# TARIFF ORDER

True-up of FY 2021-22, Annual Performance Review of FY 2022-23 and Determination of Aggregate Revenue Requirements (ARR) for FY 2023-24 and Determination of Transmission Tariff for FY 2023-24

Petition No. 94/2022

for

Electricity Department of Daman & Diu

30th March 2023

JOINT ELECTRICITY REGULATORY COMMISSION
For the State of Goa and Union Territories,
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# List of Abbreviations

| Abbreviation | Full Form |
|---|---|
| A&G | Administrative and General |
| ACoS | Average Cost of Supply |
| APR | Annual Performance Review |
| ARR | Aggregate Revenue Requirement |
| ATE | Appellate Tribunal of Electricity |
| BPL | Below Poverty Line |
| CAGR | Compound Annualized Growth rate |
| Capex | Capital Expenditure |
| CEA | Central Electricity Authority |
| CERC | Central Electricity Regulatory Commission |
| CGRF | Consumer Grievance Redressal Forum |
| CGS | Central Generating Stations |
| COD | Commercial Operation Date |
| Cr | Crore |
| Discom | Distribution Company |
| EDDD | Electricity Department of Daman & Diu |
| DSM | Deviation Settlement Mechanism |
| EA, 2003 | The Electricity Act, 2003 |
| ED | Electricity Department |
| EHT | Extra High Tension |
| ERP | Enterprise Resource Planning |
| FPPCA | Fuel and Power Purchase Cost Adjustment |
| FY | Financial Year |
| GFA | Gross Fixed Assets |
| HT | High Tension |
| IEX | Indian Energy Exchange Limited |
| IPP | Independent Power Producer |
| ISTS | Inter State Transmission System |
| JERC | Joint Electricity Regulatory Commission (for the state of Goa and Union Territories) |
| JGPP or GGPP | NTPC Jhanor-Gandhar Gas Based Power Station |
| KAPPS | Kakrapar Atomic Power Station |
| KGPP | NTPC Kawas Gas Based Power Station |
| KSTPP | Korba Super Thermal Power Station |
| LT | Low Tension |
| MSTPS | Mauda Super Thermal Power Station |
| MU | Million Units |
| MYT | Multi Year Tariff |
| NFA | Net Fixed Assets |

| Abbreviation | Full Form |
|---|---|
| NTPC | National Thermal Power Corporation Ltd. |
| O&M | Operation and Maintenance |
| PFC | Power Finance Corporation |
| PGCIL | Power Grid Corporation of India Limited |
| PLF | Plant Load Factor |
| PLR | Prime Lending Rate |
| POSOCO | Power System Operation Corporation Limited |
| PPA | Power Purchase Agreement |
| PWD | Public Works Department |
| R&M | Repair and Maintenance |
| REC | Renewable Energy Certificate |
| RLDC | Regional Load Dispatch Centre |
| RoE | Return on Equity |
| RPO | Renewable Purchase Obligation |
| RRAS | Reserves Regulation Ancillary Services |
| SBI PLR | State Bank of India Prime Lending Rate |
| SERC | State Electricity Regulatory Commission |
| Sipat | Sipat Super Thermal Power Station |
| SLDC | State Load Dispatch Center |
| Solapur or SLP | Solapur Super Thermal Power Station |
| SOP | Standard of Performance |
| STU | State Transmission Utility |
| TAPPS | Tarapur Atomic Power Station |
| T&D | Transmission & Distribution Loss |
| TVS | Technical Validation Session |
| UI | Unscheduled Interchange |
| UT | Union Territory |
| VSTPP | Vindhyachal Super Thermal Power Station |
| WART | Weighted Average Retail Tariff |

**Before the**

**Joint Electricity Regulatory Commission**

**For the State of Goa and Union Territories, Gurugram**

**CORAM**

**Smt. Jyoti Prasad, Member (Law)**

**Petition No. 94/2022**

**In the matter of**

Approval for the True-Up of FY 2021-22, Annual Performance Review for FY 2022-23, Determination of Aggregate Revenue Requirements (ARR) for FY 2023-24 and Transmission Tariff for FY 2023-24.

**And in the matter of**

Electricity Department, Daman & Diu (EDDD) **.....Petitioner**

## ORDER

1. This Order is passed in respect of a Petition filed by the Electricity Department, Daman & Diu (EDDD) (herein after referred to as "The Petitioner" or "EDDD" or "The Licensee") for approval of True-Up of FY 2021-22, Annual Performance Review of FY 2022-23, Determination of Aggregate Revenue Requirements (ARR) for FY 2023-24 and Transmission Tariff for FY 2023-24 before the Joint Electricity Regulatory Commission (herein after referred to as "The Commission" or "JERC").

2. The Commission scrutinized the said Petition and generally found it in order. The Commission admitted the Petition on 03rd January 2023. The Commission thereafter requisitioned further information/ clarifications on the data gaps observed to take a prudent view of the said Petition. The Commission also held a Technical Validation Session to determine sufficiency of data and the veracity of the information submitted. Further, suggestions/comments were invited from the public/stakeholders. The Commission had decided to conduct the Public Hearing virtually which was held on 02nd March 2023, to enable the stakeholders to raise issues, if any, related to the Petition filed by the Petitioner.

3. The Commission based on the Petitioner's submission, relevant MYT Regulations, facts of the matter, rules and provisions of the Electricity Act, 2003 and after proper due diligence and prudence check, has approved the True-up of FY 2021-22, APR of FY 2022-23 Aggregate Revenue Requirements (ARR) for FY 2023-24 along with the Transmission Tariff for FY 2023-24.

4. A summary has been provided as follows:

   (a) The Commission while truing up of FY 2020-21 in Tariff Order dated 31st March, 2022 had determined the cumulative revenue gap of INR 12.79 Crore at the end of FY 2020-21.

   (b) Now, the Commission in this Order has Trued Up for FY 2021-22 and has approved Annual Revenue Requirement of INR 1365.26 Crore vis-à-vis actual revenue of INR 1406.06 Crore, resulting in standalone revenue surplus of INR 40.80 Crore for FY 2021-22.

   (c) The following table provides ARR, Revenue and gap as submitted by the Petitioner and approved by the Commission in the True-up of FY 2021-22:



Secretary (I/c), JERC
(For Goa and UTs)

*Table 1: Standalone Revenue Gap/ (Surplus) approved for FY 2021-22 (INR Crore)*

| S. No | Particulars | Petitioner's Submission | Approved by Commission |
|---|---|---|---|
| 1 | Net Revenue Requirement | 1394.00 | 1365.26 |
| 2 | Revenue from Retail Sales at Existing Tariff | 1406.06 | 1406.06 |
| | **Net Gap /(Surplus)** | **(12.06)** | **(40.80)** |

(d) The cumulative revenue surplus of INR 28.62 Crore at the end of FY 2021-22 has been adjusted by the Commission during upcoming Three years from FY 2023-24 to FY 2025-26 as the Commission has decided to gradually streamline the revenue stream of Residual Transmission Entity of EDDD. The details of the cumulative gap/surplus at the end of FY 2021-22 is shown in the following table:

*Table 2: Cumulative Revenue Gap/ (Surplus) at end of FY 2021-22 (INR Crore)*

| Sr. No | Particular | Formula | Petitioner's Submission | Approved by Commission |
|---|---|---|---|---|
| A | Opening gap | A | 12.79 | 12.79 |
| B | Addition | B | (12.06) | (40.80) |
| C | Closing gap | C = A+B | 0.73 | (28.01) |
| D | Average gap | D = (A+C)/2 | 6.76 | (7.61) |
| E | Interest rate | | 8.00% | 8.00% |
| F | Carrying Cost | F = (D*E)/100 | 0.54 | (0.61) |
| G | **Total gap/(Surplus) including carrying cost** | **G = C+F** | **1.27** | **(28.62)** |

(e) Further, for FY 2022-23, the Commission has approved Annual Revenue Requirement of INR 43.38 Crore and projected revenue of INR 69.72 Crore at existing tariff, which has resulted in standalone revenue surplus of INR 26.34 Crore.

(f) The Commission has provisionally approved the revenue surplus of 26.34 Crore during FY 2022-23 based on provisional opening balance sheet and provisionally approved O&M expenses. As the revenue surplus for FY 2022-23 will undergo change based on the final opening balance sheet, the Commission at this stage has not adjusted the estimated revenue surplus during FY 2022-23 while approving the ARR for FY 2023-24. The Commission will consider the revenue surplus for FY 2022-23 at the time of final true-up.

(g) The Aggregate Revenue Requirement as submitted by the Petitioner and approved by the Commission for FY 2023-24 is as follows:

*Table 3: Aggregate Revenue Requirement for FY 2023-24 (INR Crore)*

| Sr. No | Particulars | Petitioner's Submission | Approved by Commission |
|---|---|---|---|
| **1** | **Annual Revenue Requirement** | 66.51 | 45.61 |
| 2 | Add: 1/3rd of Cumulative Surplus for FY 2021-22 | (7.17) | (9.54) |
| **3** | **Net Revenue Requirement** | **59.34** | **36.07** |

(h) Considering the Aggregate Revenue Requirement for FY 2023-24 and the transmission capacity, the transmission charges have been approved in "*Chapter 6: Transmission Tariff for FY 2023-24*" of this Order for long-term/medium-term consumers and short-term open access consumers as shown below:

Secretary (I/c), JERC
(For Goa and UTs)

*Table 4: Transmission Tariff for FY 2023-24 (INR Crore)*

| Sr. No | Particulars | Formula | FY 2023-24 |
|---|---|---|---|
| A | Aggregate Revenue Requirement (INR Crore) | | 36.07 |
| B | Transmission System Capacity (MW) | | 792.00 |
| C | Energy Required at Periphery after adjusting the Transmission Loss of 1.42% approved by the Commission (MU) | | 2607.43 |
| **C** | **Long-term/Medium-term Transmission Charges (INR/MW/month)** | **C = ((A/B)/12)*10^7** | 37,957.06 |
| **D** | **Short-term open access Transmission Charges (INR/MW/Day)** | **D = ((A/B)/365)*10^7** | 1247.90 |
| **E** | **Transmission Charges (Rs./kWh)** | **E = ((A/C)*10)** | 0.14 |

(i) The open access consumers shall pay charges in accordance with charges determined above and Regulation 4.1 of the Joint Electricity Regulatory Commission for the State of Goa and Union Territories (Connectivity and Open Access in Intra-State Transmission and Distribution) Regulations, 2017 as amended from time to time.

5. This Order shall come into effect from 1st April, 2023 and shall remain applicable till further Orders. All existing provisions that are not modified by this Order shall continue to be in force.

6. The Petitioner shall publish the tariff as determined by the Commission in this Order within one week of receipt of the Order in three daily newspapers in the respective local languages of the region, besides English, having wide circulation in their respective areas of supply and also upload the Tariff Order on its website.

7. Ordered accordingly, the attached documents giving detailed reasons, grounds and conditions are the integral part of this Order.

Place: Gurugram
Date: 30th March, 2023

**Sd/-**
**(Jyoti Prasad)**
**Member (Law)**

**Certified Copy**

**(S.D. Sharma)**
**Secretary (I/c), JERC**

# 1. Chapter 1: Introduction

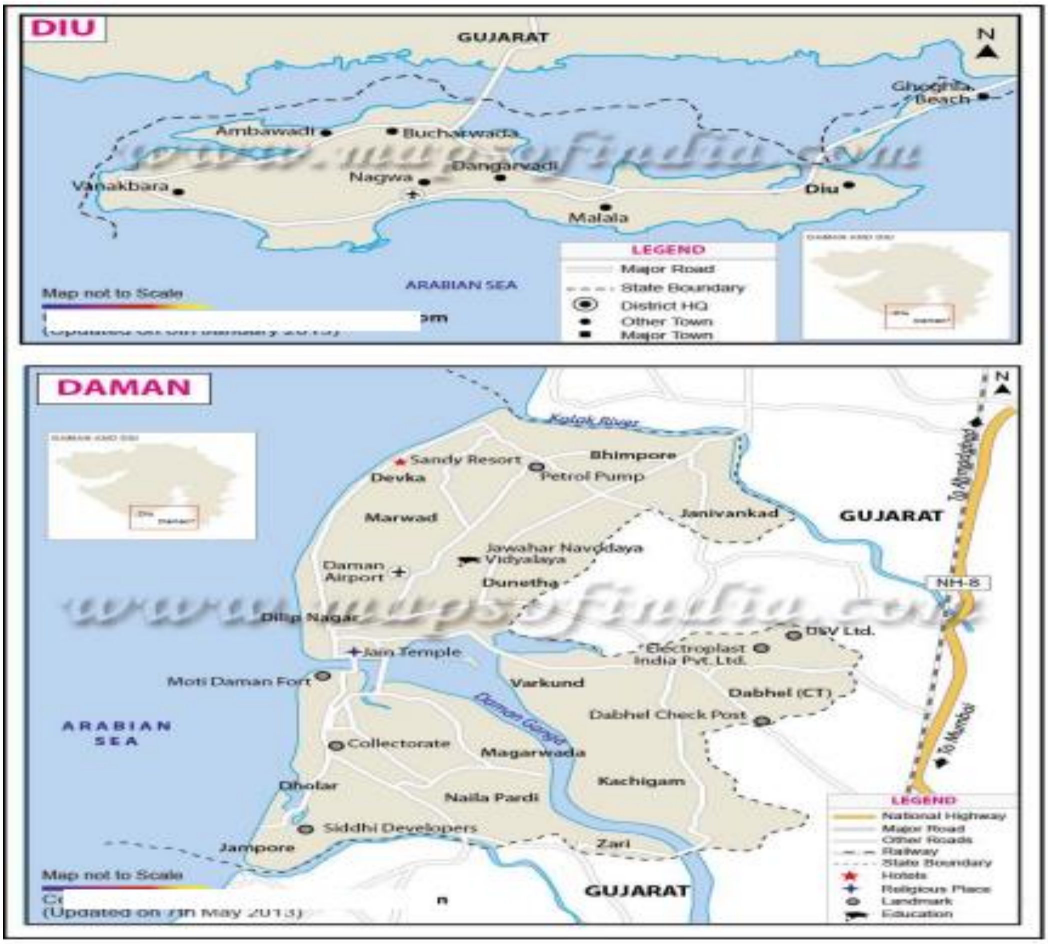
## 1.1. About Joint Electricity Regulatory Commission (JERC)

In exercise of powers conferred by the Electricity Act 2003, the Central Government constituted a Joint Electricity Regulatory Commission for all the Union Territories except Delhi to be known as “the Joint Electricity Regulatory Commission for the Union Territories” vide notification no. 23/52/2003-R&R dated May 2, 2005. Later with the joining of the State of Goa, the Commission came to be known as “Joint Electricity Regulatory Commission for the State of Goa and Union Territories” (hereinafter referred to as “the JERC” or “the Commission”) vide notification no. 23/52/2003-R&R (Vol. II) dated May 30, 2008.

JERC is an autonomous body responsible for regulation of the Power Sector in the State of Goa and the Union Territories of Andaman & Nicobar Islands, Lakshadweep, Chandigarh, Dadra & Nagar Haveli and Daman & Diu and Puducherry, consisting of generation, transmission, distribution, trading and use of electricity. Its primary objective includes taking measures conducive to the development of the electricity industry, promoting competition therein, protecting interest of consumers and ensuring supply of electricity to all areas.

## 1.2. About Daman & Diu

Daman and Diu (hereinafter referred to as “DD”) covers a total area of 112 sq. km, with the Daman District comprising of an area of 72 sq. km and Diu District of 40 sq. km. In FY 2021-22, the power demand of the DD was predominantly from HT and LT industries, contributing to 91.94% of sales.



## *1.3. About Electricity Department of Daman & Diu (ED DD)*

The Electricity Department of Daman and Diu (hereinafter called "EDDD"), is a Deemed Licensee under Section 14 of the Electricity Act 2003, and is carrying on the business of transmission, distribution and retail supply of electricity in Daman & Diu. It is responsible for ensuring quality and continuous power supply to every resident of Daman and Diu at the most economical rates.

**The key duties being discharged by Daman & Diu Electricity Department are:**

- Laying and operating of such electric line, sub-station and electrical plant that is primarily maintained for the purpose of distributing electricity in the area of supply of 'Daman & Diu Electricity Department', notwithstanding that such line, sub-station or electrical plant are high tension cables or overhead lines or associated with such high-tension cables or overhead lines; or used incidentally for the purpose of transmitting electricity for others, in accordance with Electricity Act. 2003 or the Rules framed there under.

- Operating and maintaining sub-stations and dedicated transmission lines connected there with as per the provisions of the Act and the Rules framed there under.

- Arranging, in-coordination with the Generating Company(ies) operating in or outside the State, for the supply of electricity required within the State and for the distribution of the same in the most economical and efficient manner;

- Supplying electricity, as soon as practicable to any person requiring such supply, within its competency to do so under the said Act;

- Preparing and carrying out schemes for distribution and generally for promoting the use of electricity within the State.

Pursuant to the Atmanirbhar Bharat initiative of the Government of India and unification of the UTs of DNH and DD, the Administration of UT of DNH-DD (Administration) has resolved to unbundle/reorganize power distribution business in the following manner:

(i) A new Distribution Company, named as DNH and DD Power Distribution Corporation Limited (hereinafter referred to as "DNHDDPDCL" or "New Utility") (DNHDDPDCL), has to be undertaken the business of distribution of electricity in the UT of DNH-DD.

(ii) Network at 11 kV and below voltage level of both erstwhile DNHPDCL and EDDD has to be transferred to the said new Distribution Company.

(iii) Residual network/assets of EDDD and erstwhile DNHPDCL would be remain with respective entities.

(iv) DNHPDCL would be renamed as DNH and DD Power Corporation Limited (DNHDDPCL) and will function as transmission licensee; and

(v) The EDDD will be responsible for all electricity functions including transmission, STU, SLDC, generation and planning in the UT.

The above restructuring and reorganization of power business in the area of UT of DNH and DD has already been notified by issuing 'The Dadra and Nagar Haveli and Daman and Diu Electricity (Re-organisation and Reforms) Transfer Scheme 2022 vide gazette notification no. 1 (FTS-118044)/Electricity Distribution/Privatisation/2022/411 dated 9$^{th}$ March, 2022.

Further, a Government Policy direction under section 109 read with section 108 of the Electricity Act 2003 has also been notified vide gazette notification no. 1(FTS-118044)/Electricity Distribution/Privatisation/2022/412 dated 09/03/2022. The above said notification has been made effective from 01/04/2022.

**Existing Network**

Daman gets power at 220/66 kV Magarwada Substation and 220/66 kV Ringanwada Substation. The 220/66 kV Magarwada Substation gets power from 220 kV (D/C) Ambethi-Magarwada line and from 220 kV (D/C) Magarwada (POWERGRID) Magarawada, Daman. The 220/66 KV Ringanwada Substation gets power from 220kV (D/C) Magarwada (POWERGRID) Magarawada, Daman. Diu gets power from 66 kV Una Substation through 66 kV double circuit line emanating from 220 /66 kV Kansari Substation of GETCO.

The details of the transmission network of EDDD are as follows:

*Table 5: Transmission System of EDDD*

| S.No. | Details | Daman (ckms) | Diu (ckms) | Total (ckms) |
|---|---|---|---|---|
| 1 | 220 KV D/C Line | 32.60 | - | **32.60** |
| 2 | 66 KV D/C Line | 66.70 | 22.00 | **88.70** |

EDDD also has Ground Mounted Solar PV Plants and Rooftop Solar PV Plants in Daman and Diu. The total installed solar capacity in the UT of Daman and Diu is 14.42 MW out of which 10 MW is ground mounted and the remaining 4.42 MW is solar rooftop plants.

## 1.4. Multi Year Tariff Regulations, 2018

The Commission notified the Joint Electricity Regulatory Commission for the State of Goa and Union Territories (Generation, Transmission and Distribution Multi-Year Tariff) Regulations, 2018 on August 10, 2018. These Regulations are applicable in the 2nd MYT Control Period comprising of three financial years from FY 2019- 20 to FY 2021-22. These Regulations are applicable to all the generation companies, transmission and distribution licensees in the State of Goa and Union Territories of Andaman & Nicobar Islands, Lakshadweep, Chandigarh, Dadra & Nagar Haveli and Daman & Diu and Puducherry.

## 1.5. Multi Year Tariff Regulations, 2021

The Commission notified the Joint Electricity Regulatory Commission for the State of Goa and Union Territories (Generation, Transmission and Distribution Multi Year Tariff) Regulations, 2021 on 22 March 2021. The said Regulations have been hereinafter referred to as the “JERC MYT Regulations”. As per Clause 2.1.18 of these Regulations, the “Control Period” is defined as the multi-year period comprising of three financial years from FY 2022-23 to FY 2024-25. These Regulations are applicable to all the generation companies and transmission and distribution licensees in the State of Goa and Union Territories of Andaman & Nicobar Islands, Lakshadweep, Chandigarh, Daman & Diu, Dadra & Nagar Haveli and Puducherry.

## 1.6. Approval of Business Plan and MYT Order for 3rd MYT Control Period

In accordance with the Regulation 8.1 and 17 of the JERC MYT Regulations 2021, the Petitioner filed the Petition for approval of Business Plan for 3rd Multi-Year Control Period from FY 2022-23 to FY 2024-25 on December 22, 2021. The Commission issued the Business Plan Order for the MYT Control Period (hereinafter referred to as ‘Business Plan Order’) on March 31, 2022. Further, the Commission vide Order dated March 31, 2022 approved the MYT Order for approval of True-up of FY 2020-21, Annual Performance Review for FY 2021-22, Aggregate Revenue Requirements (ARR) for 3rd MYT Control Period (FY 2022-23 to FY 2024-25) and Retail Tariff for FY 2022-23.

## 1.7. Policy Directions

Clause 4.5 (a) of the Policy Directions issued by the Government of India vide gazette notification no. 1(FTS-118044)/Electricity Distribution/Privatisation/2022/412 dated 9th March, 2022 stipulates as follows:

*"In the larger public interest the Government has undertaken financial restructuring to provide a viable Opening Balance Sheet to the Distribution Company. Accordingly, the Distribution Company's ARR shall hereafter be decided based on the restructured Opening Balance Sheet and shall remain unaffected from the impact of any true-up of period prior to Transfer Dat. Any surplus/gap arising due to true-up for the past period shall be passed on to consumer by way of adjustment in the ARR for the Electricity Department/DNHPDCL in respect of its residual transmission business, in the manner as may be decided by the Commission."*

Accordingly, as per provisions of Policy Directions, the true up of entire EDDD including Distribution Business for FY 2021-22 is to be carried out as part of EDDD Petition.

## 1.8. Filing and Admission of the Present Petition

In accordance with the Regulation 9.1 of the JERC MYT Regulations, 2021 the Petitioner filed the Petition for approval of True-up of FY 2021-22 on 8th December, 2022.

Further, under the same Petition, the Petitioner in accordance with the Regulation 9.1 of the JERC MYT Regulations, 2021 filed the Petition for Annual Performance Review for FY 2022-23, Aggregate Revenue Requirements (ARR) for FY 2023-24 and Transmission Tariff for FY 2023-24 on 8th December, 2022 for the residual Transmission Business left with EDDD after transferring the Distribution Business to newly formed Distribution Entity namely DNHDD PDCL in line with the guidelines of Transfer Scheme dated March 09, 2022.

After initial scrutiny/analysis, the present Petition was admitted on 3rd January, 2023 and marked as Petition No. 94/2022.

## 1.9. Interaction with the Petitioner

A preliminary scrutiny/analysis of the Petition was conducted, and certain deficiencies were observed. Accordingly, deficiency notes were issued to the Petitioner. Further, additional information/clarifications were solicited from the Petitioner as and when required. The Commission and the Petitioner also discussed various concerns of the Petitioner and key data gaps, which included retail sales, revenue from retail tariff, capitalization, tariff proposal etc. The Petitioner submitted its response on the issues through various letters/emails.

The Commission conducted the Technical Validation Session (TVS) with the Petitioner at the Commission's office in Gurugram, during which the discrepancies in the Petition were conveyed and additional information required by the Commission was sought. Subsequently, the Petitioner submitted replies to the issues raised in this session and provided documentary evidence to substantiate its claims regarding various submissions.

The following table provides the list of interactions with the Petitioner along with the dates:

*Table 6: List of interactions with the Petitioner*

| S. No. | Subject | Date |
|---|---|---|
| 1 | Receipt of Petition by the Commission | 08th December, 2022 |
| 2 | Admission of the Petition by the Commission | 03rd January, 2023 |
| 3 | 1st Deficiency Note issued by the Commission | 08th February, 2023 |
| 4 | Reply to the 1st Deficiency Note received by the Commission | 27th February, 2023 |
| 5 | Technical Validation Session (TVS) with Petitioner at JERC Office | 13th March, 2023 |
| 5 | 2nd Deficiency Note issued by the Commission | 14th March, 2023 |
| 6 | Reply to the 2nd Deficiency Note received by the Commission | 23rd March, 2023 |

## 1.10. Notice for Public Hearing

Public notices were published by the Petitioner for inviting suggestions/comments from Stakeholders on the Tariff Petition as given below:

*Table 7: Details of Public Notices published by the Petitioner*

| S. No. | Date | Name of Newspaper | Place of circulation |
|---|---|---|---|
| 1 | 24th January, 2023 | Daman Ganga Times (Gujarati) | Daman & Diu |
| 2 | 24th January, 2023 | Asli Azadi (Hindi) | Daman & Diu |
| 3 | 24th January, 2023 | Vartman Prabha (Gujarati) | Daman & Diu |
| 4 | 24th January 2023 | Nishpaksh Jansagar (Hindi) | Daman & Diu |

The Commission published Public Notices in the leading newspapers as per following table, giving due intimation to the Stakeholders and consumers:

*Table 8: Details of Public Notices published by the Commission*

| S. No. | Date | Name of Newspaper | Place of Circulation |
|---|---|---|---|
| 1 | 8th Febrary, 2023/ 28th February, 2023 | Asli Azadi (Hindi) | Daman & Diu |
| 2 | 8th Febrary, 2023/ 28th February, 2023 | Gujarati Samachar (Gujarati) | Daman & Diu |
| 3 | 8th Febrary, 2023/ 28th February, 2023 | The Times of India (English) | Daman & Diu |
| 4 | 8th Febrary, 2023/ 28th February, 2023 | Savera India Times (Hindi) | Daman & Diu |

The notice was also uploaded on the Commission's website.

## 1.11. Public Hearing

The Commission decided that the comments/suggestions of the stakeholders need to be heard virtually through video conferencing for seeking their opinion. Accordingly, the Virtual Public Hearing was held on 02nd March, 2023 to enable the stakeholders to raise issues, if any, related to the Petition filed by the Petitioner. The issues and concerns raised by the Stakeholders in writing and as voiced by them during the Public Hearing have been examined by the Commission. The names of stakeholders who attended the Public Hearing are provided as Annexure I. The major issues discussed, the responses of the Petitioner thereon and the views of the Commission have been summarized in Chapter 2 of this Order.

# 2. Chapter 2: Stakeholder Comments

## 2.1. Regulatory Process

On admitting the Petition, the Commission directed the Petitioner to make copies of the Petition available to the Public, upload the Petition on its website and also publish the same in the newspapers in an abridged form duly inviting comments from the Public as per the provisions of the JERC MYT Regulations, 2018.

The Virtual Public Hearing was held on 02nd March, 2022 on Petition for the True-Up of FY 2021-22, Revised ARR of FY 2022-23, Determination of Aggregate Revenue Requirements (ARR) for FY 2023-24 and Transmission Tariff for FY 2023-24. During the Public Hearing, a few of the stakeholders who had submitted their comments in writing also presented their views in person before the Commission. Other participants from the general Public, who had not submitted written comments earlier, were also given an equal opportunity to present their views/suggestions in respect to the Petition.

The list of the Stakeholders is attached as Annexure 1 to this Order.

## 2.2. Suggestions/ Comments, Response of the Petitioner and Commission's Views

The Commission is appreciative of the efforts of various Stakeholders in providing their suggestions/comments/observations to make the Electricity Distribution Sector responsive and efficient. The Commission has noted the concerns of all the Stakeholders and has tried to address them to the extent possible in determination of ARR, and Directives. Relevant observations have been suitably considered by the Commission while finalizing the Tariff Order. The submissions of the Stakeholders, response of the Petitioner and views of the Commission are summarized below:

### 2.2.1. Opening Loan Balance for FY 2022-23 for Residual Entity of EDDD

**Stakeholder's Comment**

DNHDDPDCL has submitted that normative Opening Loan Balance for portion of Assets being retained by EDDD as on 1st April, 2023 works out as Rs. 65.53 Crore instead of Rs. 71.77 Crore as considered by EDDD and further requested the Hon'ble Commission to consider the same.

**Petitioner's Response**

No response in this regard has been received from the Petitioner on the Stakeholder's comment.

***Commission's View***

The Commission has noted the submissions of DNHDDPDCL. The Commission is of the view that the Opening Balance Sheet submitted by EDDD as on 1st March 2022 is provisional Opening Balance Sheet and the same needs to be finalized based on truing up carried out by the Commission for FY 2021-22 in this Order. Hence, the Commission directs the Petitioner to finalize the Opening Balance Sheet for Residual Transmission Entity of EDDD as on 1st April, 2022 based on the Closing Values of GFA, Loan and Equity approved by the Commission as on 31st March 2022.

### *2.2.2. Miscellaneous*

**Stakeholder's Comment**

Mr. Umesh Patel from President Youth Action Force has submitted that proper advertisements in regional languages were not published informing about the Public Hearing to the Stakeholders Petitioner to provide its response on the same.

**Petitioner's Response**

Regarding advertisements in regional languages, EDDD submitted that the Department had published the detailed summary of the ARR and Tariff Petition in three regional newspapers. Further, the notification regarding the Public Hearing was also published by the Hon'ble Commission in the regional newspapers.

***Commission's View***

The Commission is of the view that the wide publicity regarding public hearings was made in local newspapers. The Commission directs the Petitioner to publish the information regarding Public Hearing as per the extant regulations and ensure vide publicity is made from next Petition onwards.

# 3. Chapter 3: True-Up for FY 2021-22

## 3.1. Background

The Tariff Order determining the True-up for FY 2019-20, Annual Performance review of FY 2020-21 and Aggregate Revenue Requirement and tariff for FY 2021-22 was issued on March 23, 2021 (hereinafter referred to as the "ARR Order" for the purposes of True-up of FY 2021-22). The Tariff Order determining the True-up for FY 2020-21, Annual Performance review of FY 2021-22 and Aggregate Revenue Requirement from FY 2022-23 to FY 2024-25 and tariff for FY 2022-23 was issued on March 31, 2022 (hereinafter referred to as the "APR Order" for the purposes of True-up of FY 2021-22).

As per Regulation 11 of the JERC (Generation, Transmission and Distribution Multi Year Tariff) Regulations, 2018, the review and true-up of revenue and expenses of the Petitioner shall be carried out as follows:

***"11. Annual Performance Review, Truing-up and tariff determination during the Control Period***

*11.1 The Generating Company, Transmission Licensee and Distribution Licensee shall be subject to annual Performance review and truing up of expenses and revenue during the Control Period in accordance with these Regulations."*

*"11.2 The Generating Company, Transmission Licensee and Distribution Licensee shall file an application for the annual performance review of the current year, truing up of the previous Year or the Year for which the Audited accounts are available and determination of tariff for the ensuing Year on or before 30th November of each Year, in formats specified by the Commission from time to time."*

*"11.3 The scope of the annual performance review, truing up and tariff determination shall be a comparison of the performance of the Generating Company, Transmission Licensee or Distribution Licensee with the approved forecast of Aggregate Revenue Requirement and Expected Revenue from Tariff and Charges and shall comprise of the following:*

a) ***True-up:*** *a comparison of the audited performance of the Applicant for the Financial Year for which the true up is being carried out with the approved forecast for such previous Financial Year, subject to the prudence check;*
   *………"*

The Commission now in this Chapter carries out the true-up for FY 2021-22 as per the JERC (Generation, Transmission & Distribution Multi Year Tariff) Regulations, 2018.

## 3.2. Approach for the True-Up of FY 2021-22

The Petitioner has submitted audited accounts based on audit conducted by statutory auditor M/s Sumit Doshi & Co. (Chartered Accountant). The Commission in this Chapter now carries out the True-up of FY 2021-22, the third year of the 2nd Control Period (FY 2019-20 to FY 2021-22), in accordance with the principles laid down in the JERC MYT Regulations, 2018.

## 3.3. Energy Sales

**Petitioner's Submission**

The Petitioner has submitted the total quantum of energy sales for FY 2021-22 as 2,482.34 MU as against approved energy sales quantum of 2,435.58 MU in the APR Order.

***Commission's Analysis***

Regulation 12.1 of the JERC MYT Regulations, 2018 provides:

*"12.1 For the purpose of these Regulations, the term "uncontrollable factors" for a Transmission or Distribution Licensee shall comprise of the following factors, which were beyond the control of the Licensee, and could not be mitigated by the Licensee:*

(a) *Force Majeure events:*
(b) *Change in law;*
(c) *Variation in the number or mix of Consumers or quantities of electricity supplied to Consumers;*
…

"

The Commission had approved the energy sales of 2,435.58 MU in the APR Order, against which actual energy sales of 2,482.34 MU have been submitted by the Petitioner now. In this regard the Commission vide Deficiency Note dated February 08, 2023 has directed the Petitioner to submit the Energy Audit Report for EDDD for FY 2021-22. In response, the Petitioner vide Letter dated 27th February 2023 submitted the Energy Audit Report for FY 2021-22 for EDDD. The quantum of energy sales was verified from Energy Audit Report submitted by the Petitioner and the same were found to be in order.

The table below provides the energy sales approved by the Commission in the APR Order, the Petitioner's submission and quantum of energy sales now trued-up by the Commission:

*Table 9: Energy Sales Trued-up by the Commission (MU)*

| S. No | Category | Approved in APR Order | Petitioner's Submission | Trued-up by Commission |
|---|---|---|---|---|
| 1 | Domestic | 140.09 | 138.13 | 138.13 |
| 2 | Lifeline Consumer | - | - | - |
| 3 | Commercial | 45.41 | 47.25 | 47.25 |
| 4 | Agriculture | 3.18 | 3.37 | 3.37 |
| 5 | LT Industry | 203.61 | 219.12 | 219.12 |
| 6 | HT/EHT Industry | 2035.65 | 2063.10 | 2063.10 |
| 7 | Public Lighting | 5.11 | 5.03 | 5.03 |
| 8 | Public Water Works | 2.53 | 2.74 | 2.74 |
| 9 | Temp. Supply | 0.00 | 3.60 | 3.60 |
| 10 | **Total** | 2435.58 | 2482.34 | 2482.34 |

**The Commission approves 2,482.32 MU as energy sales in the true-up of FY 2021-22.**

## 3.4. Open Access Sales and Purchase

**Petitioner's Submission**

The Petitioner has submitted that there was no open access sales and purchase during the FY 2021-22.

***Commission's Analysis***

The Energy Audit Report submitted by the Petitioner specifies NIL Open Access Sales and Purchase for FY 2021-22. Accordingly, the Commission has approved the same.

## *3.5. Inter-State Transmission Loss*

**Petitioner's submission**

The Petitioner for FY 2021-22 has submitted the Inter-State transmission loss of 3.69%, as against the Commission's approved value of 3.66% in the APR Order.

***Commission's Analysis***

The Inter-State transmission loss submitted by the Petitioner for FY 2021-22 is 3.69%. In this regard the Commission vide Deficiency Note dated 08th February, 2023 has directed the Petitioner to submit justification for claiming Inter-State Transmission Loss of 3.69% as against the approved loss of 3.66%. The petitioner vide Letter dated 27th February, 2023 submitted that the Inter-state Transmission Loss of 3.69% has been worked out based on the actual energy scheduled for the utility through various generating stations and the actual energy received by the utility during the FY 2021-22.

Noting the submissions of Petitioner, the Commission vide its TVS Letter dated 14th March, 2021 directed the Petitioner to provide reason for variation in Inter State Losses worked out as per REA Account and as provided in the Audit Report. Further, the Commission also directed the Petitioner to provide MIS for Actual Energy received by EDDD at the Periphery as recorded by Energy Meter and submitted to WRPC. The Petitioner vide Letter dated 23rd March, 2023 submitted that the actual transmission losses as submitted are based on the actual energy scheduled for the utility by the various generating stations and the actual energy received by the utility during the FY 2021-22. The computation of the same is submitted in the energy balance submitted in the true up for the FY 2021-22. The Petitioner also provided the MIS for Actual Energy received by EDDD at the Periphery as recorded by Energy Meter and submitted to WRPC. The Commission vide Deficiency Note dated 08th February, 2023 has directed the Petitioner to submit the Energy Audit Report for EDDD for FY 2021-22. In response, the Petitioner vide Letter dated 27th February, 2023 submitted the Energy Audit Report for FY 2021-22 for EDDD. The Commission observed that as per the Energy Audit Report submitted by the Petitioner, the inter-state transmission loss is 89.55 MU as against 89.40 MU as submitted by the Petitioner. Based on the details of transmission losses finalized in the Energy Audit Report for FY 2021-22, the Commission has worked out the transmission loss of 3.69%, which is same as the Petitioner's submission.

As the Petitioner has submitted that the transmission losses have been computed based on actual energy scheduled and actual energy received during FY 2021-22, the Commission has considered the actual transmission losses as submitted in Energy Audit Report for the purpose of truing up.

Accordingly, the Commission has determined the energy requirement from tied-up sources at UT periphery (2,336.01 MU) in Energy Balance approved in the "*Section 3.7: **Energy Balance**"* of this Order. The energy requirement from tied-up sources (2,425.41 MU) has been considered as actual energy purchased as approved in "*Section 3.8: **Power Purchase Quantum and Cost**"* of this Order. The difference between the two has been considered as the Inter-State transmission loss.

The following table provides the Inter-State transmission loss as approved in the APR Order, the Petitioner's submission and now approved by the Commission:

*Table 10: Inter-State Transmission Loss (%)*

| S. No | Particulars | Approved in APR Order | Petitioner's Submission | Trued-up by Commission |
|---|---|---|---|---|
| 1 | Inter-State transmission loss | 3.66% | 3.69% | 3.69% |

**The Commission approves the Inter-State transmission loss at 3.69% in the true-up of FY 2021-22.**

## 3.6. Distribution Loss

**Petitioner's submission**

The actual distribution loss for FY 2021-22 was 4.45% as compared to 6.50% approved by the Commission in the APR Order.

The Petitioner has submitted that it has been constantly endeavoring to reduce the T&D losses. It has arrived at the distribution loss based on actual sales data.

***Commission's Analysis***

The Commission vide Deficiency Note dated 08th February, 2023 has directed the Petitioner to submit the Energy Audit Report for EDDD for FY 2021-22. In response, the Petitioner vide Letter dated 27th February, 2023 submitted the Energy Audit Report for FY 2021-22 for EDDD. As per the Energy Audit Report submitted by the Petitioner, the distribution loss is 4.45%, which is same as the Petitioner's submission. Accordingly, the Commission has considered the distribution loss as per the Energy Audit Report. Since, the Petitioner has been able to over-achieve the distribution loss target of 6.50% for the year, the incentive for the same has been provided to the Petitioner in accordance with the JERC MYT Regulations, 2018. The calculation of the same has been discussed in detail in *"Section 3.21: Incentive/Disincentive towards over/under-achievement of norms of distribution losses"* of this Order.

The following table provides the distribution loss approved in the True-Up of FY 2021-22, the Petitioner's submission and as approved by the Commission now:

*Table 11: Distribution loss approved by the Commission (%)*

| S. No | Particulars | Approved in APR Order | Petitioner's Submission | Trued-up by Commission |
|---|---|---|---|---|
| 1 | Distribution loss | 6.50% | 4.45% | 4.45% |

**The Commission approves Distribution loss at 4.45% in the true-up of FY 2021-22.**

## 3.7. Energy Balance

**Petitioner's submission**

The Petitioner has submitted the energy requirement as shown in the following table.

*Table 12: Energy requirement submitted by the Petitioner (MU)*

| S. No. | Particulars | Formulae | Petitioner's Submission |
|---|---|---|---|
| (a) | Retail Sales | | 2482.34 |
| (b) | Open Access Sales | | 0.00 |
| (c) | Less: Energy Savings | | 0.00 |
| (d) | **Total Sales** | d = a+b-c | **2482.34** |
| (e) | Distribution Loss | e = g-d | 115.72 |
| (f) | Distribution Loss (%) | f=e/g | 4.45% |
| (g) | **Energy Drawn at Periphery** | g = d+e | **2598.06** |
| (h) | Sale to common pool consumer/UI Sale | | 16.14 |
| (i) | Own generation | | 11.98 |

| S. No. | Particulars | Formulae | Petitioner's Submission |
|---|---|---|---|
| (j) | **Total energy drawn at state periphery** | j=g+h-i | **2602.22** |
| (k) | Less: Energy Purchased through UI at Periphery | | 106.17 |
| (l) | Less: Energy Purchased through exchange at Periphery | | 160.04 |
| (m) | Less: Energy Purchased through Renewable Sources | | 0.00 |
| (n) | **Energy drawn at state periphery from tied up sources** | n=j-k-l-m | **2336.01** |
| (o) | Inter-state transmission loss | o=q-n | 89.40 |
| (p) | Inter-state transmission loss (%) | p = o/q | 3.69% |
| (q) | **Energy purchase at state periphery from generator end** | q = n+o | **2425.41** |
| (r) | **Total Energy purchase from tied up sources, UI/Exchange at generator end** | r=q+i+k+l+m | **2703.60** |
| (s) | **Total Energy purchase in UT including Open Access** | | **2703.60** |

***Commission's Analysis***

The information submitted by the Petitioner on power purchase quantum, UI over/under drawl, IEX/ Bilateral purchase has been studied along with the Energy Audit Report and accordingly the energy balance has been derived for FY 2021-22.

While deriving the Energy Balance for FY 2021-22, it was observed that the Petitioner has incorrectly considered the UI Purchase (UI Energy Purchase net off UI Energy Sales) of 106.17 MU in the Power Purchase Quantum instead of 90.03 MU of UI Purchase. The commission has adjusted the same and has approved the Total Energy Purchased during FY 2021-22 as 2687.46 MU.

The following table provides the energy balance submitted by the Petitioner and now approved by the Commission.

*Table 13: Energy Balance approved by the Commission for FY 2021-22 (MU)*

| S. No | Particulars | Formulae | Petitioner's Submission | Now Approved |
|---|---|---|---|---|
| (a) | Energy sales within the State/UT | | 2482.34 | 2482.34 |
| (b) | Open Access Sales | | 0.00 | 0.00 |
| (c) | Less: Energy Savings | | 0.00 | 0.00 |
| (d) | **Total Sales within the State/UT** | d=a+b-c | **2482.34** | **2482.34** |
| | **Distribution losses** | | | |
| (e) | In % | e=f/g | 4.45% | 4.45% |
| (f) | In MU | f=g-d | 115.72 | 115.72 |
| (g) | **Energy drawn at State Periphery** | g=d+f | **2598.06** | **2598.06** |
| (h) | Add: Sales in Unscheduled Interchange | | 16.14 | 0.00 |
| (i) | Add: Sales in Power Exchanges | | 0.00 | 0.00 |
| (j) | Less: Own Generation | | 11.98 | 11.98 |
| (k) | Less: Purchase under UI net of sale | | 106.17 | 90.03 |
| (l) | Less: Purchase from Exchange | | 160.04 | 160.04 |
| (m) | Less: Open Access Purchase | | 0.00 | 0.00 |
| (n) | **Total energy drawn at State Periphery from tied-up Sources** | n=g+h+i-j-k-l-m | **2336.01** | **2336.01** |
| | **Transmission losses** | | | |
| (o) | In % | o=p/q | 3.69% | 3.69% |
| (p) | In MU | p=q-n | 89.40 | 89.55 |
| (q) | **Total energy purchased from tied-up sources at generator end** | q=n+p | **2703.60** | **2425.41** |

| S. No | Particulars | Formulae | Petitioner's Submission | Now Approved |
|---|---|---|---|---|
| (r) | **Total purchased from Tied-up sources at generator end & UI/ Traders/Banking/within State** | r=q+j+k+l+m | **2703.60** | **2687.46** |

## 3.8. Power Purchase Quantum & Cost

**Petitioner's submission:**

The Petitioner meets its power requirement from allocations from central generating stations like NTPC, NSPCL, NPCIL and other generating stations such as RGGPL including bilateral agreement and banking arrangements. The allocation from CGS consists of a fixed share of allocation for a year, and the Govt. of India changes the variable share of allocation from the unallocated quota, time to time. Since, during the peak summer seasons the allocation of power from various sources is inadequate, therefore the Petitioner procures power from short–term sources, i.e., Power Exchange, UI, Banking etc.

The Petitioner has submitted that against the power purchase cost of INR 1241.16 Cr approved by the Commission in the APR Order it has incurred a cost of INR 1263.22 Cr (inclusive of cost incurred towards meeting the transmission charges, Renewable Purchase Obligation and UI).

EDDD submitted that EDDD has purchased 160.04 MUs through the energy exchange at the cost of INR 64.04 Crore to meet its energy demand during FY 2021-22. The EDDD has requested the Commission to allow the UI purchase during FY 2021-22 as the EDDD has already incurred that amount. The total UI purchase is 106.17 MU at the cost of INR 44.83 Cr, i.e., at Rs 3.48/kWh. Further, the EDDD procured 11.98 MUs of solar energy from its rooftop and ground mounted solar plants during the FY 2021-22 to meet its solar obligation. Further, EDDD submitted that solar power generated through rooftop plants installed by the industries was 22.34 MUs during FY 2021-22. Apart from this, 12.25 MUs was generated through biomass plant and 29.15 MUs of renewable energy was procured through the power exchange during FY 2021-22. Hence, in total the EDDD generated and procured 75.72 MUs of renewable energy during the FY 2021-22.

The power purchase quantum and cost for FY 2021-22 as submitted by the Petitioner has been shown in the table below:

*Table 14: Power Purchase quantum and cost submitted by the Petitioner*

| Particulars | Units Purchased (MU) | Fixed Charges (INR Cr) | Variable Charges (INR Cr) | Other Charges (INR Cr) | All Charges Total (INR Cr) | Per Unit Cost |
|---|---|---|---|---|---|---|
| **NTPC Stations** | | | | | | |
| KSTPP 1&2 | 375.00 | 23.48 | 57.10 | 2.28 | 82.86 | 2.21 |
| KSTPP 3 | 47.38 | 5.76 | 7.12 | 1.21 | 14.10 | 2.97 |
| VSTPP 1 | 94.71 | 7.70 | 16.51 | 3.11 | 27.32 | 2.88 |
| VSTPP 2 | 64.32 | 4.51 | 10.49 | 0.10 | 15.10 | 2.35 |
| VSTPP 3 | 81.51 | 8.25 | 13.27 | -0.11 | 21.41 | 2.63 |
| VSTPP 4 | 93.33 | 13.80 | 15.12 | 0.13 | 29.05 | 3.11 |
| VSTPP 5 | 58.50 | 9.50 | 9.88 | -0.07 | 19.31 | 3.30 |
| KAWAS GPP | 4.01 | 18.69 | 2.15 | 0.87 | 21.71 | 54.16 |
| Gandhar GPP | 10.65 | 23.96 | 4.83 | 0.57 | 29.36 | 27.58 |
| SIPAT 1 | 158.99 | 21.45 | 24.86 | -0.26 | 46.05 | 2.90 |
| SIPAT 2 | 79.13 | 8.64 | 13.25 | -0.04 | 21.85 | 2.76 |
| MSTPS-I | 76.69 | 16.49 | 25.83 | 0.44 | 42.76 | 5.58 |
| MAUDA II | 73.92 | 17.56 | 25.75 | 1.14 | 44.45 | 6.01 |
| KHSTPS 2 | 13.68 | 1.48 | 3.33 | 0.04 | 4.84 | 3.54 |
| Solapur | 101.80 | 31.20 | 36.94 | 1.21 | 69.36 | 6.81 |
| LARA | 150.94 | 24.79 | 32.90 | -0.19 | 57.51 | 3.81 |
| GADARWARA | 150.48 | 41.93 | 47.58 | -0.39 | 89.12 | 5.92 |

| Particulars | Units Purchased (MU) | Fixed Charges (INR Cr) | Variable Charges (INR Cr) | Other Charges (INR Cr) | All Charges Total (INR Cr) | Per Unit Cost |
|---|---|---|---|---|---|---|
| KHTPP | 117.27 | 29.87 | 35.14 | -0.21 | 64.80 | 5.53 |
| Rebate | 0.00 | 0.00 | 0.00 | -0.09 | -0.09 | |
| **Subtotal** | **1752.31** | **309.06** | **382.06** | **9.83** | **700.87** | **4.00** |
| | | | | | | |
| **NSPCL BHILAI** | **496.39** | **80.77** | **130.07** | **2.71** | **213.54** | **4.30** |
| | | | | | | |
| **NPCIL** | | | | | | |
| KAPPS | 58.91 | 0.00 | 13.54 | 0.00 | 13.54 | 2.30 |
| TAPPS 3&4 | 90.33 | 0.00 | 31.42 | 0.00 | 31.42 | 3.48 |
| **Subtotal** | **149.24** | **0.00** | **44.96** | **0.00** | **44.96** | **3.01** |
| | | | | | | |
| **Ratnagiri** | **27.46** | **13.77** | **21.65** | **-3.87** | **31.55** | **11.49** |
| | | | | | | |
| **Open Market Purchase** | | | | | | |
| PXIL/IEX | 160.04 | 0.00 | 55.63 | 0.00 | 55.63 | 3.48 |
| UI Under-drawl/ Over-drawl | 106.17 | 0.00 | 45.08 | 0.00 | 45.08 | 4.25 |
| Solar | *11.98* | 0.00 | 7.24 | 0.00 | 7.24 | 6.05 |
| Non-Solar | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | |
| Solar REC | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | |
| Non-Solar REC | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | |
| Solar (SECI, NTPC) | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | |
| **Subtotal** | **278.19** | **0.00** | **107.96** | **0.00** | **107.96** | **3.88** |
| | | | | | | |
| **Total Power Purchase** | **2703.60** | **403.60** | **686.70** | **8.68** | **1098.89** | **4.06** |
| | | | | | | |
| PGCIL CHARGES | | | | | 167.39 | |
| WRLDC | | | | | 0.27 | |
| MSETCL | | | | | 3.50 | |
| Rebate for Early Payment | | | | | -6.83 | |
| **Gross Total** | **2703.60** | **403.60** | **686.70** | **8.68** | **1263.22** | **4.67** |

***<u>Commission's Analysis</u>***

Regulation 12.1 of the JERC MYT Regulations, 2018 provides:

*"12.1 For the purpose of these Regulations, the term "uncontrollable factors" for a Transmission or Distribution Licensee shall comprise of the following factors, which were beyond the control of the Licensee, and could not be mitigated by the Licensee:*

*(a) Force Majeure events;*

*(b) Change in law*

*(c) Variation in the number or mix of Consumers or quantities of electricity supplied to Consumers;*

*(d) Transmission loss;*

*(e) Variation in the cost of power purchase due to variation in the rate of power purchase from approved sources, subject to clauses in the power purchase agreement or arrangement approved by the Commission;*

…"

The Petitioner procures power mainly from NTPC Stations, NPCIL stations, and IPPs. The Petitioner has submitted the overall power purchase cost as INR 1263.22 Cr, inclusive of transmission cost.

During the scrutiny of Power Purchase during FY 2021-22, the Commission observed that the Petitioner has submitted that EDDD has procured 106.17 MU of power through UI during FY 2021-22. The Commission verified quantum of power purchase through UI from energy audit report for FY 2021-22 and found that the Power Purchase through UI is 90.03 MU for FY 2021-22. The Commission observed that the Petitioner has incorrectly considered the UI Purchase (UI Energy Purchase net off UI Energy Sales) of 106.17 MU in the Power Purchase instead of 90.03 MU of UI Purchase. Accordingly, the commission has considered the power purchase from UI as 90.03 MU during FY 2021-22 in line with the values of Energy Audit Report.

The Petitioner has produced 11.98 MU of physical solar power from its own Solar generation and claimed Rs. 7.24 Crore against the same. The Commission allows the claimed amount of Rs. 7.24 Crore against the purchase of 11.98 MUs during FY 2021-22 as the same is in line with the tariff for solar power approved by the Commission vide its Order dated 24th April, 2021 in Petition No. 42/2021.

Further, the Commission observed that the Petitioner has procured 160.04 MU of power from power exchange during FY 2021-22. The same has been verified from Power Purchase bills submitted by the Petitioner. It is also observed that the Power purchased from Exchange during FY 2021-22 included renewable power purchase from solar (10.60 MU) and non-solar (18.54 MU) sources. The same has been considered towards the fulfillment of RPO obligation and has been discussed in detail under *"Section 3.9: **Renewable Purchase Obligation**"* of this Order.

The Commission has verified the power purchase quantum and cost as per the monthly station-wise bills submitted by the Petitioner for each station. While examining the power purchase quantum and cost as per the monthly station-wise bills submitted by the Petitioner for each source, the Commission found that the power purchase cost as per audited accounts amounts to INR 1256.16 Cr and that there was a deviation of Rs. 7.06 Cr in Power Purchase cost as per Annual Accounts and as per details submitted by the EDDD. In this regard, the Commission vide TVS Letter dated 14th March, 2023 has directed the Petitioner to clarify the reasons for variation in the Power Purchase Cost. In response, the Petitioner vide Letter dated 23rd March, 2023 submitted that the variation of Rs. 7.06 Crore in Power Purchase Cost as per Accounts (Rs. 1256.15 Crore) vis-à-vis the details submitted by the Petitioner during FY 2021-22 (Rs. 1263.22 Crore) is on account of rebate received by the Department on timely payment of monthly bills raised by the power generating companies during the FY 2021-22. The Petitioner submitted that Power Purchase Cost as recorded in the Audited Accounts may be considered by the Commission for the purpose of Truing Up during FY 2021-22.

Noting down the submissions of the Petitioner, the Commission observes that the Petitioner in the initial Petition has considered the rebate of INR 6.93 Crore from Power Purchase Cost. Further, as per the submissions of the Petitioner vide Letter dated 23rd March, 2023, an additional rebate of INR 7.06 Crore has also been considered in the Power Purchase Cost leading to a total rebate of INR 13.99 Crore in the Power Purchase Cost.

In this regard,

Regulation 33.1 of the JERC MYT Regulations, 2018 provides as under:

*"The rebate to be provided by a Generating Company or Transmission Licensee to a Distribution Licensee for early payment of bills shall be in accordance with the prevalent CERC Tariff Regulations."*

Wherein Regulation 58 of CERC Tariff Regulations, 2019 provides as under:

*"(1) For payment of bills of the generating company and the transmission licensee through letter of credit on presentation or through National Electronic Fund Transfer (NEFT) or Real Time Gross Settlement (RTGS) payment mode within a period of 5 days of presentation of bills by the generating company or the transmission licensee, a rebate of 1.50% shall be allowed.*

...

*(2) Where payments are made on any day after 5 days and within a period of 30 days of presentation of bills by the generating company or the transmission licensee, a rebate of 1% shall be allowed."*

In view of the above, the Commission observes that the Rebate of Rs. 13.99 Crore claimed by the Petitioner during FY 2021-22 forms 1.11% of the total power Purchase Cost which is well above the minimum rebate of 1% to be availed by the Petitioner from Generating Companies towards the payment of Power Purchase Bills.

Further, the Commission has not deducted the rebate from Power Purchase cost and has considered the same as part of Non-Tariff income in accordance with Regulation 64 of JERC MYT Regulations, 2018.

Accordingly, considering the total rebate of Rs. 13.99 Crore during FY 2021-22, the Petitioner has incurred the Power Purchase Cost of Rs. 1270.14 Crore for FY 2021-22.

The following table provides the power purchase quantum and cost as approved by the Commission in true-up of FY 2021-22:

*Table 15: Power Purchase Quantum and Cost as approved by the Commission for FY 2021-22*

| Source | Units Purchased (MU) | Fixed Charges (INR Cr) | Variable Charges (INR Cr) | Other Charges (INR Cr) | All Charges Total (INR Cr) | Per Unit Cost |
|---|---|---|---|---|---|---|
| **NTPC Stations** | | | | | | |
| KSTPP 1&2 | 375.00 | 23.48 | 57.10 | 2.28 | 82.86 | 2.21 |
| KSTPP 3 | 47.38 | 5.76 | 7.12 | 1.21 | 14.10 | 2.97 |
| VSTPP 1 | 94.71 | 7.70 | 16.51 | 3.11 | 27.32 | 2.88 |
| VSTPP 2 | 64.32 | 4.51 | 10.49 | 0.10 | 15.10 | 2.35 |
| VSTPP 3 | 81.51 | 8.25 | 13.27 | -0.11 | 21.41 | 2.63 |
| VSTPP 4 | 93.33 | 13.80 | 15.12 | 0.13 | 29.05 | 3.11 |
| VSTPP 5 | 58.50 | 9.50 | 9.88 | -0.07 | 19.31 | 3.30 |
| KAWAS GPP | 4.01 | 18.69 | 2.15 | 0.87 | 21.71 | 54.16 |
| Gandhar GPP | 10.65 | 23.96 | 4.83 | 0.57 | 29.36 | 27.58 |
| SIPAT 1 | 158.99 | 21.45 | 24.86 | -0.26 | 46.05 | 2.90 |
| SIPAT 2 | 79.13 | 8.64 | 13.25 | -0.04 | 21.85 | 2.76 |
| MSTPS-I | 76.69 | 16.49 | 25.83 | 0.44 | 42.76 | 5.58 |
| MAUDA II | 73.92 | 17.56 | 25.75 | 1.14 | 44.45 | 6.01 |
| KHSTPS 2 | 13.68 | 1.48 | 3.33 | 0.04 | 4.84 | 3.54 |
| Solapur | 101.80 | 31.20 | 36.94 | 1.21 | 69.36 | 6.81 |
| LARA | 150.94 | 24.79 | 32.90 | -0.19 | 57.51 | 3.81 |
| GADARWARA | 150.48 | 41.93 | 47.58 | -0.39 | 89.12 | 5.92 |
| KHTPP | 117.27 | 29.87 | 35.14 | -0.21 | 64.80 | 5.53 |
| **Subtotal** | **1752.31** | **309.06** | **382.06** | **9.83** | **700.87** | **4.00** |
| | | | | | | |
| **NSPCL BHILAI** | **496.39** | **80.77** | **130.07** | **2.71** | **213.54** | **4.30** |
| | | | | | | |
| **NPCIL** | | | | | | |
| KAPPS | 58.91 | 0.00 | 13.54 | 0.00 | 13.54 | 2.30 |
| TAPPS 3&4 | 90.33 | 0.00 | 31.42 | 0.00 | 31.42 | 3.48 |
| **Subtotal** | **149.24** | **0.00** | **44.96** | **0.00** | **44.96** | **3.01** |
| | | | | | | |
| **Ratnagiri** | **27.46** | **13.77** | **21.65** | **-3.87** | **31.55** | **11.49** |
| | | | | | | |
| **Open Market Purchase** | | | | | | |
| PXIL/IEX | 160.04 | 0.00 | 55.63 | 0.00 | 55.63 | 3.48 |
| UI Under-drawl/ Over-drawl | 90.03 | 0.00 | 45.08 | 0.00 | 45.08 | 5.01 |
| Solar | 11.98 | 0.00 | 7.24 | 0.00 | 7.24 | 6.05 |
| Non-Solar | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | |
| Solar REC | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | |
| Non-Solar REC | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | |
| Solar (SECI, NTPC) | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | |
| Subtotal | **262.05** | **0.00** | **107.96** | **0.00** | **107.96** | **4.12** |
| | | | | | | |
| **Gross power Purchase** | **2687.46** | **403.60** | **686.70** | **8.68** | **1098.98** | **4.09** |
| | | | | | | |
| **Total Power Purchase** | **2687.46** | **403.60** | **686.70** | **8.68** | **1098.98** | **4.09** |

| Source | Units Purchased (MU) | Fixed Charges (INR Cr) | Variable Charges (INR Cr) | Other Charges (INR Cr) | All Charges Total (INR Cr) | Per Unit Cost |
|---|---|---|---|---|---|---|
| PGCIL CHARGES | | | | | 167.39 | |
| WRLDC | | | | | 0.27 | |
| MSETCL | | | | | 3.50 | |
| **Gross Total** | **2687.46** | **403.60** | **686.70** | **8.68** | **1270.14** | **4.73** |

**The Commission approves power purchase quantum of 2687.46 MU (including own Solar generation) and cost of INR 1270.14 Cr in the true-up of FY 2021-22.**

## *3.9. Renewable Purchase Obligation (RPO)*

**Petitioner's submission**

The Petitioner submitted that it has procured 11.98 MUs from its own Solar generation. The Petitioner further submitted that the power purchased from Exchange during FY 2021-22 included renewable power purchase from solar (10.60 MU) and non-solar (18.54 MU) sources. The Petitioner submitted that no Renewable Energy Certificate was purchased during FY 2021-22.

***Commission's Analysis***

As per Regulation 1.1 of the JERC for the State of Goa and UTs (Procurement of Renewable Energy) Regulations, 2010:

*"(1.1) Each distribution licensee shall purchase electricity (in kWh) from renewable energy sources, at a defined minimum percentage of the total consumption of all the consumers in its area during a year."*

The Commission notified the JERC (Procurement of Renewable Energy) (Third Amendment) Regulations, 2016 on August 22, 2016 and revised the RPO targets, according to which the Petitioner had to purchase 17.00% (Solar - 8.00% and Non-Solar - 9.00%) of its total consumption (excluding hydro) from renewable sources for FY 2021-22.

As per the above Regulations, for FY 2021-22 the Petitioner had a standalone target of renewable procurement of 422 MU comprising of 198.59 MU Solar and 223.41 MU Non-Solar. Against the target, the Petitioner has generated 11.98 MU of physical Solar power. The Petitioner also purchased renewable power through exchange which includes power from solar (10.60 MU) and non-solar (18.54 MU) sources. Further, EDD has also generated 22.34 MU of Solar Power through rooftop plants installed by the industries and 12.25 MU of Non-Solar power through biomass plant for captive consumption during FY 2021-22.

Based on the above, the Commission has computed the cumulative RPO compliance at the end of FY 2021-22 as shown in the following table:

*Table 16: Compliance status of Renewable Purchase Obligation (RPO) (MUs)*

| S. No | Particulars | FY 11 | FY 12 | FY 13 | FY 14 | FY 15 | FY 16 | FY 17 | FY 18 | FY19 | FY 20 | FY 21 | FY 22 |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| 1 | Solar Target | 0.25% | 0.30% | 0.40% | 0.40% | 0.60% | 0.85% | 1.65% | 2.50% | 3.60% | 4.70% | 6.10% | 8.00% |
| 2 | Non-Solar Target | 0.75% | 1.70% | 2.60% | 2.60% | 2.70% | 2.70% | 3.20% | 4.20% | 5.40% | 6.80% | 8.00% | 9.00% |
| | **Total Target** | **1.00%** | **2.00%** | **3.00%** | **3.00%** | **3.30%** | **3.55%** | **4.85%** | **6.70%** | **9.00%** | 11.50% | 14.10% | 17.00% |
| | | | | | | | | | | | | | |
| 3 | Sales Within UT | 1,655.20 | 1,771.17 | 1,862.95 | 1,754.08 | 1,621.72 | 1,691.98 | 1,757.11 | 2,101.22 | 2,433.91 | 2495.67 | 2126.89 | 2482.34 |
| | | | | | | | | | | | | | |

| S. No | Particulars | FY 11 | FY 12 | FY 13 | FY 14 | FY 15 | FY 16 | FY 17 | FY 18 | FY19 | FY 20 | FY 21 | FY 22 |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | **RPO Target** | | | | | | | | | | | | |
| 4 | Solar | 4.14 | 5.31 | 7.45 | 7.02 | 9.73 | 14.38 | 28.99 | 52.53 | 87.62 | 117.30 | 129.74 | 198.59 |
| 5 | Non-Solar | 12.41 | 30.11 | 48.44 | 45.61 | 43.79 | 45.68 | 56.23 | 88.25 | 131.43 | 169.71 | 170.15 | 223.41 |
| | **Total RPO Target** | **16.55** | **35.42** | **55.89** | **52.62** | **53.52** | **60.07** | **85.22** | **140.78** | **219.05** | **287.00** | **299.89** | **422.00** |
| | | | | | | | | | | | | | |
| | **RPO Compliance (Actual Purchase)** | | | | | | | | | | | | |
| 6 | Solar | 0.00 | 0.00 | 0.00 | 0.20 | 0.40 | 4.42 | 14.48 | 18.63 | 19.02 | 21.69 | 18.43 | 44.92 |
| 7 | Non-Solar | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 7.13 | 24.81 | 0.00 | 0.00 | 0.00 | 0.00 | 30.79 |
| | **Total RPO Compliance (Actual Purchase)** | **0.00** | **0.00** | **0.00** | **0.20** | **0.40** | **11.55** | **39.29** | **18.63** | **19.02** | **21.69** | **18.43** | **75.72** |
| | | | | | | | | | | | | | |
| | **RPO Compliance (REC Certificate Purchase)** | | | | | | | | | | | | |
| 8 | Solar | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 57.15 | 0.00 | 0.00 | 26.80 | 1.15 | 0.00 | 0.00 |
| 9 | Non-Solar | 0.00 | 0.75 | 4.70 | 13.20 | 79.73 | 108.23 | 13.33 | 85.01 | 0.00 | 64.60 | 180.00 | 0.00 |
| | **Total RPO Compliance (REC Certificate)** | **0.00** | **0.75** | **4.70** | **13.20** | **79.73** | **165.38** | **13.33** | **85.01** | **26.80** | **65.75** | **180.00** | **0.00** |
| | | | | | | | | | | | | | |
| | **RPO Compliance (REC+Actual)** | | | | | | | | | | | | |
| 10 | Solar | 0.00 | 0.00 | 0.00 | 0.20 | 0.40 | 61.57 | 14.48 | 18.63 | 45.82 | 22.84 | 18.43 | 44.92 |
| 11 | Non-Solar | 0.00 | 0.75 | 4.70 | 13.20 | 79.73 | 115.36 | 38.14 | 85.01 | 0.00 | 64.60 | 180.00 | 30.79 |
| | **Total RPO Compliance** | **0.00** | **0.75** | **4.70** | **13.40** | **80.13** | **176.93** | **52.62** | **103.64** | **45.82** | **87.44** | **198.43** | **75.72** |
| | | | | | | | | | | | | | |
| | **Cumulative Requirement till current year** | | | | | | | | | | | | |
| 12 | Solar | 4.14 | 9.45 | 16.90 | 23.92 | 33.65 | 48.03 | 77.02 | 129.55 | 217.18 | 334.47 | 464.21 | 662.80 |
| 13 | Non-Solar | 12.41 | 42.52 | 90.96 | 136.57 | 180.35 | 226.04 | 282.26 | 370.52 | 501.95 | 671.65 | 841.80 | 1065.21 |
| | **Total** | **16.55** | **51.98** | **107.86** | **160.49** | **214.00** | **274.07** | **359.29** | **500.07** | **719.12** | **1006.12** | **1306.01** | **1728.01** |
| | | | | | | | | | | | | | |
| | **Cumulative Compliance till current year** | | | | | | | | | | | | |
| 14 | Solar | 0.00 | 0.00 | 0.00 | 0.20 | 0.60 | 62.17 | 62.51 | 81.13 | 126.96 | 149.80 | 168.23 | 213.15 |
| 15 | Non-Solar | 0.00 | 0.75 | 5.45 | 18.65 | 98.38 | 213.74 | 251.88 | 338.87 | 336.89 | 401.49 | 581.49 | 612.28 |
| | **Total** | **0.00** | **0.75** | **5.45** | **18.85** | **98.98** | **275.91** | **314.39** | **418.03** | **463.85** | **551.29** | **749.72** | **825.43** |
| | | | | | | | | | | | | | |
| | **Cumulative Shortfall till current year** | | | | | | | | | | | | |
| 16 | Solar | 4.14 | 9.45 | 16.90 | 23.72 | 33.05 | -14.14 | 14.51 | 48.41 | 90.21 | 184.67 | 295.98 | 449.65 |
| 17 | Non-Solar | 12.41 | 41.77 | 85.51 | 117.92 | 81.97 | 12.30 | 30.38 | 33.63 | 165.06 | 270.16 | 260.31 | 452.93 |
| | **Total** | **16.55** | **51.23** | **102.41** | **141.64** | **115.02** | **-1.84** | **44.90** | **82.04** | **255.27** | **454.83** | **556.30** | **902.58** |

The Commission has noticed that out of total RPO target (422.00 MUs) set for FY 2021-22, the Petitioner has only achieved 17.94% (75.72 MUs) from Solar & Non-Solar Physical purchase. The Commission feels that the Petitioner has failed to cover not only the entire RPO shortfall till FY 2020-21 but also the standalone RPO target set for FY 2021-22.

The Commission notes that there is a net shortfall in RPO compliance till FY 2021-22 of 902.58 MU (Solar: 449.65 MU and Non-Solar: 452.93 MU) which includes standalone shortfall of 346.28 MU (Solar: 153.66 MU and Non-Solar: 192.62) for FY 2021-22. The following table provides the cost towards compliance of RPO approved in FY 2021-22.

*Table 17: Cost towards compliance of Renewable Purchase Obligation (INR Crore)*

| S. No. | Description | RPO (MU) | Total Cost (INR Cr) |
|---|---|---|---|
| 1 | Solar Purchase (Own Generation) | 11.98 | 7.24* |
| 2 | Solar REC | - | - |
| 3 | Non-Solar Purchase | - | - |
| 4 | Non-Solar REC | - | - |
| **5** | **Total** | **11.98** | **7.24** |

** The Cost has already been approved as a part of Power Purchase Cost for FY 2021-22.*

**The Commission approves the actual cost of INR 7.24 Cr towards compliance of RPO in the true-up of FY 2021-22 and the same has been considered as part of Power Purchase Cost for FY 2021-22.**

## 3.10. Operation & Maintenance Expenses

The Operation & Maintenance Expenses comprises of the Employee Expenses, Administrative and General Expenses (A&G) and the Repair & Maintenance Expenses (R&M). The JERC MYT Regulations, 2018 considers the variation of O&M Expenses to be controllable. Regulation 12.2 and Regulation 14 of the JERC MYT Regulation, 2018 states the following:

***"12. Uncontrollable and Controllable factors***

……

*12.2 For the purpose of these Regulations, the term "controllable factors" for a Transmission or Distribution Licensee shall comprise of the factors which were within the control of the Licensee, shall inter-alia include:*

…

*(h) Variation in O&M Expenses, except to the extent of inflation…"*

Therefore, any variation in O&M Expenses is attributable to the Petitioner and is not passed on in the ARR, other than any cost, which is beyond the control of the Petitioner.

***"14. Mechanism for sharing of gains or losses on account of controllable factors***

*14.1 Approved aggregate gain to the Transmission Licensee or Distribution Licensee on account of controllable factors shall be shared equally between Licensee and Consumers:*

*Provided that the mechanism for sharing of gains or losses on account of controllable factors for a Generating Company shall be as specified in the prevalent CERC Tariff Regulations.*

*14.2 Approved aggregate loss, if any to the Transmission Licensee or Distribution Licensee on account of controllable factors shall be on account of the Licensee, and shall not be passed to the Consumers."*

Therefore, any approved gain to the Distribution Licensee on account of controllable factors shall be shared equally between Licensee and Consumers in accordance with the JERC MYT Regulations, 2018. The calculation of the same has been discussed in detail in "*Section 3.21: Incentive/Disincentive towards over/under-achievement of norms of distribution losses*" of this Order. Further Regulations 51.6 provides as follows:

***"51. Operation and Maintenance (O&M) expenses for Distribution Wires Business***

….

*51.6 For the purpose of estimation, the same value of factors – CPIinflation and WPIinflation shall be used for all Years of the Control Period.* ***However, the Commission shall consider the actual values of the factors – CPIinflation and WPIinflation during the truing up exercise for the Year for which true up is being carried out and true up the O&M Expenses for that Year, only to the extent of inflation." (Emphasis supplied)***

### 3.10.1. Employee Expenses

**Petitioner's submission**

Employee expenses of INR 14.44 Cr have been incurred against approved expenses of INR 16.32 Cr in the APR Order. The employee expenses comprise of Salaries, Dearness allowance, Bonus, Terminal benefits in the form of Pension and Gratuity, Leave encashment and staff welfare expenses.

***Commission's Analysis***

As per the audited accounts submitted by the Petitioner, the employee expenses during FY 2021-22 are reflected as INR 14.44 Cr.

The JERC MYT Regulations, 2018, stipulates the variation in operation and maintenance expenditure to be a controllable factor and any approved gain to the Distribution Licensee on account of controllable factors shall be shared equally between Licensee and Consumers.

The Commission has determined the revised normative Employee Expenses which is based on the trued-up employee expenses of FY 2020-21 as approved in order dated 31st March, 2022, and actual CPI Inflation of FY 2021-22 (5.13%) w.r.t FY 2020-21 & Employee growth rate (Gn) for FY 2021-22 (0%) as per the methodology specified in Regulations 51.6 of the JERC MYT Regulations, 2018 as mentioned above. However, for the purpose of allowing component wise O&M Expenses, the Commission has considered the lower of total O&M expenses (Total of Employee, A&G and R&M Expenses) out of the Actual Expenses and Revised Normative Expenses. For FY 2021-22, the total Revised Normative O&M Expenses works out to be lower than total Actual O&M Expenses. The details of the Total Actual O&M Expenses and Total Revised Normative O&M Expenses is summarized as under:

*Table 18: Details of Total Actual and Normative Revised O&M Expenses approved by Commission for FY 2021-22 (INR Crore)*

| Sr. No. | Particulars | Actual Expenses for FY 2020-21 | CPI Inflation for EE and A&G / WPI Inflation for FY R&M for FY 2021-22 | Revised Normative Expenses for FY 2021-22 | Actual Expenses for FY 2021-22 |
|---|---|---|---|---|---|
| 1 | **Employee Expenses (EE)** | 15.34 | 5.13% | 16.13 | 14.44 |
| 2 | **A&G Expenses (A&G)** | 13.93 | 5.13% | 14.65 | 12.85 |
| 3 | **Repair & Maintenance (R&M)** | 14.43 | 13.00% | 19.65 | 27.15 |
| **Total O&M Expenses** | | **43.71** | **-** | **50.43** | **54.45** |

Accordingly, the employee expenses approved by the Commission are as follows:

*Table 19: Employee Expenses approved by the Commission for FY 2021-22 (INR Crore)*

| S. No. | Particulars | Approved in APR Order | Petitioner's Submission | Revised Normative EE | Trued- Up by the Commission |
|---|---|---|---|---|---|
| 1 | Employee Expenses (EE) | 16.32 | 14.44 | 16.13 | 16.13 |

### 3.10.2. Administrative and General (A&G) Expenses

**Petitioner's submission**

The Petitioner has submitted the actual A&G expenses of INR 12.85 Crore for FY 2021-22 as reflected in audited accounts against the approved expenses of INR 14.77 Cr in the APR Order.

***Commission's Analysis***

A&G expenses mainly comprises of rents, telephone and other communication expenses, professional charges, conveyance and travelling allowances, etc. As per the audited accounts submitted by the Petitioner the A&G expenses for FY 2021-22 are reflected as INR 12.85 Cr.

Similar to the approach followed while approving the revised normative Employee expenses the Commission has determined revised Normative A&G expenses which is based on the actual A&G expenses of FY 2020-21 and actual CPI Inflation for FY 2021-22 with respect to FY 2020-21. Accordingly, the A&G expenses approved by the Commission are as follows:

*Table 20: A&G Expenses approved by the Commission for FY 2021-22 (INR Crore)*

| S. No. | Particulars | Approved in APR Order | Petitioner's Submission | Revised Normative A&G | Trued- Up by the Commission |
|---|---|---|---|---|---|
| 1 | Administration & General Expenses (A&G) | 14.77 | 12.85 | 14.65 | 14.65 |

## 3.10.3. Repair & Maintenance (R&M) Expenses

**Petitioner's submission**

Actual R&M expenses of INR 27.15 Cr have been incurred against approved expenses of INR 17.81 Cr in the APR Order. R&M expenses are incurred towards day-to-day maintenance of the transmission and distribution network of the Petitioner and form an integral part of the Licensee's efforts towards providing reliable and quality power supply and reduction of losses in the system.

The Petitioner further submitted that the Repair and Maintenance expenses have increased by Rs. 9.34 Crore on account of the repair and maintenance works taken up by EDDD post to repair the damages caused to the power distribution system in the UT by cyclone Tauktae.

***Commission's Analysis***

For sharing of gains purpose the Commission has determined the revised normative R&M Expenses which is based on the Opening GFA of FY 2021-22, actual WPI Inflation (13.00%) for FY 2021-22 with respect to FY 2020-21 & k factor as approved in MYT order dated 20th May, 2019 for FY 2021-22, i.e., 3.26%. Further, similar to the approach followed while approving the Employee expenses above, the Commission approves the R&M Expenses as follows:

*Table 21: R&M Expenses approved by the Commission for FY 2021-22 (INR Crore)*

| S. No. | Particulars | Approved in APR Order | Petitioner's Submission | Revised Normative R&M | Trued- Up by the Commission |
|---|---|---|---|---|---|
| 1 | Repair & Maintenance Expenses (R&M) | 17.81 | 27.15 | 19.65 | 19.65 |

## 3.10.4. Total Operation and Maintenance (O&M) Expenses

Any approved gain to the Distribution Licensee on account of controllable factors shall be shared equally between Licensee and Consumers in accordance with the JERC MYT Regulations, 2018. The calculation of the same has been discussed in detail in "Section 3.21: Incentive/Disincentive towards over/under-achievement of Controllable Factors" of this Order.

The following table provides the O&M expenses, approved by the Commission in the APR Order, Petitioner's submission and O&M expenses now trued-up by the Commission.

*Table 22: O&M Expenses approved by the Commission for FY 2021-22 (INR Crore)*

| S. No. | Particulars | Approved in APR Order | Petitioner's Submission | Revised Normative Expenses | Trued- Up by the Commission |
|---|---|---|---|---|---|
| 1 | Employee Expenses | 18.03 | 14.44 | 16.13 | 16.13 |
| 2 | Administrative & General Expenses (A&G) | 11.56 | 12.85 | 14.65 | 14.65 |
| 3 | Repair & Maintenance Expenses | 22.34 | 27.15 | 19.65 | 19.65 |
| **4** | **Total Operation & Maintenance Expenses** | **51.93** | **54.44** | **50.43** | **50.43** |

**The Commission approves the revised normative Operation & Maintenance (O&M) expenses of INR 50.43 Cr and actual O&M expenses of Rs 54.44 in the true-up of FY 2021-22. As the actual O&M expenses are higher than the revised normative expenses, the Commission in accordance with the provisions of JERC MYT Regulations, 2018 has not carried out the sharing of gains on account of O&M Expenses.**

## *3.11. Capital Expenditure and Capitalization*

**Petitioner's submission**

The actual capital expenditure incurred in FY 2021-22 was INR 39.17 Cr and capitalization achieved during the year was INR 39.17 Cr, against the approved capital expenditure of INR 20.00 Cr and capitalization of INR 5.00 Cr in the APR Order.

***Commission's Analysis***

The Commission observes that the capitalization achieved by the Petitioner is higher than that approved by the Commission in the APR Order. The Commission through the deficiency note dated 8th February, 2023 asked the Petitioner to submit the reasons for substantial variation in Capitalization claimed vis-vis Capitalization approved by the Commission. Further, the Commission vide TVS Letter dated 14th March, 2023 directed the Petitioner to provide scheme wise details of the Capitalisation claimed by Petitioner amounting to INR 39.17 Crore. The Petitioner in its reply submitted that the capitalization amounting to INR 39.17 Crore claimed in the true up petition are miscellaneous in nature and were not approved under the Business Plan. The Petitioner further submitted that the details of the assets capitalised during the FY 2021-22 have been provided in the fixed asset register submitted by the Petitioner.

Noting down the submissions of the Petitioner, the Commission observes that although the Capitalization claimed during FY 2021-22 has not been approved in the Business Plan, the capitalization of INR 39.17 Cr claimed for FY 2021-22 is within the total capitalization of INR 48.00 Cr approved by the Commission for FY 2021-22 vide Business Plan Order dated 5th November, 2018. The Commission has also verified the claim of INR 39.17 Cr from the Fixed Asset Register (FAR) of FY 2021-22 submitted by the Petitioner.

In view of the above, as a one-time measure, the Commission approves the capitalization of **INR 39.17 Cr** for FY 2021-22. **Further the Commission directs the Petitioner to not to make claims for unapproved capitalization in future. The Commission also directs the Petitioner to take prior approval for such unapproved Capital Expenses by filing a separate Petition to the Commission.**

The capital expenditure and capitalization approved by the Commission is shown in the table below:

*Table 23: Capital Expenditure and Capitalization approved by the Commission for FY 2021-22 (INR Crore)*

| S. No. | Particulars | Approved in APR Order | Petitioner's Submission | Trued-up by Commission |
|---|---|---|---|---|
| 1 | Capital Expenditure | 20.00 | 39.17 | 39.17 |
| 2 | Capitalization | 5.00 | 39.17 | 39.17 |

**The Commission approves Capital Expenditure and Capitalization of INR 39.17 Cr in the true-up of FY 2021-22.**

## 3.12. Capital Structure

**Petitioner's Submission**

The actual capital expenditure of Rs. 39.17 Crore incurred by EDDD during the FY 21-22 was higher than that approved by the Hon'ble Commission in its Tariff Order dated 31st March, 2022. The Petitioner has considered the funding of capitalization through normative debt:equity ratio of 70:30.

***Commission's Analysis***

The JERC MYT Regulations 2018, specify that if the equity actually deployed is more than 30% of the capital cost, then equity in excess of 30% would be considered as normative loan. Regulation 26.2 of the JERC MYT Regulations 2018 states the following:

"*26.2 For New Projects, the debt-equity ratio as on the Date of Commercial Operation shall be 70:30 of the amount of capital cost approved by the Commission under Regulation 23, after prudence check for determination of tariff:*

*Provided that where equity actually deployed is less than 30% of the capital cost of the capitalised asset, the actual equity shall be considered for determination of tariff:*

*Provided also that if the equity actually deployed is more than 30% of the capital cost, equity in excess of 30% shall be treated as a normative loan for the Licensee for determination of tariff:*
*……"*

In accordance with the JERC MYT Regulations, 2018, the Commission has determined the capital structure for FY 2021-22. The opening Gross Fixed Assets for FY 2021-22 has been considered as closing Gross Fixed Assets approved in true-up of FY 2020-21.

The Commission in its APR Order dated 31st March, 2022 has held as under:

*"With regard to the approval of Opening GFA for FY 2021-22, the Commission has modified the opening GFA. The Commission vide order dated 28th April 2021 in Petition No. 42/2021 had directed EDDD to segregate the cost of solar assets from the FAR while filing the Petition for APR of FY 2021-22 along with the MYT Petition for 3rd Control Period. The Commission further directed the Petitioner to exclude the same from GFA while considering the same as on 1st April 2021. Further, the Hon'ble Commission allowed EDDD to include the cost incurred towards the power procurement from solar assets in the Power Purchase Cost from 1stt April 2021 onwards. However, the Petitioner has not included the power purchase cost for power purchase from solar assets in FY 2021-22.*

*In this regard, the Petitioner in response to 3rd Deficiency Note has submitted details of Power Procurement from Solar Assets during FY 2021-22 and each year of the Control Period. The Commission while approving the power purchase cost for FY 2021-22 has considered the power purchase cost of solar power as per the Commission's Order dated 28th April 2021 in Petition No. 42/2021.*

*As the cost of solar power is considered separately, the cost of solar assets needs to be adjusted from total assets to avoid double accounting of the costs allowed to the Petitioner. Accordingly, Solar Assets of INR 73.30 Crore as on 31st March 2021* *as per Fixed Asset Register has been reduced from GFA of EDDD as on 31st March 2021 to arrive the Gross Block net off Solar Assets for EDDD as on 1st April 2021.*

*Further assets worth INR. 34.72 Crore under Plant and Machinery & IT Equipment Head of FAR have achieved 90% depreciation. The same have been adjusted with opening GFA to arrive revised GFA as on 1st April 2021.*

*The opening Gross Fixed Assets for FY 2021-22 has been considered as closing Gross Fixed Assets approved in true-up of FY 2020-21. Further, the values of opening loan and equity for FY 2021-22 has been considered as closing loan and equity approved in true-up of FY 2020-21. The Opening Loan Balance and Equity Balance have also been adjusted in normative Debt:Equity ratio of 70:30 as on 1st April 2021 for adjustment of Solar Assets. The Loan and Equity addition have been considered on normative basis as 70% and 30% respectively of the approved capitalization for the year. Accordingly, the details of approved GFA, Loan and Equity for FY 2021-22 is as under:*

*Table 63: GFA addition approved by the Commission for FY 2021-22 (INR Crore)*

| S. No | Particulars | Approved in ARR Order | Petitioner's Submission | Now Approved by Commission |
|---|---|---|---|---|
| 1 | Opening Gross Fixed Assets | 665.69 | 641.94 | 641.37 |
| 2 | Less: Assets Depreciated up to 90% till FY 2020-21 | 0.00 | 0.00 | 34.72 |
| 3 | Adjustment for Solar Assets | 0.00 | 0.00 | 73.30 |
| 4 | Modified Opening Gross Fixed Assets for FY 2021-22 | 665.69 | 641.94 | 533.36 |
| 5 | Additions during the FY 2021-22 | 49.60 | 5.00 | 5.00 |
| 6 | Closing Gross Fixed Assets | 715.29 | 646.94 | 538.36 |

*Table 64: Normative Loan addition (INR Crore)*

| S. No | Particulars | Approved in ARR Order | Petitioner's Submission | Now Approved by Commission |
|---|---|---|---|---|
| 1 | Opening Normative Loan | 140.53 | 113.53 | 124.37 |
| 2 | Less: Adjustment for Solar Assets | 0.00 | 0.00 | 51.31 |
| 3 | Revised Opening Normative Loan | 140.53 | 113.53 | 73.06 |
| 4 | Add: Normative Loan During the year | 34.30 | 3.50 | 3.50 |
| 5 | Less: Normative Repayment equivalent to Depreciation | 24.05 | 22.40 | 18.36 |
| 6 | Closing Normative Loan | 150.78 | 94.63 | 58.21 |

*Table 65: Normative Equity addition (INR Crore)*

| S. No | Particulars | Approved in ARR Order | Petitioner's Submission | Now Approved by Commission |
|---|---|---|---|---|
| 1 | Opening Equity | 101.65 | 94.53 | 94.53 |
| 2 | Adjustment for Solar Assets | 0.00 | 0.00 | 21.99 |
| 2 | Additions on account of new capitalization | 14.70 | 1.50 | 1.50 |
| 3 | Closing Equity | 116.35 | 96.03 | 74.04 |

…

”

In view of the methodology adopted by the Commission during APR of FY 2021-22, the Commission has determined the capital structure for FY 2021-22 as follows:

*Table 24: Funding Plan approved by the Commission for FY 2021-22 (INR Crore)*

| S. No | Particulars | Approved in APR Order | Petitioner's Submission | Now Approved by Commission |
|---|---|---|---|---|
| 1 | Capitalization | 5.00 | 39.17 | 39.17 |
| 2 | Debt (%) | 70% | 70% | 70% |
| 3 | Equity (%) | 30% | 30% | 30% |
| **4** | **Normative Loan** | **3.50** | **27.42** | **27.42** |
| **5** | **Equity** | **1.50** | **11.75** | **11.75** |

The details of approved GFA, Loan and Equity for FY 2021-22 is as under:

*Table 25: GFA addition approved by the Commission for FY 2021-22 (INR Crore)*

| S. No. | Particulars | Approved in APR Order | Petitioner's Submission | Now Approved by Commission |
|---|---|---|---|---|
| 1 | Opening Gross Fixed Assets | 641.37 | 546.24 | 641.37 |
| 2 | Less: Assets Depreciated up to 90% till FY 2020-21 | 34.72 | 0.00 | 34.72 |
| 3 | Adjustment for Solar Assets | 73.30 | 0.00 | 73.30 |
| 4 | Modified Opening Gross Fixed Assets for FY 2021-22 | 533.36 | 546.24 | 533.36 |
| 5 | Additions during the FY 2021-22 | 5.00 | 39.17 | 39.17 |
| 6 | Closing Gross Fixed Assets | 538.36 | 585.41 | 572.53 |

*Table 26: Normative Loan addition (INR Crore)*

| S. No. | Particulars | Approved in APR Order | Petitioner's Submission | Now Approved by Commission |
|---|---|---|---|---|
| 1 | Opening Normative Loan | 124.37 | 124.37 | 124.37 |
| 2 | Less: Adjustment for Solar Assets | 51.31 | 0.00 | 51.31 |
| 3 | Revised Opening Normative Loan | 73.06 | 124.37 | 73.06 |
| 4 | Add: Normative Loan During the year | 3.50 | 27.42 | 27.42 |
| 5 | Less: Normative Repayment equivalent to Depreciation | 18.36 | 28.44 | 19.00 |
| 6 | Closing Normative Loan | 58.21 | 123.35 | 81.48 |

*Table 27: Normative Equity addition (INR Crore)*

| S. No. | Particulars | Approved in APR Order | Petitioner's Submission | Now Approved by Commission |
|---|---|---|---|---|
| 1 | Opening Equity | 94.53 | 94.53 | 94.53 |
| 2 | Adjustment for Solar Assets | 21.99 | 0.00 | 21.99 |
| 2 | Additions on account of new capitalization | 1.50 | 11.75 | 11.75 |
| 3 | Closing Equity | 74.04 | 106.28 | 84.29 |

## 3.13. Depreciation

**Petitioner's submission**

The Petitioner has submitted that for computation of depreciation, the opening GFA and actual addition during FY 2021-22 have been considered as per the audited annual accounts for FY 2021-22. Further, the Petitioner has submitted that the depreciation for the year has been worked out after applying the Depreciation rates as per the JERC (Multi Year Tariff) Regulations, 2018.

***Commission's Analysis***

Regulation 30 of the JERC MYT Regulations 2018, states the following:

"***30. Depreciation***

*30.1 The value base for the purpose of depreciation shall be the capital cost of the asset admitted by the Commission:*

*Provided that the depreciation shall be allowed after reducing the approved original cost of the retired or replaced or decapitalized assets:*
*Provided also that the no depreciation shall be allowed on the assets financed through consumer contribution, deposit work, capital subsidy or grant.*

*30.2 The salvage value of the asset shall be considered as 10% and depreciation shall be allowed up to a maximum of 90% of the capital cost of the asset*

*30.3 Land other than the land held under lease shall not be a depreciable asset and its cost shall be excluded from the capital cost while computing depreciable value of the assets.*

*30.4 In case of existing assets, the balance depreciable value as on April 1, 2019, shall be worked out by deducting the cumulative depreciation as admitted by the Commission up to March 31, 2018, from the gross depreciable value of the assets.*

*30.5 The depreciation shall be chargeable from the first Year of commercial operations. In case of projected commercial operation of the assets during the Year, depreciation shall be computed based on the average of opening and closing value of assets:*

*Provided that depreciation shall be re-calculated during truing-up for assets capitalised at the time of truing up of each Year of the Control Period, based on documentary evidence of asset capitalised by the Applicant, subject to the prudence check of the Commission.*
*..."*

As per the norms specified in the JERC MYT Regulations, 2018 the Commission has verified the asset wise capitalization of the Petitioner and has accordingly used asset wise depreciation rate prescribed in the JERC MYT Regulations, 2018 as provided in the table as follows:

*Table 28: Depreciation Rate (%)*

| Description | Rate |
|---|---|
| Plant & Machinery | 3.60% |
| Buildings | 1.80% |
| Vehicles | 18.00% |
| Furniture & Fixtures | 6.00% |
| Computers & Others | 6.00% |
| Land | 0.00% |

The Petitioner as part of this Petition has submitted the Fixed Asset Register (FAR) for FY 2021-22. It is observed that the Petitioner has worked out the depreciation for the year based on the Fixed Asset Register prepared for FY 2021-22.

As discussed in the section above, the Commission has determined the revised GFA after deducting the value of solar assets and assets that have achieved 90% depreciation. The opening GFA for FY 2021-22 has been considered as Rs. 533.36 Crore as approved under *Section 3.12: Capital Structure* of this Order. Further, depreciation has been computed on average Gross Fixed Assets (GFA) after considering the net addition proposed during the year. The depreciation rate has been considered as weighted average rate of depreciation considering actual break-up of assets into various asset classes and depreciation rates in accordance with the JERC MYT Regulations, 2018.

The following table provides the calculation of revised GFA for the year FY 2021-22:

*Table 29: Calculation of revised GFA for FY 2021-22 (INR Crore)*

| Description | Opening GFA as per audited accounts | Less: Adjustment of Solar Asset | Less: Assets Depreciated upto 90% till FY 2020-21 | Revised Opening GFA | Addition/ Deletion during the year | Closing GFA | Average GFA |
|---|---|---|---|---|---|---|---|
| Plant & Machinery | 574.56 | 73.30 | 32.16 | 469.11 | 36.36 | 505.47 | 487.29 |
| Buildings | 23.86 | - | - | 23.86 | 0.11 | 23.97 | 23.91 |
| Vehicles | 0.10 | - | - | 0.10 | 0.00 | 0.10 | 0.10 |
| Furniture & Fixtures | 2.87 | - | - | 2.87 | 0.03 | 2.90 | 2.88 |
| Computers & Others | 15.20 | - | 2.56 | 12.64 | 2.67 | 15.31 | 13.98 |
| Land | 24.79 | - | - | 24.79 | 0.00 | 24.79 | 24.79 |
| **Total** | **641.37** | **73.30** | **34.72** | **533.36** | **39.17** | **572.53** | **552.94** |

The following table provides the calculation of depreciation during the year FY 2021-22:

*Table 30: Depreciation approved by the Commission for FY 2021-22 (INR Crore)*

| S. No. | Particulars | Approved in APR Order | Petitioner's Submission | Now Approved by Commission |
|---|---|---|---|---|
| 1 | Closing GFA approved in the True-up of FY 2020-21 (a) | 641.37 | 546.24 | 641.37 |
| 2 | Adjustment of Solar Asset (b) | 73.30 | 0.00 | 73.30 |
| 3 | Less: Assets depreciated up to 90% till FY 2020-21 (c) | 34.72 | 0.00 | 34.72 |
| 4 | Revised Opening Gross Fixed Assets (a-b-c) | 533.36 | 546.24 | 533.36 |
| 5 | Additions during the FY | 5.00 | 39.17 | 39.17 |
| 6 | Closing GFA | 538.36 | 585.41 | 572.53 |
| 7 | Average Gross Fixed Assets | 535.86 | 565.03 | 552.94 |
| 8 | Rate of Depreciation (%) | 3.43% | 5.03% | 3.44% |
| **9** | **Depreciation** | **18.36** | **28.44** | **19.00** |

The Petitioner while calculating the Depreciation relied on depreciation rates of various assets groups such as Plant & Machinery & Computers & Others as considered in the FAR as per Companies Act. This resulted in higher estimation of depreciation by the Petitioner. Hence the significant difference is observed in the depreciation as claimed by the Petitioner & approved by the Commission for FY 2021-22.

**The Commission approves depreciation of INR 19.00 Cr in the true-up of FY 2021-22.**

## 3.14. Interest on Loan

**Petitioner's submission**

The Petitioner has submitted the Interest on Loan on normative basis. The normative loan addition in FY 2021-22 has been computed as 70% of the capitalization for FY 2021-22. The repayment of loans has been considered equal to the depreciation during FY 2021-22.

Further the rate of interest has been considered as the State Bank of India Prime Lending Rate (SBI PLR) as on 1st April, 2021 plus 100 basis points of 8.00%.

***<u>Commission's Analysis</u>***

Regulation 28 of the JERC MYT Regulations provides:

"***28. Interest on Loan***

*28.1 The loans arrived at in the manner indicated in Regulation 26 on the assets put to use, shall be considered as gross normative loan for calculation of interest on the loan:*

*Provided that interest and finance charges on capital works in progress shall be excluded:*

*Provided further that in case of De-capitalisation or retirement or replacement of assets, the loan capital shall be reduced to the extent of outstanding loan component of the original cost of the de-capitalised or retired or replaced assets, based on documentary evidence.*

*28.2 The normative loan outstanding as on April 1, 2019, shall be worked out by deducting the cumulative repayment as admitted by the Commission up to March 31, 2018, from the gross normative loan.*

*28.3 Notwithstanding any moratorium period availed by the Transmission Licensee or the Distribution Licensee, as the case may be, the repayment of loan shall be considered from the first Year of commercial operation of the project and shall be equal to the annual depreciation allowed in accordance with Regulation 30.*

*28,4 The rate of interest shall be the weighted average rate of interest calculated on the basis of the actual loan portfolio at the beginning of each Year applicable to the Transmission Licensee or the Distribution Licensee:*

*Provided that at the time of truing up, the weighted average rate of interest calculated on the basis of the actual loan portfolio during the Year applicable to the Transmission Licensee or the Distribution Licensee shall be considered as the rate of interest:*

*Provided also that if there is no actual loan for a particular Year but normative loan is still outstanding, the last available weighted average rate of interest for the actual loan shall be considered:*

*Provided further that if the Transmission Licensee or the Distribution Licensee does not have actual loan, then one (1) Year State Bank of India (SBI) MCLR / any replacement thereof as notified by RBI for the time being*

*in effect applicable for one (1) Year period, as may be applicable as on 1st April of the relevant Year plus 100 basis points shall be considered as the rate of interest for the purpose of allowing the interest on the normative loan.*

*28.5 The interest on loan shall be calculated on the normative average loan of the Year by applying the weighted average rate of interest:*

*Provided that at the time of truing up, the normative average loan of the Year shall be considered on the basis of the actual asset capitalisation approved by the Commission for the Year.*

*28.6 For new loans proposed for each Financial Year of the Control Period, interest rate shall be considered as lower of (i) one (1) Year State Bank of India (SBI) MCLR / any replacement thereof as notified by RBI for the time being in effect applicable for one (1) Year period, as may be applicable as on 1st April of the relevant Year plus 100 basis points, and (ii) weighted average rate of interest proposed by the Distribution Licensee."*

In accordance with the above, the Commission has considered the values for opening loan and loan addition as approved in the *Section 3.12: Capital Structure* of this Order. Further, the repayment is considered the same as depreciation approved for the year. In accordance with the provisions of JERC MYT Regulations, 2018, the Commission for the purpose of calculation of Interest on Loan has considered the interest rate of 8.00% i.e. SBI MCLR as on 1st April, 2021 (7.00%) plus 100 basis points.

The following table provides the Interest on Loan, approved by the Commission in the APR Order, Petitioner's submission and now trued-up by the Commission.

*Table 31: Interest on Loan approved by the Commission for FY 2021-22 (INR Crore)*

| S. No. | Particulars | Approved in ARR Order | Petitioner's Submission | Now Approved by Commission |
|---|---|---|---|---|
| 1 | Opening Normative Loan | 124.37 | 124.37 | 124.37 |
| 2 | Less: Adjustment for Solar Asset | 51.31 | 0.00 | 51.31 |
| 3 | Revised Opening Normative Loan | 73.06 | 124.37 | 73.06 |
| 4 | Add: Normative Loan During the year | 3.50 | 27.42 | 27.42 |
| 5 | Less: Normative Repayment equivalent to Depreciation | 18.36 | 28.44 | 19.00 |
| 6 | Closing Normative Loan | 58.21 | 123.35 | 81.48 |
| 7 | Average Normative Loan | 65.63 | 123.86 | 77.27 |
| 8 | Rate of Interest (%) | 8.00% | 8.00% | 8.00% |
| | **Interest on Loan** | **5.25** | **9.91** | **6.18** |

**The Commission approves the Interest of Loan of INR 6.18 Cr in the true-up of FY 2021-22.**

## *3.15. Return on Equity (RoE)*

**Petitioner's submission**

The RoE is calculated in accordance with the JERC MYT Regulations 2018 and is computed on 30% of the capital base. The equity addition has been considered to the tune of 30% of assets capitalized during the year. The Petitioner has computed the Return on Equity at 16% on post-tax basis.

***Commission's Analysis***

The Regulation 27.2 and 27.3 of the JERC MYT Regulations, 2018 specifies the following:

"**27. Return on Equity**

*27.2 The return on equity for the Distribution Wires Business shall be allowed on the equity capital determined in accordance with Regulation 26 for the assets put to use at post-tax rate of return on equity specified in the prevalent CERC Tariff Regulations for transmission system.*

*27.3 The return on equity for the Retail Supply Business shall be allowed on the equity capital determined in accordance with Regulation 26 for the assets put to use, at the rate of sixteen (16) per cent per annum."*

Further, in this regard, the Regulation 30(2) of the CERC (Terms and Conditions of Tariff) Regulations, 2019 stipulates the following:

**"30. Return on Equity:**

………

*30.2 Return on equity shall be computed at the base rate of* ***15.50%*** *for thermal generating station,* ***transmission system*** *including communication system and run-of river hydro generating station, and at the base rate of 16.50% for the storage type hydro generating stations including pumped storage hydro generating stations and run-of river generating station with pondage:*
*……..”* ***(Emphasis supplied)***

The Commission has segregated the approved average equity (average of opening and closing equity) into average equity for Distribution Wires Business and Retail Supply Business based on the Allocation Statement provided in the JERC MYT Regulations, 2018, i.e., 90% allocation for the Distribution Wires Business and 10% allocation for the Retail Supply Business. The Commission has considered a rate of 15.50% for the Distribution Wires Business (as per the prevalent CERC Regulations mentioned above) and a rate of 16% for the Retail Supply Business.

The RoE has been calculated on the average of opening and closing of equity during the year at the rate of 16% on post-tax basis for Retail Supply Business and 15.50% on post-tax basis for wires business. The opening equity has been considered as approved in under *Section 3.12: Capital Structure* of this Order. The following table provides the return on equity approved in the APR Order, the Petitioner's submission and the RoE now approved by the Commission.

*Table 32: RoE approved by the Commission for FY 2021-22 (INR Crore)*

| S. No. | Particulars | Approved in APR Order | Petitioner's Submission | Now Approved by Commission |
|---|---|---|---|---|
| 1 | Opening Equity | 94.53 | 94.53 | 94.53 |
| 2 | Less: Adjustment for Solar Assets | 21.99 | 0.00 | 21.99 |
| 3 | Additions on account of new capitalization | 1.50 | 11.75 | 11.75 |
| 4 | Closing Equity | 74.04 | 106.28 | 84.29 |
| 5 | Average Equity | 73.29 | 100.41 | 78.41 |
| 6 | Average Equity (Wires Business) | 65.96 | 90.37 | 70.57 |
| 7 | Average Equity (Retail Supply Business) | 7.33 | 10.04 | 7.84 |
| 8 | Return on Equity for Wires Business (%) | 15.50% | 15.50% | 15.50% |
| 9 | Return on Equity for Retail Supply Business (%) | 16.00% | 16.00% | 16.00% |
| 10 | Return on Equity for Wires Business | 10.22 | 14.01 | 10.94 |
| 11 | Return on Equity for Retail Supply Business | 1.17 | 1.61 | 1.25 |
| 12 | **Return on Equity** | **11.40** | **15.61** | **12.19** |

**The Commission approves a Return on Equity of INR 12.19 Cr in the true-up of FY 2021-22.**

## 3.16. Interest on Security Deposits

**Petitioner's submission**

Payments of INR 4.00 Cr were released to the consumers towards interest on security deposits during FY 2021-22 against INR 3.67 Cr approved by the Commission in the APR Order.

***Commission's Analysis***

As per Regulation 5.135 of the JERC Electricity Supply Code Regulations, 2018

*"5.135 The Licensee shall pay interest to the consumer at the State Bank of India Base Rate prevailing on the 1st of April for the year, payable annually on the consumer's security deposit with effect from date of such*

*deposit in case of new connections energized after the date of this notification, or in other cases, from the date of notification of this Supply Code, 2018. The interest accrued during the year shall be adjusted in the consumer's bill for the first billing cycle of the ensuing financial year. If the Security Deposit is submitted in the form of Bank Guarantee or by providing lien against fixed deposits, no interest shall be payable to the consumer."*

The Commission observed that Petitioner has not submitted the Security Deposits maintained in the form of Bank Guarantee.

The Petitioner submitted that the Petitioner has paid the interest on Security Deposit at the interest rate of 4.65%.

Considering the Opening and Closing Values for Consumer Deposits as per the annual accounts and the prevailing RBI Bank rate of 4.25%, the Commission has worked out the normative Interest on Consumer Deposits as shown below:

*Table 33: Interest on security deposit calculation for FY 2021-22 (INR Crore)*

| Opening Security Deposit | Add: Deposits During the year | Less: Deposits refunded During the year | Closing Security Deposit | Average Security Deposit | Rate of Interest (%) | Interest on Security Deposit |
|---|---|---|---|---|---|---|
| 96.05 | 9.40 | | 105.46 | 100.76 | 4.25% | 4.28 |

The Commission observed that the Petitioner has claimed actual interest on security deposit of INR 4.00 Crore which is lower than the normative Interest on Consumer Deposits worked out above. Accordingly, the Commission at this stage has considered the actual interest on consumer security deposit of INR 4.00 Crore as per Annual Accounts.

The Commission has considered the actual interest on security deposit disbursed to the consumers in their bills, as reflected in the audited accounts of FY 2021-22 for truing-up.

The following table provides the interest on security deposit as approved in the APR Order, the Petitioner's submission and the interest now approved by the Commission:

*Table 34: Interest on Consumer Security Deposits approved by the Commission for FY 2021-22 (INR Crore)*

| S. No. | Particulars | Approved in APR Order | Petitioner's Submission | Trued-up by Commission |
|---|---|---|---|---|
| 1 | **Interest on Security Deposit** | 3.67 | 4.00 | 4.00 |

**The Commission approves interest on security deposit as INR 4.00 Cr in the true-up of FY 2021-22.**

## *3.17. Interest on Working Capital*

**Petitioner's submission**

The interest on working capital has been calculated based on the normative principles outlined in the JERC (Multi-Year Tariff) Regulations, 2018.

The working capital requirement has been computed considering the following parameters:

(a) O&M Expense for 1 month
(b) Maintenance spares at 40% of R&M expenses for one (1) month
(c) Receivables equivalent to two (2) months of the expected revenue requirement

(d) Amount, held as security deposits

The interest on working capital is computed at 9.00% rate of interest which has been worked out considering SBI PLR as on 1st April, 2021 of 7.00% plus 200 basis points.

***<u>Commission's Analysis</u>***

The computation of working capital requirements and the rate of interest to be considered are stipulated in the JERC MYT Regulations, 2018. Regulation 52.1 & 31 of the JERC MYT Regulations 2018 states the following:

*"52.1 The Distribution Licensee shall be allowed interest on the estimated level of working capital for the Distribution Wires Business for the Financial Year, computed as follows:*

*(a) O&M Expense for 1 month; plus*
*(b) Maintenance spares at 40% of R&M expenses for one (1) month; plus*
*(c) Receivables equivalent to two (2) months of the expected revenue from charges for use of distribution wires at the prevailing tariff; Less*
*(d) Amount, held as security deposits*

........

*31.4 The rate of interest on working capital shall be equal one (1) Year State Bank of India (SBI) MCLR / any replacement thereof as notified by RBI for the time being in effect applicable for one (1) Year period, as may be applicable as on 1stApril of the Financial Year in which the Petition is filed plus 200 basis points."*

The Commission, for determination of working capital requirements of the Petitioner during the year, has considered the receivables equivalent to two months of the expected revenue requirement, the consumer security deposit, the O&M Expenses for one month & Maintenance spares as 40% of R&M expenses as approved for FY 2021-22.

With regards to the interest rate, the Commission has considered the SBI MCLR rates (One Year) as on 1st April, 2021 plus 200 basis points which is 9.00%.

The computation of Interest on Working Capital as shown in the table below in the following table:

*Table 35: Interest on Working Capital approved by the Commission for FY 2021-22 (INR Crore)*

| S. No. | Particulars | Approved in ARR Order | Petitioner's Submission | Now Approved by Commission |
|---|---|---|---|---|
| 1 | O&M Expenses for One Month | 4.08 | 4.54 | 4.20 |
| 2 | Maintenance spares at 40% of R&M expenses for one (1) month | 0.59 | 0.91 | 0.65 |
| 3 | Receivables equivalent to two (2) months of the expected revenue requirement | 215.03 | 234.34 | 234.34 |
| 4 | Less: Amount, held as security deposits | 95.87 | 105.46 | 105.46 |
| 5 | Net Working Capital | 123.83 | 134.33 | 133.74 |
| 6 | Rate of Interest (%) | 9.00% | 9.00% | 9.00% |
| 7 | **Interest on Working Capital** | **11.14** | **12.09** | **12.04** |

**The Commission approves the Interest on Working Capital as INR 12.04 Cr in the True-Up of FY 2021-22.**

## *3.18. Income Tax*

**Petitioner's submission**

No submission has been made in this regard.

***Commission's Analysis***

Regulation 32 of the JERC MYT Regulations, 2018 provides for allowance of provisional Income Tax based on the actual income tax paid in previous year, if any, as per the latest audited accounts available. The Commission has observed that the actual tax payment as per the latest audited accounts available for FY 2021-22 is nil. Accordingly, for FY 2021-22, no income tax liability has been considered

*Table 36: Income Tax approved by the Commission for FY 2021-22 (INR Crore)*

| S. No. | Particulars | Approved in APR Order | Petitioner's Submission | Trued-up by Commission |
|---|---|---|---|---|
| 1 | Income Tax | - | - | - |

**The Commission approves Income Tax liability as Nil for FY 2021-22.**

## 3.19. Non-Tariff Income (NTI)

**Petitioner's submission**

The Petitioner has submitted the actual Non-Tariff Income of INR 8.18 Cr for FY 2021-22 as against INR 6.22 Cr approved in APR for FY 2021-22.

***Commission's Analysis***

The Regulation 64 of the JERC MYT Regulations, 2018 stipulates the following:

***"64. Non-Tariff Income***

*64.1 The amount of Non-Tariff Income relating to the retail supply of electricity as approved by the Commission shall be deducted from the Aggregate Revenue Requirement in calculating the tariff for retail supply of electricity by the Distribution Licensee:*

*Provided that the Distribution Licensee shall submit full details of its forecast of Non-Tariff Income to the Commission along with its application for determination of tariff.*

*64.2 The Non-Tariff Income shall inter-alia include:*

*(a) Income from rent of land or buildings;*

*(b) Income from sale of scrap;*

*(c) Income from statutory investments;*

*(d) Interest on advances to suppliers/contractors;*

*(e) Rental from staff quarters;*

*(f) Rental from contractors;*

*(g) Income from hire charges from contactors and others;*

*(h) Income from advertisements, etc.;*

*(i) Meter/metering equipment/service line rentals;*

*(j) Service charges;*

*(k) Consumer charges;*

*(l) Recovery for theft and pilferage of energy;*

*(m) Rebate availed on account of timely payment of bills;*

*(n) Miscellaneous receipts;*

*(o) Deferred Income from grant, subsidy, etc., as per Annual Accounts;*

*(p) Prior period income, etc.:*

*Provided that the interest/dividend earned from investments made out of Return on Equity corresponding to the Retail Supply Business of the Distribution Licensee shall not be included in Non-Tariff Income:*

*Provided further that any income earned by a Distribution Licensee by sale of power to other Distribution Licensees or to Consumers as per Section 49 of the Act using the existing power purchase agreements or bulk supply capacity allocated to the Distribution Licensee's Area of Supply shall be reduced from the Aggregate Revenue Requirement of the Distribution Licensee for the purpose of determination of tariff. Such reduction shall be carried out in accordance with Joint Electricity Regulatory Commission for the State of Goa and Union Territories (Connectivity and Open Access in Intra-State Transmission and Distribution) Regulations, 2017, as amended from time to time."*

The Commission vide Deficiency Note dated 08th February 2023 asked the Petitioner to provide the reason for increase in NTI as against the approved value of INR 6.22 Crore in the APR for FY 2021-22. The Petitioner informed the Commission that NTI consists of meter rent of INR 1.29 Crore, miscellaneous income of INR 1.73 Crore and Interest Income of INR 5.15 Crore. The Petitioner further submitted that Non-Tariff Income has been considered as per the actual value based on the audited accounts for the FY 2021-22. The Petitioner further requested the Commission to approve the submissions made by the Petitioner.

In accordance with the provisions of Regulation 64, Delayed Payment Surcharge & Interest on FD & others are not to be considered as Non-Tariff Income. Hence, for the true up of FY 2021-22, the Commission has considered the Non-Tariff Income excluding Delayed Payment Surcharge. The same has been verified with the audited accounts. The Commission has included the Interest Income as a part of NTI as Petitioner has not specified that the Interest Income pertains to the interest/dividend earned from investments made out of Return on Equity.

The Commission observed that the Petitioner has received a Rebate of INR 13.99 Crore for timely payments made by EDDD. The same has been considered as a part of Non-Tariff income in line with aforesaid regulation.

The NTI approved in the APR Order, the Petitioner's submission and now approved by the Commission is shown in the following table:

*Table 37: Non- Tariff Income approved by the Commission for FY 2021-22 (INR Crore)*

| S. No. | Particulars | Approved in APR Order | Petitioner's Submission | Trued-up by Commission |
|---|---|---|---|---|
| 1 | **Non-tariff income** | 6.22 | 8.18 | 22.16 |

**The Commission approves Non-Tariff Income of INR 22.16 Cr in the true-up of FY 2021-22.**

## 3.20. Revenue from sale of Surplus Power

**Petitioner's submission:**

The revenue on account of surplus power sale/UI under-drawl has been considered as NIL by the Petitioner.

***Commission's Analysis***

In line with the Petitioner's submission, the Commission has considered revenue on account of surplus power sale/UI under-drawl as NIL.

## 3.21. Incentive/Disincentive towards over/under achievement of Controllable Factors

**Petitioner's submission:**

The Incentive towards over achievement of norms of distribution losses has been considered INR 14.47 Cr by the Petitioner and added to ARR.

***Commission's Analysis***

In the APR for FY 2021-22, the Commission had approved the T&D loss level of 6.50%. The Petitioner has achieved T&D loss of 4.45% against the approved loss level of 6.50%. The Commission, in accordance with Regulation 14.1 of the JERC MYT Regulations, 2018 (reproduced below) has determined the incentive towards the over-achievement of the target of distribution loss for FY 2019-20 as follows:

*"14.1 Approved aggregate gain to the Transmission Licensee or Distribution Licensee on account of controllable Factor shall be shared equally between Licensee and Consumers:*
*"*

The incentive has been considered at INR 4.73/kWh, which is the Average Power Purchase cost (APPC) of the Petitioner for FY 2021-22 excluding cost of power purchase from Renewable Energy Sources. In this regard it is observed that the Petitioner has considered the APPC of Rs. 5.09 /kWh which has been incorrectly worked out by the Petitioner considering Total Power Purchase Cost for the Year and Sales. The Commission has derived the APPC at State/UT Periphery based on the Power Purchase Cost (Rs. 1256.16 Crore) and the Energy Purchase at the State/UT Periphery (2703.60 MU).

Further, the JERC MYT Regulations, 2018 stipulate the variation T&D losses to be a controllable factor and any approved gain to the Distribution Licensee on account of controllable factors shall be shared equally between Licensee and Consumers.

The assessment of incentive for lower T&D losses and O&M Expenses is shown in the following table:

*Table 38: Incentive due to over-achievement of Distribution Loss target and Operation & Maintenance Expenses for FY 2021-22 (INR Crore)*

| ***Incentive due to over-achievement of Distribution Loss target*** | | | |
|---|---|---|---|
| **S. No.** | **Particulars** | **Approved in APR** | **Trued-up by Commission** |
| 1 | Retail Sales (MU) | 2482.34 | 2482.34 |
| 2 | T&D Loss (%) | 6.50% | 4.45% |
| 3 | Power Purchase at State/UT Periphery (MU) | 2654.91 | 2598.06 |
| 4 | Gain/(Loss) (MU) | | 56.84 |
| 5 | Average Power Purchase Cost (APPC) | | 4.73 |
| 6 | Gain/ (Loss) (INR Cr) | | 26.88 |
| 7 | Sharing of 50% of gain with the Petitioner | | **13.44** |
| ***Incentive due to over-achievement of Operation & Maintenance Expenses*** | | | |
| **S. No** | **Particulars** | **Revised Normative O&M Expenses** | **Actual Considered by the Commission** |
| 1 | Total O&M Expenses | 50.43 | 54.45 |
| 2 | Gain/ (loss) | | (4.02) |
| 3 | Sharing of 50% of gain with the Petitioner | | - |
| **Total Incentive due to over-achievement** | | | - |

| *Incentive due to over-achievement of Distribution Loss target* | | | |
|---|---|---|---|
| **S. No.** | **Particulars** | **Approved in APR** | **Trued-up by Commission** |
| **Total Incentive due to over-achievement of Norms** | | | **13.44** |

**As the actual O&M expenses are higher than the revised normative expenses approved for FY 2021-22, there is no gain in O&M expenses and hence sharing of gains for O&M expenses has not been carried out.**

**The Commission approves INR 13.44 Cr as incentive for over-achieving the distribution loss target and savings in O&M Expenses for FY 2021-22.**

## *3.22. Provision for Bad & Doubtful Debts*

**Petitioner's submission**

The Petitioner has not claimed any amount towards provision for bad and doubtful debts.

***Commission's Analysis***

As per Regulation 62.1 of the MYT Regulations, 2018:

*"62.1 Bad and Doubtful Debts shall be limited to 1% of receivables in the True-up, subject to the condition that amount of bad and doubtful debts have actually been written off in the licensee books of accounts."*

*The Commission may allow bad debts written off as a pass through in the Aggregate Revenue Requirement, based on the trend of write off of bad debts in the previous years, subject to prudence check:*

*Provided that the Commission shall true up the bad debts written off in the Aggregate Revenue Requirement, based on the actual write off of bad debts excluding delayed payment charges waived off, if any, during the year, subject to prudence check:*

*Provided also that the provision for bad and doubtful debts shall be limited to 1% of the annual Revenue Requirement of the Distribution Licensee:*

*Provided further that if subsequent to the write off of a particular bad debt, revenue is realised from such bad debt, the same shall be included as an uncontrollable item under the Non-Tariff Income of the year in which such revenue is realised."*

**As the Petitioner has not claimed any amount towards Bad Debts, the Commission therefore has not considered any bad and doubtful debts in the true-up of FY 2021-22.**

## *3.23. Aggregate Revenue Requirement (ARR)*

**Petitioner's submission**

Based on the expenses as detailed above, the Petitioner has submitted the Net Aggregate Revenue Requirement of INR 1,394.00 Cr for approval in the true-up of FY 2021-22.

***Commission's Analysis***

The Commission based on the detailed analysis of the cost parameters of the ARR approves the Net Revenue Requirement in the true-up of FY 2021-22 as given in the following table:

*Table 39: Aggregate Revenue Requirement approved by the Commission for FY 2021-22 (INR Crore)*

| S. No | Particulars | Approved in APR Order | Petitioner's Submission | Trued-up by Commission |
|---|---|---|---|---|
| 1 | Power Purchase Cost including cost of RECs purchased | 1241.16 | 1263.22 | 1270.14 |
| 2 | Operation & Maintenance Expenses | 48.90 | 54.44 | 50.43 |
| 3 | Depreciation | 18.36 | 28.44 | 19.00 |
| 4 | Interest and Finance charges | 5.25 | 9.91 | 6.18 |
| 5 | Return on Equity | 11.40 | 15.61 | 12.19 |
| 6 | Interest on Security Deposit | 3.67 | 4.00 | 4.00 |
| 7 | Interest on Working Capital | 11.14 | 12.09 | 12.04 |
| 8 | Income Tax | 0.00 | 0.00 | 0.00 |
| 9 | Provision for Bad Debt | 0.00 | 0.00 | 0.00 |
| 10 | Incentive/ (Disincentive)on achievement of norms | 0.00 | 14.47 | 13.44 |
| **11** | **Total Revenue Requirement** | **1339.87** | **1402.18** | **1387.43** |
| 12 | Less: Non-Tariff Income | 6.22 | 8.18 | 22.16 |
| 13 | Less: Revenue from Surplus Power Sale/UI | - | - | - |
| **14** | **Net Revenue Requirement** | **1333.66** | **1394.00** | **1365.26** |

**The Commission approves net Aggregate Revenue Requirement of INR 1,365.26 Cr in the true-up of FY 2021-22.**

## 3.24. Revenue at existing Retail Tariff

**Petitioner's submission**

The actual revenue from retail sale for FY 2021-22 is INR 1,406.06 Cr as against INR 1,290.17 Cr approved by the Commission in the APR Order. The final actual figures of income & expenditure as per the audited accounts of FY 2021-22 has also been submitted.

***Commission's Analysis***

The Commission has verified the revenue from audited accounts. The total revenue as submitted by the Petitioner and approved by the Commission is shown in the following table:

*Table 40: Revenue at existing tariff approved by the Commission for FY 2021-22 (INR Crore)*

| S. No | Particulars | Approved in APR Order | Petitioner's Submission | Trued-up by Commission |
|---|---|---|---|---|
| **1** | **Total Revenue** | **1290.18** | **1406.06** | **1406.06** |
| 2 | OA Charges | 0.00 | 0.00 | 0.00 |
| **3** | **Grand total** | **1290.18** | **1406.06** | **1406.06** |

**The Commission approves the revenue from sale of power as INR 1,406.06 Cr in the true-up of FY 2021-22.**

## 3.25. Revenue Gap/ Surplus

**Petitioner's submission**

Based on the ARR and the revenue from retail tariff, the standalone revenue surplus of INR 12.06 Cr is arrived in the true-up of FY 2021-22.

***Commission's Analysis***

The Commission based on the approved ARR and retail tariff has arrived at the Revenue Gap/(Surplus) as follows:

*Table 41: Standalone Revenue Gap/ (Surplus) for FY 2021-22 (INR Crore)*

| S. No | Particulars | Approved in APR Order | Petitioner's Submission | Trued-up by Commission |
|---|---|---|---|---|
| 1 | Net Revenue Requirement | 1333.66 | 1394.00 | 1365.26 |
| 2 | Revenue from Retail Sales at Existing Tariff | 1197.14 | 1406.06 | 1406.06 |
| 3 | Open Access Charges | 93.03 | 0.00 | 0.00 |
| 4 | Total Revenue | 1290.18 | 1406.06 | 1406.06 |
| 5 | **Net Gap /(Surplus)** | **43.48** | **(12.06)** | **(40.80)** |

**The Commission, in the true-up of FY 2021-22 approves a standalone surplus of INR 40.80 Cr. This standalone Gap has been carried over in the subsequent years and has been dealt with while determining the tariff for FY 2023-24.**

## 3.26. Cumulative Revenue Gap/ Surplus

**Petitioner's submission**

Based on the ARR and the revenue from retail tariff, the cumulative revenue gap of INR 1.27 Cr is arrived in the true-up of FY 2021-22.

***Commission's Analysis***

The Commission has approved the cumulative Revenue Gap/(Surplus) as follows:

*Table 42: Cumulative Revenue Gap/ (Surplus) for FY 2021-22 (INR Crore)*

| S. No. | Particulars | Approved in APR Order | Petitioner's Submission | Trued-up by Commission |
|---|---|---|---|---|
| 1 | Opening Gap /(Surplus) (a) | 12.79 | 12.79 | 12.79 |
| 2 | Add: Gap/(Surplus) (b) | 43.48 | (12.06) | (40.80) |
| 3 | Closing Gap/(Surplus) (c=a+b) | 56.27 | 0.73 | (28.01) |
| 4 | Average Gap/(Surplus) (d=(a+c)/2) | 34.53 | 6.76 | (7.61) |
| 5 | Interest Rate on carrying cost (% ,e) | 8.00% | 8.00% | 8.00% |
| 6 | Carrying Cost (f=d*e) | 2.76 | 0.54 | (0.61) |
| 7 | **Final Closing Gap/(Surplus) (c+f)** | 59.03 | 1.27 | (28.62) |

**The Commission, in the true-up of FY 2021-22 approves a cumulative surplus of INR 28.62 Cr. This standalone Gap has been adjusted by the Commission during upcoming Three years from FY 2023-24 to FY 2025-26 as the Commission has decided to gradually streamline the revenue stream of Residual Transmission Entity of EDDD.**

# 4. Chapter 4: Annual Performance Review for FY 2022-23

## 4.1. Background

The Tariff Order for FY 2022-23 was issued by the Commission on March 31, 2022 (hereinafter referred to as 'MYT Order' for the purpose of APR of FY 2022-23) approving the True-up of FY 2020-21, Annual Performance Review of FY 2021-22, Aggregate Revenue Requirements (ARR) for 3rd MYT Control Period (FY2022-23 to FY 2024-25) and Retail Tariff for FY 2022-23.

The Commission notes that post unbundling of EDDD, EDDD is a Sub-Transmission utility as per "The Dadra and Nagar Haveli and Daman and Diu Electricity (Re-organization and Reforms) Transfer Scheme 2022" notified vide notification no. 1(FTS-118044)/Electricity Distribution/Privatization/2022/411 dated 09/03/2022 and is now engaged with intra-state transmission business in the area of Daman and Diu w.e.f. 01/04/2022.

The Commission directed the Petitioner to submit the final restructured Opening Balance sheet of DNHDDPDCL approved by the Government. The Petitioner in its reply submitted that finalization of restructured Opening Balance sheet is under process.

The Commission during the TVS held on 13th March, 2023 directed the Petitioner to provide certified copy of provisional Opening Balance Sheet for DNHDDPDCL and Opening Balance Sheet finalized for EDDD along with linked excel copy of Balance Sheet clearly indicating the computation of opening GFA of EDDD and opening Loan & Equity of EDDD for FY 2022-23. In response, the Petitioner submitted that certified copy of provisional Opening Balance Sheet for DNHDDPDCL and Opening Balance Sheet finalized for EDDD along with linked excel copy of BS clearly indicating the computation of opening GFA of EDDD and opening Loan & Equity of EDDD for FY 2022-23 shall be submitted to the Hon'ble Commission once the same is approved by the Competent Authority.

Accordingly, the Commission has considered the certified copy of provisional Opening Balance Sheet for DNHDDPDCL and Opening Balance Sheet finalized for DNHDDPCL and EDDD submitted by DNHDDPCL in response to TVS Letter dated 14.03.2023.

The Commission observed that the Petitioner has filed the Petition for approval of revised ARR for FY 2022-23 and Revised ARR for FY 2023-24 along with Determination of Transmission Tariff for FY 2023-24 in accordance with the provision of regulations, considering the provisional Opening Balance Sheet of EDDD as on 1st April, 2022.

Accordingly, the Commission has considered this Petition filed for approval of revised ARR for FY 2022-23 as part of APR & approval of revised ARR for FY 2023-24 along with Determination of Transmission Tariff for FY 2023-24 which is to be carried out as per the provisions of the JERC (Generation, Transmission & Distribution Multi Year Tariff), Regulations, 2021 (hereinafter referred to as "MYT Regulations, 2021").The Commission at this stage in the absence of final Opening Balance Sheet of EDDD has considered the provisional Opening Balance Sheet of EDDD as on 1.4.2022 for approving for FY 2022-23 and ARR for FY 2023-24. The Commission will consider the final Opening Balance Sheet of EDDD and accordingly revise the figures at the time of truing up.

## 4.2. Approach for the Determination of Revised ARR of FY 2022-23

The Commission has computed the individual elements constituting the Aggregate Revenue Requirement for FY 2022-23 based on figures submitted by the Petitioner, the actual information available of various parameters for first half of FY 2022-23 and the provisional information available for second half FY 2022-23. The ARR for only provisional submissions made by the Petitioner in line with MoU signed between EDDD and DNHDDPDCL has been considered to determine the revenue gap/(surplus) for FY 2022-23.

## *4.3. Gross Fixed Assets (GFA) and Capitalisation*

**Petitioner's submission**

The Petitioner has submitted the opening Gross Fixed Assets (GFA) of INR 340.67 Crore for FY 2022-23 based on provisional bifurcated value of the two entities (EDDD and DNHDDPDCL) as on 31st March 2022. Further the Petitioner has estimated asset addition of INR 12.68 Cr. Thus, the Petitioner has claimed the closing GFA of FY 2022-23 as INR 353.35 Cr.

The summary of the GFA and capitalization proposed by the Petitioner for FY 2022-23 is as follows:

*Table 43: Gross Fixed Assets and Capitalisation details submitted by Petitioner (INR Crore)*

| Sr. No. | Particulars | Approved for EDDD Combined Entity (ARR Order) | Petitioner's Submission |
|---|---|---|---|
| 1 | Opening GFA | 538.36 | 340.67 |
| 2 | Addition during the year | 23.55 | 12.68 |
| 3 | Closing GFA | 561.91 | 353.35 |

***Commission's Analysis***

The Commission observed that the opening Balance Sheet of EDDD is yet to be finalized and approved by the Government. In the absence of finalized opening Balance Sheet of EDDD, the Commission at this stage has considered the opening GFA as on 1.4.2022 as per the provisional opening Balance Sheet submitted by the Petitioner. Once the opening Balance Sheet is finalized, the Commission will consider the impact of same at the time of truing up for FY 2022-23.

The Petitioner has claimed capitalization of INR 12.68 Crore for FY 2022-23. In this regard, Commission vide Letter dated 08th February, 2023 has asked the Petitioner to provide the current status of schemes proposed to be capitalized in FY 2022-23 along with physical and financial progress. In response to the query of the Commission, the Petitioner vide letter dated 27th February, 2023 has submitted that the implementation of the scheme is yet to be started by the Department. Accordingly, the Commission vide TVS Letter dated 13th March, 2023 directed the Petitioner to submit the current status of these scheme in detail including physical progress, financial progress and likely date of capitalization along with copy of DPR and Work Orders. In response, EDDD only submitted the copy of DPR and CEA Approval. The Commission also observed that the capital expenditure and capitalisation of scheme proposed by EDDD during FY 2022-23 is a part of approved Business Plan.

Based on the submissions of the Petitioner, the Commission has provisionally considered the capitalization of INR 12.68 Crore during FY 2022-23. The Commission will consider the actual capitalization during FY 2022-23 at the time of truing up subject to prudence check.

The table below provides the details of capitalization and GFA approved by the commission for the FY 2022-23:

*Table 44: Gross Fixed Assets and Capitalization approved by the Commission for FY 2022-23 (INR Crore)*

| Sr. No. | Particulars | Approved for EDDD Combined Entity (ARR Order) | Petitioner's Submission | Now Approved by Commission |
|---|---|---|---|---|
| 1 | Opening GFA | 538.36 | 340.67 | 340.67 |
| 2 | Addition during the year | 23.55 | 12.68 | 12.68 |
| **3** | **Closing GFA** | 561.91 | 353.35 | 353.35 |

**The Commission approves opening Gross Fixed Asset of Rs. 340.67 Crore and capitalization of Rs. 12.68 Crore for FY 2022-23.**

## 4.4. Depreciation

**Petitioner's submission**

The Petitioner has submitted that the depreciation has been worked out after applying the depreciation rates as per the CERC (Terms and Conditions for determination of Tariff), Regulations, 2019. Accordingly, the depreciation for the year has been submitted as below:

*Table 45: Depreciation details submitted by Petitioner (INR Crore)*

| Sr. No. | Particulars | Approved for EDDD Combined Entity (ARR Order) | Petitioner's Submission |
|---|---|---|---|
| 1 | Opening GFA | 538.36 | 340.67 |
| 2 | Addition during the year | 23.55 | 12.68 |
| 3 | Closing GFA | 561.91 | 353.35 |
| 4 | Average GFA | 550.13 | 347.01 |
| 5 | Depreciation | 18.87 | 16.57 |

***Commission's Analysis***

As per Regulation 31 of the JERC (Generation, Transmission and Distribution Multi Year Tariff) Regulations, 2021:

*"**31 Depreciation***

*31.1 The value base for the purpose of depreciation shall be the capital cost of the asset admitted by the Commission:*

*Provided that the depreciation shall be allowed after reducing the approved original cost of the retired or replaced or decapitalized assets:*

*Provided, also that the no depreciation shall be allowed on the assets financed through consumer contribution, deposit work, capital subsidy or grant.*

*31.2 The salvage value of the asset shall be considered as 10% and depreciation shall be allowed up to a maximum of 90% of the capital cost of the asset.*

*Provided further that the salvage value of Information Technology equipment and computer software shall be considered at zero (0) per cent of the allowable capital cost*

*31.3 Land other than the land held under lease shall not be a depreciable asset and its cost shall be excluded from the capital cost while computing depreciable value of the assets.*

*31.4 In case of existing assets, the balance depreciable value as on April 1, 2019, shall be worked out by deducting the cumulative depreciation as admitted by the Commission up to March 31, 2018, from the gross depreciable value of the assets.*

*31.5 The depreciation shall be chargeable from the first Year of commercial operations. In case of projected commercial operation of the assets during the Year, depreciation shall be computed based on the average of opening and closing value of assets:*

*Provided that depreciation shall be re-calculated during truing-up for assets capitalised at the time of truing up of each Year of the Control Period, based on documentary evidence of asset capitalised by the Applicant, subject to the prudence check of the Commission.*

***31.6 For Transmission Licensee, the depreciation shall be calculated at rates and norms specified in the prevalent CERC Tariff Regulations for transmission system.***

*31.7 The depreciation for a Distribution Licensee shall be calculated annually, based on the Straight Line Method, over the Useful Life of the asset at rates specified in Appendix I of the Regulations.*

*31.8 In addition to allowable depreciation, the Distribution Licensee shall be entitled to advance against depreciation (AAD), computed in the manner given hereunder:*

*AAD = Loan (raised for capital expenditure) repayment amount based on loan repayment tenure, subject to a ceiling of 1/10th of loan amount minus depreciation as calculated on the basis of these Regulations:*

*Provided that advance against depreciation shall be permitted only if the cumulative repayment upto a particular Year exceeds the cumulative depreciation upto that Year:*

*Provided further that advance against depreciation in a Year shall be restricted to the extent of difference between cumulative repayment and cumulative depreciation upto that Year.*

*31.9 The Distribution Licensee shall provide the list of assets added during each Year of Control Period and list of assets completing 90% of depreciation in the Year along with Petition for annual performance review, true-up and tariff determination for ensuing Year.*

*31.10 The remaining depreciable value for a Distribution Licensee shall be spread over the balance useful life of the asset, on repayment of the entire loan.”* ***(Emphasis supplied)***

Accordingly, the Commission has considered the depreciation rates as specified in the CERC (Terms and Conditions of Tariff) Regulations, 2019. The asset class wise opening fixed assets have been considered based on the class wise details provided by EDDD as on 1st April 2022. The same shall be subject to revision during Truing Up based on the final Opening Balance Sheet of EDDD and finalized fixed Asset Register for FY 2022-23. Accordingly, the Commission has arrived at the depreciation values for the year as shown in the table below:

*Table 46: Depreciation approved by Commission for FY 2022-23(INR Crore)*

| Particulars | Depreciation Rate | Opening GFA | Addition | Deletion | Closing GFA | Average | Depreciation |
|---|---|---|---|---|---|---|---|
| Plant and Machinery | 5.28% | 270.47 | 12.68 | 0.00 | 283.15 | 276.81 | 14.62 |
| Buildings | 3.34% | 23.97 | 0.00 | 0.00 | 23.97 | 23.97 | 0.80 |
| Vehicles | 9.50% | 0.67 | 0.00 | 0.00 | 0.67 | 0.67 | 0.06 |
| Office Equipment | 6.33% | 2.90 | 0.00 | 0.00 | 2.90 | 2.90 | 0.18 |
| Computers and Others | 6.33% | 17.87 | 0.00 | 0.00 | 17.87 | 17.87 | 1.13 |
| Land | 0.00% | 24.79 | 0.00 | 0.00 | 24.79 | 24.79 | 0.00 |
| **Total** | **5.17%** | **340.67** | **12.68** | **0.00** | **353.35** | **347.01** | **16.79** |

**The Commission approves the depreciation of INR 16.79 Cr for FY 2022-23.**

## *4.5. Interest on Loan*

**Petitioner’s submission**

The Petitioner has submitted the opening loan of INR 71.77 Crore for FY 2022-23 in the Petition which is the estimated value upon bifurcations of EDDD into EDDD and DNHDDPDCL.

The Petitioner also submitted that this value is subject to adjustment on account of outcome of true-up petition read with final restructured opening balance sheet and related notes thereon as notified in pursuance to provision contained in the 'The Dadra and Nagar Haveli and Daman and Diu Electricity (Re-organisation and Reforms) Transfer Scheme 2022'.

The Petitioner has considered normative debt-equity ratio of 70:30 for the additional capitalization during FY 2022-23 as per the JERC MYT Regulations, 2021.

Further, the Petitioner has considered the rate of interest as the State Bank of India Prime Lending Rate (SBI PLR plus 100 basis points) of 8.00%. Accordingly, the interest and finance charges submitted by the Petitioner as shown in the table below:

*Table 47: Interest and Finance charges submitted by Petitioner (INR Crore)*

| Sr. No. | Particulars | Approved for EDDD Combined Entity (ARR Order) | Petitioner's Submission |
|---|---|---|---|
| 1 | Opening Loan | 58.21 | 71.77 |
| 2 | Loan for additional Capitalization | 16.49 | 8.88 |
| 3 | Loan Repayment | 18.87 | 16.57 |
| 4 | Closing Loan | 55.82 | 64.08 |
| **5** | **Interest Cost on Avg. Loans** | **4.56** | **5.43** |

***Commission's Analysis***

Regulation 29 of the JERC (Generation, Transmission and Distribution Multi Year Tariff) Regulations, 2021 specifies as follows:

*"**29. Interest on Loan***

*29.1 The loans arrived at in the manner indicated in Regulation 26 on the assets put to use, shall be considered as gross normative loan for calculation of interest on the loan:*

*Provided that interest and finance charges on capital works in progress shall be excluded:*

*Provided, further that in case of De-capitalisation or retirement or replacement of assets, the loan capital shall be reduced to the extent of outstanding loan component of the original cost of the de-capitalised or retired or replaced assets, based on documentary evidence.*

*29.2 The normative loan outstanding as on April 1, 2022, shall be worked out by deducting the cumulative repayment as admitted by the Commission up to March 31, 2021, from the gross normative loan.*

*29.3 Notwithstanding any moratorium period availed by the Transmission Licensee or the Distribution Licensee, as the case may be, the repayment of loan shall be considered from the first Year of commercial operation of the project and shall be equal to the annual depreciation allowed in accordance with Regulation 31.*

*29.4 The rate of interest shall be the weighted average rate of interest calculated on the basis of the actual loan portfolio at the beginning of each Year applicable to the Transmission Licensee or the Distribution Licensee:*

*Provided that at the time of truing up, the weighted average rate of interest calculated on the basis of the actual loan portfolio during the Year applicable to the Transmission Licensee or the Distribution Licensee shall be considered as the rate of interest:*

*Provided also that if there is no actual loan for a particular Year but normative loan is still outstanding, the last available weighted average rate of interest for the actual loan shall be considered:*

***Provided further that if the Transmission Licensee or the Distribution Licensee does not have actual loan, then one (1) Year State Bank of India (SBI) MCLR / any replacement thereof as notified by RBI for the time being in effect applicable for one (1)Year period, as may be applicable as on 1st April of the relevant Year plus 100 basis points shall be considered as the rate of interest for the purpose of allowing the interest on the normative loan.***

*29.5 The interest on loan shall be calculated on the normative average loan of the Year by applying the weighted average rate of interest:*

*Provided that at the time of truing up, the normative average loan of the Year shall be considered on the basis of the actual asset capitalization approved by the Commission for the Year.*

*29.6 For new loans proposed for each Financial Year of the Control Period, interest rate shall be considered as lower of (i) one (1) Year State Bank of India (SBI) MCLR / any replacement thereof as notified by RBI for the time being in effect applicable for one (1) Year period, as may be applicable as on 1st April of the relevant Year plus 100 basis points, and (ii) weighted average rate of interest proposed by the Distribution Licensee.*

*29.7 The above interest computation shall exclude the interest on loan amount, normative or otherwise, to the extent of capital cost funded by consumer contribution, deposit work, capital subsidy or grant, carried out by Transmission Licensee or Distribution Licensee." **(Emphasis supplied)***

The Commission observes that the Petitioner has claimed the opening Loan of Rs. 71.77 Crore for FY 2022-23. In this regard the Commission vide TVS Letter dated 14th March, 2023 directed the Petitioner to provide certified copy of provisional Opening Balance Sheet for DNHDDPDCL and Opening Balance Sheet finalized for EDDD along with linked excel copy of Balance Sheet clearly indicating the computation of opening GFA of EDDD and opening Loan & Equity of EDDD for FY 2022-23. In response, the Petitioner submitted that certified copy of provisional Opening Balance Sheet for DNHDDPDCL and Opening Balance Sheet finalized for EDDD along with linked excel copy of BS clearly indicating the computation of opening GFA of EDDD and opening Loan & Equity of EDDD for FY 2022-23 shall be submitted to the Hon'ble Commission once the same is approved by the Competent Authority.

Accordingly, in the absence of Balance Sheet being provided by EDDD, the Commission has considered the certified copy of provisional Opening Balance Sheet for DNHDDPDCL and Opening Balance Sheet finalized for DNHDDPCL and EDDD submitted by DNHDDPCL in response to TVS Letter dated 14th March, 2023.

Upon examining the opening Balance Sheet for EDDD the Commission observed that the Opening Loan as per Balance Sheet is Rs. 57.87 Crore instead of Rs. 71.77 Crore as submitted by the Petitioner in the Petition. The Commission further observed that the Petitioner has considered the closing Loan for EDDD during FY 2021-22 as Rs. 123.35 Crore in the Final Opening Balance Sheet for FY 2022-23 and has worked out the Opening Loan for FY 2022-23 of Rs. 57.87 Crore by deducting the Loan Portion of Rs. 65.48 Crore transferred to DNHDDPDCL.

The Commission further observed that the Petitioner has not considered the adjustment of loan corresponding to GFA of Solar Assets during FY 2021-22 while working out Loan Portion for EDDD. Accordingly, the Commission has considered the closing Loan of Rs. 81.48 Crore finalized for FY 2021-22 in the Truing Up Section after adjusting the Loan portion pertaining to adjustment of Solar Assets from EDDD GFA. Further, considering the closing Loan of Rs. 81.48 Crore for FY 2021-22 as the Opening Loan for FY 2022-23, the Commission has deducted the Loan Portion of Rs. 65.48 Crore transferred to DNHDDPDCL to work out the opening Loan for Transmission Entity of EDDD as Rs. 16.00 Crore.

The normative loan addition for FY 2022-23 has been considered as 70% of the capitalization approved for FY 2022-23, which works out as Rs. 8.88 Crore. The repayment of loans has been considered equal to the depreciation during FY 2022-23.

The Commission for FY 2022-23 has considered the rate of interest as SBI MCLR plus 100 basis points as on April 1, 2022 i.e., 8.00% (7.00% plus 1.00%) as per the provisions of JERC (Generation, Transmission and Distribution Multi Year Tariff) Regulations, 2021

The following table provides the Interest on Loan approved by the Commission in the ARR Order, Petitioner's submission and revised IoL now approved by the Commission.

*Table 48: Interest on Loan approved by Commission for FY 2022-23 (INR Crore)*

| Sr. No | Particulars | Approved for EDDD Combined Entity (ARR Order) | Petitioner's Submission | Now Approved by Commission |
|---|---|---|---|---|
| 1 | Opening Normative Loan | 58.21 | 71.77 | 16.00 |
| 2 | Add: Normative Loan During the year | 16.49 | 8.88 | 8.88 |
| 3 | Less: Normative Repayment equivalent to Depreciation | 18.87 | 16.57 | 16.79 |
| 4 | Closing Normative Loan | 55.82 | 64.08 | 8.08 |
| **5** | **Average Normative Loan** | 57.01 | 67.92 | 12.04 |
| 6 | Rate of Interest (%) | 8.00% | 8.00% | 8.00% |
| **7** | **Interest on Loan** | **4.56** | **5.43** | **0.96** |

**The Commission approves Interest on Loan of INR 0.96 Cr for FY 2022-23. The Interest on Loan as approved by the Commission is on lower side in comparison to that claimed by the Petitioner due to the variation in consideration of Opening Loan value wherein the Petitioner has considered higher opening Loan value without considering the adjustment of Solar Assets while the opening loan considered by the Commission is after consideration the adjustment of Solar Assets.**

## 4.6. Return on Equity (RoE)

**Petitioner's submission**

The Petitioner has submitted that the opening equity of INR 32.86 Crore is the estimated value based on bifurcation of EDDD into EDDD and DNHDDPDCL. The Petitioner also submitted that this value is subject to adjustment on account of outcome of true-up petition read with final restructured opening balance sheet and related notes thereon as notified in pursuance to provision contained in the 'The Dadra and Nagar Haveli and Daman and Diu Electricity (Re-organisation and Reforms) Transfer Scheme 2022'.

The Petitioner has computed the Return on Equity (RoE) in accordance with the JERC MYT Regulations 2021, wherein RoE is computed on 30% of the capital base. Further, equity addition is considered to the tune of 30% of proposed capitalization during the year. The Petitioner has considered a post-tax rate of return on equity of 15.50% as per Regulations 30 (2) of the Central Electricity Regulatory Commission (Terms & Conditions of Tariff) Regulations, 2019.

*Table 49: Return on Equity submitted by Petitioner (INR Crore)*

| Sr. No. | Particulars | Approved for EDDD Combined Entity (ARR Order) | Petitioner's Submission |
|---|---|---|---|
| 1 | Opening Equity | 74.04 | 32.86 |
| 2 | Addition in Equity on account of new capitalization | 7.07 | 3.80 |
| 3 | Closing Equity | 81.10 | 36.66 |
| 4 | Average Equity | **77.57** | **34.76** |
| **5** | **Return on Equity** | **12.06** | **5.39** |

***Commission's Analysis***

Regulation 28.1 of the JERC (Generation, Transmission and Distribution Multi Year Tariff) Regulations, 2021 states the following:

*"28.1 Return on equity shall be computed on the paid-up equity capital determined in accordance with Regulation 27 for the assets put to use for the Transmission Licensee and shall be allowed in accordance with the prevalent CERC Tariff Regulations for transmission system."*

Further, the Regulation 30 (2) of the CERC (Terms and Conditions of Tariff) Regulations, 2019, states that:

*"(2) Return on equity shall be computed at the base rate of 15.50% for thermal generating station, transmission system including communication system and run-of river hydro generating station, and at the base rate of 16.50% for the storage type hydro generating stations including pumped storage hydro generating stations and run-of river generating station with pondage:*

*……."*

The Commission observes that the Petitioner has claimed the opening Equity of Rs. 32.86 Crore for FY 2022-23. In this regard the Commission vide TVS Letter dated 14th March, 2023 directed the Petitioner to provide certified copy of provisional Opening Balance Sheet for DNHDDPDCL and Opening Balance Sheet finalized for EDDD along with linked excel copy of Balance Sheet clearly indicating the computation of opening GFA of EDDD and opening Loan & Equity of EDDD for FY 2022-23. In response, the Petitioner submitted that certified copy of provisional Opening Balance Sheet for DNHDDPDCL and Opening Balance Sheet finalized for EDDD along with linked excel copy of BS clearly indicating the computation of opening GFA of EDDD and opening Loan & Equity of EDDD for FY 2022-23 shall be submitted to the Hon'ble Commission once the same is approved by the Competent Authority.

Accordingly, in the absence of Balance Sheet being provided by EDDD, the Commission has considered the certified copy of provisional Opening Balance Sheet for DNHDDPDCL and Opening Balance Sheet finalized for DNHDDPCL and EDDD submitted by DNHDDPCL in response to TVS Letter dated 14th March, 2023.

Upon examining the opening Balance Sheet for EDDD the Commission observed that the Opening Equity as per Balance Sheet is Rs. 32.86 Crore wherein the Petitioner has considered closing Equity for EDDD during FY 2021-22 as Rs. 106.28 Crore in the Final Opening Balance Sheet for FY 2022-23 and has worked out the Opening Equity for FY 2022-23 of Rs. 32.86 Crore by deducting the Equity Portion of Rs. 73.43 Crore transferred to DNHDDPDCL.

The Commission further observed that the Petitioner has not considered the adjustment of equity corresponding to GFA of Solar Assets during FY 2021-22 while working out Equity Portion for EDDD. Accordingly, the Commission has considered the Closing Equity of Rs. 84.29 Crore finalized for FY 2021-22 in the Truing Up Section after adjusting the Equity portion pertaining to adjustment of Solar Assets from EDDD GFA. Further, considering the closing Equity of Rs. 84.29 Crore for FY 2021-22 as the opening Equity for FY 2022-23, the

Commission has deducted the Equity Portion of Rs. 73.43 Crore transferred to DNHDDPDCL to work out the opening Equity for Transmission Entity of EDDD as Rs. 10.86 Crore.

The normative equity addition for FY 2022-23 has been considered as 30% of the capitalization approved for FY 2022-23, which works out as Rs. 3.80 Crore. The rate of return on equity for transmission business has been considered as 15.50%.

The following table provides the Return on Equity approved by the Commission in the ARR Order, Petitioner's submission and RoE now approved by the Commission:

*Table 50: Return on Equity approved by Commission for FY 2022-23 (INR Crore)*

| Sr. No | Particulars | Approved for EDDD Combined Entity (ARR Order) | Petitioner's Submission | Now Approved by Commission |
|---|---|---|---|---|
| 1 | Opening Equity | 74.04 | 32.86 | 10.86 |
| 2 | Equity Addition | 7.07 | 3.80 | 3.80 |
| 3 | Closing Equity | 81.10 | 36.66 | 14.67 |
| 4 | Average Equity | 77.57 | 34.76 | 12.77 |
| 5 | Rate of RoE | 15.50% | 15.50% | 15.50% |
| **6** | **Return on Equity** | **12.06** | **5.39** | **1.98** |

**The Commission approves the Return on Equity of INR 1.98 Cr for FY 2022-23. The RoE as approved by the Commission is on lower side as compared to that claimed by the Petitioner due to the variation in consideration of Opening Equity value wherein the Petitioner has considered higher opening Equity value without considering the adjustment of Solar Assets while the opening equity considered by the Commission is after consideration the adjustment of Solar Assets.**

## 4.7. Operation & Maintenance Expenses

As per Regulation 42 of the JERC (Generation, Transmission and Distribution Multi Year Tariff) Regulations, 2021:

*"**42. Operation and Maintenance (O&M) expenses for Transmission Licensees***

*42.1 Operation and Maintenance (O&M) expenses shall comprise of the following:*

*a) Employee expenses - salaries, wages, pension contribution and other employee costs;*

*b) Administrative and General expenses including insurance charges if any; and*

*c) Repairs and Maintenance expenses."*

*42.2 The Transmission Licensee shall submit the required O&M expenses for the Control Period as a part of Multi Year Tariff Petition. O&M expenses for the base Year shall be approved by the Commission taking into account the latest available audited accounts, business plan filed by the transmission Licensee, estimates of the actuals for the base Year, prudence check and any other factors considered appropriate by the Commission."*

*42.3 O&M expenses for the nth Year of the Control Period shall be approved based on the formula given below:*

$O\&M_n = (R\&M_n + EMP_n + A\&G_n) \times (1 - X_n) + \text{Terminal Liabilities}$

*Where,*

*R&Mn = K x GFAn-1 x (WPIinflation)*

*EMPn = (EMPn-1) x (1+Gn) x (CPIinflation)*

*A&Gn = (A&Gn-1) x (CPIinflation)*

*'K' is a constant (expressed in %). Value of K for each Year of the Control Period shall be determined by the Commission in the Multi Year Tariff Order based on Licensee's filing, benchmarking of repair and maintenance expenses, approved repair and maintenance expenses vis-à-vis GFA approved by the Commission in past and any other factor considered appropriate by the Commission;*

*CPIinflation – is the average increase in Consumer Price Index (CPI) for immediately preceding three (3) Years before the base Year;*

*WPIinflation – is the average increase in the Wholesale Price Index (CPI) for immediately preceding three (3) Years before the base Year;*

*EMPn – Employee expenses of the Transmission Licensee for the nth Year;*

*A&Gn – Administrative and General expenses of the Transmission Licensee for the nth Year;*

*R&Mn – Repair and Maintenance expenses of the Transmission Licensee for the nth Year;*

*GFAn-1 – Gross Fixed Asset of the transmission Licensee for the n-1th Year;*

*Xn is an efficiency factor for nth Year. Value of Xn shall be determined by the Commission in the Multi Year Tariff Order based on Licensee's filing, benchmarking, approved cost by the Commission in past and any other factor the Commission feels appropriate;*

*Gn is a growth factor for the nth Year. Value of Gn shall be determined by the Commission for each Year in the Multi Year Tariff Order for meeting the additional manpower requirement based on Licensee's filings, benchmarking, approved cost by the Commission in past and any other factor that the Commission feels appropriate:*

*Provided that in case the Distribution Licensee has been in operation for less than three (3) Years as on the date of effectiveness of these Regulations, O&M Expenses shall be determined on case to case basis.*

*42.4 Terminal liabilities of employees of Licensee including pension expenses etc. shall be approved as per actuals submitted by the Licensee, subject to prudence check or be established through actuarial studies. Additionally, any variation due to changes recommended by the pay commission shall be allowed separately by the Commission, subject to prudence check.*

*42.5 For the purpose of estimation, the same value of factors – CPIinflation and WPIinflation shall be used for all Years of the Control Period. However, the Commission shall consider the actual values of the factors – CPIinflation and WPIinflation during the truing up exercise for the Year for which true up is being carried out and true up the O&M Expenses for that Year, only to the extent of inflation."*

The components comprising of the O&M – employee expenses, R&M expenses and A&G expenses have been discussed separately as follows.

## *4.7.1. Employee Expenses*

**Petitioner's submission**

The Petitioner submitted that EDDD has estimated the Employee Expenses for FY 2022-23 based on actual expenditure incurred in new restructured scenario during first half of the current financial year and revised estimates for the remaining six months of FY 2022-23.

The following table provides the Employee expenses estimated by the Petitioner for FY 2022-23:

*Table 51: Employee Expenses submitted by Petitioner for FY 2022-23 (INR Crore)*

| Particulars | Approved for EDDD Combined Entity (ARR Order) | *FY 2022-23 (H1)* | *FY 2022-23 (H2)* | FY 2022-23 (Claimed) |
|---|---|---|---|---|
| **Employee Cost** | **17.85** | *4.69* | *4.69* | **9.38** |

***<u>Commission's Analysis</u>***

Regulation 6 of the JERC (Generation, Transmission and Distribution Multi Year Tariff) Regulations, 2021 specifies the following:

*"**6. Values for Base Year***

*6.1 The values for the Base Year of the Control Period shall be determined on the basis of the audited accounts or provisional accounts of last three (3) Years, and other factors considered relevant by the Commission:*

*Provided that, in absence of availability of audited accounts or provisional accounts of last three (3) Years, the Commission may benchmark the parameters with other similar utilities to establish the values for Base Year:*

*Provided further that the Commission may change the values for Base Year and consequently the trajectory of parameters for Control Period, considering the actual figures from audited accounts.........."*

The Commission in this order has carried out the truing up for FY 2021-22 based on the audited accounts for combined distribution and intra-state transmission business. Since, the Petitioner as per Transfer Scheme is engaged only in intra-state transmission business since April 1, 2022, the Commission directed to submit the bifurcation of employees transferred to new utility (DNHDDPDCL) and retained at EDDD along with actual salaries paid in first half (H1) of FY 2022-23.

The Petitioner submitted that out of 117 employees 50 employees have been retained at EDDD. The Petitioner also provided the list of employees retained at EDDD. Further, the Petitioner during the TVS held on 13th March 2023 also submitted that most of the senior level employees have been retained at EDDD and mostly junior level staff has been transferred to DNHDDPDCL.

The Employee growth submitted by the Petitioner is as below:

*Table 52: Employee Growth submitted by the Petitioner (INR Crore)*

| Sr. No. | Particulars | FY 2021-22 (Actual) | FY 2022-23 | FY 2023-24 |
|---|---|---|---|---|
| 1 | Number of employees as on 1st April | 119.00 | 52.00 | 50.00 |
| 2 | Number of employees retired/retiring during the year | 2.00 | 2.00 | 2.00 |
| 3 | Number of employees added | 0.00 | 0.00 | 0.00 |
| 4 | Number of employees at the end of the year (1-2+3) | 117.00 | 50.00 | 48.00 |
| | **Growth Rate** | **0.00%** | **0.00%** | **0.00%** |

The Commission further directed the Petitioner to submit the details of actual employee expenses for first half of FY 2022-23 vide TVS Letter dated 13th March 2023. In response, the Petitioner provided the Salary details for EDDD for FY 2021-22 and also provided the Salary details of INR 4.69 Crore paid to employees during H1 FY 2022-23.

The Commission in its Tariff Order for FY 2022-23 dated 31st March, 2022 approved the employee expenses for FY 2022-23. The Commission observed that the Petitioner has claimed the employee expenses for FY 2022-23 based on actual employee expenses of the employees retained by EDDD. Further, the Commission has carried out the prudence check of actual employee expenses for FY 2022-23.

As the normative employee expenses for FY 2021-22 are for combined entity EDDD, the Commission has allocated the normative employee expenses for FY 2021-22 between EDDD (Transmission Business) and DNHDDPDDCL. For allocating the employee expenses the Commission worked out the ratio of actual basic salary paid to Employees retained by EDDD to the total actual basic salary paid to Employees of Combined EDDD Entity (excluding the salary details pertaining to Superannuation, Transfer, etc.) during FY 2021-22. The ratio of salary of employees retained at EDDD works out to be 51.08%.

Accordingly, the Commission found it to be prudent to consider 51.08% of the Revised Normative Employee Expenses approved during FY 2021-22 as the Revised Normative Employee Expenses pertaining to Employee Expenses retained by EDDD. The same was worked out as INR 8.24 Cr.

The Revised Normative Employee Expenses of INR 8.24 Cr retained by EDDD for FY 2021-22 has been escalated with average CPI inflation of 5.89% & Employee growth rate (Gn) of 0% for FY 2022-23 as submitted by the Petitioner to approve the Employee Expenses for FY 2022-23.

The average CPI inflation of 5.89% considered for approving the Employee Expenses for FY 2022-23 has been determined as under:

*Table 53: Computation of CPI Inflation (%)*

| FY | Average of (Apr-Mar) | Increase in CPI Index | Average increase in CPI indices over 3 years |
|---|---|---|---|
| FY 2018-19 | 299.92 | - | |
| FY 2019-20 | 322.50 | 7.53% | |
| FY 2020-21 | 338.69 | 5.02% | |
| FY 2021-22 | 356.06 | 5.13% | |
| | | **CPI Inflation** | **5.89%** |

The Employee Expenses worked out for FY 2022-23 are as under:

*Table 54: Employee Expenses approved by Commission for FY 2022-23 (INR Crore)*

| Sr. No. | Particulars | Employee Expenses approved for FY 2022-23 |
|---|---|---|
| 1 | Normative Employee Expenses approved for FY 2021-22 | 16.13 |
| 2 | Ratio of salary of employees retained at EDDD | 51.08% |
| 3 | Revised Normative Employee Expenses approved for FY 2021-22 @ ratio of of salary of employees retained at EDDD | 8.24 |
| 4 | Growth in number of employees (Gn) | 0.00% |
| 5 | CPI Inflation for preceding three years (CPI) | 5.89% |
| 6 | Employee Expenses worked out for FY 2022-23 | 8.73 |

Accordingly, the employee expenses approved by the Commission for FY 2022-23 have been provided in the following table:

*Table 55: Employee Expenses approved by Commission for FY 2022-23 (INR Crore)*

| Sr. No | Particulars | Approved for EDDD Combined Entity (ARR Order) | Claimed | Now Approved by commission |
|---|---|---|---|---|
| 1 | Employee Expenses | 17.85 | 9.38 | 8.73 |

**The Commission approves Employee Expenses of INR 8.73 Crore for FY 2022-23.**

## *4.7.2. Administrative and General (A&G) Expenses*

**Petitioner's submission**

The Petitioner has determined the A&G expenses for FY 2022-23 based on actual expenditure as being incurred in new restructured scenario in the current financial year and revised estimates for the remaining six months of FY 2022-23.

Following table provides the A&G expenses projected for FY 2022-23:

*Table 56: A&G submitted by Petitioner for FY 2022-23 (INR Crore)*

| Particulars | Approved for EDDD Combined Entity (ARR Order) | Claimed |
|---|---|---|
| Projected A&G Expenses | 12.73 | 5.04 |

***Commission's Analysis***

A&G expenses mainly comprise of rents, telephone and other communication expenses, professional charges, conveyance and travelling allowances, etc. The Commission has determined A&G expenses for FY 2022-23 by considering the details of actual A&G expenses for first half of FY 2022-23 which were submitted by EDDD in response to TVS Letter dated 14th March 2023.

The Commission at this stage has provisionally considered the A&G expenses for FY 2022-23 based on actual A&G expenses for first half excluding provisioning and same for second half of FY 2022-23. The Commission will carry out the truing up of actual A&G expenses for FY 2022-23 based on actuals subject to prudence check.

The following table provides A&G expenses approved by the Commission for FY 2022-23:

*Table 57: A&G Expenses approved by Commission for FY 2022-23 (INR Crore)*

| Sr. No. | Particulars | Approved for EDDD Combined Entity (ARR Order) | Claimed | Now Approved by Commission |
|---|---|---|---|---|
| 1 | A&G Expenses | 12.73 | 5.04 | 5.04 |

**The Commission approves the Administrative & General (A&G) expenses of INR 5.04 Crore for FY 2022-23.**

## *4.7.3. Repair & Maintenance Expenses (R&M)*

**Petitioner's submission**

The Petitioner has determined the R&M expenses for FY 2022-23 based on actual expenditure as being incurred in new restructured scenario in the current financial year and revised estimates for the remaining six months of FY 2022-23.

The following table provides the R&M expenses proposed for FY 2022-23 along with various parameters considered for its computation.

*Table 58: R&M expenses submitted by Petitioner (INR Crore)*

| Particulars | Approved for EDDD Combined Entity (ARR Order) | Claimed |
|---|---|---|
| Opening GFA for the Year | 538.36 | - |
| K-Factor | 2.53% | - |
| WPI Inflation | 2.42% | - |
| **Projected R&M expenses** | **13.98** | **18.84** |

***<u>Commission's Analysis</u>***

Regulation 42.3 of the JERC (Generation, Transmission and Distribution Multi Year Tariff) Regulations, 2021 states as shown below:

"……..

*'K' is a constant (expressed in %). Value of K for each Year of the Control Period shall be determined by the Commission in the Multi Year Tariff Order based on Licensee's filing, bench marking of repair and maintenance expenses, approved repair and maintenance expenses vis-à-vis GFA approved by the Commission in past and any other factor considered appropriate by the Commission;*

……"

Further, Regulation 6 of the JERC (Generation, Transmission and Distribution Multi Year Tariff) Regulations, 2021 specifies the following:

***"6. Values for Base Year***

*6.1 The values for the Base Year of the Control Period shall be determined on the basis of the audited accounts or provisional accounts of last three (3) Years, and other factors considered relevant by the Commission:*

*Provided that, in absence of availability of audited accounts or provisional accounts of last three (3) Years, the Commission may benchmark the parameters with other similar utilities to establish the values for Base Year:*

*Provided further that the Commission may change the values for Base Year and consequently the trajectory of parameters for Control Period, considering the actual figures from audited accounts………"*

While scrutinizing the submissions made by the Petitioner it was observed that the Petitioner has worked out the R&M expenses for FY 2022-23 based on actual expenditure during first six months of FY 2022-23 as being incurred in new restructured. The Commission in the absence of any norm for EDDD provisionally approves K-factor as 2.53% as approved in MYT order dated 31st March, 2022 for working out the R&M Expenses of erstwhile

EDDD. The Commission shall review the K-factor once Petitioner is able to provide actual R&M expenditure for transmission business for FY 2022-23.

The WPI Inflation has been considered as follows:

*Table 59: Computation of WPI Inflation (%)*

| FY | Average of (Apr-Mar) | Increase in WPI Index | Average increase in WPI indices over 3 years |
|---|---|---|---|
| FY 2018-19 | 119.79 | - | |
| FY 2019-20 | 121.80 | 1.68% | |
| FY 2020-21 | 123.38 | 1.29% | |
| FY 2021-22 | 139.41 | 13.00% | |
| | | **WPI Inflation** | **5.32%** |

The following table provides the R&M expenses approved by the Commission in the ARR Order, Petitioner's submission and revised estimates now approved by the Commission:

*Table 60: R&M Expenses approved by Commission for FY 2022-23 (INR Crore)*

| Sr. No. | Particulars | Approved for EDDD Combined Entity (ARR Order) | Petitioner's Submission | Now Approved by Commission |
|---|---|---|---|---|
| 1 | K factor | 2.53% | - | 2.53% |
| 2 | GFAn-1 (Opening GFA) | 538.36 | - | 340.67 |
| 3 | WPI Inflation (%) | 2.42% | - | 5.32% |
| **4** | **Repair & Maintenance Expenses** | **13.98** | **18.84** | **9.08** |

**The Commission approves the Repair & Maintenance (R&M) expenses of INR 9.08 Cr for FY 2022-23.**

### 4.7.4. Total Operation and Maintenance Expenses (O&M)

The following table provides the O&M expenses approved by the Commission in the ARR Order, Petitioner's submission and revised estimates of O&M expenses now approved by the Commission:

*Table 61: O&M Expenses approved by Commission for FY 2022-23 (INR Crore)*

| Sr. No. | Particulars | Approved for EDDD Combined Entity (ARR Order) | Petitioner's Submission | Now Approved by Commission |
|---|---|---|---|---|
| 1 | Employee Expenses | 17.85 | 9.38 | 8.73 |
| 2 | Administrative & General Expenses (A&G) | 12.73 | 5.04 | 5.04 |
| 3 | Repair & Maintenance Expenses | 13.98 | 18.84 | 9.08 |
| **4** | **Total Operation & Maintenance Expenses** | **44.55** | **33.26** | **22.84** |

**The Commission approves the Operation & Maintenance (O&M) expenses of INR 22.84 Cr for FY 2022-23.**

**The Commission further directs the Petitioner to provide separate details for Employee, A&G expenses for Solar Plant for FY 2022-23 duly certified by statutory Auditor and submit the same along with True-Up for FY 2022-23.**

## *4.8. Interest on Working Capital*

**Petitioner's submission**

The Petitioner has calculated interest on working capital based on the principles outlined in the CERC (Terms and Conditions for determination of Tariff), Regulations, 2019, by considering the below parameters (as in CERC Tariff Regulations, 2019):

a) Receivables equivalent to 45 days of annual fixed cost
b) Maintenance spares @15% of operation and maintenance expenses
c) Operation and maintenance expenses for one month

The Petitioner has considered rate of interest on working capital as 9.00%.

*Table 62: Interest on Working Capital submitted by Petitioner (INR Crore)*

| Sr. No. | Particulars | Approved for EDDD Combined Entity (ARR Order) | Petitioner's Submission |
|---|---|---|---|
| 1 | Receivables equivalent to 45 days of fixed cost | - | 7.58 |
| 2 | Maintenance spares @15% of operation and maintenance expenses | - | 2.39 |
| 3 | Operation and maintenance expenses for one month | - | 1.33 |
| 4 | Total Working Capital requirement | 13.76 | 11.30 |
| **5** | **Interest on Working Capital** | **1.24** | **1.02** |

***Commission's Analysis***

Regulation 43.1 of the JERC (Generation, Transmission and Distribution Multi Year Tariff) Regulations, 2021 states the following with regard to Interest on Working Capital:

*"43.1 The Transmission Licensee shall be allowed interest on the estimated level of working capital for the Financial Year computed in accordance with prevalent CERC Tariff Regulations."*

Further, Regulation 34 (C) of the CERC (Terms and Conditions of Tariff) Regulations, 2019 specifies:

"***34. Interest on Working Capital:*** *(1) The working capital shall cover:*

..........

***(c) For Hydro Generating Station (including Pumped Storage Hydro Generating Station) and Transmission System:***

*(i) Receivables equivalent to 45 days of annual fixed cost;*

*(ii) Maintenance spares @ 15% of operation and maintenance expenses including security expenses; and*

*(iii) Operation and maintenance expenses, including security expenses for one month."*

Further, Regulation 32 of the JERC (Generation, Transmission & Distribution Multi Year Tariff), Regulations, 2021, states the following with regard to interest rate to be considered in working capital calculation:

"***32. Interest on Working Capital***

*32.1 The norms for working capital for Transmission Licensee shall be as specified in Chapter 5 of these Regulations*

*32.2 The norms for working capital for Distribution Wires Business and Retail Supply Business shall be as specified in Chapter 6 and Chapter 7 of these Regulations.*

*32.3 The interest on working capital shall be a payable on normative basis notwithstanding that the Licensee has not taken working capital loan from any outside agency or has exceeded the working capital loan based on the normative figures.*

***32.4 The rate of interest on working capital shall be equal one (1) Year State Bank of India (SBI) MCLR / any replacement thereof as notified by RBI for the time being in effect applicable for one (1) Year period, as may be applicable as on 1stApril of the Financial Year in which the Petition is filed plus 200 basis points." (Emphasis supplied)***

Accordingly, the Commission has computed the revised estimates of working capital requirement for the Petitioner for FY 2022-23. The interest on working capital has been computed considering the interest rate as one-year SBI MCLR as on April 1, 2022 as 7.00% plus 200 basis points.

The following table provides the interest on working capital approved by the Commission in the ARR Order, Petitioner's submission and now approved by the Commission.

*Table 63: Interest on Working Capital approved by Commission for FY 2022-23 (INR Crore)*

| Sr. No | Particulars | Approved for EDDD Combined Entity (ARR Order) | Petitioner's Submission | Now Approved by Commission |
|---|---|---|---|---|
| 1 | Receivables equivalent to 45 days of net Annual Fixed Cost | - | 7.58 | 5.33 |
| 2 | Maintenance spares @15% of operation and maintenance expenses | - | 2.39 | 3.43 |
| 3 | Operation and maintenance expenses for one month | - | 1.33 | 1.90 |
| 4 | Total Working Capital requirement | 13.76 | 11.30 | 10.66 |
| 5 | Rate of Interest (%) | 9.00% | 9.00% | 9.00% |
| **6** | **Interest on Working Capital** | **1.24** | **1.02** | **0.96** |

**The Commission approves the Interest on Working Capital as INR 0.96 Cr for FY 2022-23.**

## *4.9. Non-Tariff Income*

**Petitioner's submission**

The Petitioner has proposed the Non-Tariff Income as per MYT Regulations, 2021 of INR 0.16 Crore for FY 2022-23 considering INR 0.08 Crore in H1 of FY 2022-23 and INR 0.08 Crore in H2 considering elements like tender fees, etc.

***<u>Commission's analysis</u>***

Regulation 44 of the JERC MYT Regulations, 2021 stipulates the following:

*"**44. Non-Tariff Income***

*44.1 The amount of Non-Tariff Income relating to the transmission business as approved by the Commission shall be deducted from the Aggregate Revenue Requirement in determining annual transmission charges of the Transmission Licensee:*

*Provided that the Transmission Licensee shall submit full details of its forecast of Non-Tariff Income to the Commission along with its application for determination of Aggregate Revenue Requirement.*

*44.2 The Non-Tariff Income shall inter-alia include:*

*a) Income from rent of land or buildings;*

*b) Income from sale of scrap in excess of the 10% of the salvage value;*

*c) Income from statutory investments;*

*d) Interest on advances to suppliers/contractors;*

*e) Rental from staff quarters;*

*f) Rental from contractors;*

*g) Income from hire charges from contactors and others.INR*

*h) Income from advertisements, etc.;*

*i) Miscellaneous receipts like parallel operation charges;*

*j) Deferred Income from grant, subsidy, etc., as per Annual Accounts;*

*k) Excess found on physical verification;*

*l) Interest on investments, fixed and call deposits and bank balances;*

*m) Prior period income, etc.:*

*Provided that the interest/dividend earned from investments made out of Return on Equity corresponding to the Licensed Business of the Transmission Licensee shall not be included in Non-Tariff Income."*

The Commission has observed that the Petitioner has submitted estimated value of INR 0.16 Crore as the Non-Tariff Income for FY 2022-23 from Transmission business.

The Commission for FY 2022-23 has approved the Non-Tariff Income as claimed by the Petitioner. However, the same shall be trued up on actual basis.

The NTI approved in the ARR Order, the Petitioner's submission and now approved by the Commission is shown in the table below:

*Table 64: Non-Tariff Income approved by Commission for FY 2022-23 (INR Crore)*

| Sr. No | Particulars | Approved for EDDD Combined Entity (ARR Order) | Petitioner's Submission | Now Approved by Commission |
|---|---|---|---|---|
| 1 | **Non-Tariff Income** | **6.53** | **0.16** | **0.16** |

**The Commission approves Non-Tariff Income of INR 0.16 Cr for FY 2022-23.**

## 4.10. Aggregate Revenue Requirement (ARR) for FY 2022-23

**Petitioner's submission**

Based on the expenses as detailed above, the net aggregate revenue requirement of INR 61.51 Cr is submitted after adjusting the Non -Tariff Income for FY 2022-23.

***Commission's Analysis***

On the basis of the detailed analysis of the cost parameters of the ARR as shown above, the revenue requirements in the APR of FY 2022-23 are approved as follows:

*Table 65: Aggregate Revenue Requirement approved by the Commission for FY 2022-23 (INR Crore)*

| Sr. No | Particulars | Approved for EDDD Combined Entity (ARR Order) | Petitioner's Submission | Now Approved by Commission |
|---|---|---|---|---|
| 1 | Depreciation | - | 16.57 | 16.79 |
| 2 | Interest on Long-term Loans | | 5.43 | 0.96 |
| 3 | Return on Equity | | 5.39 | 1.98 |
| 4 | O&M Expense | | 33.26 | 22.84 |
| 5 | Interest on Working Capital | | 1.02 | 0.96 |
| 6 | **Total Revenue Requirement** | | **61.67** | **43.54** |
| 7 | Less: Non-Tariff Income | | 0.16 | 0.16 |
| 8 | **Net Revenue Requirement (Annual Fixed Cost)** | **1319.91** | **61.51** | **43.38** |

**The Commission approves the net ARR of INR 43.38 Cr in for FY 2022-23.**

## 4.11. Standalone Gap/(Surplus) for FY 2022-23

**Petitioner's submission**

Based on MoU signed between EDDD and DNHDDPDCL on 15th March, 2022, the Petitioner has projected the Revenue of INR 69.72 Cr resulting in standalone revenue surplus of INR 8.21 Crore for FY 2022-23.

***Commission's Analysis***

Thus, the standalone revenue gap/(surplus) as approved by the Commission is shown in the following table:

*Table 66: Standalone revenue gap/(surplus) for FY 2022-23 (INR Crore)*

| Sr. No. | Particular | Petitioner's Submission | Now Approved by Commission |
|---|---|---|---|
| 1 | Net Revenue Requirement | 61.51 | 43.38 |
| 2 | Revenue at existing Tariff | 69.72 | 69.72 |
| **3** | **Standalone Gap/(Surplus)** | **(8.21)** | **(26.34)** |

**The Surplus at transmission tariff as agreed to in MoU signed between EDDD and DNHDDPDCL is INR 26.34 Crore for FY 2022-23. This estimated Surplus is carried over to the next year and has been considered while determining the tariff for FY 2022-23.**

**The Commission has provisionally approved the revenue surplus of 26.34 Crore during FY 2022-23 based on provisional opening balance sheet and provisionally approved O&M expenses. As the**

**revenue surplus for FY 2022-23 will undergo change based on the final opening balance sheet, the Commission at this stage has not adjusted the estimated revenue surplus during FY 2022-23 while approving the ARR for FY 2023-24. The Commission will consider the revenue surplus for FY 2022-23 at the time of final true-up.**

# 5. Chapter 5: Determination of Aggregate Revenue Requirement for FY 2023-24

## 5.1. Background

In Section 4.1, the Commission has discussed regarding the Petition filed by the Petitioner for APR for FY 2022-23 and determination of ARR and Transmission Tariff for FY 2023-24 considering the provisional Opening Balance Sheet of EDDD as on 1.4.2022.

In this Chapter, the Commission has determined the Aggregate Revenue Requirement (ARR) for FY 2023-24. The determination of Aggregate Revenue Requirement has been done in accordance with the Joint Electricity Regulatory Commission for the State of Goa and Union Territories (Generation, Transmission and Distribution Multi Year Tariff) Regulations, 2021 (hereinafter referred to as "MYT Regulations, 2021").

## 5.2. Approach for determination of ARR for FY 2023-24

The Commission has computed the individual elements constituting the Aggregate Revenue Requirement for FY 2023-24 based on figures submitted by the Petitioner, the actual information available of various parameters for first half of FY 2022-23 and the provisional information available for second half FY 2022-23. The ARR for FY 2023-24 is being determined only for transmission function of EDDD.

## 5.3. Gross Fixed Assets (GFA) and Capitalisation

**Petitioner's submission**

The Petitioner has submitted the opening Gross Fixed Assets (GFA) of INR 353.35 Crore for FY 2023-24 with an asset addition of INR 37.05 Crore during the FY 2023-24. The summary of the GFA and capitalization proposed by the Petitioner for FY 2023-24 is as follows:

***Table 67:*** *Gross Fixed Assets and Capitalisation Proposed by the Petitioner (INR Crore)*

| Sr. No. | Particulars | Claimed |
|---|---|---|
| 1 | Opening GFA | 353.35 |
| 2 | Addition during the year | 37.05 |
| 3 | Closing GFA | 390.40 |

***<u>Commission's Analysis</u>***

The Petitioner has claimed capitalization of Rs. 37.05 Crore for FY 2023-24. In this regard, Commission vide Letter dated 08th February, 2023 has asked the Petitioner to provide the current status of schemes proposed to be capitalized in FY 2023-24 along with physical and financial progress. In response to the Query of the Commission, the Petitioner vide letter dated 27th February, 2023 has submitted that the work under the schemes proposed to be capitalized in FY 2023-24 is yet to be started.

Noting the submissions of the Petitioner, the Commission vide TVS Letter dated 13th March, 2023 directed the Petitioner to submit the current status of these scheme in detail including physical progress, financial progress and likely date of capitalization along with copy of DPR and Work Orders. In response, EDDD only submitted the copy of DPR and CEA Approval and didn't provide the details of the scheme likely to be capitalized in FY 2023-24.

Based on the submissions of the Petitioner and considering the current status of proposed schemes in FY 2023-24, the Commission is of the view that it is unlikely that all the schemes proposed by the Petitioner will get completed in FY 2023-24. Accordingly, the Commission has provisionally considered 50% of the capitalization proposed during FY 2023-24 i.e. Rs. 18.53 Crore. The Commission will consider the actual capitalization during FY 2023-24 at the time of truing up subject to prudence check. Further, the Commission has considered the opening GFA for FY 2023-24 same as the closing GFA approved in APR of FY 2022-23.

The table below provides the details of capitalization and GFA approved by the commission for the FY 2023-24:

*Table 68: Gross Fixed Assets and Capitalisation Approved by the commission (INR Crore)*

| Sr. No. | Particulars | Claimed | Now Approved by commission |
|---|---|---|---|
| 1 | Opening GFA | 353.35 | 353.35 |
| 2 | Addition during the year | 37.05 | 18.53 |
| 3 | Closing GFA | 390.40 | 371.88 |

**The Commission approves the capitalization and Gross Fixed Assets as shown in the table above.**

## *5.4. Depreciation*

**Petitioner's submission**

The Petitioner has determined the depreciation by applying category-wise depreciation rates notified in the Central Electricity Regulatory Commission (Terms & Conditions of Tariff) Regulations, 2019 on the opening balance of Gross Fixed assets and average of the addition for FY 2023-24. Accordingly, the depreciation for the Control period has been submitted as below:

*Table 69: Depreciation details submitted by Petitioner (INR Crore)*

| Sr. No. | Particulars | Claimed |
|---|---|---|
| 1 | Opening GFA | 353.35 |
| 2 | Addition during the year | 37.05 |
| 3 | Closing GFA | 390.40 |
| 4 | Average GFA | 371.88 |
| 5 | Depreciation during the year | **17.88** |

***Commission's Analysis***

Regulation 31 of the JERC MYT Regulations, 2021 specifies the following:

***"31. Depreciation***

*31.1 The value base for the purpose of depreciation shall be the capital cost of the asset admitted by the Commission:*

*Provided that the depreciation shall be allowed after reducing the approved original cost of the retired or replaced or decapitalized assets:*

*Provided also that the no depreciation shall be allowed on the assets financed through consumer contribution, deposit work, capital subsidy or grant.*

*31.2 The salvage value of the asset shall be considered as 10% and depreciation shall be allowed up to a maximum of 90% of the capital cost of the asset.*

*Provided further that the salvage value of Information Technology equipment and computer software shall be considered at zero (0) per cent of the allowable capital cost.*

*31.3 Land other than the land held under lease shall not be a depreciable asset and its cost shall be excluded from the capital cost while computing depreciable value of the assets.*

*31.4 In case of existing assets, the balance depreciable value as on April 1, 2022, shall be worked out by deducting the cumulative depreciation as admitted by the Commission up to March 31, 2021, from the gross depreciable value of the assets.*

*31.5 The depreciation shall be chargeable from the first Year of commercial operations. In case of projected commercial operation of the assets during the Year, depreciation shall be computed based on the average of opening and closing value of assets:*

*Provided that depreciation shall be re-calculated during truing-up for assets capitalised at the time of truing up of each Year of the Control Period, based on documentary evidence of asset capitalised by the Applicant, subject to the prudence check of the Commission.*

***31.6 For Transmission Licensee, the depreciation shall be calculated at rates and norms specified in the prevalent CERC Tariff Regulations for transmission system.***

***………….” (Emphasis supplied)***

Accordingly, depreciation rates have been considered based on CERC (Terms and Conditions of Tariff), 2019.

Further, depreciation for FY 2023-24 has been computed on average Gross Fixed Assets (GFA) after considering the net addition approved for the year.

The following table provides the calculation of depreciation approved by the commission for FY 2023-24:

*Table 70: Depreciation approved by Commission (INR Crore)*

| Sr. No. | Particulars | Depreciation Rate | Opening GFA | Addition | Deletion | Closing GFA | Average | Depreciation |
|---|---|---|---|---|---|---|---|---|
| 1 | Plant and Machinery | 5.28% | 283.15 | 18.53 | 0.00 | 301.68 | 292.41 | 15.44 |
| 2 | Buildings | 3.34% | 23.97 | 0.00 | 0.00 | 23.97 | 23.97 | 0.80 |
| 3 | Vehicles | 9.50% | 0.67 | 0.00 | 0.00 | 0.67 | 0.67 | 0.06 |
| 4 | Office Equipment | 6.33% | 2.90 | 0.00 | 0.00 | 2.90 | 2.90 | 0.18 |
| 5 | Computer and Others | 6.33% | 17.87 | 0.00 | 0.00 | 17.87 | 17.87 | 1.13 |
| 6 | Land | 0.00% | 24.79 | 0.00 | 0.00 | 24.79 | 24.79 | 0.00 |
| 7 | Total | **4.86%** | **353.35** | **18.53** | **0.00** | **371.88** | **362.61** | **17.62** |

**The Commission approves a depreciation of INR 17.62 Cr for FY 2023-24.**

## 5.5. Interest on Loan

**Petitioner's submission**

The Petitioner has considered normative debt-equity ratio of 70:30 as per the JERC MYT Regulations, 2021. Further, the Petitioner has considered interest rate of 8.00% to compute the interest on long-term loans.

The following table provides the Interest on Loan projected for FY 2023-24:

*Table 71: Interest on Loan submitted by the Petitioner (INR Crore)*

| Sr. No. | Particulars | Claimed |
|---|---|---|
| 1 | Opening Normative Loan | 64.08 |
| 2 | Add: Normative Loan during the year (70% of proposed capitalization) | 25.94 |
| 3 | Less: Normative Repayment | 17.88 |
| 4 | Closing Normative Loan | 72.13 |
| 5 | Average Normative Loan | 68.10 |
| 6 | Rate of Interest | 8.00% |
| 7 | Interest on Normative Loan | **5.45** |

***Commission's Analysis***

The Regulation 29 of the JERC MYT Regulations, 2021 specifies the following:

*"**29. Interest on Loan***

*29.1 The loans arrived at in the manner indicated in Regulation 27 on the assets put to use, shall be considered as gross normative loan for calculation of interest on the loan:*

*Provided that interest and finance charges on capital works in progress shall be excluded:*

*Provided further that in case of De-capitalisation or retirement or replacement of assets, the loan capital shall be reduced to the extent of outstanding loan component of the original cost of the decapitalised or retired or replaced assets, based on documentary evidence.*

*29.2 The normative loan outstanding as on April 1, 2022, shall be worked out by deducting the cumulative repayment as admitted by the Commission up to March 31, 2021, from the gross normative loan.*

*29.3 Notwithstanding any moratorium period availed by the Transmission Licensee or the Distribution Licensee, as the case may be, the repayment of loan shall be considered from the first Year of commercial operation of the project and shall be equal to the annual depreciation allowed in accordance with Regulation 31.*

*29.4 The rate of interest shall be the weighted average rate of interest calculated on the basis of the actual loan portfolio at the beginning of each Year applicable to the Transmission Licensee or the Distribution Licensee:*

*Provided that at the time of truing up, the weighted average rate of interest calculated on the basis of the actual loan portfolio during the Year applicable to the Transmission Licensee or the Distribution Licensee shall be considered as the rate of interest after prudence check:*

*Provided also that if there is no actual loan for a particular Year but normative loan is still outstanding, the last available weighted average rate of interest for the actual loan shall be considered:*

***Provided further that if the Transmission Licensee or the Distribution Licensee does not have actual loan, then one (1) Year State Bank of India (SBI) MCLR / any replacement thereof as notified by RBI for the time being in effect applicable for one (1) Year period, as may be applicable as on 1st April of the relevant Year plus 100 basis points shall be considered as the rate of interest for the purpose of allowing the interest on the normative loan.***

*29.5 The interest on loan shall be calculated on the normative average loan of the Year by applying the weighted average rate of interest:*

*Provided that at the time of truing up, the normative average loan of the Year shall be considered on the basis of the actual asset capitalisation approved by the Commission for the Year.*

*29.6 For new loans proposed for each Financial Year of the Control Period, interest rate shall be considered as lower of (i) one (1) Year State Bank of India (SBI) MCLR / any replacement thereof as notified by RBI for the time being in effect applicable for one (1) Year period, as may be applicable as on 1st April of the relevant Year plus 100 basis points, and (ii) weighted average rate of interest proposed by the Distribution Licensee.*

*29.7 The above interest computation shall exclude the interest on loan amount, normative or otherwise, to the extent of capital cost funded by consumer contribution, deposit work, capital subsidy or grant, carried out by Transmission Licensee or Distribution Licensee.*

*............" **(Emphasis supplied)***

As discussed under the GFA and Capitalization Section, the Commission has considered capitalization of INR 18.53 Cr for FY 2023-24.

Since, the Petitioner has no actual loans, the rate of interest will be in accordance with the Regulation 29 of the JERC MYT Regulations, 2021 and shall be the 1-year SBI MCLR as on 1st April of the relevant year plus 100 basis points. For projection, the latest available 1-year SBI MCLR as on April 1, 2022 plus 100 basis points (8.00%) has been considered for FY 2023-24.

The closing loan balance in APR of FY 2022-23 has been considered as the opening loan balance for FY 2023-24. The normative loan addition for FY 2023-24 has been considered as 70% of the capitalization for FY 2023-24, which works out to be INR 12.79 Cr. The Interest on Loan has been calculated on the average loan during the year.

The following table provides the Interest on Loan approved by the Commission 2023-24:

*Table 72: Interest on loan approved by Commission (INR Crore)*

| Sr. No. | Particulars | Claimed | Now Approved by Commission |
|---|---|---|---|
| 1 | Opening Normative Loan | 64.08 | 8.08 |
| 2 | Add: Normative Loan during the year | 25.94 | 12.97 |
| 3 | Less: Normative Repayment equal to Depreciation | 17.88 | 17.62 |
| 4 | Closing Normative Loan | 72.13 | 3.43 |
| 5 | Average Normative Loan | 68.10 | 5.75 |
| 6 | Rate of Interest (%) | 8.00% | 8.00% |
| 7 | **Interest on Loan** | **5.45** | **0.46** |

**The Commission approves Interest on Loan as INR 0.46 Cr for FY 2023-24.**

## 5.6. Return on Equity (RoE)

**Petitioner's submission**

The Petitioner has computed the Return on Equity (RoE) in accordance with the JERC MYT Regulations 2021, wherein RoE is computed on 30% of the capital base. The opening equity for FY 2023-24 is considered equivalent to the closing equity of FY 2022-23. Further, equity addition is considered to the tune of 30% of proposed capitalization during the year. The Petitioner has considered a post-tax rate of return on equity of 15.50% as per Regulations 30 (2) of the Central Electricity Regulatory Commission (Terms & Conditions of Tariff) Regulations, 2019.

The following table provides the return on equity proposed by the Petitioner for 2023-24:

*Table 73: RoE Proposed by the Petitioner (INR Crore)*

| Sr. No. | Particulars | Claimed |
|---|---|---|
| 1 | Opening Equity | 36.66 |
| 2 | Additions on account of new capitalization | 11.12 |
| 3 | Closing Equity | 47.78 |
| 4 | Average Equity | 42.22 |
| 5 | Return on Equity (%) | 15.50% |
| 6 | **Return on Equity** | **6.54** |

***Commission's Analysis***

The Regulation 28.1 of the JERC MYT Regulations, 2021 stipulates the following:

*"28.1 Return on equity shall be computed on the paid up equity capital determined in accordance with Regulation 27 for the assets put to use for the Transmission Licensee and shall be allowed in accordance with the prevalent CERC Tariff Regulations for transmission system."*

Further, the Regulation 30 (2) of the CERC (Terms and Conditions of Tariff) Regulations, 2019, states that:

***"(2) Return on equity shall be computed at the base rate of 15.50% for thermal generating station, transmission system** including communication system and run-of river hydro generating station, and at the base rate of 16.50% for the storage type hydro generating stations including pumped storage hydro generating stations and run-of river generating station with pondage:*

*………" **(Emphasis supplied)***

Accordingly, the Commission has considered a rate of return on equity of 15.50%. The opening equity for FY 2023-24 has been considered equal to the closing equity approved in APR of FY 2022-23. The equity addition during FY 2023-24 has been considered as 30% of the capitalization for FY 2023-24, which works out to be INR 5.56 Crore.

The following table provides the return on equity approved for 2023-24:

*Table 74: RoE approved by Commission (INR Crore)*

| Sr. No. | Particulars | Claimed | Now approved by Commission |
|---|---|---|---|
| 1 | Opening Equity | 36.66 | 14.67 |

| Sr. No. | Particulars | Claimed | Now approved by Commission |
|---|---|---|---|
| 2 | Additions on account of new capitalization | 11.12 | 5.56 |
| 3 | Closing Equity | 47.78 | 20.23 |
| 4 | Average Equity | 42.22 | 17.45 |
| 5 | Return on Equity (%) | 15.50% | 15.50% |
| 6 | **Return on Equity** | **6.54** | **2.70** |

**The Commission approves Return on Equity of INR 2.70 Cr for FY 2023-24.**

## *5.7. Operation & Maintenance Expenses*

The Operation & Maintenance Expenses comprise of the Employee Expenses, Administrative and General Expenses (A&G) and the Repair & Maintenance Expenses (R&M). Regulation 42 of the JERC MYT Regulation, 2021 states the following:

*"**42. Operation and Maintenance (O&M) expenses for Transmission Licensees***

*42.1 Operation and Maintenance (O&M) expenses shall comprise of the following:*

*a) Employee expenses - salaries, wages, pension contribution and other employee costs;*

*b) Administrative and General expenses including insurance charges if any; and*

*c) Repairs and Maintenance expenses.*

*42.2 The Transmission Licensee shall submit the required O&M expenses for the Control Period as a part of Multi Year Tariff Petition. O&M expenses for the base Year shall be approved by the Commission taking into account the latest available audited accounts, business plan filed by the transmission Licensee, estimates of the actuals for the base Year, prudence check and any other factors considered appropriate by the Commission.*

*42.3 O&M expenses for the nth Year of the Control Period shall be approved based on the formula given below:*

*O&Mn = (R&Mn + EMPn + A&Gn) x (1 - Xn) + Terminal Liabilities*

*Where,*

*R&Mn = K x GFAn-1 x (WPI inflation)*

*EMPn = (EMPn-1) x (1+Gn) x (CPIinflation)*

*A&Gn = (A&Gn-1) x (CPIinflation)*

*'K' is a constant (expressed in %). Value of K for each Year of the Control Period shall be determined by the Commission in the Multi Year Tariff Order based on Licensee's filing, benchmarking of repair and maintenance expenses, approved repair and maintenance expenses vis-à-vis GFA approved by the Commission in past and any other factor considered appropriate by the Commission;*

*CPI inflation – is the average increase in Consumer Price Index (CPI) for immediately preceding three (3) Years before the base Year;*

*WP Iinflation – is the average increase in the Wholesale Price Index (CPI) for immediately preceding three (3) Years before the base Year;*

*EMPn – Employee expenses of the Transmission Licensee for the nth Year;*

*A&Gn – Administrative and General expenses of the Transmission Licensee for the nth Year;*

*R&Mn – Repair and Maintenance expenses of the Transmission Licensee for the nth Year;*

*GFAn-1 – Gross Fixed Asset of the transmission Licensee for the n-1th Year;*

*Xn is an efficiency factor for nth Year. Value of Xn shall be determined by the Commission in the Multi Year Tariff Order based on Licensee's filing, benchmarking, approved cost by the Commission in past and any other factor the Commission feels appropriate;*

*Gn is a growth factor for the nth Year. Value of Gn shall be determined by the Commission for each Year in the Multi Year Tariff Order for meeting the additional manpower requirement based on Licensee's filings, benchmarking, approved cost by the Commission in past and any other factor that the Commission feels appropriate:*

*42.4 Terminal liabilities of employees of Licensee including pension expenses etc. shall be approved as per actuals submitted by the Licensee, subject to prudence check or be established through actuarial studies. Additionally, any variation due to changes recommended by the pay commission shall be allowed separately by the Commission, subject to prudence check.*

*42.5 For the purpose of estimation, the same value of factors – CPI inflation and WPI inflation shall be used for all Years of the Control Period. However, the Commission shall consider the actual values of the factors – CPI inflation and WPI inflation during the truing up exercise for the Year for which true up is being carried out and true up the O&M Expenses for that Year, only to the extent of inflation.*

*..............."*

The components comprising of the O&M expenses viz. employee expenses, R&M expenses and A&G expenses have been discussed separately below.

## *5.7.1. Employee Expenses*

**Petitioner's submission**

The Petitioner has determined the employee expenses for FY 2023-24 based on the norms specified in the JERC MYT Regulations, 2021. The projected employee expenses for FY 2022-23 have been taken as base. The average increase in Consumer Price Index (CPI) has been calculated based on the average increase in the Consumer Price Index (CPI) for immediately preceding three years.

The following table provides the employee expenses projected by the Petitioner for FY 2023-24:

*Table 75: Employee Expenses submitted by Petitioner (INR Crore)*

| Particulars | FY 2023-24 |
|---|---|
| CPI Inflation | 6.11% |
| **Projected Employee Cost** | **9.95** |

***Commission's Analysis***

The Commission has determined the Employee expenses for FY 2023-24 in accordance with the MYT Regulations, 2021. The Regulation 6 of the MYT Regulations, 2021 stipulates the following:

*"**6. Values for Base Year***

*6.1 The values for the Base Year of the Control Period shall be determined on the basis of the audited accounts or provisional accounts of last three (3) Years, and other factors considered relevant by the Commission:*

*Provided that, in absence of availability of audited accounts or provisional accounts of last three (3) Years, the Commission may benchmark the parameters with other similar utilities to establish the values for Base Year:*

*Provided, further that the Commission may change the values for Base Year and consequently the trajectory of parameters for Control Period, considering the actual figures from audited accounts."*

The Commission has considered the approved employee expenses for FY 2022-23 as base expenses and applied the Average Increase in CPI Indices over 3 Years preceding FY 2022-23 for approving the employee expenses for FY 2023-24. The growth factor for FY 2023-24 has been considered zero as the Petitioner has submitted that it has no plans for recruitment of new employees in FY 2023-24.

The average CPI inflation of 5.89% as determined in the APR Section of this Order has been considered for working out the A&G Expenses for FY 2023-24.

Accordingly, the employee expenses approved by the Commission for FY 2023-24 have been provided in the following table:

*Table 76: Employee Expenses approved by Commission (INR Crore)*

| Sr. No. | Particulars | Claimed | Now Approved by commission |
|---|---|---|---|
| 1 | Employee Expenses | 9.38 | 8.73 |
| 2 | Growth in number of employees (Gn) | 0.00% | 0.00% |
| 3 | CPI Inflation for preceding three years (CPI) | 6.11% | 5.89% |
| 4 | **Employee Expenses** | **9.95** | **9.24** |

**The Commission approves Employee Expenses of INR 9.24 Cr for FY 2023-24.**

## *5.7.2. Administrative and General (A&G) Expenses*

**Petitioner's submission**

The Petitioner has determined the A&G expenses for FY 2023-24 based on the norms specified in the JERC MYT Regulations, 2021. The A&G expenses for FY 2022-23 have been taken as base. The average increase in Consumer Price Index (CPI) has been considered the same as considered while projecting the employee expenses.

Following table provides the A&G expenses projected for each year of the Control Period along with various parameters considered.

*Table 77: A&G submitted by Petitioner (INR Crore)*

| Particulars | FY 2023-24 |
|---|---|
| CPI Inflation | 6.11% |
| **Projected A&G Expenses** | **5.34** |

***Commission's Analysis***

Similar to the methodology followed while estimating the employee expenses, the Commission has considered the approved A&G expenses for FY 2022-23 as base expenses and applied the Average Increase in CPI Indices over 3 Years preceding FY 2022-23 for approving the A&G expenses for FY 2023-24.

The average CPI inflation of 5.89% as determined in the APR Section of this Order has been considered for working out the A&G Expenses for FY 2023-24.

The following table provides A&G expenses approved by the Commission for FY 2023-24:

*Table 78: A&G Expenses approved by Commission (INR Crore)*

| Sr. No. | Particulars | Claimed | Now Approved by Commission |
|---|---|---|---|
| 1 | A&G Expenses | 5.04 | 5.04 |
| 2 | CPI Inflation | 6.11% | 5.89% |
| 3 | **A&G Expenses** | **5.34** | **5.34** |

**The Commission approves the Administrative & General (A&G) expenses of INR 5.34 Cr for FY 2023-24.**

## *5.7.3. Repair & Maintenance Expenses (R&M)*

**Petitioner's submission**

The Petitioner has determined the R&M expenses for FY 2023-24 by escalating R&M expenses for FY 2022-23 with Wholesale Price Index (WPI) Inflation.

The following table provides the R&M expenses proposed for each year of the Control Period along with various parameters considered for its computation.

*Table 79: R&M expenses submitted by Petitioner (INR Crore)*

| Particulars | FY 2023-24 |
|---|---|
| K-Factor | 5.53% |
| WPI Inflation | 2.54% |
| **Projected R&M expenses** | **20.04** |

***Commission's Analysis***

While scrutinizing the submissions made by the Petitioner it was observed that the Petitioner has worked out the K-Factor for FY 2023-24 considering the estimated R&M Expenses for FY 2022-23 as a percentage of Closing GFA of FY 2022-23. The Commission has considered the 'K' factor as 2.53% as determined for 3rd Control Period vide MYT Order dated 31st March, 2022 for EDDD as a whole on provisional basis and shall revise the same upon truing-up on actual basis at the time of processing of True-Up Petition for the corresponding financial year subject to prudence check and benchmark costs for R&M of similar utilities.

The average WPI inflation of 5.32% as determined in the APR Section of this Order has been considered for working out the R&M Expenses for FY 2023-24.

The following table provides the R&M expenses approved for FY 2023-24:

*Table 80: R&M Expenses approved by Commission (INR Crore)*

| Sr. No. | Particulars | Claimed | Now Approved by Commission |
|---|---|---|---|
| 1 | Opening GFA for the Year | 353.35 | 353.35 |
| 2 | K factor approved (K) | 5.53% | 2.53% |
| 3 | WPI Inflation | 2.54% | 5.32% |
| 4 | R&M Expenses =<br>K x (GFA n-1) x (1+WPIinflation) | **20.04** | **9.42** |

**The Commission approves the Repair & Maintenance (R&M) expenses of INR 9.42 Cr for FY 2023-24.**

## 5.7.4. Total Operation and Maintenance Expenses (O&M)

The following table provides the total O&M expenses approved by the Commission for FY 2023-24:

*Table 81: O&M Expenses approved by Commission (INR Crore)*

| Sr. No | Particulars | Claimed | Now Approved by Commission |
|---|---|---|---|
| 1 | Employee Expenses | 9.95 | 9.24 |
| 2 | Administrative & General Expenses (A&G) | 5.34 | 5.34 |
| 3 | Repair & Maintenance Expenses | 20.04 | 9.42 |
| **4** | **Total Operation & Maintenance Expenses** | **35.33** | **23.99** |

**The Commission approves Operation & Maintenance (O&M) expenses of INR 23.99 Cr for FY 2023-24.**

## 5.8. Interest on Working Capital

**Petitioner's submission**

The Petitioner has calculated interest on working capital based on the principles outlined in the JERC MYT Regulations, 2021, by considering the below parameters (as in CERC Tariff Regulations, 2019):

a) Receivables equivalent to 45 days of annual fixed cost;
b) Maintenance spares @15% of operation and maintenance expenses including security expenses;
c) Operation and maintenance expenses including security expenses for one month

The Petitioner has considered rate of interest on working capital as 9% for FY 2023-24

The following table provides the Interest on Working Capital claimed by the Petitioner for FY 2023-24:

*Table 82: Interest on Working Capital submitted by Petitioner (INR Crore)*

| Sr. No | Particulars | Claimed |
|---|---|---|
| 1 | Receivables equivalent to 45 days of Annual Fixed Cost | 8.20 |
| 2 | Maintenance spares @15% of operation and maintenance expenses | 5.30 |
| 3 | Operation and maintenance expenses for month | 2.94 |
| 4 | Total Working Capital requirement | 16.44 |
| 5 | Interest on Working Capital | **1.48** |

***Commission's Analysis***

The Regulation 43 of the JERC MYT Regulations, 2021 stipulates as follows:

***"43. Norms of Working Capital for Transmission Licensee***

*"43.1 The Transmission Licensee shall be allowed interest on the estimated level of working capital for the Financial Year computed in accordance with prevalent CERC Tariff Regulations."*

Further, Regulation 34 (C) of the CERC (Terms and Conditions of Tariff) Regulations, 2019 specifies:

*(c) For Hydro Generating Station (including Pumped Storage Hydro Generating Station) and Transmission System:*

i. *Receivables equivalent to 45 days of annual fixed cost;*

ii. *Maintenance spares @ 15% of operation and maintenance expenses including security expenses*

iii. *Operation and maintenance expenses, including security expenses for one month*

The Regulation 32 of the JERC MYT Regulation, 2021 stipulates the following:

*"……*

*32.3 The interest on working capital shall be a payable on normative basis notwithstanding that the Licensee has not taken working capital loan from any outside agency or has exceeded the working capital loan based on the normative figures.*

***32.4 The rate of interest on working capital shall be equal one (1) Year State Bank of India (SBI) MCLR / any replacement thereof as notified by RBI for the time being in effect applicable for one (1) Year period, as may be applicable as on 1st April of the Financial Year in which the Petition is filed plus 200 basis points.***

***………." (Emphasis supplied)***

In accordance with the JERC MYT Regulation, 2021, the Commission has computed the Working Capital for the FY 2023-24. The interest rate has been considered as 1-year SBI MCLR as on April 1, 2022 (7%) plus 200 basis points.

The following table provides the Interest on Working Capital Approved by the commission for each year of the control period.

*Table 83: Interest on Working Capital approved by Commission (INR Crore)*

| Sr. No | Particulars | Claimed | Now Approved by Commission |
|---|---|---|---|
| 1 | Receivables equivalent to 45 days of fixed cost | 8.20 | 5.62 |
| 2 | Maintenance spares @15% of operation and maintenance expenses | 5.30 | 3.60 |
| 3 | Operation and maintenance expenses for one month | 2.94 | 2.00 |
| 4 | Total Working Capital requirement | 16.44 | 11.22 |
| 5 | Rate of Interest (%) | 9.00% | 9.00% |
| **6** | **Interest on Working Capital** | **1.48** | **1.01** |

**The Commission approves the Interest on Working Capital of INR 1.01 Crore for FY 2023-24.**

## 5.9. Non-Tariff Income

**Petitioner's submission**

The Petitioner has proposed the Non-Tariff Income of Rs. 0.17 Crore for FY 2023-24 considering an escalation of 5% over the Non-Tariff Income proposed for FY 2022-23.

***Commission's Analysis***

The Regulation 44 of the JERC MYT Regulations, 2021 stipulates the following:

*"**44. Non-Tariff Income***

*44.1 The amount of Non-Tariff Income relating to the transmission business as approved by the Commission shall be deducted from the Aggregate Revenue Requirement in determining annual transmission charges of the Transmission Licensee:*

*Provided that the Transmission Licensee shall submit full details of its forecast of Non-Tariff Income to the Commission along with its application for determination of Aggregate Revenue Requirement.*

*44.2 The Non-Tariff Income shall inter-alia include:*

*a) Income from rent of land or buildings;*

*b) Income from sale of scrap in excess of the 10% of the salvage value;*

*c) Income from statutory investments;*

*d) Interest on advances to suppliers/contractors;*

*e) Rental from staff quarters;*

*f) Rental from contractors;*

*g) Income from hire charges from contactors and others.*

*h) Income from advertisements, etc.;*

*i) Miscellaneous receipts like parallel operation charges;*

*j) Deferred Income from grant, subsidy, etc., as per Annual Accounts;*

*k) Excess found on physical verification;*

*l) Interest on investments, fixed and call deposits and bank balances;*

*m) Prior period income, etc.:*

*Provided that the interest/dividend earned from investments made out of Return on Equity corresponding to the Licensed Business of the Transmission Licensee shall not be included in Non-Tariff Income."*

The Commission has observed that the Petitioner has considered an escalation of 5% over the Non-Tariff Income proposed for FY 2022-23 while proposing the Non-Tariff Income of Rs. 0.17 Crore for FY 2023-24.

The Commission also approves the same, which shall be trued-up on actual basis at the time of processing of True-Up Petition for the corresponding financial year.

The following table provides the Non-Tariff Income approved by the commission for FY 2023-24:

*Table 84: Non -tariff Income approved by Commission (INR Crore)*

| Particular | Claimed | Now Approved by Commission |
|---|---|---|
| **Non- Tariff Income** | 0.17 | 0.17 |

**The Commission approves Non-Tariff Income of INR 0.17 Cr for FY 2023-24.**

## 5.10. Aggregate Revenue Requirement (ARR)

**Petitioner's submission**

Based on the expenses as detailed above, the Petitioner submitted the net aggregate revenue requirement for each FY 2023-24 as shown in the following table:

*Table 85: Aggregate Revenue Requirement (ARR) submitted by the Petitioner (INR Crore)*

| Sr. No | Particulars | Claimed |
|---|---|---|
| 1 | Depreciation | 17.88 |
| 2 | Interest Cost on Long-term Capital Loans | 5.45 |
| 3 | Return on Equity | 6.54 |
| 4 | O&M Expense | 35.33 |
| 5 | Interest on Working Capital Loans | 1.48 |
| **6** | **Total Revenue Requirement** | **6.68** |
| 7 | Less: Non-Tariff Income | 0.17 |
| **8** | **Net Revenue Requirement (Annual Fixed Cost)** | **66.51** |
| 9 | Add: true-up of previous years | - |
| **10** | **Net Revenue Requirement** | **66.51** |

***Commission's Analysis***

On the basis of the detailed analysis of the cost parameters of the ARR, as shown above, the net revenue requirement for each year of the control period is approved by the commission as provided in the following table:

*Table 86: Aggregate Revenue Requirement approved by Commission (INR Crore)*

| Sr. No | Particulars | Claimed | Now Approved by Commission |
|---|---|---|---|
| 1 | Depreciation | 17.88 | 17.62 |
| 2 | Interest Cost on Long-term Capital Loans | 5.45 | 0.46 |
| 3 | Return on Equity | 6.54 | 2.70 |
| 4 | O&M Expense | 35.33 | 23.99 |
| 5 | Interest on Working Capital Loans | 1.48 | 1.01 |
| **6** | **Total Revenue Requirement** | **66.68** | **45.78** |
| 7 | Less: Non-Tariff Income | 0.17 | 0.17 |
| **8** | **Net Revenue Requirement (Annual Fixed Cost)** | **66.51** | **45.61** |

| Sr. No | Particulars | Claimed | Now Approved by Commission |
|---|---|---|---|
| 9 | Add: True-Up of previous years | (7.17) | (9.54)* |
| **10** | **Net Revenue Requirement** | **59.34** | **36.07** |

**The Cumulative Surplus of INR 28.62 Crore at the end of FY 2021-22 shall be adjusted in 3 Years from FY 2023-24 to FY 2025-26.*

**The Commission approves net ARR of INR 36.07 Cr for FY 2023-24 after adjusting one third of cumulative surplus at the end of FY 2021-22.**

# 6. Chapter 6: Transmission Tariff for FY 2023-24

## 6.1. Transmission capacity of system

The transmission system capacity is the contracted capacity made available to the beneficiary during the given period. The present capacity of EDDD is 792 MW

The approved contracted transmission capacity of the system is as under:

*Table 87: Transmission Capacity approved by Commission (MW)*

| Transmission Capacity (MW) | FY 2023-24 |
|---|---|
| Transmission Capacity | 792.00 |

## 6.2. Normative Availability

Regulation 45.1 of JERC MYT Regulations, 2021 stipulates as follows:

*"45.1 The norms of operations for a Transmission Licensee shall be applicable as specified in the prevalent CERC Tariff Regulations"*

Regulation 51 of the CERC Tariff Regulations, 2019 stipulates as under:

*"51. Normative Annual Transmission System Availability Factor (NATAF):*

*(a) For recovery of Annual Fixed Cost, NATAF shall be as under:*

*(1) AC system: 98.00%;*

*....*

*"*

Accordingly, the Commission approves the Normative Annual Transmission System Availability Factor (NATAF) for recovery of full Annual Fixed Cost as 98%.

Further, **the Commission directs the Petitioner to submit the Transmission Availability Report for Residual Transmission Entity of EDDD on Monthly Basis to the Commission starting from the month of April 2023**.

## 6.3. Transmission Loss

The Commission sought the details regarding the energy audit conducted by the Petitioner for FY 2021-22. The petitioner has submitted the energy audit report for FY 2021-22. Based on the Energy Audit Report submitted for FY 2021-22, the Commission observed that the overall Transmission system loss of EDDD Transmission is 1.42%.

Hence, the Commission approves the Transmission Loss of 1.42% for residual Transmission Business of EDDD.

The Commission directs the Petitioner to conduct separate Energy Audit for Residual Transmission Entity of EDDD for FY 2022-23 and submit the report as part of ARR and Tariff petition for FY 2024-25.

## 6.4. Tariff Determination

Based upon the projected capacity of the transmission capacity, the tariff determined by the Petitioner is as follows:

*Table 88: Transmission Tariff proposed by Petitioner*

| Tariff Determination | FY 2023-24 |
|---|---|
| Aggregate Revenue Requirement (INR Crore) | 59.58 |
| Transmission Capacity (MW) | 792 |
| Energy Required at periphery (MU) | 2644.89 |
| Long/Medium Term Transmission charges (INR / MW/ Month) | 62693.61 |
| Short Term Open Access Transmission charges (INR /MW/Day) | 2061.16 |
| Transmission Charges (INR/kWh) | 0.23 |

***Commission's Analysis***

The Regulation 47 of the JERC MYT Regulations, 2021 states that:

*"**47. Sharing of charges for Intra-State Transmission Network***

*47.1 The Aggregate Revenue Requirement of the Transmission Licensee, as approved by the Commission, shall be shared by all long-term users and medium-term users of the transmission system on a monthly basis in the ratio of their respective Allotted Transmission Capacity to the total Allotted Transmission Capacity, in accordance with the following formula:*

$ATC_n = (\text{Transmission ARR} / 12) \times (CC_n / SCC)$

*Where,*

*$ATC_n$ = annual transmission charges payable by the nth long-term user or medium-term user of the transmission system;*

*Transmission ARR = Aggregate Revenue Requirement of the Transmission Licensee, determined in accordance with these Regulations;*

*$CC_n$ = Allotted Transmission Capacity by the $n^{th}$ long-term user or medium-term user of the transmission system;*

*SCC = sum of Allotted Transmission Capacity by all long-term users and medium-term users of the transmission system:*

*Provided that the $ATC_n$ shall be payable on a monthly basis by each long-term user or medium-term user of the transmission system and shall be collected by the State Transmission Utility (STU).*

*47.2 The short-term Open Access Consumers shall pay transmission charges on INR/MW/day basis determined in accordance with Joint Electricity Regulatory Commission for the State of Goa and Union Territories (Connectivity and Open Access in Intra-State Transmission and Distribution) Regulations, 2017, as amended from time to time.*

*…………"*

Further, the Regulation 4.1 of the Joint Electricity Regulatory Commission for the State of Goa and Union Territories (Connectivity and Open Access in Intra-State Transmission and Distribution) Regulations, 2017 states that:

*"**4.1 Transmission Charges***

*1. An Open Access Consumer using the Intra-State Transmission System, shall pay transmission charges to the State Transmission Utility or the Intra-State Transmission Licensee other than the State Transmission Utility for usage of their system as determined by the Commission in the Tariff Order from time to time:*

*Provided that transmission charges shall be payable on the basis of contracted capacity in case of Long-term and Medium-term Open Access Consumers and on the basis of scheduled load in case of Short-term Open Access Consumers. For Open Access for a part of a Day, the transmission charges shall be payable as under:*

*a. Up to six (6) hours in a Day in one (1) block: 1/4th of the charges for Long-term and Medium-term users;*

*b. More than six (6) hours and up to twelve (12) hours in a Day in one (1) block: ½ of the charges for Long-term and Medium-term users; and*

*c. More than twelve (12) hours and upto twenty-four (24) hours in a Day in one (1) block: equal to Long term and Medium-term users"*

The Commission has considered the Transmission Capacity of 792 MW during FY 2023-24 for the approval of transmission charges for FY 2023-24. Further, Transmission Charges in Rs./kWh for FY 2023-24 has been approved considering the Energy required at Periphery which has been adjusted with Transmission Loss approved by the Commission as discussed in Section 6.3 above.

Accordingly, the transmission charges proposed by Petitioner and approved by the Commission for long-term and medium-term consumers and short-term open access consumers for FY 2023-24 is as follows:

*Table 89: Transmission Tariff for FY 2023-24*

| Sr. No | Particular | Petitioner's Proposal | Approved by Commission |
|---|---|---|---|
| 1 | Aggregate Revenue Requirement (A) (Rs Crore) | 59.58 | 36.07 |
| 2 | Transmission System Capacity (MW) (B) | 792.00 | 792.00 |
| 3 | Energy Required at Periphery (MU) (C) | 2644.89 | 2607.43* |
| 4 | Long-term/Medium-term Transmission Charges (Rs./MW/month) (D) | 62693.61 | 37957.06 |
| 5 | Short-term open access Transmission Charges (Rs/MW/Day) (E) | 2061.16 | 1247.90 |
| 6 | Transmission Charges (Rs./kWh) (F=A/C*10) | 0.23 | 0.14 |

** Excluding the approved Transmission Loss of 1.42%*

The short-term open access consumers shall pay the charges in accordance with the charges determined above and Regulation 4.1 of the Joint Electricity Regulatory Commission for the State of Goa and Union Territories (Connectivity and Open Access in Intra-State Transmission and Distribution) Regulations, 2017 as amended from time to time.

# 7. Chapter 7: Directives

Over the years, the Commission has issued various directives to the Petitioner for necessary action at its end. It has been observed that the Petitioner has been making efforts to comply with the directives issued by the Commission. In order to strengthen the effective monitoring and ensure timely implementation of all the directives in true spirit, the Commission once again directs the Petitioner to submit the quarterly progress report along with the detailed action plan for all the directives issued in the subsequent section within 10 days of the end of each quarter of the financial year.

## 7.1. Directives continued in this Order

While examining the compliance note and supporting documents submitted by the Petitioner in the present Petition, it is observed that some of the directives issued in the previous Tariff Orders have not been fully complied with by the Petitioner.

The Commission is of the view that substantial time has already been given to the utility for compliance with these directions. Thus, the Commission hereby directs the utility to comply with the directions mentioned below in the given timeframe, failing which the Commission shall be constrained to initiate necessary action under relevant sections of the Electricity Act 2003 and the Regulations made thereunder.

### 7.1.1. Assets created from consumer contribution

| |
|---|
| **Originally Issued in Tariff Order dated March 13, 2018** |
| **Commission's Directive in Tariff Order Dated May 20, 2019**<br>The Commission has noted with concern that Petitioner is yet to submit the details of assets created from consumer contribution. The absence of this data constraint the Commission in fair determination of average cost of supply and tariff. The Commission directs the Petitioner to submit the data pertaining to the assets created from consumer contribution along with the Tariff petition for determination of retail Tariff for FY 2020-21. |
| **Petitioner's Response in the Tariff Petition**<br>Assets created out of consumer contribution are not included in the asset register being prepared by the Department for FY 2018-19. Further, the depreciation on the assets created out of consumer contribution is not included in the ARR being filed by the Department for determination of Tariff. |
| **Commission's Directive in Tariff Order Dated May 18, 2020**<br>The Commission has noted that the Petitioner has submitted that the assets created out of consumer contribution are not included in the asset register being prepared by the Department for FY 2018-19 but as per Commissions direction Petitioner has still failed to submit the details of assets created through consumer contribution, if any. The Petitioner is not entitled to get depreciation on these assets. The Commission has currently considered the entire GFA towards depreciation and will reduce the depreciation in future, once the details of the consumer contribution are made available. The Commission directs the Petitioner to submit detailed scheme wise consumer contributions, the impact of which shall be accounted by the Commission in future Tariff Orders. |
| **Petitioner's Response in the Tariff Petition**<br>The EDDD would like to submit that the assets created out of consumer contribution are not included in the asset register prepared for FY 2019-20. Further, the EDDD is not claiming any depreciation on the assets created out of consumer contribution in the ARR petition. |

| |
|---|
| **Commission's Latest Directive in Tariff Order Dated March 23, 2021**<br>The Commission has noted that the Petitioner has submitted that the assets created out of consumer contribution are not included in the asset register being prepared by the Department for FY 2018-19 but as per Commissions direction Petitioner has still failed to submit the details of assets created through consumer contribution, if any. The Petitioner is not entitled to get depreciation on these assets. The Commission has currently considered the entire GFA towards depreciation and will reduce the depreciation in future, once the details of the consumer contribution are made available. The Commission directs the Petitioner to submit detailed scheme wise consumer contributions, the impact of which shall be accounted by the Commission in future Tariff Orders. |
| **Petitioner's Response in the Tariff Petition**<br>Assets created out of consumer contribution are not included in the asset register being prepared by the Department for FY 2020-21. Further, the depreciation on the assets created out of consumer contribution is not included in the ARR being filed by the Department for determination of Tariff. |
| **Commission's Latest Directions in Tariff Order Dated March 31, 2022**<br>*The Commission in the directive to Petitioner in Tariff Order dated March 23rd 2021 noted that the Petitioner has submitted that the assets created out of consumer contribution is not included in the asset register being prepared by the Department for FY 2019-20.*<br>*However as per Commissions directions, the Petitioner has again failed to submit the details of assets created through consumer contribution, if any. The Petitioner is not entitled to get depreciation on these assets. The Commission has currently considered the entire GFA towards depreciation and will reduce the depreciation from the back date effect with carrying cost in future Tariff Petition, once the details of the consumer contribution are made available.* ***The Commission directs the Petitioner to submit detailed scheme wise consumer contributions, the impact of which shall be accounted by the Commission in future Tariff Orders.*** |
| **Petitioner's Response in the Tariff Petition**<br>Assets created out of consumer contribution are not included in the asset register being prepared by the Department for FY 2021-22. Further, the depreciation on the assets created out of consumer contribution is not included in the ARR being filed by the Department for determination of Tariff. |
| **Commission's Directions in this Tariff Order**<br>*The Commission in the directive to Petitioner in Tariff Order dated March 31st 2022 noted that the Petitioner has submitted that the assets created out of consumer contribution is not included in the asset register being prepared by the Department for FY 2021-22.*<br>*However as per Commissions directions, the Petitioner has again failed to submit the details of assets created through consumer contribution, if any. The Petitioner is not entitled to get depreciation on these assets. The Commission has currently considered the entire GFA towards depreciation and will reduce the depreciation from the back date effect with carrying cost in future Tariff Petition, once the details of the consumer contribution are made available.* ***The Commission directs the Petitioner to submit detailed scheme wise consumer contributions, the impact of which shall be accounted by the Commission in future Tariff Orders.*** |

### 7.1.2. Creation of SLDC

| |
|---|
| **Originally Issued in Tariff Order dated March 13, 2018** |
| **Commission's Directive in Tariff Order Dated May 20, 2019**<br>The Commission appreciates the efforts of the Petitioner towards creating an independent SLDC. The Commission directs the Petitioner to expedite the process of creation of separate SLDC and submit a detailed implementation plan for the same within 3 months of the issuance of this Order. |
| **Petitioner's Response in the Tariff Petition** |

| |
|---|
| The EDDD submits that the Department has provided a separate infrastructure for the functioning of the SLDC. |
| **Commission's Directive in Tariff Order Dated May 18, 2020**<br>The Commission has noted with concern that Petitioner has not submit any report regarding detailed implementation plan to expedite the process of creation of separate SLDC. The Commission directs the Petitioner to submit the detailed implementation plan along with the current status in regard to the creation of separate SLDC within 3 months of the issuance of this Order. |
| **Petitioner's Response in the Tariff Petition**<br>The EDDD would like to submit that the Department is functioning as a vertically integrated utility and looks after the transmission and distribution functions. However, the EDDD has provided a separate head for SLDC along with necessary staff and also the budgetary allocation has been done separately for the functioning of SLDC. |
| **Commission's Latest Directive in Tariff Order Dated March 23, 2021**<br>The Commission has noted with concern that Petitioner has not submit any report regarding detailed implementation plan to expedite the process of creation of separate SLDC. The Commission directs the Petitioner to submit the detailed implementation plan along with the current status in regard to the creation of separate SLDC within 3 months of the issuance of this Order. |
| **Petitioner's Response in the Present Tariff Petition**<br>The EDDD would like to submit that presently the UT of Dadra and Nagar Haveli and UT of Daman and Diu have merged into a single UT. The Competent Authority is yet to decide the location of the SLDC and other related matters of the merged UT. Hence, the process of creation of separate SLDC other matters shall be initiated once decision regarding the SLDC is taken by the Competent Authority. |
| **Commission's Directions in the Tariff Order Dated March 31, 2022**<br>The Commission appreciates the efforts of the Petitioner towards creating an independent SLDC. **The Commission directs the Petitioner to expedite the process of creation of separate SLDC after finalizing the location of SLDC and resolving other miscellaneous issues and submit a detailed implementation plan for the same within 3 months of the issuance of this Order.** |
| **Petitioner's Response in the Tariff Petition**<br>The EDDD would like to submit that the SLDC of both the regions i.e. Dadra and Nagar Haveli and Daman and Diu have been merged and the head office of the same has been located at Silvassa. Further, a sub SLDC has been formed at Daman. |
| **Commission's Directions in this Tariff Order**<br>*The Commission directs the Petitioner to segregate the accounts of SLDC Business and Transmission Business of EDDD within 60 days from the issuance of this Order. The Commission further directs the Petitioner to file separate ARR Petition for SLDC and Transmission Business separately while filing tariff petition for FY 2024-25.* |

## 7.2. New Directives issued in this Order

### 7.2.1. Energy Audit and Overall Transmission System Losses for EDDD - Transmission Entity

| |
|---|
| *The Commission directs the Petitioner to carry out Calibration and Periodical Testing of meters being used for conducting Energy Audit.* |

*The Commission directs the Petitioner to conduct separate Energy Audit for Residual Transmission Entity of EDDD and submit the details of overall Transmission System Losses for Transmission Entity of EDDD for FY 2022-23 as part of ARR and Tariff petition for FY 2024-25.*

### 7.2.2. Transmission System Availability

*The Commission directs the Petitioner to submit the Transmission Availability Report for Residual Transmission Entity of EDDD on Monthly Basis to the Commission starting from the month of April 2023.*

### 7.2.3. Opening Balance Sheet for Residual Transmission Entity of EDDD as on 1st April, 2022

*The Commission directs the Petitioner to finalize the Opening Balance Sheet for Residual Transmission Entity of EDDD as on 1st April, 2022 based on the Closing Values of GFA, Loan and Equity approved by the Commission as on 31st March 2022 and submit the same along with Tariff Petition for FY 2024-25.*

### 7.2.4. Quarterly Statement of Capital Expenditure

*The Commission directs the Petitioner to submit report on progress achieved towards execution of the schemes undertaken by it in the existing Control Period on quarterly basis with respect to the Capital Expenditure and Capitalization approved for the schemes in the Business Plan for existing Control Period.*

### 7.2.5. Separate Accounting of Solar Plant

*The Commission directs the Petitioner to prepare the separate accounts for Solar Plant for FY 2022-23 duly certified by statutory Auditor and submit the same alongwith True-Up for FY 2022-23. The Accounts shall clearly include the following details:*

- *i. Revenue earned from sale of solar power*
- *ii. O&M expenses incurred*
- *iii. Gross Fixed Assets*
- *iv. Loan and Equity*
- *v. Interest on Loan and Return on Equity*
- *vi. Depreciation*
- *vii. Interest on Working Capital*

# Annexures

## Annexure 1: List of Stakeholders

The following is the list of the stakeholders who have attended virtual public hearing:

| S. No. | Name of Stakeholders | Designation |
|---|---|---|
| 1. | Shri Umesh Patel | President Youth Action Force, Daman and Diu |
| 2. | Shri Atul Shah | FIA, Silvassa |
| 3. | Shri Jignesh Langalia | DNHDD PDCL |