



2nd Regulatory Research Camp



Regulatory Framework for Distribution ARR and Tariff Determination

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Regulatory Framework in Maharashtra

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ARR & Tariff

Particulars	MYT, 2005	MYT, 2011	MYT 2015
Control Period (CP)	<ul style="list-style-type: none"> 3 years (FY 08 to FY 10) 	<ul style="list-style-type: none"> 5 years (FY 12 to FY 16) Deferred implementation for 1 yr, hence, 4 yrs 	<ul style="list-style-type: none"> 4 years (FY 17 to FY 20)
ARR Determination	<ul style="list-style-type: none"> ARR for 3 years at beginning of CP 	<ul style="list-style-type: none"> ARR for 4 years at beginning of CP 	<ul style="list-style-type: none"> ARR for 4 years at beginning of CP
Tariff Determination	<ul style="list-style-type: none"> Yearly tariff determination 	<ul style="list-style-type: none"> One time Tariff determination for CP at beginning of CP 	<ul style="list-style-type: none"> One time Tariff determination for CP at beginning of CP
Tariff Revision	<ul style="list-style-type: none"> Yearly (during APR) 	<ul style="list-style-type: none"> From 4th yr of CP (After MTR) 	<ul style="list-style-type: none"> From 3rd yr of CP (After MTR)
MTR	-	<ul style="list-style-type: none"> 2.5 yrs post Order 	<ul style="list-style-type: none"> 2 yrs post Order

ARR & Tariff

Particulars	MYT, 2005	MYT, 2011	MYT 2015
Business Plan	<ul style="list-style-type: none"> No provision 	<ul style="list-style-type: none"> Mandatory before ARR & Tariff Petition 	<ul style="list-style-type: none"> Removed
Truing up	<ul style="list-style-type: none"> Yearly 	<ul style="list-style-type: none"> During MTR & end of CP 	<ul style="list-style-type: none"> During MTR & end of CP
Controllable & Un-controllable	<ul style="list-style-type: none"> Specified 	<ul style="list-style-type: none"> Specified 	<ul style="list-style-type: none"> Specified
Sharing of Gains for controllable	<ul style="list-style-type: none"> Utility: 1/3rd as special reserve & 1/3rd at Utility discretion Consumer: 1/3rd 	<ul style="list-style-type: none"> Utility: 2/3rd Consumer: 1/3rd 	<ul style="list-style-type: none"> Utility: 1/3rd Consumer: 2/3rd
Sharing of Loss for controllable	<ul style="list-style-type: none"> Utility: Consumer: 	<ul style="list-style-type: none"> Utility: 2/3rd Consumer: 1/3rd 	<ul style="list-style-type: none"> Utility: 2/3rd Consumer: 1/3rd

ARR & Tariff

Particulars	MYT, 2005	MYT, 2011	MYT 2015
Uncontrollable	<ul style="list-style-type: none"> • Pass through in tariff 	<ul style="list-style-type: none"> • Pass through in tariff 	<ul style="list-style-type: none"> • Pass through in tariff
Time for filing Petition	<ul style="list-style-type: none"> • 30th November 	<ul style="list-style-type: none"> • 30th November 	<ul style="list-style-type: none"> • 30th November
Carrying / Holding cost	<ul style="list-style-type: none"> • Not specified but allowed @ rate of IoWC 	<ul style="list-style-type: none"> • Not specified but allowed @ rate of IoWC 	<ul style="list-style-type: none"> • Simple interest at SBI Base Rate + 150 bp
Treatment of Penalties	<ul style="list-style-type: none"> • Not specified 	<ul style="list-style-type: none"> • Not specified 	<ul style="list-style-type: none"> • Not allowed

Debt & Equity

Particulars	MYT, 2005	MYT, 2011	MYT 2015
Debt Equity Ratio	<ul style="list-style-type: none"> 70:30 (or actual if debt>70%) For equity >30% as normative debt 	<ul style="list-style-type: none"> 70:30 (or actual if debt>70%) For equity >30% as normative debt 	<ul style="list-style-type: none"> 70:30 (or actual if debt>70%) For equity >30% as normative debt
Retirement of asset	<ul style="list-style-type: none"> Not specified 	<ul style="list-style-type: none"> Equity to be reduced @ 30% (or actual if <30%) of the original cost of the retired or replaced asset Any o/s loan to be reduced 	<ul style="list-style-type: none"> Equity to be reduced @ 30% (or actual if <30%) of the original cost of the retired or replaced asset Any o/s loan to be reduced
RoE	<ul style="list-style-type: none"> @16% for wire & supply 	<ul style="list-style-type: none"> @15.5% for wire & 17.5% for supply 	<ul style="list-style-type: none"> @15.5% for wire & 17.5% for supply
Whether Pre or Post tax	<ul style="list-style-type: none"> Post Tax 	<ul style="list-style-type: none"> Post Tax 	<ul style="list-style-type: none"> Post Tax

Debt & Equity

Particulars	MYT, 2005	MYT, 2011	MYT 2015
Int. on loan	<ul style="list-style-type: none"> Wt. avg. rate of interest as per actual loan portfolio 	<ul style="list-style-type: none"> Wt. avg. rate of interest as per actual loan portfolio 	<ul style="list-style-type: none"> Wt. avg. rate of interest as per actual loan portfolio
Repayment of loan	<ul style="list-style-type: none"> Existing loans as per loan agreement For New loans Repayment = Depreciation 	<ul style="list-style-type: none"> Repayment = Depreciation 	<ul style="list-style-type: none"> Repayment = Depreciation
AAD	<ul style="list-style-type: none"> Allowed 	<ul style="list-style-type: none"> Not allowed 	<ul style="list-style-type: none"> Not allowed

Depreciation

Particulars	MYT, 2005	MYT, 2011	MYT 2015
Method	<ul style="list-style-type: none"> • SLM 	<ul style="list-style-type: none"> • SLM • Once acc. Dep. = 70%, b/c depreciable value spread over useful life 	<ul style="list-style-type: none"> • SLM • Once acc. Dep. = 70%, b/c depreciable value spread over useful life
Depreciable up to	<ul style="list-style-type: none"> • 90% 	<ul style="list-style-type: none"> • 90% 	<ul style="list-style-type: none"> • 90%
Salvage value	<ul style="list-style-type: none"> • 10% 	<ul style="list-style-type: none"> • 10% 	<ul style="list-style-type: none"> • 10%

IoWC

Particulars	MYT, 2005	MYT, 2011	MYT 2015
Components of WC			
O&M exp	• 1 Month	• 1 Month	• 1 Month
Maintenance spare	• (1/12) of sum of book value of stores, materials & supplies	• (1/12) of sum of book value of stores, materials & supplies	• 1% of Opening GFA
Receivable	• 2 months	• 2 months	• 1.5 months
Less: Security Deposit	• Amount held at the end of year	• Amount held at the end of year	• Amount held at the end of year
Less: PP cost	• 1 month	• 1 month (for own Genco, no deduction from such supply)	• 1 month (for own Genco, no deduction from such supply)
Interest Rate	• SBI PLR	• SBAR	• SBI MCL + 150 bp

O&M & PP Expenses

Particulars	MYT, 2005	MYT, 2011	MYT 2015
O&M	<ul style="list-style-type: none"> Reasonable & justifiable expenses 	<ul style="list-style-type: none"> Normative based on no. of customers, sales & GFA Relaxed in Tariff Order & considered actuals of FY 13 	<ul style="list-style-type: none"> Trued up O&M Expense for FY 15-16 plus / minus share of Eff. Gains / losses
Escalation	<ul style="list-style-type: none"> CPI :WPI 	<ul style="list-style-type: none"> Avg. growth rate from FY 11 to FY13 of actual exp. 	<ul style="list-style-type: none"> CPI: 70% & WPI: 30% of last 5 yrs
Wage revision	<ul style="list-style-type: none"> No provision Allowed in Order 	<ul style="list-style-type: none"> No provision Allowed in Order 	<ul style="list-style-type: none"> No provision Allowed in Order
PP Expenses	<ul style="list-style-type: none"> LT , ST & RE sources 	<ul style="list-style-type: none"> LT , ST & RE sources 	<ul style="list-style-type: none"> LT , ST & RE sources

Other Items

Particulars	MYT, 2005	MYT, 2011	MYT 2015
NTI	<ul style="list-style-type: none"> Reduced from ARR 	<ul style="list-style-type: none"> Reduced from ARR 	<ul style="list-style-type: none"> Reduced from ARR
Treatment of DPC earned, in ARR	<ul style="list-style-type: none"> Not specified but reduced from ARR in Order 	<ul style="list-style-type: none"> Not specified but reduced from ARR in Order 	<ul style="list-style-type: none"> Not considered as NTI in ARR contribution of delay in receipt of payment to the actual IoWC to be deducted from actual IoWC, before sharing gain or loss
Provision for bad debt	<ul style="list-style-type: none"> Not specified 	<ul style="list-style-type: none"> Not specified 	<ul style="list-style-type: none"> up to 1.5 % of amount shown as Trade Receivables or Receivables from Sale of Electricity

Other Items

Particulars	MYT, 2005	MYT, 2011	MYT 2015
Income Tax	<ul style="list-style-type: none"> Actual / Regulatory PBT No tax on efficiency gain & Incentive 	<ul style="list-style-type: none"> Actual / Regulatory PBT No tax on efficiency gain & Incentive 	<ul style="list-style-type: none"> Actual / Regulatory PBT No tax on efficiency gain & Incentive
Contribution to contingency reserve	<ul style="list-style-type: none"> 0.25% of opening GFA Max. 5% of GFA on cumulative basis 	<ul style="list-style-type: none"> 0.25% of opening GFA Max. 5% of GFA on cumulative basis 	<ul style="list-style-type: none"> 0.25% of opening GFA Max. 5% of GFA on cumulative basis
Consumer contribution	<ul style="list-style-type: none"> No interest and RoE allowed Depreciation not allowed in Order 	<ul style="list-style-type: none"> No interest and RoE allowed Depreciation not allowed in Order 	<ul style="list-style-type: none"> No depreciation, interest and RoE allowed
Interest on CSD	<ul style="list-style-type: none"> Bank rate of RBI 	<ul style="list-style-type: none"> Bank rate of RBI 	<ul style="list-style-type: none"> SBI base rate + 150 bp

Thanks