

RAJASTHAN ELECTRICITY REGULATORY COMMISSION, JAIPUR
Petition No. RERC 999/16, 1000/16,990/16,991/16,986/16,987/16

In the matter of approval of true up of Jaipur Vidyut Vitran Nigam Ltd (JVVNL), Ajmer Vidyut Vitran Nigam Ltd (AVVNL) and Jodhpur Vidyut Vitran Nigam Ltd (JdVVNL) for FY 2014-15 and FY 2015-16.

Coram: **Shri Vishvanath Hiremath, Chairman**
 Shri R.P.Barwar, Member
 Shri S.C. Dinkar, Member

Petitioners: Jaipur Vidyut Vitran Nigam Ltd. Jaipur (999/16, 1000/16)
 Ajmer Vidyut Vitran Nigam Ltd. Ajmer (990/16,991/16)
 Jodhpur Vidyut Vitran Nigam Ltd. Jodhpur (986/16, 987/16)

Date of hearing: 23.08.2017

Date of Order:

05.10.2017

ORDER

Section-1: Background

- 1.1 The three distribution companies namely, Jaipur Vidyut Vitran Nigam Ltd. (JVVNL), Ajmer Vidyut Vitran Nigam Ltd. (AVVNL) and Jodhpur Vidyut Vitran Nigam Ltd. (JdVVNL), collectively called Discoms or Petitioners had filed petitions for approval of true-up of ARR for FY 2014-15 and FY 2015-16 under RERC (Terms and Conditions for Determination of Tariff) Regulations, 2014.
- 1.2 JVVNL filed the petition on 16.12.2016, AVVNL on 13.12.2016 and JdVVNL on 09.12.2016 for both FY 2014-15 and FY 2015-16.
- 1.3 After examining the petitions, the Commission vide letter dated 16.01.2017 pointed out the deficiencies observed in the petitions for both FY 2014-15 & FY 2015-16 and the Discoms were directed to clarify along with supporting documents.
- 1.4 As per Section 64(2) of the Act, 2003 which requires that applicant should publish application filed in such abridged form and manner as may be specified by the Appropriate Commission, the Commission on dated 24.01.2017 allowed Discoms to publish the notice in the newspapers.

1.5 Accordingly, public notices with salient features of the petitions, inviting comments/suggestions, were published in the following newspapers on the dates shown against each of the petitions and were also placed on the websites of the Commission and Discoms. The last date for submission of comments/ suggestions was notified as 28.02.2017 for JVVNL, AVVNL & JdVVNL:

Sr. No.	Name of Newspapers	JVVNL	AVVNL	JdVVNL
(i)	Rajasthan Patrika	07.02.2017	03.02.2017	04.02.2017
(ii)	Dainik Bhaskar	-	03.02.2017	04.02.2017
(iii)	Times of India	07.02.2017	03.02.2017	-
(iv)	Danik Nav Jyoti	07.02.2017	-	-
(v)	Hindustan Times	-	-	05.02.2017

- 1.6 JVVNL, AVVNL & JdVVNL, on dated 12.04.2017, 20.04.2017 & 20.04.2017 respectively, submitted reply to the deficiencies indicated by the Commission vide its letter dated 16.01.2017.
- 1.7 JVVNL, AVVNL and JdVVNL on dated 05.05.2017, 09.05.2017 and 09.05.2017 respectively filed the additional information relating to approval of true up of ARR for FY 2014-15 and FY 2015-16.
- 1.8 In all, 15 numbers of comments/suggestions were received on each Discom's petition from the stakeholders for FY 2014-15 & FY 2015-16. The list of stakeholders is enclosed at **Annexure-A**.
- 1.9 The Commission forwarded the suggestions/comments submitted by the Stakeholders to the respective Discoms for furnishing the reply.
- 1.10 The public hearing in the matter was held on 23.08.2017. The list of stakeholders who have made oral submissions during the hearing is enclosed at **Annexure-B**.
- 1.11 The Commission has also considered the reply given by the Discoms in respect of queries of the Commission & stakeholder and oral submissions made by the Discoms & Stakeholders during the hearing and also perused all the relevant records while finalizing this order.
- 1.12 As issues arising in all the petitions are common for all three Discoms and the Stakeholders have also made common submissions on all the petitions and a common hearing was held in the matter, the Commission therefore has decided to consider all the petitions together for both FY 2014-15 & FY 2015-16 and dispose them through this common order.

- 1.13 Discoms prayed to approve the true up of FY 2014-15 and FY 2015-16 as submitted.
- 1.14 All energy figures used in this order, unless stated otherwise, are in Million Units (MU).
- 1.15 For the purpose of representation, figures given in the tables are shown as rounded off. However, for calculation purpose, actual figures have been considered.
- 1.16 This order has been structured in seven sections as given under.
- a) Section 1 – Background discussed in this part.
 - b) Section 2 - Comments/suggestions of Stakeholders, Petitioners' response and the Commission's observations thereon.
 - c) Section 3 - True-up of ARR for FY 2014-15 of the three Discoms.
 - d) Section 4 - True-up of ARR for FY 2015-16 of the three Discoms.

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

Part I – General issues/comments related to True-up of FY 2014-15 & FY 2015-16

2.1 Hindi Version of Petition

2.1.1 Stakeholders Comments

It was submitted that the petitions for True Up of ARR for FY 2014-15 and FY 2015-16 should be made available in Hindi on the website of the Commission and Discoms.

2.1.2 Petitioners' Response:

The Discoms submitted that the Hindi version of the true up petitions has been published on the website and was also available for sale.

2.1.3 Commission's View

The Commission has noted the submission of Discoms.

2.2 Filing of the Petition

2.2.1 Stakeholders Comments

1. It was submitted that as the petitions have been accepted for hearing without copy of Audited Accounts, the entire trueing up process will become nugatory.
2. It was submitted that Discoms must ensure that copy of petitions are made available at all local offices, so that the petitions reaches to the maximum people.
3. It was also submitted that the text of all three petitions were same and only figures were different, which defeats the very purpose of unbundling of the Discoms.

2.2.2 Petitioners' Response:

1. The Discoms submitted that the copy of the Annual Audited Accounts was provided along with the true up petitions and was also uploaded on the Discoms website.
2. The Discoms submitted that the copies of petitions along with annexures were made available to concerned (O&M) offices. Further, the summary of the

petitions were published in English and Hindi newspapers.

3. The Discoms submitted that the guidelines, regulations and provisions of Electricity Act, 2003 and RERC Tariff Regulations are applicable on all three Discoms equally, therefore the content of all three Discoms are same and only figures are different.

2.2.3 Commission's View

The Commission has taken note of the comments of the Stakeholders and reply of Discoms thereto. It has been observed that Discoms have filed the Audited Accounts along with the petition and also published the Annual Audited Accounts on website.

2.3 Consumer Education

2.3.1 Stakeholders Comments

It was submitted that the Discoms have shown NIL expenditure against approved consumer education/awareness expenses of Rs. 50 Lakh, which shows the non-seriousness of the Discoms.

2.3.2 Petitioners' Response:

The Discoms submitted that they have incurred more than Rs. 50 lakh towards consumer education and awareness programs. Discoms also submitted that various programmes have been conducted for consumer education/awareness.

2.3.3 Commission's View

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

2.4 Quality of Material and Service

2.4.1 Stakeholders Comments

It was submitted that due to inferior quality of material and services, hundreds of accident have been taking place, which also resulted in waste of public money.

2.4.2 Petitioners' Response:

The Discoms submitted that the quality material and equipments are being procured through tendering and competitive bidding. All the equipments and material are subjected to thorough quality check parameters and are deployed thereafter. Further, with regard to service contracts quality criteria is followed.

2.4.3 Commission's View

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

2.5 Non-Compliance of CEA Safety Regulations

2.5.1 Stakeholders Comments

1. It was submitted that there were non-compliances of previous tariff order and Discoms have also not complied with under mentioned Regulations.
 - a. The Central Electricity Authority (Technical Standards for Construction of Electric Plant and Electric Lines) Regulation, 2010.
 - b. The Central Electricity Authority (Measures Relating to Safety and Electric Supply) Regulation, 2010.
 - c. The Central Electricity Authority (Safety Requirements for Construction, Operation and Maintenance of Electric Plants and Electric Lines) Regulation, 2011.

2.5.2 Petitioners' Response

The Discoms submitted that the list of directives issued by the Commission in its previous Tariff Order along with status of its compliance has been provided in the petitions. Further, they are trying their best to ensure that all the safety related norms and compliances are followed. The field officers and technicians are being imparted with safety related trainings and sessions. It is made sure that all the safety procedures are followed and the safety equipments being used are of superior quality to avoid any mishaps.

2.5.3 Commission's View

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

2.6 Audited Accounts

2.6.1 Stakeholders Comments

1. It was submitted that while finalizing the true up, the auditor report and its annexure on Annual Accounts for FY 2014-15 and FY 2015-16 must be taken into cognizance.
2. The Discoms should clarify that on what basis they have got the "actual cost incurred" from their accounts, which are based on accrual and assessment basis.

2.6.2 Petitioners' Response:

The Discoms submitted that the data placed in True-up Petition for FY 2014-15 and FY 2015-16 are as per the Annual Audited Accounts which is on accrual basis. The petitions for True-up has been filed in accordance with Regulation 5(3) (ii) of RERC Tariff Regulations, 2014 which clearly states that true up of previous year's expenses and revenue is based on Audited Accounts.

2.6.3 Commission's View

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

2.7 Copy of the Documents

2.7.1 Stakeholders Comments

It was submitted that the copy of State Cabinet decision dated 19.10.2011 referred in Annual Audited Accounts for FY 2014-15 may be provided. Copy of MOU dated 20.11.2015 entered under UDAY scheme and operational Guidelines, if any, issued by the Government of India may also be furnished by the Discoms.

2.7.2 Petitioners' Response:

The Discoms submitted that the copy of the cabinet decision dated 19.10.2011, copy of the MoU under UDAY Scheme, the operational guidelines and parameters covered in the MoU have been provided to the Stakeholders.

2.7.3 Commission's View

The Commission has noted that the Discoms have provided the information sought by the Stakeholders.

Part II – Issues/comments related to True-up of ARR of FY 2014-15 & FY 2015-16

2.8 Reason for Deviation

2.8.1 Stakeholders Comments

It was submitted that the True up for FY 2014-15 & FY 2015-16 should not be approved until sufficient and reasonable explanations are given by Discoms regarding wide variation in figures approved in ARR by the Commission and actual figures furnished in the petition, specifically for distribution losses and interest cost.

2.8.2 Petitioners' Response

The Discoms submitted that the true up petitions for FY 2014- 15 & FY 2015-16 have been prepared as per the Annual Audited Accounts of the respective years and in accordance with the RERC Tariff Regulations, 2014. The actual figures for various components of ARR have been presented in the petitions. The deviations from the figures as approved by the Commission in its ARR and Tariff Order for the respective years and the reasons attributing to the deviation have also been submitted in the petitions.

2.8.3 Commission's View

The Commission has taken note of the comments of the Stakeholders and reply of Discoms thereto and has dealt with the issue of distribution losses and interest cost along with the other parameters in true up analysis section of this order.

2.9 Power Purchase

2.9.1 Stakeholders Comments

1. It was submitted that Discoms need to clarify the variation in power purchase cost approved in orders dated 20.02.2015 and 22.09.2016 and that shown by the Discoms in the petitions for true up.
2. It was submitted that Discoms may supply month wise energy/power available from each source during FY 2014-15 and FY 2015-16 along with source wise rates thereof.
3. It was submitted that the Discoms have purchased less energy than approved and claiming higher costs. The Discoms need to clarify the reasons for the same. Further, it was submitted that the Discoms need to provide justification

for increase in per unit power purchase cost from approved of Rs. 3.97 per unit to Rs. 4.13 per unit (JdVVNL 15-16), from Rs. 3.97 per unit to Rs. 4.13 per unit (AVVNL 15-16), from Rs. 3.96 per unit to Rs. 4.04 per unit (JVVNL 15-16) and similar increase for FY 2014-15.

4. It was submitted that the Discoms cannot claim extra power purchase cost on account of stranded capacity.
5. Discoms have sold the surplus power @ Rs. 3.02 per unit instead of Rs. 4 per unit as approved by the Commission during FY 2014-15 and @ Rs. 2.54 per unit instead of Rs. 4 per unit during FY 2015-16. The Discoms need to clarify the reason for the same.

2.9.2 Petitioners' Response:

1. The Discoms submitted that the approved power purchase expenses as shown in the petition by the Discoms are as per Tariff Orders for respective years. The variation observed by the stakeholder is due to the presentation of the revenue from trading. The amount related to Revenue through trading is shown in the revenue section of the Table-1 of the Petition, whereas in the Tariff Order the Commission has reduced the same amount from the Power Purchase Expense. Hence there is no deviation in the approved expenses and is just a matter of presentation.
2. The details pertaining to power purchase for FY 2014-15 and FY 2015-16 have been shown in the Form 3.1 of the respective years.
3. The Discoms submitted that they have purchased power as per actual demand and availability and the rates are as per actual payment made to generating stations. Further, variance in the power purchase rate is on account of various factors including lower availability of cheaper power from central generating station, higher power purchase cost for plants like Tehri, TALA, Koteshwar, etc. Also substantial amount of power was surrendered due to consumers opting for open access. However, even for the power surrendered, the Discoms have to bear the fixed charges without receipt of any energy which further increases per unit cost of power purchased. It is also important to note that the prior period charges paid to various generators also contributed to the increase in per unit power purchase rate.

4. The Discoms submitted that they were not seeking any extra power purchase cost on account of stranded capacity. The fixed cost component in case of stranded power is recovered only through payment of additional surcharge by the open access consumers under Section 42 of the Electricity Act, 2003 and not from cross-subsidy surcharge.
5. The Discoms submitted that the rates discovered in the power market are of dynamic nature and it sells surplus power in the power market at the rates prevailing in the market at that specific time. The power market works as per demand-supply scenario. These rates are found to be at a lower side and the average rate at which power is sold off in the exchange was around 3.00 Rs/unit in the FY 2014-15 and 2.50 Rs/unit in the FY 2015-16.

2.9.3 Commission's View

The Commission has taken note of the comments of the Stakeholders and reply of Discoms thereto and has dealt with this issue of power purchase in true up analysis section of this order.

2.10 Banking Transaction

2.10.1 Stakeholders Comments

It was submitted that the Commission may decide the matter related to banking transaction as per decision taken in the order dated 22.09.2016 and Discoms are required to furnish detailed account of power obtained under banking arrangement and amount thereof.

2.10.2 Petitioners' Response:

The Discoms submitted that they have shown the actual banking transaction expenses as per the audited accounts.

2.10.3 Commission's View

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

2.11 Transmission Charges

2.11.1 Stakeholders Comments

1. It was submitted that per unit transmission charges in case of AVVNL have decreased by 10 paisa in FY 2015-16 as compared to FY 2014-15, whereas, other item of ARR have been increased by 39 paisa, Discom may clarify the reason for the same.
2. It was submitted that transmission and SLDC charges of inter and intra state may be allowed only as per true up decided by the Commission.

2.11.2 Petitioners' Response:

1. The AVVNL submitted that the increase in ARR is attributed to the various components forming ARR which have seen an increase in FY 2015-16 from FY 2014-15. Just a single factor cannot be considered a parameter for comparison. Other components like power purchase cost, interest and finance charges, depreciation etc. have also witnessed an increase over the previous year.
2. The Discoms submitted that they have shown the actual Transmission and SLDC charges as per the audited accounts.

2.11.3 Commission's View

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

2.12 O& M and Insurance Charges

2.12.1 Stakeholders Comments

1. It was submitted that O&M expenses for the FY 2014-15 and FY 2015-16 shall be allowed as per Regulation 83 of the Tariff Regulations, 2014.
2. It was submitted that AVVNL and JVVNL must furnish proofs for deviation in employee expenses, A&G expenses etc.
3. Discoms may furnish the reasons for the inclusion of the insurance charges in the O&M expenses and the same may be disallowed from the O&M expenses as it is against the Regulations. Insurance charges may be admissible only if they are

actually incurred and relevant supporting documents have been provided by the Discoms. It was also submitted that the insurance charges shall be allowed as per Regulation 25 of the Tariff Regulations, 2014.

4. It was submitted that in case of JVVNL the insurance charges as approved for 2015-16 was Rs. 23 crore while Discom has claimed Rs. 485 crore. The JVVNL need to clarify the same.

2.12.2 Petitioners' Response:

1. The Discoms submitted that they have shown the actual O&M expenses as per the audited accounts.
2. The Discoms submitted that the O&M expenses claimed in the petitions are as per the actuals and varies from the amounts as approved by Commission. As those were approved on the basis of normative calculation considering sales approved at that time whereas considering the actuals, the O&M expenses incurred are more and the same has been claimed in the petitions.
3. The Discoms submitted that it is just a matter of presentation that the insurance expenses are shown as a part of the O&M Expenses. The same is reflected in Form 4.4 also. Major insurance expenses are on account of the insurance of material stock. The insurance policies of material stock for FY 2014-15 and FY 2015-16 have been submitted by the Discoms. Vehicle insurance is another major contributor in the insurance expenses. Other assets are not insured.
4. The JVVNL submitted that the insurance expenses for FY 2015-16 were Rs.0.48 Crore as shown in form 4.4.

2.12.3 Commission's View

The Commission has taken note of the comments of the Stakeholders and reply of Discoms thereto and has approved the O&M expenses as per norms prescribed in the RERC Tariff Regulations, 2014.

2.13 Terminal benefit

2.13.1 Stakeholders Comments

1. It was submitted that the provisions of terminal benefits as a separate item was only to be made for persons, retired before date of unbundling (i.e. 19.07.2000) and it should be allowed only to the extent of actual payment made to designated fund.
2. It was submitted that the short payments made or no amount paid, creates a deficit in the Fund and Discoms may be directed to deposit the balance un-paid amount. In case Discoms fail to do so, Commission may impose some penalty. Discoms may also be directed to furnish the plan to liquidate liability of terminal benefit and have actuarial valuation.

2.13.2 Petitioners' Response

1. The Discoms submitted that Pension Fund is being created only for employees appointed prior to 2004 only. The details of the regular and additional contributions made to the Trust have been captured in Format 3.2(b) of the True Up petitions for respective years. The Discoms have been making timely payments to the Trust as per the availability of the resources.
2. The Discoms, further submitted that the liability against superannuation and gratuity payments have been included in the terminal benefits while determining the true-up of ARR for FY 2014-15 and FY 2015-16, since the additional cost on account of superannuation and gratuity liability is not under the control of the Discoms.

2.13.3 Commission's View

The Commission has allowed the expenses towards terminal benefit only to the extent of actual payment made to designated Fund.

2.14 Interest on Term and Working Capital Loan

2.14.1 Stakeholders Comments

1. It was submitted that Discoms may intimate the total debt outstanding as on 30.09.2015 and the reasons of such high outstanding term loan.

2. Late payment surcharge (LPS) is paid to power suppliers on account of delay in payment for power suppliers. For such supplies, Discoms have earned revenue (without corresponding payment to generator) and has saved interest. As such interest charged, not admissible.
3. It was submitted that interest on working capital should be allowed on normative basis.
4. It was also submitted that while computing working capital, the insurance charges and terminal benefit should not form part of O&M expenses.
5. It was submitted that the Discom has claimed a substantial increase in the interest and finance charges of Rs. 809 crores than approved during FY 2014-15 and Rs. 705 crores during FY 2015-16 in case of JdVVNL, Rs. 814 crores during FY 2014-15 and Rs. 586 crores during FY 2015-16 in case of AVVNL, Rs. 956.9 crores during FY 2014-15 and Rs. 535.93 crores during FY 2015-16 in case of JVVNL. The Discoms need to provide the reasons for the same.
6. During FY 2014-15 and FY 2015-16 there is high increase in the interest on short term borrowings/ interest on working capital as compared to approved. The Discoms need to clarify the same.

2.14.2 Petitioners' Response:

1. The Discoms furnished the details of outstanding debt as on 30-09-2015 and submitted that due to the huge financial distress they had to resort to borrowing of larger than envisaged loans under both long and short term agreements and as per availability of funds they have been repaying the loans.
2. The Discoms submitted that LPS has been paid to the power generators as per the terms of power purchase agreement (PPA). Discoms were not able to pay the generators on time due to the financial distress and for the payment of same they had to resort to short term borrowings.
3. The Discoms submitted that the interest on working capital as submitted in the petitions and formats for FY 2014-15 and FY 2015-16 is as per the Annual Audited Accounts. The detail of the working capital loans and the corresponding Interest liability has been shown in form 3.7.

4. The Discoms submitted that while computing the normative interest on working capital as shown in form 3.3, terminal benefits and insurance charges have not been included in O&M expenses.
5. The cost allowed in the ARR for power purchase is used to pay off the power generators' bills for the current years. The past years due payments are not taken care of in that approved amount. Hence the interest burden related to loans taken up for this payment is reflecting in the Interest and Finance Charges.

Further, the increased interest and finance cost is on account of accumulated debts and interest on working capital along with increased amount of late payment surcharge payable to generators. In order to ensure continuous improvement in quality of supply, the petitioner does not resort to load shedding. As such constant flow of funds is required to meet sufficient power purchase needs thereby leading to increased short term loans. 80% of total debt of the Discoms are raised through short term loans from Banks/FIs for which the Discoms are paying very high rate of interest. Apart from meeting the working capital requirements, the utility had to take short-term loans to bridge the huge revenue deficit which was not being completely funded by the revenue from tariff and subsidy/subventions from the Government.

2.14.3 Commission's View

The Commission has taken note of the comments of the Stakeholders and replies of Discoms thereto and has dealt with this issue of interest and finance charges in detail under true up analysis section of this order.

2.15 Depreciation

2.15.1 Stakeholders Comments

1. The Discoms have claimed high depreciation as compared to approved during FY 2014-15 and FY 2015-16.
2. Discoms have rented their transformers, therefore depreciation should not be allowed on the transformers for which rent is received.
3. The Discoms are required to furnish the status of preparation of Fixed Assets Register.

2.15.2 Petitioners' Response:

1. Discoms submitted that the Commission while approving the depreciation amount adopts a different methodology with respect to reducing the consumer contribution and grants received during the year from the approved value of depreciable assets at the beginning of the year, which is the approved closing for previous year. The Discoms have adopted the provisions for depreciation as prescribed in the RERC Tariff Regulation, 2014 based on the straight line method. The depreciation as claimed is as per the audited accounts.
2. Discoms submitted that the transformers are a part of their assets and hence the depreciation claimed on same is very much justified. Also the rent from transformers is shown as a part of the revenue in form 2.1.
3. JVVNL submitted that the work for preparation of Fixed Assets Register (FAR) has been outsourced to M/s Ankit Maheshwari and Associates, Jaipur and the Draft Fixed Assets Register of Kota Circle has been compiled and is under verification. The tender for physical verification of fixed assets register is under process and will be issued shortly.
4. AVVNL submitted that an effort for in-house preparation of FAR is going on. However for speedy completion of said task, an alternative option such as outsourcing etc. has also been explored and administrative approval has been accorded by the MD, AVVNL. An action plan has been prepared for preparation of FAR in which work will be outsourced and expected to be completed by the end of December 2017.
5. JDVVL submitted that the work for preparation of FAR for FY 2010-11 to 2012-13 have been outsourced to M/s Sancheti & Co. Which is under progress, while FAR for new assets created during the FY 2013-14 and FY 2014-15 have been prepared and for FY 2015-16 is under progress.

2.15.3 Commission's View

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

2.16 Other Debits and prior period

2.16.1 Stakeholders Comments

1. The figures of other expenses as furnished in table no. 1 of the petition and form 4.2 are different.
2. It was submitted that the Discoms have claimed truing up for a major part of other debits amounting to Rs. 49.08 crores for FY 2014-15 and Rs. 73.32 crores for FY 2015-16 as rebates given to the consumers in case of JVVNL, Rs. 55.55 crores for FY 2014-15 as rebates given to consumers and Rs. 170.49 crores for FY 2015-16 as prior period expense in case of AVVNL, Rs. 199.35 crores for FY 2014-15 and Rs. 45.05 crores for FY 2015-16 as prior period expenses in case of JdVVNL. The Discoms need to clarify the same.
3. It was submitted that compensation for injury/death expenses are part of O&M expenses and loss due to theft of assets is covered under insurance expenses, therefore these should not be allowed under prior period head.
4. Details of prior period expenses have not been provided by the Discoms.

2.16.2 Petitioners' Response:

1. The variation in other expenses in the petitions and formats is just due to different form of presentation. The other expenses as shown in Table 1 of the petitions includes the other expenses as shown in form 4.2 and the provision for bad debts as reflecting in form 4.3.
2. The Discoms submitted that the other debits, rebates allowed to consumers & prior period expenses claimed are as per actuals, the details of which has been provided in the petitions. The details of the same are reflected in Audited Annual Accounts of the Discoms also.
3. The Discoms submitted that the annual accounts are drawn on accrual basis, that is why the expenses pertaining to previous years has been identified under a separate head namely, prior period expenses and not considered with normative O&M or insurance expenses as those expenses are pertaining to particular year.

4. The Discoms submitted that the details of the prior period expenses for FY 2014-15 and FY 2015-16 is mentioned in the respective Schedule of the Annual Audited Accounts submitted along with the petitions.

2.16.3 Commission's View

The Commission has dealt with the issue of other debits and prior period expenses in detail under true up analysis section of this order.

2.17 Outstanding against Permanent Disconnected Consumers

2.17.1 Stakeholders Comments

1. It was submitted that against permanent disconnected (PD) consumers there is large outstanding. The Discoms may clarify whether the outstanding amount is after the adjustment of security amount of PD consumers.
2. Outstanding against permanent disconnected (PD) consumers is on increasing side which shows that regular efforts have not been made to recover the dues resulting in the revenue gap. The incidence of interest of such borrowing may be disallowed.

2.17.2 Petitioners' Response:

The Discoms submitted that as a general practice the security amount from PD consumers is adjusted from their outstanding. The Discoms are making best efforts to recover the outstanding from the PD consumers.

2.17.3 Commission's View

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

2.18 Sales and Revenue

2.18.1 Stakeholders Comments

1. Whether the sales and revenue are inclusive of sales of temporary connections during each year and if so, category-wise sales and revenue of each financial year may be furnished along with separate information of sales, consumers and revenue of temporary connections.

2. The energy assessed and revenue assessed on account of theft/ mis-use for each year may also be furnished.
3. It was submitted that the actual revenue from the sale of power was lesser than that approved for the FY 2014-15 which needs to be justified by the Discoms.
4. It was observed that in FY 2014-15 and FY 2015-16, the per unit revenue realization under Domestic, Public Street Light, Agriculture, Small & Medium Industry, PWW (S&M) are lower than per unit approved by the Commission.
5. It was submitted that in case of JVVNL in FY 2015-16, the Railway Traction category and its sales and corresponding revenue have totally been omitted. Whereas this category is appearing in annual accounts of FY 2015-16. As per the information available, total sales of Railway Traction category in FY 2015-16 is 323.82 MUs. In view of above, sales of JVVNL cannot be relied upon. Thus, JVVNL is required to furnish category wise figures of sales and revenue correctly.
6. It was submitted that slab-wise number of consumers, sales of energy and revenue received has not been shown in Form no. 2.1, the same must be provided by the Discoms.

2.18.2 Petitioners' Response:

1. The Discoms submitted that the sales and revenue as shown in the true up petition for FY 2014-15 and FY 2015-16 is inclusive of the sales to temporary connections, the bifurcation of the same is not possible.
2. The details of the revenue assessed under theft and malpractices have been captured in Form 2.1.
3. The Discoms submitted that the ARR claimed is as per actual figures of expenditure incurred and revenue earned during the respective years. The variation in revenue from sale of power exists as the Commission in its tariff order had considered the revenue projected based on the slab wise assumptions with regard to the number of consumers, sales etc. which differs from the actuals. Hence, there tends to be difference in the revenue as approved by the Commission.
4. The Discoms submitted that there are various factors which are to be considered while comparing the Commission approved billing rate with the actual per unit realization. The figures of energy sales were approved on the basis of projection. The energy sale to those consumers who got disconnected during the year does

not get reflected in the same although these consumers have availed and used the energy but the corresponding bills have not been deposited and they have been disconnected. In other words it can be said that the energy of Discoms has been billed but revenue has not been realized which results in lower per unit realization. Further, the consumption pattern of the consumers does not remain uniform over the year. It so happens that a consumer may be falling under the consumption category of 151-300 units for one billing cycle and may have a consumption of above 300 units in another cycle. The approved billing rate is based on estimated consumption in different slabs across different categories, whereas the actual consumption across slabs may vary.

5. In case of JVVNL the new billing agency HCLI undertook the work, it has been providing the sales and revenue data for Railway Traction merged with Large Industries as the Tariff for both the categories is same. Thus the sales and revenue for Railway Traction category in FY 2015-16 has been shown in the Large Industry category. It's just a matter of presentation and categorization and any question of non-reliability of data does not arise as the submitted figures are as per the Annual Audited Accounts. It is further submitted that the sales for Railway Traction category was 39.48 MU and 38.28 MU for FY 2014-15 and FY 2015-16 respectively.
6. The updated Form 2.1 with the required slab wise details have been provided by the Discoms.

2.18.3 Commission's View

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

2.19 Subsidy

2.19.1 Stakeholders Comments

1. It was submitted that in case of JVVNL in form 2.5 subsidy by GoR, for FY 2014-15, the assessed subsidy is Rs. 1805.05 Cr, against which the received subsidy is of Rs. 1660.36 Cr. Whereas, in form 2.6 the revenue subsidy is shown as Rs. 693.79 Cr. and the form 2.7 states that the capital and other subsidy received is Rs. 0(Zero). The figure in form 2.6 and in form 2.7 must tally with the figure of form 2.5. The Discom is required to provide the reasons for such mismatch.
2. It was submitted that the huge revenue gap is unacceptable. The subsidy from Government along with interest should be realized to meet out the revenue gap.

3. It was submitted that Commission vide order dated 20.02.2015 has considered receipts from Govt. towards “subsidy against interest’ of Rs. 472 Cr. for JVVNL, Rs. 555 Cr. for AVVNL and Rs. 462 Cr. for JDVVNL. In the true up petitions, the petitioners have not shown any amount towards the said subsidy which needs to be clarified by the Discoms.

2. 19.2 Petitioners’ Response:

1. The JVVNL submitted that the stakeholder seems to have misinterpreted the details provided in the formats given along with the petition. Form 2.5 is related to tariff subsidy, i.e. the subsidies received from Govt. against relaxation provided to the consumers in tariff vis-a-vis the tariff decided by the Commission. Whereas form 2.6 deals with other forms of subsidies which the State Government is providing or has provided to support the Discoms in overcoming the financial burden faced by them. These include retention of ED charges, compounding charges, etc. which are otherwise payable by the Discoms to the State Government. Similarly, Capital subsidy is provided by the Government to support capital works. As such, it may be noted that these three have no interlinking with each other. Therefore, these figures are not tallying with each other.
2. The Discoms submitted that the State Government has been providing adequate tariff subsidy over the years. As mentioned in the previous years, the subsidy amount received was on a higher side and adjusted accordingly in the ensuing years. Discoms submitted the estimate of the subsidy required during the year to the Government and accordingly the subsidy has been provided during the course of year.
3. Discoms have submitted that they have furnished the details of revenue subsidy actually received from State Government in form 2.6.

2. 19.3 Commission’s View

The Commission while taking note of the reply given by Discoms observes that the payment of subsidy shall always be in accordance with the Provisions of Electricity Act, 2003 and the Regulations prescribed in this regard.

2.20 Agriculture Consumer

2. 20.1 Stakeholders Comments

1. It was submitted that in case of JVVNL, during FY 2015-16, the no. of agriculture flat rate consumers have increased as compared to FY 2014-15, the Discom must provide the reasons for the same.

2. It was submitted that in form 2.1 of FY 2014-15 & FY 2015-16 AVVNL has shown units sold for agriculture flat-rate consumers as 1232 MUs and 1112 MUs respectively whereas, as per specific consumption of 1945 per kWh/kW/year the same works out as 1171.12 MUs and 1047.57 MUs respectively. Further, JDVVNL has shown units sold for agriculture flat-rate consumers as 1334.63 MUs and 1310.18 MUs respectively whereas, as per specific consumption of 1945 per kWh/kW/year the same works out as 1312.23 MUs and 1083.48 MUs respectively. The Commission may kindly disallow the excess consumption and energy balance may be worked out on the basis of specific consumption only.

2. 20.2 Petitioners' Response:

The Discoms furnished the information of Agriculture Flat Rate consumers & sales and requested to consider the same for True up.

2. 20.3 Commission's View

Discoms should make efforts to convert all agriculture flat rate consumers to the metered category at the earliest. Further, while approving the flat rate sales, Commission has considered the specific consumption of 1945 per kWh/kW/year.

2.21 Distribution Losses

2.21.1. Stakeholders Comments

1. It was submitted that there was huge difference in actual and approved distribution loss reflecting the inefficiency of the utility thereby passing the burden on the consumer of the state. Further, despite of huge investment in Feeder Improvement Programme and substation programme, the Distribution Losses have increased.
2. It was also observed that actual Transmission and Distribution Losses of Discoms were higher than the targeted losses. The Commission as per its decision taken in the order dated 22.09.2016 may allow the distribution losses as per trajectory target approved.
3. It was submitted that the Discoms have sought resetting of the trajectory as considered under UDAY Scheme by not considering the distribution losses set by the Commission vide order dated 20.02.2015 and 22.09.2016 for FY 2014-15 and FY

2015-16 respectively. Therefore, the details of the efforts under tripartite MoU signed under UDAY scheme be duly checked before considering the same for allowing the distribution losses.

4. Collection efficiencies for Small Industry (SI), Medium Industry (MI), Large Industry (LI), Public Water Works –small (PWW-S), Public Water Works – Medium (PWW-M) & Public Street Light are exceeding 100%. In case of JVVNL as per form 2.1, some negative adjustments have also been shown.
5. It was submitted that the fixation of distribution loss has a direct impact on the wheeling charges and losses and Discoms should place the figures of voltage wise losses on record.

2.21.2. Petitioners' Response

1. The Discoms submitted that they have achieved a distribution loss level in FY 2014-15 and FY 2015-16 which is higher than approved, considering the large distribution area, sparse distribution of load centers and significant number of agricultural connections, certain time would be required to bring down the loss levels.

Further, increased loss levels are mainly because of change in criteria in respect of agriculture defective meters. Earlier, energy was computed on the basis of provisions mentioned in Terms and Conditions of supply (TCOS) . The criteria was changed and computed on the basis of units prescribed by RERC for flat rate consumers because as per provisions of TCOS, in case meter of agriculture category is found defective or stopped then charges are applicable to the corresponding agriculture flat rate consumers. Also, certain other reasons which account for increased losses may be power pilferages, vigilance activities not up to the desired standards and incorrect meter readings etc.

However, in order to achieve envisaged operational efficiency and bring around improvements, various measures are being taken. These steps include restricting power supply in areas with high AT&C losses, performance monitoring and management system, 100% feeder and DT metering, AMR metering for high value consumers, energy audit & accounting at feeder level, feeder segregation, etc. Loss reduction targets have been prepared at the division/circle/ zonal level and concerned officials have been made responsible for achieving the loss reduction targets. At the same time, efforts are also being made to reduce theft and other illegal activities by undertaking name and shame campaign and aggressive

vigilance drives. Further, the capital investment plans are also going on to achieve the distribution loss trajectory set forth by the Commission.

2. Disallowing expenses based on the loss trajectory set by the Commission will act as a setback in the Discom's efforts towards achieving operational and financial turnaround by FY 2018-19 thereby leading to negative impact on the consumers at large.
3. The Discoms submitted that they have provided the details pertaining to the status of loans and takeover under UDAY Scheme. Further the Discoms submitted that they are committed towards reduction of losses and therefore time bound targets have been set. These initiatives have also been recognized at the highest levels and form part of the landmark tripartite MoU signed under the UDAY scheme between the Discoms, the Central Ministry and the Rajasthan Government. Therefore the Discoms prayed to the Commission to revise the existing loss trajectory and set it in line with the trajectory as considered under the UDAY Scheme.
4. With regard to the collection efficiency, Discoms submitted that the same is as per the actual for the Discoms for the respective year.
5. The Discoms submitted that as per the Commission's directives, Discoms have furnished details of Voltage wise Cost of Supply in accordance to Hon'ble APTEL judgment in Appeal No 102 of 2010. Further, the system study to determine voltage wise technical losses is under process and hence voltage wise technical losses are not available at the moment.

2.21.3. Commission's View

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

Section -3: Analysis of True Up of Discoms for FY 2014-15

- 3.1. Discoms have submitted petitions for truing up of ARR on the basis of audited accounts as follows:
- (i) JdVVNL - FY 2014-15
 - (ii) JVVNL - FY 2014-15
 - (iii) AVVNL - FY 2014-15

Analysis of True Up of ARR for FY 2014-15– JdVVNL

Sale of Energy

- 3.2. The Discom has indicated total sale of 15844.61 MU including 1334.63 MU sales to flat rate category. It has been observed that at the beginning of the year, connected load of flat rate consumers was 686027 kW and after taking into account conversion of flat rate consumers to metered category, the closing connected load became 674669 kW. The Commission has worked out the sales on the basis of average connected load of 680348 kW and by considering the normative specific consumption, i.e., 1945 kWh/kW/year; the sales to flat rate category shall be 1323.28 MU. Based on the revised sales to flat rate consumers, the total allowed sale of energy is 15833.26 MU. Based on allowed sales of 15833.26 MU, the distribution loss comes out to be 24.34% as against 24.29 % indicated by the Discom.

Power Purchase Cost

- 3.3. Power purchase cost approved by Commission for FY 2014-15 was Rs. 8332 crores vide ARR order dated 20.02.2015. For the purpose of truing up, JdVVNL has claimed Rs. 9022.61 crores as power purchase cost (including short term power purchases and Transmission & SLDC charges).
- 3.4. Details of power purchase cost as submitted by Discom is given in table below:

Table 1: Power purchase cost submitted by JdVVNL

Sr. No.	Particulars	Units (MU)	Amount in Crores	Average Rate (Rs/unit)
	<u>Energy petitioned by Discom</u>			
1	Total Energy Purchased by Discom (A)	22355.35	8103.50	3.62
2	Less: Purchase From Short term sources (B)	550.78	306.85	5.57
3	Balance Energy from approved Sources C= (A-B)	21804.57	7796.65	3.58
4	Add: Transmission and SLDC charges (D)		919.11	
5	Total Power Purchase claimed (A+D)		9022.61	

3.5. The Discom has petitioned that they have purchased 22355.35 MU out of which they have sold 146.91 MU through exchange.

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

3.7. The Discom has furnished total transmission losses (inter and intra state) in MU terms, therefore, to segregate the same, the Commission has used the intra state losses of 4.11% based on RVPN true up order dated 27.10.2016 for FY 2014-15 and the balance losses based on Audited Accounts are considered towards interstate transmission losses.

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

Table 2: Gross Energy Requirement of JdVVNL for 2014- 15 (MUs)

Sr. No.	Particulars	Approved as per Order Dated 20.02.15	Actual/Audited	Restated Level	Normative Calculation
1	Gross Energy Requirement	20882.00	22355.35	22355.35	19986.88
2	Less:- Sale Through Exchange	0.00	146.91	146.91	146.91
3	Net Energy Requirement	20882.00	22208.44	22208.44	19839.97
4	Inter State Transmission Loss (MU)	248.00	384.44	384.44	384.44

Sr. No.	Particulars	Approved as per Order Dated 20.02.15	Actual/Audited	Restated Level	Normative Calculation
5	Energy Availability at RVPN (MU) –Total	20634.00	21824.00	21824.00	19455.52
6	Intra State Transmission Loss(%)	4.20%	4.11%	4.11%	4.11%
7	Intra State Transmission Loss(MU)	867.00	896.97	896.97	799.62
8	Energy Requirement at Distribution Periphery (MU)	19767.00	20927.03	20927.03	18655.90
9	Distribution Loss (%)	15.13%	24.29%	24.34%	15.13%
10	Distribution Loss (MUs)	2991	5082.42	5093.77	2822.64
11	Energy Sales (MUs)	16776.00	15844.61	15833.26	15833.26

- 3.9. It is observed that the Discom has purchased 2368.47 MU in excess due to increase in distribution loss over the target given by the Commission.
- 3.10. As per Regulation 76(5) of RERC Tariff Regulations, 2014, the losses on account of distribution licensees' failure to achieve the target set by the Commission be shared in the ratio of 50:50 between the distribution licensee and the consumers.
- 3.11. It is further noted that during previous years and in the year under consideration, Discoms have made substantial investment in various loss reduction schemes with an objective of reduction of losses but still losses of Discoms are showing increasing trend. There appears to be lack all out of efforts on part of Discoms to step up vigilance activities and bring in requisite improvement in metering, billing & collection activities. The Discoms have failed to achieve the target of loss reduction as per trajectory set by the Commission vide Order dated 20.2.2015. In Commission's View the consumers should not be burdened on account of consistent inefficiency of Discoms and accordingly, the Commission has decided not to allow sharing on account of failure to achieve the targeted losses as done in the earlier order and Discoms shall have to bear the burden of excess losses and meet the same in future years by improving their working.

3.12. Accordingly, the Commission allows energy requirement of 19986.88 MU only based on targeted losses.

3.13. Discom has submitted the total power purchase cost of Rs. 8103.50 crore including the provision for banking of Rs. 38.52 crore. In reply to data gap, Discom has submitted the transactional cost of banking of Rs.16.10 crore. In view of decision in the order dated 22.09.2016, the Commission has not considered the provision for banking cost of Rs. 38.52 crore as banking has been considered as cost neutral and only considered the transaction cost of Rs. 16.10 crore. Accordingly, the Commission has considered the total power purchase cost of Rs. 8081.08 crore.

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

Table 3: Power purchase cost of JdVVNL approved for FY 2014-15

Sr. No.	Particulars	Units (MU)	Amount in Crores	Average Rate (Rs/unit)
	<u>Energy approved by Commission:</u>			
1	Total Energy Purchased by Discom (A)	22355.35	8081.08	3.61
2	Less: Disallowed short term sources (B)	550.78	306.85	5.57
3	Total Energy from approved sources (C=A-B)	21804.57	7774.23	3.57
4	Less: Disallowed approved sources (D)	1817.69	648.08	3.57
5	Power Purchase Cost Allowed E=(A-B-D)	19986.88	7126.15	
6	Add: Transmission and SLDC charges (F)		919.11	
7	Total Power purchase cost allowed (E+F)		8045.26	

3.15. While disallowing the excess purchase of 2368.47 MU by Discom, the Commission has first considered the power purchase of 550.78 MU from short term sources and the rest 1817.69 MU has been considered from approved sources.

3.16. Discom has submitted Rs. 919.11 crores as Transmission and SLDC charges which have been allowed as per actual by the Commission. Accordingly, the total power purchase cost including transmission and SLDC charges approved for FY 2014-15 is Rs. 8045.26 crores.

Operations and Maintenance (O&M) Expenses

- 3.17. The O&M expenses approved by the Commission for FY 2014-15 vide Tariff order dated 20.02.2015 were Rs. 1029 crores including terminal benefit liability of Rs. 394 crore. For the purpose of true up, JdVVNL has claimed Rs. 875.57 crores as O&M expenses (including terminal benefits based on actuarial valuation of Rs. 403.73 crores).
- 3.18. Regulation 83 of RERC (Terms & Conditions of Determination of Tariff) Regulations, 2014 provides for O&M expenses for the first year of the Control Period (i.e. FY 2014-15) as under:
- a) Employees expenses: 38 paise per unit of sale
 - b) A&G Expenses: 04 paise per unit of sale
 - c) R&M Expenses: 08 paise per unit of sale
- 3.19. O&M expenses are allowed as per the above norms specified in the Tariff Regulations, 2014 for base year 2014-15. Capitalization of O&M expenses has been considered as per actual percentage.
- 3.20. Details of normative O&M expenses as allowed are given in table below:

Table 4: O&M Expenses of JdVVNL for 2014-15 (Rs. in crores)

Sr. No.	Particular	Amount in crores
1	Energy sales approved by Commission (in MU)	15833.26
2	Normative employee cost for FY 2014-15 (Rs. 0.38/unit)	601.66
3	Normative A &G expenses (Rs. 0.04/unit)	63.33
4	Normative R&M expenses (Rs. 0.08/unit)	126.67
5	Less: Proportionate employee cost capitalized	178.42
6	Less: Proportionate A &G cost capitalized (A&G)	14.60
7	Total O&M Expenses Allowed after True Up	598.64

Terminal Benefit

- 3.21. The Commission had approved Rs. 394 crore towards terminal benefit liability vide its tariff order dated 20.02.2015. JdVVNL submitted that they have deposited a sum of Rs. 105.50 crore towards terminal benefit liability. Accordingly, the terminal benefit liability to the extent of actual amount of Rs. 105.50 crore deposited by the JdVVNL has been considered by the Commission.

Depreciation

3.22. The depreciation approved by Commission for FY 2014-15 was Rs. 202 crores vide Tariff order dated 20.02.2015 whereas the Discom has claimed Rs. 428.98 crores as depreciation.

3.23. The Commission has worked out Depreciation as under:

a) The closing balance of depreciable assets for the previous year approved by the Commission in the true up order for FY 2013-14 has been considered as the opening balance for FY 2014-15. The same has been reduced by amount of assets deduction as per audited accounts.

b) Addition to capitalization for current year has been considered as per audited accounts.

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

d) With regard to depreciation rate, it is observed that the average rate of depreciation in Annual Audited Accounts is on higher side as compared to previous years. For JDVVNL the depreciation rate for FY 2014-15 is 5.05% as compared to 3.24% allowed in FY 2013-14. On further scrutiny of the Annual Audited Accounts it is observed that the increase in depreciation rates is mainly on account of following:

1. Change in accounting policy for depreciation computation till FY 2013-14, Discoms were using the rates of depreciation notified by the Forum of Regulators and from FY 2014-15 onwards provisions and methodology adopted for depreciation/amortization prescribed in RERC Tariff Regulations, 2014 have been adopted. Consequently the useful life of the assets/depreciation rates in respect of assets acquired upto 31 March, 2014 have been recalculated so that balance depreciable amount is charged over the revised remaining useful life of the assets.

2. The major assets heads under “fixed assets schedule” are plant & machinery and lines & cable network, which carry the rate of depreciation of 5.28%, prescribed in RERC Tariff Regulations, 2014. Thus, the average rate of depreciation worked out for FY 2014-15 and FY 2015-16 is on higher side as compared to earlier years.
3. The Discoms have also shown the higher deductions in assets on account of assets which have completed their life and became obsolete due to which average rate of depreciation is worked out on higher side.

Accordingly, the Commission has considered the average depreciation rate as per Annual Audited Accounts.

3.24. Details of depreciation charges allowed for FY 2014-15 are given in table below:

Table 5: Depreciation charges of JdVVNL for 2014-15 (Rs. in crores)

Sr. No.	Particular	Amount in crores
1	Depreciable assets at the beginning of the year (closing balance of FY 2013-14)	6228.71
2	Less: Deductions as per audited accounts	252.66
3	Capitalization during the year	1202.96
4	Less: Capital Outlay financed by Consumer Contribution and grant	285.42
5	Depreciable assets added during the year (3-4)	917.54
6	Closing balance of GFA (1-2+5)	6893.59
7	Average depreciable assets during the year	6561.15
8	Average depreciation rate	5.05%
9	Depreciation Allowed after True UP	331.20

Interest and Finance Charges and Interest on Working Capital

3.25. The interest & finance charges approved by Commission for FY 2014-15 were Rs. 1868 crores including interest on working capital as per the ARR order dated 20.02.2015. For the purpose of true up, JdVVNL has claimed Rs. 2676.55 crores as interest and finance charges including interest on working capital.

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

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

- a) The closing balance of long term loans for previous year approved by the Commission in its order dated 22.09.2016 has been considered as opening balance of long term loans for FY 2014-15.
- b) Equity, consumer contribution and grants have been considered on the basis of actual. However, equity addition has been capped at 30% of capitalization during the year, if equity infusion during the year is exceeding 30% of capitalization.
- c) Addition to long term loans during the year has been worked out by reducing the total capitalization by the amount of consumer contribution, capital grants and equity received during the year.
- d) Repayment has been treated equal to the depreciation allowed for FY 2014-15.
- e) Interest rate has been worked out as per Regulation 21 (5) of RERC Tariff Regulations, 2014 based on the information submitted by the Discom.

- f) Finance charges and interest on security deposit of consumers are allowed as per actual.

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

Table 6: Interest and Finance Charges of JdVVNL for 2014-15 (Rs. in crores)

Sr. No.	Particular	Amount in crores
1	Opening balance of Long term Loan (LTL) (closing balance of FY 2013-14)	2628.87
2	Add: Capitalization during the year	1202.96
3	Less: Capital Outlay financed by Equity (capped at 30% of capitalization during the year)	360.89
4	Less: Capital Outlay financed by Consumer Contribution and grant	285.42
5	Addition to LTL for Capital Outlay {2-(3+4)}	556.66
6	Less: Repayments equal to depreciation	331.20
7	Closing balance of LTL (1+5-6)	2854.33
8	Average LTL	2741.60
9	Add: Cumulative Revenue Gap recognized in truing up of FY 2013-14	13295.08
10	Total Long Term Loan Balance to be considered for allowing interest for FY 2014-15	16036.68
11	Average Interest rate of LTL	11.29%
12	Interest Charges on LTL	1810.55
13	Interest on security deposit from consumers - As per actual	39.55
14	Finance Charges-As per actual	154.90
15	Total Interest and Finance Charges Allowed after True UP (12+13+14)	2005.00

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

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

- a) O&M expenses as approved for FY 2014-15 have been considered for the purpose of calculation of working capital requirement.
- b) Receivables have been considered based on the ARR after the true up of FY 2014-15.
- c) The normative rate of interest on working capital has been taken as 250 basis points higher than the average Base Rate of State Bank of India prevalent during first six months of the year previous to the relevant year.
- d) Amount of security deposit as per audited accounts has been taken.

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

Table 7: Interest on Working Capital of JdVVNL for 2014-15 (Rs. in crores)

Sr. No.	Particular	Amount considering normative interest rate	Amount considering interest rate submitted by Discom
1	O&M expenses of one month	49.89	49.89
2	Maintenance spares @ 15% of operation and maintenance expenses specified in regulation 83;	89.80	89.80
3	Receivables equivalent to one and a half (1½) months billing of consumers	1367.03	1367.03
4	Less: Security deposit from consumers	475.92	475.92
5	Total working capital requirement(1+2+3-4)	1030.80	1030.80
6	Rate of Interest (SBI PLR Rate)	12.21%	12.40%
7	Interest on working capital allowed after true-up	125.82	127.77
8	Add : 50% Loss arising from variation in Interest rate as per regulation 27 of RERC Tariff Reg. 2014	0.97	
9	Net Interest on working capital	126.80	

3.31. It may be seen that loss on account of variation in interest rate is Rs. 1.95 crores. As per Regulation 27 of RERC Tariff Regulations, 50% of the amount of such loss may be passed on as an additional charge in tariffs and the

balance amount of loss shall be absorbed by the licensee. Accordingly, 50% of the loss has been added to the amount of interest on working capital worked out on the basis of normative interest rate.

Prior Period Expenses

3.32. JdVVNL has claimed prior period expenses of Rs.168.16 crore. It has been observed that the major item of the prior period expenses is the “Prior period adjustment of power purchase” of Rs. 61.17 crore. The details of prior period expenses as per audited accounts are as follows:

(Amount in Rs. Crore)

Particulars	For the year ended 31.03.2015	
Prior period expenses/loss :		
Short Provisions for Power purchase in previous year		61.16
Employees Cost relating to previous year	100.36	
Interest & other finance charges relating to previous year	2.61	
Material related expenses relating to previous year	(0.38)	
Administrative & general expenses	4.40	107.00
Total		168.16

3.33. While carrying out the true up of any financial year, the Commission allows the capitalization, operation and maintenance expenses, depreciation, interest cost, interest and finance cost as per Tariff Regulations. Hence, expenses of Rs. 107 crore on account of above in JdVVNL audited accounts have not been considered as prior period expenses as the Commission has already approved the above expenses in the true up order till FY 2013-14 as per the norms specified in the Tariff Regulations.

3.34. In reply to the data gaps, the Discom furnished the item wise details of prior period expenses relating to power purchase.

3.35. On perusal of information furnished by Discom towards prior period expense of power purchase of Rs. 61.16 crore, the Commission observed that these prior period expenses include:

a) Amount of Rs. (7.51) crore pertains to MVARH Charges which were wrongly booked in previous year by Discoms, now reverted and thus are allowed by the Commission.

b) Amount of Rs. 31.97 crore are towards RVPN incentive, rectification of membership fees of PXIL and margin money IEX and incentive of IREDA which are allowed on actual basis.

c) The amount of Rs. 36.97 crore which pertains to claim towards energy bills out of which Rs. 37.10 crore pertains to quantity of the energy and the Rs. (0.13) crore pertains to fuel price adjustment, RVUN rate difference.

(i) While carrying out the true up of earlier years, the Commission has computed the energy requirement and allowed the power purchase cost accordingly. Therefore, any claim of prior period energy bills by Discoms of Rs. 37.10 crore are not allowed in the current year and accordingly, the Commission has not accepted the above claim.

(ii) The balance amount of Rs. (0.13) pertains to fuel price adjustment, RVUN rate difference which is allowed on actual basis.

d) Amount of Rs. (0.26) crore towards claim of prior period energy bills of PTC India, Binani Cement, NVVN bundled and rectification of previous year power purchase ICT have not been considered by the Commission.

3.36. Considering the above, for the purpose of current true up, the Commission has considered the prior period expenses of Rs. 24.34 crore against the JdVVNL claim of prior period expenses of Rs. 168.16 crore.

Other Debits:

3.37. JdVVNL has claimed other debits of Rs. 14.59 crores. It has been observed that the major item of other debits is the provision for bad and doubtful debts of Rs. 12.99 crore, bad debts written off of Rs. 0.26 crore, compensation in case of injury/death of Rs. 1.16 crore and deferred revenue expenses written off of Rs. 0.18 crore.

- 3.38. While carrying out the true up exercise, the Commission has not considered any provision towards bad and doubtful debts. The expenses are allowed only to the extent of bad debts actually written off by the Discom subject to limit stipulated in the Tariff Regulations. Therefore, the Commission has considered the bad debts of Rs. 0.26 crore actually written off against the claim of Rs. 12.99 crore and compensation paid of Rs. 1.16 crore at actual.
- 3.39. Further, the Commission has not considered the deferred revenue expense written off of Rs. 0.18 crore.
- 3.40. The Commission has considered the other debit of Rs. 1.42 crore against the Discom claim of Rs. 14.59 crore.

Consumer Education and Rebate Allowed to Consumers

- 3.41. Regarding consumer education and awareness, Commission vide its Order dated 20.02.2015, allowed an additional amount of Rs. 50 lakh per Discom. Discom has submitted that it has incurred more than Rs. 50 lakh towards consumer education and awareness programs, therefore Commission has considered an additional sum of Rs. 50 lakh towards aforesaid objective.
- 3.42. JdVVNL has shown the rebate allowed to consumers separately and the same has been accepted by the Commission.

Revenue

- 3.43. Revenue from sale of power, Non-Tariff Income, other Income, Wheeling Charges and Cross Subsidy Surcharge, cost recoverable as per the RVUN & RVPN True Up orders, sale of power through trading and Prior Period Income as petitioned by Discom has been accepted.
- 3.44. Discoms have stated in their accounting policies that consumer contribution for service connection & line, capital grants and subsidies received towards cost of capital assets have not been reduced from the cost of assets. The same has been treated as Deferred Revenue Income which is being amortized/written off in 25 years from the year of its receipt. The depreciation pertaining to such fixed assets is fully charged to revenue.

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

3.46. Based on above discussions and data provided by JdVVNL, prayer of Discom for True-up of the expenditure and revenue for FY 2014-15 based on the actual performance and for approval of the revenue gap of Rs. 4146 Crore for the year has not been accepted as petitioned. The Commission has approved the same to the extent shown in following table.

Table 8: Summary of True up of JdVVNL for FY 2014-15 (Rs. in crores)

Sr. No.	Particulars	As per order dated 20.02.2015	As per petition	Approved After truing up
1	Revenue			
2	Sale of power	8320.00	7923.03	7923.03
3	Non-tariff income and other Income	247.00	323.32	323.32
4	Deferred Revenue Income	-	116.42	0.00
5	Wheeling Charges and Cross Subsidy Surcharge	2.00	7.93	7.93
6	RVUN & RVPN True Up order	217	219.68	219.68
7	Sale of power through trading	-	44.42	44.42
8	Prior Period Income	0.00	-31.19	-31.19
9	Total Revenue, A	8785.00	8603.61	8487.20
10	Expenditure			
11	Power purchase Cost	8332.00	9022.61	8045.26
12	O & M Expenses			
13	Employee cost	433.00	315.93	423.25
14	A&G expenses	68.00	54.23	48.73
15	R&M expenses	134.00	101.25	126.67
16	Terminal Benefits	394.00	403.73	105.50
17	Insurance Expenses	13.00	0.43	-
18	Consumer Education	0.50	-	0.50

Sr. No.	Particulars	As per order dated 20.02.2015	As per petition	Approved After truing up
19	Depreciation	202.00	428.98	331.20
20	Interest & finance charges	1734.00	2676.55	2005.00
21	Interest on working capital	134.00		126.80
22	Prior period expenses	-	168.16	24.34
23	Other debits	-	14.59	1.42
24	Rebate allowed to consumers	-	28.88	28.88
25	Total Expenditure, B	11444.00	13215.33	11267.53
26	Surplus/deficit, C = (A-B)	(2,659.00)	(4,611.71)	(2,780.33)
27	Revenue subsidies received from State Government D	989.00	465.60	465.60
28	Revenue gap for FY 2014-15, E = (C+D)	(1,670.00)	(4,146.12)	(2,314.74)
29	Carry forward of Gap 2013-14 as per Truing up of previous year, F	-	(13,295.08)	(13,295.08)
30	Cumulative Revenue Gap to be carried forward, E+F	-	(17,441.20)	(15,609.82)
31	Cumulative Revenue Gap till FY 2014-15	-	(26,736.45)*	(15,609.82)

***As per audited accounts**

Analysis of True Up of ARR for FY 2014-15 – JVVNL

Sale of Energy

3.47. The Discom has indicated total sale of 17493.84 MU including 529.70 MU sales to flat rate category. It has been observed that flat rate sales of 529.70 MU are within the limit of normative specific consumption, i.e., 1945 kWh/kW/year as specified by the Commission. As such, Commission accepts the sales of energy as submitted by Discom.

Power Purchase Cost

3.48. Power purchase cost approved by Commission for FY 2014-15 was Rs. 10617 crores vide ARR order dated 20.2.2015. For the purpose of truing up, JVVNL has claimed Rs. 10756.46 crores as power purchase cost (including short term power purchases and Transmission & SLDC charges).

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

Table 9: Power purchase cost as submitted by JVVNL

Sr. No.	Particulars	Units (MU)	Amount in Crores	Average Rate(Rs/unit)
	<u>Energy petitioned by Discom</u>			
1	Total Energy Purchased by Discom (A)	26879.18	9613.69	3.58
2	Less: Purchase From Short term sources (B)	1691.97	605.90	3.58
3	Balance Energy from approved Sources C= (A-B)	25187.21	9007.79	3.58
4	Add: Transmission and SLDC charges (D)		1142.77	
5	Total Power Purchase claimed (A+D)		10756.46	

3.50. The Discom has petitioned that they have purchased 26879.18 MU out of which they have sold 182.55 MU through exchange.

- 3.51. The Commission has worked out the power purchase requirement based on the approved distribution losses, transmission losses submitted by the Discom and sales in accordance with approved methodology.
- 3.52. The Discom has furnished total transmission losses (inter and intra state) in MU terms, therefore to segregate the same, the Commission has used the intra state losses of 4.11% based on RVPN true up order dated 27.10.2016 for FY 2014-15 and the balance losses based on the Audited Accounts are considered towards interstate transmission losses.
- 3.53. Details of gross energy requirement worked out on the basis of sales as indicated in foregoing para is given in the table below:

Table 10: Gross Energy Requirement of JVVNL for 2014-15 (MUs)

Sr. No	Particulars	Approved as per Order Dated 20.02.20	Actual/Audited	MUs at Re-stated level	Normative Calculation of Energy req.
1	Gross Energy Requirement	26605.00	26879.18	26879.18	22386.62
2	Less:- Sale Through Exchange	0.00	182.55	182.55	182.55
3	Net Energy Requirement	26605.00	26696.63	26696.63	22204.07
4	Inter State Transmission Loss (MU)	300.00	462.14	462.14	462.14
5	Energy Availability at RVPN (MU)-Total	26305.00	26234.49	26234.49	21741.93
6	Intra State Transmission Loss (%)	4.20%	4.11%	4.11%	4.11%
7	Intra State Transmission Loss(MU)	1105.00	1078.24	1078.24	893.59
8	Energy Requirement at Distribution Periphery (MU)	25200.00	25156.25	25156.25	20848.34
9	Distribution Loss (%)	16.09%	30.46%	30.46%	16.09%
10	Distribution Loss (MUs)	4055	7662.41	7662.41	3354.50
11	Energy Sales (MUs)	21145.00	17493.84	17493.84	17493.84

- 3.54. It is observed that the Discom has purchased 4492.56 MU in excess due to increase in distribution loss over the target given by the Commission.
- 3.55. As discussed in earlier paras, the Commission does not wish to burden the consumer on account of Discom inefficiency. As such, the Commission disallows 100% of such excess purchase, i.e., 4492.56 MU from actual purchase of 26879.18 MU and accordingly purchase of energy allowed shall be 22386.62 MU.
- 3.56. In view of discussion made above in this order, banking transactions are considered as cost neutral and no provision towards notional cost of banking is considered for true up of power purchase cost.
- 3.57. Discom submitted the total power purchase cost of Rs. 9613.69 crore including provision for banking. Discom has submitted the banking cost of Rs. 53.46 crore inclusive of Rs. 19.92 crore towards transactional cost of banking. However, the Commission has not considered the provision for banking cost and considered only the transaction cost. Accordingly, the Commission has considered the power purchase cost of Rs. 9580.15 crore.
- 3.58. Details of power purchase cost as approved by the Commission is given in the table below:

Table 11: Power purchase cost of JVVNL as approved for FY 2014-15

Sr. No.	Particulars	Units (MU)	Amount in Crores	Average Rate (Rs/unit)
	<u>Energy approved by Commission:</u>			
1	Total Energy Purchased by Discom (A)	26879.18	9580.15	3.56
2	Less: Disallowed short term sources (B)	1691.97	605.90	3.58
3	Total Energy from approved sources (C=A-B)	25187.21	8974.25	3.56
4	Less: Disallowed approved sources (D)	2800.58	997.85	3.56
5	Power Purchase Cost Allowed E=(A-B-D)	22386.62	7976.40	
6	Add: Transmission and SLDC charges (F)		1142.77	
7	Total Power purchase cost allowed (E+F)		9119.17	

- 3.59. While disallowing the excess purchase of 4492.56 MU by Discom, the Commission has first considered the power purchase of 1691.97 MU from short term sources and the rest 2800.58 MU has been considered from approved sources.
- 3.60. Discom has submitted Rs. 1142.77 crores as Transmission and SLDC charges which have been allowed as per actual by the Commission. Accordingly, the total power purchase cost including transmission and SLDC charges approved for FY 2014-15 is Rs. 9119.17crores.

Operations and Maintenance (O&M) Expenses

- 3.61. The O&M expenses approved by the Commission for FY 2014-15 were Rs. 1201 crores including terminal benefit liability of Rs. 418 crore vide Tariff order dated 20.2.2015. For the purpose of true up, JVVNL has claimed Rs. 1381.16 crores as O&M expenses (including staff terminal benefits based on actuarial valuation of Rs. 799.76 crores).
- 3.62. Commission has worked out the normative O&M expenses as per the methodology explained in earlier part of this order.
- 3.63. Details of normative O&M expenses as allowed are given in table below:

Table 12: O&M Expenses of JVVNL for 2014-15 (Rs. in crores)

Sr. No	Particular	Amount in crores
1	Energy Sales approved by Commission (in MU)	17493.84
2	Normative Employee cost for FY 2014-15 (Rs. 0.38/unit)	664.77
3	Normative A &G expenses (Rs. 0.04/unit)	69.98
4	Normative R&M expenses (Rs. 0.08/unit)	139.95
5	Less: Proportionate Employee Cost Capitalized	207.52
6	Less: Proportionate A &G cost capitalized (A&G)	21.14
7	Total O&M Expenses Allowed after True Up	646.03

Terminal Benefit

3.64. The Commission had approved Rs. 418 crore towards terminal benefit liability vide its tariff order dated 20.2.2015. However, in reply to data gaps, JVVNL submitted that they have deposited a sum of Rs. 147 crore towards terminal benefit liability. Accordingly, the terminal benefit liability to the extent of actual amount of Rs. 147 crore deposited by JVVNL has been considered by the Commission.

Depreciation

3.65. The depreciation approved by Commission for FY 2014-15 was Rs. 340 crores vide Tariff order dated 20.2.2015 and Discom has claimed Rs. 616.86 crores as depreciation.

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

3.67. Details of depreciation charges allowed for FY 2014-15 are given in table below:

Table 13: Depreciation Charges of JVVNL for 2014-15 (Rs. in crores)

Sr. No.	Particular	Amount in crores
1	Depreciable assets at the beginning of the year (closing balance of FY 2013-14)	10013.56
2	Less: Deductions as per audited accounts	75.93
3	Capitalization during the year	1416.75
4	Less: Capital Outlay financed by Consumer Contribution and grant	356.02
5	Depreciable assets added during the year (3-4)	1060.73
6	Closing balance of GFA (1-2+5)	10998.37
7	Average depreciable assets during the year	10505.96
8	Average depreciation rate	4.62%
9	Depreciation Allowed after True UP	485.59

Interest and Finance Charges and Interest on Working Capital

3.68. The interest & finance charges approved by Commission for FY 2014-15 were Rs. 1951 crores including interest on working capital as per the ARR order dated 20.2.2015. For the purpose of true up, JVVNL has claimed Rs. 2770.89 crores as interest and finance charges including interest on working capital.

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

Table 14: Interest and Finance Charges of JVVNL for 2014-15 (Rs. in crores)

Sr. No.	Particular	Amount in crores
1	Opening balance of Long term Loan (LTL) (closing balance of FY 2013-14)	5337.81
2	Add: Capitalization during the year	1416.75
3	Less: Capital Outlay financed by Equity (capped at 30% of capitalization during the year)	425.03
4	Less: Capital Outlay financed by Consumer Contribution and grant	356.02
5	Addition to LTL for Capital Outlay {2-(3+4)}	635.71
6	Less: Repayments equal to depreciation	485.59
7	Closing balance of LTL (1+5-6)	5487.92
8	Average LTL	5412.87
9	Add: Cumulative Revenue Gap recognized in truing up of FY 2013-14	13643.64
10	Total Long Term Loan Balance to be considered for allowing interest for FY 2014-15	19056.51
11	Average Interest rate of LTL	12.48%
12	Interest Charges on LTL	2377.60
13	Interest on security deposit from consumers - As per actual	74.27
14	Finance Charges-As per actual	154.71
15	Total Interest and Finance Charges Allowed after True UP (12+13+14)	2606.58

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

Table 15: Interest on Working Capital of JVVNL for 2014-15 (Rs. in crores)

Sr. No.	Particular	Amount considering normative interest rate	Amount considering interest rate submitted by Discom
1	O&M expenses of one month	53.84	53.84
2	Maintenance spares @ 15% of operation and maintenance expenses specified in regulation 83;	96.90	96.90
3	Receivables equivalent to one and a half (1½) months billing of consumers	1609.16	1609.16
4	Less: Security deposit from consumers	807.80	807.80
5	Total working capital requirement(1+2+3-4)	952.11	952.11
6	Rate of Interest (SBI PLR Rate)	12.21%	12.00%
7	Interest on working capital allowed after true-up	116.22	114.22
8	Less : 50% gain arising from variation in Interest rate as per regulation 27 of RERC 2014	-1.00	
9	Net Interest on working capital	115.22	

3.71. It may be seen that gain on account of variation in interest rate is Rs. (2.00) crores. As per Regulation 27 of RERC Tariff Regulations, 50% of such gain is to be passed on as a rebate in tariff and the licensee is allowed to retain only 50% of such gain. Accordingly, 50% of the gain has been reduced from the amount of interest on working capital worked out on the basis of normative interest rate.

Prior Period Expenses

3.72. JVVNL has claimed prior period expenses of Rs. 55.59 crore. It has been observed that the major item of the prior period expenses is the "Prior period adjustment of power purchase" of Rs. 81.54 crore. The detail of prior period expenses as per audited accounts are as follows:

(Amount in Rs. Crore)

Particulars	For the year ended 31.03.2015	
Prior period expenses/loss		
Prior Period Adjustment of Power Purchase		81.54
Operating Expenses	1.03	
Employee cost	(0.01)	
Interest & Other Financial Charges	0.02	
Administration & General Expense	9.69	
Depreciation	(37.94)	
Material Related Expense	0.06	(27.14)
Excess Income	1.19	1.19
Total		55.59

- 3.73. While carrying out the true up of any financial year, the Commission allows the capitalization, operation and maintenance expenses, depreciation, interest cost and interest on working capital as per Tariff Regulations. Hence, expenses of Rs. (27.14) crore on account of these expenses in JVVNL audited accounts is disallowed as prior period expenses as the Commission has already approved the above expenses in the true up order till FY 2013-14 as per the norms specified in the Tariff Regulations.
- 3.74. Prior period expenses under the head Excess income of Rs. 1.19 crore is accepted in this order, as the Commission has accepted the income on actual basis in previous years.
- 3.75. In the data gap reply the Discom furnished the item wise details of prior period expenses relating to power purchase.
- 3.76. On perusal of information furnished by Discom towards prior period expense of power purchase of Rs. 81.54 crore, the Commission observed that these prior period expenses include:
- a) Amount of Rs. 7.54 crore pertains to MVARH Charges which were wrongly booked in previous year by Discoms, now reverted and thus are allowed by the Commission.

b) Amount of Rs. 36.24 crore are towards refund of open access charges, RVPN incentive and final bills which are allowed on actual basis.

c) The amount of Rs. 36.16 crore which pertains to claim towards energy bills out of which Rs. 30.09 crore pertains to quantity of the energy and the balance Rs. 6.07 crore pertains to fuel price adjustment, RVUN rate difference.

(i) While carrying out the true up of earlier years, the Commission has computed the energy requirement and allowed the power purchase cost accordingly. Therefore, any claim of prior period energy bills by Discoms of Rs. 30.09 crore are not allowed in the current year and accordingly, the Commission has not accepted the above claim.

(ii) The balance amount of Rs. 6.07 pertains to fuel price adjustment, RVUN rate difference which is allowed on actual basis.

d) Amount of Rs. 1.60 crore towards bank charges written off, rectification of TDS and bills of Captive Power plant have not been considered by the Commission.

3.77. Considering the above, for the purpose of current true up, the Commission has considered the prior period expenses of Rs. 51.04 crore against the JVVNL claim of prior period expenses of Rs. 55.59 crore.

Other Debits:

3.78. JVVNL has claimed other debits of Rs. 49.08 crores. It has been observed that major item of other debits are the provision for bad and doubtful debts of Rs. 23.72 crore, loss due to theft of fixed assets of Rs 17.20 crore, compensation in case injury/death of Rs. 4.58 crore and miscellaneous expenses of Rs 3.58 crore.

3.79. While carrying out the true up exercise, the Commission has not considered any provision towards bad and doubtful debts. The expenses are allowed only to the extent of debts actually written off by the Discom subject to limit stipulated in the Tariff Regulations. Therefore, the Commission has considered the bad debts of Rs. 1.47 crore actually written off against the claim of Rs. 23.72 crore.

- 3.80. Further, with regard to loss due to theft of Fixed Assets, the regulation 25 of RERC tariff Regulations 2014 provides that actual insurance expenses incurred by the generating company or licensee shall be allowed separately, subject to a ceiling of 0.2% of average Net Fixed Assets for the year. The petitioner in the reply to stakeholder comments has stated that it has not insured the fixed assets. The Commission accordingly has considered the loss due to theft of Fixed Assets of Rs. 17.20 Crore being less than the normative insurance expenses.
- 3.81. Compensation paid of Rs. 4.58 crore and exchange rate variation of Rs. 0.11 crore are considered as per actual.
- 3.82. The Commission has not considered the Shortage on Physical verification of stocks, Loss of cash written off, Loss on valuation of Inventory and deferred expenses written off total amount to Rs. 3.48 crores.
- 3.83. Accordingly, the Commission has considered the other debit of Rs. 23.36 crore against the Discom claim of Rs. 49.08 crores.

Consumer Education and Rebate Allowed to Consumers

- 3.84. Regarding consumer education and awareness, Commission vide its Order dated 20.02.2015, allowed an additional amount of Rs. 50 lakh per Discom. Discom has submitted that it has incurred more than Rs. 50 lakh towards consumer education and awareness programs, therefore Commission has considered an additional sum of Rs. 50 lakh towards aforesaid objective.
- 3.85. JVVNL has shown the rebate allowed to consumers separately and the same has been accepted by the Commission.

Revenue

- 3.86. Revenue from sale of power, Non-Tariff Income, other Income, Wheeling Charges and Cross Subsidy Surcharge, cost recoverable as per the RVUN & RVPN True Up orders, sale of power through trading and Prior Period Income as petitioned by Discom has been accepted.
- 3.87. Discoms have stated in their accounting policies that consumer contribution for service connection & line, capital grants and subsidies received towards cost of capital assets have not been reduced from the

cost of assets. The same has been treated as Deferred Revenue Income which is being amortized/written off in 25 years from the year of its receipt. The depreciation pertaining to such fixed assets is fully charged to revenue.

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

3.89. Based on above discussions and data provided by JVVNL, the prayer of Discom for True-up of the expenditure and revenue for FY 2014-15 based on the actual performance and for approval of the revenue gap of Rs. 4735 Crore for the year has not been accepted as petitioned. The Commission has approved the same to the extent shown in following table:

Table 16: Summary of True up of JVVNL for FY 2014-15 (Rs. in crores)

Sr. No.	Particulars	As per order dated 20.02.2015	As per petition	Approved After truing up
1	Revenue			
2	Sale of power	11308.00	9423.00	9423.00
3	Non-tariff income and other Income	260.00	357.17	357.17
4	Deferred Revenue Income	-	122.51	0.00
5	Wheeling charges and Cross Subsidy Surcharge	13.00	34.32	34.32
6	RVUN and RVPN True up Order	265.00	268.40	268.40
7	Sale of Power through Trading	-	55.2	55.2
8	Prior Period Income	-	11.39	11.39
9	Total Revenue, A	11846.00	10271.99	10149.48
10	Expenditure			
11	Power purchase Cost	10617.00	10756.46	9119.17
12	O & M Expenses			
13	Employee cost	530.00	394.53	457.24
14	A&G expenses	84.00	86.23	48.84

Sr. No.	Particulars	As per order dated 20.02.2015	As per petition	Approved After truing up
15	R&M expenses	169.00	100.10	139.95
16	Terminal Benefits	418.00	799.76	147.00
17	Insurance Expenses	19.00	0.55	-
18	Consumer Education	0.50	-	0.50
19	Depreciation	340.00	616.86	485.59
20	Interest & finance charges	1814.00		2606.58
21	Interest on working capital	137.00	2770.89	115.22
22	Prior period expenses	-	55.59	51.04
23	Other debits	-	49.08	23.36
24	Rebate allowed to consumers	-	70.30	70.30
25	Total Expenditure, B	14128.00	15700.35	13264.80
26	Surplus/deficit, C = (A-B)	(2,282.00)	(5,428.36)	(3,115.32)
27	Revenue subsidies received from State Government D	1125.00	693.79	693.79
28	Revenue gap for FY 2014-15, E = (C+D)	(1,156.00)	(4,734.57)	(2,421.53)
29	Carry forward of Gap 2013-14 as per Truing up of previous year, F	-	(13,643.64)	(13,643.64)
30	Cumulative Revenue Gap to be carried forward, E+F	-	(18,378.21)	(16,065.17)
31	Cumulative Revenue Gap till FY 2014-15	-	(27,831.09)*	(16,065.17)

***As per audited accounts**

Analysis of True Up of ARR for FY 2014-15– AVVNL

Sale of Energy

3.90. The Discom has indicated total sale of 12899.39 MU including 1232.19 MU sales to flat rate category. It has been observed that at the beginning of the year, connected load under flat rate category was 631422 kW and due to conversion of flat rate consumers to metered category, the closing connected load became 602118.57 kW. The Commission has worked out the sales on the basis of average connected load of 616770 kW and by considering the normative specific consumption, i.e., 1945 kWh/kW/year; the sales to flat rate category shall be 1199.62 MU. Based on the revised sales to flat rate consumer, the total allowed sale of energy is 12866.81 MU. Keeping in view allowed sales of 12866.81 MU, the distribution loss comes out to be 26.26 % as against 26.08 % indicated by the Discom.

Power Purchase Cost

3.91. Power purchase cost approved by the Commission for FY 2014-15 was Rs. 7411 crores vide ARR order dated 20.02.2015. For the purpose of truing up, AVVNL has claimed Rs. 7606.32 crores as power purchase cost (including short term power purchase cost and Transmission & SLDC charges).

3.92. Details of power purchase cost as submitted by Discom are given in the table below:

Table 17: Power purchase cost submitted by AVVNL

Sr. No.	Particulars	Units (MU)	Amount in Crores	Average Rate (Rs/unit)
	<u>Energy petitioned by Discom</u>			
1	Total Energy Purchased by Discom (A)	18647.78	6904.05	3.70
2	Less: Purchase From Short term sources (B)	480.74	205.47	4.27
3	Balance Energy from approved Sources C= (A-B)	18167.05	6698.59	3.69
4	Add: Transmission and SLDC charges (D)		702.27	
5	Total Power Purchase claimed (A+D)		7606.32	

3.93. The Discom has petitioned that they have purchased 18647.78 MU out of which they have sold 129.63 MU through exchange.

- 3.94. The Commission has worked out the power purchase requirement based on the approved distribution losses, transmission losses submitted by the Discom and sales in accordance with approved methodology.
- 3.95. The Discom has furnished total transmission losses (inter and intra state) in MU terms, therefore to segregate the same, the Commission has used the intra state losses of 4.11% based on RVPN true up order dated 27.10.2016 for FY 2014-15 and the balance losses based on the Audited Accounts are considered towards interstate transmission losses.
- 3.96. Details of gross energy requirement worked out on the basis of sales as indicated in foregoing para is given below in table:

Table 18: Gross Energy Requirement of AVVNL for 2014-15 (MUs)

Sr. No.	Particulars	Approved as per Order Dated 20.02.2015	Actual/ Audited	MUs at re-stated level	Normative Calculation of Energy req.
1	Gross Energy Requirement	18574.00	18647.78	18647.78	16744.55
2	Less:- Sale Through Exchange	0.00	129.63	129.63	129.63
3	Net Energy Requirement	18574.00	18518.15	18518.15	16614.92
4	Inter State Transmission Loss (MU)	211.00	320.68	320.68	320.68
5	Energy Availability at RVPN (MU) –Total	18363.00	18197.47	18197.47	16294.24
6	Intra State Transmission Loss (%)	4.20%	4.11%	4.11%	4.11%
7	Intra State Transmission Loss(MU)	771.00	747.92	747.92	669.69
8	Energy Requirement at Distribution Periphery (MU)	17592.00	17449.55	17449.55	15624.55
9	Distribution Loss (%)	17.65%	26.08%	26.26%	17.65%
10	Distribution Loss (MUs)	3105	4550.16	4582.74	2757.73
11	Energy Sales (MUs)	14487.00	12899.39	12866.81	12866.81

- 3.97. It is observed that the Discom has purchased 1903.23 MU in excess due to increase in distribution loss over the target given by the Commission.

3.98. As discussed in earlier paras, the Commission does not wish to burden the consumer on account of Discom inefficiency. As such the Commission disallows 100% of such excess purchase, i.e., 1903.23 MU from actual purchase of 18647.78 MU and accordingly purchase of energy allowed shall be 16744.55 MU.

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

3.100. Discom submitted the total power purchase cost of Rs. 6904.05 crore including provision for banking. Discom has submitted the banking cost of Rs. 31.79 crore inclusive of Rs. 12.78 crore towards transactional cost of banking. However, the Commission has not considered the provision for banking cost and considered only the transaction cost. Accordingly, the Commission has considered the power purchase cost of Rs. 6885.05 crore.

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

Table 19: Power purchase cost of AVVNL approved for FY 2014-15

Sr. No.	Particulars	Units (MU)	Amount in Crores	Average Rate (Rs/unit)
	<u>Energy approved by Commission:</u>			
1	Total Energy Purchased by Discom (A)	18647.78	6885.05	3.69
2	Less: Disallowed short term sources (B)	480.74	205.47	4.27
3	Total Energy from approved sources (C=A-B)	18167.05	6679.58	3.68
4	Less: Disallowed approved sources (D)	1422.49	523.02	3.68
5	Power Purchase Cost Allowed E=(A-B-D)	16744.55	6156.56	
6	Add: Transmission and SLDC charges (F)		702.27	
7	Total Power purchase cost allowed (E+F)		6858.83	

3.102. While disallowing the excess purchase of 1903.23 MU by Discom, the Commission has first considered the power purchase of 480.74 MU from short term sources and the rest 1422.49 MU has been considered from approved sources.

3.103. Discom has submitted Rs. 702.27 crores as Transmission and SLDC charges which have been allowed as per actual by the Commission. Accordingly, the total power purchase cost including transmission and SLDC charges approved for FY 2014-15 is Rs. 6858.83 crores.

Operations and Maintenance (O&M) Expenses

3.104. The O&M expenses approved by the Commission for FY 2014-15 were Rs. 1082 crores including terminal benefit liability of Rs. 381 crore vide ARR order dated 20.02.2015. For the purpose of true up, AVVNL has claimed Rs. 1178.68 crores as O&M expenses (including terminal benefits of Rs. 549.11 crores).

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

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

Table 20: O&M Expenses of AVVNL for 2014-15 (Rs. in crores)

Sr. No.	Particular	Amount in crores
1	Energy Sales approved by Commission (in MU)	12866.81
2	Normative Employee cost for FY 2014-15 (Rs. 0.38/unit)	488.94
3	Normative A &G expenses (Rs. 0.04/unit)	51.47
4	Normative R&M expenses (Rs. 0.08/unit)	102.93
5	Less: Proportionate Employee Cost Capitalized	16.77
6	Less: Proportionate A &G cost capitalized (A&G)	4.51
7	Total O&M Expenses Allowed after True Up	622.07

Terminal Benefit

3.107. The Commission had approved Rs. 381 crore towards terminal benefit liability vide its tariff order dated 20.02.2015. AVVNL submitted that they have deposited a sum of Rs. 100.50 crore towards terminal benefit liability. Accordingly, the terminal benefit liability to the extent of actual amount of Rs. 100.50 crore deposited by the AVVNL has been considered by the Commission.

Depreciation

3.108. The depreciation approved by Commission for FY 2014-15 was Rs. 242 crores vide ARR order dated 20.02.2015 and Discom has claimed Rs. 375.69 crores as depreciation charges for the purpose of true up.

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

3.110. Details of depreciation charges allowed for FY 2014-15 are given in table below:

Table 21: Depreciation Charges of AVVNL for 2014-15 (Rs. in crores)

Sr. No.	Particular	Amount in crores
1	Depreciable assets at the beginning of the year (closing balance of FY 2013-14)	6981.96
2	Less: Deductions as per audited accounts	19.99
3	Capitalization during the year	737.65
4	Less: Capital Outlay financed by Consumer Contribution and grant	195.14
5	Depreciable assets added during the year (3-4)	542.51
6	Closing balance of GFA (1-2+5)	7504.47
7	Average depreciable assets during the year	7243.22
8	Average depreciation rate	4.29%
9	Depreciation Allowed after True UP	310.52

Interest and Finance Charges and Interest on Working Capital

3.111. The interest & finance charges approved by Commission for FY 2014-15 were Rs. 1784 crores including interest on working capital as per the ARR order dated 20.02.2015. For the purpose of true up, AVVNL has claimed Rs. 2597.82 crores as interest and finance charges including interest on working capital.

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

Table 22: Interest and Finance Charges of AVVNL for 2014-15 (Rs. in crores)

Sr. No.	Particular	Amount in crores
1	Opening balance of Long term Loan (LTL) (closing balance of FY 2013-14)	3117.58
2	Add: Capitalization during the year	737.65
3	Less: Capital Outlay financed by Equity (capped at 30% of capitalization during the year)	221.29
4	Less: Capital Outlay financed by Consumer Contribution and grant	195.14
5	Addition to LTL for Capital Outlay {2-(3+4)}	321.21
6	Less: Repayments equal to depreciation	310.52
7	Closing balance of LTL (1+5-6)	3128.28
8	Average LTL	3122.93
9	Add: Cumulative Revenue Gap recognized in truing up of FY 2013-14	13441.98
10	Total Long Term Loan Balance to be considered for allowing interest for FY 2014-15	16564.91
11	Average Interest rate of LTL	12.03%
12	Interest Charges on LTL	1992.03
13	Interest on security deposit from consumers - As per actual	24.70
14	Finance Charges-As per actual	162.31
15	Total Interest and Finance Charges Allowed after True UP (12+13+14)	2179.04

3.113. The Commission has approved the interest on working capital as per Regulation 27 of RERC Tariff Regulations, 2014.

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

Table 23: Interest on Working Capital of AVVNL for 2014-15 (Rs. in crores)

Sr. No.	Particular	Amount considering normative interest rate	Amount considering interest rate submitted by Discom
1	O&M expenses of one month	51.84	51.84
2	Maintenance spares @ 15% of operation and maintenance expenses specified in regulation 83;	93.31	93.31
3	Receivables equivalent to one and a half (1½)	1226.88	1226.88

Sr. No.	Particular	Amount considering normative interest rate	Amount considering interest rate submitted by Discom
	months billing of consumers		
4	Less: Security deposit from consumers	587.89	587.89
5	Total working capital requirement(1+2+3-4)	784.14	784.14
6	Rate of Interest (SBI PLR Rate)	12.21%	12.45%
7	Interest on working capital allowed after true-up	95.72	97.66
8	Add : 50% Loss arising from variation in Interest rate as per regulation 27 Of RERC 2014	0.97	
9	Net Interest on working capital	96.69	

3.115. It may be seen that loss on account of variation in interest rate is Rs. 1.94 crores. As per Regulation 27 of RERC Tariff Regulations 2014, 50% of the amount of such loss may be passed on as an additional charge in tariffs and the balance amount of loss shall be absorbed by the licensee. Accordingly, 50% of the loss has been added to the amount of interest on working capital worked out on the basis of normative interest rate.

Prior Period Expenses

3.116. AVVNL has claimed prior period expenses of Rs. 26.59 crore. It has been observed that the major item of the prior period expenses is the "Prior period adjustment of power purchase" of Rs. 26.11 crore. The details of prior period expenses as per audited accounts are as follows:

(Amount in Rs. Crore)

Particulars	For the year ended 31 March 2015	
Prior period expenses/loss :		
Short Provisions for Power Purchase in Previous Years		26.11
Operating Expenses	0.24	
Employee Cost	(0.44)	
Depreciation under Provision	0.02	
Interest & Other Finance Charges	0.28	
Administration Expenses	0.45	

Particulars	For the year ended 31 March 2015	
Material Related Expenses	(0.07)	0.48
Total		26.59

3.117. While carrying out the true up of any financial year, the Commission allows the capitalization, operation and maintenance expenses, depreciation, interest cost, and interest on working capital as per Tariff Regulations. Hence, expenses of Rs. 0.48 crore on account of these in AVVNL audited accounts have not been considered as prior period expenses as the Commission has already approved the above expenses in the true up order till FY 2013-14 as per the norms specified in the Tariff Regulations.

3.118. In the data gap reply the Discom furnished the item wise details of prior period expenses relating to power purchase.

3.119. On perusal of information furnished by Discom towards prior period power purchase of Rs. 26.11 crore, the Commission observed that the above prior period expenses include:

a) Amount of Rs. 5.94 crore pertains to MVARH Charges which were wrongly booked in previous year by Discoms, now reverted and thus are allowed by the Commission.

b) Amount of Rs. 20.18 crore are towards refund of open access charges, RVPN incentive and other charges which are allowed on actual basis.

c) Amount of Rs. -0.008 crore towards adjustment of previous years of JVVNL have not been considered by the Commission.

3.120. Considering the above, for the purpose of current true up, the Commission has considered the prior period expenses of Rs. 26.12 crore against the AVVNL claim of prior period expenses of Rs. 26.59 crore.

Other Debits:

3.121. AVVNL has claimed other debits of Rs. 31.53 crore. It has been observed that major item of other debits are the provision for bad & doubtful debts of Rs. 17.31 crore, compensation in case of injury/death of Rs. 5.97 crore and miscellaneous expenses.

3.122. While carrying out the true up exercise, the Commission has not considered any provision towards bad and doubtful debts. The expenses are allowed only to the extent of debts actually written off by the Discom subject to limit stipulated in the Tariff Regulations. Therefore, the Commission has considered the bad debts of Rs. 0.39 crore actually written off against the claim of Rs. 17.31 crore. Further, compensation paid of Rs. 5.97 crore and miscellaneous expenses are considered at actual.

3.123. Accordingly, the Commission has considered the other debit of Rs. 14.61 crore against the Discom claim of Rs. 31.53 crore.

Consumer Education and Rebate Allowed to Consumers

3.124. Regarding consumer education and awareness, Commission vide its Order dated 20.02.2015, allowed an additional amount of Rs. 50 lakh per Discom. Discom has submitted that it has incurred more than Rs. 50 lakh towards consumer education and awareness programs, therefore Commission has considered an additional sum of Rs. 50 lakh towards aforesaid objective.

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

Revenue

3.126. Revenue from sale of power, Non-Tariff Income, other Income, Wheeling Charges and Cross Subsidy Surcharge, cost recoverable as per the RVUN & RVPN True Up orders, sale of power through trading and Prior Period Income as petitioned by Discom has been accepted.

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

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

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

3.129. Based on above discussions and data provided by AVVNL, prayer of Discom for True-up of the expenditure and revenue for FY 2014-15 based on the actual performance and for approval of the revenue gap of Rs. 3593 Crore for the year has not been accepted as petitioned. The Commission has approved the same to the extent shown in following table:

Table 24: Summary of True up of AVVNL for FY 2014-15 (Rs. in crores)

Sr. No.	Particulars	As per order dated 20.02.2015	As per petition	Approved After truing up
1	Revenue			
2	Sale of power	7752.00	7006.24	7006.24
3	Non-tariff income and other Income	226.00	421.27	421.27
4	Deferred Revenue Income	-	89.25	0.00
5	Wheeling charges and Cross Subsidy Surcharge	5.00	28.12	28.12
6	RVUN & RVPN True Up Order	217	208.18	208.18
7	Sale of power through trading	-	39.19	39.19
8	Prior Period Income	-	-1.32	-1.32
9	Total Revenue, A	8200.00	7790.93	7701.68
10	Expenditure			
11	Power purchase Cost	7411.00	7606.32	6858.83
12	O & M Expenses			
13	Employee cost	528	455.08	472.17
14	A&G expenses	57.00	72.56	46.96
15	R&M expenses	116.00	101.43	102.93
16	Terminal Benefits	381.00	549.11	100.50
17	Insurance Expenses	14.00	0.50	-
18	Consumer Education	0.50	-	0.50
19	Depreciation	242.00	375.69	310.52
20	Interest & finance charges	1675.00	2597.82	2179.04
21	Interest on working capital	109.00		96.69
22	Prior period expenses	-	26.59	26.12
23	Other debits	-	31.53	14.61

Sr. No.	Particulars	As per order dated 20.02.2015	As per petition	Approved After truing up
24	Rebate allowed to consumers	-	55.55	55.55
25	Total Expenditure, B	10534.00	11872.17	10264.43
26	Surplus/deficit, C = (A-B)	(2,334.00)	(4,081.24)	(2,562.75)
27	Revenue subsidies received from State Government D	1078.00	488.34	488.34
28	Revenue gap for FY 2014-15, E = (C+D)	(1,256.00)	(3,592.90)	(2,074.41)
29	Carry forward of Gap 2013-14 as per Truing up of previous year, F	-	(13,441.98)	(13,441.98)
30	Cumulative Revenue Gap to be carried forward, E+F	-	(17,034.88)	(15,516.39)
31	Cumulative Revenue Gap till FY 2014-15	-	(26,843.76)*	(15,516.39)

*As per audited accounts

Section -4: Analysis of True Up of Discoms for FY 2015-16

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

- (i) JdVVNL - FY 2015-16
- (ii) JVVNL - FY 2015-16
- (iii) AVVNL - FY 2015-16

Analysis of True Up of ARR for FY 2015-16– JdVVNL

Sale of Energy

4.2. The Discom has indicated total sale of 16574.28 MU including 1310.18 MU sales to flat rate category. It has been observed that at the beginning of the year, connected load of flat rate consumers was 674669 kW and after taking into account conversion of flat rate consumers to metered category, the closing connected load became 657059 kW. It has been observed that there is increase in connected load per consumer due to decreasing ground water level. The Commission has worked out the sales on the basis of average connected load of 665864 kW and by considering the normative specific consumption, i.e., 1945 kWh/kW/year; the sales to flat rate category shall be 1295.11 MU. Based on the revised sales to flat rate consumers, the total allowed sale of energy is 16559.21 MU. Based on allowed sales of 16559.21 MU, the distribution loss comes out to be 23.39% as against 23.32 % indicated by the Discom.

Power Purchase Cost

- 4.3. Power purchase cost approved by Commission for FY 2015-16 was Rs. 8284 crores vide ARR order dated 22.09.2016. For the purpose of truing up, JdVVNL has claimed Rs. 9461.98 crores as power purchase cost (including short term power purchases and Transmission & SLDC charges).
- 4.4. Details of power purchase cost as submitted by Discom is given in table below:

Table 25: Power purchase cost submitted by JdVVNL

Sr. No.	Particulars	Units (MU)	Amount in Crores	Average Rate (Rs/unit)
	Energy petitioned by Discom			
1	Total Energy Purchased by Discom (A)	22933.94	8340.19	3.64
2	Less: Purchase From Short term sources (B)	811.49	278.56	3.43
3	Balance Energy from approved Sources C= (A-B)	22122.45	8061.64	3.64
4	Add: Transmission and SLDC charges (D)		1121.79	
5	Total Power Purchase claimed (A+D)		9461.98	

- 4.5. The Discom has petitioned that they have purchased 22933.94 MU out of which they have sold 131.77 MU through exchange.
- 4.6. The Commission has worked out the power purchase requirement based on the approved distribution losses, transmission losses submitted by the Discom and sales in accordance with approved methodology.
- 4.7. The Discom has furnished total transmission losses (inter and intra state) in MU terms, therefore, to segregate the same, the Commission has used the intra state losses of 3.89% as approved in RVPN true up order dated 26.05.2017 and the balance losses based on the Audited Accounts are considered towards interstate transmission losses.
- 4.8. Details of gross energy requirement worked out on the basis of sales as indicated in foregoing para is given in the table below:

Table 26: Gross Energy Requirement of JdVVNL for 2015-16 (MUs)

Sr. No.	Particulars	Approved as per Order Dated 22.09.2016	Actual/Audited	Restated Level	Normative Calculation
1	Gross Energy Requirement	20867.00	22933.94	22933.94	20588.50
2	Less:- Sale Through Exchange	0.00	131.77	131.77	131.77
3	Net Energy Requirement	20867.00	22802.17	22802.17	20456.73

Sr. No.	Particulars	Approved as per Order Dated 22.09.2016	Actual/Audited	Restated Level	Normative Calculation
4	Inter State Transmission Loss (MU)	375.00	312.41	312.41	312.41
5	Energy Availability at RVPN (MU)	20491.00	22489.76	22489.76	20144.32
6	Intra State Transmission Loss (%)	4.15%	3.89%	3.89%	3.89%
7	Intra State Transmission Loss (MU)	850.00	874.85	874.85	783.61
8	Energy Requirement at Distribution Periphery (MU)	19641.00	21614.91	21614.91	19360.70
9	Distribution Loss (%)	14.47%	23.32%	23.39%	14.47%
10	Distribution Loss (MUs)	2842	5040.63	5055.70	2801.49
11	Energy Sales (MUs)	16799.00	16574.28	16559.21	16559.21

4.9. It is observed that the Discom has purchased 2345.44 MU in excess due to increase in distribution loss over the target given by the Commission.

4.10. The Commission by keeping the same approach as followed in FY 2014-15 has decided not to allow sharing of the high losses. As such, the Commission disallows such excess purchase, i.e., 2345.44 MU from actual purchase of 22933.94 MU. Accordingly energy requirement allowed shall be 20588.50 MU.

4.11. Discom has submitted the total power purchase cost of Rs. 8340.19 crore including provision for banking of Rs. (178.80) crore. In data gap reply Discom has submitted the transactional cost of banking of Rs.8.91 crore. In line with approach adopted in last year order, the Commission has not considered the provision for banking cost of Rs. (178.80) crore as banking are considered as cost neutral and considered only the transactional cost of Rs. 8.91 crore. Accordingly, the Commission has considered the power purchase cost of Rs. 8527.90 crore.

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

Table 27: Power purchase cost of JdVVNL approved for FY 2015-16

Sr. No.	Particulars	Units (MU)	Amount in Crores	Average Rate (Rs/unit)
	<u>Energy approved by Commission:</u>			
1	Total Energy Purchased by Discom (A)	22933.94	8527.90	3.72
2	Less: Disallowed short term sources (B)	811.49	278.56	3.43
3	Total Energy from approved sources (C=A-B)	22122.45	8249.34	3.73
4	Less: Disallowed approved sources (D)	1533.96	572.00	3.73
5	Power Purchase Cost Allowed E=(A-B-D)	20588.50	7677.34	
6	Add: Transmission and SLDC charges (F)		1121.79	
7	Total Power purchase cost allowed (E+F)		8799.13	

4.13. While disallowing the excess purchase of 2345.44 MU by Discom, the Commission has first considered the power purchase of 811.49 MU from short term sources and the rest 1533.96 MU has been considered from approved sources.

4.14. Discom has submitted Rs. 1121.79 crores as Transmission and SLDC charges which have been allowed as per actual by the Commission. Accordingly, the total power purchase cost including transmission and SLDC charges approved for FY 2015-16 is Rs. 8799.13 crores.

Operations and Maintenance (O&M) Expenses

4.15. The O&M expenses approved by the Commission for FY 2015-16 vide Tariff order dated 22.09.2016 were Rs. 1100 crores including terminal benefit liability of Rs. 406 crore. For the purpose of true up, JdVVNL has claimed Rs. 860.34 crores as O&M expenses (including terminal benefits based on actuarial valuation of Rs. 352.62 crores).

4.16. Regulation 83 of RERC (Terms & Conditions of Determination of Tariff) Regulations, 2014 provides for O&M expenses as under:

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

4.17. O&M expenses are allowed as per the above norms specified in the Tariff Regulation 2014 for base year 2014-15. To arrive at normative O&M

expenses for FY 2015-16, the aforesaid normative O&M expenses for FY 2014-15 has been escalated at the rate of 5.85% per annum as per Regulation 24 (3) of the RERC Tariff Regulations, 2014.

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

Table 28: O&M Expenses of JdVVNL for 2015-16 (Rs. in crores)

Sr. No.	Particular	Amount in crores
1	Energy Sales approved by Commission (in MU)	16559.21
2	Normative Employee cost for FY 2015-16	666.06
3	Normative A &G expenses	70.11
4	Normative R&M expenses	140.22
5	Less: Proportionate Employee Cost Capitalized	197.56
6	Less: Proportionate A &G cost capitalized (A&G)	18.70
7	Total O&M Expenses Allowed after True Up	660.13

Terminal Benefit

4.19. The Commission had approved Rs. 406 crore towards terminal benefit liability vide its tariff order dated 22.09.2016. JdVVNL submitted that they have deposited a sum of Rs. 64 crore towards terminal benefit liability. Accordingly, the terminal benefit liability to the extent of actual amount of Rs. 64 crore deposited by the JdVVNL has been considered by the Commission.

Depreciation

4.20. The depreciation approved by Commission for FY 2015-16 was Rs. 242 crores vide Tariff order dated 22.09.2016 whereas the Discom has claimed Rs. 466.71 crores as depreciation.

4.21. The Commission has worked out Depreciation as under:

a) The closing balance of depreciable assets approved by the Commission in the above true up order for FY 2014-15 has been considered as the opening balance for FY 2015-16. The same has been reduced by amount of assets deduction as per audited accounts.

b) Addition to capitalization for current year has been considered as per

audited accounts.

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

d) Average Depreciation rate has been taken as per Discom's submissions.

4.22. Details of depreciation charges allowed for FY 2015-16 are given in table below:

Table 29: Depreciation Charges of JdVVNL for 2015-16 (Rs. in crores)

Sr. No.	Particular	Amount in crores
1	Depreciable assets at the beginning of the year (closing balance of FY 2014-15)	6893.59
2	Less: Deductions as per audited accounts	40.03
3	Capitalization during the year	1420.38
4	Less: Capital Outlay financed by Consumer Contribution and grant	582.26
5	Depreciable assets added during the year (3-4)	838.12
6	Closing balance of GFA (1-2+5)	7691.68
7	Average depreciable assets during the year	7292.64
8	Average depreciation rate	4.83%
9	Depreciation Allowed after True UP	352.20

Interest and Finance Charges and Interest on Working Capital

4.23. The interest & finance charges approved by Commission for FY 2015-16 were Rs. 2397 crore including interest on working capital as per the ARR order dated 22.09.2016. For the purpose of true up, JdVVNL has claimed Rs. 3102.39 crore as interest and finance charges including interest on working capital.

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

a) The closing balance of long term loans for previous year approved by the Commission has been considered as opening balance of long term loans for FY 2015-16.

b) Equity, consumer contribution and grants have been considered on the basis of actual. However, equity addition has been capped at 30% of capitalization during the year, if equity infusion during the

year is exceeding 30% of capitalization.

- c) Addition to long term loans during the year has been worked out by reducing the total capitalization by the amount of consumer contribution, capital grants and equity received during the year.
- d) Repayment has been treated equal to the depreciation allowed for FY 2015-16.
- e) Interest rate has been worked out as per Regulation 21 (5) of RERC Tariff Regulations, 2014 based on information submitted by Discom.
- f) Finance Charges and interest on security deposit of consumers are allowed as per actual excluding the Late Payment Charges of Power Purchase, if any.

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

Table 30: Interest and Finance Charges of JdVVNL for 2015-16 (Rs. in crores)

Sr. No.	Particular	Amount in crores
1	Opening balance of Long term Loan (LTL) (closing balance of FY 2014-15)	2854.33
2	Add: Capitalization during the year	1420.38
3	Less: Capital Outlay financed by Equity (capped at 30% of capitalization during the year)	426.11
4	Less: Capital Outlay financed by Consumer Contribution and grant	582.26
5	Addition to LTL for Capital Outlay {2-(3+4)}	412.00
6	Less: Repayments equal to depreciation	352.20
7	Closing balance of LTL (1+5-6)	2914.13
8	Average LTL	2884.23
9	Add: Cumulative Revenue Gap recognized in truing up of FY 2014-15	15609.82
10	Total Long Term Loan Balance to be considered for allowing interest for FY 2015-16	18494.04
11	Average Interest rate of LTL	11.47%
12	Interest Charges on LTL	2121.79

Sr. No.	Particular	Amount in crores
13	Interest on security deposit from consumers - As per actual	40.45
14	Finance Charges-As per actual	89.00
15	Total Interest and Finance Charges Allowed after True UP (12+13+14)	2251.24

4.26. The Commission has approved the interest on working capital on normative basis as per Regulation 27 of RERC Tariff Regulations, 2014. In accordance with Regulation 27 of RERC Tariff Regulations, 2014, for the calculation of gain or loss on account of variation in interest rate, the Commission has considered the difference on account of interest rate submitted by Discom and normative interest rate allowed by the Commission. The details are given below:

- a) O&M expenses as approved for FY 2015-16 have been considered for the purpose of calculation of working capital requirement.
- b) Receivables have been considered based on the ARR after the true up of FY 2015-16.
- c) The Normative rate of interest on working capital has been taken as 250 basis points higher than the average Base Rate of State Bank of India prevalent during first six months of the year previous to the relevant year.
- d) Amount of security deposit as submitted by Discom has been taken.
- e) While computing the actual interest rate on working capital it was observed that the actual interest rate worked out on average loan balances is coming out to be on higher side i.e. 18.28% for JdVVNL. On further scrutiny of details of loan submitted by the petitioner, it has been observed that during the year the Discoms have raised the funds under UDAY Scheme and repaid outstanding loan from various banks and financial institute due to which closing balance of maximum loans are NIL. Thus the computation of actual interest rate on average loan balances would not be appropriate. Therefore, the Commission has considered the opening loan balance to work out the actual interest rate for working capital.

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

Table 31: Interest on Working Capital of JdVVNL for 2015-16 (Rs. in crores)

Sr. No.	Particular	Amount considering normative interest rate	Amount considering interest rate submitted by Discom
1	O&M expenses of one month	55.01	55.01
2	Maintenance spares @ 15% of operation and maintenance expenses specified in regulation 83;	99.02	99.02
3	Receivables equivalent to one and a half (1½) months billing of consumers	1480.72	1480.72
4	Less: Security deposit from consumers	571.23	571.23
5	Total working capital requirement(1+2+3-4)	1063.52	1063.52
6	Rate of Interest (SBI PLR Rate)	12.50%	12.66%
7	Interest on working capital allowed after true-up	132.94	134.61
8	Add : 50% Loss arising from variation in Interest rate as per regulation 27 of RERC Tariff Reg. 2014	0.84	
9	Net Interest on working capital	133.78	

4.28. It may be seen that loss on account of variation in interest rate is Rs. 1.67 crores. As per Regulation 27 of RERC Tariff Regulations, 50% of the amount of such loss may be passed on as an additional charge in tariffs and the balance amount of loss shall be absorbed by the licensee. Accordingly, 50% of the loss has been added to the amount of interest on working capital worked out on the basis of normative interest rate.

Prior Period Expenses

4.29. JdVVNL has claimed prior period expenses of Rs. 215.15 crore. It has been observed that the major item of the prior period expenses is the "Prior period adjustment of power purchase" of Rs. 219.66 crore. The details of prior period expenses as per audited accounts are as follows:

(Amount in Rs. Crore)

Particulars	For the year ended 31.03.2016	
Prior period expenses/loss :		
Short Provisions for Power purchase in previous year		219.66
Operating expenses of previous year	(0.03)	
Employees Cost relating to previous year	0.13	
Interest & other finance charges relating to previous	0.01	
Material related expenses relating to previous year	0.01	
Administrative & general expenses	(4.63)	(4.51)
Total		215.15

- 4.30. While carrying out the true up of any financial year, the Commission allows the capitalization, operation and maintenance expenses, depreciation, interest cost, interest and finance cost as per Tariff Regulations. Hence, expenses of Rs.(4.51) crore on account of above in JdVVNL audited accounts have not been considered as prior period expenses as the Commission has already approved the above expenses in the true up order till FY 2014-15 as per the norms specified in the Tariff Regulations.
- 4.31. In the data gap reply the Discom furnished the item wise details of prior period data relating to power purchase.
- 4.32. On perusal of information furnished by Discom towards prior period expense of power purchase of Rs. 219.66 crore, the Commission observed that the above prior period expenses include:
- a) Amount of Rs. (37.36) crore towards recovery of fixed charges of Neyveli Lignite, adjustment of bills of ICT RRVPN and transmission charges from RVPN related to previous years have been considered on actual basis.
 - b) The balance amount of Rs. 257.02 crore pertains to late payment surcharge, difference in IREDA solar bills, excess provision of power purchase of previous years have not been considered by the Commission.

4.33. Considering the above, for the purpose of current true up, the Commission has considered the prior period expenses of Rs. (37.36) crore against the JdVVNL's claim of Rs. 215.15 crore.

Other Debits:

4.34. JdVVNL has claimed other debits of Rs. 2.95 crores. The major item of other debit is bad debts actually written off of Rs. 1.03 crore, loss due to theft of Fixed Assets of Rs. 0.88 crore, compensation in case of injury/death of Rs. 0.87 crore and deferred revenue expenses written off of Rs. 0.17 crore.

4.35. The Commission has considered the bad debts actually written off of Rs. 1.03 Crore and compensation paid of Rs. 0.87 crore.

4.36. Further, with regard to loss due to theft of Fixed Assets, the regulation 25 of RERC tariff Regulations 2014 provides that actual insurance expenses incurred by the generating company or licensee shall be allowed separately, subject to a ceiling of 0.2% of average Net Fixed Assets for the year. The petitioner in the reply to stakeholder comments has stated that it has not insured the fixed assets. The Commission accordingly has considered the loss due to theft of Fixed Assets of Rs. 0.88 Crore being less than the normative insurance expenses.

4.37. Further, the Commission has not considered the deferred revenue expense written off of Rs. 0.17 crore.

4.38. Accordingly, the Commission has considered the other debit of Rs. 2.78 crore.

Consumer Education and Rebate Allowed to Consumers

4.39. Regarding consumer education and awareness, Commission vide its Order dated 22.09.2016 allowed an additional amount of Rs. 50 lakh per Discom. Discom has submitted that it has incurred more than Rs. 50 lakh towards consumer education and awareness programs, therefore Commission has considered an additional sum of Rs. 50 lakh towards aforesaid objective.

4.40. JdVVNL has shown the rebate allowed to consumers separately and the same has been accepted by the Commission.

Revenue

- 4.41. Revenue from sale of power, Non-Tariff Income, other Income, Wheeling Charges and Cross Subsidy Surcharge, cost recoverable as per the RVUN & RVPN True Up orders, sale of power through trading and Prior Period Income as petitioned by Discom has been accepted.
- 4.42. Discoms have stated in their accounting policies that consumer contribution for service connection & line, capital grants and subsidies received towards cost of capital assets have not been reduced from the cost of assets. The same has been treated as Deferred Revenue Income which is being amortized/written off in 25 years from the year of its receipt. The depreciation pertaining to such fixed assets is fully charged to revenue.
- 4.43. However, while computing the depreciation, the Commission has reduced the capitalization amount funded by the consumer contribution, capital grant and subsidy received during the year. Therefore the Commission has not considered the depreciation benefit on such assets and consequently deferred revenue is also not accounted for.
- 4.44. Based on above discussions and data provided by JdVVNL, prayer of Discom for True-up of the expenditure and revenue for FY 2015-16 based on the actual performance and for approval of the revenue gap of Rs. 3274 Crore for the year has not been accepted as petitioned. The Commission has approved the same to the extent shown in following table.

Table 32: Summary of True up of JdVVNL for FY 2015-16 (Rs. in crores)

Sr. No.	Particulars	As per order dated 22.09.2016	As per petition	Approved After truing up
1	Revenue			
2	Sale of power	9452.00	9628.35	9628.35
3	Non-tariff income and other income	517.89	388.66	388.66
4	Deferred Revenue Income	0.00	139.71	0.00
5	Wheeling Charges and Cross Subsidy Surcharge	2.00	10.04	10.04
6	RVUN/RVPN True up order	12.11	11.68	11.68

Sr. No.	Particulars	As per order dated 22.09.2016	As per petition	Approved After truing up
7	Sale of power through trading	-	33.50	33.50
8	Prior Period Income	-	170.10	170.10
9	Total Revenue, A	9984.00	10382.04	10242.34
10	Expenditure			
11	Power purchase Cost	8284.00	9461.98	8799.13
12	O & M Expenses			
13	Employee cost	481.00	360.48	468.50
14	A&G expenses	71.00	55.68	51.41
15	R&M expenses	142.00	91.11	140.22
16	Terminal Benefits	406.00	352.62	64.00
17	Insurance Expenses	15.00	0.44	-
18	Consumer Education	0.50	-	0.50
19	Depreciation	242.00	466.71	352.20
20	Interest & finance charges	2260.00	3102.39	2251.24
21	Interest on working capital	137.00		133.78
22	Prior period expenses	-	215.15	-37.36
23	Other debits	0.05	2.95	2.78
24	Rebate allowed to consumers	-	18.09	18.09
25	Total Expenditure, B	12038.50	14127.61	12244.49
26	Surplus/deficit, C = (A-B)	(2,054.50)	(3,745.57)	(2,002.16)
27	Revenue subsidies received from State Government D	484.00	471.71	471.71
28	Revenue gap for FY 2015-16, E = (C+D)	(1,571.00)	(3,273.86)	(1,530.45)
29	Carry forward of Gap 2014-15 as per Truing up of previous year, E	-	(17,441.20)	(15,609.82)
30	Cumulative Revenue Gap to be carried forward, E+F	-	(20,715.06)	(17,140.26)
31	Cumulative Revenue Gap till FY 2015-16	-	(30,010.32)*	(17,140.26)

***As per audited accounts**

Analysis of True Up of ARR for FY 2015-16 – JVVNL

Sale of Energy

4.45. The Discom has indicated total sale of 17852.20 MU including 517.44 MU sales to flat rate category. It has been observed that flat rate sales of 517.44 MU are within the limit of normative specific consumption, i.e., 1945 kWh/kW/year as specified by the Commission. As such, Commission accepts the sales of energy as submitted by Discom.

Power Purchase Cost

4.46. Power purchase cost approved by Commission for FY 2015-16 was Rs. 8909 crores vide ARR order dated 22.09.2016. For the purpose of truing up, JVVNL has claimed Rs. 11229.61 crores as power purchase cost (including short term power purchases and Transmission & SLDC charges).

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

Table 33: Power purchase cost as submitted by JVVNL

Sr. No.	Particulars	Units (MU)	Amount in Crores	Average Rate (Rs/unit)
	Energy petitioned by Discom			
1	Total Energy Purchased by Discom (A)	27815.61	9828.76	3.53
2	Less: Purchase From Short term sources (B)	2221.65	651.88	2.93
3	Balance Energy from approved Sources C= (A-B)	25593.96	9176.88	3.59
4	Add: Transmission and SLDC charges (D)		1400.84	
5	Total Power Purchase claimed (A+D)		11229.61	

4.48. The Discom has petitioned that they have purchased 27815.61 MU out of which they have sold 164.72 MU through exchange.

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

4.50. The Discom has furnished total transmission losses (inter and intra state) in MU terms, therefore to segregate the same, the Commission has used the intra state losses of 3.89% as approved in RVPN true up order dated 26.05.2017 and the balance losses based on the Audited Accounts are considered towards interstate transmission losses.

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

Table 34: Gross Energy Requirement of JVVNL for 2015-16 (MUs)

Sr. No.	Particulars	Approved as per Order Dated 22.09.2016	Actual/ Audited	Restated Level	Normative Calculation
1	Gross Energy Requirement	22531.00	27815.61	27815.61	22443.39
2	Less:- Sale Through Exchange	0.00	164.72	164.72	164.72
3	Net Energy Requirement	22531.00	27650.89	27650.89	22278.67
4	Inter State Transmission Loss (MU)	469.00	377.06	377.06	377.06
5	Energy Availability at RVPN (MU)	22062.00	27273.83	27273.83	21901.61
6	Intra State Transmission Loss (%)	4.15%	3.89%	3.89%	3.89%
7	Intra State Transmission Loss(MU)	916.00	1060.95	1060.95	851.97
8	Energy Requirement at Distribution Periphery (MU)	21146.00	26212.88	26212.88	21049.64
9	Distribution Loss (%)	15.19%	31.90%	31.90%	15.19%
10	Distribution Loss (MUs)	3212	8360.68	8360.68	3197.44
11	Energy Sales (MUs)	17934.00	17852.20	17852.20	17852.20

4.52. It is observed that the Discom has purchased 5372.22 MU in excess due to increase in distribution loss over the target given by the Commission.

4.53. As discussed in earlier paras, the Commission does not wish to burden the consumer on account of Discom inefficiency. As such the Commission disallows excess purchase, i.e., 5372.22 MU from actual purchase of 27815.61 MU and accordingly purchase of energy allowed shall be 22443.39 MU.

4.54. Discom has submitted the total power purchase cost of Rs. 9828.76 crore including provision for banking of Rs. 7.18 crore. In data gap reply Discom has submitted the transactional cost of banking of Rs.11.14 crore. In line with approach adopted in last year order, the Commission has not considered the provision for banking cost of Rs. 7.18 crore as banking are considered as cost neutral and considered the transactional cost of Rs. 11.14 crore. Accordingly, the Commission has considered the power purchase cost of Rs. 9832.72 crore.

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

Table 35: Power purchase cost of JVVNL as approved for FY 2015-16

Sr. No.	Particulars	Units (MU)	Amount in Crores	Average Rate (Rs/unit)
	<u>Energy approved by Commission:</u>			
1	Total Energy Purchased by Discom (A)	27815.61	9832.72	3.53
2	Less: Disallowed short term sources (B)	2221.65	651.88	2.93
3	Total Energy from approved sources (C=A-B)	25593.96	9180.84	3.59
4	Less: Disallowed approved sources (D)	3150.56	1130.14	3.59
5	Power Purchase Cost Allowed E=(A-B-D)	22443.39	8050.70	
6	Add: Transmission and SLDC charges (F)		1400.84	
7	Total Power purchase cost allowed (E+F)		9451.54	

4.56. While disallowing the excess purchase of 5372.22 MU by Discom, the Commission has first considered the power purchase of 2221.65 MU from short term sources and the rest 3150.56 MU has been considered from approved sources.

4.57. Discom has submitted Rs. 1400.84 crores as Transmission and SLDC charges which have been allowed as per actual by the Commission. Accordingly, the total power purchase cost including transmission and SLDC charges approved for FY 2015-16 is Rs. 9451.54 crores.

Operations and Maintenance (O&M) Expenses

- 4.58. The O&M expenses approved by the Commission for FY 2015-16 were Rs. 1125 crores including terminal benefit liability of Rs. 414 crore vide Tariff order dated 22.09.2016. For the purpose of true up, JVVNL has claimed Rs. 1303.07 crores as O&M expenses (including terminal benefits based on actuarial valuation of Rs. 694.98 crores).
- 4.59. Commission has worked out the normative O&M expenses as per the methodology explained in earlier part of this order.
- 4.60. Details of normative O&M expenses as allowed are given in table below:

Table 36: O&M Expenses of JVVNL for 2015-16 (Rs. in crores)

Sr. No	Particular	Amount in crores
1	Energy Sales approved by Commission (in MU)	17852.20
2	Normative Employee cost for FY2015-16	718.07
3	Normative A &G expenses	75.59
4	Normative R&M expenses	151.17
5	Less: Proportionate Employee Cost Capitalized	223.38
6	Less: Proportionate A &G cost capitalized (A&G)	25.20
7	Total O&M Expenses Allowed after True Up	696.24

Terminal Benefit

- 4.61. The Commission had approved Rs. 414 crore towards terminal benefit liability vide its order dated 22.09.2016. However, in reply to data gaps, JVVNL submitted that they have deposited a sum of Rs. 176 crore towards terminal benefit liability. Accordingly, the terminal benefit liability to the extent of actual amount of Rs. 176 crore deposited by JVVNL has been considered by the Commission.

Depreciation

- 4.62. The depreciation approved by Commission for FY 2015-16 was Rs. 419 crores vide Tariff order dated 22.09.2016 and Discom has claimed Rs. 683.51 crores as depreciation.

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

4.64. Details of depreciation charges allowed for FY 2015-16 are given in table below:

Table 37: Depreciation Charges of JVVNL for 2015-16 (Rs. in crores)

Sr. No.	Particular	Amount in crores
1	Depreciable assets at the beginning of the year (closing balance of FY 2014-15)	10998.37
2	Less: Deductions as per audited accounts	192.27
3	Capitalization during the year	1458.47
4	Less: Capital Outlay financed by Consumer Contribution and grant	511.11
5	Depreciable assets added during the year (3-4)	947.36
6	Closing balance of GFA (1-2+5)	11753.47
7	Average depreciable assets during the year	11375.92
8	Average depreciation rate	4.94%
9	Depreciation Allowed after True UP	562.32

Interest and Finance Charges and Interest on Working Capital

4.65. The interest & finance charges approved by Commission for FY 2015-16 were Rs. 2783 crores including interest on working capital as per the ARR order dated 22.09.2016. For the purpose of true up, JVVNL has claimed Rs. 3319.92 crores as interest and finance charges including interest on working capital.

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

Table 38: Interest and Finance Charges of JVVNL for 2015-16 (Rs. in crores)

Sr. No.	Particular	Amount in crores
1	Opening balance of Long term Loan (LTL) (closing balance of FY 2014-15)	5487.92
2	Add: Capitalization during the year	1458.47
3	Less: Capital Outlay financed by Equity (capped at 30% of capitalization during the year)	437.54
4	Less: Capital Outlay financed by Consumer Contribution and grant	511.11
5	Addition to LTL for Capital Outlay {2-(3+4)}	509.82

Sr. No.	Particular	Amount in crores
6	Less: Repayments equal to depreciation	562.32
7	Closing balance of LTL (1+5-6)	5435.42
8	Average LTL	5461.67
9	Add: Cumulative Revenue Gap recognized in truing up of FY 2014-15	16065.17
10	Total Long Term Loan Balance to be considered for allowing interest for FY 2015-16	21526.84
11	Average Interest rate of LTL	12.45%
12	Interest Charges on LTL	2680.90
13	Interest on security deposit from consumers - As per actual	78.13
14	Finance Charges-As per actual	93.10
15	Total Interest and Finance Charges Allowed after True UP (12+13+14)	2852.13

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

Table 39: Interest on Working Capital of JVVNL for 2015-16 (Rs. in crores)

Sr. No.	Particular	Amount considering normative interest rate	Amount considering interest rate submitted by Discom
1	O&M expenses of one month	58.02	58.02
2	Maintenance spares @ 15% of operation and maintenance expenses specified in regulation 83;	104.44	104.44
3	Receivables equivalent to one and a half (1½) months billing of consumers	1688.78	1688.78
4	Less: Security deposit from consumers	901.44	901.44
5	Total working capital requirement(1+2+3-4)	949.80	949.80
6	Rate of Interest (SBI PLR Rate)	12.50%	12.61%
7	Interest on working capital allowed after true-up	118.72	119.80
8	Add : 50% Loss arising from variation in Interest rate as per regulation 27 of RERC 2014	0.54	
9	Net Interest on working capital	119.26	

4.68. It may be seen that loss on account of variation in interest rate is Rs. 1.08 crores. As per Regulation 27 of RERC Tariff Regulations, 50% of such loss is to be passed on as a rebate in tariff and the licensee is allowed to retain only 50% of such loss. Accordingly, 50% of the loss has been added from the amount of interest on working capital worked out on the basis of normative interest rate.

Prior Period Expenses

4.69. JVVNL has claimed prior period expenses of Rs 153.98 crore. It has been observed that the major item of the prior period expenses is the "Prior period adjustment of power purchase" of Rs. (39.56) crore. The detail of prior period expenses as per audited accounts are as follows:

(Amount in Rs. Crore)

Particulars	For the year ended 31.03.2016	
Prior period expenses/loss		
Prior Period Adjustment of Power Purchase		(39.56)
Operating Expenses		
Employee cost	4.88	
Depreciation	0.06	
Interest & Other Financial Charges	184.76	
Administration & General Expense	3.88	193.54
Total		153.98

4.70. While carrying out the true up of any financial year, the Commission allows the capitalization, operation and maintenance expenses, depreciation, interest cost and interest on working capital as per Tariff Regulations. Hence, expenses of Rs. 193.54 crore on account of these expenses in JVVNL audited accounts is disallowed as prior period expenses as the Commission has already approved the above expenses in the true up order till FY 2014-15 as per the norms specified in the Tariff Regulations.

4.71. In the data gap reply the Discom furnished the item wise details of prior period data relating to power purchase.

4.72. On perusal of information furnished by Discom towards prior period expense of power purchase of Rs. (39.56) crore, the Commission observed that these prior period expenses include:

a) Amount of Rs. (39.56) crore towards recovery of fixed charges of Neyveli Lignite, rectified GBI claims and RVPNL bills have been considered on actual basis.

b) The balance amount of Rs. (0.001) crore pertains to nvvnl liability written off of previous years have not been considered by the Commission.

4.73. Considering the above, for the purpose of current true up, the Commission has considered the prior period expenses of Rs. (39.56) crore against the JVVNL claim of prior period expenses of Rs. 153.98 crore.

Other Debits:

4.74. JVVNL has claimed other debits of Rs. 166.34 crores. It has been observed that the major item of other debits is the provision for bad and doubtful debts of Rs. 106.42 crore, loss due to theft of Fixed Assets of Rs. 10.99 crore, loss on sale of Fixed Assets of Rs. 23.23 crore, compensation for injury/death of Rs. 10.72 crore and miscellaneous expenses of Rs. 14.98 crore.

4.75. While carrying out the true up exercise, the Commission has not considered any provision towards bad and doubtful debts. The expenses are allowed only to the extent of debts actually written off by the Discom subject to limit stipulated in the Tariff Regulations. Therefore, the Commission has considered the bad debts of Rs. 0.40 crore actually written off against the claim of Rs. 106.42 crore.

4.76. Further, with regard to loss due to theft of Fixed Assets, the regulation 25 of RERC tariff Regulations 2014 provides that actual insurance expenses incurred by the generating company or licensee shall be allowed separately, subject to a ceiling of 0.2% of average Net Fixed Assets for the year. The petitioner in the reply to stakeholder comments has stated that it has not insured the fixed assets. The Commission accordingly has

considered the loss due to theft of Fixed Assets of Rs. 10.99 Crore being less than the normative insurance expenses.

- 4.77. Compensation paid of Rs. 10.72 crore, loss on sale of fixed assets of Rs. 23.23 crore and exchange rate variation of Rs. 0.13 crore are considered as per actual.
- 4.78. The Commission has not considered the Loss on obsolete store, Loss on valuation of Inventory and deferred expenses written off total amounting to Rs. 14.84 crore.
- 4.79. Thus, the Commission has considered the other debit of Rs. 45.48 crore against the Discom claim of Rs. 166.34 crores.

Consumer Education and Rebate Allowed to Consumers

- 4.80. Regarding consumer education and awareness, Commission vide its Order dated 22.09.2016 allowed an additional amount of Rs. 50 lakh per Discom. Discom has submitted that it has incurred more than Rs. 50 lakh towards consumer education and awareness programs, therefore Commission has considered an additional sum of Rs. 50 lakh towards aforesaid objective.
- 4.81. JVVNL has shown the rebate allowed to consumers separately and the same has been accepted by the Commission.

Revenue

- 4.82. Revenue from sale of power, Non-Tariff Income, other Income, Wheeling Charges and Cross Subsidy Surcharge, cost recoverable as per the RVUN & RVPN True Up orders, sale of power through trading and Prior Period Income as petitioned by Discom has been accepted.
- 4.83. Discoms have stated in their accounting policies that consumer contribution for service connection & line, capital grants and subsidies received towards cost of capital assets have not been reduced from the cost of assets. The same has been treated as Deferred Revenue Income which is being amortized/written off in 25 years from the year of its receipt. The depreciation pertaining to such fixed assets is fully charged to revenue.

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

4.85. Based on above discussions and data provided by JVVNL, the prayer of Discom for True-up of the expenditure and revenue for FY 2015-16 based on the actual performance and for approval of the revenue gap of Rs. 4463 Crores for the year has not been accepted as petitioned. The Commission has approved the same to the extent shown in following table:

Table 40: Summary of True up of JVVNL for FY 2015-16 (Rs. in crores)

Sr. No.	Particulars	As per order dated 22.09.2016	As per petition	Approved After trueing up
1	Revenue			
2	Sale of power	11272.00	10913.06	10913.06
3	Non-tariff income and other income	622.00	370.85	370.85
4	Deferred Revenue Income	-	142.96	0.00
5	Wheeling charges and Cross Subsidy Surcharge	13.00	56.12	56.12
6	RVUN/RVPN True up Order	15.14	175.07	175.07
7	Sale of Power through Trading	-	41.88	41.88
8	Prior Period Income	-	11.90	11.90
9	Total Revenue, A	11922.14	11711.84	11568.88
10	Expenditure			
11	Power purchase Cost	8909.00	11229.61	9451.54
12	O & M Expenses			
13	Employee cost	483.00	428.69	494.69
14	A&G expenses	76.00	93.63	50.38
15	R&M expenses	152.00	85.30	151.17
16	Terminal Benefits	414.00	694.98	176.00
17	Insurance Expenses	23.00	0.48	-
18	Consumer Education	0.50	-	0.50

Sr. No.	Particulars	As per order dated 22.09.2016	As per petition	Approved After truing up
19	Depreciation	419.00	683.51	562.32
20	Interest & finance charges	2692.00	3319.92	2852.13
21	Interest on working capital	91.00		119.26
22	Prior period expenses	-	153.98	-39.56
23	Other debits	0.05	166.34	45.48
24	Rebate allowed to consumers	-	73.32	73.32
25	Total Expenditure, B	13259.55	16929.76	13937.24
26	Surplus/deficit, C = (A-B)	(1,337.41)	(5,217.92)	(2,368.36)
27	Revenue subsidies received from State Government D	746.00	755.01	755.01
28	Revenue gap for FY 2015-16, E = (C+D)	(592.00)	(4,462.91)	(1,613.35)
29	Carry forward of Gap 2014-15 as per Truing up of previous year, F	-	(18,378.21)	(16,065.17)
30	Cumulative Revenue Gap to be carried forward, E+F	-	(22,841.12)	(17,678.52)
31	Cumulative Revenue Gap till FY 2015-16	-	(32,293.99)*	(17,678.52)

***As per audited accounts**

Analysis of True Up of ARR for FY 2015-16– AVVNL

Sale of Energy

4.86. The Discom has indicated total sale of 13153.50 MU including 1112 MU sales to flat rate category. It has been observed that at the beginning of the year, connected load under flat rate category was 602119 kW and due to conversion of flat rate consumers to metered category, the closing connected load became 538599 kW. The Commission has worked out the sales on the basis of average connected load of 570359 kW and by considering the normative specific consumption, i.e., 1945 kWh/kW/year; the sales to flat rate category shall be 1109.35 MU. Based on the revised sales to flat rate consumer, the total allowed sale of energy is 13150.85 MU. Keeping in view allowed sales of 13150.85 MU, the distribution loss comes out to be 26.77 % as against 26.75 % indicated by the Discom.

Power Purchase Cost

4.87. Power purchase cost approved by the Commission for FY 2015-16 was Rs. 6370 crores vide ARR order dated 22.09.2016. For the purpose of truing up, AVVNL has claimed Rs. 7866.34 crores as power purchase cost (including short term power purchase cost and Transmission & SLDC charges).

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

Table 41: Power purchase cost submitted by AVVNL

Sr. No.	Particulars	Units (MU)	Amount in Crores	Average Rate (Rs/unit)
	<u>Energy petitioned by Discom</u>			
1	Total Energy Purchased by Discom (A)	19057.45	6885.83	3.61
2	Less: Purchase From Short term sources (B)	710.05	243.14	3.42
3	Balance Energy from approved Sources C= (A-B)	18347.40	6642.70	3.62
4	Add: Transmission and SLDC charges (D)		980.50	
5	Total Power Purchase claimed (A+D)		7866.34	

4.89. The Discom has petitioned that they have purchased 19057.45 MU out of which they have sold 115.30 MU through exchange.

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

4.91. The Discom has furnished total transmission losses (inter and intra state) in MU terms, therefore to segregate the same, the Commission has used the intra state losses of 3.89% as approved in RVPN true up order dated 26.05.2017 and the balance losses based on the Audited Accounts are considered towards interstate transmission losses.

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

Table 42: Gross Energy Requirement of AVVNL for 2015-16(MUs)

Sr. No.	Particulars	Approved as per Order Dated 22.09.2016	Actual/Audited	Restated Level	Normative Calculation
1	Gross Energy Requirement	16087.00	19057.45	19057.45	16733.08
2	Less:- Sale Through Exchange	0.00	115.30	115.30	115.30
3	Net Energy Requirement	16087.00	18942.15	18942.15	16617.78
4	Inter State Transmission Loss (MU)	328.00	258.24	258.24	258.24
5	Energy Availability at RVPN (MU)	15759.00	18683.91	18683.91	16359.54
6	Intra State Transmission Loss (%)	4.15%	3.89%	3.89%	3.89%
7	Intra State Transmission Loss(MU)	654.00	726.80	726.80	636.39
8	Energy Requirement at Distribution Periphery (MU)	15105.00	17957.11	17957.11	15723.16
9	Distribution Loss (%)	16.36%	26.75%	26.77%	16.36%
10	Distribution Loss (MUs)	2471	4803.61	4806.26	2572.31
11	Energy Sales (MUs)	12633.00	13153.50	13150.85	13150.85

4.93. It is observed that the Discom has purchased 2324.37 MU in excess due to increase in distribution loss over the target given by the Commission.

- 4.94. As discussed in earlier paras, the Commission does not wish to burden the consumer on account of Discom inefficiency. As such the Commission disallows excess purchase, i.e., 2324.37 MU from actual purchase of 19057.45 MU and accordingly purchase of energy allowed shall be 16733.08 MU.
- 4.95. Discom submitted the total power purchase cost of Rs. 6885.83 crore includes provision for banking. Discom has submitted the banking cost of Rs. (159.95) crore inclusive of Rs. 7.79 crore towards transactional cost of banking. However, the Commission has not considered the provision for banking cost and considered only the transactional cost. Accordingly, the Commission has considered the power purchase cost of Rs. 7053.58 crore.
- 4.96. Details of power purchase cost as approved by the Commission is given in the table below:

Table 43: Power purchase cost of AVVNL approved for FY 2015-16

Sr. No.	Particulars	Units (MU)	Amount in Crores	Average Rate (Rs/unit)
	<u>Energy approved by Commission:</u>			
1	Total Energy Purchased by Discom (A)	19057.45	7053.58	3.70
2	Less: Disallowed short term sources (B)	710.05	243.14	3.42
3	Total Energy from approved sources (C=A-B)	18347.40	6810.44	3.71
4	Less: Disallowed approved sources (D)	1614.32	599.23	3.71
5	Power Purchase Cost Allowed E=(A-B-D)	16733.08	6211.21	
6	Add: Transmission and SLDC charges (F)		980.50	
7	Total Power purchase cost allowed (E+F)		7191.72	

- 4.97. While disallowing the excess purchase of 2324.37 MU by Discom, the Commission has first considered the power purchase of 710.05 MU from short term sources and the rest 1614.32 MU has been considered from approved sources.
- 4.98. Discom has submitted Rs. 980.50 crores as Transmission and SLDC charges which have been allowed as per actual by the Commission. Accordingly, the total power purchase cost including transmission and SLDC charges approved for FY 2015-16 is Rs. 7191.72 crores.

Operations and Maintenance (O&M) Expenses

4.99. The O&M expenses approved by the Commission for FY 2015-16 were Rs. 1026.00 crores including terminal benefit liability of Rs. 383 crores vide ARR order dated 22.09.2016. For the purpose of true up, AVVNL has claimed Rs. 1370.40 crores as O&M expenses (including staff terminal benefits of Rs. 668.59 crores).

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

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

Table 44: O&M Expenses of AVVNL for 2015-16 (Rs. in crores)

Sr. No.	Particular	Amount in crores
1	Energy Sales approved by Commission (in MU)	13150.85
2	Normative Employee cost for FY 2015-16	528.97
3	Normative A &G expenses	55.68
4	Normative R&M expenses	111.36
5	Less: Proportionate Employee Cost Capitalized	18.63
6	Less: Proportionate A &G cost capitalized (A&G)	4.36
7	Total O&M Expenses Allowed after True Up	673.02

Terminal Benefit

4.102. The Commission had approved Rs. 383 crores towards terminal benefit liability vide its tariff order dated 22.09.2016. AVVNL submitted that they have deposited a sum of Rs. 133.50 crore towards terminal benefit liability. Accordingly, the terminal benefit liability to the extent of actual amount of Rs. 133.50 crore deposited by the AVVNL has been considered by the Commission.

Depreciation

4.103. The depreciation approved by Commission for FY 2015-16 was Rs. 256 crores vide ARR order dated 22.09.2016 and Discom has claimed Rs. 417.89 crores as depreciation charges for the purpose of true up.

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

4.105. Details of depreciation charges allowed for FY 2015-16 are given in table below:

Table 45: Depreciation Charges of AVVNL for 2015-16 (Rs. in crores)

Sr. No.	Particular	Amount in crores
1	Depreciable assets at the beginning of the year (closing balance of FY 2014-15)	7504.47
2	Less: Deductions as per audited accounts	38.06
3	Capitalization during the year	814.80
4	Less: Capital Outlay financed by Consumer Contribution and grant	448.42
5	Depreciable assets added during the year (3-4)	366.39
6	Closing balance of GFA (1-2+5)	7832.80
7	Average depreciable assets during the year	7668.63
8	Average depreciation rate	4.61%
9	Depreciation Allowed after True UP	353.88

Interest and Finance Charges and Interest on Working Capital

4.106. The interest & finance charges approved by Commission for FY 2015-16 were Rs. 2428 crores including interest on working capital as per the ARR order dated 22.09.2016. For the purpose of true up, AVVNL has claimed Rs. 3013.19 crores as interest and finance charges including interest on working capital.

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

Table 46: Interest and Finance Charges of AVVNL for 2015-16(Rs. in crores)

Sr. No.	Particular	Amount in crores
1	Opening balance of Long term Loan (LTL) (closing balance of FY 2014-15)	3128.28
2	Add: Capitalization during the year	814.80
3	Less: Capital Outlay financed by Equity (capped at 30% of capitalization during the year)	244.44
4	Less: Capital Outlay financed by Consumer Contribution	448.42

Sr. No.	Particular	Amount in crores
	and grant	
5	Addition to LTL for Capital Outlay {2-(3+4)}	121.95
6	Less: Repayments equal to depreciation	353.88
7	Closing balance of LTL (1+5-6)	2896.34
8	Average LTL	3012.31
9	Add: Cumulative Revenue Gap recognized in truing up of FY 2014-15	15516.39
10	Total Long Term Loan Balance to be considered for allowing interest for FY 2015-16	18528.69
11	Average Interest rate of LTL	12.22%
12	Interest Charges on LTL	2264.98
13	Interest on security deposit from consumers - As per actual	31.49
14	Finance Charges-As per actual	91.44
15	Total Interest and Finance Charges Allowed after True UP (12+13+14)	2387.91

4.108. The Commission has approved the interest on working capital as per Regulation 27 of RERC Tariff Regulations, 2014.

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

Table 47: Interest on Working Capital of AVVNL for 2015-16 (Rs. in crores)

Sr. No.	Particular	Amount considering normative interest rate	Amount considering interest rate submitted by Discom
1	O&M expenses of one month	56.09	56.09
2	Maintenance spares @ 15% of operation and maintenance expenses specified in regulation 83;	100.95	100.95
3	Receivables equivalent to one and a half (1½) months billing of consumers	1281.04	1281.04
4	Less: Security deposit from consumers	720.21	720.21
5	Total working capital requirement(1+2+3-4)	717.87	717.87
6	Rate of Interest (SBI PLR Rate)	12.50%	12.50%

Sr. No.	Particular	Amount considering normative interest rate	Amount considering interest rate submitted by Discom
7	Interest on working capital allowed after true-up	89.73	89.73
8	Add : 50% Loss arising from variation in Interest rate as per regulation 27 Of RERC 2014	0.00	
9	Net Interest on working capital	89.73	

4.110. It may be seen that loss on account of variation in interest rate is nil.

Prior Period Expenses

4.111. AVVNL has claimed prior period expenses of Rs. 185.98 crore. It has been observed that the major item of the prior period expenses is the "Prior period adjustment of power purchase" of Rs. 161.38 crore. The details of prior period expenses as per audited accounts are as follows:

(Amount in Rs. Crore)

Particulars	For the year ended 31 March 2016	
Prior period expenses/loss :		
Short Provisions for Power Purchase in Previous Years		161.38
Operating Expenses	0.20	
Employee Cost	(0.01)	
Depreciation under Provision	21.24	
Interest & Other Finance Charges	2.72	
Administration Expenses	0.46	24.60
Total		185.98

4.112. While carrying out the true up of any financial year, the Commission allows the capitalization, operation and maintenance expenses, depreciation, interest cost, and interest on working capital as per Tariff Regulations. Hence, expenses of Rs. 24.60 crore on account of these in AVVNL audited accounts have not been considered as prior period expenses as the Commission has already

approved the above expenses in the true up order till FY 2014-15 as per the norms specified in the Tariff Regulations.

4.113. In the data gap reply the Discom furnished the item wise details of prior period data relating to power purchase.

4.114. On perusal of information furnished by Discom towards prior period power purchase of Rs. 161.38 crore, the Commission observed that the above prior period expenses include:

a) Amount of Rs. (31.34) crore towards recovery of fixed charges of Neyveli Lignite and rectified GBI claims have been considered on actual basis.

b) The balance amount of Rs. 192.72 crore pertains to provision for delay payment surcharge and wrong adjustment have not been considered by the Commission.

4.115. Considering the above, for the purpose of current true up, the Commission has considered the prior period expenses of Rs (31.34) crore against the AVVNL claim of prior period expenses of Rs. 185.98 crore.

Other Debits:

4.116. AVVNL has claimed other debits of Rs. 45.20 crore. It has been observed that the major item of other debits is the provision for bad and doubtful debts of Rs. 24.30 crore, compensation for injury/death of Rs. 5.46 crore, loss due to theft of fixed assets of Rs. 5.04 crore and miscellaneous expenses of Rs 10.39 crore.

4.117. While carrying out the true up exercise, the Commission has not considered any provision towards bad and doubtful debts. The expenses are allowed only to the extent of debts actually written off by the Discom subject to limit stipulated in the Tariff Regulations. Therefore, the Commission has considered the bad debts of Rs. 0.18 crore actually written off against the claim of Rs. 24.30 crore. Further, compensation paid of Rs. 5.46 crore and miscellaneous expenses are considered at actual.

4.118. Further, with regard to loss due to theft of Fixed Assets, the regulation 25 of RERC tariff Regulations 2014 provides that actual insurance expenses incurred by the generating company or licensee shall be allowed separately, subject to a ceiling of 0.2% of average Net Fixed Assets for the year. The petitioner in the reply to stakeholder comments has stated that it has not insured the fixed assets. The Commission accordingly has considered the loss due to theft of Fixed Assets of Rs. 5.04 crore being less than the normative insurance expenses.

4.119. The Commission has not considered the Shortage on Physical verification of stocks of Rs. 0.017 crore.

4.120. Thus, the Commission has considered the other debit of Rs. 21.07 crore against the Discom claim of Rs. 45.20 crore.

Consumer Education and Rebate Allowed to Consumers

4.121. Regarding consumer education and awareness, Commission vide its Order dated 22.09.2016 allowed an additional amount of Rs. 50 lakh per Discom. Discom has submitted that it has incurred more than Rs. 50 lakh towards consumer education and awareness programs, therefore Commission has considered an additional sum of Rs. 50 lakh towards aforesaid objective.

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

Revenue

4.123. Revenue from sale of power, Non-Tariff Income, other Income, Wheeling Charges and Cross Subsidy Surcharge, cost recoverable as per the RVUN & RVPN True Up orders, sale of power through trading and Prior Period Income as petitioned by Discom has been accepted.

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

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

4.126. Based on above discussions and data provided by AVVNL, prayer of Discom for True-up of the expenditure and revenue for FY 2015-16 based on the actual performance and for approval of the revenue gap of Rs. 3504 Crore for the year has not been accepted as petitioned. The Commission has approved the same to the extent shown in following table:

Table 48: Summary of True up of AVVNL for FY 2015-16 (Rs. in crores)

Sr. No.	Particulars	As per order dated 22.09.2016	As per petition	Approved After truing up
1	Revenue			
2	Sale of power	7876.00	8102.36	8102.36
3	Non-tariff income and other income	432.00	585.61	585.61
4	Deferred Revenue Income	-	106.85	0.00
5	Wheeling charges and Cross Subsidy Surcharge	7.00	12.05	12.05
6	RVUN & RVPN True up order	10.60	11.97	11.97
7	Sale of power through trading	-	29.32	29.32
8	Prior Period Income	-	15.49	15.49
9	Total Revenue, A	8325.60	8863.66	8756.81
10	Expenditure			
11	Power purchase Cost	6370.00	7866.34	7191.72
12	O & M Expenses			
13	Employee cost	482.00	513.43	510.34
14	A&G expenses	54.00	79.49	51.32
15	R&M expenses	107.00	108.36	111.36
16	Terminal Benefits	383.00	668.59	133.50
17	Insurance Expenses	16.00	0.52	-

Sr. No.	Particulars	As per order dated 22.09.2016	As per petition	Approved After truing up
18	Consumer Education	0.50	-	0.50
19	Depreciation	256.00	417.89	353.88
20	Interest & finance charges	2335.00	3013.19	2387.91
21	Interest on working capital	93.00		89.73
22	Prior period expenses	-	185.98	-31.34
23	Other debits	0.05	45.20	21.07
24	Rebate allowed to consumers	-	26.04	26.04
25	Total Expenditure, B	10096.50	12925.03	10846.02
26	Surplus/deficit, C = (A-B)	(1,770.90)	(4,061.38)	(2,089.22)
27	Revenue subsidies received from State Government D	551.00	557.37	557.37
28	Revenue gap for FY 2015-16, E = (C+D)	(1,220.00)	(3,504.00)	(1,531.84)
29	Carry forward of Gap 2014-15 as per Truing up of previous year, F	-	(17,034.88)	(15,516.39)
30	Cumulative Revenue Gap to be carried forward, E+F	-	(20,538.89)	(17,048.23)
31	Cumulative Revenue Gap till FY 2015-16	-	(30,347.76)*	(17,048.23)

***As per audited accounts**

4.127. The copy of this order may be sent to petitioners, CEA and Government of Rajasthan. It shall be placed on the website of the Commission.

(S.C. Dinkar)
Member

(R.P. Barwar)
Member

(Vishvanath Hiremath)
Chairman

Annexure - A

1. Sh. Shanti Prasad
2. Sh. G.L. Sharma
3. Sh. Ashok Kumar Jain
4. Sh. B.M. Sanadhya
5. M/s. Rajasthan Steel Chambers
6. Sh. Samiuddin Mansoori (JVVNL), Sh. Hastimal Choradiya (AVVNL) & Sh. Subhash Sharma (JdVVNL)
7. Sh. D.D. Agarwal
8. Sh. D.P. Chirania
9. Sh. Prathviraj Gurjer (RVTKA)
10. Sh. Y.K. Bolia
11. Sh. B.S. Sekhawat (CITU)
12. Sh. Pemaram (All India Kisan Sabha)
13. Sh. Amraram (Communist Party of India)
14. Sh. Prakash Mishra (Jaipur People's Front)
15. Sh. Sanjay Madhav (All India Kisan Sabha)

Annexure - B

1. Sh. G.L. Sharma
2. Sh. D.D. Agarwal
3. Sh. B.M. Sanadhya
4. Ms. Neha Garg, Rajasthan Steel Chambers