

Additional Submissions on True Up Petition 2016-17 for JVVNL

1. The computation of weighted rate of interest as per Regulation 21)5) of the RERC (Terms and Conditions for Determination of Tariff) Regulations, 2014 is submitted as **Annexure A.**
2. The Consumer education and awareness expenses amounted to Rs 8.17 Cr during FY 2016-17
3. It can be observed that there is some variation between the Commissions approved energy and fixed charges and the actuals for FY 2016-17 as submitted by the Petitioner. The figures of FY 2016-17 as submitted in the True up Petition are as per actuals. It is submitted that the figures of energy sales that are approved are on the basis of projection. The impact of the consumers who get disconnected during the year does not get reflected in the same. The consumers which have availed and used the energy but the corresponding bills have not been deposited and got disconnected. In other words it can be said that the energy of Discom has been billed but revenue has not been realized which results in lower per unit realization
In domestic category in the rural areas another 10% rebate is being given to the consumers. This further leads to a variation in the approved and actual per unit charges. The approved billing rate as used for calculations is based on the estimation of consumption in different slabs across categories whereas the actual consumption may vary across different slabs. It is a common phenomenon that the consumption pattern of the consumers does not remain the same over the year. It so happens that a consumer having consumption between 150-300 units in one billing cycle may have a consumption of over 300 units in the other billing cycle. So there might be a variation in the slab wise consumption but the category wise total does not change. So the impact of the same has to be given due consideration while comparing the actual and approved figures. In case of agriculture category the load is as on March 31st 2017. It does not present a clear picture of the variation in load over the year which does not remain constant. Some consumer opt for voluntary load detection and get their load revised, which also causes a variation in the per unit charges thus calculated.
4. Regulation 79(6) (d) of RERC (Term and Condition for Determination of Tariff) Regulations, 2014, provides that in case of short term power shortage, the licensee may procure electricity at a higher rate than the ceiling rate approved by the Commission, provided that on annual basis, the average rate of such short term power purchase should not be more than the ceiling rate approved by the Commission for short term power

purchase. Details of short term power purchase for FY 2016-17 showing quantities in MU as well it's financial implication.

The details for source wise quantities of short term power purchase for FY 2016-17 is attached as **Annexure B**

5. Clarification on how the fixed charges of tariff is accounted for in the financial statements and the nature of income accounted for as miscellaneous charges from consumer stated as Rs. 1426.36 crores in financial statements for FY 2016-17.

The income from miscellaneous charges reflected in the Balance Sheet amounting to Rs. 1426.36 Cr includes major portion as revenue from fixed charges from sale of power equal to Rs. 1401.15 Cr and remaining amount includes income from fuse charges, re-connection fees, public lightening maintenance charges, meter box charges and other miscellaneous charges. The Discom would be changing this approach in coming years and the income from fixed charges would separately be shown in the Annual Accounts.

6. Detailed calculation for consumption by metered/flat rate agriculture consumers showing number of existing consumers, consumer converted, new consumer, connected load and specific consumption during FY 2016-17.

- **Flat rate Consumers:**

- Total flat rate existing consumers : 36,694
- Less: Converted to meter: 10,552
- Total flat rate consumers: 26,142
- Total Connected Load: 2,19,266 kW
- Specific Consumption: 2,133 kWh/kW/year
- Total sales: 468 MU

- **Metered Consumers:**

- Total existing consumers : 4,26,930
- Add: Converted from flat: 10,552
- Add: New Consumers: 12,895
- Total consumers: 4,39,825
- Total Connected Load: 32,41,175 kW
- Specific Consumption: 1,747 kWh/kW/year
- Total sales: 5,664 MU

7. Statement showing details of computation of gain/loss on account of controllable/uncontrollable factors as per Regulation 9(2) of RERC Tariff Regulations, 2014.

The impact of under achievement of distribution losses as per Regulations 2014 is as below:-

Table: Impact of underachievement of distribution losses FY 2016-17

Particulars	Units	At Approved Distribution Loss Levels	At actual Distribution Loss Levels
Sales	MU	19,482	19,482
Distribution Losses	%	22.00%	25.48%
Energy Before Distribution Loss	MU	24,977	26,144
Total Transmission Loss*	%	3.95%	3.95%
Power Purchased (Including sale through exchange)	MU	26,118.89	27,333.69
Average rate of Power Purchase#	Rs. /kWh	4.33	4.33
Power Purchase Cost	Rs. Cr.	11,303	11,829
Difference in Power Purchase Cost	Rs. Cr.	526	

**At actual Transmission levels*

#Including Transmission Cost

It is submitted that due to non-achievement of distribution losses as approved by the Commission, the Discom had to incur an additional power purchase cost of Rs. 526 Cr for meeting the power requirement in its license area.

8. Details for Power Purchase in previous year as shown under head Prior Period items as on 31.03.2017 stated in Note 33 of Financial Statements of FY 2016-17 is as follows:

Particulars	Prior Period Amount
Prior period adjustment of power purchase against UI charges during Apr2016 to Mar 2017	(37,73,853)
Prior period adjustment of power purchase on account of the claim of clean energy cess booked as per change in law as per the RERC order dated 29.06.2016	19,19,63,277
Prior period adjustment of power purchase on account of the amount payable to RVUNL and wrongly withdrawn in FY 2015-16 and rectified later I FY 2016-17	79,61,699
Total Prior Period on account of Power Purchase	19,61,51,123

9. The principle and basis for capitalization of O&M expenses.

The principle adopted and basis for capitalization of O&M expenses has been done as per point 3.3 (F) of the Accounting Standard stated in annual accounts of FY 2016-17. The clause has been reproduced below for the kind reference of Hon'ble Commission:

In absence of specific detailed records for bifurcation of Employees Cost and Office & administration expenditure attributable to capital works or O&M works, capitalization of Employees cost and Office & administration expenditure is made in the following manner to keep uniformity in adherence by the accounting units:

Name of the accounting units	Capitalization of Employee Cost (excluding terminal benefits) and Office & administration expenses
M.M	90%
RE & TW	100%
Other accounting units	30%

10. The details pertaining to UDAY scheme are being attached as **Annexure C**. Also the impact of the same has been detailed out in the Annual Audited accounts as exceptional items in Schedule 32. The same has also been mentioned in the True Up Petition

11. Under achievement of Distribution Loss.

The Commission in its Tariff Order approved distribution loss of 22%. The Petitioner has achieved a distribution loss level of 25.48 % in FY 2016-17.

Particulars	Approved	Actual	Deviation
Distribution Losses	22%	25.48%	-3.48%

It is pertinent to mention that the Discom has made significant efforts towards reducing the distribution losses and has been able to reduce losses by more than 5% from the previous year. This is a result of the various measures undertaken in the previous years. The Discom is committed towards further reducing the losses and achieving the targets envisaged under the tripartite MoU signed under UDAY scheme. These steps include restricting power supply in areas with high AT&C losses, implementing a performance monitoring and management system, 100% feeder metering, AMR metering for high value consumers, energy audit & accounting at feeder level, feeder segregation, supply to single consumer from single DT for agriculture consumers, etc. Loss reduction targets have been prepared at the division/circle/zonal level and concerned officials have been made responsible for achieving the loss reduction targets. At the same time, efforts are also being made to reduce theft and other illegal activities by undertaking name and shame campaign and aggressive vigilance drives. Further, the capital investment plans are also on-going to achieve the distribution loss trajectory set forth by the Commission. Considering IT as a major enabler to improve the efficiency of the Discom, number of IT initiatives have also been planned which will further assist the Discom in achieving its envisaged targets. Time bound targets have been set for each of the above listed activities. These initiatives have also been recognized at the highest levels and form part of the landmark tripartite MoU signed under the UDAY scheme between the Discoms, the Central Ministry and the Rajasthan government.

Considering the large distribution area of petitioner, sparse distribution of load centers and significant number of agricultural connections, certain time would be required before reaping the benefits of the steps being undertaken. Disallowing expenses based on the loss trajectory set by the Commission will act as a setback in the Petitioner's efforts towards achieving operational and

financial turnaround by FY 2018-19 thereby leading to negative impact on the consumers at large. It is pertinent to mention here that even though the Discom was unable to achieve the targets laid down under the UDAY scheme for FY 2016-17, it has shown progress and is committed to bringing down the losses to the envisaged level of 15% by FY 2018-19. The UDAY scheme also envisaged the difficulties that the Discoms may face in achieving yearly targets and as such provided the flexibility to achieve the envisaged loss reduction in the next year, provided that the Discoms achieve the target of 15% by FY 2018-19.

12. The breakup of Interstate and intrastate transmission losses is not available with the Petitioner.
13. Format 2.1 is being resubmitted as **Annexure D**. The energy sold earlier shown in LU is now shown in MU. Adjustment of past billing is an ongoing phenomenon in which any dues or arrears of the bills pertaining to previous months adjusted in the subsequent billing months.
14. Detailed information of the Distribution Franchisee areas as per Format 2.1 for FY 2016-17 is being attached as **Annexure E**.
15. The copy of the letter of Government of Rajasthan, energy department as mention in Format 2.5 is attached as **Annexure F**.
16. Complete Format 3.1, is being re-submitted as **Annexure-G**. Also it is mentioned that the amount pertaining to any sort of incentive and any other charges is included in the Variable Charges shown.
17. The Discom submits that the banking transaction cost include charges like processing charges, trading margins, etc which amount to Rs 14.91 Cr. The amount of Rs 22.82 Cr is on account of energy in banking.
18. The “other miscellaneous expenses” as indicated in formats 3.2(c) comprises of expenses like RERC fees, Testing charges, Advertisement expenses, sweeper and water charges, meeting expenses etc.
19. The details regarding transmission tariff in form 3.4 is attached as **Annexure H**.
20. The SLDC charges for FY 2016-17 are shown as Rs -6.75 Cr. The negative amount is due to the True up credits received from SLDC amounting to Rs 10.24 Cr which have been adjusted against the cost of current year. The same has also been mentioned in note 26.5 of the Annual Audited Accounts.

21. Format 3.6 is resubmitted as **Annexure I**. The Discom would also like to submit that the rates prescribed are applicable for assets life up to 12 years for distribution system whereas the composition of assets considered while calculating the depreciation in Format 3.6 consists of assets which are older than 12 years, thus the depreciation rate reduces for those assets in subsequent years. Hence there is a difference between rates mentioned in Format 3.6 as compared to those prescribed.
22. The form 3.7 is being resubmitted attached as **Annexure J**.
23. It is submitted that the Interest on power project under Interest on Long term loan as shown in form 3.7 represents the interest accrued to RVPN for Financing Rajasthan Discoms share of Sundargarh Ultra Mega Power Project.
24. It is further submitted that the Interest on CC under interest on Working Capital as mentioned in Format 3.7 represents Cash credit facility charges paid to Bank of India and State bank of India (formerly SBBJ). The Discom uses this facility to meet its day to day working capital requirement in case of any shortfall.
25. The Petitioner submits the detailed breakup of Interest charges to Others and Finance charges as given below:

Interest to Others	Rs Crore.
Interest on Security Deposits to Consumers	69.55
Interest on Suppliers / Contractors Deposit	0.15
Interest on Meter Security	7.64
Delay payment charges on power purchase	444.22
Interest & Penalty of Service Tax	0.00
Total	521.55

Finance Charges:	Rs. Crore
Interest on Cont. to CPF Trust/Cont. to EPF	0.00
Stamp duty / Registration fees	0.00
Legal Charges	0.03
Bank Charges	3.40
Guarantee Charges	80.24
TOTAL	83.67

26. I regard to the interest on unfunded gap, it is submitted that Format 3.10 calculates Interest liability for long term loans on Normative basis and does not include any interest liability towards Working capital requirements. While the Interest liability as per the

table 11 of the petition presents the actual interest and finance charges paid by the Discom.

The Petitioner further submits that it has claimed actual Interest liability as shown in Table 11 in the petition and the Normative computation as shown in format 3.10 does not form any part of the actual revenue requirement submitted for truing up for FY 2016-17.

27. The other works as mentioned in Format 4.1 consists of deposit works, works related to urban and industrial focus, GPPVY, MMSLVY, SIP, FIP etc.

28. Normative amount of bad debts in Format 4.3 is submitted as under:

Particulars	Amount (Cr)
Total Receivables	2,051.08
Normative amount of Provision for Bad Debts as per Regulation 26	5.13

29. In regard to the provision of bad debts for the year it is submitted that, during the year company has changed the policy regarding provision for bad and doubtful debts and accordingly provision has been maintained equal to Sundry Debtors for Nigam's dues of PDC Consumers. Due to change in policy Rs 2,97,21,48,505 has been provided in addition as compared to previous policy.

30. The Discom is required to furnish details of Voltage wise Cost of Supply in accordance to Hon'ble APTEL judgment in Appeal No 102 of 2010.

In the judgment referred above, the Tribunal had recognized the difficulty in determination of cost of supply to different categories of consumers. However, instead of waiting indefinitely for availability of the entire data, the Tribunal had suggested a simple method which would take into account the major cost element. The Tribunal had suggested determination of voltage-wise cost of supply taking into account the major cost element which would be applicable to all the consumers connected at a particular voltage level.

According to the said judgment, in the absence of segregated network costs, it would be prudent to work out voltage-wise cost of supply taking into account the distribution losses at different voltage levels. As power purchase cost is a major component of tariff, the power purchase cost can be apportioned at different voltage levels taking into account the distribution losses at the relevant voltage level and the upstream system.

The system study to determine voltage wise technical losses is under process and hence voltage wise technical losses are not available at the moment.

In the absence of voltage wise technical losses, the petitioner has considered the technical distribution losses in the distribution network approved by the Hon'ble Commission for 2006-07 in the order on determination of wheeling charges and cross subsidy surcharge for the year 2006-07 dated 19th September 2006 to work out voltage wise power purchase

cost for 2006-07. For commercial losses, the APTEL judgement has suggested apportionment of difference of total and technical losses i.e. commercial losses across all voltage levels in proportion to the sales plus technical losses at the respective voltage levels. In this manner the total losses have been apportioned at different voltage levels.

The following table gives the details of apportionment of total losses for FY 2006-07

Voltage wise Energy Input for FY 2006-07								
Voltage Level	Sales (MU)	Voltage wise Tech Loss (%)	Transmission Loss	Sales + Tech Loss (MU)	Tech. Losses (MU)	Comm Losses (MU)	Total Loss (MU)	Energy Input (MU)
132 KV	537.01	0%	5.60%	568.86	31.86	101.39	133.25	670.25
33 KV	613.72	3.80%	5.60%	675.81	62.09	120.45	182.54	796.26
11 KV	1,150.73	8.80%	5.60%	1,389.41	238.68	247.64	486.32	1,637.05
LT	5,370.07	16.55%	5.60%	7,769.83	2,399.76	1,384.83	3,784.59	9,154.67
Total	7,671.53			10,403.92	2,732.39	1,854.31	4,586.70	12,258.23

As the sales mix has not changed significantly over the years, results of FY 2006-07 have been used to estimate voltage wise cost of supply for FY 2016-17. It is important to mention that the Discom has taken a number of steps to reduce AT&C losses at each voltage level. As such in order to arrive at voltage wise input energy, the total projected loss of FY 2016-17 has been apportioned between the different voltage levels in the same ratio as the voltage wise losses in FY 2006-07. Accordingly input energy has been computed for different voltage levels for FY 2016-17 and the total power purchase cost has been apportioned between different voltages on the basis of energy input required as shown below:

Voltage Level	Sales (MU)	Total Losses (MU)	Energy Input Required (MU)	Total Power Purchase Cost (Excluding Transmission Cost) (Rs Cr)	Cost per unit sold
	A	B	C = A+B	D	E=D/A*10
132 KV	1316.20	224.78	1540.98	588.47	4.47
33 KV	1504.23	307.94	1812.17	692.03	4.60
11 KV	2820.43	820.40	3640.84	1390.36	4.93
LT	13841.27	6384.46	20225.73	7723.81	5.58
Total	19482.14	7737.58	27219.72	10394.67	5.34

According to the Hon'ble Tribunal's Judgment, in absence of segregated network costs, all the other costs such as Return on Equity, Interest on loan, Depreciation, interest on working capital and O&M costs can be pooled and apportioned equitably to all categories to determine the cost of supply.

Various elements and computation of network cost per unit has been presented in the table below:

Elements		FY 2016-17
O&M Cost including Terminal Benefits	Rs. Cr.	1,217.21
Depreciation	Rs. Cr.	758.03
Interest and Finance Charges	Rs. Cr.	1,627.65
Interest on Working Capital	Rs. Cr.	
RoE	Rs. Cr.	-
Transmission Cost	Rs. Cr.	1434.32
Prior Period Expenses	Rs. Cr.	(714.76)
Insurance Expenses	Rs. Cr.	1.06
Other Expenses including bad debts	Rs. Cr.	358.35
Less: NTI	Rs. Cr.	723.89
Less: Income from wheeling charges, CSS and Additional Surcharge	Rs. Cr.	231.94
Less: Income from Trading Activity	Rs. Cr.	31.89
Total Cost	Rs. Cr.	3,694.14
Units Sold	MU	19,482.14
Network Cost per Unit	Rs./kWh	1.90

Based on the methodology suggested by the Hon'ble Tribunal and details provided above, the voltage wise cost of supply for FY 2016-17 has been computed and shown in the following table.

Voltage Level	Power Purchase Cost per unit sold	Network Cost per unit of sale	Cost of Supply per Unit
	F	G	H=F+G
132 KV	4.47	1.90	6.37
33 KV	4.60	1.90	6.50
11 KV	4.93	1.90	6.83
LT	5.58	1.90	7.48
Total	5.34	1.90	7.23

- 31.** The Discom requests the Hon'ble Commission to consider the details pertaining to voltage wise cost of supply as submitted for Form 6.1 and 6.3 also. It is submitted that the Discom is striving its best and making all out efforts to work out the voltage wise details in coming years. It is working towards achieving 100% DT metering. Feeder metering for 33kV and 11kV feeders has been completed. The Petitioner is also in process of implementing its feeder monitoring system which would provide us with the separate reports for 11 kV. It would also provide us with separate single phase and three phase losses in rural areas. Post successful completion and implementation of these works the Petitioner would be in a position to provide the actual voltage wise data.

It is further submitted that the Discom has made available the information pertaining to Form 6.2 and 7.2 which is being maintained by the Discoms to the Hon'ble Commission and requests it to consider the same. The segregation of technical and commercial losses is not feasible at the moment as there is not set methodology or parameters to separate commercial and technical losses from the total losses. Theft and non-recovery of bills for instance form a part of the commercial losses but to identify the same from the total losses as recorded is very difficult task and some methodology would be required to set based on detailed technical study on some pilot or sample basis.

- 32.** The Petitioner submits further clarification on the revenue from sale of power as presented in the petition. It is submitted that Rs. 12942.86 Crore as shown in Table 1 of the Petition represents Net revenue from Sale of Power as shown in the Form 2.1 of the Formats. The calculation is shown below:

Particulars	Rs Crore
Revenue from sale of power	13,285.62
Less: 50% Revenue from theft and malpractice	62.13
Less: Revenue from Meter/transformer rent	12.23
Less: Revenue from wheeling and cross subsidy surcharge	231.94
Less: Revenue from misc charges	36.46
Net Revenue from sale of electricity	12,942.86

Whereas the amount of Rs 13024.40 as mentioned in Table 2 is the revenue from Energy and Fixed charges only.

- 33.** Regarding the amount of depreciation, the Petitioner clarifies that depreciation of Rs. 759.33 Cr. as mentioned in Form 3.6 includes Prior period Depreciation charge of Rs 1.30 cr. while depreciation charge for the year is Rs. 758.03 Cr as per Table 1 & 14 in the Petition.