

Therefore, the Petitioner requests the Hon'ble Commission to take cognizance of the facts as above, and in case later on it is found/ decided that these demands are payable, the Hon'ble commission is requested to allow in ARR as additional expense along with any interest or penalty if payable and for FY 19-20 it is requested to the Hon'ble Commission to allow Rs 0.10 Cr towards CETP Charges. It is clarified that CETP charges are in the nature of statutory charges which are not forming part of base year normative expenses, hence need to be allowed on actual basis over and above normative O&M Expenses.

E) Filing fee towards Adoption of 4 SECI Tariff Petitions filed by TPDDL with CERC

A petition (P. No. 19 of 2019,) has been filed by Tata Power-DDL before the Hon'ble Commission on 23.07.2018 for approval of PSA dated 17.07.2018 (for 50 MW wind power) with SECI and seeking adoption of tariff and trading margin for Tranche-IV for 50 MW vide Petition No. 19 of 2019.

The Hon'ble Commission vide order dated 18.02.2019 approved the PSA dated 17.07.2018 between SECI and Tata Power-DDL. However, the prayer to adopt the tariff of Rs. 2.52/kWh under Section 63 of the Electricity Act, 2003, was not granted by the Hon'ble Commission on the pretext that the same was being beyond its jurisdiction.

Based on the above decision, Tata Power-DDL on 03.05.2019 filed petition (P. No. 162/AT/2019) in Hon'ble CERC for adoption of tariff i.e. a fixed levelized tariff i.e. Rs. 2.59/kWh (including trading margin of Rs. 0.07/kWh) in terms of Section 63 of the Electricity Act, 2003 and paid filing fees of Rs 25 lakhs per petition as per the Central Electricity Regulatory Commission (Payment of Fees) Regulations, 2012.

Similarly, Petition no 24 of 2019, 38 of 2018 and 25 of 2019 was also filed by the Petitioner before the Hon'ble Commission and similar finding were given. Based on this decision the Petitioner filed P No. 160/AT/2019, 161/AT/2019 and 187/AT/2019 in Hon'le CERC for adoption of Tariff.

Thus based on above it is requested to the Hon'ble Commission to allow Rs 1.00 Cr towards filing for Adoption of 4 SECI Tariff Petitions with the Hon'ble CERC.

F) Additional increase in LC charges due to CERC/DERC guidelines

In order to comply with DERC own direction and as per the Circular of Ministry of Power of GoI dated 28th June, 2019, (i.e. NLDC and RLDC were directed to follow in accordance with Section 28 (3) (a), that they shall despatch power only after it is intimated by the Generating Company and/Distribution Companies that adequate Letter of Credit (LC), as Payment Security Mechanism, for the desired quantum of power has been opened and copies made available to the concerned Generating Company) the Petitioner had to opened new LCs resulted into additional expenses of Rs 0.32 Cr.

Thus based on above it is requested to the Hon'ble Commission to allow Rs 0.32 Cr towards additional increase in LC charges for FY 19-20. Copy of circular and the Hon'ble Commission order dated 1st May'2019 and Ministry of Power circular attached as **Annexure A-8** in Volume II of the Petition

G) Additional Claim towards Insurance Premium

During the FY 2019-20, the Petitioner has incurred Insurance premium of Rs 6.31 Cr which is higher by 23% over the previous year. The reason for significant increase in Insurance premium was on account of the huge under-writing losses suffered by the Insurance industry which were further aggravated by a series of natural disasters like Kashmir Floods (2014), Chennai Floods (2015), Mumbai & Gujarat Floods (2017), Kerala Floods (2018 & 2019), Odisha Floods (2019), Bihar Floods (2019), Karnataka Floods (2019).

With effect from 1st January 2020 GIC Re has upward revised the minimum rates for Fire Lightning Explosion (FLEXA) risk, Machinery Break Down (MBD) risk for Industrial All Risk (IAR) policy meaning thereby that two companies with similar business would pay the same premium rate irrespective of their individual claims experience and best industry practices followed by them. Thus, introduction of minimum FLEXA and MBD rates resulted into extra premium for the Petitioner.

Insurance companies rely on GIC Re for reinsurance support before accepting the risk. GIC Re increased the rates for this policy too like they have for all other occupancies.



The factors responsible for increase in premium cost were necessitated by the increasing under-writing losses of insurance companies and these changes were compulsorily adopted by all insurers. This increase in premium rates was beyond the Petitioner's control in spite of following the best industry practices, hence, it is requested to the Hon'ble Commission to allow the increase of Rs 1.83 Cr in Insurance Claim over and above the normative level of O&M expenses.

Summary of the Additional O&M Expenses sought over and above the normative O&M expenses allowed for FY 2019-20

Based on the above submissions, the Petitioner is seeking Rs 118.34 Cr. additionally on account of O&M expenses for FY 2019-20 towards statutory levies/uncontrollable factors, change in law, minimum wages etc.

Table 3.34: Summary of Additional O&M Expenses on account of statutory levies & Taxes (Rs Cr)

S. No.	Nature	Amount Rs Cr	Remark
	<i>Additional O&M Expenses</i>		
A	Licensee fees	0.08	Table 3.29
B	Property Tax	1.98	Table 3.32
C	Land Licensee fees	8.36	Table 3.30
D	Impact of GST	11.11	
E	Impact of Minimum wages	23.13	
F	Interim Relief towards- 7th Pay Commission- FRSR	37.56	
G	Provisional impact of LSC/PSC- 7th Pay Commission- FRSR	13.94	
H	Legal Expenses	14.95	Table 3.33
I	Financing Charges	1.66	Table 3.31
J	PRI Lines	1.19	
K	SMS Charges	1.12	
L	CETP Charges	0.10	
M	Additional LC charges	0.32	
N	Adoption of Tariff Petition in four SECI Petitions before the CERC	1.00	
O	Insurance	1.83	
	Sub total	118.34	

Non-Tariff Income (NTI)

Regulation 152(a) of Delhi Electricity Regulatory Commission (Terms and Conditions for Determination of Tariff) Regulations 2017 provided that "Variation in revenue and sale of the distribution licensee based on projected revenue and sales vis-à-vis actual revenue and sales".

The Hon'ble Commission in its Tariff Order for FY 2019-20 had projected Non-Tariff Income of Rs. 110.5 Cr. (including Income from Other Business, Open Access Charges and Normative Interest on Consumer Security Deposit). The same is given below:

Table 3.35: Approved Non-Tariff Income for FY 2019-20 (Rs Cr)

Particulars	Amount
Total Non-Tariff Income	
Less- Income from other Business	
Less- Open Access Charge	
Less- Normative Interest on Consumer Security Deposit	
Net Non-Tariff Income	110.5

Against the projected net non-tariff income of Rs. 110.50 Cr, the actual Non-Tariff Income for the purposes of Truing Up for FY 2019-20 comes to Rs. 66.07 Cr. Break-up of the same is given below:

Table 3.36: Non-Tariff Income for FY 19-20

Sl. No.	Particular		(Rs Cr)	Remarks
A	Other Operating Revenue		126.17	Note 32.4.2 of Audited Accounts
B	Other Income		105.32	Note 32.5 of Audited Accounts
	Total –(I)		231.48	
Less: Income included in above, not passed as Non-Tariff Income as per DERC Tariff Regulations, 2017				
C	Transfer from capital grants	0.75		Note 32.4.2 of Audited Accounts
D	Transfer from consumer Contribution for Capital work	47.43		Note 32.4.2 of Audited Accounts
E	Incentive towards Street Light	1.11		Note 32.4.2 of Audited Accounts
F	Interest Income /Short term capital gain	2.95		Note 32.5 of Audited Accounts
G	Financing Cost of LPSC	8.73		Explanation given below
H	Income from other Business	95.70		(To be Offered separately)
I	Foreign exchange fluctuation gain (net)	0.07		Note 32.5 (c) of Audited Accounts
J	Unclaimed Amount of vendors written off	4.80		
	Total –(II)		161.55	(C+D+E+F+G+H+I+J)

Add: Income not included in above, but required to be passed as Non-Tariff Income				
K	Differential amount of Service Line Charges - III		-3.86	Explanation given below
	Sub- Total		66.07	(I)-(II)+(III)

(Audited Accounts attached as annexure A-1 in Volume II of the Petition)

For the purpose of tariff determination, the detailed explanation for reducing aforementioned Incomes from non-tariff income are given below:

i. Grant/Consumer Contribution

As the Hon'ble Commission is utilizing the Gross Capital Grant/Consumer Contribution for financing of the Capitalization, amortization of the same in accounts is only a book entry which cannot be treated as Non-tariff Income after once taking it as a capital receipt for financing of capex/capitalization. The above treatment is in accordance with the principles accepted and implemented by the Hon'ble Commission in its previous Tariff Orders also.

ii. Incentive towards Street Light

It is respectfully submitted that in order to evolve a performance driven system that the Hon'ble Commission vide its order dated 22.09.2009 has put up the incentive/disincentive mechanism for maintaining street lights.

Relevant extract of para no. 20 on page no 9 of the aforesaid order is given below:

"On going through the relevant submission made by the DISCOMs and MCD/PWD etc., it is decided that the performance level/ efficiency for the purpose of incentive shall be reviewed during next control period till such time the same arrangement for incentive/ disincentive shall continue as under:



Performance level achieved	Incentive	Example
Between 90-95%	1% of the maintenance cost for each percentage in over achievement from target of 90%	Actual Performance 93% Incentive 93-90 = 3%
Between 95-97%	1.5% of the maintenance cost for each percentage in over achievement from target of 95%	Actual Performance 97% Incentive= 5 + 3 = 8%
Above 97%	2.0% of the maintenance cost for each percentage in over achievement from target of 97%	Actual Performance 99% Incentive = 8 + 4 = 12%

Performance less than 90% shall attract disincentive for the DISCOMS according to the following table:

Performance level achieved	Disincentive	Example
Between 80-90%	1% of the maintenance cost for each percentage in shortfall to achieve target of 90%	Actual Performance 83% Disincentive 90-83 = 7%
Between 70-80%	1.5% of the maintenance cost for each percentage in shortfall to achieve target of 80%	Actual Performance 77% Disincentive = 10+4.5 = 14.5%
Below 70%	2% of the maintenance cost for each percentage in shortfall to achieve target of 70%	Actual Performance 60% Disincentive = 25 + 20 = 45%

The incentive or disincentive would not be a pass through in the calculation of the Annual Revenue Requirement and the payment would be made by the 15th day of the following month.”

As mentioned in the State Commission Order, the incentive earned by the Petitioner would not be a pass through in the ARR, hence, the Petitioner has retained Rs. 1.11 Cr as an incentive earned towards the maintenance of Street Light. It is further clarified that the total amount of maintenance charges of Rs. 12.68 Cr. under the head Other Operating Revenue as appearing in Note No 32.4.2 (d) of Audited Balance Sheet is inclusive of aforesaid street light incentive of Rs. 1.11 Cr. (refer note no 32.4.2.1 of the audited financial statement), therefore, Tata Power- DDL has deducted amount of Rs. 1.11 Cr from the Non-Tariff Income.



iii. Interest on Surplus Funds out of Shareholder's money

The Hon'ble Commission in its previous Tariff orders had followed the methodology to exclude any income arising from surplus funds of shareholder's money from non-tariff income on the following principle:

- a) The Hon'ble APTEL in its Judgment against appeal no 153/2009 has decided that interest on surplus funds out of shareholder's money is not a part of NTI.

During the FY 2019-20, Tata Power – DDL has earned an amount of Rs. 2.95 Cr as Interest Income/ Gain on investment in mutual funds by investing shareholder's funds at different point of time.

Therefore, in line with the APTEL Judgment and the methodology followed by the Hon'ble Commission, an amount of Rs. 2.95 Cr is excluded from Non-Tariff Income.

iv. Financing Cost for LPSC

LPSC is levied on consumers who do not make payment within the credit period allowed for payment. This compensates the Utility for the additional interest cost that gets incurred on the additional working capital requirements due to non-payment for timely payments of such dues by the consumers by the respective due dates.

The Hon'ble APTEL in Appeal No. 153 of 2009 has held that the distribution licensee is entitled to the cost of financing the entire outstanding principal amount that attracts LPSC at prevalent market lending rates. The Hon'ble APTEL categorically held that "the financing cost relating to the late payment surcharge" must be derived from the "prevalent market lending rates." This is imperative because the Petitioner is required to finance working capital requirement arising out of delayed payment throughout the year.

The Hon'ble APTEL vide its judgment dated July 12, 2011 in Appeal No. 142 of 2009 had held that the Petitioner is entitled to the compensation for additional financing cost of outstanding dues limited to late payment surcharge amount at the prevalent market lending rate during



that period keeping in view the prevailing Prime Lending Rate. The relevant portion of the judgment is reproduced below:

"19.5...

Accordingly, the Appellant is entitled to the compensation for additional financing cost of outstanding dues limited to late payment surcharge amount at the prevalent market lending rate during that period keeping in view the prevailing Prime Lending Rate. (Emphasis added)

The Hon'ble Commission in its Tariff Regulations, 2017 has upheld the Judgment of the Hon'ble APTEL and clearly stated in Regulations 94(v) that Net Interest on delayed or deferred payment of bills shall be considered as Non-Tariff Income. Thus, in order to compute the financing cost of LPSC, Tata Power DDL considers the actual working capital interest rate of 8.11%.

Based on above submission, financing cost for LPSC is computed as follows:

Table 3.37: Computation of financing cost of LPSC (Rs. Cr.)

S. No.	Particular	UoM	Amount
A	LPSC earned (Note 32.4.2 of Audited Financial Statement)	(Rs Cr)	19.38
B	Late payment surcharge rate as per Regulations	%	18% p.a.
C	Principal Amount (i.e. energy & other applicable charges) on which the above LPSC was levied (A/B)	(Rs Cr)	107.67
D	Normative Interest Rate (SUBJECT TO CHANGE)	%	8.11%
E	Financing Cost (C*D)	(Rs Cr)	8.73

v. Written off entries passed due to Rs. 4.80 Cr.

During the FY 2019-20, The Petitioner in its books of account has made adjustment for prior period claims which were written off. Due to this, the other non-operating Income as shown in Note no 32.5(e) has increased significantly. Given below is the amount of other non-operating income as shown in audited balance sheet for last three years:

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Particular	For FY 2017-18	FY 2018-19	FY 2019-20
Other non-operating income – normal	1.98	2.47	1.79
Impact of written off items other than normal			4.80

Form the above table, it can be seen that an amount of Rs. 4.80 Cr which pertains to previous years claims (i.e. From FY 2008 onwards) has been written off. As per the IND-AS requirement these written off items has to be shown as a part of other income. The Hon'ble Commission is well aware since 1st MYT control period all O&M expenses are allowed on normative basis whereas the Petitioner's actual expenses were more than the trued up expenses, hence, resulted into hit on account of O&M expenses. In general parlance, any written off item has to be adjusted against the head in which expenses has been booked but as explained above due to IND-AS requirement the same is separately shown as income. It is further submitted that the liability to pay these expenses will arise in future as adjustment entry is done only in the Petitioner books of account.

Based on above submissions, it is requested to the Hon'ble Commission not to consider these exceptional written off items as a part of ARR.

vi. Service Line Charges

Tata Power- DDL would like to bring in the kind attention of the Hon'ble Commission that as per Indian GAAP, service line charges were treated as income upfront upon installation of connections, therefore entire income is treated as non-tariff income for the purpose of ARR. However under Ind-As since the consumers does not get any identified asset or service upon payment of upfront service line charges, service line charges should be recognized as a revenue over the useful life of asset provided to consumers. Hence any income on account of Service Line is shown as receipt and thereafter amortized over the useful life of Asset. Due to aforesaid change, in profit and loss statement the amortized balance of service line charges are shown under the head other operating income instead of receipt amount of service line charges. Therefore, for the purpose of Tariff determination receipt of service line charges has been considered and offered as a part of non-tariff Income instead of amortized amount as

shown in profit and loss statement for FY 2019-20. Given below is the amount additionally considered as a part of Non-Tariff income:

Table 3.38: Additional amount of Service Line Charges for FY 2019-20

(Rs Cr)

Particulars	Rs. Cr	Remark/ Ref.
Receipt on account of Service Line charges	28.94	Note 24(b) of the Audited Financial Statement
Amortized and transferred to Profit & Loss	32.80	Note 24(b) of the Audited Financial Statement
Amount additionally offered as NTI	-3.86	

Income from Other Business Income

With the objective of creating additional avenues for growth, sharing of knowledge & best practices across utilities, and most importantly, in line with its strategy of providing power at competitive rates to consumers, Tata Power- DDL is exploring the possible avenues for revenue growth through various activities in addition to Distribution of power to consumers.

Tata Power-DDL during the course of its transformation journey in the National Capital Territory of Delhi has acquired & developed its knowledge base, built its core competencies in utility management and is using these competencies to expand its footprints in different geographies both nationally and internationally, providing distribution related services including operations management, commercial management integration of information and operations technologies for smarter and intelligent functioning of distribution networks, change management, process re-engineering, capacity building etc.

Tata Power-DDL's exclusivity is due to its unique positioning amongst the players in the power domain. Being a power distribution utility, Tata Power-DDL scores over all the service providers through its in depth knowledge of the business processes that go into the daily functioning of any distribution utility. Tata Power-DDL has been a forerunner in the adoption of state-of-art technologies and is a hub of all technological solutions. Moreover, Tata Power-DDL has amalgamated all the available solutions from different vendors in a seamless integrated architecture.

During the FY 2019-20, Tata Power- DDL has earned Rs. 95.70 Cr (Gross Receipts) from other than licensed business. Breakup of the same is given below;



- (a) Optimal utilization of Distribution Assets (Rs. 4.32 Cr); and
- (b) Consultancy Income/other (Rs. 88.65 Cr)
- (c) Income through Training (Rs. 2.50 Cr)
- (d) Income from DSM (Rs. 0.22 Cr.)

Further, it is submitted that the Hon'ble Commission in its Tariff Regulations, 2017, vide Regulations 96 has stated that the **net income after tax** from other Business shall be shared as per DERC Treatment of Income From Other Business of Transmission Licensee and Distribution Licensee Regulations, 2005 as amended from time to time.

It is well known fact that to generate any revenue corresponding expenses have to be incurred. Tata Power- DDL has incurred expenses of Rs. 70.36 Cr. during the FY 2019-20, out of which Rs 53.65 Cr expenses are directly linked with the service offered and balance Rs. 16.71 Cr pertaining to other common expenses.

It is further submitted that while fixing the normative O&M Expenses for 3rd MYT control period, the Hon'ble Commission had considered an amount of Rs. 8.96 Cr as base year expenses related to other business. Computation of the same is given below:

Particulars	FY 12	FY 13	FY 14	FY 15	FY 16
Expenses* - Other Business	0.78	0.99	1.90	10.90	25.60
Average of 5 year	8.03				
Normative Amount considered for FY 2015-16			8.03	8.48 = (8.03)* (1+5.61%)	8.96 = (8.48)* (1+5.61%)

*Figures are extracted from Audited Financial Statements of that respective year. Auditor certificate for all these years has also been submitted to the Hon'ble Commission in the past.

Thus, to compute the normative allowance of other business related expense as a part of normative O&M Expenses for FY 19-20, Tata Power – DDL has first compute the base year

expenses and thereafter increased with the inflation factor of 5.61% for each year along with the increase in network capacity.

Computation of normative O&M expenses related to other business income for FY 19-20

Particulars	FY 14	FY 15	FY 16	FY 17	FY 18	FY 19	FY 20
Normative Expenses for Other Business	8.034	8.48	8.96	9.46	9.99	10.55	12.46 [^]
Escalation		5.61%	5.61%	5.61%	5.61%	5.61%	5.61%
Network growth for 3 years							11.77%

[^] include escalation and network growth impact on previous year normative expense

Further, in order to justify the claim of expense incurred towards other business income, the Petitioner has made Segment Reporting as part of Audited Financials Statements and is appearing as Note 41 of Audited Financial Statements for FY 19-20.

Based on the above submission, computation of the net income for the purpose of sharing between consumers and Discom is given in table below:

Table 3.39: Computation of Net direct expenses to be deducted from Other Business Income

Particulars	Revenue earned by not using Distribution Fixed Assets	Revenue earned by using Distribution Fixed Assets	Income from DSM by using Distribution Fixed Assets	Total	Remark
	Rs. Cr.	Rs. Cr.	Rs. Cr.	Rs Cr.	
Total Revenue earned	91.16	4.32	0.22	95.70	Note 41.2 of the Audited Financial Statement
- Consultancy	88.65				
- Training	2.50				
- Others	0.01	4.32	0.22		
Less- Expenses incurred	57.82		0.08	57.90	Note 41.2 of the Audited Financial Statement
Direct Expenses	53.57		0.08		

Indirect Allocation of Expenses	16.71				
less- Normative allowance of Expenses	(12.46)				
Income net of Expenses before Tax	33.35	4.32	0.13	37.80	
Income Tax @ 16.89%	3.51	0.73	0.02	4.26	
Net Revenue available for sharing	29.83	3.59	0.11	33.54	

Table 3.40: Sharing of net Revenue from Other Business Income

Particulars	Revenue earned by not using Distribution Fixed Assets	Revenue earned by using Distribution Fixed Assets	Income from DSM by using Distribution Fixed Assets	Total
	Rs. Cr.	Rs. Cr.	Rs. Cr.	Rs Cr.
Net Revenue available for sharing	29.83	3.59	0.11	33.54
TPDDL Share %	60%	40%	40%	
Consumer Share %	40%	60%	60%	
Consumer Share in Rs Cr.	11.93	2.16	0.07	14.16

Interest on Consumer Security Deposit

Regulation 5.34 of MYT Regulations, 2011 specify that

"Interest paid on consumer security deposits shall be based on the rate specified by the Commission in the "Delhi Electricity Supply Code and Performance Standards Regulations, 2007", and shall be a pass through in the ARR."

Regulation 16(vi) of Delhi Electricity Supply Code and Performance Standards Regulations, 2007", specify that

"vi The amount of security deposit shall be as per the Regulation 29 or as approved by the Commission from time to time. The Licensee shall pay interest to the consumer at the rate of 6% per annum, or any other rate prescribed by the Commission payable annually on such deposit w.e.f. date of such deposit in cases of new connection

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energized after the date of this notification or in other cases, from the date of notification of these regulations. The interest accrued during the year shall be adjusted in the bill for the first billing cycle of the ensuing financial year."

Further the Delhi Electricity Supply Code and Performance Standard Regulations, 2017 provided that w.e.f 1st September 2017 onwards Rate of Interest for Consumer Security Deposit shall be considered the SBI MCLR rate on 1st April.

Therefore, w.e.f 1st September, 2017 the Petitioner has paid consumer security deposit at SBI MCLR on 1st April, of the respective financial year.

In addition to the directly payment of interest on consumer security deposit, the Hon'ble Commission has adopted the methodology of reducing differential interest (i.e. Cost of funding working capital – minus Interest actually credited/paid to consumers) from the ARR. Hence in order to compute the differential net interest on consumer security deposit, interest rate equivalent to cost of debt for working capital @ 8.11% has been considered for FY 2019-20.

Table 3.41: Computation of Interest on Consumer Security Deposit

S.No.	Particulars	Amount Rs. Cr.	Remark
A	Opening Balance Of Consumer Security Deposit	625.38	Note no 17 of the Audited Financial Statement attached as Annexure A-1 in Volume II of the Petition
B	Closing Balance of Consumer Security Deposit	674.53	
C	Average Balance Of Consumer Security Deposit	649.95	(A+B)/2
D	Working Capital Interest Rate	8.11%	
E	Normative amount of Interest	52.71	(C*D)
F	Actual Amount of Interest	59.86	Note no 35 (c) of Audited Balance Sheet
G	Difference to be additionally Claimed as on Exp	(7.15)	(E-F)

Based on the above computation, the Petitioner is claiming Rs. 7.15 Cr as interest on CSD.

Income from Open Access

For the FY 2019-20, the Petitioner has earned Income of Rs 12.59 Cr. from Open Access consumers including E. Tax. As E. tax is payable to MCD, hence, open access income net of E. Tax is considered as part of Non-Tariff Income. Computation of the same is given below:

Table 3.42: Income from Open Access

			(Rs Cr.)
S. No	Particulars	Amount	Remarks
A	Total Income from Open Access	12.59	Note 32.4.1 of the Audited Financial Statement attached as Annexure A-1 in Volume II of the Petition
B	Less- E. Tax for the year	0.30	
C	Income from open access available for ARR	12.28	(A-B)

Based on above Submissions, Non-Tariff Income including Other Business Income for the purpose of ARR for FY 2019-20 is computed as below:

Table 3.43: Non-Tariff Income for FY 19-20

			(Rs Cr.)
S. No	Particulars	Amount	Remarks
A	Non-Tariff Income	66.07	Table 3.36
B	Income from other Business	14.16	Table 3.40
C	Interest on Security Deposit	(7.15)	Table 3.41
D	Income from Open Access	12.28	Table 3.42
E	Total	85.36	(A+B+C+D)

Capitalization

For the purpose of Tariff fixation for FY 2019-20, the Hon'ble Commission in its Tariff Order July, 2019 has approved capitalization of Rs. 480 Cr (including Rs 50 Cr for Deposit work) against which the Petitioner has done actual capitalization of Rs. 567.64 Cr.

Table 3.44: Approved Capitalization versus Actual Capitalization for FY 2019-20

Particulars	Approved	Sought for Trued up	Remark/ Ref.
Capitalization	480	567.64	Refer Note no 4.4 of the Audited Financial Statement attached as Volume II of the Petition
Smart Meter			
Capitalization with Deposit work	480	567.64	

Gross Fixed Assets

The Hon'ble Commission in its previous Tariff Order Aug 2020, had provisionally trued up an amount of Rs. 5414.80 Cr. towards the closing value of gross fixed assets at the end of FY 2018-19.

For the purposed of truing up of capitalization for FY 2019-20, the Hon'ble Commission has started exercise for physical verification of assets. It is expected that Final report for the said activities would be released soon. Hence, for the purpose of truing up submissions, Tata Power- DDL considers capitalization based on audited financial statements.

Based on above submissions, value of Gross Fixed Assets for FY 2019-20 has been computed as below:



Table 3.45: Detail of Actual Capitalization

S.No.	Particulars	Amount	(Rs. Cr)
			Amount
A	Provisional opening balance of Gross Fixed Assets (net of Retirement)	5414.80	
B	Add- Capitalization during the year	567.64	Table 3.44
C	Less- Retirement/ De-capitalization for the year	62.52	Note 4.4 of the Audited Financial Statement
D	Closing balance of Gross Fixed Assets (net of Retirement)	5,919.92	(A+B-C)
E	Average Balance of Gross fixed Assets	5,667.36	(A+D)/2

Loss on Sale of Retirement of Assets/ De-capitalization of Assets

Regulation 45 to 47 of the Tariff Regulations, 2017 deals with the methodology of allowance of Loss or gain due to De-capitalization/Retirement of Fixed Assets. Relevant extract of the said Regulations are reproduced below:

"45. Loss or Gain due to de-capitalization of asset based on the directions of the Commission due to technological obsolescence, wear & tear etc. or due to change in law or force majeure, which cannot be re-used, shall be adjusted in the ARR of the Utility in the relevant year.

46. Loss or Gain due to de-capitalization of asset proposed by the Utility itself for the reasons not covered under Regulation 45 of these Regulations shall be to the account of the Utility.

47. Loss or Gain due to de-capitalization of asset after the completion of useful life of asset shall be to the account of the Utility."

It is worth to mention that as the capitalization is not trued up from FY 05-06 onwards, hence, exact computation of loss for retirement of assets is not possible. Therefore, the petitioner is requesting to allow loss towards retired assets for an amount of Rs 19.09 for FY 2019-20 based on the audited financial statement.

Out of total amount of Rs 19.09 Cr, Rs. 14.26 Cr pertains to Smart meter implementation plan. It is worth to mention that as per the meeting held with the Hon'ble Commission on 6th August, 2018, the Hon'ble Commission itself **clarified that any loss or gain on account of**

decapitalisation of old meters removed due to installation of smart meters shall be adjusted in the ARR of the distribution licensee as per provision of Regulation 45 of DERC (Terms and Conditions for determination of Tariff) Regulations 2017.

Thus, it is requested to the Hon'ble Commission to allow the loss on retirement due to implementation of smart meters and not clubbed it with pending physical verification of assets.

Consumer Contribution/Grant

Regulation 66 of the Tariff Regulations, 2017 stipulated that for the purpose of computation of Regulated Rate Base, consumer contribution corresponding to the amount of assets capitalized shall be deducted.

In Tariff Order FY 2020-21, the Hon'ble Commission had provisionally trued up an amount of Rs. 868.51 Cr. towards consumer contribution & capital grant at the end of FY 2018-19. During the FY 2019-20, Tata Power- DDL has capitalized an amount of Rs 32.43 Cr. towards capitalization of Deposit work schemes.

Table 3.46: Consumer Contribution/grants

			(Rs. Cr)
S No.	Particulars	Sought for Trued up - Based on TO 19-20	Remark
A	Opening Balance	868.51	Table 3.57 of Tariff Order 2020-21
B	Capitalized during the year	32.43	Note 22(a)(ii) of Audited Financial Statement
C	Closing Balance	900.94	(A+B)
D	Average Cumulative Capitalized Consumer Contribution	884.73	(A+C)/2

[^] value of consumer contribution and grants are as per tariff order FY 2020-21 and subject to change correspondingly to the value of fixed assets, if the exercise of the physical verification for previous years are completed before issuance of Tariff Order against this tariff Petition.

Depreciation (net of consumer contribution)

Regulation 40(4) of the Tariff Regulations, 2017 specified that "Provisions related to Depreciation, Return on Equity and Interest on Loan shall not be applicable on such capital assets to the extent of financial support utilized through consumer contribution, deposit work and grant."

Thus, the Petitioner is computing depreciation on average of net fixed assets (i.e. Average of Gross Fixed Assets for the year – Average of Consumer Contribution/capital subsidy/grant for the year).

It is further submitted that the Hon'ble Commission in its Tariff Regulations has changed the methodology by adopting the concept of useful life. The Hon'ble Commission also specified that assets having useful life for more than 12 years in that case in upto 12 years approx. 70% of the depreciable value should be realized for the purpose of payment of loan.

Thus, with respect to computation of assets class wise depreciation without finalization of pending capitalization due to physical verification, the Petitioner has first computed average depreciation rate based on audited financial statement and then applied the said rate on average net fixed assets to compute the depreciation for the year.

Based on above methodology, average depreciation rate is worked out as follow:

Table 3.47: Computation of Average rate of Depreciation on Gross Fixed Assets

S No.	Particulars	Amount	Remark
A	Average of Fixed Assets	6,42,755.45	Refer Note 4.4 as per Audited Financial Statements attached as Annexure A-1 in Volume II of the Petition
B	Depreciation	32369.00	
C	Rate of Depreciation	5.04%	A/B

Considering the above average depreciation rate, allowable depreciation on Average Assets (net of consumer contribution/grants) is computed as below:

Table 3.48: Depreciation on Net Fixed Assets

		(Rs. Cr)		
S.No.	Particulars	Approved Rs Cr	Sought Rs. Cr	Remark/ Ref.
A	Average of Fixed Assets (net of Consumer Contribution)	4,781.00	4,782.63	Table 3.45- Table 3.46
B	Depreciation	4.98%	5.04%	Table 3.47
	Rate of Depreciation	238.09	240.85	(A*B)

Further in Tariff Order FY 2020-21, the Hon'ble Commission had provisionally trued up an amount of Rs. 1,826.04 Cr. towards accumulated depreciation at the end of FY 2018-19.



Table 3.49: Accumulated Balance of Depreciation on Net Fixed Assets

				(Rs. Cr)
S.No.	Particulars	Approved	Rs. Cr	Remark/ Ref.
A	Opening Depreciation	1,828.00	1,826.04	Table 3.62 of Tariff Order, 2020
B	Addition during the year	238.09	240.85	Table 3.48
C	Less- Depreciation towards Retirement		34.14	
D	Closing value of Accumulated Depreciation	2,066.09	2,032.75	A+B-C

Working capital

Regulation 84 (4) of Tariff Regulations, 2017 specify that

(4) " (i) Working capital for wheeling business of electricity shall consist of ARR for two months of Wheeling Charges.

(ii) Working capital for retail supply of electricity shall consist of

(a) ARR for two months for retail supply business of electricity;

(b) Less: Net Power purchase costs for one month;

(c) Less: Transmission charges for one month;

Based on above methodology, computation of working capital for FY 2019-20 is given in table below:

Table 3.50: Computation of working capital for FY 2019-20

S. No.	Particulars	Rs. Cr	Remark/ Ref.
A	Annual Revenue	8,210.51	Table 3.56
B	Receivables equivalent to 2 months average billing	1,368.42	(A/12*2)
C	Power Purchase expenses	6,299.25	Table 3.27
D	Add: 1/12th of power purchase expenses	524.94	(C/12*1)
E	Total working capital	843.48	(B-D)

In Tariff Order FY 2020-21, the Hon'ble Commission had provisionally trued up an amount of Rs. 664.07 Cr. towards working capital at the end of FY 2018-19. Thus, the Petitioner in this petition has considered same value of working capital and compute the addition in working capital as per table given below.

Table 3.51: Computation of Change in working capital

S. No.	Particulars	Amount (Rs Cr)	Remark
A	Total working capital for the year	843.48	Table 3.50
B	Less- Opening Working Capital	664.07	Table 3.84 of Tariff Order FY 19-20
C	Working Capital for the year	179.41	(A-B)

Cost of Debt

For the purpose of truing up, the Petitioner submits the following cost of debt on actual basis.

S. No.	Particulars	Cost of Debt%
1	Cost of Debt for capex loan	8.63%
2	Cost of Debt for working capital	8.11%

Truing up of RoCE (Return on Capital Employed)

Regulations 65 to 71 of the Tariff Regulations, 2017 deals with the methodology for determination of Regulated Rate Base (RRB), Weighted Average Cost of Capital (WACC) and computation of Return on Capital Employed (ROCE).

Truing up of Regulated Rate Base

Regulation 66 of the Tariff Regulations 2017 provided that *"The Regulated Rate Base (RRB) shall be used to calculate the total capital employed which shall include the Original Cost of Fixed Assets (OCFA) and Working Capital. Capital work in progress (CWIP) shall not form part of the RRB. Accumulated Depreciation, Consumer Contribution, Capital Subsidies / Grants shall be deducted in arriving at the RRB."*

Based on the actual capitalization and corresponding depreciation, consumer contribution and working capital requirement for FY 2019-20, the computation of Regulated Rate Base is given below:

Table 3.52: Computation of Regulated Rate Base for the period FY 19-20 (Rs. Cr)

S No.	Particulars	Rs. Cr	Remark/ Ref.
A	Opening GFA	5,414.80	
B	Opening Accumulated Depreciation	1,826.04	
C	Opening Consumer Contribution	868.51	
D	Opening Working Capital	664.07	
E	Opening RRB	3,384.32	
F	Investment during the year	312.40	
G	Net Capitalisation	505.12	
H	Depreciation	206.71	
I	Consumer Contribution	32.43	
J	Change in Working Capital	179.41	
K	Regulated Rate Base - Closing	3,829.17	
L	RRB(i)	3,696.72	

Means of Finance

The Petitioner has considered 70:30 Debt Equity ratio for the purpose of computation of Means of Finance for FY 2019-20.

Table 3.53: Means of Finance (Rs. Cr)

S No.	Particulars	Rs. Cr	Remark
A	Capitalization during the year	567.64	Table 3.44
B	Less- Retirement	62.52	Table 3.45
C	Net Capitalisation	505.12	(A-B)
D	Less- Consumer Contribution, Grants, etc. for the year	32.43	Table 3.46
E	Balance Capitalization required to be funding	472.69	(C-D)
F	Funding through – Debt @ 70% of E	330.88	
G	Funding through – Equity @ 30% of E	141.81	

Computation of Equity Deployed in the Business

Based on 70: 30 Debt Equity Ratio, the Hon'ble Commission in its Previous Tariff Orders has approved the Equity Deployed in the Business by the Petitioner as given in table below:

Table 3.54: Computation of Approved Equity as per Previous Tariff Orders (Rs. Cr)

Particular	Opening Equity	Addition	Addition during the year - Working Capital	Closing Equity	Average Equity
FY 07-08	610.15	(51.69)	59.69	618.15	
FY 08-09	618.15	70.57	5.83	694.55	
FY 09-10	694.55	36.86	(1.79)	729.62	
FY 10-11	729.62	95.92	(1.50)	824.04	
FY 11-12	824.04	56.94	7.25	888.23	
FY 12-13	888.23	33.40	(70.37)	851.26	
FY 13-14	851.26	24.79		876.05	
FY 14-15	876.05	63.57		939.62	
FY 15-16	939.62	65.01		1,004.63	
FY 16-17	1,004.63	88.34		1,092.97	
FY 17-18	1,092.97	107.37		1,200.34	1,146.66
FY 18-19	1,200.34	132.09		1332.43	1266.39
FY 19-20	1332.43	141.81		1474.24	1,403.33

Determination of WACC

For the purpose of computation of WACC, the Petitioner has considered Grossed up Return on Equity and Actual weighted average rate of Interest for Capex loans. Computation of WACC for FY 2019-20 is given below.



Table 3.55: Computation of WACC

			(Rs. Cr)
S. No.	Particulars	Amount (Rs Cr)	Remark/Ref
A	RRB (i)	3,696.72	Table 3.52
B	Average Equity deployed in the business	1,403.33	Table 3.54
C	Average Debt -Capex Loan	1,449.91	Balancing Figure
D	Average Debt - working capital	843.48	Table 3.50
E	Rate of return on equity (re)	16.00%	As per BPR,2017
F	Normal Income Tax Rate	16.83%	
G	Grossed up Return on Equity	19.24%	
H	Rate of interest on debt (rd)	8.44%	
I	WACC	12.54%	
J	RoCE	463.50	(A*I)
K	Additional tax liability due to Deferred tax	20.73	Computation given below

Allowance of Additional Income Tax on Deferred Tax

The Expert Advisory Committee (EAC) of ICAI has issued its Opinion on the "Treatment of deferred Asset for Deferred tax Liability" for the purpose of disclosure of the same in Audited Financial Statement. As per the opinion of the Committee, the Deferred asset shown as recoverable from future tariff is in the **nature of regulatory asset** as per Ind AS 114.

Further, as the Deferred tax liability is arisen on account of difference in depreciation as allowed by DERC/ Companies Act versus depreciation allowed under Income Tax. The benefit on account of higher depreciation in income tax resulted into tax benefit for consumers, therefore, the additional liability of income tax due to computation of deferred tax on depreciation will have to be compensated to the Petitioner (i.e. equivalent to the additional Income Tax paid by the Petitioner on such Deferred Tax recoverable amount, as per example explained below).

Impact of the same on Current Tax payout can be explained through the following table:

State	Existing (Before EAC opinion)	Revised (After EAC opinion)	Impact
Revenue	1000	1000	
Less Expenses	800	800	
Profit/(Loss) before movement in regulatory deferral account balance	200	200	
Add: Movement in Regulatory deferral (Note 2 to be read with Note 1)	50	60	Increase in RA by Rs 10 as per EAC opinion
Profit Before Tax (Note 3)	250	260	
Tax on Above			
Current Tax @ 10% of PAT (Note 3)	25	26	Impact increase in tax payout by Rs 1 (due to EAC opinion)
Deferred Tax (Note 1)	10	10	
Less- Deferred Tax recoverable (Note 1)	-10	-	*Added in Regulatory deferral
Profit after Tax (note no 4)	225	224	Reduction in profit by Rs 1

Note 1: Due to EAC opinion, Deferred Tax liability, which was earlier shown as zero in existing methodology; gets changed in revised methodology. In revised methodology, Deferred tax recoverable amount of Rs 10 Cr become part of Movement in Regulatory deferral account balance.

Note 2. The Deferred tax recoverable amount which earlier was not considered as a part of Movement in Regulatory Deferral, after issuance of EAC opinion forms part of movement of Regulatory deferral

Note 3. Due to change in discloser requirement, the PBT (Profit Before tax) gets increased by the same amount of Deferred Tax recoverable consequently resulted into higher Income Tax liability.



Note no 4: Ultimately, due to change in discloser requirement, the Profit of the Petitioner reduced to the extent of additional tax liability on Deferred tax recoverable amount.

Based on the above submission, the Petitioner has computed additional tax liability of Rs 20.73 Cr (working given below) and requested to the Hon'ble Commission to allow the same as a part of ARR for FY 2019-20.

Particular's	Amount Rs Cr	Remark
Amount of Deferred Tax - A	123.19	Refer P&L statcmnt for FY 2019-20
Tax payable @ - B	16.83%	
Additional Tax liability = A*B	20.73	

Truing up of Aggregate Revenue Requirement for FY 2019-20

Based on the submission made above the total Aggregate Revenue Requirement for the FY 2019-20 comes to Rs. 8,201.40 Cr. Components wise ARR sought for trued up vis-à-vis Approved ARR is given in table below:

Table 3.56: Summary of Aggregate Revenue Requirement

Particulars	(Rs. Cr)
	Sought Amount Rs. Cr.
Power Purchase	6299.25
Normative O&M Expenses	767.34
Other O&M Expenses	118.34
Depreciation	240.85
Loss on Retirement of Assets	19.09
ROCE (Income Tax)	484.23
Carrying Cost	366.77
Less- Non Tariff Income	(66.07)
Less- Interest on Consumer Security Deposit	7.15
Less- Income from Non Energy Business	(14.16)
Less- Income from Open Access	(12.28)
Total of Aggregate Revenue Requirement	8,210.51



Turing up of Incentive for Refinancing of Loan

Regulation 31 of Business Plan Regulations, 2017 deals with Incentive Sharing Mechanism for Re-financing of Loan and provided that

"(1) The incentive due to lower rate of interest on account of re-financing of loan in terms of Regulation 71 of the DERC (Terms and Conditions for Determination of Tariff) Regulations, 2017 from FY 2017-18 to FY 2019-20 of the Distribution Licensee shall be computed as the product of total quantum of loan availed and difference of weighted average rate of interest on actual loans versus margin of 2.00% plus (+) SBI MCLR.

(2) The incentive on account of re-financing of loan computed as per sub clause (1) above shall be shared equally between the Consumers and the Distribution Licensee. "

Table 3.57: Approved cost of debt for incentive vis-à-vis Actual Cost of Debt

S. No	Particular	Approved
A	Cost of Debt- Capex Loan/working capital/Revenue Gap *	10.55%

* i.e SBI MCLR of 8.55% + 2%

During the FY 2019-20, the Petitioner is able to bring down the cost of financing, hence, as per the Business Plan Regulations, 2017, the Petitioner is eligible for sharing of Incentive.

Computation of total Incentive and sharing of the petitioner is given below:

A) Incentive Computation with respect to reduction in Capex/Working Capital loans

The Petitioner has first computed the WACC based on approved cost of funding and then compared the computed ROCE with the ROCE sought for the Truing up. The differential amount if any is considered as total saving and then 50% of the said savings has been kept by the Petitioner as incentive.

Table 3.58: Computation of Incentive to be kept by the Petitioner is given below:

S. No.	Particulars	Amount of Debt	Actual Rate of Interest	Rate of Interest considered for Incentive	Total incentive – Rs Cr	Petitioner Share – Rs Cr
A	Capitalization	1,449.91	8.63%	10.55%	27.84	13.92
B	Working Capital	843.48	8.11%	10.55%	20.58	10.29
C	Total Incentive					24.21

The Petitioner has then reduced its share of incentive of Rs 24.21 Cr. from the Revenue available towards ARR.

B) Incentive Computation with respect to reduction in Revenue Gap loans

The Petitioner has first computed the Carrying Cost rate based on approved cost of funding and then compared the computed carrying cost as sought for the Truing up. The differential amount if any is considered as total saving and then 50% of the said savings has been kept by the Petitioner as incentive.

Table 3.59 Computation of Incentive to be kept by the Petitioner is given below:

S. No.	Particulars	Amount of Debt	Rate of Interest	Rate of Interest considered for Incentive	Total incentive	Petitioner Share
A	Revenue Gap	2496.71	8.69%	10.55%	46.44	23.22

The Petitioner has then reduced its share of incentive of Rs 23.22 Cr. from the Revenue available towards ARR.

Computation of Net Revenue available towards ARR

In the given below table, the Petitioner has computed Revenue available towards ARR (net of Incentive towards refinancing of capex loans and revenue gap loans).

Table 3.60: Computation of Net Revenue available with the Petitioner is given below:

S. No.	Particular	Actual as per Petitioner	Remarks
A	Revenue Available	7,096.91	Table 3.12
B	Less- Incentive towards Capex Loan/working capital	24.21	Table 3.58
C	Less- Incentive towards Revenue Gap Loan	23.22	Table 3.59
D	Revenue Surplus/(Gap)	7,049.48	(A-B-C)



Revenue Surplus / (Gap) for FY 2019-20

Based on above submission the Petitioner has computed actual Revenue Gap for FY 2019-20 as given in the table below;

Table 3.61: Computation of Revenue surplus/ (Gap) for FY 19-20 (Rs. Cr)

S. No.	Particular	Actual as per Petitioner	Remarks
A	Revenue Available towards ARR net of Incentives	7,049.48	Table 3.60
B	Aggregate Revenue Requirement (net of carrying cost)	7,843.74	Table 3.56
C	Revenue Surplus/(Gap)	(794.27)	(A-B)

True up of Rithala for FY 2019-20

1.1 TPDDL had filed following Petitions in relation to its 94.8 MW Rithala Combined Cycle Power Plant ("**Rithala CCPP**"):

- (a) **Petition No. 11 of 2009**, filed on 21.08.2009 under section 62, 86(1) (b) of the Electricity Act, 2003 seeking approval of "Terms and Conditions for Sale and Purchase of Power" executed between the Generation and Distribution division of TPDDL i.e. TPDDL-G (formerly known as NDPL-G) and TPDDL-D (formerly known as NDPL-D).
- (b) **Petition No. 07 of 2010**, filed on 26.02.2010 under clause 5.5 and 11 of the License Conditions of TPDDL's Distribution and Retail Supply License issued by this Hon'ble Commission, seeking approval regarding usage of 6 Acres of land located in NDPL/TPDDL's licensed area for setting up the Rithala Combined Cycle Power Plant
- (c) **Petition No. 06 of 2013**, filed on 23.11.2012 under section 86 (1) (a) of the Electricity Act, 2003 seeking determination of final Generation Tariff for its 94.8 MW Rithala Combined Cycle Power Plant under Section 62 read with Part VII of the Electricity Act, 2003 and the Delhi Electricity Regulatory Commission



(Terms & Conditions for Determination of Generation Tariff) Regulations, 2007
& 2011

- 1.2 On 31.08.2017, this Hon'ble Commission was pleased to pass an Order disposing of the aforesaid Petitions, i.e., Petition No. 11 of 2009, 07 of 2010, and 06 of 2013 with following findings, as under:

27. In view of the foregoing discussion and the deliberations carried out in the preceding notes ante and the records placed before the Commission, the petitions are decided as follows:

(a) Petition No. 11 of 2009: under Section 62, 86(1) of the Electricity Act, 2003 seeking approval of Terms and Conditions for Sale and Purchase of Power between two divisions of the Petitioner viz. TPDDL (G) and TPDDL (D) is allowed to the extent of permission granted by Govt. of Delhi for operation of the Plant i.e. 06 year from the year of COD in Combined Cycle Mode which comes out to be March, 2018.

...

(c) Petition No. 6 of 2013 : under Section 62, 86(1) of the Electricity Act, 2003 seeking approval of the generation tariff, the Commission approves fixed charges and operational parameter required for computation of energy charges as indicated in para 21 and 22, respectively for The Petitioner's 94.80 MW Rithala Plant. The Petitioner shall file true up petitions based on the applicable Regulations for the aforesaid parameters for finalization of generation tariff for the respective years."

- 1.3 On 03.10.2017, TPDDL in view of the aforesaid Order, filed Petition No. 51 of 2017 before the Hon'ble Commission seeking True Up for FY 2010-11 to FY 2016-17 and ARR for FY 2017-18, which was later amended during pendency of Petition to include True Up of FY 2017-18. The said amendment was allowed by the Hon'ble Commission and after detailed hearings on the said True up Petition, the Hon'ble Commission passed suitable order in Petition 51/2017 on 11.11.2019.
- 1.4 While passing the said True up order the Hon'ble Commission dealt with various issues including the aspects on depreciation, recovery of cost of the Rithala plant, useful life etc. It is pertinent to mention that the Hon'ble Commission in the order dated 11.11.2019 has observed as follows:



"COMMISSION ANALYSIS

5.3.1 The Commission observed that the contention of the Petitioner for consideration of useful life of the plant for 6 years cannot be considered as the Commission in its order dated 31.08.2017 determined the useful life of the Petitioner plant as 15 years based on the certificates issued by the various agencies appointed by the Petitioner.

5.3.2 The plant has useful life of 15 years and it has been used for around 6 years only, the market value after usage of 6 years would not only be 10%, but a much better value in commensuration with the remaining useful life of the said plant. The Petitioner has informed that sincere efforts are being made for the disposal of the plant but things have not reached to the final stage, it is likely to take some more time.

5.3.3 In such a situation, without waiting for the final disposal of the plant, the petitioner is allowed depreciation as per the extant regulations. The Petitioner is allowed depreciation @6% as per the specified formula to recover the cost in 15 years.

Accordingly, the depreciation for the period FY 2012-13 to FY 2017-18 at the rate of 6% in line with the provisions of DERC MYT Regulations, 2011 and DERC Tariff Regulations, 2017 is as under:

Particulars	FY 2012-13	FY 2013-14	FY 2014-15	FY 2015-16	FY 2016-17	FY 2017-18
Depreciation (Rs. Crore)	11.86	11.86	11.86	11.86	11.86	11.86

5.3.4 Depreciation for the FY 2010-11 and FY 2011-12 has already been approved as Rs.12.18 crore vide Tariff Order dated 31.08.2017. Accordingly, the cumulative depreciation for the period from FY 2010-11 to FY 2017-18 comes out to be Rs.83.34 crore."

The Hon'ble Commission in its Tariff Order for Rithala has approved total capital cost of Rs 197.70 Cr. Against the said capital cost, total Depreciation of Rs. 83.34 Cr. has been allowed

with you



till FY 2017-18. Thus, the remaining WDV of Rithala plant of Rs. 94.31 Cr. should be allowed to Tata- Power DDL. Working of the same is given below:

Table 3.62: Remaining WDV of Rithala Plant

Particulars	Rs Cr
Total Capital Cost of Rithala	197.70
Trued up Depreciation upto FY 2017-18	81.76
Trued up Advance Against Depreciation upto FY 2017-18	1.59
Capitalized amount pending for recovery (net of Depreciation)	114.35
Less- Scrap Value	20.04
Net Amount recoverable (WDV of the plant at the end of FY 2017-18)	94.31

It is further submitted that the above claim of Tata Power-DDL for full recovery (based on the assumption of 6 years permitted life) was made to the Hon'ble Commission in the backdrop of the efforts to sell the said plant to some interested party. The same did not fruitify till the time the said Petition was heard, disposed off by the Hon'ble Commission on 11.11.2019.

It is worth to mention that the Hon'ble Commission in aforesaid para 5.3.2 duly acknowledges the said factum of plant's life to be 15 years and without waiting for the sale/disposal of the Plant, the Hon'ble Commission proceeded to determine the depreciation @ 6% and allow Tata Power-DDL the recovery of cost of plant in 15 years.

Thus in light of the said finding, Tata Power DDL is entitled to recover the cost of plant in 15 years along with the normal true up of respective year ARR.

Tata Power DDL shall act in accordance with the said finding, observation of the Hon'ble Commission and alternatively seek Y-o-Y recovery of all Tariff cost components to recover the cost of plant in the remaining successive years in respective True up Petitions as filed from time to time.

In the current tariff petition, the Petitioner is seeking true up of FY 2019-20 for distribution segment, therefore, in light of the aforesaid submissions also seeking true up of Rithala plant for FY 2019-20 in this petition.

Table 3.63 Computation of the ARR for Rithala plant is given below:

Rs Cr.

Particulars	FY 19-20	Remark
O&M expenses	4.26	Based on Actuals (Refer Segment wise bifurcation of P&L Account will be shared during prudence check)
Depreciation	11.86	In line with para 5.3.3 of Rithala Tariff Order Nov, 2019
RoCE	10.38	As computed below in Table 3.64
Income Tax	0.82	As computed below in table 3.65
Incentive for refinancing of loans	0.72	As computed below in table 3.66
Total	28.05	

The Petitioner has computed ROCE in line with Tariff Regulations, 2017 issued by the Hon'ble Commission.

Table 3.64 Computation of the ROCE for Rithala plant is given below:

(Rs Cr.)

Particulars	FY 19-20	Remark
Opening Original Cost of Fixed Assets (OCFAo)	197.7	In line with para 5.4.16 of Rithala Tariff Order Nov, 2019
Opening Accumulated depreciation (ADo)	95.21	
Opening Working capital (WCo)	6.53	
Opening RRB (RRBo)	109.02	
Depreciation during the year (Di)	11.86	
Change in capital investment (Δ ABi)	-11.86	
Change in working capital during the year (Δ WCI)	(0.34)	
RRB Closing	96.82	
RRBi	102.75	
Opening Equity for Capitalisation (limited to 30%)	30.75	
Closing Equity limiting to 30% of net capitalisation	27.19	
Average Equity for Capitalisation (limited to 30%)	28.97	
Opening Debt at 70% of net capitalization	71.74	
Closing Debt at 70% of net capitalization	63.44	
Avg Debt at 70% of net capitalization	67.59	
Debt at 100% of working capital	6.53	
Debt- balancing figure	74.12	
Rate of return on equity (re)	14%	
Rate of debt (rd) on capitalisation	8.63%	
Rate of debt (rd) on working Capital	8.11%	
WACC	10.11%	
RoCE	10.38	

Based on the ROE allowed to the Petitioner, Income tax liability based on the effective tax rate on the ROE is computed In the table below

Table 3.65 Computation of the ROCE for Rithala plant is given below:

Particulars	for FY 19-20	Remark
Average ROE – Rs Cr.	28.97	
ROE %	14.00%	
ROE – Rs Cr.	4.06	
Income Tax Rate	16.83%	Actual as per audited financial
Income Tax on ROE – Rs Cr.	0.82	

Further, in line with the BPR, 2017 if the actual cost of financing is lower than the SBI MCLR +2% margin, in that scenario, the Petitioner is eligible to claim incentive for refinancing on loans.

Table 3.66 Computation of Incentive for refinancing of loans is given below:

Particulars	Debt Amount	Cost of Debt	SBI MCLR+ 2%	Difference for Incentive	Rs. Cr.
					Amount of Incentive
Avg Debt at 70% of net capitalization	67.59	8.63%	10.55%	1.30	0.65
Debt at 100% of working capital	6.19	8.11%	10.55%	0.15	0.08
Total amount of Incentive					0.72

The said approach of Tata Power-DDL is based on the interpretation of order dated 11.11.2019 and is without prejudice to its rights and contentions. The act of seeking the said Tariff components, depreciation etc. in True up Petition for FY 2019-20, shall not be construed as any kind of waiver, surrender of any rights, claims of Tata Power-DDL qua the order dated 11.11.2019 in Petition 51/2019.

Computation of Carrying Cost and Closing Revenue Gap

The Petitioner has considered the provisionally approved opening revenue gap of Rs. 1,890 Cr upto FY 2018-19 (which is subject to final true up) as per previous Tariff Order dated August, 2020.

Table 3.67: Computation of closing Revenue Gap for FY 2019-20 (Rs. Cr)

S. No	Particulars	Amount	Remarks
A	Opening Provisional trued up Revenue Gap	(1,890.00)	Table 5.3 of Tariff Order FY 20-21
B	Impact of Various Judgement	(1265.57)	
C	Revised Opening Revenue Gap	(3155.57)	
D	Add: Revenue Gap sought for the year	(794.27)	Table 3.61
E	Add: Rithala impact	(28.05)	Table 3.63
F	Carrying Cost Rate	10.28%	
G	Add: Carrying Cost	(366.77)	$(D+(E/2))*F$
H	Less- Realization from 8% Deficit recovery surcharge	534.60	Table 3.10
I	Closing Revenue Gap	(3,810.05)	$(D+E+G-H)$

The Petitioner has computed carrying cost @ 10.28% considering actual cost of debt, on the average balance of revenue gap for the year. During the FY 2019-20 the Petitioner has collected Rs 534.60 Cr towards 8% Deficit recovery surcharge and adjusted the said amount against the total of closing revenue gap of Rs.3,810.05. Cr. in line with the Hon'ble Commission directions for adjusting the 8% DRS against the liquidation of Revenue Gap.