of Rs.23.84 Crore as per the Income tax challans submitted by the Petitioner.

Unquote

For FY 2015-16

Quote

30.2.2 The Petitioner has claimed the Income Tax as Rs. 37.77 Crore as against the approved income tax of Rs. 15.90 Crore for FY 2015-16. The Petitioner in its Petition has also submitted the challans for the income tax payments. The Income Tax claimed in the Petition approved by the Commission is shown in the Table below:

Table: INCOME TAX AS CLAIMED BY THE PETITIONER AND AS PER CHALLANS (Rs. Crore)

Sl.No.	Particulars	Approved	Actual
1	Corporate Tax	15.90	36.15
2	Income Tax Demand for earlier	0.00	1.62
3	**Total Tax Expense**	**15.90**	**37.77**

30.2.3 For the purpose of Truing-up, the Commission, in line with the approach followed in previous years, has approved the actual Income Tax liability of Rs.37.77 Crore as per the Income tax challans submitted by the Petitioner.

Unquote

FY 2016-17

Quote

3.20.4 The Petitioner has claimed the Income Tax as Rs. 31.56 Crore as against the approved Income Tax of Rs. 18.57 Crore for FY 2016-17. The Petitioner in its Petition has also submitted the challans for the income tax payments. However, the Income Tax- Challans as submitted by NPCL amounts to Rs 31,49,00,800 only. The Income Tax claimed by NPCL in various True- Up Petitions and subsequently approved by the Commission is shown below:

TABLE: INCOME TAX AS APPROVED UPTO FY 2015-16 (Rs. Crore)

FY	Approved during determination of tariff	Actuals Claimed in True- Up Petition	Approved in True- Up
2007-08	0.55	0.81	0.81
2008-09	1.40	1.40	1.40
2009-10	2.28	2.68	2.68
2010-11	5.50	5.50	5.50
2011-12	8.62	9.75	9.75
2012-13	10.75	41.51	41.51
2013-14	25.84	30.00	30.00
2014-15	12.91	23.84	23.84
2015-16	15.90	37.77	37.77

3.20.5 As seen from the above Table, the Commission has approved the actual Income tax paid by NPCL as per their audited accounts in previous Financial Years.

3.20.6 Therefore, in accordance with Distribution Tariff Regulations, 2006, the Income Tax as claimed by the Petitioner and as approved by the Commission for FY 2016-17 is provided in the Table below:

TABLE: INCOME TAX AS APPROVED FOR FY 2016-17 (Rs. Crore)

S.No.	Particulars	Approved vide T.O. 01/08/16	True-up Petition	Approved upon Truing Up
1	Total Tax Expense	18.57	31.56	31.49

Unquote

The Petitioner in its Letter dated June 07, 2019 has demonstrated the impact of grossing up on Return on Equity as shown below:

Quote

....as per Section 40 (a) (ii) of Income Tax Act 1961, tax whether for current year or past years is to be added back for computing the accurate tax liability for the current year.

The same may further be explained with following example showing tax liability along-with demand for previous year and grossing up impact of the same –

Particulars	Reference	Amount (Rs.)
Assumptions:		
Profit after Tax / RoE (say)	a	100
Tax Rate including surcharge and cess	b	34.608%
Tax Demand for earlier years	c	20.00
Scenario:1		
ROE	a	100.00
Tax expenses @ 34.608% (assumed on RoE)	d=c x b	52.92
Tax Demand for earlier year	e	20.00
PBT or Taxable Income	**f= a + d + e**	**172.92**
Tax as per I T Act 1961 @ 34.608% for CY	g= f x b	59.84
Tax Demand for earlier	e	20.00
Total Tax Liability	**h = g + e**	**79.84**
Thus, PAT or residual RoE	**i= f-h**	**93.08**

Thus, by even after computing Tax Liability after grossing up Tax Rate on RoE and tax demand separately, the tax allowed i.e. Rs. 72.92 (Rs. 52.92 + Rs. 20.0) is much less than actual tax liability of Rs. 79.84 leaving with lesser RoE of Rs. 93.08 as against Rs. 100. Therefore, in order to allow full RoE of Rs. 100, the tax liability has to be computed in the following manner –

Tax Liability = (ROE + Tax demand for earlier years) X (Tax Rate / (1-Tax Rate))

Particulars	Reference	Amount (Rs.)
Assumptions:		
Profit after Tax / RoE (say)	a	100
Tax Rate including surcharge and cess	b	34.608%
Tax Demand for earlier years	c	20.00

Particulars	Reference	Amount (Rs.)
Scenario – 2		
Profit after Tax / RoE (say)	a	100.00
Tax Demand for earlier years	C	20.00
Total	**d = a + c**	**120.00**
Add back: Tax provision @ (34.608/ (1-34.608))*	e= d x b/(1-b)	63.51
Profit before tax	**f=e+d**	**183.51**
Tax Payable	g=f x b	63.51
Tax Demand for earlier	c	20.00
Total Tax Liability	**h = g + c**	**83.51**
Thus, PAT or residual RoE	**i= f-h**	**100.00**

*Grossing –up of Tax

From the above, it can be seen that only after allowing grossing up of not only tax but also demand for earlier years, the licensee is able to earn its legitimate and full RoE of Rs. 100.0 Cr.

Hence the concept of grossing up applies for both whether current year demand or demand relating to earlier years.

Unquote

3.19.21 The grossing up impact of Tax liability for preceding years prior to FY 2017-18 approved by the Commission is computed as follows:

Table 3-57: Grossing up impact for years prior to FY 2017-18 approved by the Commission

Particulars	Formula	Amount (Rs Crs)
Tax liability for preceding years prior to FY 2017-18	A	79.74
Income tax Rate	B	34.61%
Grossing up impact of Tax liability for preceding years	C= A×B/(1-B)	42.20

3.19.22 As observed from the above Table, the approved grossing up impact is Rs 42.20 Cr, while the grossing up impact submitted by the Petitioner is of Rs 43.07 Cr.

3.19.23 In support of the grossing up impact of Income tax, the petitioner has also submitted an APTEL judgement dated 10th September, 2010 in Appeal 49 of 2010 in the matter of Tamil Nadu Electricity Board Vs Neyvelli Lignite Corporation Limited.

III. Tax demand of FY 2017-18

3.19.24 As per the provisions of MYT Distribution Regulations, 2014, the computation of allowable income tax for FY 2017-18 is as follows:

Table 3-58: Income tax for FY 2017-18 approved by the Commission

Particulars	Formula	Amount (Rs Crs)
Income tax Rate	A	34.61%
ROE for FY 2017-18	B	54.09
Income tax for FY 2017-18	**C=B×A/(1-A)**	**28.63**

3.19.25 As observed from the above Table, the income tax approved for FY 2017-18 is Rs 28.63 Cr, while the tax claimed by the Petitioner is of Rs 39.18 Cr.

3.19.26 Hence, for FY 2017-18, the total approved tax on income as per the above computation, is as follows:

Table 3-59: Total Income Tax for FY 2017-18 as approved by the Commission

Particulars	Formula	True- Up Petition	Approved upon Truing- Up
Income tax demand for years prior to FY 2017-18 as per legitimate tax challans	A	81.48	79.74
Grossing up impact of Tax liability for preceding years (prior to FY 2017-18)	B	43.07	42.20
Income tax for FY 2017-18	C	39.18	28.63
Total tax demand for FY 2017-18 (Rs Cr)	**D=A+B+C**	**162.35**	**150.57**

3.19.27 As observed from the above Table, the total approved income tax for FY 2017-18 is Rs 150.57 Cr, while as per the Petitioner's submission it is Rs 162.35 Cr.

3.20 CONTINGENCY RESERVE

3.20.1 The Commission vide MYT Order for FY 2017-18 dated November 30, 2017 did not allow the provision of contingency reserve to reduce extra burden on the

consumers. Keeping the, above in view the Petitioner in True-Up for FY 2017-18 has not claimed any contribution to contingency reserve for FY 2017-18.

Commission's Analysis:

3.20.2 Since the Petitioner has not claimed any contribution to contingency reserve, the Commission for the purpose of Truing Up has not considered any contribution to Contingency Reserve for FY 2017-18.

3.21 PROVISION FOR BAD & DOUBTFUL DEBTS

3.21.1 The expense claimed by the Petitioner on account of provision of bad and doubtful debts for FY 2017-18 is Rs. 15.60 Crore (including bad debts written off and provisions for bad debts) as against the approved amount of Rs. 21.31 Crore, which is well within the norms of 2% specified in Regulation 29 of the UPERC MYT Regulations, 2014. The details are shown in the Table below:

Table 3-60: Provision for Bad & Doubtful Debts for FY 2017-18 as submitted by the Petitioner (Rs. Cr)

Sl. No.	Description	Approved	Actual
1	Receivable from Customers as at the beginning of the year	216.53	72.48
2	Revenue billed for the year	1417.92	1409.54
3	Collection for the year	1389.18	1410.31
4	Receivable from Customers as at the end of the year	245.27	71.71
5	**Provision for Bad & Doubtful debts**	**21.31**	**15.60**
6	Provision as % of Revenue billed	1.50%	1.11%

3.21.2 The Petitioner has further submitted that aforesaid bad debts have been determined in accordance with the policy of the Licensee for provision and write-off of receivables.

3.21.3 The Petitioner has further submitted that the dues from consumers which are long outstanding but could not be disconnected because of political or some other reasons are being provided for in the audited books of accounts. These debtors are older than two - three years and recovery thereof has become costlier and uneconomical. Further, prolonged litigation process for the purpose of recovery culminate into very high legal costs and colossal waste of precious time of the officials of the Licensee, which otherwise could be used for productive purposes.

Thus, after reviewing each and every debtor on case to case basis, these debtors are also provided for based on their chances of recovery, cost-benefit, etc.

3.21.4 The Petitioner has further submitted that electricity distribution business is not only the most challenging segment among generation, transmission and distribution, but also exposed to maximum business risks, because on one hand, the purchase of electricity is from few sources and that too through Letter of Credit (L/C) or Bank Guarantee (B/G), on the other hand the sales thereof is on credit to the thousands of customer in various segments from industry to rural and unmetered consumers. Therefore, while converting "electricity" into cash, it is the Distribution Company which bears the brunt in terms of bad debts and problem of recovery further gets compounded in the prevailing socio-political and economic environment, law and order situation and power deficit scenario.

3.21.5 The Petitioner has further submitted that considering the above factors any recovery around 97% - 98% of the sales should undoubtedly be considered as efficient collection and, therefore, the balance 2-3% may be provided as bad and doubtful debts. The Petitioner further submitted that as per the APTEL's Judgment, the amount of bad debts with respect to electricity duty, i.e., Rs. 0.94 Cr has been excluded while claiming the abovementioned amount towards provision for bad debts.

Commission's Analysis:

3.21.6 As per Clause 29 of the UPERC (Multi Year Distribution Tariff) Regulations, 2014:

Quote

Bad and Doubtful Debts shall be allowed as a legitimate business expense with the ceiling limit of 2% of the revenue receivables provided the Distribution Licensee actually identifies and writes off bad debts as per the transparent policy approved by the Commission. In case there is any recovery of bad debts already written off, the recovered bad debt will be treated as other income.

Unquote

3.21.7 Thus, bad debts subject to actual write off in the audited books shall be allowed upto 2% of the revenue for the year under consideration. The Petitioner has claimed provision for bad debts for FY 2017-18 at 1.11% of revenue billed during the year as per the transparent policy duly approved by the Commission.

3.21.8 The Commission has observed that the total amount for provision for bad debts shown in the books of accounts is Rs 15.60 Crore. The Petitioner has also excluded the amount of bad debts with respect to electricity duty, i.e., Rs. 0.94 Cr while claiming the abovementioned amount of Rs 15.60 Crore towards provision for bad debts.

3.21.9 The Commission considers it appropriate that since the Licensee has made for provision for writing off bad debts on actual basis after taking its management's approval, the bad-debts may be trued-up at 1.11% level on revenue approved by Commission. The details of bad-debts trued-up by the Commission for 2017-18 are provided in the Table below:

Table 3-61: Bad & Doubtful Debts as approved for FY 2017-18 (Rs Cr)

Particulars	Approved vide T.O. 30/11/17	True-up Petition	Approved upon Truing Up
Receivable from Customers at the beginning of the year	216.53	72.48	72.48
Revenue billed for the year	1,417.93	1,409.54	1,409.54*
Collection for the year	1,367.88	1,410.31	1,410.31
Gross receivable from customer as at the end of the year	245.27	71.71	56.11
% of Provision	1.50%	1.11%	1.11%
Provision for Bad & Doubtful debts	**21.31**	**15.60**	**15.60**

**Includes Revenue for FY 2017-18 of Rs 1334.36 Cr and Electricity Duty on it of Rs 75.19 Cr.*

3.22 MISCELLANEOUS EXPENSES

3.22.1 The Petitioner submitted that the Commission in MYT Order dated November 30, 2017, has approved Miscellaneous Expenditure, viz., loss on sale of fixed assets at Rs. 0.47 Crore. During FY 2017-18, the loss on sale/retirement of these Fixed Assets including meters was Rs. 0.83 Crore, which is claimed as miscellaneous expenditure by the Petitioner. The Petitioner has also requested the Commission to allow the same accordingly for FY 2017-18.

Commission's Analysis

3.22.2 The Commission is of the view that due to fast obsolescence and normal wear and tear, some of the assets may be required to be scrapped before their useful life. Hence, the loss on sale of assets incurred due to disposal of such scrap assets is genuine and legitimate business expenditure and therefore, the Commission approves miscellaneous expenditure at Rs. 0.83 Crore as per the audited Accounts of the Petitioner for FY 2017-18.

3.23 RETURN ON EQUITY

3.23.1 The Petitioner based on its computation of equity and after making adjustment for interest capitalization, has claimed RoE of Rs. 54.16 Crore as shown in the Table below:

Table 3-62: Computation of Return on Equity for FY 2017-18 (Rs Cr)

Sl. No.	Particulars	Ref.	Approved	Actual
1	Regulatory Equity Base at the beginning of the year	a	327.49	319.85
2	Asset Capitalized during the year	b	224.55	150.45
3	Equity portion of Assets Capitalised during the year	c	62.73	37.33
4	**Regulatory Equity Base at the end of the year**	**d=a+c**	**390.23**	**357.18**
5	Return on Opening Regulatory Equity Base @ 16%	e=ax16 %	52.40	51.18
6	Return on Addition to Equity Base during the year @16%	f=cx16 %/2	5.02	2.99
7	**Total Return on Equity**	**g=e+f**	**57.42**	**54.16**

Commission's Analysis:

3.23.2 The Licensee is entitled to earn Return on Equity (RoE) as per Clause 31(b) of the UPERC (Multi Year Distribution Tariff) Regulations, 2014. In this regard, the relevant provisions of the Regulations are shown below:

Quote

31 Treatment of Return on equity

a) Return on equity shall be computed on 30% of the capital base or actual equity, whichever is lower:

Provided that assets funded by consumer contribution, capital subsidies / grants and corresponding depreciation shall not form part of the capital base. Actual equity infused in the Distribution Licensee as per book value shall be considered as perpetual and shall be used for computation in these regulations.

b) 16% (sixteen) post-tax return on equity shall be considered irrespective of whether the Distribution Licensee has claimed return on equity in the ARR petition.

Unquote

3.23.3 Thus, the RoE approved by the Commission for FY 2017-18 is as provided in the Table below:

Table 3-63: ROE as approved by the commission for FY 2017-18 (Rs Cr)

Particulars	Approved vide T.O. 30/11/17	True-up Petition	Approved upon Truing Up
Regulatory Equity Base at the beginning of the year	327.49	319.86	319.86
Assets Capitalised during the year	224.55	150.45	150.45
Equity portion of Assets Capitalised during the year	62.73	37.33	36.41
Regulatory Equity Base at the end of the year	390.23	357.19	356.26
Return on Opening Regulatory Equity Base @16%	52.40	51.18	51.18
Return on Addition to Equity Base during the year@ 16%	5.02	2.99	2.91
Total Return on Equity	**57.42**	**54.16**	**54.09**

3.23.4 So, the approved RoE after true-up for FY 2017-18 is Rs. 54.09 Crore as against Rs. 57.42 Crore approved in MYT Order dated November 30, 2017.

3.24 NON-TARIFF INCOME

3.24.1 Non-Tariff Income includes income from statutory Investments, Miscellaneous Receipt from Consumers, Delayed Payment Surcharge (DPS) and various Non-Tariff incomes generated by the Licensee from other businesses. The details of the same for FY 2017-18 as per audited accounts are provided in the Table below:

Table 3-64: Non-Tariff Income for FY 2017-18 (Rs. Cr)

Sl. No.	Particulars	Approved	Actual
1	Income from Contingency Reserves Investments	6.44	0.25
2	Delayed Payment Surcharge		5.82
3	Miscellaneous Receipts from Consumers		1.39
4	Miscellaneous receipts from Other sources		1.59
5	**Total Non-Tariff Income**	**6.44**	**9.05**

3.24.2 The Petitioner submitted that the other income as shown above excludes income from treasury operations amounting to Rs. 1.54 Crore, as this Income is generated upon the funds accrued through internal resources and not utilised for the purpose of capital expenditure or other operational purposes. Since, this income has been generated out of the utilisation of internal funds of the Licensee, the same has not been considered as part of ARR.

3.24.3 The Petitioner further submitted that DPS has been considered after reducing the cost of funds borrowed for the purpose of funding the deferred receivables which are subsequently recovered along with DPS. The cost of borrowing in respect of DPS for FY 2017-18 has been submitted by the Petitioner as shown in the Table below:

TABLE 3-65: Cost of Borrowing for DPS FY 2017-18 (Rs. Crore)

S.No.	Particulars	Reference	Approved	Actual
1	Delayed Payment Surcharge Received	a	4.51	5.82
2	Amount after grossing up of DPS at 1.50% per month or 18% per annum	b=(a/18%)	25.07	32.32
3	Applicable Interest Rate for Working Capital Finance (Weighted average SBI - PLR)	c	14.05%	13.68%
4	**Cost of Borrowing for DPS**	d=bxc	3.52	4.42

3.24.4 The Petitioner submitted that the Non-Tariff income has been considered after reducing the cost of borrowing of deferred payment beyond normative period of 60 days for the purpose of ARR as shown in the Table Below:

Table 3-66: Non- Tariff Income for FY 2017-18 submitted by the Petitioner (Rs Cr)

Particulars	Reference	Approved	Actual
Non-Tariff Income including DPS	a	6.44	9.05
Less: Cost of Borrowing for DPS	b	3.52	4.42
Net Non-Tariff Income	**c=a-b**	**2.92**	**4.63**

Commission's Analysis

3.24.5 The Commission vide e- mail directed the Petitioner to submit the reconciliation of Non- Tariff Income with the audited accounts. The Petitioner in its reply submitted the reconciliation as shown in the Table below:

Table 3-67: Reconciliation of Non- Tariff Income for FY 2017-18 (Rs. Cr)

S. No.	Particulars	Actuals	As per Audited accounts	Particular in Audited accounts	Note
1	Income from Contingency Reserves Investments	0.25	0.20	On non-current investments	Refer Note 28 of Audited Account
			0.05	Dividend income	Refer Note 28 of Audited Account
			0.25	**Sub- total**	

S. No.	Particulars	Actuals	As per Audited accounts	Particular in Audited accounts	Note
2	Delayed Payment Surcharge	5.82	5.82	Sub- total	
3	Miscellaneous Receipts from Consumers	1.39	0.93	Disconnection and reconnection fees	Refer Note 27 of Audited Account
			0.28	Processing charges	Refer Note 27 of Audited Account
			0.18	Cheque Return Charges	Included under "Misc" as shown in Note 28 of Audited Account
			1.39	**Sub- total**	
4	Miscellaneous Receipts from other sources	1.59	0.48	Meter testing charges	Note 27
			0.01	Advertisement & Publicity	Note 28
			0.17	Gain on sale of scrap	Included under "Misc" as shown in Note 28 of Audited Account
			0.79	Liquidated damages recovery	Note 28
			0.15	Liability Write Off	Included under "Misc" as shown in Note 28 of Audited Account
			1.59	**Sub-Total**	
5	**Total Non-Tariff Income**	**9.05**	**9.05**		

3.24.6 In Order to appropriately compensate for the cost incurred for financing the deferred payment beyond the normative period, the Commission in Tariff Order dated June 18, 2015 had reduced the amount of Non-Tariff Income by the financing costs of DPS. Therefore, the financing cost of DPS is computed by the Petitioner by grossing up the DPS conservatively based on the highest applicable surcharge rate, which is 1.5% per month. In this regard, the Commission vide mail to the Petitioner enquired as under:

Quote

The Commission in Tariff Order dated October 19, 2012 in the matter of revised ARR for FY 2009-10 on Page no. 67 has quoted the APTEL judgement as shown below:

> *"....(iii) **Thus, for the period of delay beyond the normative period, the Distribution company has to be compensated with the cost of such additional financing."***

As shown in the extract above, the Discom has to be compensated with the cost of additional financing, if any has made by it. So, for the compliance of the same, kindly demonstrate the financing of Rs 4.42 Cr, as claimed for FY 2017-18.

Unquote

3.24.7 In reply to the above, the Petitioner via mail has submitted as shown below:

Quote

....in order to strike a balance between the interest of the consumers and that of the Licensees, the Commission has been approving such financing cost on normative basis being computed by grossing up actual DPS for the year on highest applicable surcharge rate, i.e., 1.5% per month and applying the rate of interest considered for working capital loan, i.e., weighted average SBI PLR. The above cost is being approved on normative basis irrespective of actual expenses in this regard which is much higher. In view of this, the calculation of financing cost of DPS is being considered on normative basis irrespective of the actual interest / return on equity incurred thereon by the Licensee. The Commission in all subsequent Tariff Orders has followed the same methodology and approved the financing cost of DPS on normative basis only.

Unquote

3.24.8 The financing cost of DPS is computed by the Commission based on the actual DPS for the year. The DPS is grossed up conservatively based on the highest applicable surcharge rate, which is 2% per month, however, the Petitioner has taken surcharge rate as 1.5% per month. Further, the financing cost is arrived at on the grossed-up amount and interest rate of 13.75%, as approved for working capital requirement. The computation of the financing cost for DPS is provided below:

TABLE 3-68: Cost of Borrowing for DPS approved by the Commission for FY 2017-18 (Rs. Cr)

Particulars	Reference	Approved vide T.O. 30/11/17	True-up Petition	Approved upon Truing Up
Delayed Payment Surcharge Received	a	4.51	5.82	5.82
DPS grossed up at 1.50% per month or 2% per month	b	18%	18%	24%
Amount after grossing up of DPS	c=(a/b)	25.07	32.32	24.24
Applicable Interest Rate for Working Capital Finance (at Weighted average SBI - PLR)	d	14.05%	13.68%	13.75%
Cost of Borrowing for DPS	**e=cxd**	**3.52**	**4.42**	**3.33**

3.24.9 Hence, the Commission approves Non-Tariff Income of Rs 5.72 Cr for truing-up for FY 2017-18, after netting of financing cost for DPS, as shown in the Table below:

Table 3-69: Non- Tariff Income for FY 2017-18 approved by the Commission (Rs Cr)

Particulars	Reference	Approved vide T.O. 30/11/17	True-up Petition	Approved upon Truing Up
Non-Tariff Income including DPS	a	6.44	9.05	9.05
Less: Cost of Borrowing for DPS	b	3.52	4.42	3.33
Net Non-Tariff Income	**c=a-b**	**2.92**	**4.63**	**5.72**

3.25 REVENUE FROM SALE OF POWER

3.25.1 The Petitioner in True-Up Petition has submitted that the revenue from sale of power as per Audited Accounts is Rs. 1334.36 Crore which is inclusive of Rs. 90.69 Crore as Regulatory Surcharge.

3.25.2 The Commission observed that the Average Billing Rate (ABR) for LMV-1 unmetered consumers is working out to Rs. 1.49/kWh with sales of 19.92 MU while for the State Discoms for LMV-1 it is more than Rs. 4.00/kWh. The Commission in Deficiency note dated February 15, 2019 asked the Petitioner to submit detailed justification for the same.

3.25.3 As regards to above query, the Petitioner vide its reply dated April 16, 2019 submitted that the Commission vide its Order dated 9th December, 2016 had directed the Petitioner to consider the Normative consumption for LMV-1 (unmetered Consumers) as 144/kWh/kW/month for determination of the consumption by the LMV-1 (Unmetered Consumers). The Commission vide its Tariff Order dated August 1, 2016 had approved the electricity charges for Rural

unmetered consumers @ Rs. 200/kW/month for and Rs. 300/kW/month vide its Tariff Order dated November 30, 2017. The FY 2017-18 Tariff Order dated August 1, 2016 was effective from April 1, 2017 to December 8, 2017 and thereafter Tariff Order dated November 30, 2017 was in force. Accordingly, the Petitioner has booked the normative consumption based on 144/kWh/month and Rs. 200-300/kW/month during FY 2017-18, which results in the ABR of Rs. 1.49/kWh for LMV-1 (Unmetered Consumer). The Commission has accepted this justification submitted by the Petitioner.

3.25.4 The category-wise approved revenue from sale of power for FY 2017-18 is provided in the Table below:

Table 3-70: Revenue as approved by the Commission for FY 2017-18 (Rs Cr)

Particulars	Sales (MU)	Revenue (Rs. Crore)	Average Billing Rate (Rs/kWh)
LMV-1: Domestic Light, Fan & Power	366.54	209.37	5.71
LMV-2: Non-Domestic Light, Fan & Power	33.28	33.43	10.04
LMV-3: Public Lamps	34.35	24.38	7.10
LMV-4: Institutions	13.28	10.57	7.97
LMV-5: Private Tube Wells	31.69	4.79	1.51
LMV 6: Small and Medium Power	69.17	67.18	9.71
LMV-7: Public Water Works	19.94	18.83	9.45
LMV-8: STW and Pumped Canals	0.60	0.44	7.26
LMV-9: Temporary Supply	47.17	52.41	11.11
HV-1: Non-Industrial Bulk Power	174.77	168.81	9.66
HV-2: Large and Heavy Power	876.82	653.46	7.45
Sub-Total	**1,667.62**	**1,243.67**	**7.46**
Regulatory Surcharge		90.69	
Total Sales and Revenue	**1667.62**	**1334.36**	**8.00**

3.26 SUMMARY OF ARR FOR FY 2017-18

3.26.1 Based on the above approvals, the summary of the ARR approved for FY 2017-18 is provided in the Table below:

Table 3-71: Summary of Trued Up ARR for FY 2017-18 (Rs. Cr)

S. No.	Particulars	Approved vide T.O. dtd. 30/11/17	True-up Petition	Approved upon True Up
1	Power Purchase Expenses	807.37	751.00	751.00

S. No.	Particulars	Approved vide T.O. dtd. 30/11/17	True-up Petition	Approved upon True Up
2	Transmission Charges (UPPTCL+PGCIL)	135.54	86.83	86.83
3	Employee Cost	26.75	43.87	26.37
4	A&G Expenses	11.95	13.00	11.54
5	R&M Expenses	39.53	39.88	38.78
6	Gross O&M Expenses	78.23	96.75	76.69
7	Total Interest and Finance charges	73.13	65.62	64.55
8	Depreciation	54.63	44.96	48.52
9	Taxes (Income Tax and FBT)	30.64	162.35	150.57
10	**Gross Expenditure**	**1179.54**	**1207.51**	**1178.15**
11	Employee cost capitalized	5.99	10.34	10.34
12	Interest capitalized	5.67	-	-
13	**Net Expenditure**	**1173.55**	**1197.16**	**1167.81**
14	Provision for Bad & Doubtful debts	21.31	15.60	15.60
14	Miscellaneous Expenses	0.30	0.83	0.83
15	Impact of GST	-	2.68	2.22
17	**Total Net expenditure with provisions**	**1195.16**	**1216.27**	**1186.46**
18	Add: Reasonable Return / Return on Equity	57.42	54.16	54.09
19	Less: Non-Tariff Income	2.92	4.63	5.72
20	Add: Efficiency Gains	0.47	0.47	0.47
21	**Aggregate Revenue Requirement (ARR)**	**1250.13**	**1266.28**	**1235.31**

3.26.2 From the above Table, the Trued- Up average cost of supply (ACoS) for FY 2017-18 is coming at 7.41 Rs/ kWh.

3.27 CARRYING COST OF REGULATORY ASSET

3.27.1 The Petitioner submitted that Regulation 35 of the MYT Regulation, 2014 provides for allowance of carrying cost on Regulatory assets.

3.27.2 The Petitioner has further submitted the Commission in its Tariff Order dated November 30, 2017 has allowed carrying cost of Regulatory assets at weighted average SBI-PLR on monthly compounding basis and approved carrying cost of Rs. 49.69 Crore for FY 2017-18.

Commission's Analysis

3.27.3 Clause 35 of UPERC (Multi Year Distribution Tariff) Regulations, 2014 provides for allowance of financing cost on Regulatory Assets. The relevant provisions of the Regulations are provided below:

Quote

35. Treatment of Regulatory Assets

a) Regulatory assets shall not be created against cost/loss incurred in normal course of business.

Provided that in such a case, financing arrangement or capital restructuring shall be deployed to cover the gap.

b) The amortization schedule corresponding to the regulatory asset shall be prepared and put in effect along with creation of the regulatory asset.

c) The carrying cost of the regulatory asset shall be in line with the State Bank Advance Rate (SBAR) for the tenure for which regulatory asset has been created.

d) There shall not be a long gap in truing up of accounts of the Distribution Licensee so as to prevent the need for creation of the regulatory asset.

Unquote

3.27.4 Further, the Hon'ble APTEL has held that proper financing costs / carrying costs / interest charges on the Regulatory Assets has to be allowed by the Commission. In this regard, the Commission in its Order dated October 1, 2014 stipulated as follows:

Quote

Considering the same, the Commission while computing the carrying cost for FY 2014-15 has considered the adjustment of Rs. 72.00 Crore only from 1st April, 2014 to 3rd July, 2014. Further, as detailed earlier in Truing-up Section for FY 2012-13, the Commission has computed the carrying cost for FY 2014-15 at monthly compounded weighted average SBI PLR rate as shown in the Table below.

Unquote

3.27.5 Further, Hon'ble APTEL in its Judgment dated June 2, 2016 also held that the Commission must continue with the earlier practice of allowing interest rate on the basis of SBI-PLR rate on monthly compounding basis. Such interest must be same as that for Working Capital and DPS. The relevant extract of the APTEL's Order has been reproduced below:

Quote

g. We are in agreement with the views of Appellant that there is difficulty in finding resources to fund the Revenue Gap till the same is met in future year

tariffs. Banks/financial institutions generally find it highly risky to provide funds for meeting such revenue gaps because of uncertainty attached to the recovery of the same.

h. We have ordered in favour of Appellant while deciding issues dealt above regarding Interest on working Capital and Interest on Delayed Payment Surcharge against the State Commission adopting Base Rate plus margin as the applicable interest rate. For the same reasons as detailed above, in this case of allowing interest rate for carrying cost of Regulatory Assets, we observe that ***the State Commission should have continued the earlier practice adopted by it since notification of Distribution Tariff Regulations in Impugned Tariff Order too i.e. SBI-PLR rate as the Interest Rate with monthly compounding basis. (Emphasis Supplied)***

Unquote

3.27.6 Therefore, the Commission in line with the approach followed in its Tariff Orders prior to FY 2017-18 and the Judgment dated June 2, 2016 of Hon'ble APTEL has considered the monthly compounding of the interest for computation of carrying cost. The computation of carrying cost approved by the Commission is given in the table below:

Table 3-72: Carrying cost as approved by the Commission for FY 2017-18 (Rs Cr)

Particulars	Formula	True-Up Petition	Approved upon True Up
Aggregate Revenue Requirement (ARR)		1266.28	1,235.31
Revenue from existing Tariff*		1334.36	1334.36
Revenue Gap/(Surplus) for FY 2017-18	A	(68.08)	(99.05)
Revenue Gap/(Surplus) upto FY 2016-17	B	335.72	335.72
Interest rate	C	14.57%	14.57%
Carrying Cost on Revenue Gap for FY 2017-18	D= C x (A/2)	(4.96)	(7.21)
Carrying Cost on Revenue Gap upto FY 2016-17	E = C x B	48.91	48.90
Total Carrying cost	F = D + E	43.95	41.69
Net Revenue Gap	**G=A+B+F**	**311.60**	**278.36**

**Including Regulatory Surcharge (RS) of Rs 90.69 Cr.*

3.27.7 The Revenue Surplus approved for FY 2017-18 upon truing-up is working out to be Rs. 99.05 Crore. The Net Revenue Gap approved at the end of FY 2017-18 upon truing up after considering the Revenue Gap of Rs. 335.72 Crore upto FY 2016-17 and total carrying cost of Rs. 41.69 Crore, works out to Rs. 278.36 Crore.

4. ANNUAL PERFORMANCE REVIEW FOR FY 2018-19

4.1 INTRODUCTION

4.1.1 Clause 8.1 of the Distribution MYT Regulations, 2014 specifies that under the MYT framework, the performance of the Distribution Licensee shall be subject to Annual Performance Review (APR) as shown under:

Quote

Where the aggregate revenue requirement and expected revenue from tariff and charges of a Distribution Licensee are covered under a Multi-Year Tariff framework, ***such Distribution Licensee shall be subject to an annual review of performance and True Up during the Control Period in accordance with these regulations.***
Provided that in case of an excruciating and extra-ordinary circumstances, at any time notwithstanding the Annual Review, the Distribution Licensee may file appropriate application before the Commission.

Unquote

4.1.2 The Commission in Tariff Order dated January 22, 2019 issued clarifications regarding the scope of APR as follows:

Quote

.....
II. Scope of APR?

In accordance with the provisions of UPERC MYT Regulations (both for DISCOMs and Transco), the scope of APR can be as follows:

The scope of Annual Performance Review shall be a comparison of the actual performance of the Applicant with the approved forecast of Aggregate Revenue Requirement and expected revenue from tariff and charges and shall comprise of the following:-

a) A comparison of the audited performance of the applicant for the previous financial year with the approved forecast for such previous financial year and truing up of expenses and revenue subject to prudence check including pass through of impact of uncontrollable factors;

b) Categorisation of variations in performance with reference to approved forecast into factors within the control of the applicant (controllable factors) and

those caused by factors beyond the control of the applicant (un-controllable factors) in accordance with the provisions of Regulations 9 of UPERC MYT Regulations;

c) Revision of estimates for the ensuing financial year, if required, based on audited financial results for the previous financial year;

d) Computation of sharing of gains and losses on account of controllable factors for the previous year in accordance with the provisions of Regulations 10 of UPERC MYT Regulations;

e) Parameters/ target monitoring by Commission (for example UDAY scheme and Power for All 24×7, etc.)

Unquote

4.1.3 The Commission vide its Tariff Order dated January 22, 2019 determined the Tariff for FY 2018-19 based on the Audited Accounts available till FY 2016-17. The Petitioner, in this Petition has submitted APR for FY 2018-19.

4.1.4 The Commission in this Order has carried out the final Truing up for FY 2017-18 in accordance with Distribution MYT Regulations, 2014, as elaborated in the preceding Chapter. In accordance with the Distribution MYT Regulations, 2014 and Scope of APR as quoted above, the scope of APR is limited to the revision of estimates for the ensuing year, if required, based on the audited financial results for the previous year, and does not provide for the revision of estimates for the current year.

4.1.5 The Commission in this Chapter for APR of FY 2018-19 has not carried out the detailed analysis of various components of ARR. The Commission under the provisions of Distribution MYT Regulations, 2014, has revised the ARR for FY 2018-19 based on the approved capitalisation for FY 2017-18. The Commission has computed certain expenses for FY 2018-19 based on the revised GFA for FY 2017-18 only to facilitate the computations for FY 2019-20. The Commission has carried out comparison of each component of ARR as claimed by the Petitioner with that approved for FY 2018-19 vide Tariff Order dated January 22, 2019. The Commission will carry out detailed prudence check of various components of ARR for FY 2018-19 while carrying out the truing up for FY 2018-19.

4.1.6 The approach adopted by the Commission for reviewing each element of ARR for FY 2018-19 is elaborated in the subsequent paragraphs.

4.2 NUMBER OF CONSUMERS AND CONNECTED LOAD

4.2.1 The Petitioner has estimated that the number of Consumers and Connected load for FY 2018-19 are 87,806 and 956.28 MW, respectively, as given in the following Table:

Table 4-1: No. of Consumers and Connected Load submitted by the Petitioner for FY 2018-19

Sl. No.	Category	No. of Consumers	Connected Load (MW)
1	LMV-1: Domestic Light, Fan & Power	77753	360.9
2	LMV-2: Non-Domestic Light, Fan & Power	3110	25.69
3	LMV-3: Public Lamps	148	9.6
4	LMV-4: Institution	723	6.3
5	LMV-5: Private Tube Wells	1110	5.21
6	LMV 6: Small and Medium Power	2867	83.66
7	LMV-7: Public Water Works	237	10.04
8	LMV-8: STW and Pumped Canals	1	0.14
9	LMV-9: Temporary Supply	998	32.41
10	HV-1: Non-Industrial Bulk Power	186	108.31
11	HV-2: Large and Heavy Power	674	314.02
	Total	**87,806**	**956.28**

4.2.2 The Petitioner has submitted that the projection of number of consumers and connected load was based on certain assumptions regarding various factors such as forthcoming development in area, Master Plan of Greater Noida Industrial Development Authority, consumer mix, etc., however, the actual number of consumers and connected load vary because of variations in the aforesaid parameters.

Commission's Analysis

4.2.3 The Commission has observed that category-wise number of consumers as revised by the Petitioner for FY 2018-19 is same as the number of consumers for FY 2018-19 submitted in the Petition for APR for FY 2017-18. Further, the Commission has made a comparison of number of consumers as submitted by the Petitioner in True-Up for FY 2017-18 with the number of consumers submitted for FY 2018-19 as shown in the Table below:

Table 4-2 Category-wise no. of consumers for FY 2018-19 as submitted by the Petitioner

Sl. No.	Category	Submitted for FY 2017-18	Submitted in APR for FY 2018-19	Percentage increase/ decrease
1	LMV-1: Domestic Light, Fan & Power	73,017	77,753	6.49%
2	LMV-2: Non-Domestic Light, Fan & Power	2,798	3,110	11.15%
3	LMV-3: Public Lamps	20	148	640.00%
4	LMV-4: Institutions	633	723	14.16%
5	LMV-5: Private Tube Wells	1,182	1,110	-6.10%
6	LMV 6: Small and Medium Power	2,602	2,867	10.17%
7	LMV-7: Public Water Works	220	237	7.85%
8	LMV-8: STW and Pumped Canals	1	1	0.00%
9	LMV-9: Temporary Supply	971	998	2.78%
10	HV-1: Non-Industrial Bulk Power	149	186	24.80%
11	HV-2: Large and Heavy Power	638	674	5.69%
	Total	**82,231**	**87,806**	**6.78%**

4.2.4 It can be observed from above that the number of consumers in LMV-3 category has increased abnormally. The Commission during Technical Validation session sought clarification from the Petitioner in this regard. The Petitioner submitted the consumer details for FY 2018-19 wherein it was found that there are multiple connections on the name of Sr. Manager Electrical (G. Noida) and Sr. Manager Electrical (GNIDA) and Secretary Judges Cultural and Welfare Organisation due to which the number of consumers in LMV-3 category has increased.

4.2.5 The Commission has also observed that category-wise Energy Demand/ connected load as revised by the Petitioner for FY 2018-19 is also same as the Energy Demand for FY 2018-19 submitted in the Petition for APR for FY 2017-18. Further, the Commission has made a comparison of Energy demand as submitted by the Petitioner in True- Up of FY 2017-18 along with the Energy demand as submitted by the Petitioner for FY 2018-19, as shown in the Table below:

Table 4-3 Category-wise Energy Demand (MW) as submitted by the Petitioner

S. No.	Category	Submitted for FY 2017-18	Submitted in APR for FY 2018-19	Percentage increase/ decrease
1	LMV-1: Domestic Light, Fan & Power	303.70	360.90	18.83%
2	LMV-2: Non-Domestic Light, Fan & Power	21.59	25.69	18.99%
3	LMV-3: Public Lamps	12.68	9.60	-24.33%
4	LMV-4: Institutions	5.86	6.30	7.45%
5	LMV-5: Private Tube Wells	5.63	5.21	-7.35%
6	LMV 6: Small and Medium Power	59.29	83.66	41.09%
7	LMV-7: Public Water Works	7.27	10.04	38.15%
8	LMV-8: STW and Pumped Canals	0.11	0.14	27.68%
9	LMV-9: Temporary Supply	31.46	32.41	3.01%
10	HV-1: Non-Industrial Bulk Power	85.90	108.31	26.08%
11	HV-2: Large and Heavy Power	298.87	314.02	5.07%
	Total	**832.36**	**956.28**	**14.89%**

4.2.6 It can be observed from above that the Energy demand for LMV-3 and LMV-5 categories has decreased by around 24% and 7% as compared to demand in FY 2017-18. In this regard, the Commission during Technical Validation session sought clarification from the Petitioner.

4.2.7 The Petitioner submitted the details of Energy demand and Energy Sales for LMV-3 category from FY 2012-13 to FY 2017-18 as shown in the Table below:

Table 4-4 Details of LMV-3 consumers submitted by the petitioner

S. No.	FY	Consumer No.	Load (MW)	Sales (MU)
1	FY 2012-13	3	6.35	21.46
2	FY 2013-14	3	9.08	21.30
3	FY 2014-15	3	9.74	36.06
4	FY 2015-16	20	11.45	30.00
5	FY 2016-17	20	12.07	35.52
6	FY 2017-18	20	12.68	34.35
7	FY 2018-19	148	9.60	34.94

4.2.8 The Petitioner further submitted that the load continuously increased since FY 2012-13 due to the development of Greater Noida West area. However, the load reduced in FY 2018-19 due to continuing replacement drive of putting only LED devices in all sectors. As a result, consumption (energy sales) has also marginally

reduced in FY 2017-18 and further in FY 2018-19 due to replacement of damaged light points and putting LED bulbs in place of it.

4.3 ENERGY SALES

4.3.1 The Petitioner has estimated the unrestricted peak demand of upto 456 MW for FY 2018-19 and restricted peak demand of 414 MW. However, the Commission in Tariff Order dated November 30, 2017 approved 390 MW of peak demand for FY 2018-19. The Commission vide Deficiency Note dated February 15, 2019 directed the Petitioner to submit the basis for considering peak demand higher than that approved.

4.3.2 In reply of the same, the Petitioner vide its Letter dated April 16, 2019 submitted that Peak demand of 390 MW for FY 2018-19 that was approved by the Commission in Tariff Order dated November 30, 2017 was same as projected by the Petitioner in its Petition filed in October, 2016 that was based on certain assumptions regarding the demand and consumer growth, various development activities across Greater Noida, various activities and promotional schemes run by State/ Central Government, the town planning of GNIDA Authority etc. Many activities do not materialize in the same manner and extent as planned. Further, there has been a serious surge in captive solar power generation creating an imbalance in day vi-s-a-vis peak demand which was not envisaged in this manner as development has taken place in last 2 years since October, 2016. The variations occurred due to difference in projected situations, ground realities, and actual development within the Licensee's licenced area. However, present Peak Demand estimates are based on the latest data available with the Petitioner in FY 2018-19.

4.3.3 The Petitioner has submitted that for FY 2018-19, it has recorded sales of 1853.81 MU reflecting growth of 11.17% over FY 2017-18 as shown in the Table below:

Table 4-5 Category-wise sales submitted by the petitioner for FY 2018-19 (in MU)

S. No.	Category	Submitted for FY 2017-18	Submitted for FY 2018-19	Percentage increase/ decrease
1	LMV-1: Domestic Light, Fan & Power	366.54	431.36	17.68%
2	LMV-2: Non-Domestic Light, Fan & Power	33.28	37.76	13.45%
3	LMV-3: Public Lamps	34.35	34.94	1.71%
4	LMV-4: Institutions	13.27	20.59	55.19%

S. No.	Category	Submitted for FY 2017-18	Submitted for FY 2018-19	Percentage increase/ decrease
5	LMV-5: Private Tube Wells	31.68	27.23	-14.05%
6	LMV 6: Small and Medium Power	69.17	78.01	12.78%
7	LMV-7: Public Water Works	19.94	21.48	7.70%
8	LMV-8: STW and Pumped Canals	0.60	0.60	0.00%
9	LMV-9: Temporary Supply	47.17	56.68	20.17%
10	HV-1: Non-Industrial Bulk Power	174.77	213.00	21.88%
11	HV-2: Large and Heavy Power	876.82	932.16	6.31%
	Total	**1667.60**	**1,853.81**	**11.17%**

Commission's Analysis

4.3.4 From the above Table, the Commission has observed that the Energy Sales for LMV-5 (Private Tube Wells) category has decreased by 14.05%. From the previous tables it can be observed that the number of consumers and Energy Demand for LMV-5 category has also decreased in FY 2018-19 as compared to FY 2017-18.

4.3.5 The Commission has also observed that total energy sales as revised by the Petitioner for FY 2018-19 is same as the energy sales approved by the Commission in Tariff Order dated January 22, 2019 for FY 2018-19. However, the category wise energy sales for FY 2018-19 differ than that approved in Tariff Order dated January 22, 2019 for FY 2018-19, as shown in the Table below:

Table 4-6 Category-wise Energy Sales for FY 2018-19 (MU)

S. No.	Category	Approved vide T.O. dtd. 22/01/2019	APR Petition	Percentage Increase / Decrease
1	LMV-1: Domestic Light, Fan & Power	494.68	431.36	-12.80%
2	LMV-2: Non-Domestic Light, Fan & Power	36.39	37.76	3.77%
3	LMV-3: Public Lamps	32.5	34.94	7.50%
4	LMV-4: Institutions	17.41	20.59	18.28%
5	LMV-5: Private Tube Wells	31.70	27.23	-14.11%
6	LMV 6: Small and Medium Power	78.18	78.01	-0.21%

S. No.	Category	Approved vide T.O. dtd. 22/01/2019	APR Petition	Percentage Increase / Decrease
7	LMV-7: Public Water Works	20.39	21.48	5.32%
8	LMV-8: STW and Pumped Canals	0.75	0.60	-20.20%
9	LMV-9: Temporary Supply	45.16	56.68	25.51%
10	HV-1: Non-Industrial Bulk Power	205.06	213.00	3.87%
11	HV-2: Large and Heavy Power	891.58	932.16	4.55%
	Total	**1,853.80**	**1,853.81**	**0.00%**

It can be observed from the above table that, Energy sales for LMV-1 has decreased by 12.80%, while the sales for LMV-5 and LMV-8 are also reduced by 14.11% and 20.20% respectively. The Commission during Technical Validation session asked the Petitioner for the reasons for aforesaid difference in the Energy sales as approved by the Commission in Tariff Order dated January 22, 2019 and as submitted by Petitioner in revised APR Petition for FY 2018-19.

4.3.6 In its reply the Petitioner submitted that present Energy Sales estimates are based on the latest data available with the Petitioner in FY 2018-19.

4.3.7 The Petitioner should improve on its forecasting techniques and specifically work towards improving the sales for better revenue growth.

4.4 ENERGY BALANCE AND DISTRIBUTION LOSSES

4.4.1 The Petitioner has submitted the Energy Balance for FY 2018-19 as shown in the Table below:

Table 4-7 Energy balance submitted by the Petitioner for FY 2018-19

Particulars	APR Petition
Energy Sales (MU)	1,853.81
Distribution Loss %	8.33%
Distribution Losses (MU)	168.37
Energy Purchase (MU)	**2,022.17**

Commission's Analysis

4.4.2 The Commission has observed that in the revised Energy Balance for FY 2018-19, the Petitioner has shown Distribution Loss of 8.33%, which is higher than the approved loss of 8.00% as shown in the table below:

Table 4-8 Energy balance for FY 2018-19

Particulars	Approved vide T.O. dtd. 22/01/2019	APR Petition
Energy Sales (MU)	1,853.80	1,853.81
Distribution Loss (%)	8.00%	8.33%
Distribution Losses (MU)	161.20	168.37
Energy Purchase (MU)	**2,015.00**	**2,022.17**

4.4.3 The Commission in Deficiency Note dated February 15, 2019 directed the Petitioner to submit strong reasons for not reducing the distribution losses along with technical details of area/ colony wise distribution losses.

4.4.4 The Petitioner in its reply dated April 16, 2019 submitted that it has been striving to implement/emulate efficient, resilient, robust, inclusive, tailor-made initiatives to tackle the ever-rising menace of commercial loss, which all distribution utilities are struggling hard to chain. While many initiatives tendered significant results but sometimes most worthy models failed due to the volatile environment, which are beyond the control of the distribution licensee. Some of these issues significantly giving rise to pilferage are as follows-

- Local Authority restraining the Licensee from providing electricity connection in unplanned and un-authorized colonies leading to unauthorized tapping of energy.
- In villages and unauthorized colonies, due to lack of planned development and no authority for approving "Naksha", at many places, the electrical network is being exploited to such a level where even the electrical poles / transformers are being covered within the boundary / four wall of the houses leading to theft/ pilferage. Due to widespread land acquisition in Greater Noida, allocation of certain percentage of land to farmers and development of private colonies and allocation, the above practice is quite frequent and wide spread in Greater Noida Area.
- Due to increased hours of supply in rural areas i.e. from 12-16 hours to at least 18-22 hrs in accordance with the State Government directions, the Licensee had

to further increase power supply in villages. However, it resulted into higher Distribution losses and bad debts due to non-payment of bills.

- In accordance with the direction of the Commission, many of the single point societies have been converted/under process of conversion into multi- point societies.
- Not even a Single power theft case has been decided on merit by the Special Court since its inception in the year 2004. As at 18th March 2019, as many as 6118 cases are lying undecided at the Special Court. Not only this, 329 FIRs and 5790 Complaint Cases are pending with the local police since long due to their inaction.

4.4.5 The Petitioner has further submitted that earlier, it was able to contain Distribution losses at 8% by curtailing load in the loss prone areas but with the punitive direction to increase power supply in rural areas for at-least 18 hours irrespective of high losses and non-payment of bills, the Distribution losses cannot be contained at 8% level.

4.4.6 Notwithstanding the above, the Licensee is trying its best through regular enforcement drives as well as social intermediation to contain the Distribution losses within the approved values.

4.5 POWER PURCHASE QUANTUM AND COST

4.5.1 The Petitioner has revised the power purchase quantum and cost for FY 2018-19 to 2022.17 MU and Rs. 1028.14 Cr, respectively as shown in the Table below:

Table 4-9 Power Purchase Quantum & Cost submitted by the Petitioner for FY 2018-19

S.N.	Source of Power Purchase	Unit (MU)	Cost per unit (Rs/ kWh)	Amount (Rs. Cr.)
1	**Long/Medium Term Power**	**1417.37**	**3.90**	**552.68**
2	Long Term Power-DIL (Unit-II)	1170.53	4.01	468.82
3	Arrear for Nov'16 to Mar'17	-	-	-4.15
4	Medium Term Power	246.84	3.57	88.00
5	**Power Purchase from Traders**	**376.36**	**4.76**	**179.17**
6	Power Purchase from Traders (RTC)	209.08	4.63	96.80
7	Power Purchase from Traders (Peak)	167.28	4.92	82.37
8	**Power Purchase from RE**	**280.89**	**4.81**	**135.04**
9	**Power Banking**	**-9.08**	**3.87**	**-3.51**

S.N.	Source of Power Purchase	Unit (MU)	Cost per unit (Rs/ kWh)	Amount (Rs. Cr.)
10	**DSM/ Sale**	**-43.38**	**-1.00**	**4.34**
11	**Total**	**2022.17**	**4.29**	**867.71**
12	Transmission charges of PGCIL	-	-	98.87
13	Transmission charges of UPPTCL	-	-	61.56
14	**Total Transmission charges**	**-**	**0.79**	**160.43**
15	**Total Power Purchase**	**2022.17**	**5.08**	**1028.14**

Commission's Analysis

4.5.2 The Commission observed that the revised Power Purchase quantum and cost has increased marginally with respect to that approved by the Commission in Tariff Order dated January 22, 2019 as shown in the Table below:

Table 4-10 Power Purchase Quantum & Cost for FY 2018-19

Sl. No.	Source of Power Purchase	Approved vide T.O. dtd. 22/01/2019			APR Petition		
		Unit (MU)	Cost per unit (Rs/ kWh)	Amount (Rs. Cr)	Unit (MU)	Cost per unit (Rs/ kWh)	Amount (Rs. Cr.)
1	**Long/Medium Term Power**	**1417.87**	**4.27**	**604.98**	**1417.37**	**3.90**	**552.68**
2	Long Term Power-DIL (Unit-II)	1170.54	4.42	516.97	1170.53	4.01	468.82
3	Arrear for Nov'16 to Mar'17	-	-	-	-	-	-4.15
4	Medium Term Power	247.33	3.56	88.01	246.84	3.57	88.00
5	**Power Purchase from Traders**	**315.70**	**4.76**	**150.28**	**376.36**	**4.76**	**179.17**
6	Power Purchase from Traders (RTC)	166.81	4.62	77.04	209.08	4.63	96.80
7	Power Purchase from Traders (Peak)	148.89	4.92	73.24	167.28	4.92	82.37
8	**Power Purchase from RE**	**281.44**	**4.80**	**135.04**	**280.89**	**4.81**	**135.04**
9	Power Banking	-	-	-	-9.08	3.87	-3.51
10	DSM/ Sale	-	-	-	-43.38	-1.00	4.34
11	**Total**	**2015.01**	**4.42**	**890.30**	**2022.17**	**4.29**	**867.71**

Sl. No.	Source of Power Purchase	Approved vide T.O. dtd. 22/01/2019			APR Petition		
		Unit (MU)	Cost per unit (Rs/ kWh)	Amount (Rs. Cr)	Unit (MU)	Cost per unit (Rs/ kWh)	Amount (Rs. Cr.)
12	Transmission charges of PGCIL	-	-	88.06	-	-	98.87
13	Transmission charges of UPPTCL	-	-	41.65	-	-	61.56
14	**Total Transmission charges**	**-**	**-**	**129.71**	**-**	**0.79**	**160.43**
15	**Total Power Purchase**	**2015.01**	**5.06**	**1020.01**	**2022.17**	**5.08**	**1028.14**

4.5.3 As observed from above, the Petitioner has revised the long/ medium term power purchase rate to Rs 3.90/ kWh from Rs 4.27/kWh. However, the quantum of power purchase is same as approved by the Commission in Tariff Order dated January 22, 2017. So, the total cost as revised by the Petitioner has come down to Rs 552.68 Cr from Rs 604.98 Cr.

4.5.4 The Commission in Deficiency Note dated February 15, 2019 directed the Petitioner to submit the copy of Medium Term PPA done with PTC India Limited for the period from December 01, 2018 to March 31, 2020 (Source-Thermal Power Project (Unit II) of SKS Power Generation (Chhattisgarh)). The Petitioner in compliance to the same submitted the PPA executed on 6th April 2018 between the Petitioner and PTC India Limited.

4.5.5 The Commission has also observed that the Petitioner has also shown Rs 4.15 Cr (negative) as arrear (refund) for the period from November 2016 to March 2017. The Petitioner in its Letter dated April 16, 2019 further clarified that this refund is related to the arrears against payment made for Dhariwal Infrastructure Ltd. (DIL). However, it has not paid any arrears to DIL but only submitted for approval of the Commission for payment of the arrears and only after approval of the Commission, the same will be paid by it.

4.5.6 The Commission in the Deficiency Note dated February 15, 2019 directed the Petitioner to submit the reasons for not purchasing REC (Renewable Energy Certificates) in place of procuring costly Non- Solar RE power at Rs 5.36/kWh in FY 2018-19, when it has all the time available with it the option of procuring power from Traders at less than average rate of Rs 4/kWh. The Petitioner vide its reply

dated April 16, 2019 submitted that it is poised to meet its RPO till FY 2017-18 in FY 2018-19 and for FY 2018-19 in the subsequent years, hence, it has not considered appropriate to purchase REC for fulfilment of RPO obligations.

4.5.7 The Commission has also observed that the Petitioner has incurred Transmission Charges of Inter-State and Intra-State Transmission network aggregating to Rs. 160.43 Cr during FY 2018-19 as against Rs. 129.72 Cr approved by the Commission for FY 2018-19 in Tariff Order dated January 22, 2019.

4.6 OPERATION & MAINTENANCE (O&M) EXPENSES

4.6.1 The Petitioner has submitted the O&M expenses as shown in the Table below:

Table 4-11 O&M expenses for FY 2018-19 submitted by the Petitioner (Rs Cr)

S. No.	Particulars	APR Petition
1	Repair & Maintenance Expenses	46.78
2	Employee Expenses	55.01
3	Administrative & General Expenses	19.76
4	**Total O&M Expenses**	**121.55**
5	Employee Cost Capitalised	10.95
6	**Net O&M Expenses**	**110.60**

Commission's Analysis

4.6.2 The Commission vide Tariff Order dated January 22, 2019 approved O&M expenses for FY 2018-19. A comparison of the approved O&M expenses and as revised by the Petitioner is shown in the table below:

Table 4-12 O&M expenses for FY 2018-19 (Rs Cr)

S.No.	Particulars	Approved in TO dtd. 22.01.2019	APR Petition
1	Repair & Maintenance Expenses	45.93	46.78
2	Employee Expenses	30.58	55.01
3	Administrative and General Expenses	13.47	19.76
	Less:		
4	Expenses Capitalized	7.19	10.95
	Net O&M Expenses	**82.78**	**110.60**

4.6.3 The Commission in deficiency note dated February 15, 2019 directed the Petitioner to submit the basis of claiming such high Employee Expenses, A&G expenses and R&M Expenses for FY 2018-19.

4.6.4 The Petitioner in its reply dated April 16, 2019 submitted that the Commission in Tariff Order dated January 22, 2019 had approved the O&M expenses on normative basis in accordance with the Regulations 25 of MYT Regulations, 2014, which is grossly insufficient as compared to likely expenses estimated by it. The Petitioner further requested to consider O&M expenses for FY 2018-19 as estimated by it owing to following factors which are beyond its control:

(i) Reasons for Higher Employee Related Cost:

- **Minimum Wages:**

4.6.5 All enterprise, associations, partnership, body corporates, companies, etc., are bound by the provisions of Minimum Wages Act, 1948 and Government of State of Uttar Pradesh revises minimum wages under the provisions of the Minimum Wages Act, 1948 twice in a year (i.e., with effect from April and October). The State Government vide notification Nos. 560/581/Enforcement (M/W)/15 dated 29/03/2016 and 1290-1317/Enforcement-(M/W)/15 dated 26th September, 2016 has revised the minimum wages as per the following details in table below:

Class of labour (A)	Wages in FY 2017-18 (Rs/ month) (B)	Wages w.e.f. 1st Apr'18 (Rs/ month) (C)	% increase in C over B (D)
Unskilled	7,400	7,613	2.88%
Semi-skilled	8,140	8,375	2.88%
Skilled	9,119	9,381	2.88%

4.6.6 The Petitioner further submitted that from the above Table, it may be seen that the wages in FY 2017-18 has been increased by 2.88% w.e.f. 1st April 2018. Thus, the wages applicable for full FY 2017-18 and after that has been significantly higher as compared to the norms. The minimum wages have a direct and substantial impact on most of the components of O & M expenses e.g. Breakdown gang, security charges, and job costing of various repair assignments. Further, as lower cadre staff are governed by the provisions of the Minimum Wages Act-1948, increase in minimum wages also leads to consequent cascading effect on remuneration of senior cadre staff as well. All enterprise, associations, partnership, body corporates, companies, etc., are bound by the provisions of Minimum Wages Act, 1948 and the Petitioner has no option but to comply with the same, the impact

of the changes in minimum wages is beyond its control and cannot be subsumed within normative employee cost.

4.6.7 The Petitioner further submitted that in this regard Regulations 25 (c) and 25 (d) of the MYT Regulations, 2014 specifies as follows:

Quote

25. Operation and Maintenance Expenses

.....

(c) One-time expenses such as expense due to change in accounting policy, arrears paid due to ***pay commissions etc.****, shall be excluded from the norms in the trajectory.*

(d) The ***expenses beyond the control of the Distribution Licensee*** *such as dearness allowance, terminal benefits etc. in Employee cost etc., shall be excluded from the norms in the trajectory.*

(e) The One-time expenses and ***the expenses beyond the control of the Distribution Licensee shall be allowed by the Commission over and above normative Operation & Maintenance Expenses*** *after prudence check.*

..... "

Unquote

4.6.8 The Petitioner further submitted that the Regulations provides for allowance of higher expenditure actually incurred by the Licensee on account of factors beyond the control of the Licensee. Although the MYT Regulation, 2014 provides for escalation of normative Employee Cost on the basis of Consumer Price Index (i.e. CPI), however, the resultant escalation is quite insufficient and all the more important is that the increase in minimum wages are not covered in CPI. Hence, the impact of increase in minimum wages do not get compensated through incremental CPI.

- **Additional Manpower deployed for saving in Bad & Doubtful Debts compared to norms**

4.6.9 The Petitioner further submitted that Regulation 29 of MYT Regulations, 2014 provides admissibility of Bad and Doubtful Debts as a legitimate business expense with the ceiling limit of 2% of the revenue receivables in the Tariff as shown below:

Quote

29. Bad and Doubtful Debts

Bad and Doubtful Debts shall be allowed as a legitimate business expense with the ceiling limit of 2% of the revenue receivables provided the distribution licensee actually identifies and writes off bad debts as per the transparent policy approved by the Commission. In case there is any recovery of bad debts already written off, the recovered bad debt will be treated as other income.

Unquote

4.6.10 The Petitioner further submitted that it has been able to contain the Bad and Doubtful debts to 1.50% approx. This has resulted in saving of Rs. 7.04 Cr for FY 2017-18, Rs. 7.83 Cr for FY 2018-19 and Rs. 8.92 Cr for FY 2018-19. The Petitioner is able to limit Bad & Doubtful Debts at 1.5% against the 2% on account of the fact that it has deployed additional man- power for recovery of dues from the consumers. In case, it opts to reduce its man power to align actual employee cost with the normative employee cost as per MYT Regulations, 2014, it may lead to higher bad debts, which will ultimately burden the diligent Consumers. Therefore, the Petitioner should be allowed to recover its employee cost at actual.

- **Recommendation of Sixth /Seventh Pay Commission:**

4.6.11 The Petitioner further submitted that with implementation of the Seventh Central Pay Commission Recommendations, the average pay of government employees (including that of State Governments' employees) has gone up by more than 25% approx. This has led to considerable raise in salary package at entry level as well as higher level of employees in private sector also. In this backdrop, the Petitioner has been facing an uphill task to retain talented and motivated workforce and minimize attrition in the increasingly competitive market with more and more participation of private sector in the utility segment including electricity distribution. Hence, it is necessary that the compensation structure on one hand meets the expectations of the employees and on the other hand motivates them to strive for superior performance through congruence of individual and organization goals. Therefore, any increase in emoluments given by the Central Pay Commission, has a direct bearing on the salary and emoluments of the Company's employees so as to retain and motivate them appropriately.

4.6.12 The Petitioner further submitted that it is very difficult for a private organization to quantify the impact of wage revision on overall employee cost. However, these revisions increase the overall cost where man power is involved. The amount of

escalation allowed by the Commission is not taking into account the revisions in wages as well as pay.

(ii) Reasons for Higher A&G Expenses

4.6.13 The Petitioner further submitted that the A&G Expenses mainly includes the charges related to Lease/ Rent, insurance, Revenue Stamp Expenses Account, Telephone, Postage, Telegram & Telex Charges, Incentive & Award To Employees/Outsiders, Consultancy Charges, Professional Charges, Conveyance and Travelling, Printing And Stationery, Auditor's Fees, Expenses on Public Interaction Program, Courier charges, Meter Reading Charges, Legal Charges, DSM Expenses, CGRF Expenses, Competitive Bidding & PPA Approvals, UPERC Other Fees and Research & Studies. From the nature of the above expenses, it is observed that these costs need to be incurred by the Distribution Licensee based on actual requirement and the same are beyond the control of the Distribution Licensees, and therefore, cannot be disallowed based on the normative parameters. Further, the above charges do not depend on any kind of inflation index (including WPI) and have to be incurred as per actual requirement.

(iii) Reasons for Higher R&M Expenses

- Increasing AMC:

4.6.14 The Petitioner further submitted that the R&M expenses for the financial year, if capped @ 2.64% of GFA, would be grossly inadequate and incommensurate with the volume of the business. To illustrate, the Annual Maintenance Contract (AMC) cost of IT assets are ranging between 12.5% to 20.0% and for office equipment it is generally @ 10%. The Licensee is a process driven and IT-savvy Company and it believes in automating most of its processes with least manual intervention. All these initiatives not only involve lots of efforts on implementation side but also costs heavily on the maintenance of the same for the ultimate convenience and benefit of the consumer only. Apart from this, the R&M expenses would tend to go up with the ageing of the assets and fast obsolescence of the technology and may increase manifold in power deficit scenario due to increased wear and tear of electrical equipment in distribution system owing to frequent operation for load shedding, power cuts, tripping etc.

4.6.15 The Petitioner further requested to take into account the facts and reasons explained as above and to allow the employee cost as estimated by it.

4.7 CAPITAL EXPENDITURE

4.7.1 The Petitioner has submitted that it has incurred the total capital expenditure of Rs 181.78 Cr during FY 2018-19 in which Rs 33.73 Cr was funded through consumer contribution as detailed in the Table below:

Table 4-13: Capital expenditure submitted by the Petitioner for FY 2018-19 (Rs Cr)

Sl. No.	Nature of Works	APR Petition
1	New Connection	14.66
2	Replacement Stock	2.83
3	Metering	4.74
4	33/11 kV Substation	55.11
5	33 kV Network Development	15.21
6	11 kV Network Development	14.00
7	LT Network Development	4.11
8	Network at Villages	4.34
9	Network Renovation	1.44
10	Process System Automation	18.21
11	Civil Works & Office Infrastructure Facility	17.98
12	IT Projects	9.00
13	Tools / Testing Equipment, Vehicles etc.	5.91
14	Demand Side Management	1.00
15	Land	12.00
16	Misc. /Contingent Works	1.25
17	**Sub-Total**	**181.78**
18	Interest Capitalisation	3.76
19	Salary Capitalisation	10.95
20	**Total Capex incurred**	**196.50**

4.7.2 The Petitioner further submitted that as per Regulation 21.1 of the MYT Regulations, 2014, the capital expenditure is required to be funded in the Debt-Equity ratio of 70:30. Accordingly, based on capex for FY 2018-19, the details of the funding of the aforesaid capital expenditure of Rs. 196.50 Cr is given in the Table below:

Table 4-14: Net Capital Expenditure for FY 2018-19 submitted by the Petitioner (Rs. Crore)

S. No.	Nature of Works	APR Petition
1	Total Additions to Assets (excluding interest capitalisation)	193.03*
2	Add: Closing CWIP	18.30
3	Less: Opening CWIP	33.58
4	Less: Assets retired	4.85
5	Total Capex (excluding interest capitalisation)	**172.90**
6	Add: Interest Capitalisation	3.47
7	**Total Capex**	**176.37**
8	Consumer Contribution	33.73
9	**Net Capex**	**142.64**
10	Debt @ 70%	99.85
11	Equity @ 30%	42.79

**The Assets taken over from GNIDA/ UPSIDC of Rs 1.00 Cr have not been considered.*

Commission's Analysis

4.7.3 The commission has observed that the Petitioner has shown revised Capex (including capitalisation) of Rs 196.50 Cr. The Petitioner in APR Petition for FY 2017-18 submitted the Capital expenditure plan as shown in the table below:

Table 4-15 Capital Expenditure Plan as submitted by the Petitioner (Rs. Cr)

Sl. No.	Project	Cost	FY 17-18	FY 18-19	FY 19-20	FY 20-21
1	RC Green	36.12	19.12	17.00	-	-
2	Gharbara	30.00	-	12.00	18.00	-
3	BZP + KP5*	240.00	-	24.00	55.20	160.80
4	Kasna Store	14.00	-	6.30	7.70	-
5	Other Capex	-	150.45	145.92	150.71	-
6	**Capital Expenditure**	-	**169.57**	**205.22**	**231.61**	-
7	Add: Opening CWIP	-	14.13	33.58	42.30	-
8	Less: Closing CWIP	-	33.58	42.30	79.20	-
9	**Net Addition to GFA**	-	**150.12**	**196.50**	**194.71**	-
*Does not include the cost of associated transmission lines						

4.7.4 The Petitioner had projected net addition to GFA in FY 2018-19 as Rs 196.50 Cr which is exactly the same amount the Petitioner has estimated for FY 2018-19 now. As can be seen from the above table, the Capital expenditure includes Rs 17 Cr for RC Green Substation, Rs 12 Cr for Gharbara Substation and Rs 24 Cr for BZP and KP5 Substation. The Commission in the Tariff Order dated January 22, 2019 in the matter of tariff for FY 2018-19, has disallowed the capital expenditure for these substations. The relevant extract of the Tariff Order is as follows:

Quote

5.6.18 The Commission vide Order dated October 31, 2018 in Petition No. 987 of 2014 in the matter of Denial /Delay by UPPTCL in handing over the physical possession of the 220 kV R.C. Green Substation at Greater Noida to NPCL has stated that:

Quote

86. Keeping in view the overall efficiency, economical and integrated operations of state transmission sector, interest of consumers of Greater Noida area coupled with the obligation of GNIDA to provide free land and bear the cost of substation up to 220 kV, the Commission decides that

(i). NPCL petition for owning, operating and maintaining 220 kV sub-station as distribution licensee is dismissed.

(ii). NPCL shall claim refund of the amount deposited with Greater Noida Authority towards costs of land and construction of 220 KV sub-station at RC Green and associated 220 kV line to NPCL.

(iii). The investment allowed by this Commission to NPCL in the distribution tariff shall be trued up again after deducting this refund.

(iv). UPPTCL as STU and transmission licensee, shall own, operate and maintain 220 kV Sub-Station at RC Green.

Unquote

5.6.19 Also, the Commission in Order dated October 31, 2018 in Petition No. 1020 of 2015 in the matter of Denial / Delay by UPPTCL in granting connectivity to the 220 kV Gharbara Substation at NPCL at 400 kV Greater Noida (Pali) Substation of UPPTCL has stated that:

Quote

50. Keeping in view the overall efficiency, economical and integrated operations of state transmission sector, interest of consumers of Greater

Noida area coupled with the obligation of GNIDA to provide free land and bear the cost of substation up to 220 kV, the Commission decides that

a. *NPCL petition for direction to UPPTCL to grant connectivity of Gharbara Substation from 400 kV Greater Noida (Pali) sub-station is dismissed.*
b. *NPCL shall claim refund of the amount deposited with Greater Noida Authority towards cost of land and construction of 220 kV Gharbara sub station and associated 220 kV line from GNIDA.*
c. *Since the Petitioner did not comply with the provisions of U.P. Electricity Regulatory Commission (Terms and Conditions for Determination of Distribution Tariff) Regulation-2006, before making investment in the 220 kV Gharabara sub-station, this expenditure cannot be allowed in distribution ARR. The Commission shall review this investment in the True-up of ARR filed by the Petitioner.*
d. *UPPTCL as STU and transmission licensee, shall own, operate and maintain 200 kV Sub-Station at village Gharbara.*
e. *UPPTCL shall arrange adequate transmission capacity for NPCL as per their power distribution plan without creating any obstacle.*
f. *NPCL shall be granted connectivity from Gharbara sub-station through 33 kV feeders.*

Unquote

5.6.20 In line with the above directions of the Commission in the aforementioned Orders, the Commission has directed the Licensee the following:

1) ***To apprise the Commission about the compliance of the above Orders in the next ARR / Tariff and True- Up filing.***
2) ***Submit the impact on the allowed year wise ARRs (including True- Up ARRs) in regard to the investments made in the 220 kV Gharbara Sub-Station and RC Green Substation along with the next ARR/Tariff and True- Up filing.***

5.6.21 Also, the Commission on the basis of aforementioned Orders dated October 31, 2018 in regard to 220 kV Gharbara and RC Green Substation has considered it appropriate ***to disallow the Capital expenditure of Rs 24.00 Crs as submitted by the Petitioner for BZP and KP-V 220 kV Substation and shown in the Table above, for FY 2018-19.*** *The Commission will carry out the detailed prudence check of Capital expenditure for FY 2018-19 while carrying out the truing up for FY 2018-19.* ***(Emphasis added)***

Unquote

4.7.5 The Commission has observed that the net capex as per the revised estimates of the Petitioner is lower than that approved by the Commission vide Tariff Order dated January 22, 2019. The Commission while working out debt and equity had considered 70% of the capital expenditure financed through loan and 30% of capital expenditure financed through equity after deducting consumer contribution from the total capital expenditure in accordance with Regulations 23 of the Distribution MYT Regulations, 2014 as shown in the Table below:

Table 4-16: Capital Expenditure Funding for FY 2018-19 (Rs. Cr)

Particulars	Ref.	Approved vide T.O. dtd. 22/01/2019	APR Petition
Total Additions to Assets (excluding interest Capitalisation)	a	168.73	193.03
Add: Closing CWIP	b	42.30	18.30
Less: Opening CWIP	c	33.58	33.58
Total Capex (excluding interest Capitalisation)	**d=a+b-c**	**177.46**	**177.75**
Add: Interest Capitalisation	e	3.76	3.47
Total Capex	**f=d+e**	**181.22**	**181.22***
Consumer Contribution	g	33.73	33.73
Net Capex	**h=f-g**	**147.49**	**147.49**
Debt - 70%	i=h x 70%	103.24	103.24
Equity- 30%	j=h x 30%	44.25	44.25

**Deduction of Rs 4.85 Cr for assets retired is shown by the Petitioner.*

4.8 INTEREST AND FINANCE CHARGES

4.8.1 The Licensee has claimed Interest and Finance Charges, which includes following components:

- Interest on Long-Term Loans
- Finance Charges
- Interest on Working Capital
- Interest on Consumer Security Deposits
- Carrying Cost of Regulatory Asset

Each of the above elements are discussed separately below.

4.9 INTEREST ON LONG-TERM LOANS

4.9.1 The Commission in its Tariff Order dated January 22, 2019 has approved the interest on term loan at Rs. 52.36 Cr.

4.9.2 The Petitioner has submitted that based on revised capital expenditure of Rs. 176.37 Cr and consumer contribution of Rs. 33.73 Cr. and stipulated debt equity of 70:30, normative debt is now worked out to Rs. 99.85 Cr for FY 2018-19. Based on the above Capex and Debt arrangement, the summary of revised interest on Term Loan (normative) for the purpose of funding the capital expenditure for FY 2018-19 is given in the Table below:

Table 4-17: Interest on long- term Loan for FY 2018-19 submitted by the Petitioner (Rs. Cr)

S. No.	Loan Computation	Ref.	APR Petition
1	Gross Normative loan – Opening	a	834.57
2	Cumulative repayment of Normative Loan upto previous year	b	377.20
3	**Net Normative loan – Opening**	**c=a-b**	**457.37**
4	Increase/Decrease due to ACE during the Year	d	99.85
5	Repayments of Normative Loan during the year	e	55.13
6	**Net Normative loan – Closing**	**f=c+d-e**	**502.08**
7	Average Normative Loan	g=(c+f)/2	**479.73**
8	Weighted average Rate of Interest on actual Loans	h	9.91%
9	**Interest on Normative loan**	**i=g x h**	**47.55**

4.9.3 Accordingly, the total interest on Term Loan based on latest estimate comes out to be Rs. 47.55 Cr.

Commission's Analysis

4.9.4 The Commission has observed that the total interest on Term Loan based on revised estimate for FY 2018-19 is lower than the approved value. The rate of interest on actual loans is lower than that approved by the Commission vide Tariff Order dated January 22, 2019 as shown in Table below:

Table 4-18: Computation of Interest on long- term Loan for FY 2018-19 (Rs. Cr)

S. No.	Loan Computation	Ref.	Approved vide T.O. dtd. 22/01/19	APR Petition
1	Gross Normative loan – Opening	a	878.91	834.57
2	Cumulative repayment of Normative Loan upto previous year	b	370.24	377.20
3	**Net Normative loan-Opening**	**c=a-b**	**508.67**	**457.37**
4	Increase/Decrease due to ACE during the Year	d	99.85	99.85
5	Repayments of Normative Loan during the year	e	60.74	55.13
6	**Net Normative loan – Closing**	**f= c+d-e**	**547.78**	**502.08**
7	Average Normative Loan	g=(c+f)/2	528.22	**479.73**
8	Weighted average Rate of Interest on actual Loans	h	9.91%	9.91%
9	**Interest on Normative loan**	**i=g x h**	**52.36**	**47.55**

4.10 FINANCE CHARGES

4.10.1 The Petitioner has incurred various finance charges for availing of financial products and services for the purpose of meeting its financial and other business needs. These charges are shown in the table below:

Table 4-19: Finance Charges for FY 2018-19 submitted by the Petitioner (Rs. Cr)

Sl. No	Particulars	APR Petition
1	Processing Fee	1.80
2	Credit Rating Charges	0.15
3	Collection Facilitation Charges	0.75
4	SBLC & Other Finance Charges	1.35
	Total Finance Charges	**4.05**

Commission's Analysis

4.10.2 The Commission has observed that the total revised Finance Charges for FY 2018-19 are 147% higher than the actual Finance charges for FY 2017-18. The actual Finance charges for FY 2017-18 as claimed by the Petitioner are Rs 1.64 Cr.

4.10.3 The Commission has further observed that the revised Finance charges for FY 2018-19 are same as that approved by the Commission vide Tariff Order dated January 22, 2019 for FY 2018-19.

4.11 INTEREST ON WORKING CAPITAL

4.11.1 As per Distribution MYT Regulations, 2014, the Petitioner is allowed interest on Working Capital requirement on the basis of one month's O&M expenses, 60 days of Revenue after netting off Security Deposit received from the consumers and 40% of the R&M Expenses for two months.

4.11.2 Accordingly, the computation of interest on working capital for FY 2018-19 in accordance with Regulation 28 of Distribution MYT Regulations, 2014 as submitted by the Petitioner is shown in the table below:

Table 4-20: Interest on Working Capital for FY 2018-19 submitted by the Petitioner (Rs. Cr)

Particulars	APR Petition
O&M expenses for 1 month	9.38
Two months equivalent of expected revenue	3.12
Maintenance spares @ 40% of R&M expenses for two months	261.01
Gross Total	**273.52**
Total Security Deposits by the Consumers reduced by Security Deposits under section 47(1)(b) of the Electricity Act 2003	
Opening Balance	223.47
Received during the year (Net of Refunds)	30.00
Closing Balance	253.47
Average Security Deposit	238.47
Less: Security Deposit with UPPCL	11.28
Total Security Deposits by the Consumers reduced by Security Deposits under Section 47(1)(b) of the Electricity Act, 2003	227.19
Net Working Capital	**46.33**
Rate of Interest for Working Capital (SBI - PLR)	13.68%
Interest on Total Working Capital	**6.34**

Commission's Analysis

4.11.3 The Commission has observed that the revised interest on working capital as shown by the Petitioner is higher than that approved by the Commission vide Tariff Order dated January 22, 2019 as shown in the Table below:

Table 4-21: Interest on Working Capital for FY 2018-19 (Rs. Cr)

Particulars	Approved vide T.O. dtd. 22/01/2019	APR Petition
O&M expenses for 1 month	6.88	9.38
Two months equivalent of expected revenue	3.03	3.12
Maintenance spares @ 40% of R&M expenses for two months	243.81	261.01
Gross Total	**253.72**	**273.52**
Total Security Deposits by the Consumers reduced by Security Deposits under section 47(1)(b) of the Electricity Act 2003		
Opening Balance	208.88	223.47
Received during the year (Net of Refunds)	30.00	30.00
Closing Balance	238.88	253.47
Less: Security Deposit with UPPCL	11.28	11.28
Net Security Deposits by the Consumers reduced by Security Deposits under section 47(1)(b) of the Electricity Act 2003	212.60	227.19
Net Working Capital	**41.12**	**46.33**
Rate of Interest for Working Capital (SBI - PLR)	**13.68%**	**13.68%**
Interest on Total Working Capital	**5.62**	**6.34**

4.12 INTEREST ON CONSUMER SECURITY DEPOSITS

4.12.1 Regulation 21 of the Distribution MYT Regulations, 2014 provides that that the Licensee shall pay interest equivalent to the Bank Rate or more on the consumer security deposits, as may be specified by the Commission. The interest on consumer security deposit as submitted by the Petitioner is shown in the Table below:

Table 4-22: Interest on Security Deposit for FY 2018-19 submitted by the Petitioner (Rs Cr)

Particulars	Ref.	APR Petition
Opening Balance of Security Deposit	a	223.47
Addition During the year net of refund	b	30.00
Closing Balance of Security Deposit	c=a+b	253.47

Particulars	Ref.	APR Petition
Average Balance of Security Deposit	d=(a+c)/2	238.47
Rate of Interest	e	6.75%
Interest payable on Security Deposit	**f=dxe**	**16.10**

Commission's Analysis

4.12.2 The Commission has observed that the Petitioner has considered the RBI's Bank Rate of 6.75% p.a., for computation of rate of interest payable on security deposit from consumers during FY 2018-19.

4.12.3 The Commission has observed that the revised interest on security deposits as shown by the Petitioner is higher than that approved by the Commission vide Tariff Order dated January 22, 2019 for FY 2018-19, as shown in the Table below:

Table 4-23 Interest on Security Deposit for FY 2018-19 (Rs. Cr)

Particulars	Ref.	Approved vide T.O. dtd. 22/01/2019	APR Petition
Opening Balance of Security Deposit	a	208.88	223.47
Addition During the year net of refund	b	30.00	30.00
Closing Balance of Security Deposit	c=a+b	238.88	253.47
Average Balance of Security Deposit	d=(a+c)/2	223.88	238.47
Rate of Interest	e	6.75%	6.75%
Interest payable on Security Deposit	**f=dxe**	**15.11**	**16.10**

4.13 GROSS FIXED ASSETS (GFA) AND DEPRECIATION

4.13.1 The Petitioner has submitted that in accordance with the changes in distribution network plan, the revised computation of GFA is as shown in Table below:

Table 4-24 Gross Fixed Assets for FY 2018-19 submitted by the Petitioner (Rs. Cr)

S.No.	Description	APR Petition
1	Opening Balance	1358.32
2	Addition during the Year	196.50
3	Retirement during the Year	4.85
4	**Closing Balance**	**1549.97**

Commission's Analysis

4.13.2 The Commission has observed that the revised closing balance of GFA as shown by the Petitioner is lower than that approved by the Commission vide Tariff Order dated January 22, 2019 for FY 2018-19 as shown in the Table below:

Table 4-25 Gross Fixed Assets for FY 2018-19 (Rs. Cr)

S. No.	Description	Approved vide T.O. dtd. 22/01/2019	APR Petition
1	Opening Balance	1435.72	1358.32
2	Addition during the Year	172.50	196.50
3	Retirement during the Year	4.85	4.85
4	**Closing Balance**	**1603.37**	**1549.97**

4.13.3 Further, the Petitioner has submitted that Depreciation on plant, equipment and installations has been computed under separate voltage-wise categories in accordance with the rates prescribed under the Distribution MYT Regulations, 2014. Further, the Depreciation corresponding to the Consumer Contribution has been reduced from depreciation on above GFA. The summary of Depreciation is given in Table below:

Table 4-26 Depreciation for FY 2018-19 submitted by the Petitioner (Rs. Cr)

S. No.	Description	APR Petition
1	Depreciation on Gross Fixed Assets	63.99
2	Less: Depreciation on Consumer Contribution	-8.85
3	**Net Depreciation**	55.14
4	Average GFA	1453.81
5	Weighted Average Depreciation Rate	4.40%

4.13.4 The Commission has observed that the revised Net Depreciation as shown by the Petitioner is lower than that approved by the Commission for FY 2018-19 vide Tariff Order dated January 22, 2019 as shown in the Table below:

Table 4-27 Depreciation for FY 2018-19 (Rs. Cr)

Sl. No.	Description	Approved vide T.O. dtd. 22/01/2019	APR Petition
1	Depreciation on Gross Fixed Assets	69.59	63.99
2	Less: Depreciation on Consumer Contribution	8.85	8.85
3	**Net Depreciation**	**60.74**	**55.14**
4	Average GFA	1519.54	1453.81
5	Weighted Average Depreciation Rate	4.58%	4.40%

4.14 INCOME TAX

4.14.1 The Petitioner has submitted that in addition to the Tax demand (already considered in its Tax claims) of Rs 2.00 Cr, further taxes and interest payable in accordance with the provisions of Income Tax Act, 1961 would be Rs. 32.98 Cr for FY 2018-19 as shown in the Table below:

Table 4-28 Income Tax for FY 2018-19 submitted by the Petitioner (Rs. Cr)

Particulars	Reference	Taxes & Interest Payable
Return on Equity	A	61.23
Tax Rate	B	34.94%
Tax on Taxable Income	C=A×B/(1-B)	32.89
Tax Demands	D	2.00
Tax Amount	**E=C+D**	**34.89**

Commission's Analysis

4.14.2 Regulation 32 of Distribution MYT Regulations, 2014 provides for determination of Income Tax to be considered in ARR for Control Period. The relevant extract of the Regulations is reproduced below:

Quote

*32. **Income Tax***

a) Income Tax, if any, on the Licensed business of the Distribution Licensee shall be treated as expense and shall be recoverable from consumers through tariff. However, tax on any income other than that through its Licensed business shall not be a pass through, and it shall be payable by the Distribution Licensee itself.

b) The income tax actually payable or paid shall be included in the ARR. The actual assessment of income tax should take into account benefits of tax holiday, and the credit for carry forward losses applicable as per the provisions of the Income Tax Act 1961 shall be passed on to the consumers.

*c) **Tax on income, if any, liable to be paid shall be limited to tax on return on the equity component of capital employed.** However, any tax liability on incentives due to improved performance shall not be considered. **(Emphasis added)***

Unquote

4.14.3 It can be observed from above that as per Clause 32 (c) of Distribution MYT Regulations, 2014, Tax on income, if any, liable to be paid shall be limited to tax on return on the equity component of capital employed. Therefore, in accordance with the aforementioned Regulations, the Licensee is eligible for the getting the amount of Tax paid by them limited to Tax on return on the equity component of capital employed.

4.14.4 Accordingly, the Tax liability for FY 2018-19 has been computed by the Petitioner by grossing up Return on equity (ROE) at the current Corporate Tax rate, i.e., 34.94%. However, the Petitioner has also considered efficiency gain of Rs 0.24 Cr to arrive at the ROE of Rs 61.23 Cr, which is not as per the Regulations.

4.14.5 The Commission will vet the actual Income Tax paid at the time of truing up and allow the same based on the Regulations prevailing for the respective Financial Year. Income Tax liability for FY 2018-19 as revised by the Petitioner along with the approved value as per Tariff Order dated January 22, 2019, is as shown in the Table below:

Table 4-29 Income Tax for FY 2018-19 (Rs. Cr)

Particulars	Formulae	Approved in TO dtd. 22/01/19	APR Petition
Return on Equity	A	64.71	61.23
Tax Rate	B	34.94%	34.94%
Tax on Taxable Income	C=A×B/(1-B)	34.76	32.89
Tax Demands	D	-	2.00
Total Tax Amount	**E=C+D**	**34.76**	**34.89**

4.15 CONTINGENCY RESERVE

4.15.1 The Petitioner has also considered contribution to Contingency Reserve in the APR Petition for FY 2018-19 the computation of which is as shown in the Table below:

Table 4-30 Contingency Reserve for FY 2018-19 submitted by the Petitioner (Rs. Cr)

S.No.	Particulars	Value
1	Opening GFA	1,357.99
2	Contribution to Contingency Reserve	6.79
3	% of Opening GFA	0.50%

Commission's Analysis

4.15.2 Clause 30 of the Distribution MYT Regulations, 2014 provides for appropriation of Contingency Reserve upto 0.50% of opening GFA. The relevant extract of the MYT distribution Regulations, 2014 is shown below:

Quote

30. Contribution to Contingency Reserve

If the Distribution Licensee has made an appropriation to the Contingency Reserve, a sum not less than 0.25 per cent and not more than 0.5 per cent of the original cost of fixed assets shall be allowed annually towards such appropriation in the calculation of ARR.

Unquote

4.15.3 The Petitioner had accordingly claimed contingency reserve in its MYT Petition for FY 2018-19. However, the Commission vide its Tariff Order dated January 22, 2019 did not allowed the provision of Contingency Reserve. In this regard, the relevant extract of the Tariff Order dated January 22, 2019 is shown below:

Quote

5.17.3 The Commission vide its Tariff Order dated November 30, 2017 has not allowed the provision of Contingency Reserve to the Petitioner to reduce extra burden on the consumers. The Petitioner has not made any objection against this Commission's Order.

5.17.4 Further, it is to be noted that, there is a substantial revenue gap between ARR and revenue from Tariff, hence, any amount allowed on account of Contingency Reserve would go on to widen the existing revenue gap and would put extra burden on the consumers. Therefore, the Commission has not approved any Contingency Reserve for FY 2018-19.

Unquote

4.16 PROVISION FOR DOUBTFUL DEBTS

4.16.1 The Petitioner has submitted that the bad debts provided for and written off is in accordance with the policy of the Licensee for FY 2018-19. The revised Provision for Bad debts for FY 2018-19 is as shown in the Table Below:

Table 4-31 Provision for Bad & Doubtful Debts submitted by the Petitioner for FY 2018-19 (Rs. Cr)

S. No.	Description	APR Petition
1	Receivable from Customers as at the beginning of the year	72.48
2	Revenue billed for the year	1406.81
3	Collection for the year	1406.95
4	Receivable from Customers as at the end of the year	72.34
5	**Provision for Bad & Doubtful debts**	**15.29**
6	Provision as % of Revenue billed	1.09%

Commission's Analysis

4.16.2 Clause 29 of the Distribution MYT Regulations, 2014 provides for Bad and Doubtful debts. The relevant extract of the MYT distribution Regulations, 2014 is shown below:

Quote

30. Bad and Doubtful Debts

Bad and Doubtful Debts shall be allowed as a legitimate business expense with the ceiling limit of 2% of the revenue receivables provided the distribution licensee actually identifies and writes off bad debts as per the transparent policy approved by the Commission. In case there is any recovery of bad debts already written off, the recovered bad debt will be treated as other income.

Unquote

4.16.3 The Commission in the Tariff Order dated January 22, 2019 approved the provisioning at 1.50% for FY 2018-19 on the basis of approved receivable from consumers at the beginning of the year, approved revenue billed and collection for the year. Accordingly, the provision for bad debts as considered by the Commission for FY 2018-19 and as revised by the Petitioner is as shown in the Table below:

Table 4-32 Provision for Bad & Doubtful Debts for FY 2018-19 (Rs. Cr)

S. No.	Description	Approved vide T.O. dtd. 22/01/2019	APR Petition
1	Receivable from Customers as at the beginning of the year	72.34	72.48
2	Revenue billed for the year	1462.89	1406.81
3	Collection for the year	1369.40	1406.95

S. No.	Description	Approved vide T.O. dtd. 22/01/2019	APR Petition
4	Receivable from Customers as at the end of the year	142.54	72.34
5	**Provision for Bad & Doubtful**	**23.28**	**15.29**
6	Provision as % of Revenue billed	1.59%	1.09%

4.17 MISCELLANEOUS EXPENSES

4.17.1 The Petitioner has claimed Rs. 1.46 Cr as miscellaneous expenditure during FY 2018-19.

4.17.2 The Commission in Tariff Order dated November 30, 2017, had approved Miscellaneous Expenditure at Rs. 0.29 Cr for FY 2018-19. The Petitioner in APR Petition for FY 2017-18 had submitted that it has to regularly upgrade its distribution network by replacing the aged transformers and cables at various sectors and villages in its distribution area, which may lead to higher value of loss on sale of such replaced assets, and claimed Rs. 1.46 Cr as miscellaneous expenditure for FY 2018-19. Accordingly, the Commission had also approved Rs 1.46 Cr as Miscellaneous Expenditure for FY 2018-19, in Tariff Order dated January 22, 2019.

4.18 RETURN ON EQUITY

4.18.1 The Petitioner has revised the computation of equity base and RoE for FY 2018-19 as shown in the Table below:

Table 4-33 Revised computation of Return on Equity for FY 2018-19 (In Rs Cr)

Sl. No.	Particulars	Ref.	APR Petition
1	Regulatory Equity Base at the beginning of the year	a	357.19
2	Asset Capitalized during the year	b	196.50
3	Equity portion of Assets Capitalised during the year	c	48.06
4	Regulatory Equity Base at the end of the year	d=a+c	405.24
5	Return on Opening Regulatory Equity Base @ 16%	e=ax16%	57.15
6	Return on Addition to Equity Base during the year @16%	f=cx16%/2	3.84
7	**Total Return on Equity**	**g=e+f**	**60.99**

Commission's Analysis

4.18.2 As per Clause 31 of the Distribution MYT Regulations, 2014, Return on Equity (RoE) shall be allowed @16% on the equity base determined in accordance with the Distribution MYT Regulations, 2014. So, as per Clause 31 of the Distribution MYT Regulations, 2014, the Petitioner is eligible for 16% post tax RoE. Approved and revised figures for FY 2018-19 are shown in the Table below:

Table 4-34 Return on Equity for FY 2018-19 (Rs. Cr)

Particulars	Approved in T.O dtd. 22/01/19	APR Petition
ROE Base at the beg. of the year	382.73	357.19
Assets Capitalised during the year	172.50	196.50
Equity portion of Assets Capitalised during the year	43.36	48.06
Regulatory Equity Base at the end of the year	426.09	405.24
Computation of ROE		
Return on Opening Regulatory Equity Base @ 16%	61.24	57.15
Return on Addition to Equity Base during the year @ 16%	3.47	3.84
Total ROE	**64.71**	**60.99**

4.19 NON-TARIFF INCOME

4.19.1 The Petitioner has submitted the details of Non- Tariff Income for FY 2018-19 as shown in the Table below:

Table 4-35 Non-Tariff Income for FY 2018-19 submitted by the Petitioner (Rs. Cr)

Sl. No.	Particulars	APR Petition
1	Income from Investments of Contingency reserves	0.30
2	Delayed Payment Surcharge	5.53
3	Miscellaneous Receipts from consumers	1.46
4	Miscellaneous receipts	1.64
5	**Total Non-Tariff Income**	**8.92**

4.19.2 The Petitioner has further submitted that based on the principles laid down by the Commission in various Tariff Orders, Delayed Payment Surcharge has been considered after reducing the cost of funds borrowed for the purpose of funding the deferred receivables, which are subsequently recovered along with Delayed Payment Surcharge. The cost of borrowing in respect of Delayed Payment Surcharge for FY 2018-19 as revised by the Petitioner is shown in the Table below:

Table 4-36 Cost of Borrowing for DPS for FY 2018-19 submitted by the Petitioner (Rs. Cr)

Particulars	Reference	APR Petition
Delayed Payment Surcharge Received	a	5.53
Working Capital Amount Utilisation @ 18% p.a.	b= (a / 18%)	30.72
Applicable Interest Rate for Working Capital Finance (Weighted average SBI - PLR)	c	13.68%
Cost of Borrowing for DPS	**d=b x c**	**4.20**

4.19.3 The Petitioner has submitted the revised Non-Tariff Income as summarized in Table below after reducing the cost of borrowing of deferred payment beyond normative period of 60 days for the purpose of APR of FY 2018-19.

Table 4-37 Net Non-Tariff Income for FY 2018-19 submitted by the Petitioner (Rs. Cr)

Particulars	Reference	APR Petition
Non-Tariff Income including DPS	A	8.92
Less: Cost of Borrowing for DPS	B	4.20
Net Non-Tariff Income	**C=A-B**	**4.72**

Commission's Analysis

4.19.4 The Non-Tariff Income includes income from statutory investments, miscellaneous receipts from consumers, Delayed Payment Surcharge and various other Non-Tariff Incomes generated by the Petitioner from other businesses.

4.19.5 The Commission has observed that the total revised Non-Tariff Income as submitted by the Petitioner is lower than that approved by the Commission vide Tariff Order dated January 22, 2019. The revised Net Non-Tariff income and that approved by the Commission vide Tariff Order dated January 22, 2019, are shown in the Table below:

Table 4-38 Net Non-Tariff Income for FY 2018-19 (Rs. Cr)

Particulars	Ref	Approved in T.O dtd. 30.11.2017	APR Petition
Non-Tariff Income including DPS	A	8.99	8.92
Less: Cost of Borrowing for DPS	B	4.20	4.20
Net Non-Tariff Income	**C=A-B**	**4.79**	**4.72**

4.20 REVENUE FROM SALE OF ENERGY

4.20.1 The Petitioner has submitted that during FY 2018-19, it has recorded sales of 1853.81 MU reflecting growth of 11.17% over FY 2017-18. Similarly, the billed revenue excluding Regulatory Surcharge has increased to Rs. 1,386.54 Cr reflecting growth of 11.49% over FY 2017-18. The revised category-wise sales, revenue and average realization for FY 2018-19 as submitted by the Petitioner are given in the Table below:

Table 4-39 Revenue for FY 2018-19 submitted by the Petitioner

S. No.	Category	Sales (MU)	Revenue (Rs. Cr)	Average Billing Rate (Rs/kWh)
1	LMV-1: Domestic Light, Fan & Power	431.36	260.60	6.04
2	LMV-2: Non-Domestic Light & Fan & Power	37.76	39.72	10.52
3	LMV-3: Public Lamps	34.94	28.79	8.24
4	LMV-4: Institutions	20.59	17.33	8.41
5	LMV-5: Private Tube Wells	27.23	3.17	1.16
6	LMV 6: Small and Medium Power	78.01	76.35	9.79
7	LMV-7: Public Water Works	21.48	20.98	9.77
8	LMV-8: STW and Pumped Canals	0.60	0.50	8.32
9	LMV-9: Temporary Supply	56.68	59.63	10.52
10	HV-1: Non-Industrial Bulk Power	213.00	209.30	9.83
11	HV-2: Large and Heavy Power	932.16	670.18	7.19
12	**Total**	**1,853.81**	**1,386.54**	**7.48**

Commission's Analysis

4.20.2 The Commission vide Tariff Order dated January 22, 2019 approved the Sales of 1,853.80 MU and revenue of Rs. 1,380.33 Cr for FY 2018-19 with a Regulatory

Surcharge @ 6% of Rs 82.56 Cr based on the tariffs approved by the Commission in the same Order as summarised in Table below:

Table 4-40 Revenue for FY 2018-19 (Approved in T.O 22.01.19)

S. No.	Category	Sales (MU)	Revenue (Rs. Crore)	Average Billing Rate (Rs/kWh)
1	LMV-1: Domestic Light, Fan & Power	494.68	303.35	6.13
2	LMV-2: Non-Domestic Light & Fan & Power	36.39	37.85	10.40
3	LMV-3: Public Lamps	32.5	28.31	8.71
4	LMV-4: Institutions	17.41	14.82	8.51
5	LMV-5: Private Tube Wells	31.7	3.56	1.12
6	LMV 6: Small and Medium Power	78.18	76.74	9.82
7	LMV-7: Public Water Works	20.39	19.66	9.64
8	LMV-8: STW and Pumped Canals	0.75	0.61	8.13
9	LMV-9: Temporary Supply	45.16	52.58	11.64
10	HV-1: Non-Industrial Bulk Power	205.06	197.64	9.64
11	HV-2: Large and Heavy Power	891.58	645.21	7.24
12	**Total**	**1,853.80**	**1,380.33**	**7.45**

4.20.3 The Petitioner in MYT Format F54 "Statement of Receivables" has shown the collection efficiency for FY 2017-18 as 95%. However, for FY 2018-19 the collection efficiency has been shown as 84%. The Commission vide Deficiency note dated February 15, 2019 directed the Petitioner is required to submit the basis of such computation.

4.20.4 The Petitioner vide its reply dated April 16, 2019 submitted that based on the figures till October 30, 2018 it has estimated the collection efficiency as 84% for FY 2018-19, yet it assures that it is making all possible efforts to improve the Collection Efficiency and is quite confident to achieve the collection efficiency in-line with preceding year's performance.

4.20.5 **The Petitioner is required to make all possible efforts to improve its Collection efficiency in- line with preceding year's performance wherein the collection efficiency was in the range of 90%- 95%.**

4.21 REVISED ARR FOR FY 2018-19

4.21.1 Based on the revised Expenditure, Revenue and RoE, as shown in the above paragraphs, the Annual Revenue Requirement for FY 2018-19 as submitted by the

Petitioner and as approved by the Commission vide Tariff Order dated January 22, 2019 is shown in the Table below:

Table 4-41 Summary of ARR for FY 2018-19 (Rs. Cr)

S. No.	Particulars	Approved in T.O dtd. 22.01.2019	APR Petition
1	Power Purchase Expenses for the Year	890.30	867.71
2	Transmission Charges	129.71	160.43
3	Employee cost	29.89	55.01
4	A&G expenses	13.24	19.76
5	R&M expenses	45.40	46.78
6	Interest Charges	77.15	74.03
7	Depreciation	60.74	55.14
8	Contingency Reserves	-	6.79
9	Taxes (Income Tax & Demand)	34.76	34.89
10	**Gross Expenditure**	**1,281.18**	**1,320.55**
11	Less: Employee Cost capitalized	5.95	10.95
12	Less: Interest capitalized	3.76	-
13	**Net Expenditure**	**1271.47**	**1309.60**
14	Add: Provision for Bad & Doubtful Debts	23.28	23.28
15	Add: Miscellaneous Expenses	1.46	1.46
16	Add: Impact of GST	-	2.00
17	**Total Net Expenditure with Provisions**	**1,296.21**	**1,336.33**
18	Add: Return on Equity	64.71	60.99
19	Add: Efficiency Gains	0.24	0.24
20	Less: Non- Tariff Income	4.79	4.72
21	**Annual Revenue Requirement**	**1,356.36**	**1,392.84**
Note: the sum and deduction may vary due to rounding off.			

4.21.2 From the above Table, the average cost of supply (ACoS) for FY 2018-19 considering the Petitioner's submission is coming at 7.51 Rs/ kWh.

4.22 CARRYING COST OF REGULATORY ASSET

4.22.1 The Petitioner has submitted that based on the principles as stipulated in the Regulations, the carrying cost of Regulatory Asset created and subsequent recoveries were made till FY 2018-19.

Commission's Analysis

4.22.2 Clause 35 of Distribution MYT Regulations, 2014 provides for allowance of carrying cost on Regulatory Assets. Accordingly, the Commission, in Tariff Order dated January 22, 2019 had allowed carrying cost on Regulatory Asset at weighted

average monthly compounded SBI-PLR rate of 14.57% and approved carrying cost of Rs. 23.13 Cr for FY 2018-19.

4.22.3 The Commission has observed that the revised carrying cost on Regulatory Assets as shown by the Petitioner is same as that approved by the Commission vide Tariff Order dated January 22, 2019 as shown in the Table below.

Table 4-42 Carrying Cost for FY 2018-19 (Rs. Cr)

S. No.	Particulars	Ref.	Approved vide T.O. dtd. 22/01/2019	APR Petition	Revised after Truing Up FY 17-18
1	Annual Revenue Requirement		1356.35	1392.84	1,356.35
2	*Less: Revenue from Existing Tariff		1,462.89	1469.03	1,462.89
3	Revenue Gap/ (Surplus) for FY 2018-19	A	(106.53)	(62.60)	(106.53)
4	Revenue Gap/ (Surplus) upto FY 2017-18	B	212.02	311.59	278.36
5	Interest Rate as per regulations	C	14.57%	14.57%	14.57%
6	Carrying Cost on Revenue Gap for FY 2018-19	D= C x (A/2)	(7.76)	(5.55)	(7.76)
7	Carrying Cost on Revenue Gap upto FY 2017-18	E = C x B	30.89	45.39	40.55
8	Total Carrying cost	F = D + E	23.13	39.84	32.79
9	**Net Revenue Gap**	**G=A+B+F**	**128.61**	**275.25**	**204.62**

** Including RS*

5. REVISED AGGREGATE REVENUE REQUIREMENT (ARR) FOR FY 2019-20

5.1 INTRODUCTION

5.1.1 The Commission in earlier Chapters of this Order has undertaken Truing- Up of ARR for FY 2017-18 based on the audited accounts and APR for FY 2018-19. In this Chapter, the Commission has discussed in detail each component of revised ARR for FY 2019-20.

5.2 NUMBER OF CONSUMERS AND CONNECTED LOAD

5.2.1 The Petitioner has projected Billing determinants (number of consumers and connected load) for FY 2019-20 as shown in the table below:

Table 5-1 Billing determinants submitted by the Petitioner for FY 2019-20

S.No.	Category wise consumers	No. of Consumers	Connected Load (MW)
1	LMV-1: Domestic Light, Fan & Power	82,666	385.96
2	LMV-2: Non-Domestic Light, Fan & Power	3,457	27.51
3	LMV-3: Public Lamps	214	8.54
4	LMV-4: Institutions	829	6.46
5	LMV-5: Private Tube Wells	1,113	5.23
6	LMV 6: Small and Medium Power	3,158	106.23
7	LMV-7: Public Water Works	256	12.48
8	LMV-8: STW and Pumped Canals	1	0.14
9	LMV-9: Temporary Supply	1,026	33.48
10	HV-1: Non-Industrial Bulk Power	232	136.56
11	HV-2: Large and Heavy Power	713	329.98
	Total	**93,664**	**1,052.58**

Commission's Analysis

5.2.2 The Commission has observed that the Petitioner has projected 516 MW of Peak Demand in FY 2019-20 against demand of 430 MW approved by the Commission in Tariff Order dated November 30, 2017 for FY 2019-20. The Commission vide Deficiency note dated February 15, 2019 directed the Petitioner to submit the basis of considering peak demand higher than the approved.

5.2.3 The Petitioner in this regard vide its reply dated April 16, 2019 submitted that the Peak demand of 430 MW for FY 2019-20 was approved by the Commission in Tariff Order dated November 30, 2017, which was projected by the Petitioner in its petition filed in October 2016 that was based on the certain assumptions regarding

the demand and consumer growth, various development activities across Greater Noida, various activities and promotional schemes run by State/ Central Government, the town planning of GNIDA Authority etc.

5.2.4 The Petitioner further submitted that many activities do not materialize in the same manner and extent as planned. Further, there has been a serious surge in captive solar power generation creating an imbalance in day vi-s-a-vis peak demand which was not envisaged in this manner as development has taken place in last 2 years since October 2016. Therefore, the variations occur due to different than projected situations, ground realities and actual development within the Company's licenced area. However, present Peak Demand estimates are based on the latest data available with the Petitioner in FY 2018-19.

5.2.5 The Commission has also observed that category-wise number of consumers as projected by the Petitioner for FY 2019-20 is higher than the number of consumers for FY 2018-19 by 6.67%. Further, the Commission has made a comparison of number of consumers as submitted by the Petitioner in APR for FY 2018-19 with the number of consumers submitted for FY 2019-20 as shown in the Table below:

Table 5-2 Category-wise no. of consumers for FY 2019-20 as submitted by the Petitioner

S. No.	Category	Submitted in APR for FY 2018-19	Submitted for FY 2019-20	Percentage increase/ decrease
1	LMV-1: Domestic Light, Fan & Power	77,753	82,666	6.32%
2	LMV-2: Non-Domestic Light, Fan & Power	3,110	3,457	11.15%
3	LMV-3: Public Lamps	148	214	44.59%
4	LMV-4: Institutions	723	829	14.75%
5	LMV-5: Private Tube Wells	1,110	1,113	0.25%
6	LMV 6: Small and Medium Power	2,867	3,158	10.18%
7	LMV-7: Public Water Works	237	256	7.85%
8	LMV-8: STW and Pumped Canals	1	1	0.00%
9	LMV-9: Temporary Supply	998	1,026	2.78%
10	HV-1: Non-Industrial Bulk Power	186	232	24.77%
11	HV-2: Large and Heavy Power	674	713	5.70%
	Total	**87,806**	**93,664**	**6.67%**

5.2.6 It can be observed from above that the number of consumers in LMV-3 category has increased abnormally by 44.59%. The Commission sought clarification from the Petitioner in this regard, during Technical validation session. The Petitioner in reply of it submitted the consumer details for FY 2018-19 wherein it was found that there are multiple connections on the name of Sr. Manager Electrical (G. Noida) and Sr. Manager Electrical (GNIDA) and Secretary Judges Cultural and Welfare Organisation due to which the number of consumers in LMV-3 category has increased considerably.

5.2.7 The Commission has also observed that category-wise Energy Demand/ connected load as projected by the Petitioner for FY 2019-20 is higher than the Energy Demand for FY 2018-19 by 10.07%. Further, the Commission has made a comparison of Energy demand of FY 2018-19 with the Energy demand as submitted by the Petitioner for FY 2019- 20, as shown in the Table below:

Table 5-3 Category-wise Energy Demand (MW) for FY 2019-20 as submitted by the petitioner

Sl. No.	Category	Submitted in APR for FY 2018-19	Submitted for FY 2019-20	Percentage increase/ decrease
1	LMV-1: Domestic Light, Fan & Power	360.90	385.96	6.94%
2	LMV-2: Non-Domestic Light, Fan & Power	25.69	27.51	7.09%
3	LMV-3: Public Lamps	9.60	8.54	-10.96%
4	LMV-4: Institutions	6.30	6.46	2.65%
5	LMV-5: Private Tube Wells	5.21	5.23	0.21%
6	LMV 6: Small and Medium Power	83.66	106.23	26.99%
7	LMV-7: Public Water Works	10.04	12.48	24.28%
8	LMV-8: STW and Pumped Canals	0.14	0.14	0.00%
9	LMV-9: Temporary Supply	32.41	33.48	3.31%
10	HV-1: Non-Industrial Bulk Power	108.31	136.56	26.08%
11	HV-2: Large and Heavy Power	314.02	329.98	5.08%
	Total	**956.28**	**1,052.58**	**10.07%**

5.2.8 It can be observed from above that the energy demand for LMV-3 in FY 2019-20 has decreased by 10.96% as compared to energy demand in FY 2018-19. In this regard, the Commission during Technical validation session sought clarification from the Petitioner.

5.2.9 In this regard, the Petitioner submitted that the load continuously increased since FY 2012-13 due to the development of Greater Noida West area. However, the load reduced in FY 2018-19 due to continuing replacement drive of putting only LED points in all sectors. So, the Petitioner has projected a further reduction of energy demand in FY 2019-20 for LMV-3 as compared to FY 2018-19, for the same reason.

5.3 ENERGY SALES

5.3.1 The Petitioner has projected sales of 2108.87 MU in FY 2019-20 reflecting growth of 26.46% over actual sales of FY 2017-18 and growth of 13.76% over estimated sales of FY 2018-19 as shown in the Table below:

Table 5-4 Category- wise Sales as submitted by the Petitioner for FY 2019-20 (MU)

Sl. No.	Category	Petition
1	LMV-1: Domestic Light, Fan & Power	510.43
2	LMV-2: Non-Domestic Light, Fan & Power	42.86
3	LMV-3: Public Lamps	37.38
4	LMV-4: Institutions	24.16
5	LMV-5: Private Tube Wells	26.69
6	LMV 6: Small and Medium Power	88.04
7	LMV-7: Public Water Works	23.16
8	LMV-8: STW and Pumped Canals	0.60
9	LMV-9: Temporary Supply	60.44
10	HV-1: Non-Industrial Bulk Power	259.79
11	HV-2: Large and Heavy Power	1,035.31
	Total	**2,108.87**

Commission's Analysis

5.3.2 The Commission has observed that the Petitioner has projected sales of 2108.87 MU in FY 2019-20 against the energy sales of 2354.07 MU approved by the Commission in the MYT Order dated November 30, 2017 for FY 2019-20. The Commission in Deficiency note dated February 15, 2019 directed the Petitioner to submit the basis of considering energy sales lower than that approved for FY 2019-20 when it has estimated Peak Demand higher than that approved (as shown in the above Point).

5.3.3 In response to the above deficiency, the Petitioner vide its reply dated Aril 16, 2019 submitted that the energy sales approved by the Commission in Tariff Order dated November 30, 2017 was based on certain assumptions and projections made by

the Petitioner in October, 2016, which were further based on the then projected demand estimates but there many times activities do not materialize as planned therefore, variations occur due to difference in projected situations, ground realities and actual development within the Petitioner's licenced area.

5.3.4 The Petitioner further submitted that the present Energy Sales projections is based on the latest data available with the Petitioner in FY 2018-19. Also, the Petitioner submitted that the Peak Demand is only for a moment of time e.g. during certain time period in a day whereas Energy Sales is a cumulative value for the complete Financial Year during all hours in a day.

5.2.10 The Commission has observed that category-wise energy sales as projected by the Petitioner for FY 2019-20 is 26.46% higher than the actual sales of FY 2017-18.

5.2.11 The Commission after close scrutiny of the methodology adopted by the Petitioner for projecting Energy Sales for FY 2019-20 approves the Energy Sales for FY 2019-20. The same shall be reviewed at the time of Annual Performance Review. Accordingly, the Commission has approved the Energy Sales for FY 2019-20 as shown in the Table below:

Table 5-5 Category- wise energy sales for FY 2019-20 (MU)

Sl. No.	Category	Approved vide T.O. dtd. 30/11/2017	Petition	Approved
1	LMV-1: Domestic Light, Fan & Power	493.55	510.43	510.43
2	LMV-2: Non-Domestic Light, Fan & Power	43.06	42.86	42.86
3	LMV-3: Public Lamps	33.51	37.38	37.38
4	LMV-4: Institutions	29.33	24.16	24.16
5	LMV-5: Private Tube Wells	16.24	26.69	26.69
6	LMV 6: Small and Medium Power	105.85	88.04	88.04
7	LMV-7: Public Water Works	24.37	23.16	23.16
8	LMV-8: STW and Pumped Canals	0.31	0.60	0.60
9	LMV-9: Temporary Supply	80.96	60.44	60.44
10	HV-1: Non-Industrial Bulk Power	210.10	259.79	259.79
11	HV-2: Large and Heavy Power	1316.78	1,035.31	1,035.31
	Total	**2,354.07**	**2,108.87**	**2,108.87**

5.4 ENERGY BALANCE AND DISTRIBUTION LOSSES

5.4.1 The Petitioner has submitted that it has been striving to implement efficient, resilient, robust, inclusive, and tailor-made initiatives to tackle the ever-rising menace of commercial loss, which almost all power sector business houses are struggling hard to contain. While many initiatives tendered significant results but sometimes most worthy models have also failed due to the volatile environment, which are beyond the control of the Distribution Licensee.

5.4.2 The Petitioner has further submitted that in view of increasing urbanisation of Greater Noida area, the HT: LT ratio is also reducing, leading to higher distribution losses and hence, the revised Distribution Losses for FY 2019-20 are as shown in the Table below:

Table 5-6 Energy Balance submitted by the Petitioner for FY 2019-20

Particulars	Petition
Energy Sales (MU)	2108.87
Distribution Loss (%)	8.60%
Distribution Losses (MU)	198.40
Energy Purchase (MU)	2307.27

Commission's Analysis

5.4.3 The Commission has observed that the Petitioner has projected Distribution Loss of 8.60% for FY 2019-20, which is higher than the loss level of 8.00%, approved by the Commission in Tariff Order dated November 30, 2017 for FY 2019-20.

5.4.4 In regard to distribution losses, the Petitioner had made an appeal before the Hon'ble APTEL for approval of distribution loss at 8.41% level for FY 2015-16 on the basis of ever-increasing loss-prone rural load, sparsely populated, hence, low density of load per square kilometre, absence of separate Police Station and dedicated Special Court to deal with the Electricity Theft Cases, rampant political interference, etc.

5.4.5 Hon'ble APTEL in its Judgment dated June 2, 2016 in Appeal No. 174 of 2015, also agreed with the Commission's approach of setting the distribution loss target at 8.00% level for FY 2015-16 and opined that there can be no going back to set the loss reduction target to such higher level of 8.41% considering the fact that the Commission is allowing the capital expenditure required to sustain/lower the losses and the fact of growing urbanization of the consumer mix, increasing HT:LT sales ratio and also considering the capability and achievement of the Petitioner in

previous years. The relevant extract of the Judgment of Hon'ble APTEL is reproduced below:

Quote

g. We have observed that the Appellant is consistently maintaining Distribution losses at a very efficient level. Even during the FY 2013-14 it had over achieved the Distribution loss reduction target set by the State Commission. The target set by the State Commission for Distribution loss has not been further reduced to below 8% in the Impugned Tariff Order. ***There can be no going back to set the loss reduction target to such higher level of 8.41%*** *considering the fact that the State Commission is allowing the capital expenditure required to sustain/lower the losses and the fact of growing urbanization of the consumer mix, increasing HT:LT sales ratio and also considering the capability and achievement of the Appellant in previous years.*

h. The distribution losses are to be brought down and there is always scope for improvement and the fact that the Appellant has been achieving these targets, ***hence we are in agreement with the State Commission on the issue of T&D loss reduction target being set at 8% for FY 2015-16****. Accordingly, this issue is decided against the Appellant.* ***(Emphasis added)***

Unquote

5.4.6 The Commission is of the view that any improvement in the metering status of the Licensee would assist the Licensee to curtail the losses at below or equal to 8.00% level. Thus, in line with the approach adopted by the Commission in its previous Tariff Orders for NPCL, the Commission approves Distribution Loss of 8.00% for FY 2019-20, as approved in MYT Order dated November 30, 2017.

5.4.7 Based on the approved energy sales and Distribution Losses as discussed above, the approved Energy Balance for FY 2019-20 is shown in the Table below:

Table 5-7 Approved Energy Balance for FY 2019-20

Particulars	Approved vide T.O. dtd. 30/11/2017	Petition	Approved
Energy Sales (MU)	2354.08	2108.87	2108.87
Distribution Loss (%)	8.00%	8.60%	8.00%
Distribution Losses (MU)	204.70	198.40	183.38
Energy Purchase (MU)	**2558.76**	**2307.27**	**2292.25**

5.4.8 It can be observed from the table above that the Petitioner has claimed energy purchase of 2307.27 MU while after approved distribution losses of 8.00% the total approved energy purchase is 2292.25 MU. The impact of lower approved energy purchase has been shown in the next section wherein the transmission charges are also deducted as per the total energy purchase.

5.5 POWER PURCHASE

5.5.1 The Petitioner for FY 2019-20 has revised the power purchase quantum to 2310.08 MU and power purchase cost to Rs 1189.61 Crore. The Petitioner submitted that to meet part of the base load of the consumers it has Long-Term Power Purchase Agreement of 187 MW (Net 170 MW at Plant ex- Bus after 9% Auxiliary Consumption) RTC power with DIL. The Petitioner has estimated to procure 1,177.68 MU from DIL during FY 2019-20.

5.5.2 The Petitioner has further submitted that it has tied up 100 MW power on Medium-Term basis from December 01, 2018 to March 31, 2020 through competitive bidding on DEEP Portal and has entered into an Agreement for Procurement of 100 MW electricity with PTC India Limited (Source: SKS Power Generation (Chhattisgarh) Limited, Raigarh, Chhattisgarh).

5.5.3 The details of power purchase quantum and power purchase cost approved vide Tariff Order dated November 30, 2017 for FY 2019-20 and projected by NPCL is provided in the Table below:

Table 5-8 Power Purchase Quantum & Cost (Approved in T.O. dtd. 30.11.2017)

Sources of Power Purchase	Approved vide TO dtd 30/11/17			Petition		
	Energy (MU)	Avg. cost (Rs. /kWh)	Cost (Rs. Cr)	Energy (MU)	Avg. cost (Rs. /kWh)	Cost (Rs. Cr)
Long Term Power	**1173.74**	**4.12**	**483.13**	**1924.32**	**4.14**	**796.08**
Long Term Power (DIL)	1173.74	4.12	483.13	1177.68	4.48	527.55
Medium Term (MTPPA)	-	-	-	746.64	3.60	268.52
Unscheduled Interchange	-	-	-	(47.09)	(1.00)	4.71
Power Purchase from Traders	**1231.51**	**3.87**	**476.59**	**228.21**	**4.96**	**113.15**
Power Purchase from Traders (RTC)	1203.52	**3.87**	465.76	184.71	4.99	92.15
Power Purchase from Traders (Peak)	27.99	**3.87**	10.83	43.50	4.83	21.00
Power Purchase from RE	**153.53**	**5.84**	**89.63**	**204.63**	**5.02**	**102.67**
Excess power for sale	-	-	-	-	-	-
Sub-Total	**2558.78**	**4.10**	**1049.35**	**2310.08**	4.40	**1016.60**

Sources of Power Purchase	Approved vide TO dtd 30/11/17			Petition		
	Energy (MU)	Avg. cost (Rs. /kWh)	Cost (Rs. Cr)	Energy (MU)	Avg. cost (Rs. /kWh)	Cost (Rs. Cr)
Total Transmission Charges		0.72	183.70		0.75	173.00
Total Power Purchase Cost	**2558.78**	**4.82**	**1233.05**	**2,310.08**	**5.15**	**1,189.61**

Commission's Analysis

5.5.4 The Commission has observed that the Petitioner has projected Long Term Power purchase from DIL of Rs 527.55 Crore at Rs 4.48/kWh wherein the fixed charges are considered as Rs 1.93/ kWh and Energy charges are considered as Rs 2.22/kWh. The Petitioner submitted that the cost of power from DIL has been considered based on the representation received vide their letter no. DIL/F/NPCL/2018/09, which is subject to approval of the Commission.

5.5.5 The Commission in MYT Order dated November 30, 2017 approved long term power from DIL for FY 2019-20 at Rs 4.12/kWh. Further, the Commission vide Order dated February 05, 2019 disposed of MYT Petition No. 1235/2017 in the matter of determination of Tariff for DIL for FY 2016-17 to FY 2018-19, and approved provisional tariff wherein the fixed charges are approved as Rs 1.90/ kWh and Energy Charges are fixed as Rs 1.80/kWh for FY 2018-19. The relevant extract of the aforesaid Order is quoted below:

Quote

Table-2: Comparison of Fixed charges as approved in PPA vs claimed by the Petitioner (Rs./kWh)

Particulars	*As per Fixed Charges approved in PPA*	*As claimed in the MYT Petition*	*Revised submission as per capital cost as on Cut off date*	*Fixed Charges considering Refinancing Cost claimed in FY 2017-18*	*Fixed Charges approved by the Commission*
FY 2016-17	*2.11*	*2.08*	*2.05*	*2.05*	*2.05*
FY 2017-18	*2.06*	*2.02*	*1.94*	*1.99*	*1.99*
FY 2018-19	*2.02*	*1.95*	*1.90*	*1.90*	*1.90*
Levelized Fixed Tariff (25 years)	***1.93***	***1.93***	***1.86***	***1.87***	***1.87***

Table-3: Comparison of Energy charges as considered order for approval of PPA vs claimed by the Petitioner (Rs./kWh)

Particulars	*As considered in approval of PPA*	*As claimed in the MYT Petition*	*Revised submission as per capital cost as on Cut off date*	*Energy Charges approved by the Commission*
FY 2016-17	***1.65***	*2.177*	*1.65*	***1.65***
FY 2017-18	***1.72***	*2.177*	*1.72*	***1.72***
FY 2018-19	***1.80***	*2.177*	*1.80*	***1.80***
Levelized Fixed Tariff (25 years)	***2.21***	***2.34***	***2.21***	***2.21***

Note: The escalation rate of CERC has been considered as applicable till 31.03.2014, which is subject to true up.

Unquote

5.5.6 The Commission in the aforesaid Order also opined that the tariff approved above will be subject to true up provisions based on the UPERC (Terms and Conditions of Generation Tariff) Regulations, 2014. The relevant extract of the aforesaid Order is quoted below for reference:

Quote

4.2.14 The tariff approved above shall be subject to true up provisions based on the Tariff Regulations 2014. The Petitioner shall be required to submit all relevant details including actual figures on coal quality (GCV as received basis tested at plant) corresponding to each FY in the entire control period certified by an independent agency of repute for scrutiny of the Commission while truing up."

Unquote

5.5.7 Further the Commission in the aforesaid Order also opined that the tariff approved above shall remain effective till further Orders. The relevant extract of the Order is quoted below:

Quote

5. IMPLEMENTATION OF ORDER

5.1 *This order shall be reckoned to have come into effect from respective 01st day of each year of the for the Multi Year Tariff period of FY 2016-17 to FY 2018-*

*19 and **shall remain effective till further order**. DIL is entitled to raise the bills as per this order with necessary adjustments if any on receivable/ refundable.*

Unquote

5.5.8 Since, there is no further Order in this regard, the Commission finds it appropriate to provisionally consider the rates of fixed and energy charges as stipulated by the Commission in the aforesaid Order, which will be subject to the Truing up of ARR of DIL for the respective year.

5.5.9 As regards power purchase from traders, the Commission has observed that the Petitioner has projected the Round the clock (RTC) power at the rate of Rs. 4.99/kWh while peak power has been projected at the rate of Rs 4.83/kWh for FY 2019-20. The Commission in the MYT Order has approved the rate of power purchase from traders at the rate of Rs. 3.87/kWh. It can be observed that the rates projected by the Petitioner now are very high as compared to the rates projected in the MYT Order. Therefore, the Commission finds it appropriate to approve the rates of power purchase from traders (RTC power) for FY 2019-20 at the rate of power purchase from traders for FY 2018-19, i.e., Round the clock (RTC) power at the rate of Rs. 4.63/kWh. For peak power the rates are considered same as projected by the Petitioner for FY 2019-20, i.e., Rs 4.83/kWh.

5.5.10 As regards unscheduled Interchange transactions amounting to Rs 4.71 Cr as claimed by the Petitioner for FY 2019-20, the Commission is of the view that these charges cannot be projected while approving the ARR and need to be considered based on actuals at the time of truing up. Hence, the Commission has not approved these charges and the same shall be considered at the time of Truing Up based on actuals subject to prudence check.

5.5.11 As regards power purchase from Renewable Energy sources, the Commission has adjusted the quantum of power purchase (MU) from RE to match with the total approved quantum of power purchase as per the Energy Balance, as shown above. The Petitioner has projected 204.63 MU from purchase of RE power while the Commission has approved 139.72 MU, i.e., 68% of power projected by the Petitioner.

5.5.12 As regards cost of power purchase from Renewable Energy sources, the Commission has observed that the Petitioner has claimed Rs 5.02/kWh from purchase of RE power, which is quite high as compared to the rate of power purchase from RE power in FY 2018-19, i.e. Rs 4.81/kWh. Therefore, the

Commission finds it appropriate to consider the rate of RE power purchase claimed by the Petitioner in FY 2018-19, i.e., Rs 4.81/kWh, for FY 2019-20.

5.5.13 Since, the Commission has allowed distribution losses of 8.00% for FY 2019-20 as against 8.60% as claimed by the Petitioner, the quantum of power purchase (MU) approved by the Commission for FY 2019-20 is less than that projected by the Petitioner. Hence, the transmission charges approved by the Commission are adjusted as per the quantum of power approved for FY 2019-20 that is less than that claimed by the Petitioner.

5.5.14 The Commission while computing the Intra- State transmission charges for FY 2019-20 has considered the transmission tariff of Rs 0.1848/ kWh and transmission losses of 3.56% for FY 2019-20 as approved by the Commission vide Tariff Order of UPPTCL dated August 28, 2019, in the matter of determination of transmission tariff for FY 2019-20.

5.5.15 The Commission will carry out the detailed analysis of actual power purchase vis-a-vis approved power purchase at the time of truing up of FY 2019-20. Accordingly, the power purchase quantum and cost as approved by the Commission for FY 2019-20 and as projected by the Petitioner is as shown in the Table below:

Table 5-9 Approved Power Purchase Quantum & Cost for FY 2019-20

Sources of Power Purchase	Petition			Approved		
	Energy (MU)	Avg. (Rs. /kWh)	Cost (Rs. Crore)	Energy (MU)	Avg. (Rs. /kWh)	Cost (Rs. Crore)
Long Term Power	**1924.32**	**4.14**	**796.08**	**1924.32**	**3.84**	**738.85**
Long Term Power- DIL	1177.68	4.48	527.55	1177.68	3.99	470.33
Medium Term MTPPA	746.64	3.60	268.52	746.64	3.60	268.52
Sale/ Unscheduled Interchange	-47.09	-1.00	4.71	-	-	-
Power Purchase from Traders	**228.21**	**4.96**	**113.15**	**228.21**	**4.67**	**106.52**
Power Purchase from Traders (RTC)	184.71	4.99	92.15	184.71	4.63	85.52
Power Purchase from Traders (Peak)	43.50	4.83	21.00	43.50	4.83	21.00
Power Purchase from RE	**204.63**	**5.02**	**102.67**	**139.72**	**4.81**	**67.17**
Sub-Total	**2310.08**	**4.40**	**1016.60**	**2292.25**	**3.98**	**912.53**
Total Transmission charges	**-**	**0.75**	**173.00**	**-**	**0.66**	**150.41**

Sources of Power Purchase	Petition			Approved		
	Energy (MU)	Avg. (Rs. /kWh)	Cost (Rs. Crore)	Energy (MU)	Avg. (Rs. /kWh)	Cost (Rs. Crore)
Transmission charges of PGCIL	-	-	111.64	-	0.43	107.77
Transmission charges of UPPTCL	-	-	61.37	-	0.18	42.64
Total Power Purchase Cost	**2,310.08**	**5.15**	**1,189.61**	**2292.25**	**4.64**	**1062.95**

5.6 FUEL AND POWER PURCHASE COST ADJUSTMENT (FPPCA) /INCREMENTAL POWER

5.6.1 Regulation 20 of the Uttar Pradesh Electricity Regulatory Commission (Multi Year Distribution Tariff) Regulations, 2014 specifies as follows:

Quote

20. Treatment of Incremental Power procurement cost

20.1 Identification of Incremental cost and process of recovery

a) The Distribution Licensee shall recover the incremental cost incurred due to the following:

1. *Cost due to variation in fuel surcharge rate*
2. *Cost of incremental power required over and above the plan approved by the Commission*
3. *Increase in Bulk Supply Tariff (BST) as may be specified by the Hon'ble Commission in the Tariff Order.*

(b) The incremental cost on account of variation in fuel surcharge shall be computed and charged on the basis of actual variation in fuel surcharge rate vis-a-vis the cost approved in the tariff order and shall not be computed on the basis of estimated or expected variation in fuel surcharge.

(c) The incremental cost due to incremental power purchase for reasons stipulated in clause (d) of Regulation 19, shall be computed on the basis of formula provided in Regulation 20.2 below, and shall be charged for the quarter (n), on the consumer from the first month of the (n+2) quarter itself within the ceiling of 10% of variable component of tariff, without prior approval of the Commission and under or over recovery shall be carried forward to the next quarter.

(d) The Distribution Licensee shall submit details of the incremental cost incurred and to be charged to all consumers for the entire quarter, along with the detailed computations and supporting documents as may be required for verification by the Commission within first 28 days of the quarter end.

(e) The Commission shall examine the incremental cost charged by the Distribution Licensee against supporting documents as submitted:

Provided that discrepancies, if any shall be notified to the Distribution Licensee before the end of the second quarter.
Provided further that the Distribution Licensee shall adjust for the discrepancy notified by the Commission in third quarter's charge computation.

(f) In case the Distribution Licensee is found guilty of charging unjustified adjustment cost to the consumers on regular basis, the Commission shall adjust the unjustified additional cost along with interest on the same.

(g) The interest rate shall be in accordance with the State Bank Advance Rate (SBAR) as of the date on which the application of determination of tariff is made and benefits shall be passed on to the consumers.

(h) The Distribution Licensee shall upgrade the billing and IT systems to incorporate Incremental Costs (IC) as a component in tariff design.

20.2 Formula for computation of Incremental cost

The formula for calculation of the incremental cost will be as under:
Variables shall be in INR crores unless otherwise stated.

$IC_{q1} = C_{q1} + F_{q4} + A_{q3}$
ICq1 = Incremental Cost incurred in Q1
C_{q1} *= Change in cost due to:*

1. Variation in Fuel surcharge rate.
2. Total cost incurred to procure power over and above the plan as approved in Regulation 8 of these regulations (capped by weighted average cost of bilateral purchase and power exchange price).
3. Increase in Bulk Supply Tariff (BST) as may be specified by the Hon'ble Commission in the Tariff Order.
Explanation - 1: The norms for parameters such as station heat rate, auxiliary consumption, transit loss shall be approved by the Commission for each year as controllable factor at the time of determination of generation tariff for each State generating station. The change in fuel surcharge shall be considered only for the computation of incremental cost.
F_{q4} *= Carry forward factor for over-recovery / under-recovery of* IC_{q3} *in Quarter 4 from previous year.*

Explanation - 2: Fuel adjustment cost to be incorporated in subsequent quarter shall be up to 10 % of variable cost of the quarter, any difference would roll into following quarter to be adjusted as F_q.

A_{q3} = Adjustments on the basis of the Commission's order pertaining to discrepancies, if any, in computation of IC_{q3} from previous year. Similarly IC for respective quarters will be computed.

20.3 Incremental cost per unit of electricity consumption
a) Calculation of IC (INR / kWh) shall be as per the following formula:

*IC (INR / kWh) = (IC / (Metered sales + Unmetered sales estimates + excess distribution losses))*10*

Where IC is in INR lakh and Unit sales are in Million units
*Excess distribution loss = Energy Input – Energy Sales – (distribution loss % as specified by the Commission * Energy input)*

(b) The Licensee shall provide information related to Incremental Cost per unit of electricity consumption so as to enable the Commission to expedite the process of validation of IC recovered from the consumers within a month on the basis of information furnished by end of previous month, for any discrepancy to be taken into account as detailed above.
(c)The Commission may notify ceiling of incremental charges that can be recovered from the consumers on monthly basis.

Unquote

5.6.2 The Commission in the Review Petition No. 893 of 2013 filed by UPPCL, MVVNL, PVVNL, PuVVNL, DVVNL and KESCo in the matter of "Review of the Mechanism for Fuel & Power Purchase Cost Adjustment formulated by the Commission", had approved the revised formula/procedure with respect to the applicability and recovery of Fuel and Power Purchase Cost Adjustment (FPPCA) in Tariff Order dated June 18, 2015 for FY 2015-16 as detailed below:

Quote

6.9 Fuel and Power Purchase Cost Adjustment (FPPCA):

1. Recovery Periodicity (Cycle):

The cycle will be quarterly. The FPPCA for the quarter ending March will be calculated in next quarter i.e. up to June when the data / bills from generators / suppliers and sale of energy data for the quarter under consideration are available and the same will be applicable to all categories w.e.f. July.

2. Fuel & Power Purchase Cost Adjustment Formula (FPPCA):

1. The distribution licensee shall recover FPPCA amount with effect from a date which would be issued by a separate Commission's order from all consumers. The formula is as follows:

Step (A) Determination of Difference between Actual and Approved Power Purchase Cost in a quarter

$P_D = (P_{actual} - P_{approved})$

Where,

P_D = *Difference in Actual and Approved Power Purchase Cost (Rs. Crore)*

P_{actual} = *Actual Cost of Power Purchase (Rs. Crore)*

$P_{approved}$ = *Approved Cost of Power Purchase (Rs. Crore)*

Step (B) Determination of (E) Energy billed (in MUs) in a quarter after considering approved T&D losses.

Actual power purchased during the quarter (MUs) : *X (MUs)*

Approved T&D losses : *Y%*

Approved MUs billed after T&D losses (E) : *X * (1 - Y / 100)*

Step (C) Determination of Category wise Fuel & Power Purchase Cost Adjustment per unit based on approved T&D losses to be charged from consumers each month of the quarter

Category wise FPPCA (Rs. / unit) = ABR_C / ABR_D * $FPPCA_A$

Where,

$FPPCA_A$ *is Average Fuel and Power Purchase Cost Adjustment (in Rs. / kWh) = $(P_D/E)*10$*

ABR_C *is Average Billing Rate or through rate of Consumer Category (in Rs. / kWh) as approved in Tariff Order for the year*

ABR_D *is Average Billing Rate or through rate of Distribution Licensee (in Rs. / kWh) as approved in Tariff Order for the year*

2. The variation in power purchase cost due to UI and other unapproved purchases from short term sources shall not be covered under FPPCA.

3. For the purpose of recovery of FPPCA, power purchase cost shall include all the bills received by the distribution licensee, from the suppliers of the power,

during the previous FPPCA cycle irrespective of the period to which they pertain. This shall include arrears and refunds, if any, not settled earlier.

4. The total FPPCA recoverable, as per the formula specified above, shall be recovered from the actual sales and in case of unmetered consumers, it shall be recoverable based on estimated sales to such consumers, calculated in accordance with such methodology / mechanism as may be stipulated by the Commission.

5. Per unit rate of FPPCA shall be worked out in paisa after rounding off to the unit place.

6. In case of negative FPPCA, the credit shall be given to the consumers under the FPPCA head, so that the base tariff determined by the Commission effectively remains the same.

7. The Distribution licensee shall submit details to the Commission on a quarterly basis towards the computation of the FPPCA, which shall include the source wise power purchase quantum, power purchase cost incurred and power purchase rate, details of the FPPCA incurred and the FPPCA chargeable from the consumers for each month in such quarter, along with the detailed computations and supporting documents as may be required for approval by the Commission.

Provided that the above submission made to the Commission must be certified by a Chartered Accountant.

Provided further that the FPPCA applicable for each month shall be displayed prominently at the collection centres and the offices dealing with consumers and on the internet website of the Distribution Licensee.

Provided that the Distribution Licensee shall put up on his internet website such details of the FPPCA incurred and the FPPCA charged to all consumers for each month along with detailed computations.

8. In case of Minimum Charges, FPPCA shall be charged only on actual units consumed by the consumer during the relevant month in addition to the Minimum Charges amount.

9. In case Government of Uttar Pradesh decided to provide subsidy on FPPCA to a particular consumer category then, it should do the same as per the provisions of Section 65 of Electricity Act 2003. It shall be the responsibility of the licensee to seek prior approval of the State Government in this regard and maintain appropriate record of the same.

10. The Commission may however suitably modify / change the proposed formula / procedure or adopt a different formula / procedure for the assessment of fuel surcharge if it considers it to be more appropriate.

Unquote

5.6.3 Further, the Commission, through its various Tariff Orders Directions / Letters / Deficiency notes (during ARR processing) had been repeatedly asking the Licensee to file FPPCA in a timely and regular manner. In view of the above directions, NPCL vide its Letter dated January 30, 2019 submitted the FPPCA for 3rd Quarter of FY 2018-19. A preliminary analysis of the Petition was done by the Commission wherein certain deficiencies / discrepancies were observed. Therefore, the Commission vide its Letter dated February 15, 2019 sought certain information required for computing FPPCA for third Quarter for FY 2018-19 and directed the Petitioner to submit revised computation and compliance in all matters of Commission's Order dated October 31, 2018 in Petition No. 1322 of 2018.

5.6.4 However, no information was received from the Petitioner until March 19, 2019. Therefore, the Commission vide Letter dated March 19, 2019 redirected the Petitioner to make submission for details required for computing FPPCA for third Quarter for FY 2018-19 within seven (7) working days. The Petitioner vide Letter dated March 28, 2019 sought 2 weeks more time for submission of the required information. However, no information has been received from the Petitioner yet.

5.6.5 The Commission in Deficiency note dated February 15, 2019 directed the Petitioner to submit monthly power purchase for FY 2019-20. The Petitioner vide its reply dated April 16, 2019 has submitted the following details:

Table 5-10 Monthly power purchase for FY 2019-20 as submitted by the Petitioner

Month	Quantum (MU)	Power Purchase cost (Rs Cr)
April	194.00	99.38
May	200.35	102.03
June	193.98	99.39
July	200.36	102.03

Month	Quantum (MU)	Power Purchase cost (Rs Cr)
August	200.08	102.05
September	193.71	99.41
October	201.10	101.95
November	127.27	81.26
December	201.81	101.88
January	201.49	101.91
February	191.93	96.31
March	201.19	101.92
Total	**2307.27**	**1189.52**

5.6.6 However, the power purchase quantum and cost approved by the Commission for FY 2019-20 are different from the Petitioner's projection based on certain factors as mentioned in the above section of this Chapter. Therefore, for the purpose of FPPCA/ Incremental Cost, the projected monthly power purchase requirement approved by the Commission for FY 2019-20 is provided in the Table below:

Table 5-11 Monthly power purchase for FY 2019-20 approved by the Commission

Month	Quantum (MU)	Power Purchase cost (Rs Cr)
April	192.74	88.81
May	199.05	91.17
June	192.72	88.81
July	199.06	91.17
August	198.78	91.19
September	192.45	88.83
October	199.79	91.10
November	126.44	72.61
December	200.50	91.04
January	200.18	91.07
February	190.68	86.06
March	199.88	91.08
Total	**2292.25**	**1062.95**

5.6.7 It is to be noted that the power purchase expenses being an uncontrollable expense, is pass-through to the consumers, however, the difference between the actual cost of power procurement and the approved power purchase expenses, is being recovered by the Distribution Licensee at the time of truing up. The time lag in recovery of the variation in power purchase expenses adversely affects the cash flow of the Distribution Licensee and also puts additional burden on consumers on account of Carrying Cost.

5.6.8 Failure to file FPPCA / Incremental Cost in a timely manner has many repercussions such as higher accumulated Aggregate Revenue Requirement (ARR) on account of variation in Power Purchase Expenses and carrying cost and increase in Tariff or allowance in the form of Regulatory Surcharge, leading to Tariff shock. Further, the delayed filing of the FPPCA / Incremental Cost and claiming of the additional power purchase expenses during the Truing-Up process also put the burden of such additional power purchase expenses on the new consumers, who may not have been consumers during the respective year.

5.6.9 **The Licensee is required to file FPPCA/ Incremental Cost in a timely and regular manner failing which the Commission may have to take punitive action against the Licensees like disallowance of additional power purchase expenses and the associated carrying cost on account of additional Power Purchase expenses or any other action that the Commission may deem fit while doing the Truing Up of the said year.**

5.7 OPERATION AND MAINTENANCE EXPENSES

5.7.1 The Petitioner based on latest estimated O&M expenditure for FY 2018-19 and revised estimates of consumer numbers, energy sales and revenue for FY 2018-19, has provided the estimate of O&M Expenditure for FY 2019-20 as shown in Table below:

Table 5-12 Revised O&M Expenses as submitted by the Petitioner (Rs. Cr)

S. No.	Particulars	Approved in TO dtd. 30/11/17	Petition
1	Repair & Maintenance	52.50	57.38
2	Employees Expenses	34.71	69.44
3	Administrative & General Expenses	15.25	23.59
4	**Total O&M Expenses**	**102.46**	**150.41**
5	Less: Employee Cost Capitalised	8.16	11.90
6	**Net O&M Expenses**	**94.31**	**138.51**

5.7.2 As seen from the above table, the Petitioner for FY 2019-20 has projected the net O&M Expenses of Rs. 138.51 Crore comprising R&M expenses of Rs. 57.38 Crore, Employee Expenses of Rs. 69.44 Crore, A&G Expenses of Rs. 23.59 Crore and Employee cost capitalisation of Rs. 11.90 Crore.

5.7.3 The Petitioner has also analysed the impact of introduction of GST on its O&M Expenses and has projected the same to be around 3% on all the goods and services

taken together for FY 2019-20. Accordingly, the impact of GST as projected in ARR for FY 2019-20 has been computed by the Petitioner as provided in table below:

Table 5-13 GST impact as submitted by the Petitioner for FY 2019-20

Description	Petition
R&M expenses (Rs. Cr)	57.38
A&G Expenses (Rs. Cr)	23.59
Total (Rs. Cr)	**80.97**
GST (%)	3.00%
GST (Rs. Cr)	**2.43**

Commission's Analysis

5.7.4 The Commission observed that the Petitioner has projected O&M Expenses for FY 2019-20 on the higher side as compared to that approved in Tariff Order dated November 30, 2017. The Commission in deficiency note dated February 15, 2019 sought the Petitioner's explanation for the same.

5.7.5 As regards the above deficiency, the Petitioner vide Letter dated April 16, 2019 submitted that the Commission in its Tariff Order dated 30th November, 2017 / 22nd January, 2019 had approved the O&M expenses on normative basis in accordance with the Regulation 25 of MYT Distribution Regulations, 2014, which is grossly insufficient as compared to the likely expenses projected by the Petitioner. It further requested that the Commission may please consider the O&M expenses for FY 2019-20 as projected by it owing to following factors which are beyond the control of the Company: -

1) **Reasons for Higher Employee Related Cost**

   - **Increase in Minimum Wages**
   - **Additional Manpower deployed for saving in Bad & Doubtful Debts compare to norms**
   - **Recommendation of Sixth /Seventh Pay Commission**

2) **Reasons for Higher A&G Expenses:**

The Petitioner has submitted that the A&G expenses of the Petitioner mainly includes the charges related to Lease/ Rent, insurance, Revenue Stamp Expenses Account, Telephone, Postage, Telegram & Telex Charges, Incentive & Award To Employees/Outsiders, Consultancy Charges, Professional Charges,

Conveyance and Travelling, Printing And Stationery, Auditor's Fees, Expenses on Public Interaction Program, Courier charges, Meter Reading Charges, Legal Charges, DSM Expenses, CGRF Expenses, Competitive Bidding & PPA Approvals, UPERC Other Fees and Research & Studies.

These costs need to be incurred by the Distribution Licensee based on actual requirement and the same are beyond the control of the Distribution licensees, and therefore, cannot be disallowed based on the normative parameters. Further, the above charges do not depend on any kind of inflation index (including WPI) and have to be incurred as per actual requirement. Therefore, the Petitioner requested the Commission to allow the A&G expenses at actual basis.

3) **Reasons for Higher R&M Expenses**

- **Increase in Annual Maintenance Contract (AMC)**
- **GST Impact**

The Petitioner has submitted that the Central Government has made new Goods & Service Tax (GST) effective from 1st July, 2017, which covers almost all goods and services within its ambit. The new GST has stipulated tax rate of 18% and 28% for most of the goods and services as against Service Tax of 15% and VAT of 14.5%. Apart from above it has also brought in new services under Reverse Charge Mechanism, which leads to higher indirect tax burden on service users such as the Petitioner.

5.7.6 The Commission has computed the normative O&M Expenses of NPCL for FY 2019-20 as per the provisions of Distribution MYT Regulations, 2014. Regulation 25 of UPERC (Multi Year Distribution Tariff) Regulations, 2014 is reproduced below for reference:

Quote

25. Operation & Maintenance Expenses

The Commission shall stipulate a separate trajectory of norms for each of the components of O&M expenses viz., Employee cost, Repairs and maintenance (R&M) expense and Administrative and General Expense (A&G) expense. Provided that such norms may be specified for a specific Distribution Licensee or a class of Distribution Licensees.

(b) Norms shall be defined in terms of combination of number of personnel per 1000 consumers and number of personnel per substation along with annual expenses per personnel for Employee cost; combination of A&G expense per personnel and A&G expense per 1000 consumers for A&G expenses and R&M expense as percentage of gross fixed assets for estimation of R&M expenses:

(c) One-time expenses such as expense due to change in accounting policy, arrears paid due to pay commissions etc., shall be excluded from the norms in the trajectory.

(d) The expenses beyond the control of the Distribution Licensee such as dearness allowance, terminal benefits etc. in Employee cost etc., shall be excluded from the norms in the trajectory.

Unquote

5.7.7 As per the provisions of the aforesaid Regulations, the Commission in MYT Order dated November 30, 2017 has computed the norms for Employee expenses, R&M expenses and A&G expenses. The relevant extract of the Order is as follows:

Quote

Computation of Employee Cost:

5.3.11 Step-4: Then year wise i.e. FY 2017-18, FY 2018-19 and FY 2019-20 Employee
Expense (Consumers) and Employee Expense (Substation) is calculated considering norms per 1000 consumers and norms per substation (calculated above) using following formulae:

*Employee Expense (Consumers)= (Norms per 1000 consumers * Number of consumers) / 1000*

*Employee Expense (Substation)= (Norms per substation * Number of consumers)*

Particulars	***Base Value***	***FY 2016-17***	***FY 2017-18***	***FY 2018-19***	***FY 2019-20***
CPI Inflation		*4.12%*	*7.21%*	*7.21%*	*7.21%*
Norms per 1000 consumers*(RsCrore)*	***0.269***	*0.314**	*0.337*	*0.361*	*0.387*
No of consumers		*77672*	*84016*	*91602*	*99328*
Employee Expense (F)*(RsCrore)*		***24.41***	***28.31***	***33.09***	***38.46***
Norms per substation*(RsCrore)*	***0.003***	*0.004**	*0.004*	*0.004*	*0.005*
No of sub-stations		*5967*	*6211*	*6453*	*6641*
Employee Expense (G)*(RsCrore)*		***22.58***	***25.20***	***28.07***	***30.97***

*Note- 0.314 and 0.004 is arrived after escalating the base values by applying CPI inflation for FY 2014-15, FY 2015-16 and FY 2016-17.

.....

Computation of Repair & Maintenance (R&M) Cost:

5.3.17 Step-4: Kb for control period has been computed by considering the audited figures of the preceding five years (i.e FY 2011-12 to FY 2015-16) with the formulae as follows:

Kb = % of (R&M Expenses / Average GFA)

Particulars	FY 2015-16	FY 2016-17	FY 2017-18	FY 2018-19	FY 2019-20
WPI Inflation		1.73%	**0.94%**	**0.94%**	**0.94%**
Kb	**2.57%** = Avg. of previous 5 years	2.62% = 2.57% *(1+ 1.73%)	**2.64%** =2.62*(1+ 0.94%)	**2.67%** =2.72%*(1+ 0.94%)	**2.69%** =2.77%*(1+ 0.94%)

.....

Computation of Administrative & General (A&G) Cost:

5.3.23 Step-4: Then the year wise i.e. FY 2017-18, FY 2018-19 and FY 2019-20 total A&G Expenses are calculated considering A&G Expense (Consumers) and A&G Expense (Employee) per 1000 consumers as shown below:

*A&G Expense (Consumers)= (Norms per 1000 consumers * Number of consumers) / 1000*

*A&G Expense (Employee)= (Norms per employee * Number of employee)*

Particulars	Base Value	FY 2016-17	FY 2017-18	FY 2018-19	FY 2019-20
Norms per 1000 consumers (Rs Crore)	**0.120**	0.119	0.120	0.121	0.122
No of consumers (nos.)		77672	84016	91602	99328
A&G Expense (F) (Rs Crore)		**9.24**	**10.09**	**11.10**	**12.15**
Norms per substation (Rs Crore)	**0.0314**	0.0311	0.0314	0.0317	0.0320
No of employees (nos.)		362	440	500	574
A&G Expense (G) (Rs Crore)		**11.25**	**13.81**	**15.84**	**18.35**

*Note- *0.120 & 0.0314 is arrived after escalating the base values by applying WPI inflation for FY 2014-15, FY 2015-16 and FY 2016-17.*

Unquote

5.7.8 The Commission in the previous years has been allowing the O&M expenses as per the UPERC (Multi Year Distribution Tariff) Regulations, 2014. The Commission is of the view that if the O&M expenses are allowed on the basis of actual O&M expenses as suggested by the Petitioner, there will be no sanctity of fixation of norms for Employee expenses, R&M expenses and A&G expenses in Tariff Regulations and hence each of them have to be dealt individually & appropriately. As per the UPERC (Multi Year Distribution Tariff) Regulations, 2014, some of the elements of ARR are considered on normative basis and the actual expenses under some elements may be higher as compared to approved expenses, while the actual expenses under some elements may be lower as compared to approved expenses.

5.7.9 The Hon'ble APTEL in its Judgment dated June 2, 2016 in the matter of NPCL Vs. UPERC has held that normative approach has to be followed while allowing O&M expense. The relevant extract of the said Judgment has been reproduced below:

Quote

The State Commission in the Impugned Tariff Order has allowed O&M expenses based on norms as per the provisions of the Distribution Tariff Regulations which has been followed by it in its earlier Tariff orders. We do not find any infirmity in this approach followed by the State Commission.

Unquote

5.7.10 Therefore, the Commission for the purpose of approving ARR of Employee expenses, R&M expenses and A&G expenses for FY 2019-20 has taken the same norms as computed in the aforementioned MYT Order dated November 30, 2017. The calculation of R&M Expenses for FY 2019-20 as per Distribution MYT Regulations, 2014 is as follows:

Table 5-14 R&M Expenses as approved by the Commission for FY 2019-20

S.No.	Particulars	Approved in T.O 30.11.2017	Petition	Normative
1	Average GFA (Rs Crore)	1915.19		1823.14
2	K_b	2.69%		2.69%
3	**R&M Expense (Rs Crore)**	**51.52**	**57.38**	**49.04**

5.7.11 The calculation of Employee Expenses for FY 2019-20 as per Distribution MYT Regulations, 2014 is as follows:

Table 5-15 Employee Expenses as approved by the Commission for FY 2019-20

	Particulars	Normative
A	Norms per 1000 consumers (Rs Crore)	0.387
B	Number of consumers (nos)	93664
C	**Employee Expenses (consumers)** (Rs Crore) **(A×B/1000)**	**36.25**
D	Norms per substation (Rs Crore)	0.005
E	Number of substations (nos)	6690
F	**Employee Expenses (substation)** (Rs Crore) (D×E)	**33.45**
G	**Net Employee Expenses** (Rs Crore) **[(C+F)/2]**	**34.85**

5.7.12 The calculation of A&G Expenses for FY 2019-20 as per Distribution MYT Regulations, 2014 is as follows:

Table 5-16 A&G Expenses as approved by the Commission for FY 2019-20

	Particulars	Normative
A	Norms per 1000 consumers	0.1220
B	Number of Consumers	93664
C	**Administration & General Expenses (consumers) (A×B/1000)**	**11.43**
D	Norms per Employee	0.0320
E	Number of Employee	620
F	**Administration & General Expenses (Employee) (D×E)**	**19.84**
G	**Total Administration & General Expenses [(C+F)/2]**	**15.63**

5.7.13 The Commission is of the view that all the uncontrollable factors mentioned by the Petitioner for projecting O&M expenses higher than the norms need to be analysed based on the actual expenses at the time of truing up of FY 2019-20 and it would not be appropriate to project these expenses. The Commission will carry out the detailed analysis of actual O&M Expenses vis-a-vis approved O&M expenses at the time of truing up to assess the impact of uncontrollable factors on O&M expenses and accordingly consider the same.

5.7.14 Thus, the approved O&M Expenses for FY 2019-20 as per Distribution MYT Regulations, 2014 are as follows:

Table 5-17 O&M Expenses as approved by the Commission for FY 2019-20 (Rs Cr)

Particulars	Approved vide T.O. dtd. 30/11/2017	Petition	Approved
Repair & Maintenance Expenses	52.50	57.38	49.04
Employee Expenses	34.71	69.44	34.85
Administrative and General Expenses	15.25	23.59	15.63
Gross O&M Expenses	**102.46**	**150.41**	**99.52**
Less: Expense Capitalisation	8.16	11.90	11.90
Net O&M Expenses	**94.31**	**138.51**	**87.62**

5.7.15 As regards the expenses incurred towards GST, the Petitioner has projected average incremental rate of GST for FY 2019-20 as 3.00%. The Commission has computed the net impact of GST on R&M and A&G expenses and has taken the incremental rate of GST as considered by the Petitioner. The net impact of GST as approved by the Commission for FY 2019-20 is as follows:

Table 5-18: Impact of GST for FY 2019-20 as approved by the Commission (Rs. Cr)

Description	Petition	Approved
R&M expenses (Rs. Cr)	57.38	49.04
A&G Expenses (Rs. Cr)	23.59	15.63
Total (Rs. Cr)	**80.97**	**64.68**
GST rate (%)	3.00%	3.00%
GST (Rs. Cr)	**2.43**	**1.94**

5.8 CAPITAL EXPENDITURE

5.8.1 The Petitioner submitted that due to change in Network Planning, the estimated Capital Expenditure for FY 2019-20 have been revised. The details of the same are given in the Table below:

Table 5-19 Capex claimed by the Petitioner for FY 2019-20 (Rs. Cr)

S.No.	Nature of Works	Petition
1	New Connection	16.34
2	Replacement Stock	2.31
3	Metering	3.25
4	220/33 and 33/11 kV Substation	45.75
5	33 kV Network Development	7.63
6	11 kV Network Development	14.22
7	LT Network Development	4.24
8	Network at Villages	4.34
9	Network Renovation	1.32

S.No.	Nature of Works	Petition
10	Process System Automation	19.79
11	Civil Works & Office Infrastructure Facility	30.69
12	IT Projects	10.00
13	Tools / Testing Equipment, Vehicles etc.	4.72
14	Demand Side Management	1.00
15	Land	5.00
16	Misc/ Contingent Works	8.00
17	**Sub-Total**	**178.59**
18	Salary Capitalisation	11.90
19	**Capex incurred (excluding interest capitalisation)**	**190.49**
20	Add: Interest Capitalisation	3.76
21	**Capex incurred**	**194.25**
22	Add: Assets taken over from GNIDA	1.00
23	**Grand Total**	**195.25**

5.8.2 The Petitioner has further submitted that as per Clause 21.1 of the Distribution MYT Regulations, 2014, the capital expenditure is required to be funded in the Debt-Equity ratio of 70:30. Accordingly, based on capex for FY 2019-20, the details of the funding of the aforesaid capital expenditure is given in the Table below:

Table 5-20 Capital Expenditure funding for FY 2019-20 submitted by the Petitioner (Rs. Cr)

Particulars	Ref.	Petition
Total Additions to Assets	a	191.18*
Add: Closing CWIP	b	0.00
Less: Opening CWIP	c	18.30
Less: Assets retired	d	5.15
Capital Expenditure (excluding interest capitalisation)	**e=a+b-c-d**	167.73
Add: Interest Capitalisation	f	3.53
Total Capex	**g=e-f**	**171.26**
Consumer Contribution	h	23.92
Net Capex	**i=g-h**	**147.34**
Debt - 70%	=i x 70%	103.14
Equity- 30%	=i x 30%	44.20

** The Assets taken over from GNIDA and UPSIDC of Rs 1.00 Cr has not been considered.*

Commission's Analysis

5.8.3 Clause 21 of the Distribution MYT Regulations, 2014, provides as follows:

Quote

21. Capital Cost of the Project

21.1 The capital cost of the project shall include the following:

a) Expenditure incurred or projected to be incurred on original scope of work, including the interest during construction and financing charges, any gain or loss on account of foreign exchange risk variation, during construction, on the loan – (i) being equal to 70% of the funds deployed, in the event of the actual equity in excess of 30% of the funds deployed, by treating the excess equity as normative loan, or (ii) being equal to the actual amount of loan in the event of the actual equity less than 30% of the funds deployed, - up to the date of commercial operation of the project, as admitted by the Commission, after prudence check shall form the basis for determination of Tariff;

Unquote

5.8.4 Further, Clause 23 of Distribution MYT Regulations, 2014, provides as follows:

Quote

23. Debt-Equity Ratio

For all capital expenditure incurred after April 1, 2015, debt equity ratio shall be 70:30. Where equity employed is more than 30%, the amount of equity for the purpose of tariff shall be limited to 30% and the balance amount shall be considered as loan.

Provided that in case actual equity employed is less than 30%, the actual debt and equity shall be considered for determination of tariff.

Provided that in case of existing projects, the actual debt equity shall be used for tariff determination. However, any additional capital expenditure shall be in the abovementioned ratio.

The debt and equity amounts arrived at in accordance with clause (a) above shall be used for calculating interest on loan and return on equity.

Unquote

5.8.5 The capital expenditure for FY 2019-20 has been considered as per the Petitioner's submission after deducting the assets transferred from GNIDA/ UPSIDC, considering the employee capitalisation as computed by the Commission and interest capitalisation as submitted by the Petitioner. The opening CWIP for FY

2019-20 is Rs. 18.30 Crore. Considering that the Petitioner in past has been able to capitalise the allowed capital expenditure, the Commission has allowed total capitalization, i.e., transfers to GFA for the Control Period as proposed by the Petitioner after making the appropriation as mentioned above.

5.8.6 The UPERC Multi Year Distribution Tariff Regulations, 2014 has made a provision that for capital expenditure greater than Rs 10 Crore, the Distribution Licensee shall seek prior approval of the Commission. Considering the same, the Commission in Deficiency note dated February 15, 2019 directed the Petitioner to submit the details the details of projects for which the CAPEX is greater than Rs 10 Crore.

5.8.7 The Petitioner in its reply dated April 16, 2019 submitted that it had submitted its Business Plan for the Control Period from FY 2017-18 to FY 2019-20 in accordance with Regulation 5 of the UPERC Multi Year Tariff Regulations, 2014. In the said Business Plan, detailed explanation of the Capital Expenditure had been provided in the Chapter 1.3. Further, Annexures to the aforesaid Chapter 1.3 of the Business Plan contained the information regarding unit, quantity, rate and total cost of a particular Capital Head, i.e., substation, panels, cables, transformers, civil and electrical structures, etc., as shown below:

- Capital Expenditure for FY 2017-18 - Annexure 3.1.1.1 to 3.1.1.47
- Capital Expenditure for FY 2018-19 - Annexure 3.1.2.1 to 3.1.2.43
- Capital Expenditure for FY 2019-20 - Annexure 3.1.3.1 to 3.1.3.43.

5.8.8 The Petitioner further submitted that the Commission vide its letter dated 13th December, 2016 and subsequent letters sought various additional information concerning the Capital expenditure and the same were provided by the Petitioner vide its letter dated 30th December, 2016 and other subsequent letters. Based on the above, the Commission vide its Order dated November 30, 2017 had duly approved the capital expenditure for the MYT Period, i.e., FY 2017-20.

5.8.9 The Petitioner further submitted that post submission of APR Petition for FY 2017-18 on July 18, 2018, it provided detailed submissions in due course relating to the Capital Expenditure as desired by the Commission, which has since been approved by the Commission vide its Tariff Order dated 22nd January, 2019.

5.8.10 The Commission vide Order dated October 31, 2018 in Petition No. 987 of 2014 in the matter of Denial /Delay by UPPTCL in handing over the physical possession of the 220 kV R.C. Green Substation at Greater Noida to NPCL has stated that:

Quote

86. Keeping in view the overall efficiency, economical and integrated operations of state transmission sector, interest of consumers of Greater Noida area coupled with the obligation of GNIDA to provide free land and bear the cost of substation up to 220 kV, the Commission decides that

(i). NPCL petition for owning, operating and maintaining 220 kV sub-station as distribution licensee is dismissed.

(ii). NPCL shall claim refund of the amount deposited with Greater Noida Authority towards costs of land and construction of 220 KV sub-station at RC Green and associated 220 kV line to NPCL.

(iii). The investment allowed by this Commission to NPCL in the distribution tariff shall be trued up again after deducting this refund.

(iv). UPPTCL as STU and transmission licensee, shall own, operate and maintain 220 kV Sub-Station at RC Green.

Unquote

5.8.11 Also, the Commission in Order dated October 31, 2018 in Petition No. 1020 of 2015 in the matter of Denial / Delay by UPPTCL in granting connectivity to the 220 kV Gharbara Substation at NPCL at 400 kV Greater Noida (Pali) Substation of UPPTCL has stated that:

Quote

51. Keeping in view the overall efficiency, economical and integrated operations of state transmission sector, interest of consumers of Greater Noida area coupled with the obligation of GNIDA to provide free land and bear the cost of substation up to 220 kV, the Commission decides that

a. NPCL petition for direction to UPPTCL to grant connectivity of Gharbara Substation from 400 kV Greater Noida (Pali) sub-station is dismissed.

b. NPCL shall claim refund of the amount deposited with Greater Noida Authority towards cost of land and construction of 220 kV Gharbara sub station and associated 220 kV line from GNIDA.

c. Since the Petitioner did not comply with the provisions of U.P. Electricity Regulatory Commission (Terms and Conditions for Determination of Distribution Tariff) Regulation-2006, before making investment in the 220 kV Gharabara sub-station, this expenditure cannot be allowed in distribution ARR. The Commission shall review this investment in the True-up of ARR filed by the Petitioner.

d. UPPTCL as STU and transmission licensee, shall own, operate and maintain 200 kV Sub-Station at village Gharbara.

e. *UPPTCL shall arrange adequate transmission capacity for NPCL as per their power distribution plan without creating any obstacle.*

f. *NPCL shall be granted connectivity from Gharbara sub-station through 33 kV feeders.*

Unquote

5.8.12 The Commission on the basis of aforementioned Orders disallowed the Capital expenditure of Rs 24.00 Cr as submitted by the Petitioner for BZP and KP-V 220 kV Substation and shown in the Table above, for FY 2018-19. The Petitioner in its submission dated 26.10.2018 submitted the Capital Expenditure details for FY 2019-20 wherein Capital expenditure was considered as Rs 231.61 Cr and Opening Capital Work-in progress (CWIP) was considered as Rs 42.30 Cr. However, in its reply of deficiency note dated April 16, 2019, the Petitioner has revised the capital expenditure details for FY 2019-20 taking into cognizance the aforementioned Orders of the Commission. In revised submissions, Capital expenditure has been projected as Rs 176.41 Cr and Opening Capital Work-in Progress (CWIP) has been projected as Rs 18.30 Cr for FY 2019-20.

5.8.13 The Commission while working out debt and equity has considered 70% of the capital expenditure financed through loan and 30% of capital expenditure financed through equity after deducting Consumer Contribution from the total capital expenditure in accordance with Clause 23 of the Distribution MYT Regulations, 2014. The details of the capital expenditure approved by the Commission for FY 2019-20 are as follows:

Table 5-21 Capex for FY 2019-20 approved by the Commission (Rs. Cr)

Particulars	Approved in T.O dtd. 30.11.2017	Petition	Approved
Total Additions to Assets (excluding interest Capitalisation)	226.12	190.50	190.50
Add: Closing CWIP	2.00	0.00	0.00
Less: Opening CWIP	2.00	18.30	18.30
Total Capex (excluding interest Capitalisation)	**226.12**	**172.20**	**172.20**
Add: Interest Capitalisation	1.76	4.22	4.22
Total Capex	**227.87**	**176.41**	**176.41**
Consumer Contribution	18.41	23.92	23.92
Net Capex	**209.46**	**152.49***	**152.49**
Debt @ 70%	146.62	106.74	106.74
Equity @ 30%	62.84	45.75	45.75

**Deduction of Rs 5.15 Crs for assets retired is shown by the Petitioner.*

5.8.14 **The Licensee is required to comply with the Regulation 23 A (b) of UPERC Multi Year Distribution Tariff Regulations, 2014 relating to obtaining project wise prior approval of the Commission before incurring capital expenditure of an amount exceeding 10 Crore, so that such approvals may be allowed in the ARR.**

5.9 INTEREST CHARGES

5.9.1 The Petitioner has claimed Interest and Finance Charges that includes the following components:

- Interest on Long Term Loans
- Finance Charges
- Interest on working capital
- Interest on consumer security deposits
- Carrying Cost of Regulatory Asset

Each of the above elements are discussed separately below:

5.10 INTEREST ON LONG TERM LOANS

5.10.1 The Petitioner based on the methodology as defined in the MYT Regulations, 2014 has estimated the Interest on Term Loan for FY 2019-20 as shown in the Table below:

Table 5-22 Interest on Term Loan submitted by the Petitioner (Rs. Cr)

S No	Loan Computation	Ref.	Approved in T.O dtd. 30.11.2017	Petition
1	Gross Normative loan – Opening	A	1034.21	934.42
2	Cumulative repayment of Normative Loan upto previous year	B	439.82	432.34
3	**Net Normative loan – Opening**	**C=A-B**	**594.38**	**502.08**
4	Increase/Decrease due to ACE during the Year	D	145.19	103.14
5	Repayments of Normative Loan during the year	E	75.76	63.12
6	**Net Normative loan – Closing**	**F=C+D-E**	**663.81**	**542.10**
7	Average Normative Loan*	G=(C+F)/2	629.10	522.09
8	Weighted average Rate of Interest on actual Loans	H	10.18%	10.25%
9	**Interest on Normative loan**	**I=GxH**	**64.07**	**53.51**

Commission's Analysis

5.10.2 As regards Interest on loan, Regulation 27 (g) of Distribution MYT Regulations, 2014 specifies as follows:

Quote

27 g) The rate of interest shall be the weighted average rate of interest calculated on the basis of actual loan portfolio at the beginning of each year of the transition / control period, in accordance with terms and conditions of relevant loan agreements, or bonds or non-convertible debentures:

Provided that if no actual loan is outstanding but normative loan is still outstanding, the last available weighted average rate of interest shall be applicable.

Unquote

5.10.3 Annual Performance Review of FY 2018-19 is limited to the revision of estimates based on the audited financial results for FY 2017-18 only. The estimates for FY 2018-19 like capital expenditure, sales, power purchase expenses, etc., are not revised and considered same as that approved by the Commission vide Tariff Order dated January 22, 2019. Accordingly, the approved closing gross normative loan of FY 2018-19 is higher as compared to that submitted by the Petitioner, as shown in the table above, due to variation in capital expenditure and loan repayment considered during FY 2018-19. The closing gross normative loan of FY 2018-19 is considered as the opening value of gross normative loan for FY 2019-20. The Commission shall carry out the detailed prudence check of various components while carrying out the truing up for FY 2019-20.

5.10.4 The Distribution MYT Regulations, 2014 provide for normative interest on long-term loans as shown in the above extract of the Regulations. On the basis of Petitioner's submissions and as per the provision of Distribution MYT Regulations, 2014, Interest on Long Term Loan as approved by the Commission for FY 2019-20 is as follows:

Table 5-23 Interest on Long term Loans approved by the Commission for FY 2019-20 (Rs. Cr)

Particulars	Approved in T.O dtd. 30.11.2017	Petition	Approved
Gross Normative loan – Opening	1034.21	934.42	924.59
Cumulative repayment of Normative Loan upto previous year	439.82	432.34	428.26

Particulars	Approved in T.O dtd. 30.11.2017	Petition	Approved
Net Normative loan – Opening	594.38	502.08	496.34
Increase/Decrease due to ACE during the Year	145.19	103.14	86.34
Repayments of Normative Loan during the year	75.76	63.12	64.99
Net Normative loan – Closing	663.81	542.10	517.68
Average Normative Loan	629.10	522.09	507.01
Weighted average Rate of Interest on actual Loans	10.18%	10.25%	10.25%
Interest on Normative loan	**64.07**	**53.51**	**51.97**

5.11 FINANCE CHARGES

5.11.1 The Petitioner has submitted that it has to incur various Finance Charges for availing financial products and services for the purpose of meeting its financial and other business needs. These charges are shown in the Table below:

Table 5-24 Finance Charges for FY 2019-20 submitted by the Petitioner (Rs. Cr)

Sl. No	Particulars	Petition
1	Processing Fee	1.80
2	Credit Rating Charges	0.15
3	Collection Facilitation Charges	1.00
4	SBLC & Other Finance Charges	1.55
	Total Finance Charges	**4.50**

Commission's Analysis

5.11.2 The Commission observed that the Finance charges projected for FY 2019-20 by the Petitioner are considerably higher than that claimed for FY 2017-18, i.e., Rs 1.64 Cr. The summary of Finance charges for FY 2017-20 is shown in the table below:

Table 5-25 Summary of Finance Charges for FY 2017-20 (Rs. Cr)

Particulars	FY 2017-18		FY 2018-19		FY 2019-20	
	Approved in TO 30.11.17	Claimed	Approved in TO 22.01.19	Claimed	Approved in TO 30.11.17	Claimed
Credit rating charges	0.15	0.05	0.15	0.15	0.15	0.15
Processing charges	1.34	0.97	1.80	1.80	1.64	1.80
Collection facilitation charges	0.60	0.56	0.75	0.75	1.00	1.00
LC & other charges	1.15	0.06	1.35	1.35	1.55	1.55
Total	**3.24**	**1.64**	**4.05**	**4.05**	**4.34**	**4.50**
% increase of claimed wrt FY 2017-18	-	-	-	**147%**		**174%**
% increase of	-	-	**15%**	-	**34%**	-

Particulars	FY 2017-18		FY 2018-19		FY 2019-20	
	Approved in TO 30.11.17	Claimed	Approved in TO 22.01.19	Claimed	Approved in TO 30.11.17	Claimed
approved wrt FY 17						

5.11.3 It can be observed from the above Table that percentage increase of finance charges as claimed by the Petitioner for FY 2018-19 and FY 2019-20 with respect to finance charges claimed in FY 2017-18 is 147% and 174%, respectively. Such a percentage increase is quite abnormal. However, percentage increase of finance charges as approved by the Commission for FY 2018-19 and FY 2019-20 with respect to finance charges approved in FY 2017-18 is 15% and 34%, respectively.

5.11.4 Therefore, the Commission for the purpose of approving Finance charges for FY 2019-20 has taken the basis of 34% increase as computed in the table above and has computed finance charges for FY 2019-20 by increasing actual finance charges for FY 2017-18 by 34%. The approved Finance Charges for FY 2019-20 at this stage is as shown in the Table below, which will be subject to true up based on actuals and prudence check:

Table 5-26 Finance Charges for FY 2019-20 approved by the Commission (Rs. Cr)

Particulars	Approved in T.O dtd. 30.11.2017	Petition	Approved
Credit Rating Charges	0.15	0.15	0.07
Processing Charges	1.64	1.80	1.30
Collection Facilitation charges	1.00	1.00	0.75
LC & Other Finance Charges	1.55	1.55	0.08
Total Finance Charges	**4.34**	**4.50**	**2.20**

5.12 INTEREST ON WORKING CAPITAL

5.12.1 As per Distribution MYT Regulations, 2014, the Petitioner is allowed interest on Working Capital requirement on the basis of one month's O&M expenses, 60 days of Revenue after netting off Security Deposit received from the Consumers and 40% of the R&M Expenses.

5.12.2 The Petitioner has submitted interest on working capital for FY 2019-20, as shown in the Table below:

Table 5-27 Interest on Working Capital for FY 2019-20 submitted by the Petitioner (Rs. Cr)

Particulars	Approved in TO dtd 30/11/17	Petition
O&M expenses for 1 month	7.86	11.74
Two months equivalent of expected revenue	3.50	3.83
Maintenance spares @ 40% of R&M expenses for two months	297.28	297.91
Gross Total	308.64	313.48
Total Security Deposits by the Consumers reduced by Security Deposits under section 47(1)(b) of the Electricity Act 2003		
Opening Balance	224.40	253.47
Received during the year (Net of Refunds)	22.50	30.00
Closing Balance	246.90	283.47
Less: Security Deposit with UPPCL	11.28	11.28
Net Security Deposits of the Consumers reduced by Security Deposits under Section 47(1)(b) of the Electricity Act 2003	224.37	257.19
Net Working Capital	**84.26**	**56.29**
Rate of Interest for Working Capital (SBI - PLR)	14.05%	13.68%
Interest on Total Working Capital	**11.84**	**7.70**

Commission's Analysis

5.12.3 In respect of Interest on working capital Regulation 28 of the Distribution MYT Regulations, 2014, specifies as follows:

Quote

28 Interest on Working Capital

The Distribution Licensee shall be allowed interest on estimated level of working capital for the financial year, computed as follows:

a) O&M expenses for one month.

b) Two months equivalent of expected revenue.

c) Maintenance spares @ 40% of R&M expenses for two months.

Less:

Security deposits from consumers, if any.

Provided that the interest on working capital shall be on normative basis and rate of interest shall be equal to the State Bank Advance Rate (SBAR) as of the date on which petition for determination of tariff is accepted by the Commission.

Provided further that interest shall be allowed on consumer security deposits as per the provisions of the Electricity Supply Code, 2005 and its subsequent amendments / addendums & the new regulations made after repeal of the same.

Unquote

5.12.4 The Commission has computed interest on working capital based on the methodology provided in the Distribution MYT Regulations, 2014 as shown above. The Commission has computed the receivables equivalent to 60 days of expected revenue, based on the revised/ effective revenue as computed by the Commission and shown in later part of this Chapter. The Commission has considered interest rate of 13.80% (SBAR/ SBI-PLR as on the date on which Petition for determination of tariff for FY 2019-20 is accepted by the Commission, i.e., July 01, 2019) for computation of interest on working capital.

(Source: https://www.sbi.co.in/portal/web/interest-rates/interest-rates)

5.12.5 Thus, based on the above methodology, the approved interest on working capital for FY 2019-20 is as follows:

Table 5-28 Interest on working capital approved by the Commission for FY 2019-20 (Rs. Cr)

Particulars	Approved in T.O dtd. 30.11.2017	Petition	Approved
One month's O&M Expenses	7.86	11.74	7.30
Maintenance spares @ 40% of R&M expenses for two months	3.50	3.83	3.27
Receivables equivalent to 60 days expected revenue	297.28	297.91	282.14
Gross Total	308.64	313.48	292.71
Security Deposits			
Opening Balance	224.40	253.47	253.47
Received during the year (Net of Refund)	22.50	30.00	30.00
Closing Balance	246.90	283.47	283.47
Security Deposit passed on to UPPCL	11.28	11.28	11.28
Total Security Deposits by the Consumers	224.37	257.19	257.19
Net Working Capital	**84.26**	**56.29**	**35.52**
Rate of Interest (SBAR)	14.05%	13.68%	13.80%
Interest on Working Capital	**11.84**	**7.70**	**4.90**

5.13 INTEREST ON CONSUMER SECURITY DEPOSITS

5.13.1 The Petitioner has submitted that Regulation 28 of the MYT Distribution Regulations, 2014 provides that the Licensee shall pay interest equivalent to the Bank Rate or more on the consumer security deposits, as may be specified by the Commission. The Commission vide Tariff Order dated November 30, 2017 for NPCL had approved the Interest on Security Deposit @ 7.75% p.a. for FY 2019-20.

5.13.2 Based on the RBI's Bank Rate prevailing at the time of submission of Petition, i.e., 6.75% p.a., the interest on security deposit as submitted by the Petitioner for FY 2018-19 is shown in the Table below:

Table 5-29 Interest on Security Deposit for FY 2019-20 submitted by the Petitioner (Rs. Cr)

Particulars	Ref.	FY 2019-20
Opening Balance of Security Deposit	a	253.47
Addition During the year net of refund	b	30.00
Closing Balance of Security Deposit	c=a+b	283.47
Average Balance of Security Deposit	d=(a+c)/2	268.47
Rate of Interest	E	6.75%
Interest payable on Security Deposit	**f=dxe**	**18.12**

Commission's Analysis

5.13.3 In respect of interest on consumer security deposit, Regulation 28 of the Distribution MYT Regulations, 2014 specifies that:

*"Provided further that interest shall be allowed on consumer security deposits as per the provisions of the **Electricity Supply Code, 2005** and its subsequent amendments / addendums & the new regulations made after repeal of the same." **(Emphasis added)***

In the UP Electricity Supply Code, 2005 and its subsequent amendments/ addenda the following is specified regarding interest on consumer security deposit:

*"The Licensee shall pay interest on security deposit to the consumers **at bank rate as on 1st April of applicable financial year** by way of credit in the bill of the consumer in the months of April, or May or June as per the applicable billing cycle." **(Emphasis added)***

5.13.4 It can be observed fromthe above extract of UP Electricity Supply Code, 2005 that the Bank Rate as on 1st April of FY 2019-20 is applicable for computing interest on consumer security deposit. Hence, the Commission has taken the Bank rate of 6.50% applicable as on 01.04.2019. (Source: www.dbie.rbi.org.in) and has

approved the Interest on Consumer Security Deposit for FY 2019-20 as shown in the Table below:

Table 5-30 Interest on Security deposit approved for FY 2019-20 (Rs. Cr)

Particulars	Approved in T.O dtd. 30.11.2017	Petition	Approved
Opening Balance of Security Deposit	224.40	253.47	253.47
Addition During the year	22.50	30.00	30.00
Closing Balance for Security Deposit	246.90	283.47	283.47
Average Balance for Security Deposit	235.65	268.47	268.47
Rate of Interest	7.75%	6.75%	6.50%
Interest payable on Security Deposit	**18.26**	**18.12**	**17.45**

5.14 SUMMARY OF INTEREST CHARGES

5.14.1 The summary of Interest and Finance Charges approved by the Commission for FY 2019-20 is as follows:

Table 5-31 Summary of Interest Charges approved for FY 2019-20 (Rs. Cr)

Particulars	Approved in T.O dtd. 30.11.2017	Petition	Approved
Interest on Long term loans	64.07	53.51	51.97
Interest on short term loans/working capital	11.84	7.70	4.90
Finance charges	4.35	4.50	2.20
Interest on security deposit	18.26	18.12	17.45
Total Interest & Finance charges	**98.52**	**83.84**	**76.52**
Less: Interest capitalization	5.84	4.22	4.22
Net Interest & Finance charges	**92.67**	**79.62**	**72.30**

5.15 EFFICIENCY GAIN DUE TO SWAPPING OF LOANS

5.15.1 The Petitioner has considered the efficiency gain of Rs. 0.12 Crore accrued on swapping of loans for FY 2019-20 as approved by the Commission in MYT Tariff Order dated November 30, 2017.

5.15.2 In accordance with the Clause 27(h) of the Distribution MYT Regulations, 2014, the Commission has provisionally considered the efficiency gain of Rs 0.12 Crore due to loan swapping as claimed by the Petitioner, which shall be subject to True-up as per the Audited Accounts of the Petitioner.

5.16 CAPITALISATION OF ASSETS AND COMPUTATION OF EQUITY

5.16.1 The Petitioner has claimed return on equity at 16.00% on the equity base for FY 2019-20 determined as per Regulation 31 of the UPERC (Multi Year Distribution Tariff Regulations), 2014.

Commission's Analysis:

5.16.2 As per Regulation 31 of the MYT Regulations, 2014, return on equity shall be allowed at the rate of 16% on the capital base or actual equity, whichever is lower, as determined in accordance with the MYT Regulations, 2014.

5.16.3 The capitalisation of assets takes place from opening Capital Work-in-Progress (CWIP) undertaken during the year. Therefore, total equity for ROE approved by the Commission for FY 2019-20 is given in the Table below:

Table 5-32 Capitalisation of Assets & computation of Equity for FY 2019-20 (Rs. Cr)

Particulars	Approved in T.O dtd. 30.11.2017	Petition	Approved
Opening CWIP	2.00	18.30	18.30
Capital Investment	227.87	176.41	176.41
Total capitalization (Transferred to GFA)	227.87	194.71	194.71
Capitalisation of Capex approved during the year in the year	225.87	176.41	176.41
Consumer contribution	18.41	23.92	23.92
Remaining investment	209.46	152.49	152.49
Debt	146.62	106.74	106.74
Equity	62.84	45.75	45.75
Portion of Inv. Assumed to be capitalised through CC	18.25	23.92	23.92
Portion of remaining investment to be capitalised	207.62	152.49	152.49
Debt	145.34	106.74	106.74
Equity	62.29	45.75	45.75
Portion of Opening CWIP	0.56	4.47	4.44
Total Equity for RoE	**62.84**	**50.21**	**50.19**

5.17 GROSS FIXED ASSETS (GFA) AND WORK-IN PROGRESS (WIP)

5.17.1 The capitalization and transfer to GFA for FY 2019-20 is approved as per the projection submitted by the Petitioner. The Petitioner has submitted the projection of GFA in accordance with the changes in distribution network plan. Accordingly, the approved GFA for FY 2019-20 is as shown in the Table below:

Table 5-33 Gross Fixed Assets for FY 2019-20 (Rs. Cr)

S.No.	Description	Approved in T.O dtd. 30.11.2017	Petition	Approved
1	Opening Balance	1685.73	1549.97	1525.98
2	Addition during the Year	227.87	194.71	194.71
3	Retirement during the Year	2.05	5.15	5.15
4	**Closing Balance**	**1911.56**	**1739.53**	**1715.54**

5.18 DEPRECIATION

5.18.1 The Petitioner has submitted that Depreciation on plant, equipment and installations has been computed under separate categories voltage-wise in accordance with the rates prescribed under the Distribution MYT Regulations, 2014. Further, the Depreciation corresponding to the Consumer Contribution has been reduced from depreciation on above GFA. The Depreciation as projected by the Petitioner for FY 2019-20 is shown in the Table below:

Table 5-34 Depreciation for FY 2019-20 submitted by the Petitioner (Rs. Cr)

Sl.No.	Description	FY 2019-20
1	Depreciation on Gross Fixed Assets	73.35
2	Less: Depreciation on Consumer Contribution	(10.23)
3	**Net Depreciation**	**63.12**
4	Average GFA	1644.42
5	Weighted Average Depreciation Rate	4.46%

Commission's Analysis

5.18.2 The Commission in UPERC (Multi Year Distribution Tariff) Regulations, 2014 has specified the rates to be utilized for the purposes of computing depreciation for different class of assets. In this regard, the relevant provisions of the UPERC (Multi Year Distribution Tariff) Regulations, 2014 is shown below:

Quote

26 Treatment of Depreciation

a) Depreciation shall be calculated for each year of the control period on the written down value of the fixed assets of the corresponding year.

b) Depreciation shall not be allowed on assets funded by consumer contributions or subsidies / grants.

c) Depreciation shall be calculated annually on the basis of rates as detailed in Annexure – C or as may be notified by the Commission vide a separate order.

d) The residual value of assets shall be considered as 10% and depreciation shall be allowed to a maximum of 90% of the original cost of the asset.

Provided that Land shall not be treated as a depreciable asset and its cost shall be excluded while computing 90% of the original cost of the asset.
e) Depreciation shall be charged from the first year of operation of the asset.

Provided that in case the operation of the asset is for a part of the year, depreciation shall be charged on proportionate basis.
f) Provision of replacement of assets shall be made in the capital investment plan.

Unquote

5.18.3 Annual Performance Review of FY 2018-19 is limited to the revision of estimates based on the audited financial results for FY 2017-18 only. The estimates for FY 2018-19 like capital expenditure, sales, power purchase expenses, etc., are not revised and considered same as that approved by the Commission vide Tariff Order dated January 22, 2019. Accordingly, the approved gross depreciation of FY 2019-20 is higher as compared to that submitted by the Petitioner due to variation in capital expenditure and loan repayment considered during FY 2018-19. The Commission shall carry out the detailed prudence check of various components while carrying out the truing up for FY 2018-19 in the next APR exercise.

5.18.4 Considering the above, the summary of depreciation for FY 2019-20 (as approved and projected by the Petitioner) is shown in the table below:

Table 5-35 Depreciation approved for FY 2019-20 (Rs. Cr)

Particulars	Approved in T.O dtd. 30.11.2017	Petition	Approved
Gross Depreciation	83.26	73.35	75.23
Less: Depreciation on Consumer Contribution	7.50	(10.23)	(10.23)
Net Depreciation	**75.76**	**63.12**	**64.99**
Average Normative GFA	1798.65	1644.42	1620.76
Weighted average depreciation rate	4.23%	4.46%	4.64%

5.19 INCOME TAX

5.19.1 The Income Tax liability for FY 2019-20 as projected by the Petitioner is shown in the Table below:

Table 5-36 Income Tax for FY 2019-20 projected by the Petitioner (Rs. Cr)

S. No.	Particulars	Formulae	Petition
1	ROE	A	68.97
2	Tax Rate	B	34.94%
3	Tax on Taxable income	C= A×B/ (1-B)	37.05
4	Tax Demand for earlier years	D	2.00
5	**Total Tax for FY 2019-20**	**E**	**39.05**

Commission's Analysis

5.19.2 Regulation 32 of Distribution MYT Regulations, 2014 provides for determination of Income Tax to be considered in ARR for Control Period. The relevant extract of the Regulations is reproduced below:

Quote

*32. **Income Tax***

d) Income Tax, if any, on the Licensed business of the Distribution Licensee shall be treated as expense and shall be recoverable from consumers through tariff. However, tax on any income other than that through its Licensed business shall not be a pass through, and it shall be payable by the Distribution Licensee itself.

e) The income tax actually payable or paid shall be included in the ARR. The actual assessment of income tax should take into account benefits of tax holiday, and the credit for carry forward losses applicable as per the provisions of the Income Tax Act 1961 shall be passed on to the consumers.

*f) **Tax on income, if any, liable to be paid shall be limited to tax on return on the equity component of capital employed.** However, any tax liability on incentives due to improved performance shall not be considered. **(Emphasis added)***

Unquote

5.19.3 It can be observed from above that as per Clause 32 (c) of Distribution MYT Regulations, 2014, Tax on income, if any, liable to be paid shall be limited to tax on return on the equity component of capital employed. Therefore, in accordance with the aforementioned Regulations, the Licensee is eligible for the getting the amount of Tax paid by them limited to Tax on return on the equity component of capital employed.

5.19.4 Accordingly, the Tax liability for FY 2018-19 has been computed by the Petitioner by grossing up Return on equity (ROE) at the current Corporate Tax rate, i.e., 34.94%. However, the Petitioner has also considered efficiency gain of Rs 0.12 Cr to arrive at the ROE of Rs 68.97 Cr, which is not as per the Regulations.

5.19.5 Therefore, the Commission has approved Income tax for FY 2019-20 by grossing up ROE at the current Corporate Tax rate, i.e., 34.94%, without considering any efficiency gains. The Commission shall consider the Tax Demand for earlier years at the time of truing up based on the Regulations applicable for the respective FY. The detailed computation of Income Tax approved for FY 2019-20 is shown in the Table below:

Table 5-37 Income Tax approved for FY 2019-20 (Rs. Cr)

S. No.	Particulars	Formulae	Approved in TO dtd 30/11/19	Petition	Approved
1	ROE	A	77.76	68.97	67.71
2	Tax Rate	B	34.61%	34.94%	34.94%
3	Tax on Taxable income	C= A×B/ (1-B)	41.22	37.05	36.37
4	Tax Demand for earlier years	D	-	2.00	-
5	**Total Tax for FY 2019-20**	**E**	**41.22**	**39.05**	**36.37**

5.20 CONTINGENCY RESERVE

5.20.1 The Petitioner has submitted that Clause 30 of the Distribution MYT Regulations, 2014 provides for appropriation of Contingency Reserve up to 0.50% of opening GFA and thus, it had accordingly claimed contribution to Contingency Reserve in its MYT Petition. The Petitioner has further submitted that Contingency Reserve is created to meet the eventualities in the nature of major calamities, act of God, etc., and thereby, causing huge loss to the network.

5.20.2 The Petitioner has projected contribution to Contingency Reserve for FY 2019-20 as shown below in the Table:

Table 5-38 Contingency Reserve for FY 2019-20 projected by the Petitioner (Rs. Cr)

S.No.	Particulars	Value
1	Opening GFA	1,549.97
2	% of Opening GFA	0.50%
3	Contribution to Contingency Reserve	7.75

Commission's Analysis

5.20.3 The Commission vide its Tariff Order dated November 30, 2017 has not allowed the provision of Contingency Reserve to the Petitioner for FY 2019-20 to reduce extra burden on the consumers. Although, the Licensee has a net surplus in FY 2019-20, as shown below in this chapter, the Commission disallows the contingency reserves for FY 2019-20 as the net surplus may vary because of increased power purchase cost, RPO compliance, actual Sales, etc.

5.21 PROVISION FOR DOUBTFUL DEBTS

5.21.1 The Petitioner has submitted that the bad debts provided for and written off for FY 2019-20 are in accordance with the policy of the Licensee. The projected Provision for Bad debts for FY 2019-20 is as provided in Table Below:

Table 5-39 Provision for Bad & Doubtful Debts for FY 2019- 20 projected by the Petitioner (Rs. Cr)

S.No.	Description	Petition
1	Revenue billed for the year	1766.07
2	Provision as % of Revenue billed	1.50%
3	**Provision for Bad & Doubtful debts**	**26.49**

Commission's Analysis

5.21.2 In this regard, Regulation 29 of the Distribution MYT Regulations, 2014 provides as follows:

Quote

29. Bad and Doubtful Debts:

Bad and Doubtful Debts shall be allowed as a legitimate business expense with the ceiling limit of 2% of the revenue receivables provided the distribution licensee actually identifies and writes off bad debts as per the transparent policy approved by the Commission. In case there is any recovery of bad debts already written off, the recovered bad debt will be treated as other income.

Unquote

5.21.3 It can be observed that Regulation 29 of the Distribution MYT Regulations, 2014, provides for bad-debts with ceiling limit up to 2% of revenue receivables, provided that the same are actually written off under a transparent policy approved by Commission. The Petitioner has claimed a provisioning of 1.50% for FY 2019-20 on the basis of projected revenue billed during the year.

5.21.4 The Commission in its Tariff Order dated November 30, 2017 has allowed provision for bad debt of Rs. 28.41 Cr for FY 2019-20, being 1.50% of the revenue which is within the norms of 2% as specified in Clause 29 of the Distribution MYT Regulations, 2014.

5.21.5 Therefore, the Commission approves the provisioning at 1.50% for FY 2019-20 on the basis of approved revenue for the year. Any variations would be considered at the time of Truing- Up. Accordingly, the provision for bad debts as considered by the Commission for FY 2019-20 is as shown in the Table below:

Table 5-40 Provision for Bad & Doubtful Debts approved for FY 2019-20 (Rs. Cr)

S. No.	Description	Approved vide T.O. dtd. 30/11/2017	Petition	Approved
1	Revenue billed for the year	1890.68	1766.07	1692.83
2	Provision as % of Revenue billed	1.50%	1.50%	1.50%
3	**Provision for Bad & Doubtful debts**	**28.41**	**26.49**	**25.44**

5.22 MISCELLANEOUS EXPENSES

5.22.1 The Commission in Tariff Order dated November 30, 2017, has approved Miscellaneous Expenditure at Rs. 0.21 Cr for FY 2019-20.

5.22.2 The Petitioner has submitted that it has to regularly upgrade its distribution network by replacing the aged transformers and cables at various sectors and villages in its distribution area, which may lead to higher value of loss on sale of such replaced assets. It has projected Rs. 1.55 Cr as miscellaneous expenditure during FY 2019-20.

Commission's Analysis

5.22.3 The Commission find it appropriate to approve Rs 1.55 Cr for Miscellaneous expenditure for FY 2019-20, same as claimed by the Petitioner. The same will be trued- up at the time of submission of audited figures.

5.23 RETURN ON EQUITY

5.23.1 As per Clause 31 of the Distribution MYT Regulations, 2014, ROE shall be allowed @16% on the equity base determined in accordance with the Distribution MYT Regulations, 2014. Accordingly, the Petitioner has projected the computation of equity base and RoE for FY 2019-20 as shown in the Table below:

Table 5-41 Return on Equity for FY 2019-20 projected by the Petitioner (Rs. Cr)

S. No.	Particulars	Ref.	Petition
1	Regulatory Equity Base at the beginning of the year	a	405.24
2	Asset Capitalized during the year	b	194.71
3	Equity portion of Assets Capitalised during the year	c	50.21
4	**Regulatory Equity Base at the end of the year**	**d=a+c**	455.46
5	Return on Opening Regulatory Equity Base @ 16%	e=ax16 %	64.84
6	Return on Addition to Equity Base during the year @16%	f=cx16% /2	4.02
7	**Total Return on Equity**	**g=e+f**	**68.86**

Commission's Analysis

3.27.8 The Licensee is entitled to earn Return on Equity (RoE) as per Clause 31(b) of the UPERC (Multi Year Distribution Tariff) Regulations, 2014. In this regard, the relevant provisions of the Regulations are shown below:

Quote

31 Treatment of Return on equity

a) Return on equity shall be computed on 30% of the capital base or actual equity, whichever is lower:

Provided that assets funded by consumer contribution, capital subsidies / grants and corresponding depreciation shall not form part of the capital base. Actual equity infused in the Distribution Licensee as per book value shall be considered as perpetual and shall be used for computation in these regulations.

b) 16% (sixteen) post-tax return on equity shall be considered irrespective of whether the Distribution Licensee has claimed return on equity in the ARR petition.

Unquote

5.23.2 Thus, as per Clause 31 of the Distribution MYT Regulations, 2014, the Petitioner is eligible for 16% post tax RoE. Accordingly, the Commission has approved RoE on equity base for FY 2019-20 as shown in the Table below:

Table 5-42 Return on Equity approved for FY 2019- 20 (Rs. Cr)

Particulars	Ref.	Approved in T.O dtd 30.11.2017	Petition	Approved
ROE Base at the beginning of the year	a	454.61	405.24	398.07
Assets Capitalised during the year	b	227.87	194.71	194.71
Equity portion of Assets Capitalised during the year	c	62.84	50.21	50.19
Regulatory Equity Base at the end of the year	**d=a+c**	517.45	455.46	448.26
Computation of ROE				
Return on Opening Regulatory Equity Base @ 16%	e=ax16%	72.74	64.84	63.69
Return on Addition to Equity Base during the year @ 16%	f=cx16%/2	5.03	4.02	4.01
Total ROE	**g=e+f**	**77.76**	**68.86**	**67.71**

5.24 NON-TARIFF INCOME

5.24.1 The Petitioner has submitted the projected Non-Tariff Income for FY 2019-20 as summarized in Table below after reducing the cost of borrowing of deferred payment beyond normative period of 60 days for the purpose of APR.

Table 5-43 Non-Tariff Income for FY 2019-20 projected by the Petitioner (Rs. Cr)

Particulars	Reference	Approved in TO dtd 30/11/19	Petition
Non-Tariff Income including DPS	a	6.08	8.72
Less: Cost of Borrowing for DPS	b	3.18	3.99
Net Non-Tariff Income	**c=a-b**	**2.90**	**4.73**

Commission's Analysis

5.24.2 The Commission has observed that the projected total Non-Tariff income by the Petitioner for FY 2019-20 is higher than that approved by the Commission in Tariff Order dated November 30, 2017 for FY 2019-20. This is particularly because the revised amount of Delayed Payment Surcharge and other miscellaneous receipts are higher than that of the approved values.

5.24.3 In Order to appropriately compensate for the cost incurred for financing the deferred payment beyond the normative period, the Commission in Tariff Order dated June 18, 2015 had reduced the amount of Non-Tariff Income by the financing costs of DPS. Therefore, the financing cost of DPS is computed by the Petitioner by grossing up the DPS conservatively based on the highest applicable surcharge rate,

which is 1.5% per month. In this regard, the Commission vide mail enquired the following from the Petitioner:

Quote

The Commission in Tariff Order dated October 19, 2012 in the matter of revised ARR for FY 2009-10 on Page no. 67 has quoted the APTEL judgement as shown below:

"....(iii) Thus, for the period of delay beyond the normative period, the Distribution company has to be compensated with the cost of such additional financing."

As shown in the extract above, the Discom has to be compensated with the cost of additional financing, if any has made by it. So, for the compliance of the same, kindly demonstrate the financing of Rs 4.42 Cr, as claimed for FY 2017-18.

Unquote

5.24.4 In reply to the above, the Petitioner via mail has submitted as shown below:

Quote

....in order to strike a balance between the interest of the consumers and that of the Licensees, the Commission has been approving such financing cost on normative basis being computed by grossing up actual DPS for the year on highest applicable surcharge rate, i.e., 1.5% per month and applying the rate of interest considered for working capital loan, i.e., weighted average SBI PLR. The above cost is being approved on normative basis irrespective of actual expenses in this regard which is much higher. In view of this, the calculation of financing cost of DPS is being considered on normative basis irrespective of the actual interest / return on equity incurred thereon by the Licensee. The Commission in all subsequent Tariff Orders has followed the same methodology and approved the financing cost of DPS on normative basis only.

Unquote

5.24.5 The financing cost of DPS is computed by the Commission based on the actual DPS for the year. The DPS is grossed up conservatively based on the highest applicable surcharge rate, which is 2% per month, however, the Petitioner has taken surcharge rate as 1.5% per month. Further, the financing cost is arrived at on the

grossed-up amount and interest rate of 13.80%, as approved for working capital requirement. The computation of the financing cost for DPS is provided below:

TABLE 5-44: Cost of Borrowing for DPS approved by the Commission for FY 2019-20 (Rs. Cr)

Particulars	Reference	Approved vide T.O. 30/11/17	Petition	Approved
Delayed Payment Surcharge Received	a	4.07	5.25	5.25
DPS grossed up at 1.50%/ 2% per month	b	18%	18%	24%
Amount after grossing up of DPS	c=(a/b)	22.63	29.17	21.87
Applicable Interest Rate for Working Capital Finance (at Weighted average SBI - PLR)	d	14.05%	13.68%	13.80%
Cost of Borrowing for DPS	**e=c x d**	**3.18**	**3.99**	**3.02**

5.24.6 Hence, the Commission approves Non-Tariff Income net of financing cost for DPS for FY 2017-18, as shown in the Table below:

Table 5-45: Non- Tariff Income for FY 2019-20 approved by the Commission (Rs Cr)

Particulars	Reference	Approved vide T.O. 30/11/17	Petition	Approved
Non-Tariff Income including DPS	a	6.08	8.72	8.72
Less: Cost of Borrowing for DPS	b	3.18	3.99	3.02
Net Non-Tariff Income	**c=a-b**	**2.90**	**4.73**	**5.70**

5.25 REVENUE FROM SALE OF ENERGY AT EXISTING TARIFF

5.25.1 The Petitioner has projected sales of 2108.87 MU in FY 2019-20 reflecting growth of 26.46% over actual sales of FY 2017-18. Similarly, the billed revenue excluding Regulatory Surcharge has been projected to Rs. 1,577.44 Cr reflecting growth of 26.84% over actual revenue of Rs. 1,243.67 Cr in FY 2017-18. The revised category-wise sales, revenue and average realization for FY 2019-20 as projected by the Petitioner are shown in the Table below:

Table 5-46 Revenue for FY 2019-20 projected by the Petitioner

Sl. No.	Category	Sales	Revenue	Average Billing Rate (ABR)
		(MU)	(Rs. Cr)	(Rs./kWh)
1	LMV-1: Domestic Light, Fan & Power	510.43	307.33	6.02

Sl. No.	Category	Sales	Revenue	Average Billing Rate (ABR)
		(MU)	(Rs. Cr)	(Rs./kWh)
2	LMV-2: Non-Domestic Light & Fan & Power	42.86	44.48	10.38
3	LMV-3: Public Lamps	37.38	30.49	8.16
4	LMV-4: Institutions	24.16	20.40	8.44
5	LMV-5: Private Tube Wells	26.69	3.66	1.37
6	LMV 6: Small and Medium Power	88.04	88.46	10.05
7	LMV-7: Public Water Works	23.16	23.06	9.96
8	LMV-8: STW and Pumped Canals	0.60	0.50	8.32
9	LMV-9: Temporary Supply	60.44	62.04	10.26
10	HV-1: Non-Industrial Bulk Power	259.79	256.30	9.87
11	HV-2: Large and Heavy Power	1,035.31	740.72	7.15
12	**Total**	**2,108.87**	**1,577.44**	**7.48**

5.25.2 The Petitioner has also proposed an increase of 11.96% for FY 2019-20 on the average ABR, as shown above and projected impact from such tariff revision of Rs 94.30 Crore.

Commission's Analysis

5.25.3 The Commission has computed the revenue at existing tariffs for FY 2019-20 based on the approved billing determinants for FY 2017-18 and as per the tariff rates approved in Tariff Order dated November 30, 2017. The following Table summarizes the revenue approved by Commission for FY 2019-20 at existing tariff:

Table 5-47 Revenue approved at existing tariff for FY 2019-20

S. No.	Category	Sales	Revenue	Average Billing Rate
		(MU)	(Rs. Crore)	(Rs./kWh)
1	LMV-1: Domestic Light, Fan & Power	510.43	307.33	6.02
2	LMV-2: Non-Domestic Light & Fan & Power	42.86	44.48	10.38
3	LMV-3: Public Lamps	37.38	30.49	8.16
4	LMV-4: Institutions	24.16	20.40	8.44
5	LMV-5: Private Tube Wells	26.69	3.66	1.37
6	LMV 6: Small and Medium Power	88.04	88.46	10.05
7	LMV-7: Public Water Works	23.16	23.06	9.96

S. No.	Category	Sales	Revenue	Average Billing Rate
		(MU)	(Rs. Crore)	(Rs./kWh)
8	LMV-8: STW and Pumped Canals	0.60	0.50	8.32
9	LMV-9: Temporary Supply	60.44	62.04	10.26
10	HV-1: Non-Industrial Bulk Power	259.79	256.30	9.87
11	HV-2: Large and Heavy Power	1,035.31	740.72	7.15
12	**Total**	**2,108.87**	**1,577.44**	**7.48**

5.26 REVENUE FROM SALE OF ENERGY AT REVISED TARIFF

5.26.1 The Commission in this Tariff Order has revised the retail Tariffs for FY 2019-20 for different category of consumers of NPCL in accordance with the explained Tariff Philosophy Chapter of this Order. The detailed Rate Schedule is enclosed as Annexure 11.1 to this Order.

5.26.2 The Commission has approved Rs 21.40 Crore as impact of tariff revision for FY 2019-20. The Commission in this Section has computed the revenue at approved/revised tariffs for FY 2019-20. Based on these approved tariffs and the period of applicability, the approved revenue for FY 2019-20 is as shown in the Table below:

Table 5-48 Revenue approved at effective/ revised tariff for FY 2019-20

S. No.	Category	Sales	Revenue
		(MU)	(Rs. Crore)
1	LMV-1: Domestic Light, Fan & Power	510.43	328.85
2	LMV-2: Non-Domestic Light & Fan & Power	42.86	45.93
3	LMV-3: Public Lamps	37.38	32.25
4	LMV-4: Institutions	24.16	20.95
5	LMV-5: Private Tube Wells	26.69	3.93
6	LMV 6: Small and Medium Power	88.04	90.64
7	LMV-7: Public Water Works	23.16	23.63
8	LMV-8: STW and Pumped Canals	0.60	0.54
9	LMV-9: Temporary Supply	60.44	66.22
10	HV-1: Non-Industrial Bulk Power	259.79	263.50
11	HV-2: Large and Heavy Power	1,035.31	777.21
12	**Total**	**2,108.87**	**1,653.67**

Note- *The Revenue shown in the above Table is computed at existing tariff for 5 months and revised tariff for 7 months of FY 2019-20.*

5.26.3 The Petitioner in MYT Format F54 "Statement of Receivables" has shown the collection efficiency for FY 2017-18 as 95%. However, for FY 2019-20 the collection efficiency has been shown as 84%. The Commission vide Deficiency note dated February 15, 2019 directed the Petitioner to submit the basis of such computation.

5.26.4 The Petitioner vide its reply dated April 16, 2019 submitted that based on the figures till October 30, 2018 it has estimated the collection efficiency as 84% for FY 2019-20. However, it assured that it is making all possible efforts to improve the Collection Efficiency and is quite confident to achieve the collection efficiency in-line with preceding year's performance.

5.26.5 The Commission for the purpose of determining the tariff for FY 2019-20 has assumed the collection efficiency for FY 2019-20 as 100%. **The Commission directs the Petitioner to make all possible efforts to improve its Collection efficiency in-line with preceding year's performance wherein the collection efficiency was in the range of 90%- 95%.**

5.27 SUMMARY OF ARR FOR FY 2019-20

5.27.1 In the preceding Sections, the Commission has detailed the expenses submitted by the Petitioner and that approved by the Commission for various elements for FY 2019-20. Based on the above, the approved ARR and the revenue from tariff for FY 2019-20 is summarized in the Table below:

Table 5-49 Summary of ARR for FY 2019-20

Sl. No.	Particulars	Approved vide T.O. dtd. 30/11/2017	Petition	Approved
1	Power Purchase Expenses	1049.35	1,016.60	912.53
2	Transmission Charges (UPPTCL+PGCIL)	183.70	173.00	150.41
3	Employee cost	34.71	69.44	34.85
4	A&G expenses	15.25	23.59	15.63
5	R&M expenses	52.50	57.38	49.04
6	**Gross O&M Expenses**	**102.46**	**150.41**	**99.52**
7	Interest charges	98.52	83.84	76.52
8	Depreciation	75.76	63.12	64.99
9	Contingency Reserve	0.00	7.75	0.00
10	Income Tax	41.22	39.05	36.37

Sl. No.	Particulars	Approved vide T.O. dtd. 30/11/2017	Petition	Approved
11	**Gross Expenditure**	**1,551.01**	**1,533.77**	**1,340.37**
12	Employee cost capitalized	8.16	11.90	11.90
13	Interest capitalized	-	4.22	4.22
14	**Net Expenditure**	**1,542.85**	**1,521.86**	**1,328.45**
15	GST Impact	-	2.43	1.94
16	Provision for Bad & Doubtful debts	28.41	26.49	25.44
17	Miscellaneous Expenses	0.21	1.55	1.55
18	**Total net expenditure with provisions**	**1,571.46**	**1,552.33**	**1,357.37**
19	Add: Reasonable Return / ROE	77.76	68.86	67.71
20	Less: Non-Tariff Income	2.90	4.73	5.70
21	Add: Efficiency Gains	0.12	0.12	0.12
22	**Annual Revenue Requirement (ARR)**	**1646.45**	**1616.57**	**1419.49**

5.27.2 From the above Table, the approved average cost of supply (ACoS) for FY 2019-20 is coming at 6.73 Rs/ kWh.

5.28 CARRYING COST OF REGULATORY ASSET

5.28.1 Clause 35 of Distribution MYT Regulations, 2014 provides for allowance of carrying cost on Regulatory Assets. Accordingly, the Commission, in Tariff Order dated November 30, 2017 had allowed carrying cost on Regulatory Asset at weighted average monthly compounded SBI-PLR rate of 14.57%. Based on various components of ARR as described above, the projected and approved Carrying Cost for FY 2019-20 as submitted by the Petitioner is shown in Table below:

TABLE 5-50 Carrying Cost as approved for FY 2019-20 (Rs. Cr)

S.No.	Particulars	Ref.	Petition	Approved
1	Annual Revenue Requirement (ARR)		**1616.57**	**1419.49**
2	Revenue from effective Tariff*		1671.43	1692.83
3	Revenue Gap/(Surplus) for FY 2019-20	A	(54.86)	(273.34)
4	Revenue Gap/(Surplus) upto FY 2018-19	B	275.25	204.62
5	Interest Rate as per Regulations	C	14.57%	14.57%
6	Carrying Cost on Revenue Gap for FY 2019-20 (in surplus)	D= C x (A/2)	(4.00)	-19.91

S.No.	Particulars	Ref.	Petition	Approved
7	Carrying Cost on Revenue Gap upto FY 2018-19	E = C x B	40.10	29.81
8	Total Carrying cost	F = D + E	36.10	9.90
9	**Net Revenue Gap/ (Surplus)**	**G=A+B+F**	**149.29**	**(58.82)**

**Including Regulatory surcharge*

6. OPEN ACCESS

6.1 BACKGROUND

6.1.1 The Commission has notified the Uttar Pradesh Electricity Regulatory Commission (Terms and Conditions for Open Access) Regulations, 2004 (in short 'UPERC Open Access Regulations') vide notification no. UPERC/Secy./Regulations/05-249 dated June 7, 2005 to operationalise long-term and short-term open access in the State. The Regulations also provides that effective from April 1, 2008 any consumer with demand of above 1 MW can avail open access on transmission and distribution system.

6.1.2 Subsequently, the Commission has also finalized the necessary regulatory framework as below:

- UPERC (Terms and Conditions for Open Access) (First Amendment) Regulations, 2009 that includes among others, the detailed procedure(s) for Long-Term Open Access and Short-Term Open Access for use of distribution system, with or without transmission system;
- Model Bulk Power Wheeling Agreement (BPWA) for availing wheeling services from Distribution Licensee(s);
- Procedures for Scheduling, Dispatch, Energy Accounting, UI Accounting and Settlement System of electricity transmitted through the State grid for the electricity drawn by Distribution Licensee(s) from outside and / or within the State.

6.1.3 Further, the Commission has also advised the SLDC to develop the procedure for energy accounting of electricity drawn from the grid by an open access customer who is connected with the distribution system or electricity injected into the grid by a generating station embedded in the distribution system.

6.1.4 In the absence of procedures and guidelines from State Transmission Utility (in short 'STU') and State Load Dispatch Centre (in short 'SLDC'), the Commission, on its own motion, has made detailed procedures for long- term and short-term open access which covers all aspects, which the Regulations direct by way of an amendment. The "Uttar Pradesh Electricity Regulatory Commission (Terms and Conditions for Open Access) (First Amendment) Regulations, 2009 dated 18.6.09", came into force from the date it was notified in the Gazette.

6.1.5 The said amendment, which includes procedures for Long-Term Open Access and Short-Term Open Access mainly focuses on:

- Operationalisation of long-term and short-term use of intra-State transmission and distribution system by generating companies including captive plants/renewable energy plants, distribution/trading Licensees and open access customers with sustained development of transmission and distribution systems in 'proper and coordinated' manner for conveyance of electricity.
- Operationalisation of time-block wise accounting of the quantity of electricity transmitted through State grid and stating the responsibilities of STU for weekly metering and of SLDC for scheduling, dispatch and energy accounting including UI accounting.
- Requirement of Bulk Power Transmission Agreement for use of transmission network and Bulk Power Wheeling Agreement for use of distribution network for long-term open access transactions.

6.1.6 The Electricity Act, 2003 has defined Open Access as non-discriminatory provision for use of transmission lines or distribution system or associated facilities thereof. Considering the operation constraints and other relevant factors, the Commission directs that the Open Access shall be allowed to the Distribution Licensees as per the provisions outlined by the Commission in its Regulations, Orders and any amendments from time to time.

6.1.7 The Commission has finalized the model Bulk Power Transmission Agreement (BPTA) and Supplementary BPTA for availing transmission services of UPPTCL.

6.1.8 The Commission has also finalized the model Bulk Power Wheeling Agreement (BPWA) which is to be signed between a Distribution Licensee and the long-term customer to agree therein, inter alia, to make payment of wheeling charge, surcharge and additional surcharge, if any, for use of the distribution system.

6.2 OPEN ACCESS CHARGES

6.2.1 The Commission in the Tariff Order for UPPTCL has determined the Transmission Charges payable by Open Access users for use of UPPTCL transmission network for transmission of electricity. Similarly, the Commission has also determined the wheeling charges payable by the Open Access users for utilising the distribution network of the Distribution Licensees for wheeling of electricity in subsequent section.

6.3 WHEELING CHARGES

6.3.1 The MYT Distribution Regulations, 2014, embarks upon maintaining separate books of accounts for Wheeling and Retail Supply Business. Also, for such period until the accounts are segregated and separate books are maintained, the Distribution MYT Regulations mandates the Commission to stipulate the ratio of allocation of all expenses and return component based on the data obtained from the Licensee. The extract of the relevant portion of the Regulations is as follows:

Quote

36. Segregation of Wheeling Business and Retail Supply Business

The Distribution Licensee shall maintain separate books of accounts for Wheeling Business and Retail Supply Business. For such period until accounts are segregated and separate books of accounts are maintained, the Commission shall stipulate the ratio of allocation of all expenses and return component, based on data obtained from the Distribution Licensees. The following broad principles shall be followed for allocation of costs towards wheeling business and supply business, out of the total Aggregate Revenue Requirements determined:

(a) Power purchase cost shall be allocated to the Supply business.
(b) Operation and Maintenance expenses shall be segregated between wheeling and supply businesses in such manner as may be determined by the Commission.

(c) Majority of the capital expenditure related expenses, viz., depreciation, interest and return on equity, shall be included under the wheeling business.

Note - The Supply Business would require only a small component of the capital expenditure towards billing and collection activity.

Unquote

6.3.2 The Petitioner in APR Petition for FY 2018-19 has submitted the computation of wheeling charges for FY 2018-19 based on Cost of service model. However, the Commission for the purpose of this tariff Order has adopted the basis of allocation of Wheeling and Retail Supply ARR as approved by the Commission in its MYT Tariff Order dated November 30, 2017, for FY 2019-20 as given in the table below:

Table 6-1 Wheeling and Retail Supply ARR approved by the Commission for FY 2019-20

Sr. No.	Item	Allocation %		Allocation FY 2019-20		
		Wheeling	Retail Supply	Total Approved ARR	Wheeling ARR	Retailing Supply ARR
1	Power Purchase Exp. (including PGCIL charges)	0%	100%	912.53	0.00	912.53

Sr. No.	Item	Allocation %		Allocation FY 2019-20		
		Wheeling	Retail Supply	Total Approved ARR	Wheeling ARR	Retailing Supply ARR
2	Transmission Charge	0%	100%	150.41	0.00	150.41
3	Gross O&M expenses	75%	25%	99.52	74.64	24.88
4	Employee cost	75%	25%	34.85	26.14	8.71
5	A&G expenses	75%	25%	15.63	11.73	3.91
6	R&M expenses	75%	25%	49.04	36.78	12.26
7	Interest & Finance charges	100%	0%	76.52	76.52	0.00
8	Depreciation	94%	6%	64.99	61.09	3.90
9	Income Tax	94%	6%	36.37	34.19	2.18
10	Gross Expenditure	-	-	1340.35	-	-
11	Expense capitalization	-	-	11.90	-	-
12	Employee cost capitalized	75%	25%	11.90	8.93	2.98
13	Net Expenditure			1328.45		
14	Provision for Bad & Doubtful debts	0%	100%	25.44	0.00	25.44
15	GST Impact & Miscellaneous Expenses	100%	0%	3.60	3.60	0.00
16	Total net expenditure with provisions	-	-	1357.49	-	-
17	Add: Return on Equity	94%	6%	67.71	63.64	4.06
18	Less: Non-Tariff Income	0%	100%	5.70	0.00	5.70
19	**Annual Revenue Requirement (ARR)**	-	-	**1419.49**	**397.26**	**1156.97**

6.3.3 Based on the above, the wheeling charges for FY 2019-20 has been worked out by the Commission as shown in the table below:

Table 6-2 Wheeling Charges approved by the Commission for FY 2019-20

Details	Unit	Approved
Net Approved Distribution (Wheeling Function) ARR	Rs. Cr	397.26
Retail Sales in FY 2019-20	MU	2108.87
Wheeling Charges	Rs/kWh	1.88

6.3.4 The Commission in order to encourage Open Access transactions in the State has further segregated the wheeling charges payable by consumers seeking Open Access based on the voltage levels at which they are connected to the distribution network. The charges have been worked out on the assumption that the wheeling expenses at 11 kV voltage level shall be 80% of the average wheeling charges determined for the Wheeling function of NPCL and that for wheeling at voltages

above 11 kV shall be 50% of the average wheeling charges as given in the Table below.

6.3.5 Due to substantial use of short-term Open Access, the basis on which the short-term Open Access Charges are being levied in the country have undergone change. Hence, as detailed in the Tariff Order of UPPTCL for FY 2019-20, the Commission has considered the transmission open access charges for short-term open access at the same level as approved for Long-term open access.

Table 6-3: Long Term Voltage Level Wheeling Charges for FY 2019-20 (Rs/kWh)

Details	Approved
Connected at 11 kV Voltage Level	1.507
Connected above 11 kV Voltage Level	0.942

6.3.6 In addition to the payment of wheeling charges, the open access customers also have to bear the wheeling losses in kind. Further, it is also logical that the open access customers have to bear only the technical losses in the system, and should not be asked to bear any part of the commercial losses.

6.3.7 The Commission in this Order has approved distribution losses at 8.00% for FY 2019-20, which is in line with approved losses for FY 2018-19. Hence, the Commission hereby approves that the technical losses at 11 kV voltage level to be around 2.71% and the technical losses above 11 kV voltage level up to 33 kV to be around 1.18% in line with losses approved in MYT Order for FY 2019-20. The Commission has considered the wheeling loss applicable for Open Access transactions entailing drawal at 11 kV voltage level at 2.71%, and that for drawl at voltages above 11 kV voltage level at 1.18%.

6.3.8 The wheeling charges determined above shall not be payable if the Open Access customer is availing supply directly through the State transmission network.

6.4 CROSS SUBSIDY SURCHARGE

6.4.1 The Commission has continued the methodology for computation of cross-subsidy surcharge as adopted in the previous Tariff Order for Open Access consumers, in accordance with the methodology specified in Regulations 39 of the Distribution MYT Regulations, 2014.

6.4.2 As per Regulation 39 (f), the cross-subsidy surcharge is to be computed based on the difference between (i) the tariff applicable to the relevant category of consumers and (ii) the cost of the Distribution Licensee to supply electricity to the

consumers of the applicable class. In case of a consumer opting for open access, the Distribution Licensee could be in a position to discontinue purchase of power at the margin in the merit order. Accordingly, the Commission has computed the cost of supply to the consumer for this purpose as the aggregate of (a) the weighted average of power purchase costs (inclusive of fixed and variable charges) of top 5% power at the margin, excluding liquid fuel based generation, in the merit order approved by the Commission adjusted for average loss compensation of the relevant voltage level and (b) the distribution wheeling charges as determined in the preceding section.

6.4.3 The Commission has computed the cross-subsidy surcharge for the relevant consumer categories using the following formula:

S = T – [C / (1- (L / 100)) + D]

Where,

S is the surcharge;

T is the Tariff payable by the relevant category of consumers;

C is the Weighted average cost of power purchase of top 5% at the margin excluding liquid fuel-based generation and renewable power;

D is the average wheeling charges for transmission and distribution of power;

L is the system Losses for the applicable voltage level, expressed as a percentage, which is computed at 1.18 % at 33 kV and 2.71 % at 11 kV same as the approved losses for FY 2019-20;

6.4.4 As per the above formula, the avoidable cost of supply for the Open Access consumers as approved is provided in the Table below, which will be applied against the tariff applicable for the relevant consumer category for computation of Cross subsidy surcharge as and when any consumer applies for the same.

Table 6-4: COST OF SUPPLY AS APPROVED BY THE COMMISSION FOR FY 2019-20 (Rs/ kWh)

S No.	Categories	Wheeling Charge (D)	Wt. Avg. Purchase Cost (C)	System Loss (L)	Total Cost
1	HV Categories at 11 KV	1.507	4.67	2.71%	6.30
2	HV Categories above 11 KV	0.942	4.67	1.18%	5.67

6.4.5 The impact of migration of consumers from the network of the incumbent Distribution Licensee on the consumer mix and revenues of a particular Distribution Licensee shall be reviewed by the Commission from time to time as may be considered appropriate.

6.4.6 The Commission has approved levy of Regulatory Surcharge for recovery of cumulative regulatory asset created for the Licensee, which is a part of the tariff charged to different consumer categories. Hence, the Cross-Subsidy Surcharge has been computed by subtracting the avoidable cost of supply for the Open Access consumers from the tariff applicable for the relevant consumer, which also includes the applicable Regulatory Surcharge.

6.4.7 The category-wise Cross Subsidy Surcharge approved by the Commission for FY 2019-20 is as given in the Table below:

Table 6-5: CROSS SUBSIDY SURCHARGE APROVED BY THE COMMISSISON FOR FY 2019-20 (Rs/kWh)

S No.	Categories	Average Billing Rate	Average Billing Rate (inclusive of Regulatory Surcharge) "T"	Cost of Supply for computing CSS	Cross Subsidy Surcharge (CSS)
1	HV-1 (Supply at 11 kV)	10.34	10.34	6.30	4.04
2	HV-1 (Supply above 11 kV)	10.34	10.34	5.67	4.68
3	HV-2 (Supply at 11 kV)	8.34	8.34	6.30	2.04
4	HV-2 (Supply above 11 kV)	7.51	7.51	5.67	1.84

6.5 ADDITIONAL SURCHARGE

6.5.1 The Commission in its Tariff Order dated January 22, 2019 has approved additional surcharge as Nil (zero). The Petitioner submitted that the Tariff Policy 2016 provides lot of emphasis on meeting of demand through LT PPA, 24x7 power for all and grant of full Open Access to consumers. Accordingly, to fulfil the universal supply obligation and to protect its consumers from the loss of revenue due to outgoing OA consumers, the Petitioner requests that there is a need of time to allow the Distribution Licensee to recover Additional Surcharge from such open access consumer.

6.5.2 The Petitioner stated that they do not have any shortage in sourcing of power. Considering its goodwill on account of prompt payment, it receives offers for almost 10 times the power than that it intends to procure.

6.5.3 Further, the Petitioner submitted that the load shedding is exercised only in the areas where AT&C losses are very high, in order to contain the Distribution losses and also to differentiate between honest and paying consumers from defaulters and the ones who indulge in malpractices.

6.5.4 The Petitioner also highlighted that the Ministry of Power, Government of India in recently issued draft amendments of Tariff Policy, 2016, wherein one of the proposed draft amendments in Para 8.0 of the Tariff Policy, 2016 is as under:

> *"It shall be mandatory for the Distribution Company to show to the respective Commission that they have tied up long term/ medium term PPAs to meet the annual average power requirement in their area of supply, failing which their license shall be liable to be suspended. 24 hours supply of adequate and uninterrupted power may be ensured to all categories of consumers by March, 2019 or earlier"*

6.5.5 The Petitioner stated that based on the above proposed amendments, the Discoms are required to tie up their annual average power requirement through long term / medium term PPAs, which will ultimately increase their obligation to pay the fixed charges under the long term / medium term PPAs. However, with consumers frequently switching their mode of supply between the Licensee and open access, it will become difficult for the Licensee to assess the quantum of power that will continue to remain stranded. Moreover, the quantum of stranded power does not remain constant throughout the year or a month or a week or even a day.

6.5.6 In view of the facts and circumstances explained as above and in accordance with law, Petitioner requested the Commission to approve the Additional Surcharge to cover the Fixed Cost, Compensation, Network Cost and Regulatory Assets.

6.5.7 The Commission directed the Petitioner to submit detailed calculations along with conclusive demonstration of stranded assets for claim of Additional Surcharge as per Regulation 39 (f) (ii) of the MYT Distribution Tariff Regulations, 2014 along with computation of Additional Surcharge.

6.5.8 Upon analysis on the Petitioner's reply, the Commission found that neither any detailed calculation or a suitable supporting statement of justification has been provided. Hence, in the absence of any detailed computation, the Commission approves the same Additional Surcharge as specified in the Tariff Order dated January 22, 2019 for FY 2019- 20, i.e., 'NIL'.

7. TARIFF PHILOSOPHY

7.1 CONSIDERATIONS IN TARIFF DESIGN

7.1.1 Section 62 of the Electricity Act 2003, read with Section 24 of the Uttar Pradesh Electricity Reforms Act, 1999 sets out the overall principles for the Commission to determine the final tariffs for all categories of consumers defined and differentiated according to consumer's load factor, power factor, voltage, total consumption of energy during any specified period or the time at which supply is required or the geographical position of any area, nature of supply and the purpose for which the supply is required. The overall mandate of the statutory legislations to the Commission is to adopt factors that will encourage efficiency, economical use of the resources, good performance, optimum investments and observance of the conditions of the Licence.

7.1.2 The linkage of tariffs to cost of service and elimination of cross-subsidies is an important feature of the Electricity Act, 2003. Section 61 (g) of the Electricity Act, 2003 states that the tariffs should progressively reflect the cost of supply and it also requires the Commission to reduce cross subsidies within a timeframe specified by it. The need for progressive reduction of cross subsidies has also been underlined in Sections 39, 40 and 42 of the Electricity Act, 2003. The Tariff Policy, 2016 also advocates that the tariff should progressively reflect the efficient and prudent cost of supply.

7.1.3 The Commission has approved the retail tariff for FY 2019-20 in view of the guiding principles as stated in the Electricity Act, 2003, Tariff Policy and UPERC Distribution MYT Tariff Regulations, 2014. The Commission in its earlier Tariff Orders during determination of ARR has been allowing tariff hikes to the Licensee in view of increased costs incurred by them.

7.1.4 The Commission has also considered the comments / suggestions / objections of the stakeholders and public at large while determining the tariffs. The Commission in its past Orders had laid emphasis on adoption of factors that encourages economy, efficiency, effective performance, autonomy, regulatory discipline and improved conditions of supply. On these lines, the Commission, in this Order too, has applied similar principles keeping in view the ground realities.

7.1.5 As regards the linkage of Tariff with the Cost of Service, Regulation 39 of the Distribution MYT Tariff Regulations, 2014 specifies as follows:

"……

*c) **Allocation of Cost:** The Cost to serve shall be allocated to the consumer categories in the following manner:*

***Step 1: Functionalization of Cost** - Total cost shall be divided on the basis of functions performed such as power purchase, distribution etc.*

***Step 2: Classification of Cost** –Each of the functionalized costs shall be further classified, based on its intrinsic nature into Demand related cost, Energy related cost and Customer related cost. Demand related costs shall generally be of fixed nature, related to capacity creation and shall include interest on capital borrowing, depreciation etc. Energy cost shall be related to quantum of electricity consumption of consumer, such as fuel cost, interest on working capital, etc. Consumer related cost shall include operating expenses associated with meter reading, billing and accounting.*

Step 3: Allocation of Cost

***i. Allocation of Demand Costs:** Demand costs of all the functions shall be allocated among consumer categories on the basis of average coincident peak demand of the tariff categories (average of past 12 months). To facilitate determination of average coincident peak demand for the various tariff categories, load research shall be made an integral part of the operations of the Distribution Licensees and systematic load research exercises shall be initiated by the Distribution Licensee.*

***ii. Allocation of Energy Costs:** Energy related costs of Distribution functions shall be allocated to consumer categories on the basis of ratio of electricity consumption of each consumer category to the total electricity consumption under the purview of the Distribution Licensee. Energy related costs of Power purchase shall be allocated to various tariff categories on the basis of block approach on merit order dispatch and incremental principle, where each tariff category shall be allocated the incremental (energy related) power purchase cost on the basis of their respective share in the incremental power purchase. For the purpose of operationalizing the block approach and incremental principle, the Commission shall identify and notify a suitable year as the "base year".*

***iii. Allocation of Customer Costs:** Customer related costs shall be allocated to consumer categories on the basis of the ratio of number of consumers in each*

category to total number of consumers under the purview of the Distribution Licensee.

d) Summation of allocated Demand cost, Energy cost and Customer cost across functions shall be total Cost to serve for respective consumer categories. Cost to serve reduced by revenue from a consumer category shall give total subsidy for that category. Total subsidy for a consumer category reduced by Government subsidy, if any, shall be cross-subsidy for that consumer category.

e) The consumers below poverty line who consume power below a specified level, say 30 units per month, shall receive a special support through cross subsidy.

.....

g) Tariff Design

(1) The Commission shall be guided by the objective that the tariff progressively reflects the efficient and prudent cost of supply of electricity.

(2) After the costs have been allocated based on the method specified in clauses(c) and (d) above, tariffs for different consumer categories shall be designed with due regard to factors provided under section 62(3) of the Act."

7.1.6 In terms of the Distribution MYT Tariff Regulations, 2014, Tariff Policy 2016 and the Electricity Act, 2003, the Commission opines that in the ideal scenario, the tariff of any category should be linked to the cost imposed on the system by the said category. The Commission, while determining the tariff for each category, has looked into the relationship between the tariff and the overall average cost of supply for FY 2018-19. Efforts are made to move the tariff of appropriate consumer categories, towards the band of +/- 20% to meet the declared objectives of the Distribution MYT Tariff Regulations, 2014, Tariff Policy, 2016 and the Electricity Act, 2003.

7.1.7 Further, the Commission has determined the retail tariff keeping in the mind the guiding principles as stated in Section 61 of the Electricity Act, 2003. The Commission in its Tariff Order dated November 30, 2017, had revised the tariff considering the huge amount of revenue gap and high cost of supply and resultant poor cost coverage in the absence of cost reflective tariff. The Commission had rationalized the tariff for FY 2017-18 by approving revised rates for various categories of consumers to ensure some recovery of the revenue gap. The

Commission had stated that the tariff for FY 2018-19 and 2019-20 shall be reviewed at the time of filing of Annual Performance Review, if required. However, the Licensee delayed the submission of tariff Petition for FY 2018-19, and so the Commission for FY 2018-19 directed the Licensee to continue with the tariff for FY 2017-18 till further orders and further directed the Licensee to make all the filings in time along with tariff proposal in the next tariff proceedings in accordance with the Regulations, to avoid such aberrations and further widening of the regulatory assets.

7.1.8 Considering the huge amount of revenue gap for the previous years (prior to FY 2019-20), high cost of supply and resultant poor cost coverage in the absence of cost reflective tariff, the Commission has decided to rationalize the tariff for FY 2019-20 by approving revised rates for various categories of consumers to ensure some recovery of the revenue gap. **Further the Commission has abolished the regulatory surcharge.** This will further reduce the tariff impact and thereby bring marginal rise in tariff. The revised rate schedule applicable for FY 2019-20 is provided in this Tariff Order.

7.1.9 The Licensee has submitted a tariff proposal wherein they have proposed a tariff hike of 12%. However, after consideration of views / comments of various stakeholders and the licensee, the Commission has designed the Tariff for FY 2019-20 so as to compensate the rising costs of the Licensees without putting excessive load on the consumers. Effort has been made to ensure that the effective Tariff for the consumers having lower consumption will be lesser as compared to the consumers having higher consumption. This would discourage the consumers to use more electricity and will contribute in electricity savings.

7.1.10 Accordingly, the Tariffs for all the categories have been revised and increased. However, there has been no change in the Tariffs for Below Poverty Line (BPL) category. The Time of Day (TOD) structure for LMV-6 and HV-2 categories have been kept same earlier and has been divided in summer and winter seasons. Further, Tariff for Electric Vehicle (EV) has been included in the Tariff Schedule. The same has been detailed in the subsequent sections. One should note that the tariff could not be revised in FY 2018-19 and so effective rise given needs to be seen as almost half for each consumer.

7.2 METERING

7.2.1 The Petitioner in MYT Format P17 has shown the Status of Metering. It is observed that there are 2884 consumers in FY 2017-18 and 2065 consumers in FY 2018-19 having defective meters. Also, the Petitioner in APR Petition for FY 2017-18 submitted that 4% of the total consumers are still unmetered in FY 2017-18. Therefore, the Commission vide Deficiency Note dated February 15, 2019 directed the Petitioner to submit a complete action plan with specified monthly targets for achieving 100% metering in the next 1 year.

7.2.2 The Petitioner vide its letter dated April 16, 2019, submitted that the contribution of unmetered consumers is coming down constantly. Further, by restraining to give unmetered connections and simultaneously pushing unmetered consumers to metered ones, the Licensee has substantially achieved the motto of metering as per the Electricity Act, 2003. Since 2003, the Licensee has not released even a single connection in unmetered category. On part of the Licensee, all requisite material such as cable, meters, meter box and network are always available and should there be no resistance / protests from consumers, the Licensee would have converted the entire unmetered connections into metered ones long-back.

7.2.3 The Petitioner has further submitted that however, the reason for slow conversion, as mentioned in the report submitted by it vide letter number P77A/2014/012 dated August 27, 2015 and P77A/2015/050 dated February 23, 2016 is the opposition and reluctance of the villagers to get meters installed as there will be an increase in their monthly electricity bills. This fact was apparent when the consumers requested the Commission to let them continue to be in the unmetered category in the Public Hearing held on April 15, 2015 at Ghaziabad on the ARR Petition for determination of ARR/Tariff for FY 2015-16, True Ups and other matters of all the Distribution and Transmission Licensees of the State of U.P.

7.2.4 The Petitioner has further submitted that in the recent past, there were major day-long agitations against the Licensee for converting the unmetered consumers into the metered ones. Since, support from Local administration / Police is not effectively forthcoming for this activity, the Licensee through persuasive means and by engaging the Village Contact Persons (VCP) and Village Pradhan in various villages has been installing meters so that no untoward incident happens in the respective areas. The Licensee from its side has been constantly pushing installation of meters, however, the consumers are not forthcoming to achieve the complete success.

7.2.5 The Commission has observed the following pattern of unmetered number of consumers for NPCL:

Table 7-1 Number of unmetered consumers

Category	FY 2017-18		FY 2018-19	
	No. of Consumers	Sales (MU)	No. of Consumers	Sales (MU)
LMV-1	2200	19.92	2200	17.52
LMV-5	623	22.23	623	16.88
LMV-8	1	0.60	0	-
Unmetered	2824	42.75	2823	34.40
Total	**84,016**	**1780.99**	**87,806**	**1,854**
Percentage	3.36%	2.40%	3.22%	1.86%

7.2.6 From the above Table it can be observed that the number of unmetered consumers has come down from 3.36% in FY 2017-18 to 3.22% in FY 2018-19. Energy sales has also come down from 2.40% in FY 2017-18 to 1.86% in FY 2018-19. However, it can be concluded that the contribution of unmetered consumers has not reduced considerably.

7.2.7 It has been observed that in the previous years, in spite of various incentive / dis-incentives, there has not been any considerable improvement in the metering status and the Distribution Licensee continues to supply electricity to the unmetered consumers, which results in considerable loss of unaccounted electricity. The Petitioner has not been making its full efforts to convert the unmetered connections. It is further observed that the Licensee has only provided the metering status, and no metering plan has yet been submitted to convert all the unmetered consumers to the metered category. **The Licensee is required to put its sincere efforts for converting the all the remaining unmetered consumers to metered consumers by FY 2020-21. The same shall be considered by the Commission while formalising the Tariff / ARR for FY 2020-21 and True-Up of FY 2019-20.**

7.2.8 For smart metering, the Petitioner has submitted that initially the project was focused at installing Single Phase Smart Meters, called **IGMS (Intelligent Group Meter System)**, in loss prone areas with a view to contain the commercial losses, improved meter reading, demand control and enabling remote disconnection / reconnection resulting in better collection efficiency. The Petitioner submitted that currently, 2000 Single Phase Smart Meters have been installed. Second phase of smart meter installation included installing smart meters for consumers having

contractual load between 15 kW to 24 kW and getting supply through three phase whole current meters. Second phase also covered installation of smart meters at High Masts Street Lights with a built-in feature of switching on and switching off the street lights as per astronomical calendar. Around 3186 number of Smart Meters have been installed upto February 28, 2019.

7.2.9 The Petitioner has further submitted that it intends to convert all metering installations under its licensed area to Smart Meters with a long-term view of creating an AMI enabled infrastructure to harness full potential of technology towards better consumer experience. As regards the smart metering plan for FY 2019-20, the Petitioner submitted that it is planning to install another 1000 Smart Meters by March 31, 2020.

7.3 TIME OF DAY

7.3.1 It had come to the knowledge of the Commission during the process of public hearing that the conversion of TOD meters in accordance to MYT Order dated November 30, 2017, has still not been completed. So, the Licensee is directed to complete the conversion process at the earliest.

7.4 AMENDMENT IN RATE SCHEDULE BASED ON VARIOUS ORDERS PASSED IN FY 2018- 19

7.4.1 The Commission in FY 2018-19 has passed following four Orders by which there is revision in the rate schedule for different categories:

a. Order dated March 03, 2019 in Suo- moto Case No. 18SM of 2019 in the matter of Suo- moto proceedings for determination of tariff for electric vehicle charging;

b. Order dated December 13, 2018, in Petition No. 1366 / 2018 in the matter of approval of 5% rebate on timely payment of monthly bills by PTW (Rural) category agricultural electricity consumers under LMV-5 (Rural Schedule);

c. Order dated December 13, 2018, in Petition No. 1372 / 2018, in the matter of proposed change in applicability of rate schedule for "Goshalas-cow shed" and "Math/rooms" built at religious places;

d. Order dated April 12, 2018, in Petition No. 1290/2018, in the matter of inclusion of additional provision related to "Single Rabi Crop" consumers in Bundelkhand Area in LMV-5 (Rural) Tariff Category Rate Schedule.

7.4.2 **Order dated March 03, 2019 in Suo- moto Case No. 18SM of 2019**

The Commission in this Order approved the Tariff for electric vehicle charging applicable in the State of UP. The relevant extract of the Order is produced below:

Quote

3.2.1 keeping in view the guidelines of Ministry of Power wherein a cap of 15% of ACOS is provided, the comments received of the various stakeholders on the Commissions draft Tariff design, the Tariff for Electric Vehicle Charging applicable in the State of Uttar Pradesh is being approved as follow:

Electric Vehicle Charging

1. Domestic Consumers

All the metered domestic consumers covered under the LMV-1 category will be allowed to charge their electric vehicle at their residence, provided the load of EV does not exceed the connected / contracted load. The tariff that is applicable as per the rate schedule will be applicable on electric vehicle charging as well.

2. Multi Storey Buildings (covered under LMV-1b & HV-1b of the Rate Schedule)

Those who wish to install electric vehicle charging station in the premises Multi Storey Building, will have to take a separate connection for EV Charging Station. The Tariff applicable for such Charging Station in the Multi Storey Building will be as follows:

Category	Demand Charge	Energy Charge
Multi Story Buildings (Covered under LMV-1b)	Nil	Rs. 6.20 / kWh
Multi Story Buildings (Covered under HV-1b)	Nil	Rs. 5.90 / kWh

The consumer will be required to pay one time charges etc. wherever applicable.

3. Public Charging Stations.
The tariff applicable for Public Charging Stations will be as follows:

Category	Demand Charge	Energy Charge*
Public Charging Station (LT)	Nil	Rs. 7.70 / kWh
Public Charging Station (HT)	Nil	Rs. 7.30 / kWh

The consumer will be required to pay one time charges etc. wherever applicable.

Time of Day (ToD) Structure for public charging Stations:

Summer Months (April to September)

Hours	% of Energy Charges
05:00 hrs – 11:00 hrs	(-)15%
11:00 hrs – 17:00 hrs	0%
17:00 hrs – 23:00 hrs	(+)15%
23:00 hrs – 05:00 hrs	0%

Winter Months (October to March)

Hours	% of Energy Charges
05:00 hrs – 11:00 hrs	0%
11:00 hrs – 17:00 hrs	0%
17:00 hrs – 23:00 hrs	(+)15%
23:00 hrs – 05:00 hrs	(-)15%

4. Other Consumers

The consumers of other categories (metered consumers of LMV-2(a), LMV2(c), LMV-4, LMV-6, LMV-7, LMV-8 (Metered), LMV-9 (Metered), HV-1, HV-2, HV-3 and HV-4) that are not covered above, will be charged as per the tariff applicable for their respective category or to say they need not to take a separate connection, they can do the charging with in their respective connections, provided the load of EV does not exceed the connected / contracted load.

Note:
It is advised that the consumer should take precaution to take adequate contracted load in order to meet the load of charging of Electrical Vehicle. In case the contracted / connected load is breached then the consumer will be liable to pay penalty. Further, the other provisions of General Provisions of Rate Schedule and Electricity Supply Code will also come into effect in case consumers load breaches the contract demand.

Unquote

7.4.3 **Order dated December 13, 2018 in Petition No.1366/2018:**

The Commission in this Order approved the amendment /addition in the general provisions of the rate schedule as detailed below. The relevant extract of the Order is produced below:

Quote

The existing clause in the general provisions of the rate schedule as shown below:

Quote

A. GENERAL PROVISIONS:

.....

REBATE ON PAYMENT ON OR BEFORE DUE DATE:

A rebate at the rate of 1.00 % on the 'RATE' shall be given in case the payment is made on or before the due date. The consumers having any arrears in the bill shall not be entitled for this rebate. The consumers who have made advance deposit against their future monthly energy bills shall also be eligible for the above rebate applicable on the 'RATE'.

.....

Unquote

The above existing clause in the general provisions of the rate schedule may be read as shown below:

Quote

A. GENERAL PROVISIONS:

.....

REBATE ON PAYMENT ON OR BEFORE DUE DATE:

A rebate at the rate of 1.00 % on the 'RATE' shall be given in case the payment is made on or before the due date. However, a rebate at the rate of 5.00 % on the 'RATE' shall be given to LMV-5 (Rural) (i.e. PTW Rural Category Agricultural Consumers) category of electricity consumers in case the payment is made on or before the due date. The consumers having any arrears in the bill shall not be entitled for this rebate. The consumers who have made advance deposit against their future monthly energy bills shall also be eligible for the above rebate applicable on the 'RATE'.

.....

Unquote

7.4.4 **Order dated December 13, 2018 in Petition No.1372/2018:**

The Commission in this Order approved the amendment/addition in the "Applicability" of Rate Schedules of LMV-1 and LMV-5 categories as detailed below:

Quote

- ***LMV-1***

The existing clause in the rate schedule for LMV-1 is as follows:

Quote

RATE SCHEDULE LMV-1

1. APPLICABILITY

This schedule shall apply to:

a) Premises for residential/domestic purpose, Accommodation for Paying Guests for Domestic purpose (Excluding Guest Houses), Janata Service Connections, Kutir Jyoti Connections, Jhuggi/ Hutments, Places of Worship (e.g. Temples, Mosques, Gurudwaras, Churches) and Electric Crematoria, Shelter Homes, Orphanages, Old age homes. Institutions run for mentally retarded and forsaken children.

.....

Unquote

The above existing clause in the rate schedule for LMV-1 may be read as shown below:

Quote

RATE SCHEDULE LMV-1

"1. APPLICABILITY

This schedule shall apply to:

a) Premises for residential/domestic purpose, Accommodation for Paying Guests for Domestic purpose (Excluding Guest Houses), Janata Service Connections, Kutir Jyoti Connections, Jhuggi/ Hutments, Places of Worship (e.g. Temples, Mosques, Gurudwaras, Churches) and Electric Crematoria, Shelter Homes, Orphanages, Old age homes. Institutions run for mentally retarded and forsaken children. ***Non-commercial places occupied by religious persons, of any religion, are also entitled in this category, for a maximum load up to 5 kW, subject to the***

condition that such non-commercial place shall have a valid registration/recognition from a charitable trust.....

Unquote

.....

- ***LMV-5***

The existing clause in the rate schedule for LMV-5 is as shown below:

Quote

RATE SCHEDULE LMV-5: SMALL POWER FOR PRIVATE TUBE WELLS / PUMPING SETS FOR IRRIGATION PURPOSES:

"1. APPLICABILITY:

This schedule shall apply to all power consumers getting supply as per Rural / Urban Schedule for Private Tube-wells / Pumping Sets for irrigation purposes having a contracted load up to 25 BHP and for additional agricultural processes confined to Chaff-Cutter, Thresher, Cane Crusher and Rice Huller. All new connections under this category shall necessarily have the ISI marked energy efficient mono-bloc pump sets with capacitors of adequate rating to qualify for the supply. All existing pump sets shall be required to install capacitors of adequate rating.

.....

Unquote

The above existing clause in the rate schedule for LMV-5 may be read as shown below:

Quote

RATE SCHEDULE LMV-5: SMALL POWER FOR PRIVATE TUBE WELLS / PUMPING SETS FOR IRRIGATION PURPOSES:

"1. APPLICABILITY:

This schedule shall apply to all power consumers getting supply as per Rural / Urban Schedule for Private Tube-wells / Pumping Sets for irrigation purposes having a contracted load up to 25 BHP and for additional agricultural processes confined to Chaff-Cutter, Thresher, Cane Crusher and Rice Huller. ***This schedule shall also be applicable for***

separate PTW connection for registered Goshalas for load up to 5BHP having separate light and fan connection with the condition that such Gaushala - Cow shed shall not be used for commercial purpose. *All new connections under this category shall necessarily have the ISI marked energy efficient mono-bloc pump sets with capacitors of adequate rating to qualify for the supply. All existing pump sets shall be required to install capacitors of adequate rating.*

.....

Unquote

Quote

7.4.5 **Order dated April 12, 2018 in Petition No. 1290/2018**

The Commission in this Order approved the amendment/addition in the Rate Schedules of LMV-5 and LMV-9 categories as depicted in the Rate Schedule annexed to this Tariff Order.

7.5 APPLICABILITY OF TARIFF CATEGORY

The applicability, character and point of supply and other terms & conditions of different consumer categories have been defined in the Rate Schedule annexed to this Tariff Order. In case of any inconformity, the Rate Schedule shall prevail over the details given in the various sections of this Order.

8. TREATMENT OF REVENUE GAP

8.1 REVENUE GAP/ REGULATORY ASSETES

8.1.1 The Commission in this Tariff Order has carried out the True-up for FY 2017-18 and revised ARR approval for FY 2019-20. The Commission is guided by the provisions of MYT Distribution Regulations, 2014 for treatment of the revenue gap. The relevant extract of Regulation 35 of MYT Distribution Regulations, 2014 on Regulatory Asset is produced below:

> ***"Treatment of Regulatory Assets***
>
> *a) Regulatory assets shall not be created against cost / loss incurred in normal course of business.*
>
> *Provided that in such a case, financing arrangement or capital restructuring shall be deployed to cover the gap.*
>
> *b) The amortization schedule corresponding to the regulatory asset shall be prepared and put in effect along with creation of the regulatory asset.*
>
> *c) The carrying cost of the regulatory asset shall be in line with the State Bank Advance Rate (SBAR) for the tenure for which regulatory asset has been created.*
>
> *d) There shall not be a long gap in truing up of accounts of the Distribution Licensee so as to prevent the need for creation of the regulatory asset."*

8.1.2 Regulation 35 (c) provides for allowance of carrying cost in line with the State Bank Advance Rate (SBAR). Further, the Hon`ble Appellate Tribunal for Electricity has held that proper financing costs / carrying costs / interest charges on the regulatory assets has to be allowed by the State Commission(s). Accordingly, the Commission approves the interest rate for computation of carrying cost to be allowed to the Petitioner based on State Bank Advance Rate (SBAR) on monthly compounding basis in this Order.

8.1.3 Based on the approved % interest rate for computation of carrying costs and the revenue gap for the respective years, the table below highlights the approved / trued-up ARR, revenue at applicable / approved tariffs, carrying cost and the revenue gap for respective years under consideration in the present Order.

TABLE 8-1: REVENUE GAP ANALYSIS (Rs. Crore)

Particulars	Ref	FY 2017-18 (Approved)	*FY 2018-19 (APR)	FY 2019-20 (Approved)
Aggregate Revenue Requirement	A	**1,235.31**	**1,356.36**	**1419.49**
Revenue at applicable / approved Tariff (without regulatory surcharge)	B	1243.67	1,380.33	1653.67
Revenue from Regulatory Surcharge	C	90.69	82.56	39.16#
Revenue Gap from previous years	D	335.72	278.36	204.62
Carrying cost	E	41.69	32.79	9.90
Revenue Gap / (Surplus) carried forward	**F=(A-B-C+D+E)**	**278.36**	**204.62**	**(58.82)**

**Note: Revenue and applicable regulatory surcharge considered as approved vide Tariff Order dated 22.01.2019.*

 # This Regulatory Surcharge is applicable upto the period of Tariff revision only. After Tariff revision no Regulatory surcharge is considered.

8.1.4 From the above Table, the Commission observes that there are no regulatory assets for FY 2019-20. However, as there are a few matters related to the power purchase pending in various fora, which may impact the power purchase cost of the Licensee, the Commission has approved a net surplus for FY 2019-20 that will be taken into consideration at the time of True- Up.

8.1.5 The revenue gap/ (surplus) carried forward for FY 2019-20 is approved on a provisional basis and shall be subject to True- Up or as may be decided by Commission and shall be recovered in future years.

8.2 REGULATORY SURCHARGE

8.2.1 It can be seen from the above table that the entire ARR for FY 2019-20 including revenue gap for previous years and including carrying cost has been recovered completely after applying approved/ revised tariff for FY 2019-20.

8.2.2 However, as there is net Surplus of Rs 269.11 Cr in FY 2019-20 which means that there are no regulatory assets for FY 2019-20, **the Regulatory Surcharge is being abolished with effect from the implementation of the Tariffs for FY 2019-20.**

9. DIRECTIVES

9.1 STATUS OF DIRECTIVES FOR FY 2018-19

This Chapter details the Commission's directives to the Licensee. The Licensee in its ARR and Tai status of compliance with the Commission's directives issued vide Tariff Order dated January compliance with the directives by Licensee is provided in the Table below:

TABLE 9-1: STATUS OF COMPLAINCE OF DIRECTIVES FOR FY 2018-

S. No	Description of Directive	Time Period for compliance from the date of issue of the Tariff Order	Status of Compliance
1	The Commission directed NPCL to regularly update the Commission on the status of implementation of the DSM measures being undertaken / intended to be taken up. The report must also indicate the cost-benefit analysis of the measures	At end of each quarter of the Financial Year	The Licensee has updated the Commission on the status of the DSM measures being undertaken / intended to be shown below: **DSM Measures:** The Licensee has a very focused appro various forms such as: - i) **Roof Top Solar PV:** In the state of UP, the Licensee h leading Discom in granting Net metering connections The Net Metering connection given by the Licensee ar Net Metering Connection during FY 2017-18: 14.36 M\ Net Metering Connection during FY 2018-19 (Upto Feb

S. No	Description of Directive	Time Period for compliance from the date of issue of the Tariff Order	Status of Compliance	Commission's Directions
	being undertaken by the Licensee.		**Total: 22.16 MWp** This has helped consumers to get electricity as well as the Distribution Network is being utilize to provide supply to more number of consumers. ii) **Use of Energy Efficient Devices:** Promoting use of energy efficient devices such as LED lights, energy efficiency star rated ACs, Fridge and other appliances. The Licensee has provided information on its bills as well as its customer care offices. The Licensee has already signed MOU to provide cost efficient LED lights to its consumers and consumers are being provided LED lights from the Licensee's Customer Care Centre. iii) **Spreading awareness about DSM:** The children are found to be torch bearers of good initiatives like energy saving. The Licensee has taken up 9 number of interactive sessions with school children morning assembly to promote habit of switching off devices when not in use and also guiding them towards importance of saving electricity which can be used to provide to people who are being deprived for the same. Various Art competitions have been organized to promote the same. iv) **Energy Efficient Buildings:** The Licensee has constructed Customer Care Centre at KP-1 and Corporate Office at KP4 sectors of Greater Noida. These offices have been designed with Energy Efficient properties and	on the same, which should indicate the cost-benefit analysis of the measures undertaken by NPCL. The Petitioner is directed to submit the same.

S. No	Description of Directive	Time Period for compliance from the date of issue of the Tariff Order	Status of Compliance	Commission's Directions
			these projects have been accredited Gold certificate by U.S. Green Building Council.	
2	The Commission directed that the Licensee must make all filings timely, strictly as per the various UPERC Regulations. Also, they should ensure that all the deficiencies raised in the last 2 years proceedings may be submitted along with the filings, this will save a lot of time and hence issuance of Tariff Orders will be faster.	As per the Timeline fixed	The Licensee has filed the Petition for APR of FY 2018-19 on October 29, 2018 which is as per the UPERC MYT distribution Regulations, 2014.	The Petitioner has not submitted the deficiencies raised in the last 2 years proceedings along with the filing of Tariff Petition. The Licensee is directed to submit the same in their next Tariff filing to expedite the process of issuing Tariff Order.

S. No	Description of Directive	Time Period for compliance from the date of issue of the Tariff Order	Status of Compliance	Commission's Directions
3	The Commission directed that the licensee should file FPPCA/ Incremental Cost in a timely and regular manner	At the end of each quarter of the Financial Year	The details of incremental Cost have been submitted by the Licensee vide letter no. P-77Q(III)/039 dated January 30, 2019.	The Petitioner has not filed the information yet sought by the Commission vide Letter dated March 19, 2019.

9.2 DIRECTIVES FOR FY 2019-20

Table 9-2: DIRECTIVES ISSUED TO THE LICENSEE FOR FY 2019-20

Sl.No.	Description of Directive	Time Period for compliance from the date of issue of the Tariff Order
1	The Licensee to complete the conversion from un-metered to metered consumers by FY 2020-21.	As per the time lines specified
2	The Licensee to comply with the Regulation 23 A (b) of UPERC Multi Year Distribution Tariff Regulations, 2014 relating to obtaining project wise prior approval of the Commission before incurring capital expenditure of an amount exceeding 10 Crore, so that such investments may be allowed in the ARR.	Immediate
3	The Licensee to ensure timely filings of ARR Petitions as per Regulations.	Next ARR Filings

Sl.No.	Description of Directive	Time Period for compliance from the date of issue of the Tariff Order
4	The Licensee to ensure that the submission of Category / Sub-Category wise billing determinants like consumer numbers, connected load, sales and revenue should be based on billing data only.	Next ARR Filings
5	The Licensee to ensure that the Category / Sub-Category wise billed revenue as per Rate Schedule is included in the Audited Annual Accounts/Financial Statements from FY 2020-21 onwards.	As per the time lines specified
6	The Commission has amended UPERC (Promotion of Green Energy through Renewable Purchase Obligation) Regulations, 2010 dated August 16, 2019 for FY 2019-20 to FY 2023-24. The Licensee to ensure that Power Purchase is done as per RPO targets with Renewables having priority.	Immediate
7	Agricultural consumers should be given un-interrupted supply preferably during day time as per schedule.	Immediate
8	100% online bill generation should be implemented by FY 2020-21. Efforts must be made by the Licensee to move to paper less billing in urban areas by March, 2021.	As per the time lines specified
9	Online billing for HV-2 consumers should be done with immediate effect from the month of October, 2019.	As per the time lines specified
10	SMS facility to be provided to all consumers for communicating the information regarding bill amount, due date, shut down etc.	Immediate

Sl.No.	Description of Directive	Time Period for compliance from the date of issue of the Tariff Order
11	Already approved Pre-paid/Smart meter rollout plan to be monitored and reported quarterly to the Commission. Approval must be taken from the Commission for any fresh Pre-Paid/Smart meter rollout plan.	Immediate
12	Bank Rate for interest on security deposits shall be notified and published by the Licensee within one month if not done already.	Immediate

10. APPLICABILITY OF THE ORDER

The Licensee, in accordance with Regulation 13.3 of the Uttar Pradesh Electricity Regulatory Commission (Multi Year Distribution Tariff) Regulations, 2014, shall publish within three working days, the Tariff and Regulatory Surcharge, etc., approved herein by the Commission in at least two (2) English and two (2) Hindi daily newspapers having wide circulation in the area of supply and shall put up the approved tariff/rate schedule on its website and make available for sale, a booklet both in English and Hindi containing such approved tariff/rate schedule, as the case may be, to any person upon payment of reasonable reproduction charges.

The tariff so published shall be in force after seven days from the date of such publication of the tariff and shall, unless amended or revised, continue to be in force until further Orders of the Commission. The Regulatory Surcharge shall be applicable as detailed in this Order. The Commission may issue clarification/ corrigendum/ addendum to this Order as it deems fit from time to time with the reasons to be recorded in writing.

(Kaushal Kishore Sharma)
Member

(Raj Pratap Singh)
Chairman

Place: Lucknow
Dated: September 3rd, 2019

11. ANNEXURES

11.1 RATE SCHEDULE FOR FY 2019-20

RATE SCHEDULE FOR FY 2019-20

(Applicable for NPCL)

A. GENERAL PROVISIONS:

These provisions shall apply to all categories unless specified otherwise and are integral part of the Rate Schedule.

1. NEW CONNECTIONS:

All new connections shall be given in kW, KVA, or BHP as agreed to be supplied by the licensee. Further, if the contracted load (KW/ kVA) of already existing consumer is in fractions then the same shall be treated as next higher kW / kVA load. If the contracted load is in kW and is being converted into kVA, the conversion factor of 0.90 will be used (kVA = kW / 0.90) for tariff application purposes and the same shall be rounded off up to two decimal places.

2. READING OF METERS:

As per applicable provisions of Electricity Supply Code, 2005 and its amendments.

3. BILLING WHEN METER IS NOT MADE ACCESSIBLE:

A penalty of Rs. 50 / kW or as decided by the Commission through an Order shall be levied for the purposes of Clause 6.2 (c) of the applicable Electricity Supply Code 2005 and its amendments.

4. BILLING IN CASE OF DEFECTIVE METERS:

As per the applicable provisions of Electricity Supply Code, 2005 and its amendments.

5. KVAH TARIFF:

'kVAh based tariffs' shall be applicable on all consumers having contracted load of 10 kW / 13.4 BHP and above, under different categories with TVM / TOD / Demand recording meters (as appropriate).

The rates prescribed in different categories in terms of kW and kWh will be converted into appropriate kVA and kVAh by multiplying Fixed / Demand Charges and Energy Charges by an average power factor of 0.90. Similarly, the Fixed /

Demand Charges expressed in BHP can be converted into respective kVA rates in accordance with formula given below:

Fixed Charges in kVA = (Fixed Charges in BHP / 0.746) × 0 .90

Fixed Charges in kVA = (Fixed Charges in kW × 0.90)

Energy Charges in kVAh = (Energy Charges in kWh × 0.90)

The converted rates (i.e., Energy Charge in Rs. / kVAh and Fixed / Demand Charges in Rs. / kVA) will be rounded up to two decimal places.

Further, for converting energy slabs of different categories specified in kWh to kVAh, average power factor of 0.90 will be used as a converting factor for converting each energy slab (specified in kWh) into energy slabs (in KVAh). The converted energy slabs (in KVAh) will be rounded to next higher kVAh.

Note 1: In case of kVAh billing, only kVAh reading will be used for billing purpose.

Note 2: If the average power factor of a consumer in a billing cycle is leading and is within the range of 0.95 - 1.00, then for tariff application purposes such leading power factor shall be treated as unity. The bills of such consumers shall be prepared on kwh basis. However, if the leading power factor is below 0.95 (lead), then the consumer shall be billed as per the kVAh reading indicated by the meter.

6. BILLABLE LOAD / DEMAND:

For all consumers having TVM / TOD / Demand recording meters installed, the billable load / demand during a month shall be the actual maximum load / demand as recorded by the meter (can be in parts of kW or kVA) or 75% of the contracted load / demand (kW or kVA), whichever is higher.

In case the Licensee's meter reader does not note the actual maximum load / demand, then the Licensee will raise the bill at 75% of the contracted load and in cases where the consumer approaches the Licensee with a meter reading but does not provide the proof of actual maximum load / demand displayed on his meter, then in such case the Licensee will raise the bill at 100% of the contracted load.

Further in case a consumer feels that his maximum load / demand reading has been noted wrong, the consumer may approach the licensee with a photo of the actual maximum load / demand reading displayed on his meter of the concerned month. The licensee shall accept the same for the purpose of computation of billable demand, however if the licensee wishes to, it can get the same verified within 5 days.

7. SURCHARGE / PENALTY:

(i) DELAYED PAYMENT:

If a consumer fails to pay his electricity bill by the due date specified therein, a late payment surcharge shall be levied at 1.25% on the dues (excluding late payment surcharge) per month; up-to first three months of delay and subsequently at 2.00% on the dues (excluding late payment surcharge) per month of delay. Late payment surcharge shall be calculated proportionately for the number of days for which the payment is delayed beyond the due date specified in the bill and levied on the unpaid amount of the bill excluding delayed payment surcharge. Imposition of this surcharge is without prejudice to the right of the Licensee to disconnect the supply or take any other measure permissible under the law.

(ii) CHARGES FOR EXCEEDING CONTRACTED DEMAND:

a) If the maximum load / demand in any month of a **domestic consumer** having TVM / TOD / Demand recording meter exceeds the contracted load / demand, then such excess load / demand shall be levied equal to 100% of the normal rate apart from the normal fixed / demand charge as per the maximum load / demand recorded by the meter. Further, if the consumer is found to have exceeded the contracted load / demand for continuous previous three months, the consumer shall be served a notice of one month advising him to get the contracted load enhanced as per the provisions of the Electricity Supply Code, 2005 and amendments thereof. However, the consumer shall be charged for excess load for the period the load is found to exceed the contracted load. The Licensee shall merge the excess load with the previously sanctioned load, and levy additional charges calculated as above, along with additional security. Subsequent action regarding the increase in contracted load, or otherwise shall be taken only after due examination of the consumer's reply to the notice and a written order in this respect by the Licensee.

b) If the maximum load / demand in any month, for the consumers of **other category (except (a) above)** having TVM / TOD / Demand recording meter exceeds the contracted load / demand, then such excess load / demand shall be levied equal to 200% of the normal rate apart from the normal fixed / demand charges as per the maximum load / demand recorded by the meter.

c) Any surcharge / penalty shall be over and above the minimum charge, if the consumption bill of the consumer is being prepared on the basis of minimum charge.

d) Provided where no TVM / TOD / Demand recording meter is installed, the excess load / demand charge shall be levied as per the Electricity Supply Code, 2005 as amended from time to time.

8. POWER FACTOR SURCHARGE:

i. Power factor surcharge shall not be levied where consumer is being billed on kVAh consumption basis.

ii. It shall be obligatory for all consumers to maintain an average power factor of 0.90 or more during any billing period. No new connections of motive power loads / inductive loads above 3 kW, other than under LMV-1 and LMV-2 category, and / or of welding transformers above 1 kVA shall be given, unless shunt capacitors having I.S.I specifications of appropriate ratings are installed, as described in section H - 'LIST OF POWER FACTOR APPARATUS' of this Rate Schedule.

iii. In respect of the consumers with or without TVM / TOD / Demand recording meters, excluding consumers under LMV-1 category up to contracted load of 10 kW and LMV-2 category up to contracted load of 5 kW, if on inspection it is found that capacitors of appropriate rating are missing or in-operational and Licensee can prove that the absence of capacitor is bringing down the power factor of the consumer below the obligatory norm of 0.90; then a surcharge of 15% on the 'RATE' shall be levied on such consumers. Licensee may also initiate action under the relevant provisions of the Electricity Act, 2003, as amended from time to time.
Notwithstanding anything contained above, the Licensee also has a right to disconnect the power supply, if the power factor falls below 0.75.

iv. Power factor surcharge shall however, not be levied during the period of disconnection on account of any reason whatsoever.

9. PROTECTIVE LOAD AND PROTECTIVE LOAD CHARGE:

Consumers getting supply on independent feeder at 11kV & above voltage, emanating from sub-station, may opt for facility of protective load and avail supply during the period of scheduled rostering imposed by the Licensee, except under emergency rostering. An additional charge @ 100% of base demand charges shall be levied on the sanctioned protective load (as per Electricity Supply Code, 2005 and its amendments) per month as protective load charge. However, consumers of LMV-4 (A) - Public Institutions will pay the additional charge @ 25% of base demand charges only. During the period of scheduled rostering, the load shall not exceed

the sanctioned protective load. In case the consumer exceeds the sanctioned protective load during scheduled rostering, he shall be liable to pay twice the prescribed additional charges for such excess load.

10. ROUNDING OFF:

All bills will be rounded off to the nearest rupee i.e. up to 49 paisa shall be rounded down to previous rupee and 50 paisa upwards shall be rounded up to next rupee. The difference due to such rounding shall be adjusted in subsequent bills.

11. OPTION OF MIGRATION TO HV-1 & HV-2 CATEGORY:

The consumer under LMV-2 and LMV-4 with contracted load above 50 kW and getting supply at 11 kV & above voltage shall have an option to migrate to the HV-1 category and LMV-6 consumers with contracted load above 50 kW and getting supply at 11 kV & above voltage shall have an option to migrate to the HV-2 category. Furthermore, the consumers shall have an option of migrating back to the original category on payment of charges prescribed in Cost Data Book for change in voltage level.

12. PRE-PAID METERS / AUTOMATIC METER READING SYSTEM:

(i) Any consumer having prepaid meters shall also be entitled to a discount of 2.00 % on the 'RATE' as defined in the Tariff Order.

(ii) The token charges for code generation for prepaid meters shall be Rs. 10/- per token or as decided by the Commission from time to time.

13. CONSUMERS NOT COVERED UNDER ANY RATE SCHEDULE OR EXPRESSLY EXCLUDED FROM ANY CATEGORY:

For consumers of light, fan & power (excluding motive power loads) not covered under any rate schedule or expressly excluded from any LMV rate schedule will be categorized under LMV-2.

14. A consumer under metered category may undertake any extension work, in the same premises, on his existing connection without taking any temporary connection as long as his demand does not exceed his contracted demand and the consumer shall be billed in accordance with the tariff applicable to that category of consumer.

15. REBATE ON PAYMENT ON OR BEFORE DUE DATE:

A rebate at the rate of 1.00 % on the 'RATE' shall be given in case the payment is made on or before the due date. However, a rebate at the rate of 5.00% on the 'RATE' shall be given to LMV-5 (Rural) (i.e. PTW Rural Category Agricultural Consumers) category of electricity consumers in case the payment is made on or

before the due date. The consumers having any arrears in the bill shall not be entitled for this rebate. The consumers who have made advance deposit against their future monthly energy bills shall also be eligible for the above rebate applicable on the 'RATE'.

16. SCHEME FOR ADVANCE DEPOSIT FOR FUTURE MONTHLY ENERGY BILLS:

If a consumer intends to make advance deposit against his future monthly energy bills, the Licensee shall accept such payment and this amount shall be adjusted only towards his future monthly energy bills. On such advance deposit the consumers shall be paid interest, at the interest rate applicable on security deposit, for the period during which advance exists for each month on reducing balance method and amount so accrued shall be adjusted in the electricity bills which shall be shown separately in the bill of each month. Further, quarterly report regarding the same must be submitted to the Commission.

17. FACILITATION CHARGE FOR ONLINE PAYMENT:

(i) No transaction charge shall be collected from the consumers making their payment through internet banking.

(ii) The Licensees shall bear the transaction charges for transactions up to Rs. 4,000 for payment of bill through internet using Credit Card / Debit Card.

18. MINIMUM CHARGE:

Minimum charge is the charge in accordance with the tariff in force from time to time and come into effect only when sum of fixed / demand charges and energy charges are less than a certain prescribed amount i.e. Minimum Charges. For each month, consumer will pay an amount that is higher of the following:

- Fixed / Demand charges (if any) plus Energy Charge on the basis of actual consumption for the month and additional charges such as Electricity Duty, Regulatory Surcharges, FPPCA / Incremental Cost (IC) Surcharges and any other charges as specified by the Commission from time to time.
- Monthly minimum charge as specified by the Commission and computed at the contracted load and additional charges such as Electricity Duty, Regulatory Surcharges, FPPCA / Incremental Cost Surcharges and any other charges as specified by the Commission from time to time.

19. INTEREST ON DUES PAYABLE TO CONSUMER BY THE LICENSEE:

If a consumer becomes eligible for dues from the Licensee which may arise out of rectification / adjustment / settlement of bill(s), then such consumer will also be

entitled to get interest at rate applicable for interest on security deposits on all the dues payable by the Licensee to the consumer. The Licensee shall compute the interest amount for the period during which such pending amounts exists and adjust such interest towards the future monthly bills of consumers. After adjustment of the interest amount in a particular month, the balance amount, will be carried forward to next month for adjustment with interest on balance amount. The details of such interest amount and adjustment made during the month shall be shown separately in the bill. Further, separate accounting of interest paid must be maintained by the Licensees.

20. DEFINITION OF RURAL SCHEDULE:

Rural Schedule means supply schedule as defined and notified by UP State Load Despatch Centre (SLDC), Lucknow from time to time.

B. RETAIL TARIFFS FOR FINANCIAL YEAR 2019-20

RATE SCHEDULE LMV – 1:

DOMESTIC LIGHT, FAN & POWER:

1. APPLICABILITY:

This schedule shall apply to:

a) Premises for residential / domestic purpose, Accommodation for Paying Guests for Domestic purpose (Excluding Guest Houses), Janata Service Connections, Kutir Jyoti Connections, Jhuggi / Hutments, Places of Worship (e.g. Temples, Mosques, Gurudwaras, Churches) and Electric Crematoria, Shelter Homes, orphanages, old age homes, Institutions run for mentally retarded and forsaken children. Non-commercial places occupied by religious persons, of any religion, are also entitled in this category, for a maximum load up to 5 kW, subject to the condition that such non-commercial place shall have a valid registration/recognition from a charitable trust.

b) Mixed Loads

i. 50 kW and above

a. Registered Societies, Residential Colonies / Townships, Residential Multi-Storied Buildings with mixed loads (getting supply at single point) with the condition that at least 70% of the total contracted load shall be exclusively for the purposes of domestic light, fan and power. The above mixed load, within 70%, shall also include the load required for lifts, water pumps and common lighting,

b. Military Engineer Service (MES) for Defence Establishments (Mixed load without any load restriction).

ii. Less than 50 kW

Except for the case as specified in Regulation 3.3 (e) of Electricity Supply Code, 2005 as amended from time to time, if any portion of the load is utilized for conduct of business for non-domestic purposes then the entire energy consumed shall be charged under the rate schedule of higher charge.

2. CHARACTER AND POINT OF SUPPLY:

As per the applicable provisions of Electricity Supply Code, 2005 and its amendments.

3. RATE:

Rate, gives the fixed and energy charges at which the consumer shall be billed during the billing period applicable to the category:

(a) Consumers getting supply as per 'Rural Schedule':

1. **Lifeline consumers:** Consumers with contracted load of 1 kW, energy consumption up to 100 kWh / month.

Description	Fixed Charge	Energy Charge
Metered Lifeline	Rs. 50.00 / kW / month	Rs. 3.00 / kWh

2. **Others:** Other than Lifeline consumers (i.e. consumers who do not qualify under the criteria laid above for lifeline consumers)

Description	Description	Fixed charge	Energy charge)
i) Un-metered	All Load	Rs. 500 / kW / month	Nil

Description	Consumption Range	Fixed Charge	Energy Charge
ii) Metered	For first 100 kWh / month	Rs. 90.00 / kW / month	Rs. 3.35 / kWh
	For next 101 - 150 kWh / month		Rs. 3.85 / kWh
	For next 151 – 300 kWh / month		Rs. 5.00 / kWh
	For next 301 – 500 kWh / month		Rs. 5.50 / kWh
	For above 500 kWh / month (Starting from 501st unit)		Rs. 6.00 / kWh

(b) Supply at Single Point for bulk loads (50 kW and above, Supplied at any Voltage):

Description	Fixed Charge	Energy Charge
For Townships, Registered Societies, Residential Colonies, multi-storied residential complexes (including lifts, water pumps and common lighting within the premises) with loads 50 kW and above with the restriction that at least 70% of the total contracted load is meant exclusively for the domestic light, fan and power purposes and for Military Engineer Service (MES) for Defence Establishments (Mixed load without any load restriction).	Rs. 110.00 / kW / Month	Rs. 7.00 / kWh

The body seeking the supply at Single point for bulk loads under this category shall be considered as a deemed franchisee of the Licensee. Such body shall charge not more than 5% additional charge on the above specified 'Rate' from its consumers apart from other applicable charges such as Regulatory Surcharge, Penalty, Rebate and Electricity Duty on actual basis.

The 5% additional charge shall be towards facilitating supply of electricity to the individual members to recover its expenses towards supply of electricity, distribution loss, electrical maintenance in its supply area, billing, accounting and audit etc.

The deemed franchisee is required to provide to all its consumers and the licensee, a copy of the detailed computation of the details of the amounts realized from all the individual consumers and the amount paid to the licensee for every billing cycle on half yearly basis. If he fails to do so, then the consumers may approach the Consumer Grievance Redressal Forum (CGRF) having jurisdiction over their local area for the redressal of their grievances.

The deemed franchisee shall arrange to get its account(s) audited by a Chartered Accountant mandatorily. The audited accounts will be made available to all the consumers of the deemed franchisee within 3 months of the closure of that financial year. If he fails to do so, then the consumers may approach the Consumer Grievance Redressal Forum (CGRF) having jurisdiction over their local area for the redressal of their grievances.

The deemed franchisee should separately meter the electricity supplied from back up arrangements like DG sets etc. The bill of its consumers should clearly depict the units and rate of electricity supplied through back up arrangement and electricity supplied through Licensee.

The deemed franchisee shall not disconnect the supply of electricity of its consumers on the pretext of defaults in payments related to other charges except for the

electricity dues regarding the electricity consumed by its consumers and electricity charges for lift, water lifting pump, streetlight if any, corridor / campus lighting and other common facilities.

In case the deemed franchisee exceeds the contracted load / demand under the provisions of Clause 7(ii) – 'Charges for Exceeding Contracted demand' of the General Provisions of this Rate Schedule, only in such case the deemed franchisee will recover the same from the individual members who were responsible for it on the basis of their individual excess demands.

(c) OTHER METERED DOMESTIC CONSUMERS:

1. **Lifeline consumers:** Consumers with contracted load of 1 kW, energy consumption up to 100 kWh / month.

Description	Fixed Charge	Energy Charge
Loads up to 1 kW only and for consumption up to 100 kWh / month	Rs. 50.00 / kW / month	Rs. 3.00 / kWh

2. **Others:** Other than Lifeline consumers (i.e. consumers who do not qualify under the criteria laid above for lifeline consumers)

Description	Consumption Range	Fixed Charge	Energy Charge
All loads	For first 150 kWh / month	Rs. 110.00 / kW / month	Rs. 5.50 / kWh
	For next 151 - 300 kWh / month		Rs. 6.00 / kWh
	For next 301 – 500 kWh / month		Rs. 6.50 / kWh
	For above 500 kWh / month (Starting from 501st unit)		Rs. 7.00 / kWh

Note:

For all consumers under this category the maximum demand during the month recorded by the meter has to be essentially indicated in their monthly bills. However, this condition would be mandatory only in case meter reading is done by the Licensee. Accordingly, if the bill is being prepared on the basis of reading being submitted by the consumer then the consumer would not be liable to furnish maximum demand during the month and his bill would not be held back for lack of data of maximum demand.

RATE SCHEDULE LMV– 2:

NON - DOMESTIC LIGHT, FAN AND POWER:

1. APPLICABILITY:

This schedule shall apply to all consumers using electric energy for Light, Fan and Power loads for Non-Domestic purposes, like all type of Shops including Patri Shopkeepers, Hotels, Restaurants, Private Guest Houses, Private Transit Hostels, Private Students Hostels, Marriage Houses, Show-Rooms, Commercial / Trading Establishments, Cinema and Theatres, Banks, Cable T.V. Operators, Telephone Booths / PCO (STD / ISD), Fax Communication Centres, Photo Copiers, Cyber Café, Private Diagnostic Centres including X-Ray Plants, MRI Centres, CAT Scan Centres, Pathologies and Private Advertising / Sign Posts / Sign Boards, Commercial Institutions / Societies, Automobile Service Centres, Coaching Institutes, Private Museums, Power Looms with less than 5 kW load and for all companies registered under the Companies Act, 1956 with loads less than 75 kW.

2. Character and Point of Supply:

As per the applicable provisions of Electricity Supply Code, 2005 and its amendments.

3. RATE:

Rate, gives the fixed and energy charges at which the consumer shall be billed during the billing period applicable to the category:

(a) Consumers getting supply as per 'Rural Schedule'

Description	Description	Fixed charge	Energy charge)
i) Un-metered	All Load	Rs. 1000 / kW / month	Nil
ii) Metered	All Load	Rs. 110 / kW / month	Rs. 5.50 / kWh

(b) Private Advertising / Sign Posts / Sign Boards / Glow Signs / Flex*:

For all commercial (road side / roof tops of buildings) advertisement hoardings such as Private Advertising / Sign Posts / Sign Boards / Glow Signs / Flex, the rate of charge shall be as below:

Description	Fixed Charge	Energy Charge
Metered	-	Rs. 18.00 / kWh

**Minimum charge payable by a consumer under the category "(b) Private Advertising / Sign Posts / Sign Boards / Glow Signs / Flex category" shall be Rs. 1800/ kW/ Month.*

Note:

1. For application of these rates Licensee shall ensure that such consumption is separately metered.

(c) In all other cases, including urban consumers and consumers getting supply through rural feeders but exempted from scheduled rostering / restrictions or through co-generating radial feeders in villages / towns.

Contracted Load	Fixed Charge
Up to 2 kW	Rs. 330.00 / kW / month
Above 2 kW to 4 kW	Rs. 390.00 / kW / month
Above 4 kW	Rs. 450.00 / kW / month

Consumption Range	Energy Charge
For first 300 kWh / month	Rs. 7.50 / kWh
For next 301 – 1000 kWh / month	Rs. 8.40 / kWh
For above 1000 kWh / month (Starting from 1001st unit)	Rs. 8.75 / kWh

***Note:** Minimum charge payable by a consumer under the category "(c) In all other cases "shall be Rs. 600 / kW / month (From April to September) and Rs. 475 / kW / month (From October to March).*

Note:

For all consumers under this category the maximum demand during the month recorded by the meter has to be essentially indicated in their monthly bills. However, this condition would be mandatory only in case meter reading is done by the Licensee. Accordingly, if the bill is being prepared on the basis of reading being submitted by the consumer then the consumer would not be liable to furnish maximum demand during the month and his bill would not be held back for lack of data on maximum demand.

4. REBATE TO POWER LOOMS:

Rebate to Power Loom consumers shall be applicable in accordance with the Government order dated June 14, 2006 and the Commission's order dated July 11, 2006 subject to adherence of provision of advance subsidy.

RATE SCHEDULE LMV -3:

PUBLIC LAMPS:

1. APPLICABILITY:

This schedule shall apply to Public Lamps including Street Lighting System, Road Traffic Control Signals, Lighting of Public Parks, etc. The street lighting in Harijan Bastis and Rural Areas are also covered by this rate schedule.

2. CHARACTER AND POINT OF SUPPLY:

As per the applicable provisions of Electricity Supply Code, 2005 and its amendments.

3. RATE:

Rate gives the fixed and energy charges (including the TOD rates as applicable to the hour of operation) at which the consumer shall be billed during the billing period applicable to the category:

(a) Un-metered Supply:

Description	Gram Panchayat	Nagar Palika and Nagar Panchayat	Nagar Nigam
To be billed on the basis of total connected load calculated as the summation of individual points	Rs. 2100 / kW or part thereof per month	Rs. 3200 / kW or part thereof per month	Rs. 4200 / kW or part thereof per month

(b) Metered Supply:

Description	Gram Panchayat		Nagar Palika and Nagar Panchayat		Nagar Nigam	
All loads	**Fixed Charges**	**Energy Charges**	**Fixed Charges**	**Energy Charges**	**Fixed Charges**	**Energy Charges**
	Rs. 200 / kW / month	Rs. 7.50 / kWh	Rs. 250 / kW / month	Rs. 8.00 / kWh	Rs. 250 / kW / month	Rs. 8.50 / kWh

TOD Rates applicable for the metered supply (% of Energy Charges):

18:00 hrs – 06:00 hrs	0%
06:00 hrs – 18:00 hrs	(+) 20%

4. For 'Maintenance Charges', 'Provision of Lamps' and 'Verification of Load' Point refer section C - 'PUBLIC LAMPS' of this Rate Schedule.

RATE SCHEDULE LMV– 4:

LIGHT, FAN & POWER FOR PUBLIC INSTITUTIONS AND PRIVATE INSTITUTIONS:

1. APPLICABILITY:

Applicable for load less than 75 kW.

LMV- 4 (A) - PUBLIC INSTITUTIONS:

This schedule shall apply to:

(a) Government Hospitals / Government Research Institutions / Offices of the Government Organizations other than companies registered under Companies Act 1956.

(b) Government & Government aided (i) Educational Institutions (ii) Hostels (iii) Libraries

(c) Religious and charitable trusts & Institutions having a valid registration under Section 12 AA & 30G issued by the Income Tax department including hospitals, colleges and those providing services free of cost or at the charges / structure of charges not exceeding those in similar Government operated institutions.

(d) Railway Establishments (excluding railway traction, industrial premises & Metro) such as Booking Centres, Railway Stations & Railway Research and Development Organization, Railway rest houses, Railway holiday homes, Railway inspection houses.

(e) All India Radio and Doordarshan

(f) Guest houses of Government, Semi-Government, Public Sector Undertaking Organisations

LMV-4 (B) - PRIVATE INSTITUTIONS:

This schedule shall apply to non-Government hospitals, nursing homes / dispensaries / clinics, private research institutes, and schools / colleges / educational institutes & charitable institutions / trusts not covered under **(A)** above.

2. CHARACTER AND POINT OF SUPPLY:

As per the applicable provisions of Electricity Supply Code, 2005 and its amendments.

3. RATE:

Rate, gives the fixed and energy charges at which the consumer shall be billed during the billing period applicable to the category:

Description	Contracted Load	Fixed Charge
(A) For Public Institutions	All Load	Rs. 300 / kW / month
(B) For Private Institutions	Up to 3 kW	Rs. 350 / kW / month
	Above 3 kW	Rs. 400 / kW / month

Description	Consumption Range	Energy Charge
(A) For Public Institutions	For first 1000 kWh / month	Rs. 8.25/ kWh
	For next 1001 – 2000 kWh / month	Rs. 8.50/ kWh
	For above 2000 kWh / month (Starting from 2001st unit)	Rs. 8.75/ kWh
(B) For Private Institutions	For first 1000 kWh / month	Rs. 9.00 / kWh
	For above 1000 kWh / month (Starting from 1001st unit)	Rs. 9.30 / kWh

RATE SCHEDULE LMV– 5:

SMALL POWER FOR PRIVATE TUBE WELLS / PUMPING SETS FOR IRRIGATION PURPOSES:

1. APPLICABILITY:

This schedule shall apply to all power consumers getting supply as per Rural / Urban Schedule for Private Tube-wells / Pumping Sets for irrigation purposes having a contracted load up to 25 BHP and for additional agricultural processes confined to Chaff-Cutter, Thresher, Cane Crusher and Rice Huller. This schedule shall also be applicable for separate PTW connection for registered Goshalas for load up to 5 BHP having separate light and fan connection with the condition that such Gaushala – Cow shed shall not be used for commercial purpose. All new connections under this category shall necessarily have the ISI marked energy efficient mono-bloc pump sets with capacitors of adequate rating to qualify for the supply. All existing pump sets shall be required to install capacitors of adequate rating.

2. CHARACTER AND POINT OF SUPPLY:

As per the applicable provisions of Electricity Supply Code, 2005 and its amendments.

3. RATE:

Rate gives the fixed and energy charges at which the consumer shall be billed during the billing period applicable to the category:

(A) For consumers getting supply as per **Rural Schedule**:

(i) Un-metered Supply

Fixed Charge	Energy Charge
Rs. 170 / BHP / month	Nil
Consumer under this category will be allowed a maximum lighting load of 120 Watts.	

(ii) Metered Supply

Fixed Charge	Minimum Charges	Energy Charge
Rs. 70.00 / BHP / month	Rs. 160 / BHP / month	Rs. 2.00 / kWh

Note: *Minimum amount payable by a consumer under the category "Rural Schedule (Metered Supply) shall be Rs. 160 per BHP per month, till the installation of the meter. Regulatory Surcharge, Duty, Taxes etc. will be payable extra.*

(iii) Energy Efficient Pumps

Fixed Charge	Minimum Charges	Energy Charge
Rs. 70.00 / BHP / month	Rs. 140 / BHP / month	Rs. 1.65 / kWh

Note: *Minimum amount payable by a consumer under the category "Rural Schedule (Energy Efficient Pumps) shall be Rs. 140 per BHP per month, till the installation of the meter. Regulatory Surcharge, Duty, Taxes etc. will be payable extra*

(B) For consumers getting supply as per **Urban Schedule** (Metered Supply) including consumers getting supply through rural feeders exempted from scheduled rostering or through co-generating radial feeders in villages and towns.

Fixed Charge	Minimum Charges	Energy Charge
Rs. 130.00 / BHP / month	Rs. 215 / BHP / month	Rs. 6.00 / kWh

Note: *Minimum amount payable by a consumer under the category "Urban Schedule (Metered Supply) shall be Rs. 215 per BHP per month, till the installation of the meter. Regulatory Surcharge, Duty, Taxes etc. will be payable extra.*

RATE SCHEDULE LMV– 6:

SMALL AND MEDIUM POWER:

1. APPLICABILITY:

This schedule shall apply to all consumers of electrical energy having a contracted load less than 100 HP (75 kW) for industrial / processing or agro-industrial purposes, power loom (load of 5 kW and above) and to other power consumers, not covered under any other rate schedule. Floriculture, Mushroom and Farming units with contracted load less than 100 BHP (75kW) shall also be covered under this rate schedule. This schedule shall also apply to pumping sets above 25 BHP.

2. CHARACTER AND POINT OF SUPPLY:

As per the applicable provisions of Electricity Supply Code, 2005 and its amendments.

3. RATE:

Rate, gives the fixed and energy charges (including the TOD rates as applicable to the hour of operation) at which the consumer shall be billed during the billing period applicable to the category:

(A) Consumers getting supply other than Rural Schedule:

Contracted Load	Fixed Charge
All Loads	Rs. 290 / kW / month

Consumption Range	Energy Charge
Up to 1000 kWh / month	Rs. 7.30 / kWh on entire consumption
Up to 2000 kWh / month	Rs. 7.40 / kWh on entire consumption
For above 2000 kWh / month	Rs. 7.90 / kWh on entire consumption

TOD Structure:

Summer Months (April to September)

Hours	% of Energy Charges
05:00 hrs – 11:00 hrs	(-) 15%
11:00 hrs – 17:00 hrs	0%
17:00 hrs – 23:00 hrs	(+) 15%
23:00 hrs – 05:00 hrs	0%

Winter Months (October to March)

Hours	% of Energy Charges
05:00 hrs – 11:00 hrs	0%
11:00 hrs – 17:00 hrs	0%
17:00 hrs – 23:00 hrs	(+) 15%
23:00 hrs – 05:00 hrs	(-) 15%

(B) Consumers getting supply as per Rural Schedule:

The consumer under this category shall be entitled to a rebate of 7.5% on 'RATE (Excluding the TOD rates as applicable to the hour of operation)' as given for 'Consumers getting supply other than Rural Schedule'. Further, no 'TOD RATE' shall be applicable for this category.

4. PROVISIONS RELATED TO SEASONAL INDUSTRIES:

Seasonal industries will be determined in accordance with the criteria laid down below. No exhaustive list can be provided but some examples of industries exhibiting such characteristics are sugar, ice, rice mill, kolhu and cold storage. The industries which operate during certain period of the year, i.e. have seasonality of operation, can avail the benefits of seasonal industries provided:

i) The load of such industry is above 13.4 BHP (for motive power loads) & 10 kW (other loads) and have Tri-vector Meters / TOD meters installed at their premises, however for Kolhu consumers such load is of 10 HP or above.

ii) The continuous period of operation of such industries shall be at least 4 (four) months but not more than 9 (nine) months in a financial year.

iii) Any prospective consumer, desirous of availing the seasonal benefit, shall specifically declare his season at the time of submission of declaration / execution of agreement mentioning the period of operation unambiguously.

iv) The seasonal period once notified cannot be reduced during the next consecutive 12 months. The off-season tariff is not applicable to composite units having seasonal and other category loads.

The off-season tariff is also not available to those units who have captive generation exclusively for process during season and who avail Licensees supply for miscellaneous loads and other non-process loads.

v) The consumer opting for seasonal benefit has a flexibility to declare his off-season maximum demand subject to a maximum of 25% of the contracted demand. The

tariff rates (demand charge per kW / kVA and energy charge per kWh / kVAh) for such industries during off-season period will be the same as for normal period. Further, during the off season period, fixed charges shall be levied on the basis of maximum demand recorded by the meter (not on normal billable demand or on percentage contracted demand). Rates for the energy charges shall however be the same as during the operational season. Further, first violation in the off-season would attract normal billable demand charges and energy charges calculated at the unit rate 50% higher than the applicable tariff during normal period but only for the month in which the consumer has defaulted. However, on second violation in the off-season, the consumer will be charged at the normal billable demand for the entire off-season and energy charges calculated at the unit rate 50% higher than the applicable tariff during normal period.

5. REBATE TO POWER LOOMS:

Rebate to Power Loom consumers shall be applicable in accordance with the Government order dated June 14, 2006 and the Commission's order dated July 11, 2006 subject to adherence of provision of advance subsidy.

6. FACTORY LIGHTING:

The electrical energy supplied shall also be utilized in the factory premises for lights, fans, coolers, etc. which shall mean and include all energy consumed for factory lighting in the offices, the main factory building, stores, time keeper's office, canteen, staff club, library, crèche, dispensary, staff welfare centres, compound lighting, etc. No separate connection for the same shall be provided.

RATE SCHEDULE LMV– 7:

PUBLIC WATER WORKS:

1. APPLICABILITY:

This schedule shall apply to Public Water Works, Sewage Treatment Plants and Sewage Pumping Stations functioning under Jal Sansthan, Jal Nigam or other local bodies.

2. CHARACTER AND POINT OF SUPPLY:

As per the applicable provisions of Electricity Supply Code, 2005 and its amendments.

3. RATE:

(A) Consumers getting supply other than "Rural Schedule":

Rate gives the fixed and energy charges at which the consumer shall be billed during the billing period applicable to the category:

Fixed Charge	Energy Charge
Rs. 375.00 / kW / month	Rs. 8.60 / kWh

(B) Consumers getting supply as per "Rural Schedule":

The consumer under this category shall be entitled to a rebate of 7.5% on 'RATE' as given for 'Consumer getting supply other than Rural Schedule'.

RATE SCHEDULE LMV – 8:

STATE TUBE WELLS / PANCHAYTI RAJ TUBE WELL & PUMPED CANALS:

1. APPLICABILITY:

(i) This schedule shall apply to supply of power for all State Tube wells, including Tube wells operated by Panchayti Raj, World Bank Tube wells, Indo Dutch Tube wells, Pumped Canals and Lift Irrigation schemes with contracted load less than 100 BHP (75 kW).

(ii) Laghu Dal Nahar having load above 100 BHP (75 kW).

2. CHARACTER AND POINT OF SUPPLY:

As per the applicable provisions of Electricity Supply Code, 2005 and its amendments.

3. RATE:

Rate gives the fixed and energy charges at which the consumer shall be billed during the billing period applicable to the category:

Description	Fixed Charge	Energy Charge
Metered	Rs. 330.00 / BHP / month	Rs. 8.50 / kWh
Un-metered	Rs. 3300.00 / BHP / month	Nil

4. For finding out net load during any quarter of the year for this category refer section D - 'STATE TUBE – WELLS' of this Rate Schedule.

RATE SCHEDULE LMV – 9:

TEMPORARY SUPPLY:

1. APPLICABILITY:

A) Un-metered Supply for Illumination / Public Address / Temporary Shops in Melas:

This schedule shall apply to temporary supply of light, fan & power up to 20 KW, Public address system and illumination loads during functions, ceremonies and festivities and temporary shops, not exceeding three months and PTW consumers of Bundelkhand Area having requirement of electricity only for the Rabi Crop i.e period between November to February in any year.

B) Metered Supply for all other purposes:

This schedule shall apply to all temporary supplies of light, fan and power load for the purpose other than mentioned in (A) above.

This schedule shall also apply for power taken for construction purposes including civil work by all consumers and Govt. Departments.

2. CHARACTER AND POINT OF SUPPLY:

As per the applicable provisions of Electricity Supply Code, 2005 and its amendments.

3. RATE (SEPARATELY FOR EACH POINT OF SUPPLY):

Rate gives the fixed and energy charges at which the consumer shall be billed during the billing period applicable to the category:

A. Un-metered:

(i) Fixed charges for illumination / public address / ceremonies for load up to 20 kW per connection plus Rs. 100 per kW per day for each additional kW.	Rs. 4750.00 / day
(ii) Fixed charges for temporary shops set-up during festivals / melas or otherwise and having load up to 2KW	Rs. 560.00 / day / shop

B. Metered*:

Description	Fixed Charge	Energy Charge
	Rs. 200 / kW / Month	Rs. 8.00 / kWh

Description	Fixed Charge	Energy Charge
Individual Residential construction	From 3rd year onwards: Base Tariff applicable for current year plus additional 10% of the applicable Energy Charge.	
Others	Rs. 300 / kW / Month	Rs. 9.00 / kWh
	From 3rd year onwards: Base Tariff applicable for current year plus additional 10% of the applicable Energy Charge.	

**Minimum bill payable by a consumer under the category "Metered" shall be Rs. 450.00 / kW / week.*

4. Charge/ Rate as specified, above shall be paid by the consumer in advance.

RATE SCHEDULE LMV- 11:

ELECTRIC VEHICLE CHARGING

1. Domestic Consumers

All the metered domestic consumers covered under the LMV-1 category will be allowed to charge their Electric Vehicle at their residence, provided the load of Electric Vehicle does not exceed the connected / contracted load. The Tariff that is applicable as per the rate schedule will be applicable on Electric Vehicle Charging as well.

2. Multi Storey Buildings (covered under LMV-1b & HV-1b of the Rate Schedule)

Those who wish to install Electric Vehicle Charging station in the premises Multi Storey Building, will have to take a separate connection for EV Charging Station. The Tariff applicable for such Charging Station in the Multi Storey Building will be as follows:

Category	Demand Charge	Energy Charge
Multi Story Buildings (Covered under LMV-1b)	Nil	Rs. 6.20 / kWh
Multi Story Buildings (Covered under HV-1b)	Nil	Rs. 5.90 / kWh

The consumer will be required to pay one-time charges etc. wherever applicable.

3. Public Charging Stations

The Tariff applicable for Public Charging Stations will be as follows:

Category	Demand Charge	Energy Charge
Public Charging Station (LT)	Nil	Rs. 7.70 / kWh
Public Charging Station (HT)	Nil	Rs. 7.30 / kWh

The consumer will be required to pay one-time charges etc. wherever applicable.

4. Time of Day (ToD) Structure for public Charging Stations:

Summer Months (April to September)

Hours	% of Energy Charges
05:00 hrs – 11:00 hrs	(-) 15%
11:00 hrs – 17:00 hrs	0%
17:00 hrs – 23:00 hrs	(+) 15%
23:00 hrs – 05:00 hrs	0%

Winter Months (October to March)

Hours	% of Energy Charges
05:00 hrs – 11:00 hrs	0%
11:00 hrs – 17:00 hrs	0%
17:00 hrs – 23:00 hrs	(+) 15%
23:00 hrs – 05:00 hrs	(-) 15%

5. Other Consumers

The consumers of other categories (any metered consumers of LMV-2(a), LMV2(c), LMV-4, LMV-6, LMV-7, LMV-8 (Metered), LMV-9 (Metered), HV-1 (excluding Multi Storey Buildings covered under LMV-1b & HV-1b of the Rate Schedule), HV-2, HV-3 and HV-4), will be charged as per the Tariff applicable for their respective category or to say they need not to take a separate connection, they can do the Charging within their respective connections, provided the load of EV does not exceed the connected / contracted load.

Note: It is advised that the consumer should take precaution to take adequate contracted load in order to meet the load of Charging of Electrical Vehicle. In case the contracted / connected load is breached then the consumer will be liable to pay penalty. Further, the other provisions of General Provisions of Rate Schedule and Electricity Supply Code will also come into effect in case consumers load breaches the contract demand.

RATE SCHEDULE HV– 1:

NON - INDUSTRIAL BULK LOADS

1. APPLICABILITY:

This rate schedule shall apply to:

(a) Commercial loads (as defined within the meaning of LMV-2) with contracted load of 75 kW & above and getting supply at single point on 11 kV & above voltage levels.

(b) Private institutions (as defined within the meaning of LMV-4 (b)) with contracted load of 75 kW & above and getting supply at single point on 11 kV & above voltage levels.

(c) Non domestic bulk power consumer (other than industrial loads covered under HV-2) with contracted load 75 kW & above and getting supply at single point on 11 kV & above voltage levels and feeding multiple individuals (owners / occupiers / tenants of some area within the larger premises of the bulk power consumer) through its own network and also responsible for maintaining distribution network.

(d) Public institutions (as defined within the meaning of LMV-4 (a)) with contracted load of 75 kW & above and getting supply at single point on 11 kV & above voltage levels. The institution / consumer seeking the supply at Single point for non-industrial bulk loads under this category shall be considered as a deemed franchisee of the Licensee.

(e) Registered Societies, Residential Colonies / Townships, Residential Multi-Storied Buildings with mixed loads (getting supply at single point) with contracted load 75 kW & above and getting supply at single point on 11 kV & above voltage levels and having less than 70% of the total contracted load exclusively for the purposes of domestic light, fan and power. Figure of 70%, shall also include the load required for lifts, water pumps and common lighting,

(f) For Offices / Buildings / Guesthouses of UPPCL / UPRVUNL / UPJVNL / UPPTCL / Distribution Licensees having loads above 75 kW and getting supply at 11 kV & above voltages.

2. CHARACTER AND POINT OF SUPPLY:

As per the applicable provisions of Electricity Supply Code, 2005 and its amendments.

3. RATE:

Rate, gives the demand and energy charges at which the consumer shall be billed during the billing period applicable to the category:

(a) Commercial Loads / Private Institutions / Non - domestic bulk power consumer with contracted load 75 kW & above and getting supply at Single Point on 11 kV & above:

	For supply at 11kV	For supply above 11 kV
Contracted Load	**For all Loads**	
Demand Charges	Rs. 430.00 / kVA / month	Rs. 400.00 / kVA / month

	For supply at 11kV		For supply above 11 kV	
Consumption Range	**For first 2500 kVAh / month**	**For above 2500 kVAh / month**	**For first 2500 kVAh / month**	**For above 2500 kVAh / month**
Energy Charges	Rs. 8.32 / kVAh	Rs. 8.68 / kVAh	Rs. 8.12 / kVAh	Rs. 8.48 / kVAh

(b) Public Institutions, Registered Societies, Residential Colonies / Townships, Residential Multi-Storied Buildings including Residential Multi-Storied Buildings with contracted load 75 kW & above and getting supply at Single Point on 11 kV & above voltage levels:

	For supply at 11kV	For supply above 11 kV
Contracted Load	**For all Loads**	
Demand Charges	Rs. 380.00 / kVA / month	Rs. 360.00 / kVA / month

	For supply at 11kV		For supply above 11 kV	
Consumption Range	**For first 2500 kVAh / month**	**For above 2500 kVAh / month**	**For first 2500 kVAh / month**	**For above 2500 kVAh / month**
Energy Charges	Rs. 7.70 / kVAh	Rs. 7.90 / kVAh	Rs. 7.50 / kVAh	Rs. 7.70 / kVAh

The body seeking the supply at Single point for bulk loads under this category shall be considered as a deemed franchisee of the Licensee. Such body shall charge not more than 5% additional charge on the above specified 'Rate' from its consumers apart from other applicable charges such as Regulatory Surcharge, Penalty, Rebate and Electricity Duty on actual basis.

The 5% additional charge shall be towards facilitating supply of electricity to the individual members to recover its expenses towards supply of electricity, distribution loss, electrical maintenance in its supply area, billing, accounting and audit etc.

The deemed franchisee is required to provide to all its consumers and the licensee, a copy of the detailed computation of the details of the amounts realized from all the individual consumers and the amount paid to the licensee for every billing cycle on half yearly basis. If he fails to do so, then the consumers may approach the Consumer Grievance Redressal Forum (CGRF) having jurisdiction over their local area for the redressal of their grievances.

The deemed franchisee shall arrange to get its account(s) audited by a Chartered Accountant mandatorily. The audited accounts will be made available to all the consumers of the deemed franchisee within 3 months of the closure of that financial year. If he fails to do so, then the consumers may approach the Consumer Grievance Redressal Forum (CGRF) having jurisdiction over their local area for the redressal of their grievances.

The deemed franchisee should separately meter the electricity supplied from back up arrangements like DG sets etc. The bill of its consumers should clearly depict the units and rate of electricity supplied through back up arrangement and electricity supplied through Licensee.

The deemed franchisee shall not disconnect the supply of electricity of its consumers on the pretext of defaults in payments related to other charges except for the electricity dues regarding the electricity consumed by its consumers and

electricity charges for lift, water lifting pump, streetlight if any, corridor / campus lighting and other common facilities.

In case the deemed franchisee exceeds the contracted load / demand under the provisions of Clause 7(ii) – 'Charges for Exceeding Contracted demand' of the General Provisions of this Rate Schedule, only in such case the deemed franchisee will recover the same from the individual members who were responsible for it on the basis of their individual excess demands.

RATE SCHEDULE HV– 2:

LARGE AND HEAVY POWER:

1. APPLICABILITY:

This rate schedule shall apply to all consumers with contracted load of 75 kW (100 BHP) and above for industrial and / or processing purposes as well as to Arc / induction furnaces, rolling / re-rolling mills, mini-steel plants and Floriculture, Mushroom and Farming units and to any other HT consumer not covered under any other rate schedule.

Supply to Induction and Arc furnaces shall be made available only after ensuring that the loads sanctioned are corresponding to the load requirement of tonnage of furnaces. The minimum load of one-ton furnace shall in no case be less than 400 kVA and all loads will be determined on this basis. No supply will be given on loads below this norm.

For all HV-2 consumers, conditions of supply, apart from the rates, as agreed between the Licensee and the consumer shall continue to prevail as long as they are in line with the existing Regulations & Acts.

2. CHARACTER AND POINT OF SUPPLY:

As per the applicable provisions of Electricity Supply Code, 2005 and its amendments.

3. RATE:

Rate, gives the demand and energy charges (including the TOD rates as applicable to the hour of operation) at which the consumer shall be billed during the billing period applicable to the category:

(A) Urban Schedule:

	For supply up to 11 kV	For supply above 11 kV and up to 66 kV	For supply above 66 kV and up to 132 kV	For supply above 132 kV
BASE RATE				
Demand Charges	Rs. 300.00 / kVA / month	Rs. 290.00 / kVA / month	Rs. 270.00 / kVA / month	Rs. 270.00 / kVA / month
Energy Charges	Rs. 7.10 / kVAh	Rs. 6.80 / kVAh	Rs. 6.40 / kVAh	Rs. 6.10 / kVAh

TOD Structure:

Summer Months (April to September)

Hours	% of Energy Charges
05:00 hrs – 11:00 hrs	(-) 15%
11:00 hrs – 17:00 hrs	0%
17:00 hrs – 23:00 hrs	(+) 15%
23:00 hrs – 05:00 hrs	0%

Winter Months (October to March)

Hours	% of Energy Charges
05:00 hrs – 11:00 hrs	0%
11:00 hrs – 17:00 hrs	0%
17:00 hrs – 23:00 hrs	(+) 15%
23:00 hrs – 05:00 hrs	(-) 15%

(B) Rural Schedule:

This schedule shall be applicable only to consumers getting supply up to 11 kV as per 'Rural Schedule'. The consumer under this category shall be entitled to a rebate of 7.5% on 'BASE RATE' as given for 11 kV consumers under urban schedule. Further, no 'TOD RATE' shall be applicable for this category.

(C) Consumers already existing under HV-2 category with metering arrangement at low voltage:

Existing consumer under HV-2 with metering at 0.4 kV shall be required to pay as per schedule applicable to 11 kV consumers under HV-2 category.

4. PROVISIONS RELATED TO SEASONAL INDUSTRIES:

Seasonal industries will be determined in accordance with the criteria laid down below. No exhaustive list can be provided but some examples of industries exhibiting such characteristics are sugar, ice, rice mill and cold storage. The industries which operate during certain period of the year, i.e. have seasonality of operation, can avail the benefits of seasonal industries provided:

i. The continuous period of operation of such industries shall be at least 4 (four) months but not more than 9 (nine) months in a financial year.

ii. Any prospective consumer, desirous of availing the seasonal benefit, shall specifically declare his season at the time of submission of declaration / execution of agreement mentioning the period of operation unambiguously.

iii. The seasonal period once notified cannot be reduced during the next consecutive 12 months. The off-season tariff is not applicable to composite units having seasonal and other category loads.

iv. The off-season tariff is also not available to those units who have captive generation exclusively for process during season and who avail Licensees supply for miscellaneous loads and other non-process loads.

v. The consumer opting for seasonal benefit has a flexibility to declare his off seasonal maximum demand subject to a maximum of 25% of the contracted demand. The tariff rates (demand charge per kW / kVA and energy charge per kWh / kVAh) for such industries during off-season period will be the same as for normal period. Further, during the off season fixed charges shall be levied on the basis of maximum demand recorded by the meter (not on normal billable demand or on percentage contracted demand). Rates for the energy charges shall however be the same as during the operational season. Further, first violation in the off-season would attract full billable demand charges and energy charges calculated at the unit rate 50% higher than the applicable tariff during normal period but only for the month in which the consumer has defaulted. However, on second violation in the off-season, the consumer will forfeit the benefit of seasonal rates for the entire season and energy charges shall be calculated at the unit rate 50% higher than the applicable tariff during normal period.

5. FACTORY LIGHTING:

The electrical energy supplied shall also be utilized in the factory premises for lights, fans, coolers, etc. which shall mean and include all energy consumed for factory lighting in the offices, the main factory building, stores, time keeper's office, canteen, staff club, library, crèche, dispensary, staff welfare centres, compound lighting, etc. No separate connection for the same shall be provided.

C. PUBLIC LAMPS:

1. MAINTENANCE CHARGE:

In addition to the "Rate of Charge" mentioned above, a sum of Rs. 10.00 per light point per month will be charged for operation and maintenance of street lights. This Maintenance Charge will cover only labour charges, where all required materials are supplied by the local bodies. However, the local bodies will have an option to operate and maintain the public lamps themselves and, in such case, no maintenance charge shall be recovered. This charge shall not apply to the consumers with metered supply.

2. PROVISION OF LAMPS:

Streets where distribution mains already exist, the Licensee will provide a separate single-phase, 2-wire system for the street lights including light fitting and incandescent lamps of rating not exceeding 100 watts each. In case the above maintenance charge is being levied, the labour involved in replacements or renewal of lamps shall be provided by the Licensee. However, all the required materials shall be provided by the local bodies. The cost of all other types of street light fittings shall be paid by the local bodies.

The cost involved in extension of street light mains (including cost of sub - stations, if any) in areas where distribution mains of the Licensee have not been laid, will be paid for by the local bodies.

3. VERIFICATION OF LOAD:

The number of light points including that of traffic signals together with their wattage will be verified jointly by the representatives of Licensee and Town Area / Municipal Board / Corporation at least once in a year. However, additions will be intimated by the Town Area / Municipal Board / Corporation on monthly basis. The Licensee will carry out the checking of such statements to satisfy themselves of the correctness of the same. The monthly bills shall be issued on the basis of verified number of points at the beginning of the year and additions, if any, during the months as intimated above. The difference, if any, detected during joint verification in the following year shall be reconciled and supplementary bills shall be issued.

Further, if the authorized representative of concerned local body does not participate in the work of verification of light points, a notice will be sent by concerned Executive Engineer in writing to such local bodies for deputing representative on specific date(s), failing which the verification of the light points

shall be done by the concerned representative of Licensee which shall be final and binding upon such local body.

D. STATE TUBE-WELLS

NET LOAD

(i) Net load hereinafter shall mean the total load connected during the quarter less the load of failed and abandoned tube-wells accounted for during that quarter.

(ii) The connected load as on 31st March of the preceding year will be worked out on the basis of 'Net load' reported by the Executive Engineers of concerned Divisions after joint inspection and verification of the same by the concerned officers of the State Government / Panchayat, joint meter reading shall also be taken during the inspection on quarterly basis. The monthly bills for three months of the first quarter will be issued on the connected load worked out as such at the above rates. The same process shall be repeated for subsequent quarters.

E. SCHEDULE OF MISCELLANEOUS CHARGES

S. No.	NATURE OF CHARGES	UNIT	RATES (₹)
1.	Checking and Testing of Meters:		
	a. Single Phase Meters	Per Meter	50.00
	b. Three Phase Meters	Per Meter	50.00
	c. Recording Type Watt-hour Meters / Prepaid Meters	Per Meter	175.00
	d. Maximum Demand Indicator	Per Meter	350.00
	e. Tri-vector Meters	Per Meter	1000.00
	f. Ammeters and Volt Meters	Per Meter	50.00
	g. Special Meters / Net Meters	Per Meter	400.00
	h. Initial Testing of Meters	Per Meter	Nil
2.	Disconnection and Reconnection of supply for any reason whatsoever (Disconnection & Reconnection to be separately treated as single job)		
	a. Consumer having load above 100 BHP/75kW	Per Job	1000.00
	b. Power consumers up to 100BHP/75kW	Per Job	500.00
	c. All other categories of consumers.	Per Job	300.00
3.	Replacement of Meters:		
	a. By higher capacity Meter	Per Job	50.00
	b. Installation of Meter and its subsequent removal in case of Temporary Connections	Per Job	75.00
	c. Changing of position of Meter Board at the consumer's request	Per Job	100.00
4.	Service of Wireman:		
	a. Replacement of Fuse	Per Job	20.00
	b. Inserting and Removal of Fuse in respect of night loads.	Per Job	25.00
	c. Hiring of services by the consumer during temporary supply or otherwise.	Per wireman /day of 6 Hrs.	60.00
		Per Meter	
5.	Resealing of Meters on account of any reason in addition to other charges payable in terms of other provision of charging of penalties, etc.)		100.00

S. No.	NATURE OF CHARGES	UNIT	RATES (₹)
6.	Checking of Capacitors (other than initial checking) on consumer's request: a. At 400 V / 230 V b. At 11 kV and above.	 Per Job Per Job	 100.00 200.00

F. LIST OF POWER FACTOR APPARATUS

FOR MOTORS:

Sl. No.	Rating of Individual Motor	KVAR Rating of Capacitor			
		750 RPM	1000 RPM	1500 RPM	3000 RPM
1.	Up to 3 HP	1	1	1	1
2.	5 HP	2	2	2	2
3.	7.5 HP	3	3	3	3
4.	10 HP	4	4	4	3
5.	15 HP	6	5	5	4
6.	20 HP	8	7	6	5
7.	25 HP	9	8	7	6
8.	30 HP	10	9	8	7
9.	40 HP	13	11	10	9
10.	50 HP	15	15	12	10
11.	60 HP	20	20	16	14
12.	75 HP	24	23	19	16
13.	100 HP	30	30	24	20
14.	125 HP	39	38	31	26
15.	150 HP	45	45	36	30
16.	200 HP	60	60	48	40

FOR WELDING TRANSFORMERS:

Sl. No.	Name Plate Rating in kVA of Individual Welding Transformer	Capacity of the Capacitors (kVAR)
1.	1	1
2.	2	2
3.	3	3
4.	4	3
5.	5	4
6.	6	5
7.	7	6
8.	8	6
9.	9	7
10.	10	8

Sl. No.	Name Plate Rating in kVA of Individual Welding Transformer	Capacity of the Capacitors (kVAR)
11.	11	9
12.	12	9
13.	13	10
14.	14	11
15.	15	12
16.	16	12
17.	17	13
18.	18	14
19.	19	15
20	20	15
21.	21	16
22.	22	17
23.	23	18
24.	24	19
25.	25	19
26.	26	20
27.	27	21
28.	28	22
29.	29	22
30.	30	23
31.	31	24
32.	32	25
33.	33	25
34.	34	26
35.	35	27

11.2 LIST OF PERSONS WHO HAVE ATTENDED THE PUBLIC HEARING IN NOIDA

S. No.	Name	Organisation
1	रामबोश	अध्यक्ष जिला
2	जगन सिंह	कार्यकरता
3	सतेन्द्र कुमार	कार्यकरता
4	संजय	जिला महा सचित (ग्रेटर नोएडा)
5	देतिराम	कार्यकरता
6	शिवकुमार	ग्राम अध्यक्ष
7	प्रकाश	कार्यकरता
8	जगदीश सिंह	कार्यकरता
9	प्रमोद कुमार	कार्यकरता
10	आदेश चौहान	कार्यकरता
11	अमित कुमार	जिलाध्यक्ष गौतमबुद्धनगर
12	नीरज कुमार	अध्यक्ष जिलाधिकारी
13	कृष्णपाल	अध्यक्ष
14	अजयपाल सिंह	तुगल पुर
15	बी0–ए0 जैन	मुख्य अभियन्ता, (वितरण) कॉमरसियल
16	जौशी कुमार	
17	अरूनाशिस	मैंनेंजर
18	नरेश शर्मा	नोएडा मीडियाप्रभारी
19	मैवारारम चौधरी	जिला सहारनपुर
20	अशोक कुमार	सहारनपुर
21	महेप्द्रसिंग बदौरिया	फारेना
22	फांविन नगर	ग्राम गुईना
23	वीरपाल	ग्राम द्रववा अध्यक्ष
24	धीरसिंह	नगला तायी संचिव
25	हिमांशु मित्रा	पिछले प्रधान
26	हिमांशु शर्मा	रिर्पोटर
27	सी0डी0एल0 सिंह	अपर ऊर्जा
28	रवि यादव	
29	ए0बी0 सिंह	आई0आई0ए0 सी0ई0सी0
30	अनुज बाईपास	तहसील अध्यक्ष बुडाना
31	प्रमन्द्रि	कार्यकरता बुडाना
32	देवेन्द्र टाईगर खण्ड	अध्यक्ष
33	हर्ष कुमार	ग्रम सहारनपुर
34	राजीव	सैजना

S. No.	Name	Organisation
35	डा0 के0पी0 सिंह	मूढापाण्डे
36	महेश कष्याप	कन्सुलेट पी0डब्लू0 सी0
37	ललित कुमार	एसांसिएट पी0डब्लू0 सी1
38	विकाश कुमार	बी0के0यू0
39	संजय बदोलिया	बी0के0यू0
40	सूरज सिंह	बी0के0यू0
41	कुसमनीर	.
42	राम मेहर	बी0के0यू0
43	मुन्सी	बी0के0यू0
44	तंहेरा डी0 प्रिंस	ए0एम0
45	बिखारी	सहारनपुर
46	वीर सिंह	बंलु खेडा
47	बबन कुमार	चासमपुर
48	अजीत कुमार	छजार्सी कॉलोनी
49	रामवीर जौशी	. .
50	मनोल मवी	.
51	मुकेश	नोएडा
52	जितेन्द्र	नोएडा
53		नोएडा ईण्डिया ऊर्जा
54	प्रमोद त्यागी	मेरठ
55	सोनू	मेरठ
56	आर0पी0 सिंह	बुलन्दशहर
57	विष्नु सिंह	नोएडा।
58	नीतू अग्रवाल	नोएडा।
59	राम बहादूर	नोएडा सैक्टर–72
60	सुरेन्द्ररा	प्रेशिडेन्ट नाम एसोसिएट
61	पी0 डी0 शर्मा	प्रेशिडेन्ट नाम एसोसिएट
62	पी0एस0 सोलन्की	प्रेशिडेन्ट नाम एसोसिएट
63	सुभाश	प्रेशिडेन्ट नाम एसोसिएट
64	मोहन त्रिपत	प्रेशिडेन्ट नाम एसोसिएट
65	रूपान्सी श्रीवास्तवं	आन्ध्र
66	हरेन्द्र भाटी	.
67	श्री प्रभाश	.
68	राजू राजपूत	.
69	ए0के0सिंह	.
70	सरेन्द्र कुमार	मेंरठ

S. No.	Name	Organisation
71	अशोक गुजाठी	गाजियाबाद
72	राजपाल सिंह	गाजियाबाद
73	रविन्द्र बलियान	मुरादाबाद
74	निनदर	.
75	राहुल चौधरी	.
76	नरेश चौधरी	मवाना अध्यक्ष जिला
77	ब्रजपाल	मवाना अध्यक्ष जिला
78	मा0 रासिद	मवाना अध्यक्ष जिला
79	शतवीर सिंह	मवाना अध्यक्ष जिला
80	प्रवीन कुमार	.
81	राहुल	.
82	महेन्द्ररा	.
83	अजयपाल शर्मा	.
84	आर0पी0 सिंह	मैम्बर टैक्निकल
85	हीरालाल	शाहापुर
86	रामाशंकर	कानजुमर
87	संजय शर्मा	ब्लॉक अशोक नगर
88	नरेश टलन	त्रिप्पत
89	अमित दिल्ली	किशन जूनियन नोएडा।
90	जगदीश कुमार	बुलन्दशहर
91	वीरेन्द्र शर्मा	नोंएडा।
92	सुनीलदायाना	सं0 127
93	पवन	नोएडा।
94	अयूश	एन0बी0टी0 पास
95	अमीर हैदा जैदी	सहारनपुर
96	पी0एन0 टोगल	ग्रेटर नोएडा।
97	सत्यवीर जगदीश	मेरठ
98	विनेश कुमार	छुर
99	महेश कुमार	मुजफ्फरनगर
100	लइक	सैजमा मुन्ढनपजि मु0
101	कुलदीप कुमार त्यागी	भारतीय किसान आंदोलन
102	महेन्द्र सिंह	ब्लॉक उदय बी0के0यू0
103	चाचल	.
104	वेद प्रकाश	दवाथापुर
105	तेजपाल	सेंदीपुर
106	लिलू सिंह	बी0के0यू0

S. No.	Name	Organisation
107	भोपाल सिहं	जमरोदापुर जारचा
108	गोपी चन्द	जयदौदपूरा जारचा
109	रविन्द्र	खुरशैदपुरा जारचा
110	करम सिंह	सैक्टर–62 नोएडा।
111	अंकित जाट	परसोली नोएडा।
112	अंकेत पाण्डे	सैक्टर.2
113	संदीप बलियान	भारतीय किसान आंदोलन
114	ओमवीर सिंह	दैवतपुर
115	हरीश यादों	एन0ई0ए0
116	अनिल अग्रवाल	एन0ई0ए0
117	राजकुमार सिंह	अमरपाली
118	ब्रजेश	धनकौर
119	संयज चौधरी	.
120	प्रदीप ठाकुर	.
121	मनोज	.
122	रविन्द्र सिंह	कार्यकता
123	बहकर सिंह दौलाना	कार्यकर्ता
124	योगेन्द्र सिंह	कार्यकता
125	अशांक सिंह	दादरी
126	विजयपाल सिंह	कार्यकता
127	मख्खन सिंह	दनकौर
128	चन्द्रकान्त सिंह	डी0सी0आर0सी0
129	तेजविरेन्द्र सिंह	बी0के0यू0
130	संचिन	बी0के0यू0
131	उमेश	सैक्टर–16
132	जी0के0 बघ्रेल	.
133	धर्मपालसिंह	जिला सचिव धनकौर
134	अशोक कुमार	ग्राम रोशन पुर
135	कुलदीप यादव	सैक्टर–41 नोएडा।
136	प्रदीप ठाकुर	बिरौन्डी
137	निशान्त	सैक्टर–41 नोएडा।
138	आन्नद कुमार शर्मा	इडिण्यन ऊर्जा
139	गनेश सिंह	जिला अध्यक्ष, मेरठ
140	अमरीश त्यागी	मेरठ
141	सैलेश	जिला कार्यालय गौतमबगुद्धनगर
142	रामवीर सिंह	कार्यकर्ता

S. No.	Name	Organisation
143	एस0पी0 शर्मा	सैक्टर–
144	के0के0 जैन	शिक्योरिटी जनरल
145	योगेन्द्र शर्मा	
146	जयवीर सिंह	मुरादाबाद
147	आन्नद सिंह	रिर्पोटर
148	विनोद जौशी	रिर्पोटर
149	एस0ए0 जैन	चीफ इं0
150	उस०बी0 यादव	चीफ इं0 मेरठ
151	पी0के0 अग्रवाल	डारेक्टर फाईनेस्स
152	यतीश विलसा	डारेक्टर पर्सनल
153	रामाशंकर	डारेक्टर काफमरसियल
154	महेन्द्र सिंह	एन0इ0ए0 पर्सनल
155	इं0 दुग्रेश	एस0इ0 द्वितीय
156	वी0के0 तेजसिंह	मेरठ
157	विजय	सी0ई0मरेठ
158	विनोद कुमार मिश्र	मेरठ
159	यनम यादव	एन0डी0टी0वी0–7
160	बासुश्रीवास्तव	न्यूज–24,
161	हिमान्शु शुक्ला	ई0 टी0वी0 स्पोर्ट
162	उदय सिंह	हिन्दुस्तान
163	रिशव देव शर्मा	आजतक
164	क्ल्यानसिंह	
165	रामबोश	अध्यक्ष जिला
166	जगन सिंह	कार्यकरता
167	सतेन्द्र कुमार	कार्यकरता
168	संजय	जिला महा सचित (ग्रेटर नोएडा)
169	देतिराम	कार्यकरता
170	शिवकुमार	ग्राम अध्यक्ष
171	प्रकाश	कार्यकरता
172	जगदीश सिंह	कार्यकरता
173	प्रमोद कुमार	कार्यकरता
174	आदेश चौहान	कार्यकरता
175	अमित कुमार	जिलाध्यक्ष गौतमबुद्धनगर
176	नीरज कुमार	अध्यक्ष जिलाधिकारी
177	कृष्णपाल	अध्यक्ष
178	अजयपाल सिंह	तुगल पुर

S. No.	Name	Organisation
179	बी0–ए0 जैन	मुख्य अभियन्ता, (वितरण) कॉमरसियल
180	जोशी कुमार	
181	अरूनाशिस	मैनेंजर
182	नरेश शर्मा	नोएडा मीडियाप्रभारी

Note: *The above list of persons has been provided by the Licensee.*

11.3 CATEGORY AND SUB- CATEGORY WISE ABR FOR FY 2019-20 (AT APPROVED TARIFF)

Particulars	Sales (MU)	Revenue (Rs. Crs)	Average Realisation (Rs/kWh)
LMV-1 Domestic (Total)	**510.43**	**344.23**	**6.74**
LMV-1: Rural Metered	36.92	17.17	**4.65**
LMV-1: Unmetered Load upto 2 KW	15.66	2.72	**1.74**
LMV-1: Other Metered	259.94	176.77	**6.80**
LMV-1: Registered Societies	197.91	147.57	**7.46**
LMV-2: Non-Domestic Light, Fan & Power (other metered)	**42.86**	46.97	**10.96**
LMV-3: Public Lamps (metered)	**37.38**	33.50	**8.96**
LMV-4: Institutions (Total)	**24.16**	21.35	**8.83**
LMV-4: Institutions (A)	9.14	7.21	**7.89**
LMV-4: Institutions (B)	15.03	14.14	**9.41**
LMV-5: Private Tube Wells (Total)	**26.69**	**4.13**	**1.55**
LMV-5: Private Tube Wells (Unmetered)	14.14	0.45	**0.32**
LMV-5: Private Tube Wells (Rural Metered)	10.44	2.33	**2.23**
LMV-5: Private Tube Wells (Urban Metered)	2.12	1.35	**6.35**
LMV 6: Small and Medium Power (Total)	**88.04**	92.21	**10.47**
LMV 6: Small and Medium Power (Rural)	0.13	0.12	**9.69**
LMV 6: Small and Medium Power (Urban)	87.91	92.09	**10.48**
LMV-7: Public Water Works (other than Rural)	**23.16**	**24.03**	**10.38**
LMV-8: STW and Pumped Canals (Metered)	**0.59**	**0.57**	**9.51**
LMV-9: Temporary Supply (Metered)	**60.44**	**69.21**	**11.45**
HV-1: Non-Industrial Bulk Power (Total)	**259.79**	**268.64**	**10.34**
HV-1: Commercial/Private/ Non- domestic Load	221.29		

Particulars	Sales	Revenue	Average Realisation
	(MU)	(Rs. Crs)	(Rs/kWh)
HV-1: Public Institution/Registered Society	38.50		
HV-2: Large and Heavy Power (Other than Rural Schedule)	**1035.31**	803.28	**7.76**
At 11 kV	310.58	259.15	**8.34**
At 33 kV	724.74	544.13	**7.51**
Total	**2108.87**	**1708.11**	**8.10**

Note- The revenue shown above is computed at revised tariff assuming that the revised tariff is effective from 01.04.2019 and is applicable for all 12 months of FY 2019-20. With such revenue the average ABR is coming at 8.10 Rs/kWh which is 8.28% increase over the existing average ABR of 7.48 Rs/kWh for FY 2019-20.

11.4 ADMITTANCE ORDER OF NPCL DATED JULY 01, 2019

BEFORE

THE UTTAR PRADESH ELECTRICITY REGULATORY COMMISSION, LUCKNOW

Petition No. 1349 / 2018

IN THE MATTER OF:

Application for Determination of Annual Revenue Requirement for FY 2019-20, Annual Performance Review (APR) for FY 2018-19 and True- Up for FY 2017-18 in terms of the Uttar Pradesh Electricity Regulatory Commission (Multi Year Distribution Tariff) Regulations, 2014.

And

IN THE MATTER OF:

Noida Power Company Limited (NPCL), Greater Noida

ORDER

As per provisions of Section 64 of the Electricity Act, 2003, it is incumbent upon the Licensee to make an application to the State Electricity Regulatory Commission for determination of Tariff in such manner as may be determined by Regulations framed by the Commission.

The UPERC framed the (Terms and Conditions of Distribution Tariff) Regulations, 2006 (henceforth referred as Distribution Tariff Regulations) on October 6, 2006. These Regulations were applicable for the purposes of ARR filing and Tariff determination of all the Distribution Licensees within the State of Uttar Pradesh from FY 2007-08 onwards.

Further, the Uttar Pradesh Electricity Regulatory Commission (Multi Year Distribution Tariff) Regulations, 2014 were notified on May 12, 2014. These Regulations shall be applicable for determination of Tariff in all cases covered under these Regulations from April 1, 2015 to March 31, 2020, unless extended by an Order of the Commission. Embarking upon the MYT framework, the Commission has divided the period of five years (i.e. April 1, 2015 to March 31, 2020) into two periods namely –

a. Transition period (April 1, 2015 to March 31, 2017)
b. Control period (April 1, 2017 to March 31, 2020)

The transition period being of two years and the first control period of the Multi Year framework being of three years.

As per the provisions stipulated in Uttar Pradesh Electricity Regulatory Commission (Multi Year Distribution Tariff) Regulations, 2014, the Distribution Licensees under Regulation 12.1 were required to file before this Commission a Petition for approval of Business Plan for the first control period i.e. FY 2017-18 to FY 2019-20 complete in all respect on or before June 1, 2016. Further, as per the provisions stipulated in Regulation 12.2 the Distribution Licensees were required to file before this Commission a Petition for approval of Aggregate Revenue Requirement (ARR) and Multi Year Tariff for the first control period i.e. FY 2017-18 to FY 2019-20 and for Annual Performance Review and Truing Up, complete in all respect on or before November 1, 2018.

Further, M/s Noida Power Company Limited (hereinafter referred to as "NPCL"), filed Petition before the Commission on October 29, 2018 for determination of Annual Revenue Requirement of FY 2019-20, APR of FY 2018-19 and True- Up for the FY 2017-18.

A preliminary analysis of the Petition of NPCL was conducted wherein certain deficiencies were observed by the Commission. In this regard, first Deficiency Note was sent to NPCL vide Letter dated February 15, 2019. Subsequently, NPCL vide its Letter dated April 16, 2019 replied to the clarification sought by the Commission wherein most of the information sought by the Commission was provided by NPCL.

Further, to sort out the remaining deficiencies, the Commission conducted a technical validation session on April 30, 2019 with NPCL and directed it to submit the clarification/ replies on remaining deficiencies. It has been observed that NPCL had partially submitted replies of the deficiencies raised by the Commission.

Further, NPCL made a presentation on June 11, 2019 in the matter of their Petition for ARR for FY 2019-20, APR of FY 2018-19 and True- Up for FY 2017-18, wherein the officials from NPCL along with the officers of UPERC were present. The Licensee informed that they had submitted the replies of most of the deficiencies to the satisfaction of the Commission and they will submit the remaining replies as soon as possible to the Commission.

Keeping all the above into consideration, the Commission admits the Petitions for further processing. The Licensee shall furnish further information / clarifications, if any as deemed necessary by the Commission during the processing of the Petition and provide the same to the satisfaction of the Commission within the time frame as stipulated by the Commission failing which the Commission may proceed to dispose of the matter as it deems fit based on the information available with it.

The Commission would also be taking up the following matters along with the proceedings of determination of ARR / Tariff for FY 2019-20:

a. Finalization of True Up for FY 2017-18 for NPCL.
b. APR for FY 2018-19 for NPCL.

The Commission also finds the information / data submitted by NPCL till date to be generally in order and accordingly admits the Petition submitted by NPCL for further processing.

The Commission directs NPCL to publish the Public Notice consisting the summary & highlights of the proposed Annual Revenue Requirement & Tariffs for FY 2019-20, Annual Performance Review of FY 2018-19 and True up for FY 2017-18 along with its website address in at least two (2) English and two (2) Hindi language daily Newspapers widely circulated in the area to which the Petition pertains, inviting suggestions and objections within 15 days from the date of publication of the Public Notice(s) from all stakeholders and the public at large. The Public Notice(s) should also contain the details of the cumulative revenue gap (regulatory asset) and its treatment, proposed 'Regulatory Surcharge', Distribution & Transmission losses, average power purchase cost, average cost of supply, average retail Tariff realised from each category / sub-category of consumers, wheeling charges, transmission charges, open access related charges etc. The licensee shall also submit a set of notices along with the copies of original newspaper.

Further, the Public Notice(s) should also inform the stakeholders and public at large to regularly check the websites of NPCL for further submissions made in respect to these proceedings. The Commission further directs the Petitioner to put all details on its internet website, in PDF format, showing detailed computations, the Petition submitted to the Commission along with all regulatory filings, information, particulars and documents, clarification and additional information on inadequacies / deficiencies etc. and all subsequent events and material placed on record if any, made from time to time before the issuance of final Tariff Order and provide the links to the Commission. The Petitioner should ensure that for downloading the same, there is no requirement of providing personal information. The Petitioner may not provide or put up any such information, particulars or documents, which are confidential in nature, without the prior approval of the Commission.

The Commission reserves the right to seek any further information / clarifications as deemed necessary during the processing of this Petition.

(Kaushal Kishore Sharma)	(S. K. Agarwal)	(Raj Pratap Singh)
Member	Member	Chairman

Place: Lucknow
Date: 01-07-2019