KANPUR ELECTRICITY SUPPLY COMPANY LIMITED

True-up for FY 2019-20, APR for FY 2020-21 and ARR for FY 2021-22 of the Control Period from FY 2020-21 to FY 2024-25

KANPUR ELECTRICITY SUPPLY COMPANY LIMITED

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List of abbreviations

Abbreviation	Full Form
A&G	Administration & General
ACoS	Average Cost of Supply
Act	The Electricity Act, 2003
APR	Annual Performance Review
ARR	Aggregate Revenue Requirement
ATE	Appellate Tribunal of Electricity
BPL	Below Poverty Line
BST	Bulk Supply Tariff
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
Ckt. Km	Circuit Kilometer
COD	Commercial Operation Date
Commission	Uttar Pradesh Electricity Regulatory Commission
Cr	Crore
DBST	Differential Bulk Supply Tariff
DELP	Domestic Efficient Lightening Program
Discom/DisCom	Distribution Company
DSM	Deviation Settlement Mechanism
EA 2003	The Electricity Act, 2003
EHT	Extra High Tension
ERP	Enterprise Resource Planning
FPPCA	Fuel and Power Purchase Cost Adjustment
FY	Financial Year
GFA	Gross Fixed Assets
GoUP	Government of Uttar Pradesh
HP	Horsepower
HT	High Tension
IEX	Indian Energy Exchange Limited
IPDS	Integrated Power Development Scheme
IPP	Independent Power Producer
ISTS	Inter-State Transmission System
KVA	Kilo Volt Ampere
kWh	Kilo Watt Hour
LT	Low Tension
MOD	Merit Order Dispatch

Abbreviation	Full Form
MU	Million Units
MW	Mega Watt
MYT	Multi-Year Tariff
NFA	Net Fixed Assets
NTPC	National Thermal Power Corporation
O&M	Operation and Maintenance
PGCIL	Power Grid Corporation of India Ltd.
PLF	Plant Load Factor
PLR	Prime Lending Rate
PPA	Power Purchase Agreement
R&M	Repair and Maintenance
R-APDRP	Restructured Accelerated Power Development and Reforms Programme
REC	Renewable Energy Certificate
RLDC	Regional Load Dispatch Centre
RoE	Return on Equity
RPO	Renewable Purchase Obligation
SBI PLR	SBI Prime Lending Rate
SERC	State Electricity Regulatory Commission
SLDC	State Load Dispatch Centre
SOP	Standard of Performance
T&D	Transmission & Distribution

1. Background and Procedural History

1.1. Background

1.1.1. Kanpur Electricity Supply Company Ltd (KESCO), a company registered under the Companies Act, 1956 was incorporated through the Transfer Scheme dated 15th January, 2000; wherein the assets, liabilities and personnel of Kanpur Electricity Supply Authority (KESA) under erstwhile Uttar Pradesh State Electricity Board (UPSEB) were transferred to KESCO.

1.1.2. Subsequently the Hon'ble Commission, in exercise of the powers conferred on it under Section 15 of the Uttar Pradesh Electricity Reform Act, 1999 (Uttar Pradesh Act No.24 of 1999), granted KESCO on 4th October 2000 a distribution license for a period of 30 years for carrying out the business of Distribution and Retail Supply of electrical energy within its license area.

1.2. Distribution Tariff Regulations

1.2.1. On 12th May, 2014, the Hon'ble Commission notified the Uttar Pradesh Electricity Regulatory Commission (Multi Year Distribution Tariff) Regulations, 2014 (hereinafter referred to as "MYT Regulations 2014")which were applicable for determination of tariff from April 1, 2015 and onwards up to FY 2019-20 [i.e., till March 31, 2020].

1.2.2. Subsequently, the Hon'ble Commission notified the Uttar Pradesh Electricity Regulatory Commission (Multi Year Tariff for Distribution and Transmission) Regulations, 2019 (hereinafter referred to as "MYT Regulations 2019") which will be applicable for determination of tariff from April 1, 2020 and onwards up to FY 2024-25 [i.e., till March 31, 2025] unless extended by the Order of the Hon'ble Commission. These Regulations were signed on 23rd September 2019, however, were finally published on Hon'ble Commission's website on 21st November 2019, after gazette notification.

1.2.3. These regulations are applicable for the purposes of Multi-Year Annual Revenue Requirement (ARR) filing and Tariff determination of all the distribution licensees within the State of Uttar Pradesh.

1.3. Petitions and Orders till now during the Control Period From FY 2020-21 to FY 2024-25

1.3.1. The Petitioner had submitted its Business Plan Petition for the Control Period from FY 2020-21 to FY 2024-24 on 28 February 2020 and ARR and Tariff Petition for FY 2020-21 (including True-up for FY 2018-19 and APR for FY 2019-20) on 30 June 2020. In response to the same, the Hon'ble Commission has issued Business Plan Order on 27 October 2020 and Order for True-up for FY 2018-19, APR for FY 2019-20 and ARR & Tariff for FY 2020-21 on 11 November 2020.

1.4. *ARR and Tariff Petition for FY 2021-22 (including True-up for FY 2019-20 and APR for FY 2020-21)*

1.4.1. Due to Covid-19 pandemic, the Ministry of Corporate Affairs, Government of India, has extended time for holding of Annual General Meeting (AGM) for the FY 2019-20 by a period of three months (refer Annexure-2). Accordingly, the Petitioner has now got time for completion of audit and adoption of its Audited Accounts for FY 2019-20 from the AGM till end of December 2020, as against 30 September 2020. As the audited accounts for the FY 2019-20 by November 2020, therefore, the Petitioner initially requested extension of two months for filing the petition from the Hon'ble Commission which was granted vide letter No. UPERC/D(T)/2020-21/Tariff/1485 dated 14.12.2020. Subsequently, the availability of audited accounts for the FY 2019-20 was further delayed, upon which on the request of the Petitioner the Hon'ble Commission again granted another one month extension for filing of the Petition vide letter No. UPERC/Secy/JD(D)/2021-22-1771 dated 09.02.2021.

1.4.2. Accordingly, in this Petition, the Petitioner is hereby submitting its audited True-up for FY 2019-20 under MYT Regulations, 2014, APR petition for FY 2020-21 and ARR & Tariff petition for FY 2021-22 under MYT Regulations, 2019 along with the prescribed tariff formats.

2. Audited True Up for FY 2019-20

2.1. Consumption Parameters: Consumer Numbers, Connected Load and Sales

2.1.1. There is a minor variation in approved sales and actual sales for FY 2019-20. However, major change from approved sales can be observed in LMV-1 (reduction of 7.3%), LMV-4 (increase of 72 MUs), LMV-7 and HV-2 (increase by 16.5% and 8.9% respectively). Further, sales are derivative of demand which is also uncontrollable in nature. The Category-wise approved sales vis-à-vis actual sales for FY 2019-20 is shown in the Table below:

Table 2-1: Actual consumption Parameters for FY 2019-20

Category	Approved			Actual		
	Consumers (No.)	Load (kW)	Sales (MU)	Consumers (No.)	Load (kW)	Sales (MU)
LMV-1 Domestic light fan & power	562,665	1,407,165	1,682	524,269	1,267,210	1,560.24
LMV-2-Non domestic light fan & power	81,606	242,897	339	80,170	237,060	323.28
LMV-3 Public lamps	20	11,122	41	20	10,278	37.97
LMV-4 Light, fan & power for public/private institution	1,143	22,134	46	1,538	27,150	117.72
LMV-5 Private tube well/pumping sets	-	-	-	14	-	0.08
LMV-6 Small & medium power upto 100 hp/75kw	12,824	83,195	299	13,124	98,545	311.70
LMV-7 Public water works	1,131	41,177	95	1,113	42,730	110.63
LMV-8 State tube wells & pumps canal upto 100 hp (lmv-8)	-	-	-	-	-	-
LMV-9 Temporary supply	-	-	-	106	447	2.10
LMV- 10 Departmental employees	5,729	18,265	30	5,131	19,903	38.17
LMV-11 Electrical Vehicles	-	-	-	-	-	-
HV-1 Non industrial bulk load	270	86,056	215	276	84,231	208.63
HV-2 Large & heavy power above 100 bhp (75 kw)	630	245,924	542	612	237,142	590.00
HV-3 Railway traction	-	-	-	-	-	-
HV-4 Lift irrigation & p. canal above 100 bhp (75kw)	-	-	-	-	-	-
Bulk supply	-	-	-	-	-	-
Extra State Consumers	-	-	-	-	-	-
Total	**666,018**	**2,157,935**	**3,290**	**626,373**	**2,024,696**	**3,300.50**

2.1.2. The Hon'ble Commission is requested to approve the consumption parameters as submitted in the above table.

2.2. *Energy Balance*

2.2.1. The Energy Balance approved by the Hon'ble Commission vis-à-vis actual and normative Energy Balance for FY 2019-20 is shown in the Table below:

Table 2-2: Energy Balance for FY 2019-20

Particulars	Approved	Actual	Normative
Retail Sales (MU)	3,289.58	3,300.50	3,300.50
Distribution Losses (%)	11.80%	7.76%	7.76%
Energy at DISCOM Periphery for Retail Sales (MU)	3,729.68	3,578.25	3,578.25
Intra-State Transmission Losses %	3.56%	3.43%	3.43%
Energy Available at State periphery for Transmission (MU)	3,867.36	3,705.35	3,705.35
Inter State Losses (MU)	84.36	61.54	61.54
Inter-State Transmission Losses % (% has been computed on total energy)	2.13%	1.63%	1.63%
Purchases Required & Billed Energy (MU)	3,951.72	3,766.88	3,766.88

2.3. *Power Purchase Expense*

2.3.1. The Petitioner claims the power purchase cost during truing up based on the philosophy as mentioned below:

- The Petitioner has calculated the allowable energy available for transmission at the State periphery by grossing up the actual energy received at the Discom end by the actual intra-state transmission losses.
- Thereafter to work out the allowable power input, the above derived energy available for transmission at the State periphery has been grossed up by actual Inter-State Transmission Losses (PGCIL Losses)
- Revised bulk supply Tariff has been calculated by dividing the total actual Power Purchase cost (including inter-state transmission charges).
- The allowable power purchase input has been multiplied by the revised bulk supply Tariff to derive the allowable power purchase cost for truing up.

2.3.2. Generating Station wise breakup of quantum and power purchase cost for FY 2019-20 is as follows:-

Table 2-3: Generating Station-wise Power Purchase Cost for FY 2019-20

Generating Stations	Units (MU)	Fixed Charges (Rs. Crore)	Energy/ Variable Charges (Rs. Crore)	Other Cost (Rs. Crore)	Total Cost (Rs. Crore)
Long term Sources					

Generating Stations	Units (MU)	Fixed Charges (Rs. Crore)	Energy/ Variable Charges (Rs. Crore)	Other Cost (Rs. Crore)	Total Cost (Rs. Crore)
Power procured from own Generating Stations (if any)					
From State Generating Stations Thermal					
ANPARA-A	3,914.45	303.77	709.93	0.48	1,014.18
ANPARA-B	6,470.88	298.89	1,117.95	13.09	1,429.93
PANKI	-	-	-	-	-
PARICHHA	200.56	45.82	72.30	13.29	131.42
PARICHHA EXT.	1,927.82	333.66	644.69	2.59	980.94
OBRA-A	-	-	-	-	-
OBRA-B	3,324.45	249.93	702.51	7.20	959.64
HARDUAGANJ	158.52	78.98	56.17	2.67	137.81
HARDUAGANJ EXT.	2,850.79	532.38	956.02	2.84	1,491.24
PARICHHA EXT. STAGE-II	1,305.98	332.74	437.66	1.62	772.02
ANPARA-D	5,164.05	822.99	876.17	4.27	1,703.43
Panki Extension	-	-	-	-	-
HARDUAGANJ EXT. Stage II	-	-	-	-	-
OBRA-C	-	-	-	-	-
Jawaharpur	-	-	-	-	-
UPRVUNL Consolidated	-	-	-	-40.06	-40.06
Sub-Total	**25,317.52**	**2,999.16**	**5,573.40**	**8.00**	**8,580.56**
From State Generating Stations Hydro					
RIHAND	365.88	15.08	21.00	-0.00	36.08
OBRA (H)	187.20	10.99	7.81	-0.00	18.80
MATATILA	47.71	1.94	1.54	-0.00	3.48
KHARA	313.83	11.64	11.61	-0.00	23.25
UGC	20.08	-	5.68	-	5.68
SHEETLA	1.96	-	0.30	-	0.30
BELKA	1.54	-	0.33	-	0.33
BABAIL	-0.03	-	-0.01	-	-0.01
Sub-Total	**938.17**	**39.66**	**48.26**	**-0.01**	**87.91**
From Central Sector Generating Stations					
Thermal (NTPC)					
ANTA GPS	160.12	57.77	114.29	0.49	172.55
AURAIYA GPS	172.73	113.41	82.69	5.38	201.48
DADRI GPS	784.83	120.79	452.57	18.76	592.13
JHANOR GPS	2.17	0.25	1.09	-0.00	1.34
KAWAS GPS	9.13	0.69	3.07	-	3.75
TANDA TPS	1,827.85	368.18	557.59	19.85	945.62

Generating Stations	Units (MU)	Fixed Charges (Rs. Crore)	Energy/ Variable Charges (Rs. Crore)	Other Cost (Rs. Crore)	Total Cost (Rs. Crore)
FGUTPS-1	971.68	186.59	330.27	13.59	530.45
FGUTPS-2	535.05	93.73	184.29	7.57	285.59
FGUTPS-3	299.24	61.69	102.08	4.12	167.89
FGUTPS-4	1,013.38	251.03	325.78	13.72	590.52
FSTPS	191.25	19.22	46.56	0.84	66.62
KHTPS-1	369.78	54.92	83.32	-	138.24
KHTPS-2	1,320.87	192.22	281.97	-	474.18
NCTPS-1	301.41	56.15	124.52	1.70	182.38
NCTPS-2	607.39	117.60	145.31	5.18	268.09
RIHAND-1	2,206.96	199.98	303.60	-5.60	497.97
RIHAND-2	2,091.09	155.50	283.72	-	439.23
RIHAND-3	2,653.35	345.39	363.14	5.54	714.07
SINGRAULI	5,100.45	357.68	708.92	-	1,066.59
KORBA-I STPS	24.10	1.66	3.25	0.00	4.90
KORBA-III STPS	21.76	1.34	1.25	0.00	2.59
MAUDA-I STPS	37.64	8.37	12.10	0.17	20.64
MAUDA-II STPS	41.90	8.75	13.52	0.13	22.41
SOLAPUR TPS	1.13	4.32	0.40	0.02	4.74
SIPAT-I	38.55	4.99	4.90	0.00	9.89
SIPAT-II STPS	15.03	1.96	2.17	-0.00	4.14
VINDHYACHAL-I STPS	32.44	2.95	5.70	-	8.65
VINDHYACHAL-II STPS	16.85	1.35	2.82	-	4.17
VINDHYACHAL-III STPS	23.62	2.44	3.96	-0.00	6.39
VINDHYACHAL-IV STPS	19.25	3.35	3.14	0.00	6.49
VINDHYACHAL-V STPS	14.22	2.33	2.40	0.02	4.75
Tanda II	1,184.70	216.12	260.65	10.06	486.84
Indira Gandhi STPS, Jhajjar	-	-	-	-	-
URS Power					
SINGRAULI STAGE III	-	-	-	-	-
Indira Gandhi STPS, Jhajjar	-	-	-	-	-
GADARWARA STPS-I	1.92	2.49	0.67	0.03	3.19
LARA STPS-I	4.52	1.46	1.11	-	2.57
KHARGONE STPS	1.49	0.42	0.44	-	0.86
NTPC Consolidated	-	-	-	69.32	69.32
Sub-Total	**22,097.86**	**3,017.10**	**4,813.27**	**170.90**	**8,001.26**
NPCIL					
KAPS	6.73	-	1.71	-0.22	1.49
NAPP	1,229.14	-	391.71	-63.15	328.56
TAPP-3 & 4	21.33	-	6.74	1.31	8.05
RAPP-3 & 4	519.36	-	181.07	1.78	182.84
RAPP-5 & 6	889.26	-	360.56	-226.06	134.51
Sub-Total	**2,665.82**	**-**	**941.80**	**-286.35**	**655.45**

Generating Stations	Units (MU)	Fixed Charges (Rs. Crore)	Energy/ Variable Charges (Rs. Crore)	Other Cost (Rs. Crore)	Total Cost (Rs. Crore)
Hydro (NHPC)					
SALAL	265.15	19.88	16.33	9.84	46.05
TANAKPUR	102.67	20.31	16.37	15.34	52.02
CHAMERA-I	532.76	40.23	60.79	-1.32	99.70
URI	664.14	53.33	54.59	4.77	112.69
CHAMERA-II	338.92	24.04	34.06	-0.92	57.18
DHAULIGANGA	334.88	42.95	40.63	-0.98	82.60
DULHASTI	556.47	122.34	146.82	2.46	271.63
SEWA-II	173.34	44.62	41.80	0.44	86.86
CHAMERA-III	274.49	57.72	54.07	2.85	114.64
URI-II	435.41	83.26	78.38	6.37	168.01
PARBATI-III	180.47	74.62	27.77	-0.82	101.58
KISHANGANGA	398.90	77.61	69.75	46.37	193.73
PARBATI-II	-	-	-	-	-
SUBANSIRI LOWER	-	-	-	-	-
PAKALDUL	-	-	-	-	-
NHPC Consolidated	-	-	-	233.00	233.00
Sub-Total	**4,257.62**	**660.91**	**641.37**	**317.41**	**1,619.68**
HYDRO (NTPC)					
KOLDAM HPS	730.73	191.78	174.87	1.81	368.45
TAPOVAN VISHNUGARH	-	-	-	-	-
LATA TAPOVAN HEP	-	-	-	-	-
SINGRAULI SHPS	4.90	-	3.10	-	3.10
Sub-Total	**735.63**	**191.78**	**177.97**	**1.81**	**371.56**
HYDRO					
TEHRI	1,229.28	280.46	277.18	236.84	794.48
KOTESHWAR	500.49	124.70	113.77	0.24	238.71
Dhukwan SHP- THDC	2.72	-	0.66	-	0.66
VISHNUGARH PIPAL KOTHI	-	-	-	-	-
Thermal					
KHURJA STPP	-	-	-	-	-
Sub-Total	**1,732.49**	**405.17**	**391.61**	**237.08**	**1,033.86**
SJVN					
RAMPUR	356.84	72.40	71.79	2.11	146.31
NATHPA JHAKRI	1,374.11	154.05	169.13	28.68	351.87
Sub-Total	**1,730.95**	**226.46**	**240.92**	**30.79**	**498.18**
NEEPCO					

Generating Stations	Units (MU)	Fixed Charges (Rs. Crore)	Energy/ Variable Charges (Rs. Crore)	Other Cost (Rs. Crore)	Total Cost (Rs. Crore)
Kameng HEP	-	-	-	-	-
IPP/JV					
HYDRO					
TALA	118.90	-	25.68	-	25.68
VISHNU PRAYAG	1,731.42	24.28	226.02	28.69	278.98
KARCHAM	917.72	152.04	154.29	109.22	415.55
TEESTA-III	897.63	239.62	222.19	51.97	513.78
SRI NAGAR HEP	1,351.33	387.98	313.11	-	701.09
Rajghat Hydro	-	-	-	-	-
Hydro (Competitive Bidding)					
Thermal					
Meja Thermal Power Plant	847.10	247.02	260.61	15.00	522.63
LANCO	6,725.85	637.11	1,356.15	139.49	2,132.75
BEPL BARKHERA	82.96	92.42	30.70	-12.22	110.91
BEPL KHAMBHAKHERA	73.16	89.64	26.96	0.65	117.26
BEPL KUNDRAKHI	116.26	89.36	37.89	0.87	128.12
BEPL MAQSOODAPUR	93.89	85.71	35.04	0.84	121.59
BEPL UTRAULA	109.72	89.94	37.54	70.94	198.42
KSK MAHANADI	4,772.38	1,219.31	1,331.69	55.93	2,606.94
LALITPUR	6,916.87	2,858.00	2,044.09	548.75	5,450.85
M.B.POWER	2,273.46	669.32	435.51	246.37	1,351.20
PRAYAGRAJ POWER	8,472.86	1,247.90	2,068.15	159.72	3,475.77
R.K.M.POWER	2,074.84	547.47	389.43	-57.63	879.27
ROSA-1&2	5,632.62	1,269.43	1,729.06	142.92	3,141.41
SASAN	3,778.25	55.68	434.43	21.48	511.59
TRN ENERGY	1,599.77	292.24	264.81	-16.31	540.74
NABINAGAR POWER PROJECT	235.18	76.33	48.66	-1.14	123.84
APCPL	196.74	42.11	89.82	20.27	152.20
Ghatampur					
Sub-Total	**49,018.91**	**10,412.91**	**11,561.86**	**1,525.80**	**23,500.57**
Total	**108,494.96**	**17,953.14**	**24,390.46**	**2,005.42**	**44,349.02**
Medium term Sources					
Short term Sources					
Medium term Sources	-	-	-	-	-
Cogen/ Captive					
Baggasse/Cogen/ CPP 1	3,717.72	-	1,399.94	-204.38	1,195.56
Baggasse/Cogen/ CPP 2					

Generating Stations	Units (MU)	Fixed Charges (Rs. Crore)	Energy/ Variable Charges (Rs. Crore)	Other Cost (Rs. Crore)	Total Cost (Rs. Crore)
Cogen/ Captive	3,717.72	-	1,399.94	-204.38	1,195.56
Bilateral & Others (Power purchased through Trading)					
Solar (Existing)	-	-	-		-
Solar (FY 20)	-	-	-		-
Solar (FY 21)	-	-	-		-
Solar (FY 22)	-	-	-		-
Solar (FY 23)	2,217.21	-	1,013.33	27.49	1,040.82
SOLAR FY (24)	-	-	-		-
SOLAR FY 25	-	-	-		-
-	**2,217.21**	**-**	**1,013.33**	27.49	**1,040.82**
Non-Solar (Renewable)					
WIND	950.88	-	326.21	-	326.21
WIND (FY 20)	-	-	-		-
WIND (FY 21)	-	-	-		-
WIND (FY 22)	-	-	-		-
Biomass Existing					
Biomass FY 20	-	-	-		-
MSW FY 21	-	-	-		-
Slop based power project					
Sub-Total	**950.88**	**-**	**326.21**		**326.21**
NVVN Thermal	677.59	-	310.99	24.11	335.10
NVVN Solar	492.03	-	180.74	9.88	190.62
OTHER SOURCES					
UI Charges	-169.93	-	191.40	1.44	192.84
Reactive Energy Charges	-	-	-	7.09	7.09
OA	1,717.56	-	917.48	13.77	931.25
Fwd/Rev Banking	-	-	-	51.90	51.90
IEX Purchase	1,140.29	-	498.95	0.04	498.99
IEX sale	1,097.37	-	292.76	-	292.76
Sub Total	**1,590.54**	**-**	**1,315.07**	**74.23**	**1,389.31**
PTC Unverified Power Purchase				**116.21**	**116.21**
REC					
UI Charges					
Open Access Charges					
Banking					

Generating Stations	Units (MU)	Fixed Charges (Rs. Crore)	Energy/ Variable Charges (Rs. Crore)	Other Cost (Rs. Crore)	Total Cost (Rs. Crore)
PGCIL Charges	-	-	-		-
WUPPTCL Charges	-	-	-		-
SEUPPTCL Charges	-	-	-		-
Reactive Energy Charges	-	-	-		-
Case-I Transmission Charges	-	-	-		-
Any other charges					
STU Charges	-	-	-		-
Transmission Charges	-	-	-	5,390.84	5,390.84
Less					
Late Payment Surcharge	-	-	-		-
Plus: Prior Period Expenses				562.94	562.94
Grand Total	**118,140.93**	**17,953.14**	**28,936.73**	**8,006.76**	**54,896.62**

2.3.3. In this regard, Petitioner further requests the Hon'ble Commission to kindly approve the additional power purchase quantum due to increase in Inter-State transmission losses, as the same is beyond the control of the Petitioner while approving the revised Bulk Supply Tariff. Further, BST is computed in line with the approach adopted by the Hon'ble Commission in the last True-up Order for FY 2018-19 dated 11 November 2020.

2.3.4. Considering the aforementioned philosophy, the Bulk Supply tariff for FY 2019-20 in the table below:

Table 2-4: Bulk Supply Tariff for FY2019-20

Particulars	Approved	Claimed
Power Purchase cost including inter-state charges (Rs Crore)	51,438.30	54,896.62
Power Input (MU)	113,747.99	118,140.93
Inter-State Trans Losses (%)(%Computed on Total Input Energy)	2.13%	1.63%
Inter State Loss (MU)	2,428.31	1,929.97
Input at Transco End (MU)	111,319.68	116,210.96
Intra-State Trans Losses (%)	3.56%	3.43%
Input as Discom End (MU)	107,356.70	112,224.92
BST at Discom Periphery (Rs/Kwh)	**4.79**	**4.89**

2.3.5. The claimed power purchase cost for FY 2019-20 is shown in the table below:

Table 2-5: Power Purchase Cost for FY 2019-20

Particulars	Approved	As per Audited Balance Sheet	Normative
Allowable Power Purchase (MU)	3,729.68	3,578.25	3,742.07

Particulars	Approved	As per Audited Balance Sheet	Normative
BST Rate (Rs./kWh)	4.79	6.19	4.89
Power Procurement Cost from UPPCL (Rs. Crore)	**1,787.02**	**2,213.92**	**1,750.36**

2.3.6. The Petitioner requests the Hon'ble Commission to allow the Power Purchase cost for FY 2019-20 as claimed in the above Table.

2.3.7. Further, Regulation 9.2 of UPERC (Multi Year Distribution Tariff) Regulations, 2014 provides the illustrative variations or expected variations in the performance of the Distribution Licensee, which may be attributed by the Hon'ble Commission to controllable factors include the following:

a. Variations in capital expenditure

b. Variations in Aggregate Technical & Commercial (AT&C) losses

c. Distribution Losses

d. Variations in Return on Equity (ROE), depreciation and working capital requirements

e. Failure to meet the standards specified in the Standards of Performance Regulations, except where exempted

f. Variation in operation & maintenance expenses

g. Variation in Wires Availability and Supply Availability

2.3.8. Regulation 11 of the Uttar Pradesh Electricity Regulatory Commission (Multi Year Distribution Tariff) Regulations, 2014 specifies as shown under:

Quote

11. Mechanism for sharing of gains or losses on account of controllable factors

11.1 The approved aggregate gain to the Distribution Licensee on account of controllable factor shall be dealt with in the following manner:

a. One-half of the amount of such gain shall be passed on as a rebate in tariff over such period as may be stipulated in the Order of the Commission;

b. The balance amount of such gain, may be utilized at the discretion of the Distribution Licensee.

11.2 The approved aggregate loss to the Distribution Licensee on account of controllable factor shall be dealt with in the following manner:

(a) One-half of the amount of such loss may be passed on as an additional charge in tariff over such period as may be stipulated in the Order of the Commission; and

(b) The balance amount of loss shall be absorbed by the Distribution Licensee.

Unquote

2.3.9. Hence, any gain or loss on account of the controllable parameters like variation in distribution losses, Aggregate Technical & Commercial (AT&C) losses, O&M expenses etc. is to be dealt in accordance to the Regulation 11 of UPERC (Multi Year Distribution Tariff) Regulations, 2014.

2.3.10. It may be noted that UPERC (Multi Year Distribution Tariff) Regulations, 2014 consider both, variation in Distribution Loss and variation in AT&C Loss as controllable factors, and also allow sharing of gains or losses on account of controllable factors. Therefore, the Regulation allows sharing of loss on account of both factors. However, the Petitioner submits that AT&C Loss includes both Distribution Loss and Collection Efficiency and sharing both, i.e. variation in Distribution Loss and variation in AT&C Loss will lead to double accounting of the claim by the Petitioner. Therefore, the Petitioner has submitted the claim of sharing of Distribution Loss variation and Collection Efficiency component of AT&C Loss variation only. The detailed workings are shown in the subsequent paras.

A. Efficiency gains/losses on account of variation in Distribution Losses

2.3.11. It is submitted that the Hon'ble Commission while truing-up for FY 2018-19 has disallowed Rs. 1,024.41 Crores claimed by UP Discoms towards sharing of losses on account of variation in Distribution Loss trajectory by holding that: -

(a) Under the MoU dated 30.01.2016 entered pursuant to UDAY scheme, the licensees have agreed to a distribution loss trajectory without claiming for sharing of efficiency gains/losses. The loss trajectory agreed under the Uday scheme has been adopted/accepted/approved by The Hon'ble Commission in Tariff Order dated 01.08.2016 (for FY 2016-17). Therefore, sharing of distribution losses cannot be allowed for the period covered by UDAY, i.e., up to FY 2019-20.

(b) Any gain on account of the controllable parameters like improved performance by way of reduction of distribution losses, O&M expenses etc will be allowed, however loss sharing cannot be allowed.

(c) There is a substantial revenue gap between ARR and revenue for FY 2018-19, hence, any amounts allowed on account of sharing of losses will only enhance the existing large gap.

2.3.12. It is submitted that under the MoU dated 30.01.2016 entered pursuant to the UDAY Scheme, there exist no condition restricting the petitioner from claiming the sharing of efficiency gains/losses on account of any variation in distribution loss trajectory. The Hon'ble Commission has disallowed the claim of the Discoms on an erroneous assumption of the fact. In any event sharing of efficiency gains/losses on account of variation in distribution loss trajectory is permissible under the MYT Regulations, 2014.

2.3.13. It is submitted disallowance of petitioner claim *qua* sharing of losses on account of variation in distribution loss is violative of the regulatory framework envisaged under Regulation 9 and 11 of MYT Regulations, 2014.

2.3.14. In view of the Regulation 9 and 11 of MYT Regulations, 2014, the following position stands established: -

(a) Distribution Loss (measured as the difference between total energy input for sale to all consumers and sum of the total energy billed in the license area in the same year) is a controllable factor.

(b) Regulation 11.2 provides the mechanism for sharing of losses incurred by the Petitioner on account of controllable factors such as distribution loss trajectory. In terms of the sharing mechanism one-half of the amount of such loss shall be passed on as an additional charge in tariff over such period as may be stipulated by Hon'ble Commission. The balance amount of loss has to be absorbed by the Petitioner.

(c) The said Regulation mandates the Hon'ble Commission to approve/determine the aggregate loss on account of any variations in the normative distribution loss trajectory.

2.3.15. Accordingly, the loss incurred by the UP Discoms (i.e., the difference between the normative distribution loss trajectory approved by the Hon'ble Commission and the actual distribution loss accounted for FY 2018-19) on account of variation in distribution loss trajectory ought to have been allowed to be shared i.e., one-half of the amount of such loss should have been passed on as an additional charge in tariff. However, the Hon'ble Commission has disallowed sharing of such losses which is violative of the regulatory mandate and Section 61 principles which mandates safeguarding of consumers' interest and at the same time, recovery of the cost of electricity in a reasonable manner.

2.3.16. It is submitted that the Hon'ble Commission, in the True-up Order for FY 2018-19 has allowed sharing of efficiency gains on account of controllable parameters such as variation in distribution losses for PVVNL and KESCO. At the same time the Hon'ble Commission has disallowed sharing of losses claimed by UP Discoms on account of such controllable parameters. Such inconsistency in the approach of the Hon'ble Commission is violative of Clause 4 of the Tariff Policy, 2016, which *inter-alia*, provides for the general approach to be followed by the ERCs for the purpose of determination of tariff: -

> ***"4.0 OBJECTIVES OF THE POLICY***
>
> *The objectives of this tariff policy are to:*
>
> *(a) Ensure availability of electricity to consumers at reasonable and competitive rates;*
>
> *(b) Ensure financial viability of the sector and attract investments;*

(c) Promote transparency, consistency and predictability in regulatory approaches across jurisdictions and minimise perceptions of regulatory risks;

(d) Promote competition, efficiency in operations and improvement in quality of supply"

2.3.17. Therefore, the Hon'ble Commission is requested to allow loss sharing for FY 2019-20 on account of variation in Distribution losses.

Table 2-6: Efficiency gains/losses on account of variation in Distribution Losses for FY 2019-20

S. No	Efficiency Gains /Losses	FY 2019-20
A	Distribution Loss (%)- Approved in T.O dated 22.1.2019	11.80%
B	Distribution Loss (%)- Provisional	7.76%
C	Distribution Losses (MU) (At Approved loss (%))	441.56
D	Distribution Losses (MU) (At Provisional loss (%))	277.75
E	Differential Units due to lower Distribution Losses (MU) (E=C-D)	163.81
F	Claimed Bulk Supply Tariff (Rs/kWh) (F)	4.89
G	Gain/(Loss) (E*F/10) (Rs. Cr)	80.13
H	**Gain/(Loss) sharing (G/2) Rs. Cr**	**40.07**

B. <u>Efficiency gains/losses on account of variation in Collection Efficiency component of AT&C Loss</u>

2.3.18. It is submitted that the Hon'ble Commission while Truing-up the tariff for FY 2018-19 has disallowed Rs. 3379.76 Crores claimed by UP Discoms towards sharing of losses on account of variation in Collection Efficiency component of AT&C loss and inter-alia held that: -

a) Sharing of gain/losses are allowed on account of any variation in the controllable parameters, which have been approved by the Commission in its Tariff Orders (for FY 2018-19).

b) Neither the Regulations mandate it, nor the UP Discoms had sought for determination of Collection Efficiency (%) and AT&C Loss (%) in its ARR/Tariff Petitions. Even the Commission has not approved the Collection Efficiency (%) and AT&C Loss (%) for any of the licensees for the MYT period 2014-2019. Hence the question of sharing of losses on account of variation in Collection Efficiency component of AT&C loss does not arise.

2.3.19. In view of the MYT Regulations, 2014, the following position stands established: -

(a) Collection efficiency is a component of AT&C loss. Any variation in AT&C loss is a controllable factor.

(b) Annexure B of MYT Regulations 2014 provides the detailed methodology for computation of AT&C loss.

(c) Regulation 9.2(b) provides the methodology for computation of variation in AT&C losses.

(d) Regulation 11.2 provides the mechanism for sharing of losses on account of controllable factors including variation in AT&C loss (which includes collection efficiency).

(e) The Hon'ble Commission is mandated to approve/determine the aggregate loss on account of any variations in AT&C losses in terms of the methodology provided under Regulation 9.2(b) and Annexure B of the MYT Regulation 2014. Consequently, the Hon'ble Commission has to allow sharing of such approved loss as per the methodology provided under Regulation 11.2.

(f) Prior approval of AT&C loss trajectory by The Hon'ble Commission is not a pre-requisite for UP Discoms to claim sharing of losses on such account.

2.3.20. It is noteworthy that the MYT Regulations 2014 does not state that computation of AT&C loss or variation in AT&C losses has to be done by the Hon'ble Commission only. The Regulation has prescribed the methodology for such computation. Accordingly, the licensee can voluntarily do such computation in terms of the prescribed methodology and put it up before the Hon'ble Commission for approval. In terms of Regulation 11.2, the Hon'ble Commission is duty bound to approve the aggregate loss claimed by the licensees in terms of the methodology provided under the Regulations after prudence check.

2.3.21. Accordingly, the Petitioner after computing the losses on account of variation in Collection Efficiency component of AT&C loss (which have been computed on the basis of specific tariff elements approved by the Hon'ble Commission in the tariff Orders and the methodology provided under Regulation 9.2(b), 11 and Annexure B of the MYT Regulations) had claimed sharing of such losses as per the specific mandate of Regulation 11.2.

2.3.22. It is reiterated that approval of AT&C loss trajectory by The Hon'ble Commission is not a pre-requisite for UP Discoms to claim sharing of losses on such account.

2.3.23. For the purpose of computing efficiency gains/losses on account of variation in collection efficiency component of AT&C Loss, the Petitioner has worked out the same as per Annexure B of the UPERC (Multi Year Distribution Tariff) Regulations, 2014. Further, the Hon'ble Commission in its MYT Order for the Control Period from FY 2017-18 to FY 2019-20, has considered the UDAY benchmarks as the Loss Trajectory for UP Discoms, therefore, the target Collection efficiency Trajectory of UDAY has been considered to claim the sharing of Losses.

Table 2-7: AT&C (%) computation as per Annexure B of MYT Regulation 2014

Sr. No.	Particulars	Formula	Units	FY 2019-20
1	Generation (own as well as any other connected generation net after deducting auxiliary consumption) within area of supply of Distribution Licensee	A	MU	-
2	Input energy (metered Import) received at interface points of Distribution Licensee network	B	MU	3,578.25
3	Input energy (metered Export) by the Distribution Licensee at interface points of Distribution Licensee network	C	MU	-
4	Total Energy available for sale within the licensed area to the consumers of the Distribution Licensee	D=A+B-C	MU	3,578.25
5	Energy billed to metered consumers within the licensed area of the Distribution Licensee	E	MU	3,300.50
6	Energy billed to un-metered consumers within the licensed area of the Distribution Licensee	F	MU	
7	Total Energy Billed	G=E+F	MU	3,300.50
8	Amount billed to consumer within the licensed area of the Distribution Licensee	H	Rs crores	2,619.39
9	Late Payment Surcharge	I	Rs crores	0.45
10	Amount realized by the Distribution Licensee out of the amount Billed at H	J	Rs crores	2,401.81
11	Subsidy Amount Received	K	Rs crores	-
12	Amount Realised on account of theft cases	L	Rs crores	
13	Energy Realized on account of theft cases	M=(L X G)/H	MU	-
14	Collection Efficiency (%)	N=[(J-I+K+L)/(H+K+L)]X 100	%	91.68%
15	Energy Realized by the Distribution Licensee	P=N X G	MU	3,025.78
16	Distribution Loss (%)	Q=[(D-G)/D] X 100	%	7.76%
17	**AT&C Loss (%)**	**R=[(D-(P+M))/D]X100**	**%**	**15.44%**

2.3.24. The Collection Efficiency computed above is being used to compute the sharing loss on account of collection efficiency component of AT&C Loss.

Table 2-8: Efficiency gains/(losses) on account of variation of Collection Efficiency Component of AT&C Loss for FY 2019-20

Particulars	Unit	Figure
Actual Collection Efficiency	%	91.68%

Particulars	Unit	Figure
Normative Collection Efficiency	%	97.00%
Revenue Assessment	Rs. Crore	2,619.39
Sharing of (Loss)/ Gain of Collection Efficiency component of AT&C Loss	**Rs. Crore**	**(69.73)**

2.3.25. Hence, the total sharing of distribution gains/losses and sharing of gains/losses of collection efficiency component of AT&C Loss is shown in table below:

Table 2-9: Sharing of Distribution Gains/Losses and Collection Efficiency component towof AT&C Loss (Rs Crore)

S. No	Efficiency Gains /Losses	Amount
A	Efficiency gains on account of variation in Distribution Losses	40.07
B	Efficiency loss on account of variation in Collection Efficiency component of AT&C Loss	69.73
C	**Total AT&C Loss sharing (A+B)**	**109.79**

2.3.26. The Petitioner requests the Hon'ble Commission to allow the loss sharing as computed in the above table in accordance with the provisions of UPERC (Multi Year Distribution Tariff) Regulations, 2014.

2.4. *Intra-State Transmission Charges*

2.4.1. The actual Transmission charges (including SLDC charges) has been claimed based on Audited Accounts for FY 2019-20, which is shown in the Table below:

Table 2-10: Intra-State Transmission Charges for FY 2019-20

Particulars	Unit	Approved	Claimed
Units Wheeled (Energy Input into Transmission- Distribution Interface)	MU	3,729.68	3,578.25
Intra-State Transmission Charge (including SLDC charges)	Rs/kWh	0.18	0.30
Transmission Charges	**Rs Crore**	**68.93**	**107.67**

2.4.2. It is submitted that Transmission Charges are fixed in nature and depend upon the ARR approved by The Hon'ble Commission for UPPTCL. In all the past True-up's (excluding true-up for FY 2018-19) the Hon'ble Commission has been approving the Intra-State Transmission Charges for the UP Discoms based on the actual amount booked in the Audited Balance Sheet for the respective year. The same is evident from the Hon'ble Commission Tariff Order dated 03.09.2019 (i.e., True-up of FY 2017 – 18), abstract of the same is reproduced below: -

"

“”4.4.3 Accordingly, the Table below provides the details of transmission charges as approved in Tariff Order for FY 2017-18, Audited accounts and as trued up by the Commission:

Table 4-15: ALLOWABLE INTRA STATE TRANSMISSION CHARGES FOR FY 2017-18

Particulars	Approved in MYT Order			Claimed			Approved upon Truing up		
	Units Wheeled (MU)	Transmission Charge (Rs/Kwh)	Transmission Charges (Rs. Cr)	Units Wheeled (MU)	Transmission Charge (Rs/Kwh)	Transmission Charges (Rs. Cr)	Units Wheeled (MU)	Trued Transmission Charge (Rs/Kwh)	Transmission Charge (Rs. Cr)
DVVNL	24014.62	0.23	559.51	23440.25	0.19	448.48	23439.98	0.19	448.47
MVVNL	22819.62	0.23	531.67	21038.26	0.19	388.28	21038.26	0.19	388.28
PVVNL	33504.20	0.23	780.60	34438.67	0.18	610.28	34438.67	0.18	610.28
PuVVNL	28994.21	0.23	675.53	25860.66	0.19	482.50	25860.96	0.19	482.51
KESCO	4442.74	0.23	103.51	3677.86	0.18	64.56	3677.92	0.18	64.56
Total	**113775.4**	**0.23**	**2650.82**	**108455.69**	**0.18**	**1994.10**	**108455.79**	**0.18**	**1994.10**

“

2.4.3. In view of the above, it is evident that the Hon’ble Commission in the earlier tariff Order dated 03.09.2019 itself allowed the actual transmission charges as incurred by the Discoms. However, in the True-up Order for FY 2018-19 the Hon’ble Commissions’ disallowance by ignoring the amount booked in Audited Balance Sheet is contrary to the practice/approach followed by the Hon’ble Commission in the past. Such an approach followed by the Hon’ble Commission evinces lack of regulatory certainty.

2.4.4. Hence the disallowance towards Transmission Charges for FY 2018-19 in the True-up Order for FY 2018-19 by the Hon’ble Commission is contrary to the tariff principles envisaged under Section 61 of the Act, which mandates the Commission to ensure that: -

(a) Recovery of the cost of electricity in done in a reasonable manner; and

(b) Tariff determined is a reflection of the actual cost of supply.

2.4.5. The Petitioner requests Hon’ble Commission to allow transmission charges for FY 2019-20 as claimed in the above table based on Audited Accounts for FY 2019-20.

2.5. *Operation and Maintenance Expenses*

2.5.1. Operation and Maintenance Expenses (O&M expenses) comprises of Employee Expenses, Repair & Maintenance Expenses and Administrative & General Expenses.

Employee Expenses

2.5.2. The Petitioner has considered the same methodology and norms for the Truing-up of Employee Expenses for FY 2019-20 as approved by the Hon’ble Commission in the Tariff Order for FY2019-20 dated 3 September 2019.

2.5.3. It is submitted that the Hon’ble Commission has disallowed Rs. 22.59 Crores claimed by UP Discoms as the balance towards arrears/impact of the 7th Pay Commission while Truing-up the tariff for FY 2018-19 holding that the same has already been allowed as a one-time expense to the Discoms in Tariff Order dated 30.11.2017. At the outset it is submitted that the Discoms in the MYT proceedings for 2017-20 (which was initiated in FY 2017) had not claimed the expenditure qua arrears/impact of the 7th Pay Commission for FY 2018-2019 on actuals. The same was only an estimate since the actual liability towards such expenditure was to be discharged subsequently in FY 2018-2019. In this regard the following is noteworthy:

a) The 7th Pay Commission's recommendations were issued/notified on 01.01.2016. However, in the State of Uttar Pradesh, its implementation started from 01.07.2017 i.e., from FY 2017-18 (as captured by The Hon'ble Commission in the True-up Order for FY 2018-19 at Para 6.7.4(d) @ Pg. 396).
b) The impact of the 7th Pay Commission on employee expenses of the Discoms was computed for different years starting from FY 2015-16 (last quarter of FY 2015-16).
c) Accordingly, the UP Discoms in MYT Petition Nos. 1203/2017, 1204/2017, 1205/2017, 1206/2017 and 1207/2017 (i.e., MYT for FY 2017-18 to FY 2019-20) claimed arrears/impact of the 7th Pay Commission on Employee Expenses based on estimates, since this liability was to be discharged in FY 2017-18 and subsequent years.
d) The overall increase in employee expenses on account of implementation of 7th Pay Commission is approximately 15%. Accordingly, UP Discoms had computed the yearly impact of the 7th Pay Commission by escalating the employees' expenses for FY 2015-16 at 15%. To arrive at the impact of the 7th Pay Commission for subsequent years, the estimated expenses were escalated by the applicable escalation rate of each year.
e) The Hon'ble Commission by MYT Order dated 30.11.2017 allowed the arrears/impact of the 7th Pay Commission in tariff of FY 2017-18 and FY 2018-19 by considering the impact of the same as 15% of the employee expenses incurred by the Appellant in the last quarter of FY 2015-16 and FY 2016-17.

2.5.4. It is submitted that the Hon'ble Commission in MYT Order dated 30.11.2017 had allowed the arrears/impact of the 7th Pay Commission in Tariff of FY 2017-2018 and FY 2018-2019 on estimated basis. It is pertinent to note that this expenditure was claimed and allowed on estimated basis since the same were to be discharged in subsequent financial years being FY 2017-2018 and FY 2018-2019. Therefore, the Hon'ble Commission was mandated to allow the same on actuals in the true-up proceedings for FY 2018-2019 after prudence check. However, the Hon'ble Commission has erroneously disallowed the expenditure claimed by the Discoms without returning any findings on imprudence by the petitioner.

2.5.5. It is submitted that in terms of applicable provision of MYT Regulations 2014, expenses pertaining to salary revision effected because of Pay Commissions qualifies as an 'uncontrollable factor' beyond the control of the Distribution Licensee and 'one-time expense', which are not included in the normative O&M cost allowed to the Distribution Licensees and has to be allowed by the Commission on actuals over and above normative O&M expenses: -

(a) Regulation 9.1(f) of MYT Regulations 2014 provides that expenses pertaining to salary revision effected because of Pay Commissions falls within the purview of "uncontrollable factors": -

> *"9.1 The "uncontrollable factors" shall comprise of the following factors which were beyond the control of, and could not be mitigated by the applicant:*
>
> *[..]*
>
> *f. Other expenses- It will cover expenses like salary revision effected because of Pay Commissions or any other expenses allowed by the Commission after prudence check."*

(b) In terms of Regulation 10 of the MYT Regulations 2014 the aggregate gain/loss to the Distribution Licensees on account of any uncontrollable factors (such as impact of 7th Pay Commission) is to be passed through in the tariff of the Licensee: -

> *"The approved aggregate gain or loss to the Distribution Licensee on account of uncontrollable factors shall be passed through, as an adjustment in the tariff of the Distribution Licensee, as specified in these regulations and as may be determined in the Order of the Commission passed under these regulations."*

(c) Regulation 25(c)&(e) of MYT Regulations 2014 provides that expenses pertaining to arrears paid due to pay commissions is not included in the normative O&M cost allowed to the Distribution Licensees and shall be allowed to by the Commission on actuals: -

> *"25. Operation & Maintenance Expenses*
>
> *[..]*
>
> *(c) One-time expenses such as expense due to change in accounting policy, arrears paid due to pay commissions etc., shall be excluded from the norms in the trajectory.*
>
> *[..]*
>
> *(e) The One-time expenses and the expenses beyond the control of the Distribution Licensee shall be allowed by the Commission over and above normative Operation & Maintenance Expenses after prudence check."*

2.5.6. In terms of Regulation 14(c) of the MYT Regulations 2014, which provides the mechanism for truing-up of tariff, the Hon'ble Commission is mandated to true-up the tariff of the

Discoms based on the expense estimates made in the beginning of the year under consideration and actual expenses booked in the audited books of account of the Distribution Licensee for that particular year: -

> *"14. True-Up Order*
>
> *[..]*
>
> *(c) An order for True-Up of Expenses shall be on the basis of expense estimates made in the beginning of the year under consideration and actual expenses booked in the audited books of account of the Distribution Licensee for the year."*

2.5.7. In view of the above it is submitted that in terms of the MYT Regulations 2014, the Hon'ble Commission is mandated to allow the actual expenditure incurred by the Discoms (i.e., expenditure booked in the audited books of account) on account of arrears/impact of 7^{th} Pay Commission while truing up the tariff for FY 2018-19.

2.5.8. Therefore, the Hon'ble Commission is requested to allow the 7th Pay Commission arrears booked in the Audited Accounts for FY 2019-20 which are requested to be allowed as one-time expense under Regulation 25(C) of the Distribution MYT Tariff Regulations, 2014.

2.5.9. The Normative Employee expenses approved by the Hon'ble Commission and now normative computed for FY 2019-20 are shown in the Table below:

Table 2-11: Employee Expenses for FY 2019-20

Sl No.	Particular	Approved	Normative
A	Norms per 1000 consumers (Rs. Crore)	0.35	0.35
B	Number of consumers (Nos.)	666,018	626253
C	**Employee Expenses (consumers) (Rs. Crore)**	**233.11**	**219.19**
D	Norms per substation (Rs. Crore)	0.044	0.044
E	Number of substations (Nos.)	5,060	5,147
F	**Employee Expenses (substation) (Rs. Crore)**	**224.16**	**228.01**
G	**Gross Employee Expenses (C+F)/2**	**228.63**	**223.60**
H	**Less: Employee Expenses Capitalized (Rs. Crore)**	**11.68**	**11.83**
I	**Add: Arrears (Rs. Crore)**		**2.76**
K	**Net Employee Expenses (G-H+I) (Rs. Crore)**	**216.96**	**214.53**

Repairs & Maintenance Expenses (R&M)

2.5.10. The Petitioner has considered the same methodology and norms, approved by the Hon'ble Commission in MYT Tariff Order for FY 2017-18 to FY 2019-20, for the Truing-up of R&M

Expenses for FY 2019-20. Normative R&M Expenses approved by the Hon'ble Commission and now normative computed for FY 2019-20 are shown in the Table below:

Table 2-12: Normative R&M Expenses for FY 2019-20

Sl No.	Particulars	Approved	Normative
A	Average GFA for R&M (Rs. Crore)	924.00	1,400.48
B	Kb	6.89%	6.89%
C	**R&M Expenses (Rs. Crore)**	**63.66**	**96.49**

Administrative and General Expense (A&G)

2.5.11. The Petitioner has considered the same methodology and norms, approved by the Hon'ble Commission in MYT Tariff Order for FY 2017-18 to FY 2019-20, for the Truing-up of A&G Expenses for FY 2019-20. Normative A&G Expenses approved by the Hon'ble Commission and now normative computed for FY 2019-20 has been shown in the Table below:

Table 2-13: Normative A&G Expenses for FY 2019-20

Particulars	Approved	Normative
Norms per 1000 consumers (Rs Crore)	0.035	0.035
Number of Consumers (nos)	666,018	626,253
Administration & General Expenses (consumers) (F) (Rs Crore)	**23.58**	**22.17**
Norms per Employee (Rs Crore)	0.014	0.014
Number of Employee (nos)	1,588	1,504.00
Administration & General Expenses (Employee) (G) (Rs Crore)	**22.07**	**20.91**
Total Administration & General Expenses (F+G)/2 (Rs Crore)	**22.83**	**21.54**

Smart Metering OPEX

2.5.12. It is submitted that the Hon'ble Commission has disallowed the OPEX cost incurred by UP Discoms on account of implementation of Smart Meter Rollout scheme holding that: -

(a) Smart Meter Rollout scheme is a self-sustaining model since the billing and collection efficiency of Discoms will increase thereby reducing the commercial losses and overall O&M cost of the Discoms.

(b) MYT Distribution and Transmission Regulations, 2014 provide for O&M expenses on normative basis, hence the same cannot be allowed as additional O&M expense.

2.5.13. It is submitted that the Discoms have been mandated to implement the Smart Meter Rollout Scheme pursuant to statutory mandate and directions of the Hon'ble Commission. In this regard the following is noteworthy: -

(a) In terms of Clause 8.4(3) of Tariff Policy 2016, Smart Meters had to be provided to consumers with monthly consumption of 500 units and more by 31.12.2017 and consumers with monthly consumption above 200 units by 31.12.2019: -

"8.4 Definition of tariff components and their applicability

....

3. The Appropriate Commission may provide incentives to encourage metering and billing based on metered tariffs, particularly for consumer categories that are presently unmetered to a large extent. The metered tariffs and the incentives should be given wide publicity. Smart meters have the advantages of remote metering and billing, implementation of peak and off-peak tariff and demand side management through demand response. These would become essential in future for load generation balancing due to increasing penetration of intermittent type of generation like wind and solar power.

Appropriate Commission shall, therefore, mandate smart meters for:

(a) Consumers with monthly consumption of 500 units and more at the earliest but not later than 31.12.2017;

(b) Consumers with monthly consumption above 200 units by 31.12.2019.

Further, two way smart meters shall be provided to all prosumers, who also sell back electricity to the grid as and when they require."

Hon'ble Supreme Court in ***Energy Watchdog vs CERC & Ors,*** **(2017) 14 SCC 80** has held that Tariff Policy has the force of law [Para 57].

(b) On 08.09.2016 Ministry of Power referring to clause 8.4(3) of the Tariff Policy 2016 wrote to Forum of Regulators (FOR) qua the strategy for roll out of advance metering infrastructure in the States.

(c) Pursuant to the above, Central Electricity Authority (CEA) intimated the Power Secretaries of all the States including State of Uttar Pradesh about technical specification of smart meters. CEA also asked the States to prepare a detailed plan for installation of smart meters and submit the same to respective State Regulatory Commissions for approval.

(d) On 16.05.2018, the Hon'ble Commission directed UPPCL to submit the detailed roll out plan of installation of smart meters by UP Discoms for approval.

(e) On 06.08.2018, UPPCL submitted to The Hon'ble Commission the smart meter roll out plan under OPEX Model. In terms of the rollout plan Efficiency Services Limited (**EESL**) will make the upfront capital investment during the built-up phase and will recover its investment out of gains of the project on OPEX basis. Accordingly, UP Discoms are required to pay monthly fee on OPEX basis as O&M expenditure to EESL on per meter per month basis. The per meter per month cost is calculated as total project cost spread over the actual recovery period, post integration of meters on per meter basis.

(f) On 15.11.2018, the Hon'ble Commission by its Order approved the Smart Meter rollout plan for State Discoms of Uttar Pradesh: -

"DISCOM will pay EESL on OPEX basis as O&M expenditure. The assets will be in the books of EESL till the transfer of assets at the end of project at zero value.

[..]

Since installation of Smart Meters is a national programme and has produced very encouraging financial returns in private Discoms, the Commission approves the proposed roll out plan of UPPCL and Discoms submitted before the Commission……"

2.5.14. It is submitted that the amount claimed by UP Discoms in ARR for FY 2020-21 as 'Additional A&G Expenses' for smart metering is payable to EESL as O&M expenses to cover the cost towards smart meter and box installation, AMI software cost, consumer indexing, training, integration and commissioning of AMI solution. This cost was proposed to be recovered under Opex model based on per meter per month basis. Further, there will be no additional burden of depreciation, interest and return on equity on the end-consumer.

2.5.15. Further, the Hon'ble Commission in Order dated 15.11.2018, has directed the Petitioner to implement the Smart Meter rollout plan. As a result, thereof UP Discoms have incurred and will continue to incur substantial additional expenditure.

2.5.16. It is further submitted that the Opex incurred by the Discoms for implementation of Smart Meter rollout plan is not part of the normative O&M expenses provided to the Discoms under the Multi-Year Tariff Order dated 22.01.2019 and Tariff Regulations 2019 since: -

(a) The same was not envisaged during projection of MYT O&M norms for FY 2017-18 to FY 2019-20 and for the control period 2019-24.

(b) The normative O&M norms approved by The Hon'ble Commission are based on previous five-year Audited Accounts, which does not include any O&M expenses towards smart metering.

2.5.17. The Opex cost being incurred by the Petitioner on account of implementation of Smart Meter Rollout Plan pursuant to the mandate of Tariff Policy 2016 qualifies as an uncontrollable expense.

2.5.18. In view of the above it is submitted that the Opex cost towards Smart Meter Rollout Plan was not envisaged by the Petitioner and the Hon'ble Commission while fixing the normative

O&M cost allowed for the MYT period 2020-25. Hence, the same being uncontrollable in nature ought to be allowed on actuals, over and above the normative O&M.

2.5.19. In view of the above it is submitted that the Hon'ble Commission completely being aware of the cost implication qua implementation of Smart Metering Rollout Plan has approved/allowed the same by its Order dated 15.11.2018.

2.5.20. The Hon'ble Commission's observation that the smart meter roll out project is a self-sustaining model since the Opex cost to be paid by the licensees will be compensated by overall reduction in O&M cost due to improved billing and collection efficiency on account of installation of smart meters is not correct since: -

(a) It is an attempt to compensate the present additional O&M expenses on account of smart meters Opex with future probable reduction in O&M cost, which may or may not happen. The Hon'ble Commission in its Order dated 15.11.2018 has itself noted that the Petitioner would incur substantial Opex cost (to be paid to EESL) towards implementation of Smart Metering Rollout Plans. Hence, there is no reason to now disallow the said cost.

(b) The approach of compensating the Opex cost with likely savings in billing and collection efficiency is conceptually erroneous. Presently, the tariff is already being determined based on 100% collection efficiency, despite the actual percentage being substantially lower. Therefore, even if billing and collection efficiency increases by installation of smart meters, the same will not have any impact on the tariff of the Petitioner.

2.5.21. It is submitted that based on the cost-benefit analysis of smart meter roll-out plan under Opex model vis-à-vis the Capex model, the Opex model is beneficial for the consumers since it would not entail the additional burden of depreciation, interest and return on equity, as compared to the Capex model.

2.5.22. The smart meter roll out plan on Opex model was submitted to the Hon'ble Commission well before its implementation. The Hon'ble Commission while approving the roll-out plan never stated that the cost envisaged under the Opex model would not be allowed to be passed on in the ARR. Moreover, the Hon'ble Commission in its Tariff Order dated 03.09.2019 stated that it will carry out detailed analysis of the additional O&M expenses (on account of implementation of smart meter roll out plan) for FY 2018-19 at the time of truing-up.

2.5.23. Therefore, the Hon'ble Commission is requested to allow the actual smart meter Opex amounting to Rs 7.39 Crore booked in the Audited Accounts for FY 2019-20.

2.5.24. Further, it is again reiterated that Smart metering OPEX was not covered under the A&G expense head in the past and therefore, shall be allowed in full, over and above the usual

A&G Expenses proposed by the Petitioner.

2.6. *O&M Cost of UPPCL*

2.6.1. It is submitted that the Hon'ble Commission in the True-up Order for FY 2018-19 has disallowed O&M expenses to UPPCL. While disallowing the same, the Hon'ble Commission has held that the procurement of power is the responsibility of UP Discoms for which the Commission allows considerable amount of O&M expenses and interest on working capital. Since the expenses incurred by UPPCL are on account of procuring power for the petitioner, petitioner shall take care of such expenses incurred by UPPCL from the O&M expenses allowed to it.

2.6.2. At this juncture, it is pertinent to note that:-

(a) The Hon'ble Commission has never considered UPPCL's O&M expenses while approving the power purchase costs for the Discoms.

(b) While determining the O&M expenses applicable to the Discoms, the Hon'ble Commission did not consider UPPCL's O&M expenses.

2.6.3. It is submitted that having adopted such an approach in the past, the Hon'ble Commission ought not to have disallowed the expenses incurred by UPPCL for procuring power for the Discoms which is a part of O&M expenses for UPPCL.

2.6.4. It is submitted that the MYT Regulations, 2014 provide for the methodology for consideration of O&M expenses. Regulation 25 of the MYT Regulations, 2014, *inter-alia*, provides that the Hon'ble Commission shall stipulate a trajectory for each of the components of the O&M expenses *viz.* Employee Cost, Repairs and Maintenance (R&M) expense and Administrative and General Expense (A&G) expense. Further, the Hon'ble Commission shall take into account any escalation on account of inflation etc. The relevant extract is reproduced below:-

"***25. Operation & Maintenance Expenses***

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

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

(c) One-time expenses such as expense due to change in accounting policy, arrears paid

due to pay commissions etc., shall be excluded from the norms in the trajectory.

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

(e) The One-time expenses and the expenses beyond the control of the Distribution Licensee shall be allowed by the Commission over and above normative Operation & Maintenance Expenses after prudence check.

(f) The norms in the trajectory shall be specified over the control period with due consideration to productivity improvements.

(g) The norms shall be determined at constant prices of base year and escalation on account of inflation shall be over and above the baseline.

(h) The Distribution Licensee specific trajectory of norms shall be identified by the Commission on the basis of simple average of previous five years audited figures, duly normalized for any abnormal variation.

(i) For new Distribution Licensee whose date of commercial operation is within the tariff period (i.e. April 1, 2015 to March 31, 2020), detailed project report shall be used by the Commission to estimate values of norms."

2.6.5. From the above, it is evident that the extant Regulations provide for detailed norms for consideration/utilization of the O&M expenses that are allowed by the Hon'ble Commission. It is submitted that the O&M expenses allowed to the Discoms are to be mandatorily utilized in terms of the prevailing norms and take into account various factors. Therefore, the observation of the Hon'ble Commission that the Discoms are allowed adequate O&M expenses which should be further utilized to meet the expenses incurred by UPPCL in procuring power for the Discoms is not correct.

2.6.6. Further, it is submitted that UPPCL itself has to take into account various factors while utilizing the O&M expenses allowed to it. The same has to be utilized in terms of the norms laid down in the Regulations framed by the Hon'ble Commission. Disallowance of the same by the Hon'ble Commission would have an adverse impact on the financial health of UPPCL as well as UP Discoms, including the Petitioner.

2.6.7. It is further submitted that various other Electricity Regulatory Commissions allow O&M expenses pertaining to procurement of power incurred by the holding Distribution Company of the State Discoms. The details of the same are provided below:-

#	State	Holding Company	Allocation methodology as approved by the Commission	Order Considered	Ref Page No.
1	Madhya Pradesh	MPPMCL	Allocated the MPPMCL O&M expenses to three Discoms based on total energy	Tariff Order for FY 2018-19 dated	Para 3.76 and Page 77

2	Gujarat	GUVNL	GUVNL is charging Rs.0.04 for every transaction of the unit. The total cost has been arrived at after considering the total dispatchable units required to be served to all the four DISCOMs. Further this total GUVNL cost is added to total Variable cost of Power Purchase and allocated with Power Purchase cost among all the Discoms	Tariff Order for FY 2019-20 dated 24.4.2019	Para 5.8.3.2 Page 112
3	Bihar	BSP(H)CL	Allocation basis not there in Tariff Order. But the Commission allowed the expenses as booked in the Accounts of Discoms, Transco and Genco. Further, In Tariff Order for FY 2016-17 SBPDCL has submitted that BSPHCL provides common services to all segregated entities and as per the Transfer Scheme "operating expenses incurred by the Holding Company like administration and general expenses, legal and consulting fees, etc. would be shared by the BSPGCL, BSPTCL, SBPDCL and NBPDCL in the ratio of their respective equity".	Tariff Order for FY 2019-20 dated 25.2.2019 and Tariff Order for FY 2016-17 dated 21.3.2016	For T.O for FY 2019-20, Para 7.26 Page 364

2.6.8. UPPCL has now allocated its O&M expenses to all of its subsidiary State Government Distribution Licensees, in a rational and transparent manner in the books of accounts w.e.f FY 2019-20. Allocation methodology is attached as Annexure 3.

2.6.9. The Petitioner requests to the Hon'ble Commission to allow the allocation methodology and the allocated UPPCL O&M expenses.

2.7. *Sharing Of Gains On Savings In O&M Expenses*

2.7.1. The Hon'ble Commission in the True-up Order for FY 2018-19 has disallowed sharing of gains on savings in O&M expenses stating that the same is not attributable to the efficiency of the Discom. The Hon'ble Commission further stated that such wide variations cannot be on account of efficiency of the Discoms.

2.7.2. It is submitted that the MYT Regulations, 2014 provide for the methodology for consideration of O&M expenses. Regulation 25 of the MYT Regulations, 2014, inter-alia, provides that such expenses are inextricably linked to the inflation index as determined under the said Regulations. The relevant extract is reproduced below:-

"*25. Operation & Maintenance Expenses*

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

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

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

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

(e) The One-time expenses and the expenses beyond the control of the Distribution Licensee shall be allowed by the Commission over and above normative Operation & Maintenance Expenses after prudence check.

(f) The norms in the trajectory shall be specified over the control period with due consideration to productivity improvements.

(g) The norms shall be determined at constant prices of base year and ***escalation on account of inflation shall be over and above the baseline****….*"

2.7.3. From the above, it is evident that the norms for consideration of O&M expenses are to be determined at constant prices of the base year, i.e., the financial year immediately preceding the first year of the control period (FY 2016-17 in terms of MYT Regulations, 2014) which is in turn based on the audited accounts available. However, any escalation on account of inflation shall be over and above such baseline. Therefore, the Hon'ble Commission's reasoning that reduction in O&M is due to considerable reduction in all the components, like sales, power purchase, O&M expenses etc. is incorrect and any savings/reduction thereon is on account of efficiency gains of the Discoms. As such, the approach adopted by the Hon'ble Commission is contrary to the Regulations notified by the Hon'ble Commission.

2.7.4. It is submitted that Regulation 9 of the MYT Regulations, 2014, *inter-alia*, provide that any variation in the O&M expenses is a controllable factor. The relevant extract is reproduced below:-

"9. Controllable and uncontrollable factors

...

9.2 Some illustrative variations or expected variations in the performance of the applicant, which may be attributed by the Commission to controllable factors include, but are not limited to the following:

(a) Variations in capital expenditure on account of time and / or cost overruns / efficiencies in the implementation of a capital expenditure project not attributable to an approved change in scope of such project, change in statutory levies or force majeure events;

(b) Variations in Aggregate Technical & Commercial (AT&C) losses which shall be measured as the difference between the units input into the distribution system and the units realized (units billed and collected) wherein the units realized shall be equal to the product of units billed and collection efficiency (where Collection Efficiency shall be measured as ratio of total revenue realized to the total revenue billed for the same year);

Detailed methodology for computation of AT&C loss has been indicated in Annexure B to these regulations;

(c) Distribution Losses which shall be measured as the difference between total energy input for sale to all its consumers and sum of the total energy billed in its license area in the same year;

(d) Variations in Return on Equity (ROE), depreciation and working capital requirements;

(e) Failure to meet the standards specified in the Standards of Performance Regulations, except where exempted;

***(f) Variation in operation & maintenance expenses, except those attributable to directions of the Commission**;*"

2.7.5. From the above, it is evident that any variation in O&M expenses falls within the purview of controllable factors and accordingly any sharing of losses or gains on account of the same has to be dealt with in terms of Regulation 11 of the MYT Regulations, 2014 which, *inter-alia*, provides that:-

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

...

11.2 The approved aggregate loss to the Distribution Licensee on account of controllable factor shall be dealt with in the following manner:

(a) One-half of the amount of such loss may be passed on as an additional charge in tariff over such period as may be stipulated in the Order of the Commission; and

(b) The balance amount of loss shall be absorbed by the Distribution Licensee."

2.7.6. It is submitted that the Hon'ble Commission, in the True-up Order for FY 2018-19 has allowed sharing of efficiency gains on account of controllable parameters such as variation in distribution losses for some of the Discoms, while disallowed sharing of efficiency loss for another controllable parameter i.e., O&M expenses for all Discoms.. It is humbly submitted that the Hon'ble Commission approach in the matter is inconsistent which implies unequal and discriminatory treatment.

2.7.7. It is submitted that Regulation 9 of the MYT Regulations, 2014, *inter-alia*, provide that any variation in the O&M expenses is a controllable factor. The relevant extract is reproduced below:-

"*9. Controllable and uncontrollable factors*

…

9.2 Some illustrative variations or expected variations in the performance of the applicant, which may be attributed by the Commission to controllable factors include, but are not limited to the following:

(a) Variations in capital expenditure on account of time and / or cost overruns / efficiencies in the implementation of a capital expenditure project not attributable to an approved change in scope of such project, change in statutory levies or force majeure events;

(b) Variations in Aggregate Technical & Commercial (AT&C) losses which shall be measured as the difference between the units input into the distribution system and the units realized (units billed and collected) wherein the units realized shall be equal to the product of units billed and collection efficiency (where Collection Efficiency shall be measured as ratio of total revenue realized to the total revenue billed for the same year);

Detailed methodology for computation of AT&C loss has been indicated in Annexure B to these regulations;

(c) Distribution Losses which shall be measured as the difference between total energy input for sale to all its consumers and sum of the total energy billed in its license area in the same year;

(d) Variations in Return on Equity (ROE), depreciation and working capital requirements;

(e) Failure to meet the standards specified in the Standards of Performance Regulations, except where exempted;

***(f) Variation in operation & maintenance expenses, except those attributable to directions of the Commission**;*"

2.7.8. From the above, it is evident that any variation in O&M expenses falls within the purview of controllable factors and accordingly any sharing of losses or gains on account of the same has to be dealt with in terms of Regulation 11 of the MYT Regulations, 2014 which, *inter-alia*, provides that:-

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

...

11.2 The approved aggregate loss to the Distribution Licensee on account of controllable factor shall be dealt with in the following manner:

(a) One-half of the amount of such loss may be passed on as an additional charge in tariff over such period as may be stipulated in the Order of the Commission; and

(b) The balance amount of loss shall be absorbed by the Distribution Licensee."

2.7.9. It is submitted that The Hon'ble Commission in Section 5.4 (Table 5-13, 5-14, 5-15, 5-16, 5-17) of its Tariff Order for FY 2018-19 dated 22.01.2019, *inter-alia*, approved the normative gross/overall O&M expenses for all the Discoms. The relevant extract is reproduced below:-

"*5.4.8* ***It is observed that the actual audited O&M expenses of all the Discoms i.e. DVVNL, MVVNL, PVVNL, PuVVNL and KESCO for FY 2016-17 are higher than the normative O&M expenses computed based on the above Regulations. The Licensees have claimed the normative O&M Expenses. Therefore, since the Licensees have to restrict their O&M expenses within the normative level, the expenses beyond normative level have not been allowed by the Commission.*** *The Commission has approved the normative O&M expenses for FY 2016-17 for all the Discoms. However, there is slight variation in the approved and claimed figures due to variation in escalation indices considered as depicted in the above paras.*"

2.7.10. Therefore, the methodology adopted by the Hon'ble Commission in considering lower of the normative/audited figures for each individual head of O&M expenses is contrary to the MYT Regulations, 2014 as well as the approach adopted by the Hon'ble Commission itself in its previous orders.

2.7.11. Based on the aforementioned discussion, the Petitioner has claimed the O&M expense sharing and request the Hon'ble Commission to allow the same.

2.7.12. Based on the above submission, the summary of the Operation & Maintenance expenses (O&M) approved in the Tariff Order for FY 2019-20 vis-a-vis the O&M expenses claimed are shown in the table below:

Table 2-14: Operation & Maintenance Expenses for FY 2019-20 (Rs. Crore)

Particulars	Approved	Actual	Normative	Claimed
Repair & Maintenance Expenses	63.66	83.69	96.49	83.69
Employee Expenses (including Arrears)	228.63	136.65	223.60	136.65
Administrative and General Expenses*	22.83	129.49	21.54	129.49
Gross O&M Expenses	**315.12**	**349.83**	**341.63**	**349.83**
Less:				

Particulars	Approved	Actual	Normative	Claimed
Employee Expenses capitalized	11.68	11.83	11.83	11.83
Administrative and General Expenses capitalized				
Expenses Capitalized	11.68	11.83	11.83	11.83
Net O&M Expenses	**303.44**	**338.00**	**329.80**	**338.00**
Add: efficiency (Gain)/Loss				(2.72)
O&M expenses after sharing of gains / Losses	**303.44**	**338.00**	**329.80**	**335.28**
Smart Meter OPEX				7.39
O&M expenses Claimed	**303.44**	**338.00**	**329.80**	**342.66**

Actual/Audited A&G expenses are Rs 136.88 Crore which includes Smart meter OPEX of Rs 7.39 Crore. We have separately shown the smart meter expenses i.e A&G-Rs 129.49 Crore and Smart Meter Opex Rs 7.39 Crore and request the Hon'ble Commission to allow smart meter Opex expenses also.

2.8. *Capital Investment, Capitalisation and Financing*

2.8.1. Details of the capex schemes (submitted in the MYT Formats) are shown in the Table below.

Table 2-15: Schemes for FY 2019-20 (Rs Crore)

Scheme wise	Investments	Capitalisation
Other Schemes	207.50	143.96
RGGVY 11th Plan and 12th Plan	-	-
DDUGJY	-	-
RAPDRP	-	-
IPDS	-	-
SAUBHAGYA YOJNA	-	-
Less: Employee Capitalization	11.83	11.83
Less: Interest Capitalization	-	-
Total including Interest and employee capitalization (A)	**195.67**	**132.13**
Add: Employee Capitalization (B)	11.83	11.83
Add: Interest Capitalization (C)	-	-
Total (D= A+B+C)	**207.50**	**143.96**
Asset not belonging to Discoms (E)	-	-
Total (F= D+E))	**207.50**	**143.96**

2.8.2. Considering the Capital Work in Progress Balances (CWIP) and Gross Fixed Asset (GFA) balances as per Audited Accounts, the Petitioner has derived the actual capital investments undertaken by it during FY 2019-20. The details are provided in the table below:

Table 2-16: Capital Investment in FY 2019-20 (Rs. Crore)

Particulars	Derivation	Approved	Claimed
Opening WIP as per closing of Truing-up for FY 2018-19	A	170.21	169.52
Investments	B	119.70	196.23
Employee Expenses capitalization	C	11.68	11.83
A&G Expenses Capitalisation	D	-	-
Interest Capitalisation on Interest on long term loans	E	-	-
Total Investments	**F= A+B+C+D+E**	**301.59**	**377.58**
Transferred to GFA (Total Capitalisation)	G	120.64	143.96
Closing WIP	**H=F-G**	**180.95**	**233.62**

2.8.3. The Hon'ble Commission in its previous Tariff Orders had considered the funding of Capital Expenditure for the Central Schemes RGGVY 11th Plan, DDUGJY, RAPDRP, and IPDS as follows:

Table 2-17: Schemes for FY 2019-20

Scheme	Allowed	Deducted (Grant)
RGGVY 11th Plan	10%	90%
DDUGJY	40%	60%
RAPDRP	75%	25%
IPDS	40%	60%
Saubhagya Yojhna	40%	60%

2.8.4. Accordingly, capital grants provided by GoI for capital investments of above central schemes has been added with the consumer contribution.

2.8.5. The Table below summarises the amounts received towards consumer contributions, capital grants and subsidies in FY 2019-20:

Table 2-18: Consumer Contributions, Capital Grants and Subsidies in FY 2019-20 (Rs. Crore)

Particulars	Approved	Claimed
Opening Balance of Consumer Contributions, Grants and Subsidies towards Cost of Capital Assets (as per closing of Truing-up for FY 2018-19)	224.38	396.44
Additions during the year includes consumer contribution and grants	21.00	23.38
Less: Amortisation on consumer contribution part only	5.60	9.17
Closing Balance	**239.78**	**410.65**

2.8.6. As discussed in above tables, the capital investment eligible for financing after deducting consumer contribution and grant is shown in the table below. The Petitioner has considered the same approach as in previous Orders and therefore, considered the funding of capital expenditure in the ratio of 70:30. Considering this approach, 70% of the capital expenditure undertaken during the year has been financed through loan and balance 30% has been financed through equity contributions.

Table 2-19: Financing of the Capital Investments in FY 2019-20 (Rs. Crore)

Particulars	Derivation	Approved	Claimed
Investment	A	119.70	196.23
Less:			
Consumer Contribution and Grants	B	21.00	23.38
Investment funded by debt and equity	C=A-B	98.70	172.84
Debt Funded	70% of C	**69.09**	**120.99**
Equity Funded	30% of C	**29.61**	**51.85**

2.9. *Interest & Finance Charges*

Interest on Long Term Loan

2.9.1. The Hon'ble Commission in its previous Tariff and True-Up orders had considered a normative tariff approach with a debt equity ratio of 70:30. Considering this approach, 70% of the capital expenditure undertaken (after deducting consumer contributions, capital subsidies and grants) in any year was financed through loan and balance 30% has been financed through equity contributions. The portion of capital expenditure financed through consumer contributions, capital subsidies and grants are separated and the depreciation, interest and return on equity thereon was not charged to the consumers. The amounts received as consumer contributions, capital subsidies and grants were traced from the Audited accounts. Subsequently, the financing of the capital investment was worked out based on the debt equity ratio of 70:30 and allowable depreciation was considered as normative loan repayment.

2.9.2. The Petitioner has worked-out the interest on long term loan based on the same philosophy.

2.9.3. The opening balance of long-term loan has been considered equivalent to the closing loan balance for FY 2018-19 as approved by the Hon'ble Commission in Tariff Order for FY 2020-21 dated 11.11.2020.

2.9.4. Allowable depreciation for the year has been considered as normative loan repayment. The actual weighted average rate (Details are submitted in Format F 31 of the MYT Tariff Formats) as per Audited accounts has been considered for computing the eligible interest expenses.

2.9.5. Considering the above, the interest on long term loan has been computed below. The interest capitalisation rate has been considered as per Audited accounts. The computations for interest on long term loan are shown in table below:

Table 2-20: Allowable Interest on Long Term Loan for FY 2019-20 (Rs. Crore)

Particulars	Approved	Claimed
Opening Loan	58.44	21.05
Loan Additions (70% of Investments) as per aforementioned "financing of Capital investment" section	69.09	120.99
Less: Repayments (Depreciation allowable for the year)	31.24	31.07
Closing Loan Balance	96.30	110.97
Weighted Average Rate of Interest	12.00%	10.63%
Interest on long term loan	**9.28**	**7.02**
Interest Capitalisation Rate		
Less: Interest Capitalized	-	-
Net Interest Charged	**9.28**	**7.02**

2.9.6. The Petitioner requests Hon'ble Commission to allow interest on long-term loans for FY 2019-20 as computed in above table.

Interest on Consumer Security Deposits

2.9.7. The Petitioner humbly submits that the actual interest on consumer security deposit paid during FY 2019-20 is to the tune of Rs.8.83 Crore as per Audited Accounts for FY 2019-20 against Rs. 10.61 Crore approved in the Tariff Order for FY 2019-20. The Petitioner requests the Hon'ble Commission to approve the consumer security deposit paid during FY 2019-20 is to the tune of Rs.8.83 Crore as per Audited Accounts for FY 2019-20.

Bank and Finance Charges

2.9.8. The Petitioner humbly submits that has incurred bank and finance charges to the tune of Rs. 4.56 Crore as per Audited Accounts for FY 2019-20 towards expenditures like bank charges, finance charges, etc as against Rs.3.37 Crore approved in Tariff Order. The Petitioner requests to approve the same.

2.10. *Interest on Working Capital*

2.10.1. The Petitioner worked-out interest on working capital for FY 2019-20 as per Regulation 28 of the Multi Year Tariff Distribution Regulations, 2014. The Regulation 28 is quoted below:

> ***"28. Interest on Working Capital***
>
> *The Distribution Licensee shall be allowed interest on estimated level of working capital for the financial year, computed as follows:*
>
> *a) O&M expenses for one month.*

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

Less:

Security deposits from consumers, if any.

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

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

2.10.2. The detailed working of Interest on Working Capital for FY 2019-20 is shown in table below:

Table 2-21: Interest on Working Capital for FY 2019-20 (Rs. Crore)

Particulars	Approved	Claimed
O&M expenses for 1 month	25.29	28.56
Two months equivalent of expected revenue	447.68	436.57
Maintenance spares @ 40% of R&M expenses for two months	4.24	5.58
Less: Security deposits from consumers, if any	136.87	154.59
Total Working Capital	**340.33**	**316.11**
State Bank Advance Rate (SBAR) %	13.80%	13.80%
Interest on Working Capital	**46.97**	**43.62**

2.10.3. The following table summarizes the Interest and Finance charges claimed by the Petitioner as against those approved by the Hon'ble Commission in the Tariff Order for FY 2019-20.

Table 2-22: Interest and Finance Charges for FY 2019-20 (Rs. Crore)

Particulars	Approved	Claimed
A: Interest on Long Term Loans		
Gross Interest on Long Term Loan	9.28	7.02
Less: Interest Capitalization		
Net Interest on Long Term Loans	**9.28**	**7.02**
B: Finance and Other Charges		
Interest on Consumer Security Deposits	3.37	4.56
Bank/ Finance Charges	10.61	8.83
Total Finance Charges	**13.97**	**13.39**
C: Interest on Working Capital	**46.97**	**43.62**
Total (A+B+C)	**70.22**	**64.03**

2.10.4. The Petitioner requests the Hon'ble Commission to approve the Interest and Finance charges as shown in the above Table.

2.11. *Depreciation*

2.11.1. The Petitioner has computed the allowable depreciation expense on the GFA base as per Audited Accounts for FY 2019-20 and at the rates approved by the Hon'ble Commission in MYT Distribution Tariff Regulations, 2014. The Petitioner has computed the depreciation only on the depreciable asset base and has excluded the non-depreciable assets such as land, land rights, etc. Further, the Petitioner has traced the figures in respect of depreciation charged on assets created out of consumer contributions, capital grants and subsidies from the Audited accounts for FY 2019-20. This equivalent depreciation amounting has been reduced from the allowable depreciation for FY 2019-20. The Petitioner requests to approve the same. Considering this philosophy, the gross entitlement towards depreciation has been computed as shown in the Table below:

Table 2-23: Gross Allowable Depreciation for FY 2019-20 (Rs. Crore)

Particulars	Opening GFA as approved by UPERC (Closing of FY 2018-19)	Cumulative Depreciation up to 31.3.2019	Opening Written down GFA (as on 1.4.2019)	Addition to GFA	Deduction to GFA	Deduction of Grants	Closing Written down GFA (as on 31.3.2020)	Closing GFA	Average GFA	Depreciation Rate	Allowable Gross Depreciation
Land	-	-	-	-	-	-	-	-	-		
Buildings	41.79	16.33	25.46	1.26	-	-	26.73	43.06	26.10	3.34%	0.87
Plant & Machinery	399.86	156.23	243.63	38.51	-	-	282.15	438.38	262.89	5.28%	13.88
Lines & Cables	679.57	265.52	414.05	103.67	-	-	517.72	783.24	465.89	5.28%	24.60
Office Equipment's	17.71	6.92	10.79	0.18	-	-	10.97	17.89	10.88	6.33%	0.69
Furniture & Fixtures	1.54	0.60	0.94	0.34	-	-	1.27	1.88	1.11	6.33%	0.07
Vehicles	3.46	1.35	2.11	-	-	-	2.11	3.46	2.11	6.33%	0.13
Capital Expenditure on Assets not belonging to utility	-	-	-	-	-	-	-	-	-	-	-
TOTAL	**1,143.94**	**446.95**	**696.99**	**143.96**	**-**	**-**	**840.95**	**1,287.90**	**768.97**	**5.23%**	**40.24**

2.11.2. Accordingly, the depreciation as approved by the Hon'ble Commission in its Tariff Order FY 2019-20 and as computed above is shown as under:

Table 2-24: Net Allowable Depreciation for FY 2019-20 (Rs. Crore)

Particulars	Approved	Claimed
Gross Allowable Depreciation	36.84	40.24
Less: Equivalent amount of depreciation on assets acquired out of the Consumer Contribution and GoUP Subsidy	5.60	9.17
Net Allowable Depreciation	**31.24**	**31.07**

2.12. *Provision for Bad and Doubtful Debts*

2.12.1. The Regulation 29 of the MYT Distribution Regulations, 2014 provides for expenses under bad and doubtful debts to the extent of 2% of the revenue receivables as specified below:

"29. Bad and Doubtful Debts:

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

2.12.2. The Petitioner has computed bad and doubtful debts at 2% of the revenue receivables as per Audited accounts of FY 2019-20.

Table 2-25: Allowable Provision for Bad and Doubtful Debts for FY 2019-20 (Rs Crore)

Particulars	Approved	Claimed
Total Revenue Receivables from Retail Sales		2,619.39
% of Provision for Bad and Doubtful Debts		2.00%
Bad and Doubtful Debts as per Regulation		52.39
Bad and Doubtful Debts as per Provisional		22.48
Bad Debt Claimed	**52.00**	**22.48**

2.12.3. The Petitioner requests to approve the bad debts claimed in above Table.

2.13. *Return on Equity*

2.13.1. The Regulation 31 of the Distribution MYT Regulations, 2014 provides for return on equity @16% as specified below:

"31 Treatment of Return on equity

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

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

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

2.13.2. The Petitioner has considered closing equity approved by the UPERC in its true up Order for FY 2018-19 as opening for FY 2019-20. Equity addition during the year has been considered 30% of GFA addition during the year net of consumer contribution, capital subsidies/ grants.

2.13.3. The Return on Equity (RoE) for FY 2019-20 is shown below:

Table 2-26: Return on Equity RoE for FY 2019-20 (Rs Crore)

Particulars	Approved	Claimed
Opening Equity	187.06	270.20
Additions (30% of Capitalization net of Consumer Contribution and Grants)	32.37	36.17
Closing Equity	219.43	306.37
Rate of Return on Equity (%)	16.00%	16.00%
Allowable Return on Equity	**32.52**	**46.13**

2.13.4. The Petitioner requests the Hon'ble Commission to approve the RoE as claimed in the above Table.

2.14. *Revenue from Sale of Power*

2.14.1. The Hon'ble Commission had projected revenue from sale of power to Rs. 2,546.23 Crore in Tariff Order for FY 2019-20. The Audited Accounts have reported the actual revenue from sale of power to be Rs. 2,619.39 Crore towards electricity sales of 3,300.50 MU. The Petitioner requests the Hon'ble Commission to approve the same.

2.15. *Non-Tariff Incomes (NTI)*

2.15.1. The Petitioner submits that against the projected non-tariff incomes of Rs. 18.16 Crore in the Tariff Order for FY 2019-20, the actual non-tariff incomes is Rs. 42.26 Crore (including DPS amounting Rs. 0.45 Crore but excluding financing cost of DPS).

2.15.2. The Hon'ble Commission in its Tariff Order for NPCL dated 03 November 2019, has allowed the Cost of Borrowing for Delayed Payment Surcharge as an additional expenditure and reduced the NTI by the financing cost of DPS. The relevant extract of the NPCL Tariff Order, dated 3 September 2019 is reproduced below:

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

3.24.8 The financing cost of DPS is computed by the Commission based on the actual DPS for the year. The DPS is grossed up conservatively based on the highest applicable surcharge rate, which is 2% per month, however, the Petitioner has taken surcharge rate as

1.5% per month. Further, the financing cost is arrived at on the grossed-up amount and interest rate of 13.75%, as approved for working capital requirement."

2.15.3. Accordingly, the Petitioner is claiming the financing costs of DPS as shown in the Table below:

Table 2-27: Financing costs of DPS for FY 2019-20 (Rs Crore)

Particulars	FY 2019-20
Delayed payment Surcharge Received	0.45
DPS grossed-up at 2% per month	24%
Amount after grossing-up of DPS	1.87
Applicable interest rate for working capital finance	13.80%
Financing costs of DPS	**0.26**

2.15.4. The approved and claimed non-tariff income is shown in table below:

Table 2-28: Non- Tariff income for FY 2019-20 (Rs Crore)

Particulars	Approved in T.O 03.09.2019	Claimed
Income from sale of scrap		3.14
Interest income on loans / advances to employees		14.59
Income from rental from staff quarters		0.16
Income from hire charges from contactors and others		5.07
Income from delayed payment surcharge, supervision charges, etc.		0.45
Income from sale of tender documents		0.18
Miscellaneous receipts		4.61
Any other Non-Tariff Income		14.33
Less: Financial Cost of DPS		0.26
Total	**18.16**	**42.26**

2.15.5. The Petitioner requests the Hon'ble Commission to allow the cost of financing of DPS as a part of the Non-Tariff income claimed in above Table.

2.16. *GoUP Subsidy*

2.16.1. In the Tariff Order for FY 2019-20, the Hon'ble Commission had projected the revenue subsidy from GoUP to be NIL. And the actual revenue subsidy received from GoUP as per Provisional Accounts is NIL. The Petitioner requests the Hon'ble Commission to approve the same.

2.17. *Additional Subsidy*

2.17.1. The Petitioner submits that the Hon'ble Commission in its True-up Order for FY 2018-19 dated 11.11.2020 has not considered the additional subsidy from GoUP.

2.17.2. The Petitioner again humbly prays to the Hon'ble Commission, to not consider any additional subsidy for FY 2019-20 and revisit the earlier considered approved amount of additional subsidy as per the provision of tariff policy.

2.18. *Aggregate Revenue Requirement (ARR) for FY 2019-20 after final Truing Up*

2.18.1. The Aggregate Revenue Requirement for FY 2019-20 after final truing up is summarised in the table below:

Table 2-29: Aggregate Revenue Requirement (ARR) for FY 2019-20 (Rs Crore)

Sr. No.	Particular	FY 2019-20	
		Approved	Claimed
1	Power Purchase Expenses including PGCIL charges and sharing	1,787.02	1,860.15
2	Transmission Charges	68.93	107.67
3	Total O&M expenses net of capitalisation and including sharing	303.44	342.66
4	Interest and Finance charges	70.23	64.03
5	Contribution towards Contingency Fund	-	-
6	Depreciation	31.24	31.07
7	Prior Period Expenses	-	-
8	Bad and Doubtful Debts	52.00	22.48
9	**Gross Expenditure**	**2,312.86**	**2,428.06**
10	Add: Return on Equity	32.52	46.13
11	Less: Non-tariff Incomes	18.16	42.26
12	Less: revenue from Cross-subsidy (Short-term open access consumers)	-	-
13	**Annual Revenue Requirement**	**2,327.22**	**2,431.93**
14	Revenue from Tariff incl DPS	2,686.05	2,619.39
15	GoUP Subsidy	-	-
16	**Net Revenue (Gap)/surplus**	**358.83**	**187.47**

3. Annual Performance Review (APR) for FY 2020-21

3.1. Consumption Parameters: Consumer Numbers, Connected Load and Sales

3.1.1. The petitioner while projecting the billing determinants (number of consumers, load and energy sales) for FY 2020-21, in its Business Plan Petition had considered appropriate growth rate for different categories considering the impact of economic lockdown during the first half of the FY 2020-21 due to Covid-19 pandemic. It is submitted that the Hon'ble Commission, while approving the sales for FY 2020-21, in its Business Plan Order dated 27 October 2020, had considered a higher energy sales for FY 2020-21, which seems to be not achievable under the current circumstances.

3.1.2. The petitioner further submits that based on the provisional figures available till December 2020, the petitioners revised estimates for FY 2020-21 are even lower than the sales than the projections submitted to Hon'ble Commission in the Business Plan Petition and ARR Petition for FY 2020-21. The petitioner is unlikely to achieve the category-wise and total energy sales approved by the Hon'ble Commission. It is further submitted that due to impact of the pandemic of COVID-19 and recent lockdowns, the demand scenario of not only the State, but whole Country remained very uncertain and unstable during FY 2020-21. The petitioner, therefore, requests the Hon'ble Commission to consider the billing determinants for FY 2020-21 as per revised estimates submitted in this Petition, which is more realistic and based on provisional figures till December 2020.

3.1.3. The Category-wise billing determinants as approved by the Hon'ble Commission and the revised estimates now submitted by the petitioner for FY 2020-21 is shown in the Table below:

Table 3-1: Consumption Parameters for FY 2020-21

Category	Commission Approved in Tariff Order			Revised Estimates		
	Consumers (No.)	Load (kW)	Sales (MU)	Consumers (No.)	Load (kW)	Sales (MU)
LMV-1 Domestic light fan & power	545,240	1,325,542.76	1,728.29	536,815	1,333,221.76	1,499.50
LMV-2-Non domestic light fan & power	82,263	243,250.25	289.93	81,373	240,615.90	308.54
LMV-3 Public lamps	20	11,122.00	37.00	20	10,278.00	36.81
LMV-4 Light, fan & power for public/private institution	1,584	29,186.25	81.94	1,538	27,150.00	62.43

Category	Commission Approved in Tariff Order			Revised Estimates		
	Consumers (No.)	Load (kW)	Sales (MU)	Consumers (No.)	Load (kW)	Sales (MU)
LMV-5 Private tube well/pumping sets	-	-	-	14	-	0.08
LMV-6 Small & medium power upto 100 hp/75kw	13,812	103,712.85	275.63	13,386	100,515.90	313.32
LMV-7 Public water works	1,138	41,441.68	103.87	1,124	43,157.30	105.61
LMV-8 State tube wells & pumps canal upto 100 hp (lmv-8)	-	-	-	-	-	-
Lmv-9 Temporary supply	-	-	11.38	106.00	447.00	3.19
LMV- 10 Departmental employees	5,311	20,898.15	41.42	5,144	19,952.76	38.21
LMV-11 Electric Vehicles	-	-	-	-	-	-
HV-1 Non industrial bulk load	284	90,657.67	187.76	279	85,073.31	160.62
HV-2 Large & heavy power above 100 bhp (75 kw)	658	256,814.55	510.46	618	239,513.42	493.11
HV-3 Railway traction	-	-	-	-	-	-
HV-4 Lift irrigation & p. canal above 100 bhp (75kw)	-	-	-	-	-	-
Bulk supply	-	-	-	-	-	-
Extra State Consumer	-	-	-	-	-	-
Total	**650,311**	**2,122,626.16**	**3,268**	**640,417**	**2,099,925.35**	**3,021.43**

3.2. *Distribution Loss*

3.2.1. The Hon'ble Commission in its Business Plan Order dated 27 October, 2020, has approved distribution loss trajectory for the Control Period FY 2020-21 to FY 2024-25 considering the UDAY MoU targets as base & marginal loss reduction due to COVID-19 pandemic. The Hon'ble Commission has not considered the distribution loss trajectory submitted by the Petitioner in its Business Plan Petition.

3.2.2. The Petitioner submits that it has made its best efforts to bring down the distribution losses from FY 2016-17 and during the first MYT Control Period from FY 2017-18 to FY 2019-20 and had in fact also succeeded in bringing it down significantly, which is shown in the table below:

Table 3-2: Consumption Parameters for FY 2020-21

Distribution Losses	2016-17	2017-18	2018-19	2019-20
KESCO	16.26%	13.00%	8.51%	7.76%

3.2.3. However, the hon'ble Commission in its Business Plan Order for the 2nd Control Period from FY 2020-21 to FY 2024-25 dated 27 October 2020 has approved distribution loss targets with marginal variations from actual.

3.2.4. It is important to mention here that sales mix of the petitioner has changed with increment in consumption of higher loss incurring voltage levels in the COVID-19 pandemic situation. Therefore, the Hon'ble Commission may need to consider the distribution loss reduction achievement in the light of the changed scenario and not in isolation.

3.2.5. For the purpose of this Petition, i.e. APR for FY 2020-21 and ARR for FY 2021-22, the Petitioner has considered the following distribution loss levels and the Petitioner prays to the Hon'ble Commission also to consider the same only.

Table 3-3: Distribution loss trajectory considered

Distribution loss	FY 2020-21	FY 2021-22
KESCO	8.54%	8.43%

3.3. *Energy Balance*

3.3.1. The Energy Balance as approved by the Hon'ble Commission vis-à-vis normative Energy Balance for FY 2020-21 is shown in the Table below:

Table 3-4; Energy Balance for FY 2020-21

Particulars	Approved	Revised Estimates
Retail Sales (MU)	3,267.68	3,413.34
Distribution Losses (%)	8.42%	8.54%
Energy at DISCOM Periphery for Retail Sales (MU)	3,568.13	3,303.55
Intra-State Transmission Losses %*	3.40%	3.40%
Energy Available at State periphery for Transmission (MU)	3,693.71	3,419.82
Inter State Losses (MU)	40.42	101.41
Inter-State Transmission Losses % (% computed on Total input energy)	1.08%	2.88%
Purchases Required & Billed Energy (MU)	3,734.13	3,521.23

3.4. *Power Purchase Expense*

3.4.1. UPPCL is procuring power on behalf of Discoms at consolidated level. Accordingly, the Power Purchase section represents the consolidated power purchase at UPPCL level. The consolidated energy balance (detailed Energy Balance with further break-up of inter-State energy has been submitted in Format F13L of MYT Formats) for FY 2020-21 is as follows: -

Table 3-5: Consolidated Energy Balance for FY 2020-21

Particulars	Approved	Revised Estimates
Retail Sales (MU)	92,409.35	89,213.50
Distribution Losses (%)	11.54%	17.90%
Energy at DISCOM Periphery for Retail Sales (MU)	1,04,467.34	108,664.67
Intra-State Transmission Losses %	3.40%	3.40%
Energy Available at State periphery for Transmission (MU)	1,08,144.24	112,489.30
Inter State Losses (MU)	1,183.41	992.76
Inter-State Transmission Losses % (% computed on Total input energy)	2.88%	0.87%
Purchases Required & Billed Energy (MU)	1,09,327.65	113,482.07

3.4.2. The Power Purchase Cost for FY 2020-21 is estimated based on the audited data available for Power Purchase quantum and cost for FY 2020-21 available till September 2020. The audited power purchase cost details for FY 2020-21 is depicted as below: -

Table 3-6: Generating station Wise Power Purchase Cost for FY 2020-21

Generating Stations	Units (MU)	Fixed Charges (Rs. Crore)	Energy/ Variable Charges (Rs. Crore)	Other Cost (Rs. Crore)	Total Cost (Rs. Crore)
Long term Sources					
Power procured from own Generating Stations (if any)					
From State Generating Stations Thermal					
ANPARA-A	3,250.17	258.55	627.70	1.10	887.36
ANPARA-B	6,914.77	315.42	1,224.83	-	1,540.25
PANKI	-	-	-	-	-
PARICHHA	-	-	-	-	-
PARICHHA EXT.	1,186.20	333.66	431.32	-	764.98
OBRA-A	-	-	-	-	-
OBRA-B	3,854.64	309.07	927.02	-	1,236.09
HARDUAGANJ	9.93	36.15	3.67	-	39.82

Generating Stations	Units (MU)	Fixed Charges (Rs. Crore)	Energy/ Variable Charges (Rs. Crore)	Other Cost (Rs. Crore)	Total Cost (Rs. Crore)
HARDUAGANJ EXT.	2,087.86	532.38	725.66	-	1,258.04
PARICHHA EXT. STAGE-II	1,792.42	486.27	648.63	-	1,134.90
ANPARA-D	3,082.88	508.94	556.78	-	1,065.71
Panki Extension	-	-	-	-	-
HARDUAGANJ EXT. Stage II	-	-	-	-	-
OBRA-C	-	-	-	-	-
Jawaharpur	-	-	-	-	-
UPRVUNL Consolidated	-	-	-	47.86	47.86
Sub-Total	**22,178.87**	**2,780.44**	**5,145.61**	**48.96**	**7,975.01**
From State Generating Stations Hydro					
RIHAND	685.87	16.51	70.09	22.51	109.12
OBRA (H)	345.83	8.92	23.73	0.51	33.15
MATATILA	67.15	2.69	4.58	0.00	7.27
KHARA	283.24	11.99	13.12	0.34	25.45
UGC	25.09	-	7.10	-	7.10
SHEETLA	2.49	-	0.48	-	0.48
BELKA	3.13	-	0.58	-	0.58
BABAIL	0.30	-	0.04	0.23	0.27
Sub-Total	**1,413.10**	**40.11**	**119.72**	**23.59**	**183.43**
From Central Sector Generating Stations					
Thermal (NTPC)					
ANTA GPS	232.18	54.35	99.38	0.43	154.16
AURAIYA GPS	373.04	108.38	157.00	9.56	274.95
DADRI GPS	846.94	115.11	310.92	12.24	438.26
JHANOR GPS	1.92	0.19	0.39	-	0.58
KAWAS GPS	2.00	0.15	0.40	-0.00	0.56
TANDA TPS	1,250.40	366.51	401.31	29.75	797.57
FGUTPS-1	737.89	185.08	231.90	18.40	435.38
FGUTPS-2	399.11	93.17	127.63	13.28	234.08
FGUTPS-3	268.40	61.36	86.26	9.29	156.91
FGUTPS-4	958.98	253.68	291.69	23.96	569.33
FSTPS	210.04	19.04	57.01	1.47	77.53
KHTPS-1	349.41	52.20	78.88	0.28	131.37
KHTPS-2	934.15	155.57	200.36	3.30	359.23
NCTPS-1	245.41	55.70	82.49	1.16	139.34
NCTPS-2	262.05	117.23	92.45	6.93	216.62
RIHAND-1	1,988.76	186.30	280.55	0.51	467.36
RIHAND-2	2,306.32	156.75	324.32	7.70	488.77
RIHAND-3	2,632.78	343.07	365.52	14.78	723.37

Generating Stations	Units (MU)	Fixed Charges (Rs. Crore)	Energy/ Variable Charges (Rs. Crore)	Other Cost (Rs. Crore)	Total Cost (Rs. Crore)
SINGRAULI	4,751.38	352.81	669.96	-	1,022.77
KORBA-I STPS	17.95	1.21	2.50	0.01	3.73
KORBA-III STPS	9.53	1.25	1.31	0.03	2.58
MAUDA-I STPS	3.91	3.44	1.11	0.17	4.72
MAUDA-II STPS	10.12	4.29	2.96	0.12	7.37
SOLAPUR TPS	2.91	4.18	0.84	0.02	5.04
SIPAT-I	33.64	4.58	4.80	0.04	9.41
SIPAT-II STPS	11.58	1.48	1.71	0.01	3.20
VINDHYACHAL-I STPS	16.53	1.54	2.76	-	4.31
VINDHYACHAL-II STPS	12.05	0.93	1.94	0.00	2.88
VINDHYACHAL-III STPS	13.20	1.48	2.11	-0.06	3.52
VINDHYACHAL-IV STPS	16.92	2.94	2.68	0.01	5.63
VINDHYACHAL-V STPS	9.22	1.69	1.51	-0.03	3.17
Tanda II	2,497.86	543.25	630.60	17.06	1,190.91
Indira Gandhi STPS, Jhajjar	227.36	25.04	80.74	0.36	106.14
URS Power					
SINGRAULI STAGE III	6.24	3.36	1.57	0.05	4.98
Indira Gandhi STPS, Jhajjar	14.82	4.22	3.15	-0.00	7.37
GADARWARA STPS-I	10.61	4.50	2.96	0.00	7.47
LARA STPS-I	-	-	-	-97.79	-97.79
KHARGONE STPS					
NTPC Consolidated					
Sub-Total	**21,665.62**	**3,286.03**	**4,603.68**	**73.05**	**7,962.76**
NPCIL					
KAPS	5.50	-	1.30	0.04	1.34
NAPP	1,133.91	-	344.63	2.20	346.82
TAPP-3 & 4	16.80	-	5.51	1.78	7.29
RAPP-3 & 4	518.63	-	172.58	-0.44	172.14
RAPP-5 & 6	787.18	-	306.32	-	306.32
Sub-Total	**2,462.01**	**-**	**830.33**	**3.58**	**833.92**
Hydro (NHPC)					
SALAL	249.86	18.85	16.53	35.45	70.84
TANAKPUR	88.52	20.35	14.30	0.01	34.66
CHAMERA-I	492.88	39.44	58.32	-0.08	97.67
URI	616.26	50.70	52.29	-0.06	102.93
CHAMERA-II	173.04	15.10	20.20	0.04	35.34
DHAULIGANGA	290.51	38.86	37.91	0.03	76.81
DULHASTI	591.22	138.03	158.64	0.05	296.72
SEWA-II	143.08	38.56	39.84	-0.00	78.39
CHAMERA-III	245.17	49.06	46.99	0.03	96.08
URI-II	379.33	67.64	65.07	-0.09	132.63

Generating Stations	Units (MU)	Fixed Charges (Rs. Crore)	Energy/ Variable Charges (Rs. Crore)	Other Cost (Rs. Crore)	Total Cost (Rs. Crore)
PARBATI-III	155.75	66.66	27.00	0.06	93.73
KISHANGANGA	445.16	84.14	94.76	0.08	178.98
PARBATI-II	-	-	-	-	-
SUBANSIRI LOWER	-	-	-	-	-
PAKALDUL	-	-	-	-	-
NHPC Consolidated	-	-	-	175.28	175.28
Sub-Total	**3,870.79**	**627.41**	**631.84**	**210.80**	**1,470.04**
HYDRO (NTPC)					
KOLDAM HPS	677.69	183.94	159.65	-	343.59
TAPOVAN VISHNUGARH	-	-	-	-	-
LATA TAPOVAN HEP	-	-	-	-	-
SINGRAULI SHPS	8.82	-	4.44	-	4.44
Sub-Total	**686.51**	**183.94**	**164.10**	**-**	**348.04**
HYDRO					
TEHRI	1,200.27	265.15	252.56	59.41	577.12
KOTESHWAR	492.22	117.79	105.83	-4.90	218.72
Dhukwan SHP- THDC	50.98	-	24.83	-	24.83
VISHNUGARH PIPAL KOTHI	-	-	-	-	-
Thermal				-	
KHURJA STPP	-	-	-	-	-
Sub-Total	**1,743.47**	**382.94**	**383.21**	**54.51**	**820.66**
SJVN					
RAMPUR	323.93	77.28	54.84	164.42	296.54
NATHPA JHAKRI	1,246.06	158.90	108.51	10.27	277.68
Sub-Total	**1,569.99**	**236.18**	**163.35**	**174.68**	**574.22**
NEEPCO					
Kameng HEP	103.04	-	41.22	0.02	41.25
IPP/JV					
HYDRO					
TALA	149.44	-	32.28	0.01	32.29
VISHNU PRAYAG	1,584.29	24.48	171.55	-33.56	162.47
KARCHAM	865.31	179.51	114.82	99.35	393.68
TEESTA-III	881.37	328.28	190.69	9.72	528.69
SRI NAGAR HEP	1,308.80	373.06	308.01	-	681.06
Rajghat Hydro	-	-	-	-	-
Hydro (Competitive Bidding)	-	-	-	-	-
Thermal					

Generating Stations	Units (MU)	Fixed Charges (Rs. Crore)	Energy/ Variable Charges (Rs. Crore)	Other Cost (Rs. Crore)	Total Cost (Rs. Crore)
Meja Thermal Power Plant	1,836.67	651.52	468.21	-10.80	1,108.93
LANCO	7,141.18	563.65	1,384.80	300.77	2,249.22
BEPL BARKHERA	147.33	108.60	51.01	70.08	229.69
BEPL KHAMBHAKHERA	148.36	111.59	50.83	0.03	162.46
BEPL KUNDRAKHI	193.76	114.46	60.32	0.03	174.81
BEPL MAQSOODAPUR	154.05	111.82	51.63	0.03	163.48
BEPL UTRAULA	212.01	113.70	70.94	0.03	184.67
KSK MAHANADI	5,084.61	1,467.61	1,484.48	-92.97	2,859.12
LALITPUR	6,343.58	3,151.81	1,900.25	281.47	5,333.53
M.B.POWER	2,108.48	600.88	411.10	1,049.89	2,061.87
PRAYAGRAJ POWER	8,728.02	1,407.44	2,371.15	-7.40	3,771.19
R.K.M.POWER	2,336.65	609.89	442.32	52.16	1,104.37
ROSA-1&2	6,125.35	1,163.64	1,584.96	269.54	3,018.14
SASAN	3,792.91	50.76	406.03	79.32	536.11
TRN ENERGY	1,464.07	242.25	228.42	456.73	927.41
NABINAGAR POWER PROJECT	379.87	133.51	79.26	-8.43	204.34
APCPL					
Ghatampur					
Sub-Total	**50,986.11**	**11,508.46**	**11,863.07**	**2,516.01**	**25,887.54**
Total	**106,679.50**	**19,045.51**	**23,946.14**	**3,105.21**	**46,096.85**
Medium term Sources					
Short term Sources	-	-	-	-	-
Medium term Sources	-	-	-	-	-
Cogen/ Captive					
Baggasse/Cogen/ CPP 1	-	-	-	-	-
Baggasse/Cogen/ CPP 2	-	-	-	-	-
Cogen/ Captive	2,357.57	-	797.15	-8.95	788.20
Bilateral & Others (Power purchased through Trading)	-	-	-	-	-
				-	
Solar (Existing)	-	-	-	-	-
Solar (FY 20)	-	-	-	-	-
Solar (FY 21)	-	-	-	-	-
Solar (FY 22)	-	-	-	-	-
Solar (FY 23)	-	-	-	-	-
SOLAR FY (24)	-	-	-	-	-
SOLAR FY 25	-	-	-	0.15	0.15
Sub-Total	3,206.71	-	1,266.90	0.15	1,267.05

Generating Stations	Units (MU)	Fixed Charges (Rs. Crore)	Energy/ Variable Charges (Rs. Crore)	Other Cost (Rs. Crore)	Total Cost (Rs. Crore)
Non-Solar (Renewable)					
WIND	1,502.98	-	506.41	-	506.41
WIND (FY 20)	-	-	-	-	-
WIND (FY 21)	-	-	-	-	-
WIND (FY 22)	-	-	-	-	-
Biomass Existing	-	-	-	-	-
Biomass FY 20	-	-	-	-	-
MSW FY 21	-	-	-	-	-
Slop based power project	-	-	-	0.05	0.05
Sub-Total	**1,502.98**	**-**	**506.41**	**0.05**	**506.46**
NVVN Thermal	772.14	-	234.02	8.24	242.26
NVVN Solar	291.89	-	204.59	6.61	211.20
OTHER SOURCES					
UI Charges					
Reactive Energy Charges					
OA					
Fwd/Rev Banking					
IEX Purchase					
IEX sale					
Sub Total					
PTC Unverified Power Purchase					
REC	-	-	-	-	-
UI Charges					
Open Access Charges					
Banking					
PGCIL Charges					-
WUPPTCL Charges					-
SEUPPTCL Charges					-
Reactive Energy Charges					-
Case-I Transmission Charges					-
Any other charges					
STU Charges					-
Transmission Charges				5,122.21	5,122.21
Less					
Late Payment Surcharge					
Grand Total	**114,810.80**	**19,045.51**	**26,955.21**	**8,233.38**	**54,234.24**

Bulk Supply Tariff (BST)

3.4.3. For the purpose of allocating the power purchase cost to the Discoms for FY 2020-21 as per Differential Bulk Supply Tariff (DBST) approach, the first shall be to determine the Bulk Supply Tariff (BST) based on the consolidated projected power purchase cost for FY 2020-21. Accordingly, the BST for FY 2020-21 on consolidated basis is shown in the table below:

Table 3-7: Bulk Supply Tariff for FY 2020-21

Particulars	Approved	Revised Estimates
Power Purchase cost (Rs Crore)	54,284.73	54,234.24
Power Input (MU)	1,09,327.65	113,482.07
Inter-State Trans Losses (%)(% Computed on Total Input Energy)	2.88%	0.87%
Inter-State Loss (MU)	1,183.41	992.76
Input at Transco End (MU)	1,08,144.24	112,489.30
Intra-State Trans Losses (%)	3.40%	3.40%
Input as Discom End (MU)	1,04,467.34	108,664.67
BST at Discom Periphery (Rs./Kwh)	**5.20**	**4.99**

Differential Bulk Supply Tariff (DBST)

3.4.4. Based on the Hon'ble Commission's approved methodology, the Differential Bulk Supply Tariff (DBST) for FY 2020-21 has been computed and thereafter, the Petitioner has worked out the power purchase cost for FY 2020-21 on the same.

3.4.5. Computation of DBST as per the Hon'ble Commission approved methodology is shown in the below:

Table 3-8: DBST Computation for FY 2020-21

S.No.	Particulars	Formulae	DVVNL	PVVNL	PuVVNL	MVVNL	KESCO	Total
1	Revenue from Tariff including subsidy (Rs Cr)	A	12,387.29	20,164.96	15,670.74	13,236.63	2,467.11	63,926.72
2	Energy Sales (MU)	B	19,117.15	27,382.25	21,480.00	18,212.67	3,021.43	89,213.50
3	**Power Procurement Cost**							
A1	Power Procurement Cost – Allocated and Unallocated PPAs (Rs Cr)							49,112.03
A2	Inter State Transmission Charges (Rs Cr)							5,122.21
A1+A2	Total Power Procurement Cost excluding intra state Transmission Charges (In Rs Cr)	C						54,234.24
4	Power Procurement cost	D	2559.44	4729.17	2748.00	2748.00	188.56	12,973.18

S.No.	Particulars	Formulae	DVVNL	PVVNL	PuVVNL	MVVNL	KESCO	Total
	of Allocated PPAs (Rs Cr)							
5	Total Power Required at Discom Periphery (MU)	E	24,306.61	32,082.30	26,584.16	22,388.04	3,303.55	108,664.67
6	Power at Discom Periphery from allocated PPAs (MU)	F	4914.60	9230.23	5324.03	5324.03	409.42	25,202.31
7	Other Cost (Intra State Transmission, O&M, Interest, Dep etc.) (Rs. Cr.)	G	3,928.88	4,768.21	4,711.59	3,747.01	648.32	17,804.01
8	ABR (Rs/ Unit)	H=(A/B)*10	6.48	7.36	7.30	7.27	8.17	7.17
9	Other Cost (Rs/Unit of Sale)	I=G*10/B	2.06	1.74	2.19	2.06	2.15	2.00
10	Power Purchase Rate							
A	Allocated PPAs per unit of sale (Rs/unit)	J=D*10/B	1.34	1.73	1.28	1.51	0.62	1.45
B	Unallocated PPAs per unit of sale	K=(C-Total PP at "D")*10/Total Sale at"B"	4.62					
11	Revenue available for unallocated PPAs (Rs./unit of sale)	L=H-I-J	3.09	3.90	3.82	3.70	5.40	3.72
12	Power Purchase Allocation (per unit of sale) "K" in the ratio of available Revenue "L"	M	3.84	4.85	4.76	4.61	6.72	4.62
13	Total Power Purchase cost per unit of sale including allocated PPAs	N=J+M	5.18	6.58	6.04	6.12	7.34	6.08
14	Total Power Purchase Cost (Rs Crs)	O=N*B/10	9,901.86	18,007.05	12,968.38	11,139.26	2,217.70	54,234.24
	DBST (Rs/Unit)							
15	DBST Computation of Allocated PPAs	P	5.21	5.12	5.16	5.16	4.61	5.15
16	DBST Computation of Unallocated PPAs	Q=M*B/(E-F)	3.79	5.81	4.81	4.92	7.01	4.94
17	**DBST of total PPAs**	**R=O*10/E**	**4.07**	**5.61**	**4.88**	**4.98**	**6.71**	**4.99**

3.4.6. The Petitioner has worked out the power purchase cost for FY 2020-21 based on the above Differential Bulk Supply Tariff (DBST). The allowable power purchase cost for FY 2020-21 is shown in the table below:

Table 3-9: Power Purchase Cost for FY 2020-21

Particulars	Approved	Revised Estimate

Particulars	Approved	Revised Estimate
Allowable Power Purchase (MU)	3,568.13	3,303.55
Average Rate (Rs./kWh)/ DBST	6.04	6.71
Power Procurement Cost from UPPCL (Rs. Crore)	**2,157.39**	**2217.70**

3.5. *Intra-State Transmission Charges*

3.5.1. The intra-State Transmission charges (including SLDC charges) computed based on approved transmission rate is shown in the Table below:

Table 3-10: Intra-State Transmission Charges for FY 2020-21

Particulars	Unit	Approved	Revised Estimates
Units Wheeled	MU	3,568.13	3,303.55
Transmission Rate as approved	Rs/kWh	0.238	0.238
Transmission Charges	Rs Crore	**84.85**	**78.62**

3.5.2. It is submitted that the variation in intra state Transmission charges are on account of variation in the Units wheeled.

3.6. *Operation and Maintenance Expenses*

3.6.1. The Operation & Maintenance (O&M) Expenses comprises of Employee Expenses, Repair & Maintenance (R&M) Expenses and Administrative and General (A&G) Expenses. Regulation 45 of UPERC (Multi Year Tariff for Distribution & Transmission) Regulations, 2019, stipulates the detailed methodology for determination of Operation & Maintenance (O&M) Expenses for the Control Period from FY 2020-21 to FY 2024-25. The detailed methodology as stated in Regulation 45 is reproduced as under:

"45 Operation and Maintenance Expenses

a) The Operation and Maintenance expenses for the Distribution Business shall be computed as stipulated in with these Regulations.

b) The Operation and Maintenance expenses shall be derived on the basis of the average of the Trued-Up values (without efficiency gain / loss) for the last five (5) financial years ending March 31, 2019 subject to prudence check by the Commission. However, if Trued-Up values (without efficiency gain / loss) are not available for FY 2018-19, then last five (5) available Trued-Up values (without efficiency gain / loss) will be considered and subsequently when the same are available the base year value (i.e. FY 2019-20) will be recomputed.

c) The average of such operation and maintenance expenses shall be considered as Operation and Maintenance expenses for the middle year and shall be escalated year on year with the escalation factor considering CPI and WPI of respective years in the ratio of 60:40, for subsequent years up to FY 2019-20.

d) The One-time expenses such as expense due to change in accounting policy, arrears paid due to Pay Commissions, etc., and the expenses beyond the control of *the Distribution Licensee such as dearness allowance, terminal benefits, etc., in Employee cost, shall be allowed by the Commission over and above normative Operation & Maintenance Expenses after prudence check.*

(e) At the time of Truing-up of the O&M expenses, the actual point to point inflation over Wholesale Price Index numbers as per Office of Economic Advisor of Government of India and the actual Consumer Price Index for Industrial Workers (all India) as per Labour Bureau, Government of India, in the concerned year shall be considered.

45.1 Employee Cost

Employee cost shall be computed as per the following formula escalated by consumer price index (CPI), adjusted by provisions for expenses beyond the control of the Licensee and one-time expected expenses, such as recovery / adjustment of terminal benefits, implications of Pay Commission, arrears, Interim Relief, etc.:

EMPn= EMPn-1 × (1+ CPI inflation)

Where:

EMPn: Employee expense for the nth year;

EMPn-1: Employee expense for the (n-1)th year;

CPI inflation is the average of Consumer Price Index (CPI) for immediately preceding three Financial Years.

45.2 Repairs and Maintenance Expense

Repairs and Maintenance expense shall be calculated by following formula:

R&Mn= R&Mn-1 (1+ WPI inflation)

Where:

R&Mn: Repairs & Maintenance expense for the nth year;

R&Mn-1: Repairs & Maintenance expense for the (n-1)th year;

WPI inflation is the average of Wholesale Price Index (WPI) for immediately preceding three Financial Years.

45.3 Administrative and General Expense

A&G expense shall be computed as per the following formula escalated by wholesale price index (WPI) and adjusted by provisions for confirmed initiatives (IT etc. initiatives as proposed by the Distribution Licensee and validated by the Commission) or other expected one-time expenses:

A&Gn= A&Gn-1 (1+ WPI inflation)

Where:

A&Gn: A&G expense for the nth year;

A&Gn-1: A&G expense for the (n-1)th year;

WPI inflation is the average of Wholesale Price Index (WPI) for immediately preceding three Financial Years:

Provided that Interest and Finance charges such as Credit Rating charges, collection facilitation charges, financing cost of Delayed Payment Surcharge and other finance charges shall be a part of A&G expenses.

Illustration: For FY 2020-21, (n-1)th year will be FY 2019-20 which is also the base year."

3.6.2. It is submitted that The Hon'ble Commission has allowed Rs. 3585.41 Crores as Net O&M expenses for UP Discoms as against Rs. 6360.99 Crores claimed by UP Discoms while determining the ARR and tariff for FY 2020-21, i.e., impact/disallowance of Rs. 2775.58 Crores towards O&M expenses claimed by UP Discoms owing to the following:-

(a) The Hon'ble Commission has arrived at the mid-year (FY 2016-17) value of each component of O&M expenses based on the average of last 5 trued-up values of FY 2014-15 to FY 2018-19. The mid-year value of each component of O&M expenses has been escalated year on year with the escalation factor considering Consumer Price Index (CPI) and Whole-sale Price Index (WPI) of respective years in the ratio 60:40, for subsequent years upto FY 2019-20.

(b) Accordingly, the Hon'ble Commission has computed the O&M expenses of the base year which shall be escalated at Inflation/Escalation rate notified by Labour Bureau, Govt. of India (http://labourbureau.gov.in/LBO_indexes.htm) and Economic Advisor Govt. of India (https://eaindustry.nic.in/) respectively for different years. Accordingly, the Hon'ble Commission has computed the average WPI and CPI inflation of the last 3 years (average) at 2.96% and 5.35%, respectively.

(c) In terms of this methodology: -

(i) Employee Expenses for FY 2020-21 have been computed by escalating the base year (FY 2019-20) employee expenses by average CPI inflation of last 3 years.

(ii) The A&G Expenses (including Finance Charges) and R&M Expenses for FY 2020-21 have been computed by escalating the base year (FY 2019-20) by average WPI inflation of last 3 years.

(iii) Employee Expense capitalization has been computed by considering the average of last three years or claimed, whichever is higher.

3.6.3. At the outset, it is submitted that O&M expenses comprise of employee related costs, A&G expenses and R&M expenditure. Further, Petitioner/UPPCL intend to recover their legitimate actual O&M Expenses and do not intend to get any additional benefit out of the same. The total O&M expenses allowed by the Hon'ble Commission for ARR and tariff of FY 2020-21 is even lower than the net O&M expenses approved by the Hon'ble Commission while truing-up of tariff for FY 2018-19. Accordingly, it is submitted that the O&M expenses being allowed by the Hon'ble Commission are insufficient to cover the actual cost/impact of O&M expenses likely to be incurred by the Petitioner. As such, the methodology adopted by the Hon'ble Commission will lead considerable loss to the Petitioner whose financial condition is already precarious and stressed.

3.6.4. O&M expenses are computed on normative basis in terms of the norms prescribed under the Tariff Regulations. It is submitted that the methodology prescribed by The Hon'ble Commission for computation of normative O&M expenses is significantly different in MYT Regulations, 2019 as compared to the methodology provided under the erstwhile regime i.e., MYT Regulations, 2014.

3.6.5. It is submitted that under the MYT Regulations 2014 computation of O&M expenses was based on the trajectory of norms derived on average of past five years audited figures. It is noteworthy that the draft MYT Regulations, 2019 issued by The Hon'ble Commission also had similar provisions for computation of O&M expenses. However, in the final MYT Regulations 2019, the Hon'ble Commission has completely changed the methodology and adopted a completely new methodology for computing the O&M expenses, which is based on escalation factor considering CPI and WPI based on the average of last 5 years trued-up values (that too without consideration of efficiency gain/loss on O&M expenses). Such a change was affected without giving any opportunity to the stakeholders including the petitioner to submit their suggestions/objections on the same.

3.6.6. This new approach adopted by the Hon'ble Commission will result in substantial losses to the Petitioner as it is likely that the Petitioner will not be able to meet its regular expenses including employee costs, R&M and A&G expenses.

3.6.7. It is pertinent to highlight that owing to the implementation of the Government's Saubhagya Scheme in the last three financial years (i.e., FY 2017-18 onwards), UP Discoms have added a significant consumer base leading to an increase in load, extension of LT Network and backbone distribution infrastructure. Accordingly, due to the resultant significant increase in the O&M expenses, it is submitted that it was a fit case for The Hon'ble Commission to exercise its powers and consider the average of last three financial years in the computation of O&M expenses as this would represent the right base and trend for applying in the next Control Period instead of considering a five years' average.

3.6.8. In view of the above circumstances, it is respectfully submitted that in the present case The Hon'ble Commission under its inherent powers ought to have granted the necessary relief even if the Regulations does not provide for relaxing the norms under the Regulations. It is settled that ERCs have wide regulatory powers conferred on them by the Electricity Act to be suitably exercised depending upon the facts and circumstances of each case and especially when the Regulations and/or guidelines are silent.

3.6.9. It is submitted that existence of an enabling provision in the Regulation is not a pre-requisite for The Hon'ble Commission to exercise its powers to grant the relief sought by the petitioner.

3.6.10. As deliberated above, computation of O&M expenses as per the methodology provided under the MYT Regulation 2019 will cause severe financial hardship to the petitioner.

3.6.11. Even otherwise, it is submitted that The Hon'ble Commission is specialised body having specific jurisdiction under Section 86 of the Electricity Act and with ancillary powers to give effect to the legislative intent behind the Electricity Act.

3.6.12. In view of the above, it is submitted that The Hon'ble Commission ought to have granted the relief sought by the petitioner and allow O&M expenses based on the average trued-up values of the last three financial years and in terms of the methodology prescribed in the erstwhile MYT Regulations, 2014 failing which it is likely that petitioner will not be able to meet their basic expenses for continuing supply of power, employee expenses, R&M and A&G expenses.

3.6.13. The Hon'ble Commission has not addressed the Discoms' submissions in its Tariff Order for FY 2020-21 dated 11 November 2020 and completely ignore the pleadings in this regard. The Petitioner once again requests the Hon'ble Commission to exercise its authority under 'powers to remove difficulties' under clause 56 of UPERC (Multi Year Tariff for Distribution and Transmission) Regulations, 2019 to consider the approach suggested by the Petitioner.

3.6.14. The Petitioner request the Hon'ble Commission to allow the O&M Expenses by considering the actual audited O&M Expenses for FY 2018-19 (separately for Employee Expenses, R&M Expenses and A&G Expenses) as base and escalating these expenses with applicable CPI escalation factors (Employee Expenses) and WPI escalation factors (R&M Expenses and A&G Expenses) for FY 2019-20 and FY 2020-21.

3.6.15. It may be noted that in case of R&M Expenses, which is significantly impacted by increase in Gross Fixed Asset base, presently it is proposed based on escalating the audited figures of FY 2018-19 and thus only takes into consideration the existing fixed asset base. Therefore, at the time of true-up, the increased fixed asset base should also be taken into consideration by the Hon'ble Commission.

3.6.16. Accordingly, the computation of O&M expenses based on the proposed methodology is shown in subsequent sections.

WPI and CPI Escalation Rates

3.6.17. The Petitioner has considered the inflation index as approved by the Hon'ble Commission in its Tariff Order for FY 2020-21 dated 11 November 2020.

3.6.18. The audited figures of Employee Expenses (excluding 7th Pay Arrears) for FY 2018-19 is considered as a base and escalated by CPI escalation factors for FY 2019-20 and FY 2020-21 to arrive at the projected Employee Expenses for FY 2020-21. Similarly, the audited figures of R&M Expenses and A&G Expenses (including Finance charges) for FY 2018-19 are considered as a base and escalated by WPI escalation factors FY 2019-20 and FY 2020-21 to arrive at the projected R&M Expenses and A&G Expenses for FY 2020-21. Accordingly, the component wise O&M Expenses projected for FY 2020-21 is summarised as under:

Employee Expenses

3.6.19. The Petitioner has projected its Employee Expenses as mentioned in the above para. Further, the capitalisation figure has been considered as same as same as booked in Audited accounts for FY 2019-20. Accordingly, Employee Expenses determined for FY 2020-21 is shown in table below:

Table 3-11: Employee Expenses for FY 2020-21 (Rs. Crore)

Sl No.	Particular	Projected
A	Gross Employee Expenses after escalation	142.34
B	Less: Employee Expenses capitalized	11.83
C	**Net Employee Expenses**	**130.51**

3.6.20. Further, there will arrears pertaining to Seventh Pay Commission, which shall form part of Employee Expenses for FY 2020-21. This arrear of amounting Rs 28.58 Crore has been proposed to be claimed as a separate expense as per Regulation 45 (d) of UPERC (Multi Year Tariff for Distribution & Transmission) Regulations, 2019 as onetime expense. Accordingly, Net Employee Expenses including Arrears determined for FY 2020-21 is shown in table below:

Table 3-12: Employee Expenses for FY 2020-21 (Rs. Crore)

Sl No.	Particular	Projected
A	Net Employee Expenses	130.51
B	Add: 7th Pay Arrears	13.24
C	**Net Employee Expenses (including Arrears)**	**143.74**

Repairs & Maintenance Expenses (R&M)

3.6.21. The Petitioner has projected its R&M Expenses as mentioned in above Para. Accordingly, R&M Expenses determined for FY 2020-21 is shown in table below:

Table 3-13: R&M Expenses for FY 2020-21 (Rs. Crore)

S. No.	Particulars	Projected
1	Gross R&M Expenses after escalation	149.42
2	Less: R&M Expenses capitalized	-
3	**Net R&M Expenses**	**149.42**

Administrative and General Expense (A&G)

3.6.22. The Petitioner has projected its A&G Expenses as mentioned in above Para. Accordingly, A&G Expenses determined for FY 2020-21 is shown in table below:

Table 3-14: A&G Expenses for FY 2020-21 (Rs. Crore)

Sr. No.	Particulars	Projected
1	Gross A&G Expenses after escalation	96.01
2	Less: A&G expenses capitalized	0
3	**Net A&G expenses**	**96.01**

Smart Metering OPEX

3.6.23. It is submitted that the Hon'ble Commission has disallowed the OPEX cost incurred by UP Discoms on account of implementation of Smart Meter Rollout scheme holding that: -

(a) Smart Meter Rollout scheme is a self-sustaining model since the billing and collection efficiency of Discoms will increase thereby reducing the commercial losses and overall O&M cost of the Discoms.

(b) MYT Distribution and Transmission Regulations, 2014 provide for O&M expenses on normative basis, hence the same cannot be allowed as additional O&M expense.

3.6.24. It is submitted that the Discoms have been mandated to implement the Smart Meter Rollout Scheme pursuant to statutory mandate and directions of the Hon'ble Commission. In this regard the following is noteworthy: -

(a) In terms of Clause 8.4(3) of Tariff Policy 2016, Smart Meters had to be provided to consumers with monthly consumption of 500 units and more by 31.12.2017 and consumers with monthly consumption above 200 units by 31.12.2019: -

"8.4 Definition of tariff components and their applicability

....

3. The Appropriate Commission may provide incentives to encourage metering and billing based on metered tariffs, particularly for consumer categories that are presently unmetered to a large extent. The metered tariffs and the incentives should be given wide publicity. Smart meters have the advantages of remote metering and billing, implementation of peak and off-peak tariff and demand side management *through demand response. These would become essential in future for load generation balancing due to increasing penetration of intermittent type of generation like wind and solar power.*

Appropriate Commission shall, therefore, mandate smart meters for:

(a) Consumers with monthly consumption of 500 units and more at the earliest but not later than 31.12.2017;

(b) Consumers with monthly consumption above 200 units by 31.12.2019.

Further, two way smart meters shall be provided to all prosumers, who also sell back electricity to the grid as and when they require."

Hon'ble Supreme Court in ***Energy Watchdog vs CERC & Ors,*** **(2017) 14 SCC 80** has held that Tariff Policy has the force of law [Para 57].

(b) On 08.09.2016 Ministry of Power referring to clause 8.4(3) of the Tariff Policy 2016 wrote to Forum of Regulators (FOR) qua the strategy for roll out of advance metering infrastructure in the States.

(c) Pursuant to the above, Central Electricity Authority (CEA) intimated the Power Secretaries of all the States including State of Uttar Pradesh about technical specification of smart meters. CEA also asked the States to prepare a detailed plan for installation of smart meters and submit the same to respective State Regulatory Commissions for approval.

(d) On 16.05.2018, the Hon'ble Commission directed UPPCL to submit the detailed roll out plan of installation of smart meters by UP Discoms for approval.

(e) On 06.08.2018, UPPCL submitted to The Hon'ble Commission the smart meter roll out plan under OPEX Model. In terms of the rollout plan Efficiency Services Limited (**EESL**) will make the upfront capital investment during the built-up phase and will recover its investment out of gains of the project on OPEX basis. Accordingly, UP Discoms are required to pay monthly fee on OPEX basis as O&M expenditure to EESL on per meter per month basis. The per meter per month cost is calculated as total project cost spread over the actual recovery period, post integration of meters on per meter basis.

(f) On 15.11.2018, the Hon'ble Commission by its Order approved the Smart Meter rollout plan for State Discoms of Uttar Pradesh: -

"DISCOM will pay EESL on OPEX basis as O&M expenditure. The assets will be in the books of EESL till the transfer of assets at the end of project at zero value.

[..]

Since installation of Smart Meters is a national programme and has produced very encouraging financial returns in private Discoms, the Commission approves *the proposed roll out plan of UPPCL and Discoms submitted before the Commission……”*

3.6.25. It is submitted that the amount claimed by petitioner in ARR for FY 2020-21 as ‘Additional A&G Expenses’ for smart metering is payable to EESL as O&M expenses to cover the cost towards smart meter and box installation, AMI software cost, consumer indexing, training, integration and commissioning of AMI solution. This cost was proposed to be recovered under Opex model based on per meter per month basis. Further, there will be no additional burden of depreciation, interest and return on equity on the end-consumer.

3.6.26. Further, the Hon’ble Commission in Order dated 15.11.2018, has directed the Petitioner to implement the Smart Meter rollout plan. As a result, thereof UP Discoms have incurred and will continue to incur substantial additional expenditure.

3.6.27. It is submitted that the Opex incurred by the Discoms for implementation of Smart Meter rollout plan is not part of the normative O&M expenses provided to the Discoms under the Multi-Year Tariff Order dated 22.01.2019 and Tariff Regulations 2019 since: -

(a) The same was not envisaged during projection of MYT O&M norms for FY 2017-18 to FY 2019-20 and for the control period 2019-24.

(b) The normative O&M norms approved by The Hon’ble Commission are based on previous five-year Audited Accounts, which does not include any O&M expenses towards smart metering.

3.6.28. The Opex cost being incurred by the Discoms on account of implementation of Smart Meter Rollout Plan pursuant to the mandate of Tariff Policy 2016 qualifies as an uncontrollable expense.

3.6.29. In view of the above it is submitted that the Opex cost towards Smart Meter Rollout Plan was not envisaged by UP Discoms and the Hon’ble Commission while fixing the normative O&M cost allowed to the UP Discoms for the MYT period 2020-25. Hence, the same being uncontrollable in nature and a Statutory expense ought to be allowed on actuals, over and above the normative O&M.

3.6.30. In view of the above it is submitted that the Hon’ble Commission completely being aware of the cost implication qua implementation of Smart Metering Rollout Plan has approved/allowed the same by its Order dated 15.11.2018.

3.6.31. The Hon’ble Commission’s observation that the smart meter roll out project is a self-sustaining model since the Opex cost to be paid by the licensees will be compensated by overall reduction in O&M cost due to improved billing and collection efficiency on account of installation of smart meters is erroneous since: -

(a) It is an attempt to compensate the present additional O&M expenses on account of smart meters Opex with future probable reduction in O&M cost, which may or may not happen. The Hon'ble Commission in its Order dated 15.11.2018 has itself noted that the UP Discoms would incur substantial Opex cost (to be paid to EESL) towards implementation of Smart Metering Rollout Plans. Hence, there is no reason to now disallow the said cost.

(b) The approach of compensating the Opex cost with likely savings in billing and collection efficiency is conceptually erroneous. Presently, the tariff is already being determined based on 100% collection efficiency, despite the actual percentage being substantially lower. Therefore, even if billing and collection efficiency increases by installation of smart meters, the same will not have any impact on the tariff of the Discoms.

3.6.32. It is submitted that based on the cost-benefit analysis of smart meter roll-out plan under Opex model vis-à-vis the Capex model, the Opex model is beneficial for the consumers since it would not entail the additional burden of depreciation, interest and return on equity, as compared to the Capex model.

3.6.33. The smart meter roll out plan on Opex model was submitted to the Hon'ble Commission well before its implementation. The Hon'ble Commission while approving the roll-out plan never stated that the cost envisaged under the Opex model would not be allowed to be passed on in the ARR. Moreover, the Hon'ble Commission in its Tariff Order dated 03.09.2019 stated that it will carry out detailed analysis of the additional O&M expenses (on account of implementation of smart meter roll out plan) for FY 2018-19 at the time of truing-up.

3.6.34. Therefore, the Hon'ble Commission is requested to allow the smart meter Opex estimated by the Petitioner for FY 2020-21:

Table 3-15: Smart metering OPEX for FY 2020-21

Particulars	Smart Meters installed till March 2020	Smart Meters to be installed till March 2021	Rate (Rs. /meter/month including GST @18%)	OPEX (Rs. Crorw)
FY 2020-21	91,000	1,21,000	101.421	12.90

3.6.35. The Hon'ble Commission is requested to approve the same.

O&M cost of UPPCL

3.6.36. It is submitted that the Hon'ble Commission in the True-up Order for FY 2018-19 has disallowed O&M expenses to UPPCL. While disallowing the same, the Hon'ble Commission has held that the procurement of power is the responsibility of UP Discoms for which the Commission allows considerable amount of O&M expenses and interest on working capital. Since the expenses incurred by UPPCL are on account of procuring power for UP Discoms, UP Discoms shall take care of such expenses incurred by UPPCL from the O&M expenses allowed to it.

3.6.37. At this juncture, it is pertinent to note that:-

(a) The Hon'ble Commission has never considered UPPCL's O&M expenses while approving the power purchase costs for the Discoms.

(b) While determining the O&M expenses applicable to the Discoms, the Hon'ble Commission did not consider UPPCL's O&M expenses.

3.6.38. It is submitted that having adopted such an approach in the past, the Hon'ble Commission ought not to have disallowed the expenses incurred by UPPCL for procuring power for the Discoms which is a part of O&M expenses for UPPCL.

3.6.39. It is submitted that the MYT Regulations, 2014 provide for the methodology for consideration of O&M expenses. Regulation 25 of the MYT Regulations, 2014, *inter-alia*, provides that the Hon'ble Commission shall stipulate a trajectory for each of the components of the O&M expenses *viz*. Employee Cost, Repairs and Maintenance (R&M) expense and Administrative and General Expense (A&G) expense. Further, the Hon'ble Commission shall take into account any escalation on account of inflation etc. The relevant extract is reproduced below:-

"***25. Operation & Maintenance Expenses***

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

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

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

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

(e) The One-time expenses and the expenses beyond the control of the Distribution Licensee shall be allowed by the Commission over and above normative Operation & Maintenance Expenses after prudence check.

(f) The norms in the trajectory shall be specified over the control period with due consideration to productivity improvements.

(g) The norms shall be determined at constant prices of base year and escalation on account of inflation shall be over and above the baseline.

(h) The Distribution Licensee specific trajectory of norms shall be identified by the Commission on the basis of simple average of previous five years audited figures, duly

normalized for any abnormal variation.

(i) For new Distribution Licensee whose date of commercial operation is within the tariff period (i.e. April 1, 2015 to March 31, 2020), detailed project report shall be used by the Commission to estimate values of norms."

3.6.40. From the above, it is evident that the extant Regulations provide for detailed norms for consideration/utilization of the O&M expenses that are allowed by the Hon'ble Commission. It is submitted that the O&M expenses allowed to the Discoms are to be mandatorily utilized in terms of the prevailing norms and take into account various factors. Therefore, the observation of the Hon'ble Commission that the Discoms are allowed adequate O&M expenses which should be further utilized to meet the expenses incurred by UPPCL in procuring power for the Discoms is not correct.

3.6.41. Further, it is submitted that UPPCL itself has to take into account various factors while utilizing the O&M expenses allowed to it. The same has to be utilized in terms of the norms laid down in the Regulations framed by the Hon'ble Commission. Disallowance of the same by the Hon'ble Commission would have an adverse impact on the financial health of UPPCL as well as UP Discoms, including the petitioner.

3.6.42. It is further submitted that various other Electricity Regulatory Commissions allow O&M expenses pertaining to procurement of power incurred by the holding Distribution Company of the State Discoms. The details of the same are provided below:-

#	State	Holding Company	Allocation methodology as approved by the Commission	Order Considered	Ref Page No.
1	Madhya Pradesh	MPPMCL	Allocated the MPPMCL O&M expenses to three Discoms based on total energy	Tariff Order for FY 2018-19 dated	Para 3.76 and Page 77
2	Gujarat	GUVNL	GUVNL is charging Rs.0.04 for every transaction of the unit. The total cost has been arrived at after considering the total dispatchable units required to be served to all the four DISCOMs. Further this total GUVNL cost is added to total Variable cost of Power Purchase and allocated with Power Purchase cost among all the Discoms	Tariff Order for FY 2019-20 dated 24.4.2019	Para 5.8.3.2 Page 112

3	Bihar	BSP(H)CL	Allocation basis not there in Tariff Order. But the Commission allowed the expenses as booked in the Accounts of Discoms, Transco and Genco. Further, In Tariff Order for FY 2016-17 SBPDCL has submitted that BSPHCL provides common services to all segregated entities and as per the Transfer Scheme "operating expenses incurred by the Holding Company like administration and general expenses, legal and consulting fees, etc. would be shared by the BSPGCL, BSPTCL, SBPDCL and NBPDCL in the ratio of their respective equity".	Tariff Order for FY 2019-20 dated 25.2.2019 and Tariff Order for FY 2016-17 dated 21.3.2016	For T.O for FY 2019-20, Para 7.26 Page 364

3.6.43. UPPCL has started to allocate its O&M expenses to all of its subsidiary State Government Distribution Licensees, in a rational and transparent manner in the books of accounts wef FY 2019-20. As the UPPCL O&M expenses are not forming part of claimed normative O&M expenses, therefore the Petitioner has considered a nominal 5% escalation every year in the FY 2018-19 figures of UPPCL O&M expenses and allocated the same in in proportion to the energy drawl by respective Discoms. The Petitioner's share as per this approach works out to Rs. 9.87 Crore, which has been made claimed under the A&G Expenses head. Further, at the time of truing-up of FY 2021-22, the UPPCL O&M Expenses shall form part of the Petitioner's O&M Expenses, in line with the UPPCL OM issued, therefore, it shall not be claimed separately in true-up.

3.6.44. Further, it is also important to mention here that, both expenses i.e. Smart metering OPEX and UPPCL O&M Expenses, were not covered under the A&G Expense head in the past period and therefore, do not form part of the base year's O&M Expenses also. Therefore, these expenses shall be allowed in full, over and above the usual A&G Expenses proposed by the Petitioner.

3.6.45. Based on the above submission, the summary of the Operation & Maintenance expenses (O&M) approved in the Tariff Order for FY 2020-21 vis-a-vis the O&M expenses claimed are shown in the table below:

Table 3-16: Operation & Maintenance Expenses for FY 2020-21 (Rs. Crore)

Particulars	Approved	Revised Estimates

Particulars	Approved	Revised Estimates
Repair & Maintenance Expenses	147.46	142.34
Employee Expenses	26.58	96.01
Administrative and General Expenses	64.46	149.42
Gross O&M Expenses	**238.49**	**387.78**
Less:		
Employee Expenses capitalized	42.74	11.83
Administrative and General Expenses capitalized	0	0
Total Expenses Capitalized	42.74	11.8333
Net O&M Expenses	**195.75**	**375.94**
Add: Additional Expenses under the head Employee Expenses		
7th Pay Commission Arrears under Employee Expenses		13.24
Add: Additional Expenses under the head A&G Expenses		
Smart Meter OPEX		12.90
UPPCL O&M Expenses		9.87
Total O&M Expenses to be claimed in the APR	**195.75**	**411.94**

3.6.46. The Petitioner requests the Hon'ble Commission to allow O&M Expenses as shown in the above Table, by exercising their power to remove difficulties under clause 56 of UPERC (Multi Year Tariff for Distribution and Transmission) Regulations, 2019 The relevant clause is reproduced as below:

"56. Power to remove difficulties

If any difficulty arises in giving effect to the provisions of these Regulations, the Commission may, by general or specific Order, give directions, not inconsistent with the provisions of the Act, as may appear to be necessary or expedient for the purpose of removing difficulties."

3.6.47. As already submitted that the O&M Expenses consists of three components – Employee Expenses, R&M Expenses and A&G Expenses.

3.6.48. While projecting the Employee Expenses, the Petitioner has considered its prevailing number of employees in FY 2018-19 and has applied CPI escalation over the same. However, any increase in the number of employees, pay revision impact (apart from 7th Pay Commission arrears), increase in number of consumers, sales, etc. has not been factored while projecting the Employee Expenses for FY 2020-21. The Petitioner submits that increase in these factors should also be considered by the Hon'ble Commission while approving the Employee

Expenses in the ARR and also at the time of truing-up for FY 2020-21, by exercising power to remove difficulties under clause 56 of the UPERC (Multi Year Tariff for Distribution and Transmission) Regulations, 2019 as mentioned above.

3.6.49. Further, while projecting R&M Expenses, the Petitioner has considered its prevailing network infrastructure and fixed asset base in FY 2018-19 and has applied WPI escalation over the same. However, any increase in the fixed asset base, wage revision of contracted labours, etc. has not been factored while projecting the R&M Expenses for FY 2020-21. The Petitioner submits that increase in these factors should also be considered by the Hon'ble Commission while approving the R&M Expenses in the ARR and also at the time of truing-up for FY 2020-21, by exercising power to remove difficulties under clause 56 of the UPERC (Multi Year Tariff for Distribution and Transmission) Regulations, 2019 as mentioned above.

3.6.50. Further, while projecting A&G Expenses, the Petitioner has considered its prevailing number of consumers, sales, employees, consumer services in FY 2018-19 and has applied WPI escalation over the same. However, any increase in these factors, has not been factored while projecting the A&G Expenses for FY 2020-21. The Petitioner submits that increase in these factors should also be considered by the Hon'ble Commission while approving the A&G Expenses in the ARR and also at the time of truing-up for FY 2020-21, by exercising power to remove difficulties under clause 56 of the UPERC (Multi Year Tariff for Distribution and Transmission) Regulations, 2019 as mentioned above.

3.6.51. Further, due to COVID-19 pandemic, there may be additional the O&M Expenses for FY 2020-21 on account of enhanced protocols in terms of hygiene, social distancing, etc. Therefore, the Petitioner requests the Hon'ble Commission to consider the possible increase in O&M Expenses on this account also for FY 2020-21, by exercising power to remove difficulties under clause 56 of the UPERC (Multi Year Tariff for Distribution and Transmission) Regulations, 2019 as mentioned above.

3.6.52. The Petitioner wish to submit that it intends to recover its legitimate actual O&M Expenses and do not intend to get any additional benefit out of the same. Further, the Hon'ble Commission has also removed the sharing of gain/(loss) on account of variation in O&M Expenses in its MYT Regulations, 2019. Accordingly, the Petitioner submits that the Hon'ble Commission may consider restricting each component of O&M Expenses to the audited figures at the time of Truing-Up, so that the Petitioner is neither benefitted nor at loss from the O&M Expense component.

3.7. *Capital Investment, Capitalisation and Financing*

3.7.1. The Petitioner has considered the same Capex schemes as approved by the UPERC in its Tariff Order for FY 2020-21 dated 11 November 2020. The summary of capex schemes (submitted in the MYT Formats) are also shown in the Table below:

Table 3-17: Capital Expenditure details for FY 2020-21 (Rs. Crore)

Sr. No.	Name of Scheme	FY 2020-21						
		Physical	Project Cost	Debt	Equity	Consumer Contribution	Grant	Total
	On-going Scheme							
1	Conversion of Existing L.T. O.H. Network in to L.T. U/G Network of 33/11 KV S/S Chamanganj and Cheena Park under Business Plan 2018-19		62.00	-	62.00	-	-	62.00
2	Construction of 33 KV U/G Lines for 9 Nos. Existing S/S from Newly Constructed 220/33 KV GIS S/S Phoolbagh under Business Plan 2019-20		18.00	-	18.00	-	-	18.00
3	Installation of Distribution T/F and Power T/F at different loacton to meetout future electric demand of consumer under Business Plan 2019-20		21.20	-	21.20	-	-	21.20
	Sub-Total (1)		**101.20**	**-**	**101.20**	**-**	**-**	**101.20**
	New Scheme							
1	Construction of T/F Work Shop and upgradation of Existing T/F Repaing Workshop under Business Plan 2019-20		4.00	-	4.00	-	-	4.00
2	33 kV Sub-	2 nos		-	3.00	-	-	3.00

Sr. No.	Name of Scheme	FY 2020-21						
		Physical	Project Cost	Debt	Equity	Consumer Contribution	Grant	Total
	Station Augmentation		3.00					
3	Urban 33 kV Line	40 ckm	10.00	-	10.00	-	-	10.00
4	Replacement of HT/LT line by underground cable		58.00	-	-	-	58.00	58.00
5	11/0.4 kV Works		10.90	-	10.90	-	-	10.90
6	Strengthening of L.T. line. (Replacement of damages conductor/pole , Additional pole in long span & other access etc.	50	1.00	-	1.00	-	-	1.00
7	Guarding of 11 kV lines	25	0.10	-	0.10	-	-	0.10
8	Laying of AB Cable	100 km	5.00	-	5.00	-	-	5.00
9	Distribution Transformers Metering		-	-	-	-	-	-
10	IT Infrastructure		12.59		12.59	-		12.59
11	SCADA/ADMS /GIS		52.71		8.71		44.00	52.71
	Sub-Total (2)		**157.30**	**-**	**55.30**	**-**	**102.00**	**157.30**
	Grand Total		**258.50**	**-**	**156.50**	**-**	**102.00**	**258.50**

Note: If actual ratio of Debt and Equity is not available then it is in the ration of 70:30.

3.7.2. Opening CWIP, fresh investment, Interest and employee capitalisation has been considered as approved by the Hon'ble Commission in its Tariff Order for FY 2020-21 dated 11 November 2020. Considering the Capital Work in Progress balances (CWIP), investment during the year, capitalisations, the Petitioner has computed the closing CWIP for FY 2020-21. The details are provided in the Table below:

Table 3-18: Capital Investment in FY 2020-21 (Rs. Crore)

Particulars	Derivation	Approved in T.O	Revised Estimates
Opening WIP as on 1st April	A	182.14	233.62
Investments	B	258.50	258.50
Employee Expenses capitalisation	C	42.74	11.83

Particulars	Derivation	Approved in T.O	Revised Estimates
A&G Expenses Capitalisation	D	-	-
Interest Capitalisation on Interest on long term loans	E	-	-
Total Investments	**F= A+B+C+D+E**	**483.38**	**503.96**
Transferred to GFA (Total Capitalisation)	G	193.35	208.68
Closing WIP	**H=F-G**	**290.03**	**295.27**

3.7.3. The Hon'ble Commission in its previous Tariff Orders had considered the funding of Capital Expenditure for the Central Schemes RGGVY 11th Plan, DDUGJY, RAPDRP, and IPDS as follows:

Table 3-19: Schemes for FY 2020-21

Scheme	Allowed	Deducted (Grant)
RGGVY 11th Plan	10%	90%
DDUGJY	40%	60%
RAPDRP	75%	25%
IPDS	40%	60%
Saubhagya Yojana	40%	60%

3.7.4. Accordingly, capital grants, if any, provided by GoI for capital investments of above central schemes has been added with the Consumer contribution.

3.7.5. The Table below summarises the amounts received towards consumer contributions, capital grants and subsidies in FY 2020-21:

Table 3-20: Consumer Contributions, Capital Grants and Subsidies in FY 2020-21 (Rs. Crore)

Particulars	Approved in T.O	Revised Estimates
Opening Balance of Consumer Contributions, Grants and Subsidies towards Cost of Capital Assets	392.82	410.65
Additions during the year includes consumer contribution and grants	130.71	102.00
Less: Amortisation on consumer contribution part only	6.30	6.30
Closing Balance	**517.23**	**506.35**

3.7.6. As discussed in above Tables, the capital investment eligible for financing after deducting consumer contribution and grant is shown in the table below. The Petitioner has consider the same approach as in previous Orders and therefore, considered the funding of capital expenditure in the ratio of 70:30. Considering this approach, 70% of the capital expenditure undertaken during the year has been financed through loan and balance 30% has been financed through equity contributions.

Table 3-21: Financing of the Capital Investments in FY 2020-21 (Rs. Crore)

Particulars	Derivation	Revised Estimates
Investment	A	258.50
Less:		
Consumer Contribution and Grants	B	102.00
Investment funded by debt and equity	D=A-B	156.50
Debt Funded	70% of D	109.55
Equity Funded	30% of D	46.95

3.8. *Interest & Finance Charges*

Interest on Long Term Loan

3.8.1. The Hon'ble Commission in its previous Tariff and True-Up Orders had considered a normative tariff approach with a debt equity ratio of 70:30. Considering this approach, 70% of the capital expenditure undertaken in any year was financed through loan and balance 30% has been financed through equity contributions. The portion of capital expenditure financed through consumer contributions, capital subsidies and grants are separated and the depreciation, interest and return on equity thereon was not charged to the consumers. The amounts received as consumer contributions, capital subsidies and grants were traced from the audited accounts. Subsequently, the financing of the capital investment was worked out based on the debt equity ratio of 70:30 and allowable depreciation was considered as normative loan repayment.

3.8.2. The Petitioner has worked-out the interest on long term loan based on the same philosophy.

3.8.3. The Hon'ble Commission, while computing interest on loan for FY 2020-21 has changed its approach followed in past Tariff/ True-up Orders and deducted the cumulative depreciation up to 31st March 2020 as per the Regulation 23.2 of UPERC MYT (Distribution and Transmission) Regulations, 2019. The Hon'ble Commission has deviated from its earlier approach of considering the closing loan from the last year as the opening, while the same is adopted for ROE and Depreciation.

3.8.4. The Petitioner has followed the approach followed by the Hon'ble Commission in its earlier Orders. The opening balance of long term loan has been considered equivalent to the closing loan balance for FY 2019-20.

3.8.5. Allowable depreciation for the year has been considered as normative loan repayment. The weighted average rate of interest for FY 2020-21 has been considered as per FY 2019-20.

3.8.6. Considering the above, the interest on long term loan has been computed below. The interest capitalisation rate has been considered as per audited accounts. The computations for interest on long term loan are shown in table below:

Table 3-22: Allowable Interest on Long Term Loan for FY 2020-21(Rs. Crore)

Particulars	Approved in T.O 11.11.2020	Revised Estimate
Opening Loan	23.38	110.97
Loan Additions (70% of Investments)	43.85	109.55
Less: Repayments (Depreciation allowable for the year)	34.62	40.01
Closing Loan Balance	32.61	180.51
Weighted Average Rate of Interest	7.44%	10.63%
Interest on long term loan	**2.08**	**15.49**
Interest Capitalisation Rate	-	-
Less: Interest Capitalized	-	-
Net Interest on Loan term loan	**2.08**	**15.49**

Interest on Consumer Security Deposits

3.8.7. The interest on consumer security deposit approved by the Hon'ble Commission in Tariff Order for FY 2020-21 is to the tune of Rs. 6.61 Crore. The Petitioner requests the Hon'ble Commission to consider the same for APR of FY 2020-21.

Interest on Working Capital

3.8.8. The Petitioner has determined Interest on Working Capital for FY 2021-22 as per Regulation 25.2 (a) & 25.2 (b) of UPERC (Multi Year Tariff for Distribution & Transmission) Regulations, 2019. The Regulation 25.2 (a) & 25.2 (b) is quoted below:

"(a)The working capital requirement of the Distribution Business shall cover:

(i) Operation and maintenance expenses for one month;

(ii) Maintenance spares at 40% of the R&M expenses for two months; and

(iii) One and half month equivalent of the expected revenue from charges for use of Distribution system at the prevailing Tariff (excluding Electricity Duty);

minus

(iv) Amount held as security deposits from Distribution System Users:

Provided that for the purpose of Truing-Up for any year, the working capital requirement shall be re-computed on the basis of the values of components of working capital approved by the Commission in the Truing- Up;

(b) Rate of interest on working capital shall be simple interest and shall be equal to the SBI MCLR (1 Year) on October 01, 2019 plus 250 basis points:

Provided that for the purpose of Truing-Up for any year, simple interest on working capital shall be allowed at a rate equal to the weighted average SBI MCLR (1 Year) prevailing during the concerned Year plus 250 basis points."

3.8.9. While determining Interest on Working Capital (IoWC) for true up of FY 2018-19 and ARR for FY 2020-21 in its Tariff Order dated 11 November 2020, UPERC has deducted the subsidy amount from the expected Revenue (Revenue from Tariff +Subsidy) while considering two/one and half month equivalent of revenue. As per Clause 54 of UPERC (MYT Distribution and Transmission) Regulations, 2019, "*If the State Government requires to grant subsidy to any consumer or class of consumers in the Tariff determined by the Commission, the same shall be provided as per Section 65 of the ACT*".

3.8.10. Further, extract of Section 65 of EA 2003 is shown below:

"Section 65. (Provision of subsidy by State Government):

If the State Government requires the grant of any subsidy to any consumer or class of consumers in the tariff determined by the State Commission under section 62, the State Government shall, notwithstanding any direction which may be given under section 108, pay, in advance and in such manner as may be specified, the amount to compensate the person affected by the grant of subsidy in the manner the State Commission may direct, as a condition for the licence or any other person concerned to implement the subsidy provided for by the State Government:

Provided that no such direction of the State Government shall be operative if the payment is not made in accordance with the provisions contained in this section and the tariff fixed by State Commission shall applicable from the date of issue of orders by the Commission in this regard."

3.8.11. Section 65 of EA 2003 itself clarifies that subsidy is the part of Tariff which State Governments provides on behalf of poor consumers who can't pay their bills. Thus, approach of UPERC not considering subsidy as part of expected revenue is incorrect. Other States also following the same approach and considers subsidy as a part of revenue for determining IoWC such as Madhya Pradesh, Maharashtra etc.

3.8.12. Accordingly, the Petitioner has computed the normative working capital requirement considering subsidy as a part of expected revenue and has projected Interest on Working Capital as shown in the table below:

Table 3-23: Interest on Working Capital for FY 2020-21 (In Rs. Crore)

Particulars	Derivation	Approved	Revised estimated
One Month's O&M Expenses	A	16.31	34.33
45 days equivalent of the expected revenue from charges for use of Distribution system at the prevailing Tariff (excluding Electricity Duty)	B	337.89	308.39
Maintenance spares @ 40% of R&M expenses for two month	C	4.3	9.96
Less: Security Deposit from consumers, if any	D	145.18	145.18
Total Working Capital Requirement	**E = A+B+C-D**	**213.32**	**207.50**

Particulars	Derivation	Approved	Revised estimated
Interest rate *(SBI MCLR (1 Year) on Oct 01, 2019 Plus 250 basis points)*	F	10.65%	10.65%
Interest on working capital	**G = E x F**	**22.72**	**22.10**

3.8.13. Considering the hardship faced by the Petitioner in this force majeure condition(COVID-19 pandemic), it was requested to the Hon'ble Commission in ARR and Tariff Petition for FY 2020-21 to allow relaxation for considering receivables of four months instead of 45 days for the computation of working capital, by exercising their power to remove difficulties under clause 56 of UPERC (Multi Year Tariff for Distribution and Transmission) Regulations, 2019. But the Hon'ble Commission has not considered the same while allowing IoWC for FY 2020-21 in its Tariff Order for FY 2020-21. It is once again requested to the Hon'ble Commission to allow relaxation for considering receivables of four months instead of 45 days for the computation of working capital, by exercising their power to remove difficulties under clause 56 of UPERC (Multi Year Tariff for Distribution and Transmission) Regulations, 2019.

3.8.14. The following table summarises the Interest and Finance charges projected by the Petitioner for FY 2020-21.

Table 3-24: Interest and Finance Charges for FY 2020-21 (in Rs. Crore)

Particulars	Approved in T.O 11.11.2020	Revised Estimates
A: Net Interest on Long Term Loans	**2.08**	**15.49**
B: Interest on Consumer Security Deposits	**6.61**	**6.61**
C: Interest on Working Capital	**22.72**	**22.10**
Total (A+B+C)	**31.41**	**44.20**

3.9. *Depreciation*

3.9.1. The Hon'ble Commission has considered the written down depreciation method for the assets capitalized before 1.4.2020 and straight-line depreciation method for assets capitalized after 1.4.2020. The Petitioner has computed the allowable depreciation expense on the GFA base based on the Hon'ble Commission approach approved in Tariff Order for FY 2020-21 and at the rates approved by the Hon'ble Commission in MYT (Distribution and Transmission) Regulations, 2019. The Petitioner has computed the depreciation only on the depreciable asset base and has excluded the non-depreciable assets such as land, land rights, etc. Further, the Petitioner has reduced the depreciation/amortization on assets created out of consumer contributions, capital grants and subsidies from allowable depreciation for FY 2020-21. The

Petitioner has considered the amortisation of Consumer contribution as approved in Tariff Order for FY 2020-21.

3.9.2. Considering this philosophy, the gross entitlement towards depreciation has been computed as shown in the Table below:

Table 3-25: GROSS ALLOWABLE DEPRECIATION FOR ASSETS UPTO 31.03.2020 FOR FY 2020-21 (RS. CRORE)

Sr. No	Particulars	Closing Written down GFA (as on 31.3.2020)	Gross Depreciation during 2020-21	Balance Depreciable Value as on 1.4.2020 (Opening GFA)	Addition to GFA	Average % of Deductions of Last 3 true-Ups	Deduction to GFA	Closing GFA	Average GFA	Depreciation Rate	Allowable Gross Depreciation
1	Land & Land Rights	-	-	-				-	-	0.00%	-
2	Buildings	26.73	0.87	25.86				25.86	25.86	3.34%	0.86
3	Plant & Machinery	282.15	13.88	268.27				268.27	268.27	5.28%	14.16
4	Lines, Cables, Network etc.	517.72	24.60	493.13				493.13	493.13	5.28%	26.04
5	Vehicles	10.97	0.69	10.28				10.28	10.28	6.33%	0.65
6	Furniture & Fixtures	1.27	0.07	1.20				1.20	1.20	6.33%	0.08
7	Office Equipments	2.11	0.13	1.98				1.98	1.98	6.33%	0.13
8	**Total Fixed Assets**	840.95	40.24	800.70				800.70	800.71		41.92
9	Non depreciable assets (Land & Land Rights)	-	-	-				-	-		-
10	**Depreciable assets**	**840.95**	**40.24**	**800.70**				**800.70**	**800.71**		**41.92**

Table 3-26: GROSS ALLOWABLE DEPRECIATION FOR ASSETS AFTER 1.04.2020 FOR FY 2020-21 (RS. CRORE)

S. No.	Particulars	Closing Written down GFA (as on 31.3.2020)	Gross Depreciation during 2019-20	Balance Depreciable Value (as on 1.4.2020) for FY 2020-21	Addition to GFA	Deduction to GFA	Deduction of Grants	Closing GFA	Average GFA	Depreciation Rate	Allowable Gross Depreciation
1	Land & Land Rights	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00%	0.00
2	Buildings	0.00	0.00	0.00	6.74	0.00	1.32	5.42	2.71	3.34%	0.09
3	Plant & Machinery	0.00	0.00	0.00	69.92	0.00	13.67	56.25	28.12	5.28%	1.48
4	Lines, Cables, Network etc.	0.00	0.00	0.00	128.52	0.00	25.13	103.39	51.70	5.28%	2.73

5	Vehicles	0.00	0.00	0.00	2.68	0.00	0.52	2.16	1.08	6.33%	0.07
6	Furniture & Fixtures	0.00	0.00	0.00	0.31	0.00	0.06	0.25	0.13	6.33%	0.01
7	Office Equipments	0.00	0.00	0.00	0.51	0.00	0.10	0.41	0.21	6.33%	0.01
8	**Total Fixed Assets**	0.00	0.00	0.00	208.68	0.00	40.80	167.88	83.94		4.39
9	Non depreciable assets (Land & Land Rights)	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00		0.00
10	**Depreciable assets**	**0.00**	**0.00**	**0.00**	**208.68**	**0.00**	**40.80**	**167.88**	**83.94**		**4.39**

3.9.3. Accordingly, the depreciation as approved by the Hon'ble Commission in its Tariff Order dated 11.11.2020 and Revised Estimates as computed above is shown as under:

Table 3-27: NET APPROVED DEPRECIATION FOR ASSETS OF KESCO FOR FY 2020-21 (RS. CRORE)

Particulars	Approved	Revised Estimate
Gross Depreciation on Assets upto 31.03.2020	38.53	41.92
Gross Depreciation on Assets upto 31.03.2020	2.38	4.39
Gross Allowable Depreciation	40.92	46.31
Less: Amortisation of assets acquired out of the Consumer Contribution	6.30	6.30
Net Allowable Depreciation	**34.62**	**40.01**

3.10. *Provision for Bad and Doubtful Debts*

3.10.1. The Regulation 46 of UPERC (Multi Year Tariff for Distribution & Transmission) Regulations, 2019 provides for expenses under bad and doubtful Debts to the extent of 2% of the revenue receivables as specified below:

Quote

46.1 For any Year, the Commission may allow a provision for write off of bad and doubtful debts up to 2% of the amount shown as Revenue Receivables from sale of electricity in the audited accounts of the Distribution Licensee for that Year or the actual write off of bad debts, whichever is less:

Provided further that such provision allowed by the Commission for any Year shall not exceed the actual provision for write off of bad and doubtful debts made by the Distribution Licensee in the audited accounts of that Year:

Provided that the Commission, in its ARR / Tariff Order, may provisionally approve provision for write off of bad and doubtful debts based on the actual provision for write off of bad and doubtful debts made by the Distribution Licensee in the latest Audited Accounts available for the Petitioner, and as allowed by the Commission:

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 under the Non-Tariff Income of the year in which such revenue is realised.

Unquote

3.10.2. The Petitioner has computed bad and doubtful debts at 2% of the revenue receivables as for FY 2020-21.

Table 3-28: Allowable Provision for Bad and Doubtful Debts for FY 2020-21 (Rs Crore)

Particulars	Approved in T.O 11.11.2020	Revised Estimate
Total Revenue Receivables from Retail Sales	2703.16	2467.11
% of Provision for Bad and Doubtful Debts	0.50%	2.00%
Bad Debt Claimed	**13.57**	**49.34**

3.11. *Return on Equity*

3.11.1. The Regulation 22 of the MYT (Distribution and Transmission) Regulations, 2019 provides for return on equity @15% post-tax per annum for Distribution Licensee as specified below:

Quote

“22 Return on equity

22.1 Return on equity shall be computed in Rs. terms on equity base at the rate of 14.5% post-tax per annum for the Transmission Licensee and at the rate of 15% post-tax per annum for Distribution Licensee respectively as determined in accordance with Regulation 20:

Provided that assets funded by Consumer Contribution / Deposit works, Capital Subsidies / Grants and corresponding Depreciation shall not form part of the Capital Cost. Actual Equity infused by the Licensee as per book value shall be considered and shall be used for computation in these Regulations.”

Unquote

3.11.2. The Petitioner has considered closing equity provisionally approved for FY 2019-20 by the Hon’ble Commission in its Tariff Order for FY2020-21, as opening for FY 2020-21. Equity addition during the year has been considered 30% of GFA addition during the year net of consumer contribution, capital subsidies/ grants.

3.11.3. The Return on Equity (RoE) for FY 2020-21 is shown below:

Table 3-29: Return on Equity (RoE) for FY 2020-21 (Rs. Crore)

Particulars	Approved in T.O 11.11.2020	Revised Estimate
Opening Equity	297.21	306.37
Additions (30% of Capitalization net of Consumer Contribution and Grants)	18.80	50.36
Closing Equity	316.00	356.74
Rate of Return on Equity (%)	15.00%	15.00%
Allowable Return on Equity	**50.79**	**49.73**

3.12. *Revenue from Sale of Power*

3.12.1. The Hon'ble Commission had projected revenue from sale of power to Rs. 2,703.16 Crore in Tariff Order for FY 2020-21 dated 11.11.2020. The Petitioner has estimated the revenue for FY 2020-21 to Rs. 2,467.11 Crore.

3.13. *Non-Tariff Income*

3.13.1. The Hon'ble Commission had approved non-tariff income of Rs. 25.54 Crore in the Tariff Order for FY 2020-21 dated 11.11.2020, the Petitioner has considered the same for FY 2020-21.

3.14. *GoUP Subsidy*

3.14.1. In the Tariff Order for FY 2020-21, the Hon'ble Commission had approved the revenue subsidy from GoUP to be NIL. The Petitioner estimates the same revenue subsidy from GoUP for FY 2020-21. Further, the Petitioner has not considered any additional subsidy as the GoUP has not given any such approval regarding additional subsidy.

3.15. *Annual Performance Review (APR) for FY 2020-21*

3.15.1. The Annual Performance Review (APR) forFY 2020-21 is summarised in the table below:

Table 3-30: Aggregate Revenue Requirement (ARR) for FY 2020-21 (Rs Crore)

Sr. No.	Particular	FY 2020-21	
		Approved	Revised Estimates
1	Power Purchase Expenses including PGCIL charges	2,157.39	2,217.70
2	Transmission Charges	84.85	78.62
3	Total O&M expenses net of capitalisation	238.49	411.94
4	Interest and Finance charges	31.41	44.20
5	Contribution towards Contingency Fund	-	-
6	Depreciation	34.62	40.01
7	Prior Period Expenses	-	-
8	Bad and Doubtful Debts	13.57	49.34
9	**Gross Expenditure**	**2,560.33**	**2,841.83**

Sr. No.	Particular	FY 2020-21	
		Approved	Revised Estimates
10	Add: Return on Equity	45.99	49.73
11	Less: Non-tariff Incomes	25.54	25.54
12	Less: revenue from Cross-subsidy (Short-term open access consumers)	-	-
13	**Annual Revenue Requirement**	**2,538.05**	**2,866.01**
14	Revenue from Tariff incl DPS	2,703.16	2,467.11
15	GoUP Subsidy	-	-
16	**Net Revenue (Gap)/Surplus**	**165.11**	**(398.91)**

3.15.2. The Petitioner requests to approve the revised estimates of the ARR claim/Revenue Gap for FY 2020-21 in above Table.

4. Aggregate Revenue Requirement (ARR) for FY 2021-22

4.1. Consumption Parameters: Consumer Numbers, Connected Load and Sales

4.1.1. The petitioner while projecting the billing determinants (number of consumers, load and energy sales) for FY 2021-22, in its Business Plan Petition had considered appropriate growth rates for different categories and sub-categories, considering FY 2021-22 to be a normal 'business as usual' year, i.e. free from impact of any lockdown situation as has happened in FY 2020-21. It is submitted that the Hon'ble Commission while approving the sales for FY 2021-22, in its Business Plan Order dated 27 October 2020, had considered higher growth rates for several categories, which in view of the Petitioner are unlikely to be achieved, based on the current situation.

4.1.2. The petitioner, therefore, requests the Hon'ble Commission to consider the billing determinants for FY 2021-22 as per projections submitted in this Petition, which have been arrived at by considering appropriate growth rates on revised estimates for FY 2020-21 in case of number of consumers and load and on actual figures for FY 2019-20 in case of energy sales. It is again humbly submitted to the Hon'ble Commission that the billing determinants as approved by the Hon'ble Commission for FY 2021-22 are not likely to be achieved and thus would result in over-projection of revenue.

4.1.3. The Category-wise billing determinants as approved by the Commission and claimed by the petitioner for FY 2021-22 is shown in the Table below:

Table 4-1: Billing Determinants projected for FY 2021-22

Category	Approved in the Business Plan Order			Projected		
	Consumers (No.)	Load (kW)	Sales (MU)	Consumers (No.)	Load (kW)	Sales (MU)
LMV-1 Domestic light fan & power	561,597	1,357,435	1,732.78	563,552	1,397,846.71	1,626.16
LMV-2-Non domestic light fan & power	84,412	249,602	339.18	83,814	247,834.38	332.98
LMV-3 Public lamps	20	11,122	37.00	20	10,483.56	36.81
LMV-4 Light, fan & power for public/private institution	1,636	31,375	114.85	1,584	27,964.50	121.25
LMV-5 Private tube well/pumping sets	-	-	-	14.04	-	0.08
LMV-6 Small & medium power upto 100 hp/75kw	14,537	109,152	339.22	14,056	105,541.70	327.28
LMV-7 Public	1,150	41,856	103.87	1,135	43,588.87	111.74

water works						
LMV-8 State tube wells & pumps canal upto 100 hp (lmv-8)	-	-	-	-	-	-
Lmv-9 Temporary supply	-	-	-	106.00	447.00	2.10
LMV- 10 Departmental employees	5,496	21,943	43.49	5,157	20,002.64	38.26
LMV-11 Electric Vehicles	-	-	-	-	-	-
HV-1 Non industrial bulk load	293	93,377	250.67	287	87,625.51	214.88
HV-2 Large & heavy power above 100 bhp (75 kw)	707	276,076	680.59	630	244,303.69	601.80
HV-3 Railway traction	-	-	-	-	-	-
HV-4 Lift irrigation & p. canal above 100 bhp (75kw)	-	-	-	-	-	-
Bulk supply	-	-	-	-	-	-
Extra State Consumer	-	-	-	-	-	-
Total	**669,848**	**2,191,938**	**3,642**	**670,356**	**2,185,638.55**	**3,413.34**

4.1.4. The Hon'ble Commission is requested to approve the billing determinants as submitted in the above table.

4.2. *Distribution Loss*

4.2.1. The Petitioner has discussed the approach for the Distribution loss trajectory in detail in the APR section for FY 2020-21. Accordingly, the Petitioner projects the following distribution loss for FY 2021-22.

Table 4-2: Distribution Loss (%) for FY 2021-22

Distribution Loss (%)	FY 2021-22	
	Approved in Business Plan Order	Projected
KESCO	8.25%	8.43%

4.3. *Energy Balance*

4.3.1. The Energy Balance for FY 2021-22 based on projected Distribution losses and approved transmission losses is shown in the Table below:

Table 4-3: Energy Balance for FY 2021-22

Particulars	Claimed
Retail Sales (MU)	3,413.34
Distribution Losses (%)	8.43%
Energy at DISCOM Periphery for Retail Sales (MU)	3,727.58
Intra-State Transmission Losses %*	3.33%
Energy Available at State periphery for Transmission (MU)	3,855.98
Inter State Losses (MU)	116.87
Inter-State Transmission Losses % (% computed on Total input energy)	2.94%
Purchases Required & Billed Energy (MU)	3,972.85

4.4. *Power Purchase Expense*

4.4.1. UPPCL is procuring power on behalf of Discoms at consolidated level. Accordingly, the Power Purchase section represents the consolidated power purchase at UPPCL level. The consolidated energy balance (detailed Energy Balance with further break-up of inter-State energy has been in Format F13L of Petition Formats) for FY 2021-22 is as follows:-

Table 4-4: Consolidated Energy Requirement for FY 2021-22

Particulars	Claimed
Retail Sales (MU)	95,608.34
Distribution Losses (%)	16.64%
Energy at DISCOM Periphery for Retail Sales (MU)	114,689.47
Intra-State Transmission Losses %	3.33%
Energy Available at State periphery for Transmission (MU)	118,640.19
Inter State Losses (MU)	1,402.92
Inter-State Transmission Losses % (% computed on Total input energy)	1.17%
Purchases Required & Billed Energy (MU)	120,043.11

4.4.2. This power purchase requirement is primarily fulfilled through multiple sources, with whom UPPCL and Discoms have long-term tied-up allocated capacities. The main sources of power procurement are broadly categorised as under:

a) State Generating Stations – UPRUVNL and UJVNL

b) Central Generating Stations – NTPC, NHPC, NPCIL, THDC, SJVNL

c) Independent Power Plants (IPPs) and Joint Ventures (JVs)

d) Renewable Energy Generating Stations – Solar, Wind, Biomass, Bagasse, MSW, etc.

4.4.3. In addition to the above sources, UPPCL is also required to purchase power from short-term sources including power trading companies, Power Exchanges in case of shortfall from regular sources or to meet the deviation from estimated demand depending on the availability.

4.4.4. It is submitted that the power procurement from different sources is undertaken by adopting Merit Order Despatch (MoD) principle for optimal utilization of the available sources at least variable cost. For projection of availability, the entire power available from all the tied-up sources during the financial year to meet the demand have been considered. Thereafter, the MoD principle has been applied on the generating stations not having must-run status, on monthly basis to arrive at the projected power purchase for the month and accordingly the power purchase cost for the entire FY 2021-22 is computed. While full fixed (capacity) charges have been considered for all the generating stations, in respect of generating stations covered under MoD principles, the variable charges corresponding to the cheaper sources have been considered, whereas no variable charges have been considered in respect of energy not scheduled for power purchase.

4.4.5. Here, it is important to note that considering the capacity available and the demand projection, there is no power procurement projected from short-term sources, i.e. Traders or power exchange during FY 2021-22. This is due to the reason that the MoD principle has been applied on month on month basis. However, as the actual power is scheduled on 15 minute slot basis, these are bound for deviation from the MoD, due to actual availability of long-term sources for these slots. Therefore, the actual power procurement from various sources is bound to vary accordingly. Further, as already discussed, there shall also be requirement to purchase power from short-term sources including power trading companies, Power Exchanges in case of shortfall from regular sources or to meet the deviation from estimated demand depending on the availability. Accordingly, the Hon'ble Commission is requested to consider actual power purchase at the time of Truing-up and/or computation of Fuel Surcharge Rate, in accordance with the Regulations.

4.4.6. The assumptions considered for projection of power purchase quantum and cost is as follows:

Table 4-5: Assumptions considered for FY 2021-22

Sl No.	Generating Company/ Type of Generator	Power Purchase Quantum	Fixed & Variable Charges
Thermal			
1.	UPJVNL	Month wise power purchase quantum for FY 2021-22 is projected based on the monthly average PLF of generating stations from April 2015 to March 2020. For upcoming generating stations of UPRVUNL, 85% PLF is considered.	For UPRVUNL, NTPC & IPPs the fixed charges have been computed based on the fixed charges approved by UPERC vide order dated 11.11.2020 for FY 2020-21 with escalation factor of 10%. For UPRVUNL, NTPC & IPPs, variable charges have been computed based on actual average energy charge for FY 2020-21 (April,2020 to
2.	NTPC		
3.	IPP/ JV (Thermal)		

Sl No.	Generating Company/ Type of Generator	Power Purchase Quantum	Fixed & Variable Charges
			December, 2020) with escalation factor of 2%. For upcoming generating stations, charges of similar units have been considered.
HYDRO			
4.	UPJVNL	Month wise power purchase quantum for FY 2021-22 is projected based on the monthly average PLF of generating stations from April 2015 to March 2020. Further, for upcoming generating stations simple average monthly PLF of all existing NHPC generating stations have been considered for projection of net power purchase quantum for FY 2020-21.	The fixed charges have been computed based on the fixed charges approved by UPERC vide order dated 11.11.2020 for FY 2020-21 with escalation factor of 10%. The variable charges have been computed based on actual average variable charge for the FY 2020-21 (April 2020 to December 2020) with escalation factor of 2%. For upcoming generating stations, average rate of similar generating stations have been considered.
5.	NHPC		
6.	SJVN		
7.	THDC		
8.	IPP/JV (Hydro)		
Nuclear			
9.	NPCIL	The net power purchase quantum for FY 2020-21 is projected in line with generation of FY 2019-20.	Variable charges have been computed based on actual average variable charge for the FY 2020-21 (April 2020 to December 2020) with escalation factor of 2%.
Renewable Energy			
10.	Solar	The net power purchase quantum for FY 2021-22 is estimated based on 19% CUF.	The energy charges have been computed based on the weighted average energy charge rate of solar generating stations.
11.	Wind	The net power purchase quantum for FY 2021-22 is estimated based on 25% CUF.	The energy charges have been computed based on the weighted average energy charge rate of wind generating stations.
12.	MSW	The net power purchase quantum for FY 2021-22 is estimated based on 75% CUF in line with UPERC (Captive and Renewable Energy Generating Plants) Regulations, 2019).	The energy charges have been considered in line with UPERC (Captive and Renewable Energy Generating Plants) Regulations, 2019).
13.	Biomass	The net power purchase quantum for FY 2021-22 is estimated based on 50% CUF.	The energy charges have been computed based on the weighted average energy charge rate of Biomass generating stations.
14.	Bagasse	The net power purchase quantum for FY 2021-22 is estimated based on 50% CUF.	The energy charges have been computed based on the weighted average energy charge rate of Bagasse generating stations.

Table 4-6: Generating Station-wise Power Purchase Cost for FY 2021-22

Generating Stations	Units (MU)	Fixed Charges (Rs. Crore)	Energy/ Variable Charges (Rs.Crore)	Other Cost (Rs. Crore)	Total Cost (Rs. Crore)
Long term Sources					
Power procured from own Generating Stations (if any)					
From State Generating Stations Thermal					
ANPARA-A	3,622.72	401.14	730.39		1,131.53
ANPARA-B	6,797.77	402.34	1,246.54		1,648.87
PANKI					
PARICHHA					
PARICHHA EXT.	-	436.03	-		436.03
OBRA-A					
OBRA-B	-	320.49	-		320.49
HARDUAGANJ	-	103.21	-		103.21
HARDUAGANJ EXT.	535.23	695.72	190.60		886.32
PARICHHA EXT. STAGE-II	226.21	651.82	84.24		736.05
ANPARA-D	4,541.67	1,422.78	832.05		2,254.83
Panki Extension	-	-	-		-
HARDUAGANJ EXT. Stage II	73.30	788.66	23.46		812.12
OBRA-C	-	-	-		-
Jawaharpur	-	-	-		-
UPRVUNL Consolidated					
Sub-Total	**15,796.90**	**5,222.18**	**3,107.27**	**-**	**8,329.45**
From State Generating Stations Hydro					
RIHAND	462.54	42.93	55.15		98.08
OBRA (H)	217.07	10.37	17.09		27.45
MATATILA	59.57	2.96	4.80		7.76
KHARA	243.64	13.57	12.01		25.58
UGC	21.84	-	6.31		6.31
SHEETLA	2.23	-	0.48		0.48
BELKA	1.91	-	0.34		0.34
BABAIL	1.33	0.25	0.60		0.86
Sub-Total	**1,010.12**	**70.08**	**96.77**		**166.85**
From Central Sector Generating Stations					
Thermal (NTPC)					
ANTA GPS	-	76.22	-		76.22

Generating Stations	Units (MU)	Fixed Charges (Rs. Crore)	Energy/ Variable Charges (Rs.Crore)	Other Cost (Rs. Crore)	Total Cost (Rs. Crore)
AURAIYA GPS	-	149.53	-		149.53
DADRI GPS	63.85	159.36	24.36		183.72
JHANOR GPS	-	-	-		-
KAWAS GPS	-	-	-		-
TANDA TPS	537.43	483.48	176.34		659.82
FGUTPS-1	754.55	245.37	235.36		480.73
FGUTPS-2	356.38	123.29	112.49		235.78
FGUTPS-3	118.29	81.20	37.92		119.12
FGUTPS-4	735.13	284.06	222.98		507.04
FSTPS	-	-	-		-
KHTPS-1	-	-	-		-
KHTPS-2	1,605.38	252.69	349.97		602.66
NCTPS-1	90.61	73.81	30.96		104.77
NCTPS-2	153.94	155.43	54.61		210.04
RIHAND-1	2,399.59	263.82	351.32		615.15
RIHAND-2	2,208.96	205.18	321.47		526.65
RIHAND-3	2,604.75	413.44	374.14		787.58
SINGRAULI	5,634.07	469.37	818.36		1,287.73
KORBA-I STPS	-	-	-		-
KORBA-III STPS	-	-	-		-
MAUDA-I STPS	-	-	-		-
MAUDA-II STPS	-	-	-		-
SOLAPUR TPS	-	-	-		-
SIPAT-I	-	-	-		-
SIPAT-II STPS	-	-	-		-
VINDHYACHAL-I STPS	-	-	-		-
VINDHYACHAL-II STPS	-	-	-		-
VINDHYACHAL-III STPS	-	-	-		-
VINDHYACHAL-IV STPS	-	-	-		-
VINDHYACHAL-V STPS	-	-	-		-
Tanda II	6,621.04	1,127.37	1,727.52		2,854.89
Indira Gandhi STPS, Jhajjar	-	-	-		-
URS Power	-	41.82	-		41.82
SINGRAULI STAGE III					
Indira Gandhi STPS, Jhajjar					
GADARWARA STPS-I					
LARA STPS-I					
KHARGONE STPS					
NTPC Consolidated					
Sub-Total	**23,883.97**	**4,605.45**	**4,837.80**	**-**	**9,443.26**
NPCIL					
KAPS	-	-	-		-

Generating Stations	Units (MU)	Fixed Charges (Rs. Crore)	Energy/ Variable Charges (Rs.Crore)	Other Cost (Rs. Crore)	Total Cost (Rs. Crore)
NAPP	1,130.24	-	346.88		346.88
TAPP-3 & 4	-	-	-		-
RAPP-3 & 4	528.56	-	177.08		177.08
RAPP-5 & 6	827.27	-	325.18		325.18
Sub-Total	**2,486.07**	**-**	**849.14**	**-**	**849.14**
Hydro (NHPC)					
SALAL	232.40	23.90	15.86		39.76
TANAKPUR	75.97	26.60	13.03		39.63
CHAMERA-I	485.86	54.96	58.99		113.95
URI	576.84	70.22	50.51		120.74
CHAMERA-II	380.54	54.19	46.73		100.91
DHAULIGANGA	274.77	45.14	36.82		81.96
DULHASTI	595.40	180.40	169.56		349.96
SEWA-II	145.23	49.86	39.22		89.09
CHAMERA-III	249.94	81.63	53.16		134.79
URI-II	353.70	135.30	79.75		215.05
PARBATI-III	160.66	121.16	28.62		149.78
KISHANGANGA	382.85	238.70	83.50		322.19
PARBATI-II	126.19	58.65	32.50		91.15
SUBANSIRI LOWER	893.23	-	230.04		230.04
PAKALDUL	983.55	-	253.30		253.30
NHPC Consolidated					
Sub-Total	**5,917.11**	**1,140.71**	**1,191.59**	**-**	**2,332.30**
HYDRO (NTPC)					
KOLDAM HPS	664.44	227.52	166.18		393.70
TAPOVAN VISHNUGARH	-	-	-		-
LATA TAPOVAN HEP	-	-	-		-
SINGRAULI SHPS	6.07	-	3.12		3.12
Sub-Total	**670.51**	**227.52**	**169.30**	**-**	**396.82**
HYDRO					
TEHRI	1,246.41	428.84	261.76		690.60
KOTESHWAR	511.39	136.21	118.90		255.12
Dhukwan SHP- THDC	119.22	-	59.22		59.22
VISHNUGARH PIPAL KOTHI	-	-	-		-
Thermal					
KHURJA STPP	-	-	-		-
Sub-Total	**1,877.02**	**565.05**	**439.89**	**-**	**1,004.93**
SJVN					

Generating Stations	Units (MU)	Fixed Charges (Rs. Crore)	Energy/ Variable Charges (Rs.Crore)	Other Cost (Rs. Crore)	Total Cost (Rs. Crore)
RAMPUR	327.22	82.31	53.31		135.63
NATHPA JHAKRI	1,144.29	213.49	92.38		305.87
Sub-Total	**1,471.50**	**295.80**	**145.70**	**-**	**441.50**
NEEPCO					
Kameng HEP	270.48	-	110.37		110.37
IPP/JV					
HYDRO					
TALA	-	-	-		-
VISHNU PRAYAG	1,724.05	29.67	187.41		217.07
KARCHAM	816.18	186.22	111.36		297.58
TEESTA-III	786.46	227.03	180.05		407.08
SRI NAGAR HEP	1,189.65	424.42	301.25		725.68
Rajghat Hydro	77.84	20.43	20.05		40.48
Hydro (Competitive Bidding)	1,297.05	299.33	425.14		724.47
Thermal					
Meja Thermal Power Plant	7,312.60	1,245.13	1,901.42		3,146.55
LANCO	7,087.69	853.56	1,422.68		2,276.24
BEPL BARKHERA	66.80	144.66	23.44		168.10
BEPL KHAMBHAKHERA	68.94	146.19	24.11		170.30
BEPL KUNDRAKHI	100.22	145.54	32.11		177.65
BEPL MAQSOODAPUR	66.76	145.19	22.54		167.73
BEPL UTRAULA	70.12	149.70	23.86		173.56
KSK MAHANADI	1,583.99	1,047.66	476.69		1,524.35
LALITPUR	4,611.06	4,073.53	1,404.60		5,478.13
M.B.POWER	2,431.10	899.11	484.21		1,383.32
PRAYAGRAJ POWER	5,238.44	1,168.60	1,487.45		2,656.05
R.K.M.POWER	1,588.57	550.01	305.51		855.52
ROSA-1&2	6,235.65	1,658.89	1,595.72		3,254.61
SASAN	3,624.68	72.53	385.81		458.34
TRN ENERGY	2,229.56	521.10	350.07		871.17
NABINAGAR POWER PROJECT	977.87	166.50	208.34		374.84
APCPL					
Ghatampur	-	279.32	-		279.32
Sub-Total	**49,185.28**	**14,454.32**	**11,373.81**		**25,828.12**
Total	**102,568.97**	**26,581.11**	**22,321.63**	**-**	**48,902.74**
Medium term Sources					
Short term Sources	-	-	-		-

Generating Stations	Units (MU)	Fixed Charges (Rs. Crore)	Energy/ Variable Charges (Rs.Crore)	Other Cost (Rs. Crore)	Total Cost (Rs. Crore)
Medium term Sources	-	-	-		-
Cogen/ Captive					
Baggasse/Cogen/ CPP 1	6,473.95	-	2,081.92		2,081.92
Baggasse/Cogen/ CPP 2	27.50	-	8.84		8.84
Cogen/ Captive	6,501.45	**-**	**2,090.77**	**-**	**2,090.77**
Bilateral & Others (Power purchased trough Trading)	-	-	-		-
Solar (Existing)	3,043.84	-	1,428.86		1,428.86
Solar (FY 20)	-	-	-		-
Solar (FY 21)	1,747.62	-	524.29		524.29
Solar (FY 22)	522.28	-	156.68		156.68
Solar (FY 23)	-	-	-		-
SOLAR FY (24)					
SOLAR FY 25					
-	5,313.73	**-**	**2,109.83**	**-**	**2,109.83**
Non-Solar (Renewable)					
WIND	438.00	-	150.26		150.26
WIND (FY 20)	963.60	-	330.58		330.58
WIND (FY 21)	3,306.90	-	1,134.47		1,134.47
WIND (FY 22)	416.10	-	142.75		142.75
Biomass Existing	146.73	-	95.45		95.45
Biomass FY 20	-	-	-		-
MSW FY 21	387.63	-	294.99		294.99
Slop based power project					
Sub-Total	**5,658.96**	**-**	**2,148.49**	**-**	**2,148.49**
NVVN Thermal					
NVVN Solar					
OTHER SOURCES					
UI Charges					
Reactive Energy Charges					
OA					
Fwd/Rev Banking					
IEX Purchase					
IEX sale					
Sub Total					

Generating Stations	Units (MU)	Fixed Charges (Rs. Crore)	Energy/ Variable Charges (Rs.Crore)	Other Cost (Rs. Crore)	Total Cost (Rs. Crore)
PTC Unverified Power Purchase					
REC					
UI Charges					
Open Access Charges					
Banking					
PGCIL Charges		3,311.28	-		3,311.28
WUPPTCL Charges	-	875.68	-		875.68
SEUPPTCL Charges	-	277.50	-		277.50
Reactive Energy Charges	-	-	-		-
Case-I Transmission Charges	-	2,304.71	-		2,304.71
Any other charges					
STU Charges					
Transmission Charges					
Less					
Late Payment Surcharge					
Grand Total	**120,043.11**	**33,350.28**	**28,670.72**	**-**	**62,020.99**

Bulk Supply Tariff (BST)

4.4.7. For the purpose of allocating the power purchase cost to the Discoms for FY 2021-22 as per Differential Bulk Supply Tariff (DBST) approach, the first shall be to determine the Bulk Supply Tariff (BST) based on the consolidated projected power purchase cost for FY 2021-22. Accordingly, the BST for FY 2021-22 on consolidated basis is shown in the table below:

Table 4-7: Bulk Supply Tariff for FY2021-22

Particulars	Projected
Power Purchase cost (Rs Crore)	62,020.99
Power Input (MU)	1,20,043.11
Inter-State Trans Losses (%)(% computed on Total input energy)	1.17%
Inter-State Loss (MU)	1,402.92
Input at Transco End (MU)	118,640.19
Intra-State Trans Losses (%)	3.33%
Input as Discom End (MU)	114,689.47
BST at Discom Periphery (Rs/Kwh)	**5.41**

Differential Bulk Supply Tariff (DBST)

4.4.8. Based on the Hon'ble Commission's approved methodology, the Differential Bulk Supply Tariff (DBST) for FY 2021-22 has been computed and thereafter, the Petitioner has worked out the power purchase cost for FY 2021-22 on the same.

4.4.9. Computation of DBST as per the Hon'ble Commission approved methodology is shown in the below:

Table 4-8: DBST Computation for FY 2021-22

S.No.	Particulars	Formulae	DVVNL	PVVNL	PuVVNL	MVVNL	KESCO	Total
1	Revenue from Tariff including subsidy (Rs Cr)	A	13,690.39	22,012.52	17,843.39	14,522.57	2,768.98	70,837.86
2	Energy Sales (MU)	B	20,067.07	29,694.93	23,538.56	18,894.43	3,413.34	95,608.34
3	**Power Procurement Cost**							
A1	Power Procurement Cost – Allocated and Unallocated PPAs (Rs Cr)							55,251.83
A2	Inter State Transmission Charges (Rs Cr)							6769.17
A1+A2	Total Power Procurement Cost excluding intra state Transmission Charges (In Rs Cr)	C						62020.99
4	Power Procurement cost of Allocated PPAs (Rs Cr)	D	1895.70	3481.13	2028.51	2028.51	132.80	9,566.64
5	Total Power Required at Discom Periphery (MU)	E	25,115.24	34,349.26	28,705.56	22,791.83	3,727.58	114,689.47
6	Power at Discom Periphery from allocated PPAs (MU)	F	3770.53	6865.93	4016.29	4016.29	245.75	18,914.78
7	Other Cost (Intra State Transmission, O&M, Interest, Dep etc.) (Rs. Cr.)	G	4,329.75	5,120.71	5,358.47	4,363.41	707.91	19,880.25
8	ABR (Rs/ Unit)	H=(A/B)*10	6.82	7.41	7.58	7.69	8.11	7.41
9	Other Cost (Rs/Unit of Sale)	I=G*10/B	2.16	1.72	2.28	2.31	2.07	2.08
10	Power Purchase Rate							
A	Allocated PPAs per unit	J=D*10/B	0.94	1.17	0.86	1.07	0.39	1.00

S.No.	Particulars	Formulae	DVVNL	PVVNL	PuVVNL	MVVNL	KESCO	Total
	of sale (Rs/unit)							
B	Unallocated PPAs per unit of sale	K=(C-Total PP at "D")*10/Total Sale at"B"	5.49					
11	Revenue available for unallocated PPAs (Rs./unit of sale)	L=H-I-J	3.72	4.52	4.44	4.30	5.65	4.33
12	Power Purchase Allocation (per unit of sale) "K" in the ratio of available Revenue "L"	M	4.71	5.72	5.63	5.45	7.16	5.49
13	Total Power Purchase cost per unit of sale including allocated PPAs	N=J+M	5.66	6.90	6.49	6.53	7.55	6.49
14	Total Power Purchase Cost (Rs Crs)	O=N*B/10	11,355.94	20,476.36	15,279.81	12,332.41	2,576.48	62,020.99
	DBST (Rs/Unit)							
15	DBST Computation of Allocated PPAs	P	5.03	5.07	5.05	5.05	5.40	5.06
16	DBST Computation of Unallocated PPAs	Q=M*B/(E-F)	4.43	6.18	5.37	5.49	7.02	5.48
17	**DBST of total PPAs**	**R=O*10/E**	**4.52**	**5.96**	**5.32**	**5.41**	**6.91**	**5.41**

4.4.10. The allowable power purchase cost for FY 2021-22 is shown in the table below:

Table 4-9: Power Purchase Cost for FY 2021-22

Particulars	Unit	Projected
Allowable Power Purchase	MU	3,727.58
DBST Rate	Rs/kWh	6.91
Allowable Power Purchase Cost	**Rs Crore**	**2,576.48**

4.5. *Intra-State Transmission Charges*

4.5.1. The proposed intra State transmission charges have been computed at the intra-State transmission rate approved by the Hon'ble Commission in the Tariff Order for FY 2020-21 dated 11 November 2020, which is shown in the Table below:

Table 4-10: Intra-State Transmission Charges for FY 2021-22

Particulars	Unit	Projected
Units Wheeled (Energy Input into Transmission-Distribution Interface)	MU	3,727.58
Transmission ChargeRate	Rs/kWh	0.238
Transmission Charges	**Rs. Crore**	**88.72**

4.6. *Operation and Maintenance Expenses*

4.6.1. The Operation & Maintenance (O&M) Expenses comprises of Employee Expenses, Repair & Maintenance (R&M) Expenses and Administrative and General (A&G) Expenses. Regulation 45 of UPERC (Multi Year Tariff for Distribution & Transmission) Regulations, 2019, stipulates the detailed methodology for determination of Operation & Maintenance (O&M) Expenses for the Control Period from FY 2020-21 to FY 2024-25. The detailed methodology as stated in Regulation 45 is reproduced as under:

"45 Operation and Maintenance Expenses

a) The Operation and Maintenance expenses for the Distribution Business shall be computed as stipulated in with these Regulations.

b) The Operation and Maintenance expenses shall be derived on the basis of the average of the Trued-Up values (without efficiency gain / loss) for the last five (5) financial years ending March 31, 2019 subject to prudence check by the Commission. However, if Trued-Up values (without efficiency gain / loss) are not available for FY 2018-19, then last five (5) available Trued-Up values (without efficiency gain / loss) will be considered and subsequently when the same are available the base year value (i.e. FY 2019-20) will be recomputed.

c) The average of such operation and maintenance expenses shall be considered as Operation and Maintenance expenses for the middle year and shall be escalated year on year with the escalation factor considering CPI and WPI of respective years in the ratio of 60:40, for subsequent years up to FY 2019-20.

d) The One-time expenses such as expense due to change in accounting policy, arrears paid due to Pay Commissions, etc., and the expenses beyond the control of the Distribution Licensee such as dearness allowance, terminal benefits, etc., in Employee cost, shall be allowed by the Commission over and above normative Operation & Maintenance Expenses after prudence check.

(e) At the time of Truing-up of the O&M expenses, the actual point to point inflation over Wholesale Price Index numbers as per Office of Economic Advisor of Government of India and the actual Consumer Price Index for Industrial Workers (all India) as per Labour Bureau, Government of India, in the concerned year shall be considered.

45.1 Employee Cost

Employee cost shall be computed as per the following formula escalated by consumer price index (CPI), adjusted by provisions for expenses beyond the control of the Licensee and one-time expected expenses, such as recovery / adjustment of terminal benefits, implications of Pay Commission, arrears, Interim Relief, etc.:

EMPn= EMPn-1 × (1+ CPI inflation)

Where:

EMPn: Employee expense for the nth year;

EMPn-1: Employee expense for the (n-1)th year;

CPI inflation is the average of Consumer Price Index (CPI) for immediately preceding three Financial Years.

45.2 Repairs and Maintenance Expense

Repairs and Maintenance expense shall be calculated by following formula:

R&Mn= R&Mn-1 (1+ WPI inflation)

Where:

R&Mn: Repairs & Maintenance expense for the nth year;

R&Mn-1: Repairs & Maintenance expense for the (n-1)th year;

WPI inflation is the average of Wholesale Price Index (WPI) for immediately preceding three Financial Years.

45.3 Administrative and General Expense

A&G expense shall be computed as per the following formula escalated by wholesale price index (WPI) and adjusted by provisions for confirmed initiatives (IT etc. initiatives as proposed by the Distribution Licensee and validated by the Commission) or other expected one-time expenses:

A&Gn= A&Gn-1 (1+ WPI inflation)

Where:

A&Gn: A&G expense for the nth year;

A&Gn-1: A&G expense for the (n-1)th year;

WPI inflation is the average of Wholesale Price Index (WPI) for immediately preceding three Financial Years:

Provided that Interest and Finance charges such as Credit Rating charges, collection facilitation charges, financing cost of Delayed Payment Surcharge and other finance charges shall be a part of A&G expenses.

Illustration: For FY 2020-21, (n-1)th year will be FY 2019-20 which is also the base year.”

4.6.2. It is submitted that The Hon’ble Commission has disallowed the O&M expenses claimed by Petitioner owing to the following:-

(a) The Hon’ble Commission has arrived at the mid-year (FY 2016-17) value of each component of O&M expenses based on the average of last 5 trued-up values of FY 2014-15 to FY 2018-19. The mid-year value of each component of O&M expenses has been escalated year on year with the escalation factor considering Consumer Price Index (CPI) and Whole-sale Price Index (WPI) of respective years in the ratio 60:40, for subsequent years upto FY 2019-20.

(b) Accordingly, the Hon’ble Commission has computed the O&M expenses of the base year which shall be escalated at Inflation/Escalation rate notified by Labour Bureau, Govt. of India (http://labourbureau.gov.in/LBO_indexes.htm) and Economic Advisor Govt. of India (https://eaindustry.nic.in/) respectively for different years. Accordingly, the Hon’ble Commission has computed the average WPI and CPI inflation of the last 3 years (average) at 2.96% and 5.35%, respectively.

(c) In terms of this methodology: -

(i) Employee Expenses for FY 2020-21 have been computed by escalating the base year (FY 2019-20) employee expenses by average CPI inflation of last 3 years.

(ii) The A&G Expenses (including Finance Charges) and R&M Expenses for FY 2020-21 have been computed by escalating the base year (FY 2019-20) by average WPI inflation of last 3 years.

(iii) Employee Expense capitalization has been computed by considering the average of last three years or claimed, whichever is higher.

4.6.3. At the outset, it is submitted that O&M expenses comprise of employee related costs, A&G expenses and R&M expenditure. Further, Petitioner/UPPCL intend to recover their legitimate actual O&M Expenses and do not intend to get any additional benefit out of the same. The total O&M expenses allowed by the Hon’ble Commission for ARR and tariff of FY 2020-21 is even lower than the net O&M expenses approved by the Hon’ble Commission while truing-up of tariff for FY 2018-19. Accordingly, it is submitted that the O&M expenses being allowed by the Hon’ble Commission are insufficient to cover the actual cost/impact of O&M expenses likely to be incurred by the Petitioner. As such, the methodology adopted by the Hon’ble Commission will lead considerable loss to the Petitioner whose financial condition is already precarious and stressed.

4.6.4. O&M expenses are computed on normative basis in terms of the norms prescribed under the

Tariff Regulations. It is submitted that the methodology prescribed by The Hon'ble Commission for computation of normative O&M expenses is significantly different in MYT Regulations, 2019 as compared to the methodology provided under the erstwhile regime i.e., MYT Regulations, 2014.

4.6.5. It is submitted that under the MYT Regulations 2014 computation of O&M expenses was based on the trajectory of norms derived on average of past five years audited figures. It is noteworthy that the draft MYT Regulations, 2019 issued by The Hon'ble Commission also had similar provisions for computation of O&M expenses. However, in the final MYT Regulations 2019, the Hon'ble Commission has completely changed the methodology and adopted a completely new methodology for computing the O&M expenses, which is based on escalation factor considering CPI and WPI based on the average of last 5 years trued-up values (that too without consideration of efficiency gain/loss on O&M expenses). Such a change was affected without giving any opportunity to the stakeholders including the Petitioner to submit their suggestions/objections on the same.

4.6.6. This new approach adopted by the Hon'ble Commission will result in substantial losses to the Petitioner as it is likely that the Petitioner will not be able to meet its regular expenses including employee costs, R&M and A&G expenses.

4.6.7. It is pertinent to highlight that owing to the implementation of the Government's Saubhagya Scheme in the last three financial years (i.e., FY 2017-18 onwards), Petitioner has added a significant consumer base leading to an increase in load, extension of LT Network and backbone distribution infrastructure. Accordingly, due to the resultant significant increase in the O&M expenses, it is submitted that it was a fit case for the Hon'ble Commission to exercise its powers and consider the average of last three financial years in the computation of O&M expenses as this would represent the right base and trend for applying in the next Control Period instead of considering a five years' average.

4.6.8. In view of the above circumstances, it is respectfully submitted that in the present case The Hon'ble Commission under its inherent powers ought to have granted the necessary relief even if the Regulations does not provide for relaxing the norms under the Regulations. It is settled that ERCs have wide regulatory powers conferred on them by the Electricity Act to be suitably exercised depending upon the facts and circumstances of each case and especially when the Regulations and/or guidelines are silent.

4.6.9. It is submitted that existence of an enabling provision in the Regulation is not a pre-requisite for the Hon'ble Commission to exercise its powers to grant the relief sought by the Petitioner.

4.6.10. As deliberated above, computation of O&M expenses as per the methodology provided under the MYT Regulation 2019 will cause severe financial hardship to the Petitioner.

4.6.11. Even otherwise, it is submitted that The Hon'ble Commission is specialised body having specific jurisdiction under Section 86 of the Electricity Act and with ancillary powers to give effect to the legislative intent behind the Electricity Act.

4.6.12. In view of the above, it is submitted that the Hon'ble Commission may consider to have granted the relief sought by the Petitioner and allow O&M expenses based on the average trued-up values of the last three financial years failing which it is likely that the Petitioner will not be able to meet its basic expenses for continuing supply of power, employee expenses, R&M and A&G expenses.

4.6.13. The Hon'ble Commission has not addressed the Discoms' submissions in its Tariff Order for FY 2020-21 dated 11 November 2020 and completely ignore the pleadings in this regard. The Petitioner once again requests the Hon'ble Commission to exercise its authority under 'powers to remove difficulties' under clause 56 of UPERC (Multi Year Tariff for Distribution and Transmission) Regulations, 2019 to consider the approach suggested by the Petitioner.

4.6.14. The Petitioner request the Hon'ble Commission to allow the O&M Expenses by considering the actual audited O&M Expenses for FY 2018-19 (separately for Employee Expenses, R&M Expenses and A&G Expenses) as base and escalating these expenses with applicable CPI escalation factors (Employee Expenses) and WPI escalation factors (R&M Expenses and A&G Expenses) for FY 2019-20, FY 2020-21 and FY 2020-21.

4.6.15. It may be noted that in case of R&M Expenses, which is significantly impacted by increase in Gross Fixed Asset base, presently it is proposed based on escalating the audited figures of FY 2018-19 and thus only takes into consideration the existing fixed asset base. Therefore, at the time of true-up, the increased fixed asset base should also be taken into consideration by the Hon'ble Commission.

4.6.16. Accordingly, the computation of O&M expenses based on the proposed methodology is shown in subsequent sections.

WPI and CPI Escalation Rates

4.6.17. The Petitioner has considered the inflation index as approved by the Hon'ble Commission in its Tariff Order for FY 2020-21 dated 11 November 2020.

4.6.18. Employee Expenses for FY 2020-21 derived in APR chapter escalated by CPI escalation factors to arrive at the projected Employee Expenses for FY 2021-22. Similarly, R&M Expenses and A&G Expenses for FY 2020-21 derived in APR chapter escalated by WPI escalation factors to arrive at the projected R&M Expenses and A&G Expenses for FY 2021-22. Accordingly, the component wise O&M Expenses projected for FY 2021-22 is summarised as under:

Employee Expenses

4.6.19. The Petitioner has projected its Employee Expenses as mentioned in the above para. Further, the capitalisation figure has been considered as same as booked in Audited accounts for FY 2019-20. Accordingly, Employee Expenses determined for FY 2021-22 is shown in table below:

Table 4-11: Employee Expenses for FY 2021-22 (Rs. Crore)

Sl No.	Particular	Projected
A	Gross Employee Expenses after escalation	149.96
B	Less: Employee Expenses capitalized	11.83
C	**Net Employee Expenses**	**138.13**

Repair & Maintenance Expenses (R&M Expenses)

4.6.20. The Petitioner has projected its R&M Expenses as mentioned in above Para. Accordingly, R&M Expenses determined for FY 2021-22 is shown in table below:

Table 4-12: R&M Expenses for FY 2021-22 (Rs. Crore)

S. No.	Particulars	Projected
1	Gross R&M Expenses after escalation	173.38
2	Less: R&M Expenses capitalized	0.00
3	**Net R&M Expenses**	**173.38**

Administrative & General Expenses (A&G)

4.6.21. The Petitioner has projected its A&G Expenses as mentioned in above Para. Accordingly, A&G Expenses determined for FY 2021-22 is shown in table below:

Table 4-13: A&G Expenses for FY 2021-22 (Rs. Crore)

Sr. No.	Particulars	Projected
1	Gross A&G Expenses after escalation	98.85
2	Less: A&G expenses capitalized	0.00
3	**Net A&G expenses**	**98.85**

Smart Metering OPEX

4.6.22. It is submitted that the Hon'ble Commission has disallowed the OPEX cost incurred by UP Discoms on account of implementation of Smart Meter Rollout scheme holding that: -

(a) Smart Meter Rollout scheme is a self-sustaining model since the billing and collection efficiency of Discoms will increase thereby reducing the commercial losses and overall O&M cost of the Discoms.

(b) MYT Distribution and Transmission Regulations, 2014 provide for O&M expenses on normative basis, hence the same cannot be allowed as additional O&M expense.

4.6.23. It is submitted that the Discoms have been mandated to implement the Smart Meter Rollout Scheme pursuant to statutory mandate and directions of the Hon'ble Commission. In this regard the following is noteworthy: -

(a) In terms of Clause 8.4(3) of Tariff Policy 2016, Smart Meters had to be provided to consumers with monthly consumption of 500 units and more by 31.12.2017 and consumers with monthly consumption above 200 units by 31.12.2019: -

"8.4 Definition of tariff components and their applicability

....

3. The Appropriate Commission may provide incentives to encourage metering and billing based on metered tariffs, particularly for consumer categories that are presently unmetered to a large extent. The metered tariffs and the incentives should be given wide publicity. Smart meters have the advantages of remote metering and billing, implementation of peak and off-peak tariff and demand side management through demand response. These would become essential in future for load generation balancing due to increasing penetration of intermittent type of generation like wind and solar power.

Appropriate Commission shall, therefore, mandate smart meters for:

(a) Consumers with monthly consumption of 500 units and more at the earliest but not later than 31.12.2017;

(b) Consumers with monthly consumption above 200 units by 31.12.2019.

Further, two way smart meters shall be provided to all prosumers, who also sell back electricity to the grid as and when they require."

Hon'ble Supreme Court in ***Energy Watchdog vs CERC & Ors,*** **(2017) 14 SCC 80** has held that Tariff Policy has the force of law [Para 57].

(b) On 08.09.2016 Ministry of Power referring to clause 8.4(3) of the Tariff Policy 2016 wrote to Forum of Regulators (FOR) qua the strategy for roll out of advance metering infrastructure in the States.

(c) Pursuant to the above, Central Electricity Authority (CEA) intimated the Power Secretaries of all the States including State of Uttar Pradesh about technical specification of smart meters. CEA also asked the States to prepare a detailed plan for installation of smart meters and submit the same to respective State Regulatory Commissions for approval.

(d) On 16.05.2018, the Hon'ble Commission directed UPPCL to submit the detailed roll out plan of installation of smart meters by UP Discoms for approval.

(e) On 06.08.2018, UPPCL submitted to The Hon'ble Commission the smart meter roll out plan under OPEX Model. In terms of the rollout plan Efficiency Services Limited (**EESL**) will make the upfront capital investment during the built-up phase and will recover its investment out of gains of the project on OPEX basis. Accordingly, UP Discoms are required to pay monthly fee on OPEX basis as O&M expenditure to EESL on per meter per month basis. The per meter per month cost is calculated as total project cost spread over the actual recovery period, post integration of meters on per meter basis.

(f) On 15.11.2018, the Hon'ble Commission by its Order approved the Smart Meter rollout plan for State Discoms of Uttar Pradesh: -

> *"DISCOM will pay EESL on OPEX basis as O&M expenditure. The assets will be in the books of EESL till the transfer of assets at the end of project at zero value.*
>
> *[..]*
>
> *Since installation of Smart Meters is a national programme and has produced very encouraging financial returns in private Discoms, the Commission approves the proposed roll out plan of UPPCL and Discoms submitted before the Commission……"*

4.6.24. It is submitted that the amount claimed by Petitioner as 'Additional A&G Expenses' for smart metering is payable to EESL as O&M expenses to cover the cost towards smart meter and box installation, AMI software cost, consumer indexing, training, integration and commissioning of AMI solution. This cost was proposed to be recovered under Opex model based on per meter per month basis. Further, there will be no additional burden of depreciation, interest and return on equity on the end-consumer.

4.6.25. Further, the Hon'ble Commission in Order dated 15.11.2018, has directed the Petitioner to implement the Smart Meter rollout plan. As a result, thereof UP Discoms have incurred and will continue to incur substantial additional expenditure.

4.6.26. It is further submitted that the Opex incurred by the Discoms for implementation of Smart Meter rollout plan is not part of the normative O&M expenses provided to the Discoms under the Multi-Year Tariff Order dated 22.01.2019 and Tariff Regulations 2019 since: -

(a) The same was not envisaged during projection of MYT O&M norms for FY 2017-18 to FY 2019-20 and for the control period 2019-24.

(b) The normative O&M norms approved by The Hon'ble Commission are based on previous five-year Audited Accounts, which does not include any O&M expenses towards smart metering.

4.6.27. The Opex cost being incurred by the Petitioner on account of implementation of Smart Meter Rollout Plan pursuant to the mandate of Tariff Policy 2016 qualifies as an uncontrollable expense.

4.6.28. In view of the above it is submitted that the Opex cost towards Smart Meter Rollout Plan was not envisaged by the Petitioner and the Hon'ble Commission while fixing the normative O&M cost allowed for the MYT period 2020-25. Hence, the same being uncontrollable in nature ought to be allowed on actuals, over and above the normative O&M.

4.6.29. In view of the above it is submitted that the Hon'ble Commission completely being aware of the cost implication qua implementation of Smart Metering Rollout Plan has approved/allowed the same by its Order dated 15.11.2018.

4.6.30. The Hon'ble Commission's observation that the smart meter roll out project is a self-sustaining model since the Opex cost to be paid by the licensees will be compensated by overall reduction in O&M cost due to improved billing and collection efficiency on account of installation of smart meters is not correct since: -

(a) It is an attempt to compensate the present additional O&M expenses on account of smart meters Opex with future probable reduction in O&M cost, which may or may not happen. The Hon'ble Commission in its Order dated 15.11.2018 has itself noted that the Petitioner would incur substantial Opex cost (to be paid to EESL) towards implementation of Smart Metering Rollout Plans. Hence, there is no reason to now disallow the said cost.

(b) The approach of compensating the Opex cost with likely savings in billing and collection efficiency is conceptually erroneous. Presently, the tariff is already being determined based on 100% collection efficiency, despite the actual percentage being substantially lower. Therefore, even if billing and collection efficiency increases by installation of smart meters, the same will not have any impact on the tariff of the Petitioner.

4.6.31. It is submitted that based on the cost-benefit analysis of smart meter roll-out plan under Opex model vis-à-vis the Capex model, the Opex model is beneficial for the consumers since it would not entail the additional burden of depreciation, interest and return on equity, as compared to the Capex model.

4.6.32. The smart meter roll out plan on Opex model was submitted to the Hon'ble Commission well before its implementation. The Hon'ble Commission while approving the roll-out plan never stated that the cost envisaged under the Opex model would not be allowed to be passed on in the ARR. Moreover, the Hon'ble Commission in its Tariff Order dated 03.09.2019 stated that it will carry out detailed analysis of the additional O&M expenses (on account of implementation of smart meter roll out plan) for FY 2018-19 at the time of truing-up.

4.6.33. Therefore, the Hon'ble Commission is requested to allow the smart meter Opex estimated by the Petitioner for FY 2021-22:

Table 4-14: Smart metering OPEX Projection for FY 2021-22

Particulars	Smart Meters installed till March 2021	Smart Meters to be installed till March 2022	Rate (Rs. /meter/month including GST @18%)	OPEX (Rs. Crorw)
FY 2021-22	1,21,000	1,57,000	101.421	16.92

4.6.34. The Hon'ble Commission is requested to approve the same.

O&M cost of UPPCL

4.6.35. It is submitted that the Hon'ble Commission in the True-up Order for FY 2018-19 has disallowed O&M expenses to UPPCL. While disallowing the same, the Hon'ble Commission has held that the procurement of power is the responsibility of Petitioner for which the Hon'ble Commission allows considerable amount of O&M expenses and interest on working capital. Since the expenses incurred by UPPCL are on account of procuring power for the Petitioner, Petitioner shall take care of such expenses incurred by UPPCL from the O&M expenses allowed to it.

4.6.36. At this juncture, it is pertinent to note that:-

(a) The Hon'ble Commission has never considered UPPCL's O&M expenses while approving the power purchase costs for the Discoms.

(b) While determining the O&M expenses applicable to the Discoms, the Hon'ble Commission did not consider UPPCL's O&M expenses.

4.6.37. It is submitted that having adopted such an approach in the past, the Hon'ble Commission ought not to have disallowed the expenses incurred by UPPCL for procuring power for the Discoms which is a part of O&M expenses for UPPCL.

4.6.38. It is submitted that the MYT Regulations, 2014 provide for the methodology for consideration of O&M expenses. Regulation 25 of the MYT Regulations, 2014, *inter-alia*, provides that the Hon'ble Commission shall stipulate a trajectory for each of the components of the O&M expenses *viz.* Employee Cost, Repairs and Maintenance (R&M) expense and Administrative and General Expense (A&G) expense. Further, the Hon'ble Commission shall take into account any escalation on account of inflation etc. The relevant extract is reproduced below:-

"***25. Operation & Maintenance Expenses***

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

(b) Norms shall be defined in terms of combination of number of personnel per 1000

consumers and number of personnel per substation along with annual expenses per personnel for Employee cost; combination of A&G expense per personnel and A&G expense per 1000 consumers for A&G expenses and R&M expense as percentage of gross fixed assets for estimation of R&M expenses:

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

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

(e) The One-time expenses and the expenses beyond the control of the Distribution Licensee shall be allowed by the Commission over and above normative Operation & Maintenance Expenses after prudence check.

(f) The norms in the trajectory shall be specified over the control period with due consideration to productivity improvements.

(g) The norms shall be determined at constant prices of base year and escalation on account of inflation shall be over and above the baseline.

(h) The Distribution Licensee specific trajectory of norms shall be identified by the Commission on the basis of simple average of previous five years audited figures, duly normalized for any abnormal variation.

(i) For new Distribution Licensee whose date of commercial operation is within the tariff period (i.e. April 1, 2015 to March 31, 2020), detailed project report shall be used by the Commission to estimate values of norms."

4.6.39. From the above, it is evident that the extant Regulations provide for detailed norms for consideration/utilization of the O&M expenses that are allowed by the Hon'ble Commission. It is submitted that the O&M expenses allowed to the Discoms are to be mandatorily utilized in terms of the prevailing norms and take into account various factors. Therefore, the observation of the Hon'ble Commission that the Discoms are allowed adequate O&M expenses which should be further utilized to meet the expenses incurred by UPPCL in procuring power for the Discoms is not correct.

4.6.40. Further, it is submitted that UPPCL itself has to take into account various factors while utilizing the O&M expenses allowed to it. The same has to be utilized in terms of the norms laid down in the Regulations framed by the Hon'ble Commission. Disallowance of the same by the Hon'ble Commission would have an adverse impact on the financial health of UPPCL as well as UP Discoms, including the Petitioner.

4.6.41. It is further submitted that various other Electricity Regulatory Commissions allow O&M expenses pertaining to procurement of power incurred by the holding Distribution Company of the State Discoms. The details of the same are provided below:-

Sr. No.	State	Holding Company	Allocation methodology as approved by the Commission	Order Considered	Ref Page No.

Sr. No.	State	Holding Company	Allocation methodology as approved by the Commission	Order Considered	Ref Page No.
1	Madhya Pradesh	MPPMCL	Allocated the MPPMCL O&M expenses to three Discoms based on total energy	Tariff Order for FY 2018-19 dated	Para 3.76 and Page 77
2	Gujarat	GUVNL	GUVNL is charging Rs.0.04 for every transaction of the unit. The total cost has been arrived at after considering the total dispatchable units required to be served to all the four DISCOMs. Further this total GUVNL cost is added to total Variable cost of Power Purchase and allocated with Power Purchase cost among all the Discoms	Tariff Order for FY 2019-20 dated 24.4.2019	Para 5.8.3.2 Page 112
3	Bihar	BSP(H)CL	Allocation basis not there in Tariff Order. But the Commission allowed the expenses as booked in the Accounts of Discoms, Transco and Genco. Further, In Tariff Order for FY 2016-17 SBPDCL has submitted that BSPHCL provides common services to all segregated entities and as per the Transfer Scheme "operating expenses incurred by the Holding Company like administration and general expenses, legal and consulting fees, etc. would be shared by the BSPGCL, BSPTCL, SBPDCL and NBPDCL in the ratio of their respective	Tariff Order for FY 2019-20 dated 25.2.2019 and Tariff Order for FY 2016-17 dated 21.3.2016	For T.O for FY 2019-20, Para 7.26 Page 364

4.6.42. UPPCL has started to allocate its O&M expenses to all of its subsidiary State Government Distribution Licensees, in a rational and transparent manner in the books of accounts wef FY 2019-20. As the UPPCL O&M expenses are not forming part of claimed normative O&M expenses, therefore the Petitioner has considered a nominal 5% escalation every year in the FY 2018-19 figures of UPPCL O&M expenses till FY 2021-22 and allocated the same in in proportion to the energy drawl by respective Discoms. The Petitioner's share as per this approach works out to Rs. 10.36 Crore, which has been made claimed under the A&G

Expenses head. Further, at the time of truing-up of FY 2021-22, the UPPCL O&M Expenses shall form part of the Petitioner's O&M Expenses, in line with the UPPCL OM issued, therefore, it shall not be claimed separately in true-up.

4.6.43. Further, it is also important to mention here that, both expenses i.e. Smart metering OPEX and UPPCL O&M Expenses, were not covered under the A&G Expense head in the past periods and therefore, do not form part of the base year's O&M Expenses also. Therefore, these expenses shall be allowed in full , over and above the usual A&G Expenses proposed by the Petitioner.

4.6.44. Based on the above submission, the summary of the Operation & Maintenance expenses (O&M) projected for FY 2021-22 are shown in the table below:

Table 4-15: Operation & Maintenance Expenses for FY 2021-22 (Rs. Crore)

Particulars	Projected
Employee Expenses	149.96
Administrative and General Expenses	98.85
Repair & Maintenance Expenses	173.38
Gross O&M Expenses	**422.19**
Less:	
Employee Expenses capitalized	11.83
Administrative and General Expenses capitalized	0
Expenses Capitalized	11.8333
Net O&M Expenses	**410.36**
Add: Additional Expenses under the head A&G Expenses	
Smart Meter OPEX	16.92
UPPCL O&M Expenses	10.36
Total O&M Expenses	**437.63**

4.6.45. The Petitioner requests the Hon'ble Commission to allow O&M expenses as shown in the above Table.

4.7. *Capital Investment, Capitalisation and Financing*

4.7.1. Details of the scheme-wise Capex and capitalisation based on business Plan Petition filed for the 2nd Control Period from FY 2020-21 to FY 2024-25 dated 27 October 2020 and Regulation 44 of UPERC (Multi Year Tariff for Distribution & Transmission) Regulations, 2019 provides for consideration of capital expenditure for the purpose of determination of ARR for FY 2021-22. Accordingly, the details of proposed Capital Expenditure for FY 2020-21 is depicted in the table below:

Table 4-16: Proposed Capital Expenditure details for FY 2021-22 (Rs Crore)

Sr. No.	Name of Scheme	FY 2021-22					
		Project Cost	Debt	Equity	Consumer Contribution	Grant	Total
1	33 kV Sub-Station Augmentation	2.00	0.00	2.00	0.00	0.00	2.00
2	Urban 33 kV Line	27.40	0.00	27.40	0.00	0.00	27.40
3	Replacement of HT/LT line by underground cable	58.00	0.00	0.00	0.00	58.00	58.00
4	11/0.4 kV Works	10.75	0.00	10.75	0.00	0.00	10.75
5	Strengthening of L.T. line. (Replacement of damages conductor/pole, Additional pole in long span & other access etc.	1.00	0.00	1.00	0.00	0.00	1.00
6	Guarding of 11 kV lines	0.10	0.00	0.10	0.00	0.00	0.10
7	Laying of AB Cable	5.00	0.00	5.00	0.00	0.00	5.00
8	Distribution Transformers Metering	0.00	0.00	0.00	0.00	0.00	0.00
9	IT Infrastructure	6.06	0.00	6.06	0.00	0.00	6.06
10	SCADA/ADMS/GIS	44.00					
	Total	**154.31**	**-**	**52.31**	**-**	**58.00**	**110.31**

4.7.2. The Hon'ble Commission has directed the Petitioner to segregate the identified Project (scheme) wise capex plan along with tentative cost under the following categories:

- to meet the requirement of load growth (new / augmentation)
- refurbishment and replacement of equipment
- reduction in distribution losses
- improvement of voltage profile
- improvement in quality of supply
- system reliability
- metering
- communication and computerization
- any other category (please specify)

4.7.3. Accordingly, the Petitioner has identified each of the scheme/project under one or more of the above mentioned heads, which has been submitted as part of the MYT Formats.

4.7.4. Out of the total capital expenditure mentioned above and the opening balance of Capital Work in Progress (CWIP), the capitalization during the financial year is projected as per following assumptions:

- 40% of the opening CWIP and the investment made during the financial year has been assumed to get capitalized during the year.

- Investment through "deposit work" has been taken as per Audited Accounts for FY 2018-19. However, depreciation thereon has not been charged to the ARR in line with the policy adopted by Hon'ble Commission in its previous Tariff Orders.
- Employee and Interest capitalization has been considered as approved by the Hon'ble Commission for FY 2020-21 in Tariff Order for FY 2020-21 dated 11 November 2020.
- The capital investment plan (net of deposit works and Grants) has been projected to be funded in the ratio of 70:30 (debt to equity).

4.7.5. Considering the aforementioned submissions, the capitalisation and capital work in progress for FY 2021-22 are shown in the Table below:

Table 4-17: Capitalization and WIP of Investment for FY 2021-22 (Rs Crore)

Particulars	Derivation	Projected
Opening WIP as on 1st April 2020	A	295.27
Investments	B	154.31
Employee Expenses capitalization	C	11.83
A&G Expenses Capitalisation	D	0.00
Interest Capitalisation on Interest on long term loans	E	0.00
Total Investments	**F= A+B+C+D+E**	**461.42**
Transferred to GFA (Total Capitalisation)	G	191.67
Closing WIP	**H=F-G**	**269.75**

Notes: *(1) Opening Balances for FY 2020-21 are as per provisional figures of FY 2020-21 closing*

(2) Capitalized expenses are from Emp. cost & A&G cost Tables

(3) Transfer from WIP to GFA=40% of beginning WIP + 40% of investment during the Year.

4.7.6. The Petitioner has considered a normative debt : equity ratio of 70:30. Considering this approach, 70% of the capital expenditure (excluding consumer contribution and grants) undertaken in FY 2021-22 has been considered to be financed through loan and balance 30% has been considered to be financed through equity contributions. The part of capital expenditure financed through consumer contribution, capital subsidies and grants has been separated as the depreciation and interest thereon would not be charged to the beneficiaries.

4.7.7. The table below summarizes the amounts considered towards consumer contributions, capital grants and subsidies for FY 2021-22:

Table 4-18: Consumer Contribution, Capital Grants & Subsidies (Rs. Crore)

Particulars	Projected
Opening Balance of Consumer Contributions, Grants and Subsidies towards Cost of Capital Assets	506.35
Additions during the year	58.00
Less: Amortization	6.30
Closing Balance	**558.05**

4.7.8. Thus, the Petitioner submits that the capital investments proposed during FY 2021-22 after netting off the capital investment through deposit works, has been considered to be funded through debt and equity of 70:30, as depicted in the table below:

Table 4-19: Financing of the Capital Investment (Rs. Crore)

Particulars	Derivation	Projected
Investment	A	154.31
Less:		
Consumer Contribution and grants	B	58.00
Investment funded by debt and equity	C=A-B	96.31
Debt Funded	70%	67.42
Equity Funded	30%	28.89

4.8. *Interest & Finance Charges*

Interest on Long Term Loan

4.8.1. The Hon'ble Commission in its previous Tariff and True-Up orders had considered a normative tariff approach with a debt equity ratio of 70:30. Considering this approach, 70% of the capital expenditure undertaken in any year was financed through loan and balance 30% has been financed through equity contributions. The part of capital expenditure financed through consumer contributions, capital subsidies and grants are separated and the depreciation, interest and return on equity thereon was not charged to the consumers. The amounts received as consumer contributions, capital subsidies and grants were traced from the audited accounts. Subsequently, the financing of the capital investment was worked out based on the debt equity ratio of 70:30 and allowable depreciation was considered as normative loan repayment.

4.8.2. The Petitioner has worked-out the interest on long term loan based on the same philosophy as followed in Interest on Long term loans section of APR Chapter.

4.8.3. The opening balance of long term loan has been considered equivalent to the closing loan balance for FY 2020-21 as per the present Petition.

4.8.4. Allowable depreciation for the year has been considered as normative loan repayment. The weighted average interest rate for FY 2019-20 has been considered for computing the eligible interest expenses.

4.8.5. Considering the above, the gross interest on long term loan has been computed below. The computations for interest on long term loan are shown in table below:

Table 4-20: Interest on Long Term Loan for FY 2021-22 (Rs Crore)

Particulars	Projected
Opening Loan	180.51

Particulars	Projected
Loan Additions (70% of Investments)	67.42
Less: Repayments (Depreciation allowable for the year)	45.01
Closing Loan Balance	202.92
Weighted Average Rate of Interest	10.63%
Gross Interest on long term loan	**20.38**
Interest Capitalisation Rate	-
Less: Interest Capitalized	-
Net Interest on long term loans	**20.38**

Interest on Consumer Security Deposits

4.8.6. As per Regulation 25.2 (c) of UPERC (Multi Year Tariff for Distribution & Transmission) Regulations, 2019, Interest shall be allowed on consumer security deposits as per the provisions of the Electricity Supply Code, 2005 and its subsequent amendments/ addendums and the new Regulations made after repeal of the same.

4.8.7. The opening balances of security deposits have been considered as per closing figures of FY 2020-21 and no additions during the year FY 2021-22 is considered. Accordingly, Petitioner has computed the interest on security deposit for FY 2021-22, which is shown in the Table below.

Table 4-21: Interest on Security deposit for FY 2021-22 (Rs. Crore)

Particulars	Projection
Opening Balance for Security Deposit	145.18
Additions during the year	-
Closing Balance for Security Deposit	145.18
Rate of Interest (RBI bank Rate as on 01.04.2020)	4.65%
Interest on Security Deposits	**6.75**

4.9. *Interest on Working Capital*

4.9.1. The Petitioner has determined Interest on Working Capital for FY 2021-22 as per Regulation 25.2 (a) & 25.2 (b) of UPERC (Multi Year Tariff for Distribution & Transmission) Regulations, 2019. The Regulation 25.2 (a) & 25.2 (b) is quoted below:

"(a)The working capital requirement of the Distribution Business shall cover:

(v) Operation and maintenance expenses for one month;

(vi) Maintenance spares at 40% of the R&M expenses for two months ; and

(vii) One and half month equivalent of the expected revenue from charges for use of Distribution system at the prevailing Tariff (excluding Electricity Duty);

minus

(viii) Amount held as security deposits from Distribution System Users:

Provided that for the purpose of Truing-Up for any year, the working capital requirement shall be re-computed on the basis of the values of components of working capital approved by the Commission in the Truing- Up;

(b) Rate of interest on working capital shall be simple interest and shall be equal to the SBI MCLR (1 Year) on October 01, 2019 plus 250 basis points:

Provided that for the purpose of Truing-Up for any year, simple interest on working capital shall be allowed at a rate equal to the weighted average SBI MCLR (1 Year) prevailing during the concerned Year plus 250 basis points."

4.9.2. While determining Interest on Working Capital (IoWC) for true up of FY 2018-19 and ARR for FY 2020-21 in its Tariff Order dated 11 November 2020, UPERC has deducted the subsidy amount from the expected Revenue (Revenue from Tariff +Subsidy) while considering two/one and half month equivalent of revenue. As per Clause 54 of UPERC (MYT Distribution and Transmission) Regulations, 2019, "*If the State Government requires to grant subsidy to any consumer or class of consumers in the Tariff determined by the Commission, the same shall be provided as per Section 65 of the ACT*".

4.9.3. *Further, extract of Section 65 of EA 2003 is shown below:*

"Section 65. (Provision of subsidy by State Government):

If the State Government requires the grant of any subsidy to any consumer or class of consumers in the tariff determined by the State Commission under section 62, the State Government shall, notwithstanding any direction which may be given under section 108, pay, in advance and in such manner as may be specified, the amount to compensate the person affected by the grant of subsidy in the manner the State Commission may direct, as a condition for the

licence or any other person concerned to implement the subsidy provided for by the State Government:

Provided that no such direction of the State Government shall be operative if the payment is not made in accordance with the provisions contained in this section and the tariff fixed by State Commission shall applicable from the date of issue of orders by the Commission in this regard."

4.9.4. Section 65 itself clarifies that subsidy is the part of Tariff which State Governments provides on behalf of poor consumers who can't pay their bills. Thus, approach of UPERC not considering subsidy as part of expected revenue is incorrect. Other States also following the same approach and considers subsidy as a part of revenue for determining IoWC such as Madhya Pradesh, Maharashtra etc.

4.9.5. Accordingly, the Petitioner has computed the normative working capital requirement considering subsidy as a part of expected revenue and has projected Interest on Working Capital as shown in the table below:

Table 4-22: Interest on Working Capital for FY 2021-22 (Rs. Crore)

Particulars	Derivation	Projected
Total O&M Expenses	A	437.63
One Month's O&M Expenses	B = 1/12 of A	36.47

Particulars	Derivation	Projected
One and half month's equivalent of expected revenue	C	346.12
Maintenance spares @ 40% of R&M expenses for two months	D	11.56
Less: Total Security Deposits by the Consumers reduced by Security Deposits under section 47(1)(b) of the Electricity Act 2003	E	145.18
Total Working Capital Requirement	**G = B + C+D-E**	**248.97**
Interest rate (*the weighted average SBI MCLR (1 Year) prevailing during the concerned Year plus 250 basis points)*	H	9.50%
Interest on working capital	**I = G x H**	**23.65**

4.9.6. The following table summarises the Interest and Finance charges projected by the Petitioner for FY 2021-22.

Table 4-23: Interest and Finance Charges for FY 2021-22 (Rs. Crore)

Particulars	Projected
A: Interest on Long Term Loans	
Gross Interest on Long Term Loan	20.38
Interest on Bonds	-
Less: Interest Capitalisation	-
Net Interest on Long Term Loans	**20.38**
B: Interest on Security deposit	
Interest on Consumer Security Deposits	6.75
Total Interest on Security deposit	**6.75**
C: Interest on Working Capital	**23.65**
Total (A+B+C)	**50.78**

4.10. *Depreciation*

4.10.1. The Hon'ble Commission has considered the written down depreciation method for the assets capitalized before 1.4.2020 and straight line depreciation method for assets capitalized after 1.4.2020. The Petitioner has computed the allowable depreciation expense on the GFA base based on the Hon'ble Commission approach approved in Tariff Order for FY 2020-21 and at the rates approved by the Hon'ble Commission in MYT (Distribution and Transmission) Regulations, 2019. The Petitioner has computed the depreciation only on the depreciable asset base and has excluded the non-depreciable assets such as land, land rights, etc. Further, the Petitioner has reduced the depreciation/amortization on assets created out of consumer contributions, capital grants and subsidies from allowable depreciation for FY 2021-22. The

Petitioner has considered the amortisation of Consumer contribution as considered in APR for FY 2020-21.

4.10.2. Considering this philosophy, the gross entitlement towards depreciation has been computed for FY 2021-22 as shown in the Table below:

Table 4-24: GROSS ALLOWABLE DEPRECIATION FOR ASSETS UPTO 31.03.2020 FOR FY 2021-22 (RS. CRORE)

Sr. No	Particulars	Closing Written down GFA (as on 31.3.2021)	Gross Depreciation during 2020-21	Balance Depreciable Value as on 1.4.2021 (Opening GFA)	Addition to GFA	Average % of Deductions of Last 3 true-Ups	Deduction to GFA	Closing GFA	Average GFA	Depreciation Rate	Allowable Gross Depreciation
1	Land & Land Rights	0.00	0.00	0.00				0.00	0.00	0.00%	0.00
2	Buildings	25.86	0.86	24.99				24.99	24.99	3.34%	0.83
3	Plant & Machinery	268.27	14.16	254.10				254.10	254.10	5.28%	13.42
4	Lines, Cables, Network etc.	493.13	26.04	467.09				467.09	467.09	5.28%	24.66
5	Vehicles	10.28	0.65	9.63				9.63	9.63	6.33%	0.61
6	Furniture & Fixtures	1.20	0.08	1.13				1.13	1.13	6.33%	0.07
7	Office Equipments	1.98	0.13	1.85				1.85	1.85	6.33%	0.12
8	**Total Fixed Assets**	**800.70**	**41.92**	**758.78**				**758.78**	**779.74**		**39.71**
9	Non depreciable assets (Land & Land Rights)	0.00	0.00	0.00				0.00	0.00		0.00
10	Depreciable assets	**800.70**	**41.92**	**758.78**				**758.78**	**779.74**		**39.71**

Table 4-25: GROSS ALLOWABLE DEPRECIATION FOR ASSETS AFTER 1.04.2020 FOR FY 2021-22 (RS. CRORE)

S. No.	Particulars	Opening GFA net of Grant as on 1.4.2021	Addition to GFA	Deduction to GFA	Deduction of Grants	Closing GFA	Average GFA	Depreciation Rate	Allowable Gross Depreciation
1	Land & Land Rights	0.00	0.00	0.00	0.00	0.00	0.00	0.00%	0.00
2	Buildings	5.42	6.31	0.00	2.78	8.95	7.19	3.34%	0.24
3	Plant & Machinery	56.25	64.19	0.00	28.26	92.17	74.21	5.28%	3.92
4	Lines, Cables, Network etc.	103.39	117.99	0.00	51.95	169.43	136.41	5.28%	7.20
5	Vehicles	2.16	2.43	0.00	1.07	3.52	2.84	6.33%	0.18
6	Furniture & Fixtures	0.25	0.28	0.00	0.13	0.41	0.33	6.33%	0.02

S. No.	Particulars	Opening GFA net of Grant as on 1.4.2021	Addition to GFA	Deduction to GFA	Deduction of Grants	Closing GFA	Average GFA	Depreciation Rate	Allowable Gross Depreciation
7	Office Equipment's	0.41	0.47	0.00	0.21	0.68	0.54	6.33%	0.03
8	**Total Fixed Assets**	**167.88**	**191.67**	**0.00**	**84.40**	**275.15**	**221.52**		**11.60**
9	Non depreciable assets (Land & Land Rights)	0.00	0.00	0.00	0.00	0.00	0.00		0.00
10	**Depreciable assets**	**167.88**	**191.67**	**0.00**	**84.40**	**275.15**	**221.52**		**11.60**

4.10.3. Accordingly, the depreciation projected for FY 2021-22 is shown as under:

Table 4-26: NET APPROVED DEPRECIATION FOR ASSETS FOR FY 2021-22 (RS. CRORE)

Particulars	Projected
Gross Depreciation on Assets upto 31.03.2020	39.71
Gross Depreciation on Assets upto 31.03.2020	11.60
Gross Allowable Depreciation	**51.31**
Less: Amortisation of assets acquired out of the Consumer Contribution	6.30
Net Allowable Depreciation	**45.01**

4.11. *Provision for Bad and Doubtful Debts*

4.11.1. The Petitioner has determined bad & doubtful debt as per Regulation 46 of UPERC (Multi Year Tariff for Distribution & Transmission) Regulations, 2019. The Regulation 46 is quoted below:

> "*For any Year, the Commission may allow a provision for write off of bad and doubtful debts up to 2% of the amount shown as Revenue Receivables from sale of electricity in the audited accounts of the Distribution Licensee for that Year or the actual write off of bad debts, whichever is less….*

4.11.2. Accordingly, Petitioner has computed provision for bad and doubtful debts at 2% of the revenue receivables.

Table 4-27: Allowable Provision for Bad and Doubtful Debts for FY 2021-22 (Rs. Crore)

Particulars	Projected
Total Revenue Receivables from Retail Sales	2,768.98

Particulars	Projected
% of Provision for Bad and Doubtful Debts	2.00%
Bad and Doubtful Debts as per Regulation	55.38
Bad Debt Projected	**55.38**

4.12. *Return on Equity*

4.12.1. The Regulation 22 of the MYT (Distribution and Transmission) Regulations, 2019 provides for return on equity @15% post-tax per annum for Distribution Licensee as specified below:

> *"22 Return on equity*
>
> 22.1 Return on equity shall be computed in Rs. terms on equity base at the rate of 14.5% post-tax per annum for the Transmission Licensee and at the rate of 15% post-tax per annum for Distribution Licensee respectively as determined in accordance with Regulation 20:
>
> *Provided that assets funded by Consumer Contribution / Deposit works, Capital Subsidies / Grants and corresponding Depreciation shall not form part of the Capital Cost. Actual Equity infused by the Licensee as per book value shall be considered and shall be used for computation in these Regulations."*

4.12.2. The Petitioner has considered closing equity in true up FY 2020-21 as opening for FY 2021-22. Equity addition during the year has been considered 30% of GFA addition during the year net of consumer contribution, capital subsidies/ grants.

4.12.3. The Return on Equity (RoE) for FY 2021-22 is shown below:

Table 4-28: Return on Equity (RoE) for FY 2021-22 (Rs. Crore)

Particulars	Projected
Opening Equity	356.74
Additions (30% of Capitalization net of Consumer Contribution and Grants)	32.18
Closing Equity	388.92
Rate of Return on Equity (%)	15.00%
Allowable Return on Equity	**55.92**

4.13. *Revenue from Sale of Power*

4.13.1. For projecting the Fixed Charges for FY 2021-22, the average load of March 2021 and March 2022 has been considered as the consumer and the corresponding load has been added during the FY 2021-22.

4.13.2. It is submitted that for HV category consumers, the Petitioner has considered the billable load/Demand at 75% of the contracted load/demand considering it to be as maximum load/demand.

4.13.3. Category-wise revenue worked-out based on above assumptions and projected billing determinants are shown in the Table below:

Table 4-29: Category-wise revenue for FY 2021-22 (Rs Crore)

Category	Fixed Charges	Energy Charges	Total Revenue
LMV-1 Domestic light fan & power	180.25	949.92	1,130.17
LMV-2-Non domestic light fan & power	110.25	265.20	375.45
LMV-3 Public lamps	3.11	31.29	34.40
LMV-4 Light, fan & power for public/private institution	10.96	106.18	117.14
LMV-5 Private tube well/pumping sets	-	0.05	0.05
LMV-6 Small & medium power upto 100 hp/75kw	26.89	251.48	278.37
LMV-7 Public water works	19.52	96.10	115.61
LMV-8 State tube wells & pumps canal upto 100 hp (lmv-8)	-	-	-
Lmv-9 Temporary supply	0.11	1.89	2.00
LMV- 10 Departmental employees	26.59	-	26.59
LMV-11 Electric Vehicle	-	-	-
HV-1 Non industrial bulk load	31.47	177.95	209.42
HV-2 Large & heavy power above 100 bhp (75 kw)	65.32	414.46	479.77
HV-3 Railway traction	-	-	-
HV-4 Lift irrigation & p. canal above 100 bhp (75kw)	-	-	-
Bulk supply	-	-	-
Extra State Consumer	-	-	-
Total	**474.47**	**2,294.51**	**2,768.98**

4.13.4. The Revenue from sale of power for FY 2020-21 as projected by petitioner works outs to be Rs. 22,219.69 Crore towards electricity sales:

Table 4-30: Category-wise consolidated sales, revenue and ABR for FY 2021-22

Consolidated (all 5 Discoms)	Projected Sales (MU)	Estimated Revenue (Rs Cr)	Average Billing Rate (Rs/Unit)
LMV-1: Domestic Light, Fan & Power			
Life Line Consumers (both Rural and Urban) (up to 100 kWh/month)	1,484.70	549.39	3.70
Dom: Rural Schedule (unmetered)	-	-	-
Dom: Rural Schedule (metered) other than BPL	23,490.08	11,391.95	4.85
Dom: Supply at Single Point for Bulk Load	1,100.04	796.87	7.24
Other Metered Domestic Consumers other than BPL	18,995.00	13,250.48	6.98
Sub-Total	**45,069.82**	**25,988.70**	**5.77**
LMV-2:Non Domestic Light, Fan &			

Consolidated (all 5 Discoms)	Projected Sales (MU)	Estimated Revenue (Rs Cr)	Average Billing Rate (Rs/Unit)
Power			
Non Dom: Rural Schedule (unmetered)	-	-	-
Non Dom: Rural Schedule (metered)	921.59	570.73	6.19
Non Dom: Private Advertising /Sign Post/Sign Board/Glow Sign	5.56	10.01	18.00
Non Dom: Other Metered Non-Domestic Supply	5,791.68	6,443.86	11.13
Sub-Total	**6,718.83**	**7,024.60**	**10.46**
LMV-3: Public Lamps			
Unmetered	-	-	-
Unmetered - Gram Panchayat	-	-	-
Unmetered - Nagar Palika & Nagar Panchayat	-	-	-
Unmetered - Nagar Nigam	-	-	-
Metered	**730.13**	**671.40**	**9.20**
Metered - Gram Panchayat	43.89	36.14	8.23
Metered - Nagar Palika & Nagar Panchayat	230.13	210.81	9.16
Metered - Nagar Nigam	456.10	424.45	9.31
Sub-Total	**730.13**	**671.40**	**9.20**
LMV-4: Light, fan & Power for Institutions			
Inst: Public	906.35	894.17	9.87
Inst: Private	204.92	254.24	12.41
Sub-Total	**1,111.27**	**1,148.41**	**10.33**
LMV-5: Private Tube Wells/ Pumping Sets			
Consumers getting supply as per "Rural Schedule"	**13,840.16**	**2,151.23**	**1.55**
PTW: Rural Schedule (unmetered) (Total)	13,527.06	2,067.51	1.53
PTW: Rural Schedule (metered) (Total)	313.10	83.72	2.67
Consumers getting supply as per "Urban Schedule (Metered Supply)"	**158.66**	**110.67**	**6.98**
PTW: Urban Schedule (metered)	158.66	110.67	6.98
Sub-Total	**13,998.82**	**2,261.90**	**1.62**
LMV 6: Small and Medium Power upto 100 HP (75 kW)			
Consumers getting supply as per "Rural Schedule"	407.28	366.41	9.00
Consumers getting supply other than "Rural Schedule"	3,017.57	2,704.13	8.96
Sub-Total	**3,424.85**	**3,070.54**	**8.97**
LMV-7: Public Water Works			
Consumers getting supply as per "Rural Schedule"	492.12	441.33	8.97
Consumers getting supply other than "Rural Schedule"	1,304.63	1,293.58	9.92
Sub-Total	**1,796.75**	**1,734.91**	**9.66**
LMV-8: State Tube Wells & Pump Canals upto 100 HP			
Metered	**2,862.50**	**2,759.74**	**9.64**

Consolidated (all 5 Discoms)	Projected Sales (MU)	Estimated Revenue (Rs Cr)	Average Billing Rate (Rs/Unit)
Metered STW	2,862.50	2,759.74	9.64
Unmetered	**-**	**-**	**-**
Unmetered:STW/Panch.Raj/WB/ID/P. Canals/LI upto 100 BHP	-	-	-
Unmetered: Laghu Dal Nahar above 100 BHP	-	-	-
Sub-Total	**2,862.50**	**2,759.74**	**9.64**
LMV-9: Temporary Supply			
Metered	**209.64**	**215.14**	**10.26**
Metered TS: Individual residential consumers	9.02	10.31	11.43
Metered TS: Others	200.62	204.83	10.21
Unmetered	**-**	**0.26**	**-**
Unmetered TS: Ceremonies	-	-	-
Unmetered TS: Temp shops	-	0.26	-
Sub-Total	**209.64**	**215.40**	**10.27**
LMV-10: Departmental Employees	**638.62**	**373.42**	**5.85**
LMV-11: Electrical Vehicles			
Multi Story Buildings	**-**	**-**	**-**
LMV-1b	-	-	-
HV-1b	-	-	-
Public Charging Station	**-**		**-**
LT	**-**	**-**	**-**
HT	**-**	**-**	**-**
Sub-Total	**-**	**-**	**-**
HV-1: Non-Industrial Bulk Loads			
Commercial Loads / Private Institutions / Non-Domestic Bulk Power with contracted Load 75 kW & above and getting supply at single point on 11 kV & above voltage level.	**1,875.21**	**1,958.96**	**10.45**
Supply at 11 kV	1,599.03	1,599.15	10.00
Supply above 11 kV	276.19	359.81	13.03
Public Institutions, Registered Societies, Residential Colonies / Townships, Residential Multi-Storied Buildings including Residential Multi-Storied Buildings with contracted load 75 kW & above and getting supply at Single Point on 11 kV & above voltage levels	**1,875.21**	**1,887.40**	**10.06**
Supply at 11 kV	1,599.03	1,530.52	9.57
Supply above 11 kV	276.19	356.87	12.92
Sub-Total	**3,750.43**	**3,846.35**	**10.26**
HV-2: Large and Heavy Power above 100 BHP (75 kW)			
HV2 Urban Schedule: Supply at 11 kV	8,616.09	6,971.70	8.09
HV2 Urban Schedule: Supply above 11 kV &	2,736.44	2,088.16	7.63

Consolidated (all 5 Discoms)	Projected Sales (MU)	Estimated Revenue (Rs Cr)	Average Billing Rate (Rs/Unit)
upto 66 kV			
HV2 Urban Schedule: Supply above 66 kV & upto 132 kV	752.14	561.20	7.46
HV2 Urban Schedule: Supply above 132 kV	93.55	61.46	6.57
HV2 Rural Schedule: Supply at 11 kV	154.46	129.53	8.39
Sub-Total	**12,352.68**	**9,812.04**	**7.94**
HV-3: Railway Traction			
HV3 Supply at and above 132 kV	16.85	18.21	10.81
HV3 Supply below 132 kV	16.21	18.16	11.20
HV3 For Metro traction	118.82	104.02	8.75
Sub-Total	**151.88**	**140.38**	**9.24**
HV-4: Lift Irrigation & P. Canals above 100 BHP (75 kW)			
HV4 Supply at 11kV	407.68	365.42	8.96
HV4 Supply above 11kV & upto 66kV	289.65	279.68	9.66
HV4 Supply above 66 kV & upto 132kV	9.32	10.63	11.40
Sub-Total	**706.65**	**655.72**	**9.28**
Extra State Consumer	**26.78**	**20.97**	**7.83**
Bulk Supply Consumer	**2,058.67**	**863.38**	**4.19**
Grand Total	**95,608.34**	**60,587.86**	**6.34**

4.14. *Non-Tariff Incomes*

4.14.1. The Petitioner has projected the non-tariff incomes for FY 2021-22 to the tune of Rs. 12.57 Crore on the basis of FY 2020-21 other income (excluding DPS) submitted in APR for FY 2020-21.

Table 4-31: Non-Tariff Income for FY 2021-22 (Rs Crore)

Particulars	Projected
Income from sale of scrap	0.89
Interest income on loans / advances to employees;	17.52
Income from rental from staff quarters	0.10
Income from hire charges from contactors and others;	2.54
Delayed Payment surcharge	0.00
Miscellaneous Receipts	4.49
Total	**25.54**

4.15. *GoUP Subsidy*

4.15.1. The petitioner has not considered any revenue from subsidy for FY 2021-22 provisionally based on FY 2020-21.

4.15.2. With reference to direct benefit transfer (DBT), the Hon'ble Commission in its Tariff Order dated 11 November 2020 has directed the Petitioner as under:

> *"10.2.1. The State Government is providing annual subsidy of Rs. 10250 Crores for FY 2020-21. The Petitioners have not developed any transparent mechanism for proper utilization of this subsidy only for the directed class of consumers namely, agricultural, lifeline, rural domestic etc. In view of ensuring transparent utilization of public resources by way of subsidy, the Petitioners are directed to prepare a scheme for transfer of subsidy in a transparent manner with the approval of the State Government to be implemented with effect from 1st April 2022. For introduction of DBT, the Petitioners will need to achieve 100% metering of all consumers and also computerise the details of all those consumers who are to be benefitted with subsidy under DBT including agricultural consumers. The Petitioners shall submit the roadmap for DBT in their next ARR filing for year 2021-22."*

4.15.3. The Petitioner submits that appropriate action will be taken accordingly.

4.16. *ARR for FY 2021-22*

4.16.1. The Aggregate Revenue Requirement for FY 2021-22 is summarised in the Table below:

Table 4-32: ARR claimed for FY 2021-22 (Rs Crore)

Sr. No.	Particular	FY 2021-22 Projected
1	Power Purchase Expenses including PGCIL charges	2,576.48
2	Transmission Charges	88.72
3	Total O&M expenses net of capitalization	437.63
4	Interest and Finance charges	50.78
5	Contribution towards Contingency Fund	-
6	Depreciation	45.01
7	Prior Period Expenses	-
8	Bad and Doubtful Debts	55.38
9	**Gross Expenditure**	**3,254.00**
10	Add: Return on Equity	55.92
11	Less: Non-tariff Incomes	25.54
12	Less: revenue from Cross-subsidy (Short-term open access consumers)	-
13	**Annual Revenue Requirement**	**3,284.39**
14	Revenue from Tariff incl DPS	2,768.98
15	GoUP Subsidy	-
16	Less: Additional Subsidy to be provided by GoUP	-
17	**Net Revenue (Gap)/Surplus**	**(515.41)**

4.16.2. The Petitioner requests to approve the ARR claimed for FY 2021-22 in above Table.

5. Accumulated Revenue Gap

5.1. The Petitioner submits that accumulated revenue Gap without considering carrying cost to be recovered from tariff for FY 2021-22 is as under:

Table 5-1: Accumulated Revenue Gap for FY 2021-22 (Rs Crore)

Particulars (Rs Crore)	Revenue Gap
Revenue Gap for FY 2019-20 (Gap)/Surplus	187.47
Revenue Gap for FY 2020-21 (Gap)/Surplus	(398.91)
Revenue Gap for FY 2021-22 (Gap)/Surplus	(515.41)
Total (Gap)/Surplus to be recovered in FY 2020-21	**(726.85)**

6. Tariff Category Rationalisation

6.1.1. The Petitioner submits that the Hon'ble Commission in its Order dated 11.11.2020 has not considered its tariff rationalisation for Consumer category / sub-category / slab simplification submission, which the Hon'ble Commission has not decided to approve stating that the said proposal was filed at very later stage of tariff proceedings. The relevant extract of the Order is reproduced as below:

> "8.1.11. The State owned Discoms vide letter No. 427/RAU/ARR 2020-21 dated September 01, 2020 has submitted a tariff rationalisation for Consumer category / sub-category / slab simplification under uniform tariff for Discoms. However, after consideration of views / comments of various stakeholders, SAC Committee members and the Licensees, the Commission has decided to not approve the tariff category rationalisation as the said proposal was filed at very later stage of Tariff proceedings."

6.1.2. The Petitioner, therefore, is resubmitting the consumer category/sub-category/slabs rationalisation proposal for consideration of the Hon'ble Commission. The Petitioner submits that the same is required due to following:

a) Existing Tariff Schedule is very complex to understand by consumers and complicated to implement by the Licensees.

b) Proper implementation of Government Subsidy is also difficult due to large number of slabs.

c) The difference in slabs of rural and urban consumers necessitates rationalization.

d) Category rationalization will help IT system, commercial & finance wings to implement UPERC Tariff orders effectively.

e) It will be easier to cross subsidize consumer categories as per Tariff Policy.

f) Tariff rationalisation exercise has been carried out under the reforms suggested by Ministry of Power, Govt. of India.

6.1.3. The Petitioner humbly submits to the Hon'ble Commission to consider the below-mentioned tariff category rationalisation in the present proceedings.

6.1.4. As per the presently applicable structure there are 80 categories/subcategories and slabs are present in the tariff schedule for 15 consumers categories. Considering the complex tariff schedule of the State UPPCL in consultation with the State Licensees has proposed tariff rationalization. It is submitted that for the purpose of tariff rationalization some of the categories/sub-categories and slabs have been rationalization considering overall revenue neutrality at consolidated level.

Category	Proposed for tariff rationalization	Load	No of Consumers	Sales

LMV-1	**No changes are proposed in the following categories:** Life Line Consumers (upto 100 kWh) Dom: Rural Schedule (unmetered) Dom: Supply at Single Point for Bulk Load	No Simplification Suggested	No Simplification Suggested	No Simplification Suggested
LMV-1	**Dom: Rural Schedule (metered) other than Lifeline** *Present structure with five (5) slabs is replaced with three (3) slabs only, i.e. 0 – 100, 101 – 300 and Above 300 units per month*	Slabs have been made identical for urban and rural categories. No impact on load as existing slabs are re-arranged	Slabs have been made identical for urban and rural categories. Consumers with slab 101-150 kWh/month will be impacted as per currently applicable subsidy.	There will be no impact on total sales, as slabs have been rationalized and identical for urban and rural categories.
	Dom: Other Metered Domestic Consumers other than Lifeline *Present structure with four (4) slabs is replaced with three (3) slabs only, i.e. 0 – 100, 101 – 300 and Above 300 units per month. The proposed slabs of urban categories are identical to rural slabs category*	Slabs have been made identical for urban and rural categories. No impact on load as existing slabs are re-arranged	Slabs have been made identical for urban and rural categories.	There will be no impact on sales as slabs have been made identical for urban and rural categories.
LMV-2	*Rural Schedule (Un-metered) sub-category has been deleted and merged with the Rural Schedule (Metered) sub-category.*	Proposed changes are being done to achieve 100% metering except LMV-5		
	Private Advertising /Sign Post/Sign Board/Glow Sign is merged with other meter non-domestic supply	There will be insignificant impact on billing determinant.		
LMV-2	**Non Dom: Other Metered Non-Domestic Supply** *Sub-categories having* ***connected load up to 2 kW and above 2 kW to 4 kW*** *has been merged into single sub-category*	As per the recent practice single phase connection is being provided up to 4 kW load. Therefore, connected load up to 2 kW and above 2 kW to 4 kW has	As per existing IT system number of consumers *0-100 kWh/Month. Is not available.*	As per existing IT system sales for *0-100 kWh/Month. Is not available.*

	having ***connected load of upto 4 kW. One new slab is added 0-100 kWh/Month***	been merged into single sub-category having connected load of upto 4 kW.		
LMV-2	For sub-categories having **connected load** Above 4 kW two slabs has been proposed as under: • 0-1000 kWh/Month • Above 1000 kWh/Month	As per the recent practice three phase connection is being provided for load above 4 kW. Therefore, only two slabs up to 1000kWh/month and above 1000 kWh/Month is proposed.	No Simplification Suggested	No Simplification Suggested
LMV-3	**Un-Metered** *Only one unmetered category is proposed after merging all existing Sub-categories.*	Power supply to the all unmetered - Gram Panchayat, Nagar Palika & Nagar Panchayat, Nagar Nigam are in common schedule. Therefore, all unmetered are merged. However, there will be no impact on billing determinants.		
LMV-3	**Metered** *Only one metered category is proposed after merging all existing Sub-categories.*	Power supply to the all metered - Gram Panchayat, Nagar Palika & Nagar Panchayat, Nagar Nigam are in common schedule. Therefore, all metered are merged. However, there will be no impact on billing determinants		
LMV-4	**Public Institutions** *The Public Institutions sub-category currently has three (3) consumption slabs 0 – 1000, 1001 – 2000 and Above 2000 kWh / month which is merged into single (1) consumption slab*	Fixed Charges has been kept same as per existing Tariff schedule.	Consumption slabs is being merged. No impact on number of consumers are	No impact on sales.
LMV-4	**Private Institutions** *The Private Institutions sub-category currently has two load based sub-categories and 4 consumption-based slabs. All these have been merged into two sub-categories as under* • *Inst: Educational Institute* • *Inst: Other Private Institution*	Existing IT system does not mentioned load data in proposed sub-*categories Inst: Educational Institute and Other Private Institution*	There will be no impact on number of consumers	There will be no impact on over all sales of the sub category.
LMV-5	No simplification proposed	No Simplification Suggested	No Simplification	No Simplification Suggested

			Suggested	
LMV-6	**Consumers getting supply other than Rural Schedule** *It is proposed category based on Load – say upto 20 kW and above 20 kW,*	Load based tariff is proposed based on the analysis applicable tariff in various states.	No impact on number of consumers	Impact on sales can be analyzed after implementation of the proposed schedule.
LMV-6	**Consumers getting supply as per Rural Schedule** *Consumer getting supply as per 'Rural Schedule' is getting 7.50% Rebate on 'RATE' as given for Consumer getting supply 'Other than Rural Schedule'*			
LMV-7 LMV-8	It is proposed to be merged LMV-7 and LMV-8. Metered STW is merged with LMV-7 Urban, Un-metered STW is kept as a separate sub-category for STW/Panch.Raj/ WB/ID/P. Canals/LI upto 100 BHP & Laghu Dal Nahar above 100 BHP	Only categories are merged no changed in existing billing determinants of the categories.		
LMV-9	Proposed change in metered slabs is based on provisions of other state Tariff Schedule For Unmetered TS: Ceremonies Normative consumption 240 kWh per day (12 hours per day for up to 20 kW connection) and for Unmetered TS: Temp shops normative units 36 kWh per day (18 hours per day for up to 2 kW connection) is proposed	Proposed changes are being made to ascertain billing determinants of Temporary Supply		
LMV-10	No simplification proposed	No Simplification Suggested	No Simplification Suggested	No Simplification Suggested
LMV-11	No simplification proposed	No Simplification Suggested	No Simplification Suggested	No Simplification Suggested
HV-1	***Public Institutions/***			

	Registered Societies / Residential Colonies/ Townships/Residential Multi-Storied Buildings including Residential Multi-Storied Buildings			
HV-1	***Commercial Loads / Private Institutions/Non-domestic bulk power consumer***	All slabs have been merged as Supply at 11 kV and Supply above 11 kV.		
HV-2	It is proposed that no separate Rural Schedule: Supply at 11 kV is required, it is proposed that charges for Rural Schedule: Supply at 11 kV may be as per existing provision may be "*Consumer getting supply as per 'Rural Schedule' is getting 7.50% Rebate on 'RATE' as given for Consumer getting supply 'Other than Rural Schedule"*	All slabs have been merged as Supply at 11 kV and Supply above 11 kV.	No Simplification Suggested	No Simplification Suggested
HV-3	it is proposed to merge the first two sub-categories of Railway Traction, based on voltage level, into a single sub-category i.e. HV3 for Railway Traction.	Proposed changes in Railway Traction category considering current scenario of railways consumers as most of these consumers has migrated to Open Access	No Simplification Suggested	No Simplification Suggested
HV-4	No simplification proposed	No Simplification Suggested	No Simplification Suggested	No Simplification Suggested

UP State Tariff Categories			
Tariff category		Existing	Proposed
LMV-1	DOMESTIC LIGHT, FAN & POWER:	12	9
LMV-2	NON-DOMESTIC LIGHT, FAN & POWER:	12	6
LMV-3	PUBLIC LAMPS:	6	2
LMV-4	LIGHT, FAN & POWER FOR PUBLIC & PRIVATE INSTITUTION:	7	3

LMV-5	SMALL POWER FOR PRIVATE TUBE WELL/ PUMPING SETS FOR IRRIGATION PURPOSES:	4	4
LMV-6	SMALL AND MEDIUM POWER:	6	4
LMV-7	PUBLIC WATER WORKS:	2	3
LMV-8	STW, PANCHAYTI RAJ TUBE WELL & PUMPED CANALS:	2	0
LMV-9	TEMPORARY SUPPLY:	5	3
LMV-10	DEPARTMENTAL EMPLOYEES AND PENSIONERS:	1	1
LMV-11	ELECTRIC VEHICLE CHARGING:	4	4
HV-1	NON-INDUSTRIAL BULK LOAD:	8	4
HV-2	LARGE AND HEAVY POWER:	5	5
HV-3	RAILWAY TRACTION & METRO RAIL:	3	2
HV-4	LIFT IRRIGATION WORKS:	3	3
	Total	**80**	**53**

Billing Determinants as per Tariff Order		**Consumer Category/sub-category/Slab Rationalization Proposal**	
	CONSUMER CATEGORY / SUB-CATEGORY/Slab		**CONSUMER CATEGORY / SUB-CATEGORY /Slab**
LMV-1	DOMESTIC LIGHT, FAN & POWER:	LMV-1	DOMESTIC LIGHT, FAN & POWER:
(a)	Consumers getting supply as per 'Rural Schedule'	(a)	Consumers getting supply as per 'Rural Schedule'
(i)	Lifeline Consumers: With contracted load of 1.00 kW, Energy consumption upto 100 kWh/ month	(i)	Lifeline Consumers: With contracted load of 1.00 kW, Energy consumption upto 100 kWh/ month
(ii)	Un-Metered:	(ii)	Un-Metered:
(iii)	Metered: (Dom: Rural Schedule (metered) other than BPL)	(iii)	Metered: (Dom: Rural Schedule (metered) other than BPL)
	Upto 100 kWh / Month		Upto 100 kWh / Month
	101-150 kWh / Month		101-300 kWh / Month
	151-300 kWh / Month		Above 300 kWh / Month
	301-500 kWh / Month		
	Above 500 kWh / Month		
(b)	Supply at single point for bulk loads (50 kW and above, Supplied at any voltage):	(b)	Supply at single point for bulk loads (50 kW and above, Supplied at any voltage):
	Deemed Franchisee of the Licensee should not charge more than 5% additional charge on the above specified rate.		Deemed Franchisee of the Licensee should not charge more than 5% additional charge on the above specified rate.
(c)	Other Metered Domestic Consumers:	(c)	Other Metered Domestic Consumers:
(ii)	Other Metered Domestic Consumers other than BPL	(ii)	Other Metered Domestic Consumers other than BPL
	Upto150 kWh / month		Upto 100 kWh / Month
	151-300 kWh / month		101-300 kWh / Month
	301- 500 kWh / month		Above 300 kWh / Month
	Above 500 kWh / month		
LMV-2	NON-DOMESTIC LIGHT, FAN & POWER:	LMV-2	NON-DOMESTIC LIGHT, FAN & POWER:
(a)	Consumers getting supply as per "Rural Schedule"	(a)	Consumers getting supply as per "Rural Schedule"
(i)	Un-Metered	[Merged with metered category]	
(ii)	Metered	(i)	Metered
(b)	Private Advertising / Signposts / Sign Boards /	(b)	Private Advertising / Signposts / Sign Boards /

Billing Determinants as per Tariff Order	
	Glow Signs / Flex
	Metered
(c)	Other Metered Consumers: (For All Loads)
	Upto 2 kW
	Upto 300 kWh / month
	301 – 1000 kWh / month
	Above 1000 kWh/Month
	Above 2 kW to 4 kW
	Upto 300 kWh / month
	301 – 1000 kWh / month
	Above 1000 kWh/Month
	Above 4 kW
	Upto 300 kWh / month
	From 301-1000 kWh / month
	Above 1001 kWh / month
LMV-3	PUBLIC LAMPS:
	Un-Metered Supply:
	Gram Panchayat.
	Nagar Palika and Nagar Panchayat
	Nagar Nigam
	Metered Supply:
	Gram Panchayat
	Nagar Palika and Nagar Panchayat
	Nagar Nigam
LMV-4	LIGHT, FAN & POWER FOR PUBLIC & PRIVATE INSTITUTION:
4 (a)	For Public Institutions:
	From 0-1000 kWh/ month
	From1001-2000 kWh/ month
	Above 2001 kWh / month (From 2001st unit onwards)
4 (b)	For Private Institutions:
	Upto 3 kW: Upto 0-1000 kWh/Month
	Upto 3 kW: Above 1000 kWh/Month
	Above 3 kW: Upto 0-1000 kWh/Month
	Above 3 kW: Above 1000 kWh/Month
LMV-5	SMALL POWER FOR PRIVATE TUBE WELL/ PUMPING SETS FOR IRRIGATION PURPOSES:
(a)	Consumers getting supply as per "Rural Schedule"
(i)	Un-Metered Supply
	Rural Schedule
	Rural Schedule Pumps
(ii)	Metered Supply
	Rural Schedule
	Rural Schedule Pumps
(iii)	Energy Efficient Pumps
(b)	Consumers getting supply as per "Urban Schedule (Metered Supply)"
	Schedule
LMV-6	SMALL AND MEDIUM POWER:
(a)	Consumers getting supply other than "Rural Schedule"
	Upto 1000 kWh/ month
	Upto 2000 kWh/ month
	Above 2000 kWh / month

Consumer Category/sub-category/Slab Rationalization Proposal	
	Glow Signs / Flex
	[Merged with (c) below]
(c)	Other Metered Consumers: (For All Loads)
	Upto 4 kW
	Upto 100 kWh / Month
	101-300 kWh / Month
	Above 300 kWh / Month
	Above 2 kW to 4 kW
	[Merged with (c) above]
	Above 4 kW
	Upto 1000 kWh / Month
	Above 1000 kWh / month
LMV-3	PUBLIC LAMPS:
	Un-Metered Supply:
	Gram Panchayat, Nagar Palika, Nagar Panchayat and Nagar Nigam
	Metered Supply:
	Gram Panchayat, Nagar Palika, Nagar Panchayat and Nagar Nigam
LMV-4	LIGHT, FAN & POWER FOR PUBLIC & PRIVATE INSTITUTION:
4 (a)	For Public Institutions:
4 (b)	For Private Institutions:
	All Load
	For Private Educational Institutions
	For Other Private Institutions
LMV-5	SMALL POWER FOR PRIVATE TUBE WELL/ PUMPING SETS FOR IRRIGATION PURPOSES:
(a)	Consumers getting supply as per "Rural Schedule"
(i)	Un-Metered Supply
	Rural Schedule
	Rural Schedule Pumps
(ii)	Metered Supply
	Rural Schedule
	Rural Schedule Pumps
(iii)	Energy Efficient Pumps
(b)	Consumers getting supply as per "Urban Schedule (Metered Supply)"
	Schedule
LMV-6	SMALL AND MEDIUM POWER:
(a)	Consumers getting supply other than "Rural Schedule"
	Connected Load upto 20 kW
	Connected Load Above 20 kW

Billing Determinants as per Tariff Order		Consumer Category/sub-category/Slab Rationalization Proposal	
LMV-7	PUBLIC WATER WORKS:	LMV-7 & LMV-8	PUBLIC WATER WORKS, STW, PANCHAYTI RAJ TUBE WELL & PUMPED CANALS:
(a)	Consumers getting supply other than "Rural Schedule"	(a)	Consumers getting supply other than "Rural Schedule"
(b)	Consumers getting supply as per "Rural Schedule"	(b)	Consumers getting supply as per "Rural Schedule"
			Metered PWW, STW, PANCHAYTI RAJ TUBE WELL & PUMPED CANALS
			Un-Metered STW, PANCHAYTI RAJ TUBE WELL & PUMPED CANALS
LMV-8	STW, PANCHAYTI RAJ TUBE WELL & PUMPED CANALS:	Merged with LMV 7	
(i)	Metered		
(ii)	Un-Metered		
	Unmetered:STW/Panch.Raj/WB/ID/P. Canals/LI upto 100 BHP		
	Unmetered: Laghu Dal Nahar above 100 BHP		
LMV-9	TEMPORARY SUPPLY:	LMV-9	TEMPORARY SUPPLY:
(a)	Un-Metered	(a)	Un-Metered
	Illumination / Public Address / ceremonies for loads upto 20 kW / connection plus Rs.100.00 / kW / day for each additional kW		Illumination / Public Address / ceremonies for loads upto 20 kW / connection plus Rs.100.00 / kW for each additional kW [for one day only]
			Illumination / Public Address / ceremonies for loads upto 20 kW / connection plus Rs.100.00 / kW for each additional kW [for more than one day and upto 15 days only]
	Temporary shops set-up during festivals / melas or otherwise and having load up to 2 kW		Temporary shops set-up during festivals / melas or otherwise and having load up to 2 kW
	PTW consumers of Bundelkhand Area having requirement of electricity only for the Rabi Crop i.e. period between November to February in any year.		PTW consumers of Bundelkhand Area having requirement of electricity only for the Rabi Crop i.e. period between November to February in any year.
(b)	Metered	(b)	Metered
	(i) Individual Residential Consumers		(i) Individual Residential Consumers
	(ii) Others		(ii) Others
	From 3rd Year onwards: Base Tariff applicable for current year plus additional 10% of the applicable Energy Charge.		
LMV-10	DEPARTMENTAL EMPLOYEES AND PENSIONERS:	LMV-10	DEPARTMENTAL EMPLOYEES AND PENSIONERS:
LMV-11	ELECTRIC VEHICLE CHARGING:	LMV-11	ELECTRIC VEHICLE CHARGING:
	Multi Storey Buildings (covered under LMV-1b & HV-1b of the Rate Schedule)		Multi Storey Buildings (covered under LMV-1b & HV-1b of the Rate Schedule)
	Multi Story Buildings (Covered under LMV-1b)		Multi Story Buildings (Covered under LMV-1b)
	Multi Story Buildings (Covered under HV-1b)		Multi Story Buildings (Covered under HV-1b)
	Public Charging Stations		Public Charging Stations
	Public Charging Station (LT)		Public Charging Station (LT)
	Public Charging Station (HT)		Public Charging Station (HT)
HV-1	NON-INDUSTRIAL BULK LOAD:	HV-1	NON-INDUSTRIAL BULK LOAD:
(a)	Commercial Loads / Private Institutions / Non-Domestic Bulk Power consumer with contracted Load 75 kW & above and getting supply at single point on 11 kV & above:	(a)	Commercial Loads / Private Institutions / Non-Domestic Bulk Power consumer with contracted Load 75 kW & above and getting supply at single point on 11 kV & above:
	For Supply at 11 kV		For Supply at 11 kV (All Units)
	0-2500 kVAh / month		
	Above 2500 kVAh / month		
	For Supply above 11 kV		For Supply above 11 kV (All Units)
	0-2500 kVAh / month		

Billing Determinants as per Tariff Order		Consumer Category/sub-category/Slab Rationalization Proposal	
	Above 2500 kVAh / month		
(b)	Public Institutions, Registered Societies, Residential Colonies / Townships, Residential Multi-Storied Buildings including Residential Multi-Storied Buildings with contracted load 75 kW & above and getting supply at Single Point on 11 kV & above voltage levels:	(b)	Public Institutions, Registered Societies, Residential Colonies / Townships, Residential Multi-Storied Buildings including Residential Multi-Storied Buildings with contracted load 75 kW & above and getting supply at Single Point on 11 kV & above voltage levels:
	For Supply at 11 kV		For Supply at 11 kV (All Unit)
	0-2500 kVAh / month		
	Above 2500 kVAh / month		
	For Supply above 11 kV		For Supply above 11 kV (All Unit)
	0-2500 kVAh / month		
	Above 2500 kVAh / month		
HV-2	LARGE AND HEAVY POWER:	HV-2	LARGE AND HEAVY POWER:
(A)	Urban Schedule:	(A)	Urban Schedule:
	Supply up to 11 kV		Supply up to 11 kV
	Supply above 11 kV and up to 66 kV		Supply above 11 kV and up to 66 kV
	Supply above 66 kV and up to 132 kV		Supply above 66 kV and up to 132 kV
	Supply above 132 kV		Supply above 132 kV
HV-3	RAILWAY TRACTION & METRO RAIL:	HV-3	RAILWAY TRACTION & METRO RAIL:
(A)	Railway Traction:	(A)	Railway Traction:
	For Supply at and above 132 kV		
	For Supply below 132 kV		
(B)	METRO RAIL	(B)	METRO RAIL
HV-4	LIFT IRRIGATION WORKS:	HV-4	LIFT IRRIGATION WORKS:
	For Supply at 11 kV		For Supply at 11 kV
	For Supply at 33 kV & 66 kV		For Supply at 33 kV & 66 kV
	For Supply at 132 kV		For Supply at 132 kV

6.1.5. The Petitioner requests the Hon'ble Commission to determine the tariff for FY 2021-22 on the category/sub-category/slabs rationalisation as proposed above.

7. Compliance to Directives issued by UPERC for FY 2019-20 in Tariff Order dated 1 November 2020

Table-7-1: Compliance to directives issued under Tariff Order for FY 2020-21

Sl. No.	Description of Directive	Directives in the Tariff Order for FY 2020-21	Compliance
1	To prepare a scheme for direct transfer of subsidy to the consumers in a transparent manner with the approval of the State Government and submit the road map of DBT implementation in next ARR.	Next ARR Filings	Approval of the State Government is under process.
2	100% metering is a necessary condition for an efficient distribution network and financial viability of the distribution companies. As per the submission made by the Petitioners, the metering of all the consumers (except LMV-5) shall be completed by end of FY 2020-21. The Commission directs that metering of LMV-10 consumers should be completed by end of FY 2020-21. The Petitioners shall also strive to ensure metering of consumers in LMV-5 category as well because 100% metering of consumers is necessary for implementing DBT mechanism.	As per the time lines specified	The Petitioner humbly submits that it is working to comply the Hon'ble Commission's directive.
3	The Petitioners have already commenced installation of 40 lakh smart meters. The Commission further directs that in addition to above smart meter roll out plan of 40 lakh smart meters, only either pre-paid meter or smart meters be installed for all new connections or replacement of faulty meters.	Immediate	The Petitioner is obligated to follow the Hon'ble Commission's directive.
4	The Petitioners are directed to ensure 100% feeder metering and DT metering within next one year.	As per the time lines specified	The Petitioner humbly submits that KESCO has achieved 100% feeder metering. The Petitioner further submits that the process of DT metering is already initiated and has achieved 99% DT metering. Further, petitioner will try to ensure 100% DT metering.
5	The Licensee to ensure that the Category / Sub-Category wise billed revenue as per Rate Schedule is included in the Audited Annual Accounts/Financial Statements from FY 2020-21 onwards.	Immediate	As directed by the Hon'ble Commission in its Order dated 11.11.2020, the licensee will ensure to comply the same from FY 2020-21 onwards

Sl. No.	Description of Directive	Directives in the Tariff Order for FY 2020-21	Compliance
6	The Petitioners must submit the details of each investment scheme / project exceeding Rs. 10 Crore and obtain prior approval of the Commission as per Regulations for inclusion as regulatory expenditure in the ARR. Failure to do so will result in disallowance of such investment in the ARR in order to safeguard the consumers from unjust and unfair charges.	Immediate	The Petitioner is obligated to follow the Hon'ble Commission's directive.
7	The Commission also directs the Petitioners to submit the voltage wise (440V, 11kV, 33kV, 66kV, 132 kV) - Energy Sales and Losses. Also, the now mandatory energy audit report and the cost audit report (prepared in accordance with Companies (Cost Records and Audit) Rules 2014) shall also be submitted every year along with the ARR Petitions.	Next ARR Filings	The Petitioner humbly submits that it has started the Feeder & DT metering work in all Discoms, after completion of the work, licensees will be able to submit the required report to the Hon'ble Commission.
8	The Commission directs the Petitioners to ensure to file its ARR/ tariff Petition on time strictly in accordance with the applicable UPERC MYT Regulations.	Next ARR Filings	The Petitioner is obligated to follow the Hon'ble Commission's directive.
9	The Commission directs the Petitioners that while filing ARR/ Tariff Petition, it shall upload on its website the Petitions filed before the Commission along with all regulatory filings, information, particulars and related documents, which shall be signed digitally and in searchable pdf formats along with all excel files.	Next ARR Filings	The Petitioner is obligated to follow the Hon'ble Commission's directive.
10	The Commission directs that its un-complied directions of earlier Tariff Orders be complied with immediately.	Immediate	The Petitioner submits compliance status of earlier un-complied directives within this section itself.

Compliance status of un-complied directions of earlier Tariff Orders are as under:

Table-7-2: Compliance to uncompiled directives issued under Tariff Order for FY 2019-20

Sl. No	Description of Directives	Compliance status
2	Licensees to comply with the Regulation 23 A (b) of UPERC Multi Year Distribution Tariff Regulations, 2014 relating to obtaining project wise prior approval of the Commission before incurring capital expenditure of an amount exceeding 10 Crore, so that such investments may be allowed in the ARR.	The State Discoms humbly submits that it is obligated to follow the directive.
7	Agricultural consumers should be given un-interrupted supply preferably during day time as per schedule.	The Licensee humbly submits that it is providing un-interrupted supply during day time as per schedule to the Agricultural consumers
12	100% metering for LMV-10 consumers was Ordered in Commission's MYT Order dated November 30, 2017. This should be immediately complied with failing which punitive measures may be taken against the Licensee in terms of deemed revenue.	Efforts are being made in this direction. Problem is being faced in maintaining industrial relations with employee unions and unrest with employees considering their agreement with the Govt.

Table-7-3: Compliance to uncompiled directives issued under Tariff Order for FY 2018-19

Sl.No.	Description of Directive	Compliance status
2	The Commission had directed the Licensees to submit the actual details of revenue category and sub-category wise for all the consumers.	As directed by the Hon'ble Commission in its Order dated 11.11.2020, the Licensee will ensure to comply the same from FY 2020-21 onwards.
3	The Commission directed the Licensees to submit a trajectory of targets for improving Collection Efficiency during the Control Period (FY 2017-19) at the time of Annual Performance Review. However, the Licensees have not submitted any trajectory targets for improving the Collection Efficiency.	Discoms are making efforts to improve their Collection Efficiency. It is humbly submitted that the Hon'ble Commission is determining the ARR at 100% Collection Efficiency.

Sl.No.	Description of Directive	Compliance status
7	The Licensees are directed to depict the Regulatory Surcharge separately and distinctly in the electricity bills of the consumers. The Licensees should maintain separate accounting fields for the regulatory surcharge and capture the amounts billed and collected as Regulatory Surcharge in both of its financial and commercial statements. This would enable the Licensees to correctly report the amounts collected towards Regulatory Surcharge.	It is humbly submitted that UPERC has abolished the Regulatory Surcharge.
9	Submit details of inter- state losses as per the format described in the relevant part of this order	Inter-state losses have been submitted to Hon'ble Commission in the Format provided by Hon'ble Commission in the relevant section.

Table-7-4: Compliance to uncompiled directives issued under Tariff Order for FY 2017-18

S.No.	Description of Directive	Compliance
2	The Commission directs the Licensee to evolve principles for prudent segregation of ARR towards wheeling function and retail supply function embedded in the distribution function in accordance with part VI of the Multi Year Distribution Tariff Regulations, 2014.	The Petitioner humbly submits that complete segregation of account between wheeling and retail supply has still not taken place, therefore the Petitioner has adopted the basis of allocation of the expenses in line with the methodology used by the Hon'ble Commission in its last Tariff Order.
3	The Commission directs the Licensee to expedite the process of conducting Cost of Service (CoS) studies which would serve as a tool for alignment of costs and charges and submit details regarding the CoS studies for each category or voltage level.	Tariff Policy, 2016 requires determination of Cross-subsidy levels based on Average Cost of Supply only. Therefore, the cost of service study is no longer required.
4	The Commission directs the Licensee to install electronic meters in the residential consumers under LMV-10 category and submit a progress report every month.	Efforts are being made in this direction. Problem is being faced in maintaining industrial relations with employee unions and unrest with employees considering their agreement with the Govt.

S.No.	Description of Directive	Compliance
7	The Commission directs the Licensee to ensure the timely payment of the interest on security deposit to the consumers as per the Orders of the Commission and submit the compliance report. Licensees should submit the details of the actual interest on consumer security deposit paid to the consumers in FY 2016-17. MVNNL and KESCO were directed to submit the details of the actual interest on consumer security deposit paid to the consumers for FY 2014-15 & FY 2015-16.	The data work is not fully computerised for FY 2014-15 & FY 2015-16. It has advertised by the utility that the consumers whose interest has not been adjusted in the bills, should inform the concerned divisions.
9	The Commission directs the Licensee to submit the tentative timelines for submitting the Fresh Actuarial Valuation Study Report in respect to employee expenses.	Fresh Actuarial Valuation Study Report is attached as Annexure 4.
10	The Commission directs the Licensee to file a separate Petition for approval of prior period expenses / incomes. The Petition should clearly indicate the head-wise year-wise bifurcation of prior period expenses / incomes clearly indicating the impact of such expenses / incomes on various ARR components, and such impact should not exceed the normative expenses for any particular year.	The Licensee hereby submits that prior period expenses/income records as required for preparing the details is not readily available. This is causing concerns for the petition submission.

Table-7-5: Compliance to uncompiled directives issued under Tariff Order for FY 2016-17

S. No.	Description of Directive	Compliance
5	The Commission directs the Licensee to complete the Study of Agriculture feeders segregated and not segregated in significant numbers to determine base line norms as per the Regulations 17.2, 17.3 notified vide MYT Regulations, 2014 and subsequently submit the report to the Commission.	The petitioner humbly submits that there is no agriculture feeder in the supply licensee area of the petitioner.
6	The Commission directs the Licensee to submit Roadmap for Reduction of Cross Subsidy as per the Regulation 39 notified vide MYT Regulations, 2014.	After, the Hon'ble Commission sets the Roadmap for Reduction of Cross Subsidy, licensee is obligated to follow the same.

8. Retail and Wheeling Business ARR Summary

8.1.1. Clause 39.1 of the MYT (Transmission and Distribution) Regulations, 2019 provide that ARR/Tariff filing by the Distribution Licensee shall separately records for the Distribution Wires Business and Retail Supply Business and shall prepare an Allocation Statement to enable the Hon'ble Commission to determine the Tariff separately for the Distribution Wires Business and Retail Supply Business. In case complete accounting segregation has not been done between the Distribution Wires Business and Retail Supply Business of the Distribution Licensee, the ARR of the Distribution Licensee shall be apportioned between the Distribution Wires Business and Retail Supply Business in accordance with an Allocation Matrix to be prepared by the Licensee and submitted for the Hon'ble Commission`s approval.

8.1.2. The Petitioner humbly submits that complete segregation of account between wheeling and retail supply has still not taken place, therefore the Petitioner has adopted the basis of allocation of the expenses in line with the methodology used by the Hon'ble Commission in its last Tariff Order.

8.1.3. Allocations of Consolidated ARR into wheeling & retail supply for 1st Control Period have been estimated into following table:

Table 8-1: Wheeling and Retail Supply for the FY 2021-22 (Rs Crore)

Particulars	Allocation %		Allocation (FY 2021-22)		
	Wheeling	Supply	Wheeling	Supply	Total
Power Purchase Expenses (incl PGCIL charges)	0%	100%	0.00	62,020.99	62,020.99
Apportionment of O&M Expenses & Interest & Finance Charges of UPPCL	0%	100%	0.00	0.00	0.00
Transmission Charges - Intra state (incl SLDC Charges)	0%	100%	0.00	2,729.61	2,729.61
O&M Expenses					
Employee cost (Net of Capitalisation)	60%	40%	884.38	589.59	1,473.96
A&G expenses	40%	60%	977.77	1,466.65	2,444.42
R&M expenses	90%	10%	4,642.94	515.88	5,158.82
Interest & Finance charges (Net of Capitalisation)	90%	10%	2,137.09	237.45	2,374.55
Depreciation	90%	10%	1,668.58	185.40	1,853.98
Gross Expenditure			**10,310.76**	**67,745.58**	**78,056.34**
Expense capitalization					

Particulars	Allocation %		Allocation (FY 2021-22)		
	Wheeling	Supply	Wheeling	Supply	Total
Employee cost capitalized	60%	40%	0.00	0.00	0.00
Interest capitalized	90%	10%	0.00	0.00	0.00
A&G expenses capitalized	40%	60%	0.00	0.00	0.00
Net Expenditure			**10,310.76**	**67,745.58**	**78,056.34**
Provision for Bad & Doubtful debts	0%	100%	0.00	1,416.76	1,416.76
Provision for Contingency Reserve	0%	100%	0.00	0.00	0.00
Total net expenditure with provisions			**10,310.76**	**69,162.33**	**79,473.09**
Add: Return on Equity	90%	10%	2,296.36	255.15	2,551.51
Less: Non-Tariff Income	0%	100%	0.00	123.36	123.36
Aggregate Revenue Requirement (ARR)			**12,607.12**	**69,294.12**	**81,901.24**

9. Wheeling Charges From Open Access Consumers

9.1.1. Clause 39.1 of the MYT (Transmission and Distribution) Regulations, 2019 provide that ARR/Tariff filing by the Distribution Licensee shall separately records for the Distribution Wires Business and Retail Supply Business and shall prepare an Allocation Statement to enable the Hon'ble Commission to determine the Tariff separately for the Distribution Wires Business and Retail Supply Business.

9.1.2. The wheeling charge has been computed on overall consolidated Discom basis keeping in line with the consistent philosophy of the Hon'ble Commission in past Tariff Orders and Clause 51 of the MYT (Transmission and Distribution) Regulations, 2019.

Table 9-1: Wheeling Charges for FY 2021-22

Wheeling Charges For FY 2021-22			
S. No	Particulars	Units	FY 2021-22
1	Wheeling ARR	Rs. Crores	12607.12
2	Retail sales (PVVNL, DVVNL, MVVNL, PuVVNL, KESCO)	MU	95608.34
3	Average Wheeling charge	Rs./kWh	1.32

Table 9-2: Voltage-wise Wheeling Charges for FY 2021-22

Voltage-Wise Wheeling Charges For FY 2021-22				
S. No.	Particulars	Units	% of Avg. wheeling charge	FY 2021-22
1	**Connected at 11 kV**			
i	Long Term	Rs./kWh	80%	1.055
ii	Medium Term	Rs./kWh	80%	1.055
iii	Short Term	Rs./kWh	80%	1.055
2	**Connected above 11 kV**			
i	Long Term	Rs./kWh	50%	0.659
ii	Medium Term	Rs./kWh	50%	0.659
iii	Short Term	Rs./kWh	50%	0.659

10. Cross Subsidy Surcharge

10.1.1. The cross-subsidy surcharge for Open Access consumers has been computed in accordance with the methodology specified in Clause 49 of the UPERC MYT (Transmission and Distribution) Regulations, 2019.

10.1.2. As per Clause 49.2 of the UPERC MYT (Transmission and Distribution) Regulations, 2019, the cross-subsidy surcharge is to be computed based on the difference between (i) the tariff applicable to the relevant category of consumers and (ii) the cost of the Distribution Licensees to supply electricity to the consumers of the applicable class. In case of a consumer opting for open access, the Distribution Licensees could be in a position to discontinue purchase of power at the margin in the merit order. Accordingly, the cost of supply to the consumer for this purpose is computed as the aggregate of (a) per unit weighted average cost of power purchase including meeting the Renewable Purchase Obligation; (b) transmission and distribution losses applicable to the relevant voltage level and commercial losses allowed by the Hon'ble Commission; (c) transmission, distribution and wheeling charges up to the relevant voltage level; and (d) per unit cost of carrying regulatory assets, if applicable.

10.1.3. The Petitioner has computed the cross-subsidy surcharge for the relevant consumer categories as per the formula prescribed in Clause 49.2 of UPERC MYT (Transmission and Distribution) Regulations, 2019, which is reproduced as follows:

" $S = T - [C/(1-L/100) + D + R]$

Where:

S is the Cross-Subsidy Surcharge;

T is the tariff payable by the relevant category of consumers, including reflecting the Renewable Purchase Obligation;

C is the per unit weighted average cost of power purchase by the Licensee, including meeting the Renewable Purchase Obligation;

D is the aggregate of transmission, distribution and wheeling charge applicable to the relevant voltage level;

L is the aggregate of transmission, distribution and commercial losses, expressed as a percentage applicable to the relevant voltage level;

R is the per unit cost of carrying regulatory assets:

Provided that the Cross-Subsidy Surcharge shall not exceed 20% of the Tariff applicable to the category of the consumers seeking Open Access."

10.1.4. The category-wise Cross Subsidy Surcharge computed by the Petitioner for FY 2021-22 as per above formula is as given in the Table below:

Table 10-1: Cross Subsidy Surcharge as per MYT (Distribution and Transmission) Regulations, 2019 for FY 2021-22

Cross Subsidy Surcharge For FY 2021-22																
S. No.	Categories	Revenue (Rs. Crore)	Sales (MU)	Average Billing Rate (T)* (Rs./kWh)	Wt. Avg. Pur. Cost (C)** (Rs./kWh)	Aggregate of Trasn., Dist. & Wh. Charges applicable to the relevant voltage level (Rs./kWh)					System Loss (% to the relevant voltage level)			Carrying Cost of Regulatory Assets (Rs./kWh) (R)	S=T-[C/(1-L/100)+D+R]	S*** (Rs./kWh)
						Transmission Charge		Distribution Charge	Wheeling Charge	Aggregate of Trasn., Dist. & Wh. Charges applicable to the relevant voltage level (D)	L1	L2	L3			
						Inter-State Trns. Charges	Intra-State Trns. Charges				PGCIL	UPPTCL	Dist.			
1	HV-1 (Supply at 11 kV)	3129.68	3198.06	9.79	4.60	0.564	0.238	0.475	1.055	2.33	2.94%	3.33%	8.00%	0.00	3.24	1.96
2	HV-1 (Supply above 11 kV)	716.68	552.37	12.97	4.60	0.564	0.238	0.475	0.659	1.94	2.94%	3.33%	2.10%	0.00	6.55	2.59
3	HV-2 (Supply upto 11 kV)	7101.22	8770.56	8.10	4.60	0.564	0.238	0.475	1.055	2.33	2.94%	3.33%	8.00%	0.00	1.55	1.55
4	HV-2 (Supply above 11 kV & upto 66 kV)	2088.16	2736.44	7.63	4.60	0.564	0.238	0.475	0.659	1.94	2.94%	3.33%	2.10%	0.00	1.21	1.21
5	HV-2 (Supply above 66 kV & above 132 kV)	622.66	845.69	7.36	4.60	0.564	0.238	0.475	0.659	1.94	2.94%	3.33%	0.00%	0.00	0.84	0.84
6	HV-3 (Supply below 132 kV)	18.16	16.21	11.20	4.60	0.564	0.238	0.475	0.659	1.94	2.94%	3.33%	0.18%	0.00	4.69	2.24
7	HV-3 (Supply at & above 132 kV)	18.21	16.85	10.81	4.60	0.564	0.238		0.000	0.80	2.94%	3.33%	0.00%			
8	HV-4 (Supply at 11 kV)	365.42	407.68	8.96	4.60	0.564	0.238	0.475	1.055	2.33	2.94%	3.33%	8.00%	0.00	2.41	1.79

Cross Subsidy Surcharge For FY 2021-22

S. No.	Categories	Revenue (Rs. Crore)	Sales (MU)	Average Billing Rate	Wt. Avg. Pur. Cost (C)**	Aggregate of Trasn., Dist. & Wh. Charges applicable to the relevant voltage level (Rs./kWh)					System Loss (% to the relevant voltage level)			Carrying Cost of Regulato	S=T-[C/(1-L/100)+D+R]	S*** (Rs./kWh)
9	HV-4 (Supply above 11 kV upto 66kV)	279.68	289.65	9.66	4.60	0.564	0.238	0.475	0.659	1.94	2.94%	3.33%	2.10%	0.00	3.23	1.93
10	HV-4 (Supply above 66 kV upto 132 kV)	10.63	9.32	11.40	4.60	0.564	0.238	0.475	0.659	1.94	2.94%	3.33%	0.18%	0.00	4.89	2.28

11. Review and Appeal on the Tariff Orders for FY 2019-20 and FY 2020-21

11.1.1. It is submitted that some of the claim in the Petition for FY 2019-20 and FY 2020-21, was disallowed by the Hon'ble Commission in Order dated 03.09.2019 and 11.11.2020. The Petitioner has filed an Appeal bearing Appeal No. 389 of 2019 for FY 2019-20 and has also filed a Review Petition on Tariff Order for FY 2020-21 before the Hon'ble Commission and also filed an Appeal on Tariff Order for FY 2020-21 before the Hon'ble Appellate Tribunal. The impact of said Appeals will have a bearing in this Petition. In view thereof, it is submitted that the Petitioner's claim in the present Petition is without prejudice to its contentions in Appeals.

12. Prayers

The Petitioner humbly prays that the Hon'ble Commission may be pleased to:

a) Admit the Petition accompanying Audited True-up for FY 2019-20, APR for FY 2020-21 and ARR for 2021-22;

b) Allow the Petitioner to procure power through bilateral contracts/exchanges/short term contracts to maintain the desired schedule of supply in the License Area in case the power procurement from long term sources falls short of levels envisaged;

c) Allow the Smart Meter OPEX expenses above the O&M expenses claim;

d) Allow the O&M Expenses for FY 2020-21 and FY 2021-22 as submitted by the Petitioner, relaxing the UPERC (Distribution and Transmission) MYT Regulations, 2019;

e) Allow the in principal approval of Capex schemes for FY 2021-22;

f) Considering the aforesaid facts and circumstances the Hon'ble Commission may be pleased to allow UPPCL O&M expenses allocated to the Petitioner for FY 2020-21 and FY 2021-22;

g) Determine the tariff for FY 2021-22 on the category/sub-category/slabs rationalisation as proposed in this Petition;

h) Allow the Petitioner to add/change / alter / modify this application at a future date;

i) To condone any inadvertent omissions/ errors/ shortcomings and permit the Petitioners to add/ change/ modify/ alter this filing and make further submissions as may be required at a future date;

j) To pass such Orders as deemed fit and proper in the facts and circumstances of the case in the interest of justice.

13. Annexure: 1 MYT Formats

SHAILENDRA KUMAR

Digitally signed by SHAILENDRA KUMAR
Date: 2021.02.22 11:40:02 +05'30'