BEFORE

THE

RAJASTHAN ELECTRICITY REGULATORY COMMISSION, JAIPUR

PETITION

FOR

APPROVAL OF

TRUE UP FOR FY 2016-17

Filed By

JAIPUR VIDYUT VITRAN NIGAM LIMITED, JAIPUR
(A Government of Rajasthan Undertaking)

November 2017

Notes:

In this Application:

All currency figures used in this Application, unless specifically stated otherwise, are in Rs Crores.

All energy unit figures used in this Application, unless specifically stated otherwise, are in Million Units.

List of Abbreviations

ARR	Aggregate Revenue Requirement
DS	Domestic Service
EHT	Extra High Tension
EA 2003	Electricity Act, 2003
FY	Financial Year
FY 16	Financial Year 2015-16
FY 17	Financial Year 2016-17
GFA	Gross Fixed Assets
GoI	Government of India
GoR	Government of Rajasthan
Jaipur Discom, JVVNL	Jaipur Vidyut Vitran Nigam Ltd.
kVA	Kilo Volt Ampere
kW	Kilo Watt
kWh	Kilo Watt Hour or Unit
MIP	Medium Industrial Power
MU	Million Units
NDS	Non-Domestic Service
NFA	Net Fixed Assets
NPCIL	Nuclear Power Corporation India Limited
NHPC	NHPC Limited
NRLDC	Northern Region Load Despatch Centre
NTPC	National Thermal Power Corporation
PGCIL	PowerGrid Corporation India Limited
PWW	Public Water Works
RERC, Commission	Rajasthan Electricity Regulatory Commission
RVPN	Rajasthan Rajya Vidyut Prasaran Nigam Limited
REC	Rural Electrification Corporation
Rs.	Indian Rupees
SIP	Small Industrial Power
SLDC	State Load Despatch Centre
ST	State Transmission Petitioner
UI	Unscheduled Interchange
The Petitioner/ Petitioner	Jaipur Vidyut Vitran Nigam Ltd.

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A1: TRUE UP FOR FY 2016-17

Introduction

1.1 Jaipur Vidyut Vitran Nigam Limited (hereinafter referred to as ‘JVVNL’ or ‘Jaipur Discom’ or ‘the Petitioner’), a distribution Petitioner for wheeling and retail supply of electricity in the areas as notified by the Government of Rajasthan (GoR) under the Rajasthan Power Sector Reforms Transfer Scheme, 2000. From the erstwhile Rajasthan State Electricity Board, the district Jaipur, Alwar, Bharatpur, Dholpur, Dausa, Karauli, Jhalawar, Baran, Kota, Bundi, Sawai Madhopur and Tonk forms area of supply of JVVNL.

1.2 The Rajasthan Electricity Regulatory Commission (hereinafter referred to as ‘Commission’) an independent statutory body constituted under the provisions of the Electricity Regulatory Commissions (ERC) Act, 1998, which was superseded by Electricity Act (EA), 2003. The Commission is constituted as provided under Section 82 of the EA, 2003. The Commission is vested with the authority regulating the power sector in the State inter alia including setting of tariff for electricity consumers.

1.3 The Hon’ble Commission issued the ‘Terms and Conditions for Determination of Tariff’ Regulations 2014 on 24th February, 2014. These Regulations extend to the whole of the State of Rajasthan and remain applicable for determination of tariff in all cases covered under these Regulations from FY 2014-15 up to FY 2018-19. JVVNL therefore respectfully submits that in accordance with the powers conferred on the Commission by the said RERC Tariff Regulations 2014, the Commission is empowered to consider the Petition for True up for FY 2016-17.

1.4 The Hon’ble Commission under the RERC Tariff Regulations 2014 notified the Tariff order for FY 2016-17 on 02.11.2017.

1.5 In accordance with the Regulation 8 (3) of the RERC Tariff regulations 2014, the True Up shall constitute the comparison with of the audited performance of the applicant for previous financial year for the perusal and prudence check of the Hon’ble Commission. The Petitioner hereby submits the petition for True up of the FY 2016-17.

1.6 The ARR estimate submitted by the Petitioner and correspondingly allowed by the Commission were based on estimated sales and estimated expenses for FY 2016-17 at the time of issuance of the Order. However, as the audited actual figures are available with the Discom the Petitioner is submitting the true-up petition for FY 2016-17 in accordance with the audited accounts for the approval of the Hon’ble Commission.

1.7 A copy of the Audited Accounts for FY 2016-17 is also enclosed as **Annexure I** to this petition for the consideration of the Hon’ble Commission. Further, in this true-up petition, the Petitioner has taken audited accounts as a source for providing the actual cost incurred by JVVNL during FY 2016-17.

Truing-up for the FY 2016-17

1.8 The Hon'ble Commission in its order dated 2nd November 2017, had estimated the Aggregate revenue requirement of the Petitioner at Rs 15,241 Cr. for the FY 2016-17 with a corresponding revenue gap of Rs 1,226 Cr. The Petitioner in accordance with the audited accounts for the FY 2016-17 has submitted the gap as shown in the table below. The components of the Aggregate Revenue requirement have been detailed in the subsequent sections of the petition.

Table 1: Summary of ARR for FY 2016-17 (Rs Cr)

Particulars	Estimated (A)	Approved (B)	Actual (C)	Deviation D=B-C
1. Revenue				
Sale of Power	12,812.00	12,664.00	12,942.86	(278.86)
Sale of Power through Trading	516.00	843.00	31.89	811.11
Total Revenue (A)	**13,328.00**	**13,507.00**	**12,974.75**	**532.25**
2. Expenditure				
Power purchase Cost	10,651.00	9,990.00	10,394.67	(404.67)
Transmission Charges	1,473.00	1,507.00	1,434.32	72.68
Operation and Maintenance Expenses (includes insurance expenses)	820.00	814.00	761.93	52.07
Terminal Benefits	700.00	700.00	456.34	243.66
Interest and Finance Charges (includes interest on unfunded gap and Security Deposit)	2,433.00	1,954.00	869.92	1,084.08
Interest on Working Capital	137.00	112.00	757.73	(645.73)
Depreciation	773.00	622.00	758.03	(136.03)
Other Expenses			(356.41)	356.41
Total Expenditure (ARR) (B)	**16,987.00**	**15,700.08**	**15,076.53**	**662.55**
Less Non-Tariff Income and other income	317.00	317.00	723.89	(406.89)
Less Income from wheeling, CSS, Additional Surcharge	142.00	142.00	231.94	(89.94)
Aggregate Revenue Requirement	**16,528.00**	**15,241.08**	**14,120.70**	**1,120.38**
Gap/ (Surplus) (B-A)=(C)	**3,200.00**	**1,734.53**	**1,145.95**	**588.58**
3. Less: Revenue Subsidy /grant received during the year				
Differential Interest Subvention on World Bank Loan	-	-	-	-
Subvention from State Govt. against ED	583.00	583.00	530.20	52.80
Cash Support from State Govt.	-	-	-	-
Other subsidy	-	-	-	-
Total (D)	**583.00**	**583.00**	**530.20**	**52.80**
Net Revenue Gap (C-D)	**2,617.00***	**1,151.53**	**615.76**	**535.78**
Add: RVUN True For FY 2013-14, FY 2014-15 and FY 2015-16		74.50	-	74.50
Add: Consumer Education		0.50	Included in A&G	
Net Deficit including Carrying cost	**2,617.00***	**1,226.53**	**615.76**	**610.78**

***** *Including Carrying cost on revenue deficit during first half of FY*

1.9 The actual revenue requirement for FY 2016-17 as depicted in the above table has been Rs. 14,120.70 Cr as against the approved ARR of Rs. 15,241 Cr.

1.10 The variations have been primarily on account of Power purchase cost, O&M Cost, Terminal Benefits cost, interest cost and other expenses. The Petitioner submits that while detailed reasoning for the deviation in the ARR has been provided in the following sections, it is pertinent to mention that despite of higher than approved distribution loss and per unit power purchase cost, the Aggregate Revenue Requirement has been lower than that approved by the Commission in its order dated 02.11.2017. It is also worthwhile to mention that the actual net deficit at the end of FY 2016-17 has also been lower than that approved by the Commission.

1.11 The Commission in its order dated 02.11.2017 had approved the power purchase rate of Rs 4.12 per unit (including Transmission Cos) against the power purchase rate of Rs 4.33 per unit (including Transmission Cost) actually incurred during FY 2016-17. Such variance in the Power Purchase rate is on account of various factors including higher power purchase cost of RVUN stations, non-conventional sources etc.

1.12 The maximum share of power is withdrawn from RVUN at Rs 4.49 /unit, which is higher than Rs. 3.79/unit approved by the Hon'ble Commission. This power accounts for ~44% of the total power procured by JVVNL. Similarly power from sources such as NHPC, Aravali, Adani, Sasan, Neyveli, Costal Gujarat, Karcham Wangtoo and non-renewable energy sources accounted for significant part of the power purchase for JVVNL, whose per unit power purchase is higher than what was approved by the Hon'ble Commission.

1.13 Considering the above facts and figures JVVNL would request Hon'ble to take a prudent view on the ARR based on audited accounts. Any further disallowances would result in a setback for the Discom in achieving the targets envisaged under UDAY.

Energy Sales

1.14 The Petitioner would submit that the sales are dependent on the consumption pattern of the consumer, specific consumption, variations in the weather conditions and laws of the land. The above factors are beyond the control of the Petitioner whereby the Petitioner has no direct control over the consumption and sales for its consumers.

1.15 The table below gives a comparison of approved and actual sales and revenue from sale of power for the FY 2016-17:

Table 2: Comparison of Actual and Approved Sales for FY 2016-17

Consumer Category	Revenue (Rs Cr)		Sales (MU)		Average Billing Rate (Rs./Unit)	
	Approved	Actual	Approved	Actual	Approved	Actual
Domestic Service	3,178	2,908.58	4,803	4,557.69	6.62	6.38
Non-Domestic Service	1,935	1,788.60	2,130	2,027.01	9.08	8.82
Public Street Light	134	127.73	188	173.34	7.13	7.37
Agriculture Metered Supply	2,773	2,940.85	5,664	5,657.36	4.90	5.20
Agriculture Flat Rate Supply	192	244.55	358	467.70	5.36	5.23
Small Industrial Service	218	216.03	315	307.31	6.92	7.03
Medium Industrial Service	553	543.27	727	702.35	7.61	7.74

Consumer Category	Revenue (Rs Cr)		Sales (MU)		Average Billing Rate (Rs./Unit)	
	Approved	Actual	Approved	Actual	Approved	Actual
Large Industrial Service	2,972	3,106.45	3,929	3,854.97	7.56	8.06
P.W.W. & S. Pumping –Small	153	156.96	241	240.09	6.35	6.54
P.W.W.& S. Pumping –Medium	30	28.01	41	39.66	7.32	7.06
P.W.W. & S. Pumping –Large	219	205.99	304	278.72	7.20	7.39
Mixed Load Supply	152	136.98	209	193.22	7.27	7.09
Railway Traction	157	174.55	226	215.61	6.95	8.10
DF (Revenue from sale to DF at Input)		445.84		767.12		5.81
Total Revenue from Sale of electricity	**12,666.00**	**13,024.40**	**19,135**	**19,482.14**	**6.62**	**6.69**

1.16 The Revenue shown in the above table is revenue from fixed charges and energy charges.

1.17 It is pertinent to mention here that the average billing rate considered by the Hon'ble Commission is at variance with the actual billing rate. The average billing rates considered in the approval of the Hon'ble Commission in some categories is higher than the actual while in others it is vice-versa. The revenue projected and the category wise ABR calculated by the Hon'ble Commission is based on slab wise estimates made by the commission which may vary substantially from the actuals. The petitioner has taken into account the actual details for category wise sales and revenue. Moreover, no single consumer remains in the same slab throughout the year. Further, for projections, the Hon'ble Commission takes into account the number of consumers and connected load as at end of the year, however both changes during the year. Also, there are certain DC consumers as well which again adds on to the variance in average billing rate.

1.18 The variation in the sales and revenue are not in the control of the Petitioner therefore it is requested that the sales as per the audited accounts may be approved by the Hon'ble Commission.

Distribution Losses

1.19 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.

Table 3: Distribution losses for FY 2016-17 (%)

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

1.20 However, 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.

1.21 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.

1.22 The Petitioner is committed towards reduction of losses and therefore 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.

1.23 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.

1.24 It is worthwhile to mention 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. Therefore the petitioner prays to the Hon’ble Commission to kindly consider the actual distribution losses for FY 2016-17 while approving the true-up for FY 2016-17.

Energy Balance

1.25 The Commission has estimated the total energy requirement of 25,820 MUs from different sources for FY 2016-17. However, the actual energy purchased by the Petitioner during FY 2016-17 was 27,219.71 MUs (considering the sale to exchange also). The table below gives the detailed approved and actual power purchase requirement for the Petitioner during FY 2016-17. The MUs sold through the exchange are as per the audited accounts.

Table 4: Energy Balance for FY 2016-17

Particulars	Approved	Actual
Energy Sales (MUs)	19,134	19,482.14
Distribution Loss (%)	22%	25.48%
Distribution Loss (Mus)	5,397	6,661.74
Requirement at Distribution periphery (MUs)	**24,531**	**26,143.88**
Total Transmission Losses (%)	4.99%	3.95%
Total Transmission Losses (MU)	1,289	1,075.83
Gross Energy Required (MU)	**25,820**	**27,219.71**
Gross Energy Available (MU)	**27,927**	**27,333.69**
Surplus Energy Available (MU)	2,107	114

Aggregate Revenue Requirement for FY 2016-17

Power Purchase Cost

1.26 In the tariff Order for the FY 2016-17, the Commission had approved power purchase cost (excluding transmission charges) of Rs 9,991 Cr for FY 2016-17. However, the actual power purchase cost based on the audited accounts is Rs. 10,476.05 Cr (excluding transmission charge), which is higher than the approved amount.

1.27 The table below gives a comparative analysis of approved and actual power purchase cost of JVVNL.

Table 5: Details of Power Purchase Cost for FY 2016-17 (Rs Cr)

Source	Approved			Actual		
	Energy MU	Total Cost Rs Cr	(Rs/kWh)	Energy MU	Total Cost Rs Cr	(Rs/kWh)
NTPC	2357.00	713.00	3.03	2357.14	712.42	3.02
NHPC	679.00	246.00	3.62	679.22	247.16	3.64
NPCIL	1116.00	331.00	2.97	1116.33	331.13	2.97
RVUN/State Generation	11929.00	4523.00	3.79	11929.14	5358.03	4.49
Shared Projects	1166.00	41.00	0.35	1166.07	41.35	0.35
Aravali+ Adani+ Sasan+ Neyveli+costal Guj.+Wangtoo	5871.00	1863.00	3.17	5869.51	1965.84	3.35

Source	Approved			Actual		
	Energy MU	Total Cost Rs Cr	(Rs/kWh)	Energy MU	Total Cost Rs Cr	(Rs/kWh)
SJVVNL & Rampur	285.00	89.00	3.12	284.64	88.85	3.12
NVVN Bundled	962.00	430.00	4.47	962.23	429.74	4.47
New plants	260.00	107.00	4.12	259.54	106.47	4.10
Tehri+Koteshwar+Tala	160.00	71.00	4.44	159.92	70.63	4.42
RFF	122.00	49.00	4.02	122.00	48.68	3.99
Non-conventional	3020.00	1528.00	5.06	2347.90	1237.34	5.27
UI				832.17	183.10	2.20
Banking				37.72	37.73	10.00
Inter Discom				-1008.54	-443.92	4.40
Purchase from Exchange				218.72	61.50	2.81
Bilateral				0.00	0.00	
Gross Power Purchase	**27,927.00**	**9,991.00**	3.58	**27,333.69**	**10476.05**	3.83
PGCIL Charges		548.00			*623.83*	
RVPN Charges		954.00			*816.22*	
SLDC and NRLDC Charges		5.00			*(5.73)*	
Prior Period Expenses (Income)		0.00			***(81.38)***	
Total including Transmission Charges	**27,927.00**	**11,498.00**	4.12	**27,333.69**	**11,829.00**	4.33

1.28 It is pertinent to mention here that the power purchase rate of Rs 4.33 per unit has been incurred in FY 2016-17 against Rs 4.12 per unit approved by the Hon'ble Commission. The variance in the Power Purchase rate is on account of various factors higher power purchase cost of RVUN stations, non-conventional sources and other sources such as sources such as NHPC, Aravali, Adani, Sasan, Neyveli, Costal Gujarat, Karcham Wangtoo, etc.

1.29 In FY 2016-17, substantial amount of power was surrendered due to consumers opting for open access. However, even for the power surrendered, the Petitioner has to bear the fixed charges without receipt of any energy which further increase the per unit cost of power purchased.

1.30 The Hon'ble Commission while approving the ARR for FY 2016-17 considered that surplus power should be sold at a rate higher than the variable cost of thermal generating stations plus some margin and accordingly considered an average rate of Rs. 4.00 per unit for sale of surplus power. The Petitioner submits that sale and purchase of power is a dynamic process. The market clearing prices in exchange are dependent on the bids submitted by buyers and other sellers and the power available in the entire market. It is important to note that the Petitioner has no control over the mentioned factors. In FY 2016-17, the Petitioner was able to sell such surplus power only @ Rs. 2.80/kWh. In light of the above, the Petitioner submits that the power purchase cost should be reduced/revenue from trading activities should be considered only to the extent of actual revenue generated from sale of surplus power.

1.31 In the past, the Hon'ble Commission has considered banking as a cost neutral arrangement and accordingly has disallowed the cost of banking. However, there are various cost involved towards banking like trading margins, etc. The Petitioner submits that the same should be allowed in true-up for FY 2016-17.

1.32 In light of the above mentioned facts, the petitioner humbly requests the Hon'ble Commission to kindly approve the power purchase cost based on the actual expenditure incurred as per the submitted audited accounts.

Operation and Maintenance Expenses

1.33 The Operation and maintenance expenses include Employee Cost, Administrative and General Expenses and Repair and Maintenance expenses. Regulation 24 of the RERC Tariff Regulation 2014 state that the O&M expenses shall be considered on the normative basis.

1.34 The Commission in its Tariff Order dated 2nd November 2017 had approved O&M expense (excluding terminal benefits) of Rs. 791 Cr on normative basis (Rs. 1,072 Cr. exclusive of expense capitalized). This amount was derived by the Hon'ble Commission based on the energy sales approved for the year.

1.35 The net O&M expense (excluding terminal benefits) for the FY 2016-17 as per audited accounts is Rs. 760.87 Cr after capitalization which is less than the approved expenditure.

1.36 The total liability towards Superannuation and Gratuity, leave encashment on retirement and other benefits booked under the head of terminal benefit amounts to Rs. 551.96 Cr. As per the new Accounting policy of the Discom, JVVNL has started to capitalize terminal benefits. The petitioner has Capitalized Rs 95.62 Cr. in FY 2016-17. Terminal Benefits after Capitalization for FY 2016-17 is Rs. 456.34 Cr. It is further submitted that since the additional cost on account of superannuation and gratuity liability is not under the control of JVVNL, the Petitioner requests the Commission to consider this as a pass-through item.

1.37 The Petitioner further submits that majority of expenses charged under A&G expenses are on account of security service charges, vehicle running expenses, billing expense etc.

1.38 The Petitioner further submits that it has been able to reduce the R&M cost during FY 2016-17 and has incurred Rs. 111.23 Cr as compared to Rs. 172 Cr approved by the Hon'ble Commission for the same.

1.39 The Petitioner requests the Hon'ble Commission to approve the claimed O&M expenses and approve the legitimate cost borne by the Petitioner during FY 2016-17.

1.40 The O&M expenses as per the audited accounts of the Petitioner and the deviation with respect to the revised normative O&M expenses are tabulated below:

Table 6: Operation and Maintenance cost for FY 2016-17 (Rs Cr)

Particulars	Approved	Actual	Deviation
Employee cost	815.00	629.92	185.08
Terminal Benefits	700.00	551.96	148.04
Administrative & General Costs	86.00	151.21	(65.21)
Repairs & Maintenance Costs	172.00	111.23	60.77
Less: Expenses to be Capitalized	282.00	227.10	54.90
Net O&M	**1491.00**	**1,217.22**	**273.78**

Employee Expenses

1.41 The Employee Expenses of the Petitioner comprises of salaries, wages, Allowance, ex-gratia payments, Staff Welfare Expenses, Terminal Benefits etc.

1.42 Since the additional cost on account of superannuation and gratuity liability is not under the control of the Petitioner, the Petitioner requests the Commission to consider this as a pass-through item.

1.43 Actuarial Valuation in respect of liability towards unutilized paid leave covered under defined benefit plan as at 31.3.2017 has been done and the same has been recognized as expenses. This has resulted in an additional payoff as part of the employee cost which has not been accounted for in the normative approved employee expense.

1.44 The above two liabilities have together resulted in an additional expense, which is completely beyond the control of the Petitioner; and should be completely passed through in the true-up exercise.

1.45 The actual employee expenses as per the audited book of accounts are as below:

Table 7: Employee Expenses for FY 2016-17 (Rs Cr)

Particulars	FY 2016-17
Salaries	250.70
Overtime	1.22
Dearness allowance	299.98
Other Allowances	34.23
Dearness Pay	0.09
Ex-Gratia Payments/ Bonus	12.00
Honorarium	0.00
Earned Leave Encashment	18.81
Tution fee Reimbursement	-
Incentives	0.01
D.L.I.Board’s Contribution	1.56
E.S.I. Board’s Contribution	0.32
Incentives on R.C.	0.14
Interim Relief	0.00

Particulars	FY 2016-17
Payment under Group Insurance Plan Policy	0.75
Conveyance Expenses	0.06
Medical Expenses Reimbursement (Private Hospital)	1.07
Medical Expenses Reimbursement (Govt. Hospital)	1.55
Training Expenses	0.18
Uniform & Liveries Expenses	2.23
Soap & Duster	0.32
Safety Devices	1.32
Other Welfare Exp.	0.83
Annuity Benefits	0.01
D.L.I. Admn. Charges	0.33
Expenses on Mediclaim	0.66
Interest on Un-paid Salaries	-
Payment under Workmen Compensation Act	1.55
Gross Employee Expenses	**629.92**
Less: Expenses Capitalised	109.12
Net Employee Expenses	**520.80**
Terminal Benefits	
Terminal Benefits (Including Provident Fund)	39.71
Superannuation Board's Contrbution	452.49
Leave Encashment on Retirement	59.76
Compensatory Absence (Half Pay Leave Prov.)	-
Gratuity fund	-
P.F. Insp. & Audit Charges	-
Nigam Contribution to New Cont.Pen.	-
Gross Terminal Benefits	**551.96**
Less: Expenses Capitalised	95.62
Net Terminal Benefits	**456.34**
Grand Total	**977.14**

1.46 The Petitioner therefore, requests the Hon'ble Commission to allow the Actual employee expenses of Rs 977.14 Cr.

Administrative and General Expenses

1.47 The comparison of the actual A&G expenses v/s the revised normative A&G is as below:

Table 8: A&G Expenses for FY 2016-17 (Rs Cr)

Particulars	Approved	Actual
Gross A&G Expenses	86.00	151.21

1.48 The Petitioner submits that submits that majority of expenses charged under A&G expenses are on account of security service charges, vehicle running expenses, billing expense etc. which accounted around Rs. 64.78 Cr.

1.49 Considering that these expenditures are incurred in running an enterprise and cannot be exactly correlated with sales; the petitioner humbly requests the Hon'ble Commission to approve the A&G expenses based on the audited accounts.

1.50 In FY 2016-17, the Petitioner has incurred Rs 128.85 Cr (net of capitalization) towards Administrative and General Expenses and requests the Hon'ble Commission to approve the same.

Table 9: Administrative and General Expenses for FY 2016-17 (Rs Cr)

Particulars	FY 2016-17
Rent	3.24
Rates & Taxes	0.87
Licence & Registration fee of Plant & Machinery	-
Security Service Charges	18.79
Telephone,Telex & EPABX Expenses	4.25
Postage & Telegrame	0.68
Legal Charges, Technical Fees	1.47
Payment to Auditors : Statutory Auditors	0.05
Retainership Expenses of ex-employees	4.50
Payment for loss diagnostic study	-
Fee for I.A. of commercial a/cs	-
Consultancy Charges	2.89
Professional Charges	6.65
Exp. on Bijali Pratinidhi	-
Hiring of Vehicle	4.61
Travelling expenses	3.74
Vehicle Running expenses	20.93
Consumer Awareness Expenses	8.17
Power Expenses for Administration	5.05
Other miscellaneous expenses	7.31
Expenditure On Sale Of Power-IEX	-
Expenditure On Sale-PXIL	-
Printing & Stationary	1.92
Dectretal Charges	6.92
Hiring of Computerisation Service	3.56
Bill Collection Charges	6.55
Expenses on Ht Reading O/S.Agency	3.76
Billing Expenses	25.06
Bill Distribution Charges	2.35
Freight & Material related expenses	7.89
Gross A&G Expenses	**151.21**
Less: Expenses Capitalised (Rate)	22.36
Net A&G Expenses	**128.85**

Insurance Expenses

1.51 The comparison of the approved insurance expenses v/s the revised actual insurance expenses is as below:

Table 10: Insurance Expenses FY 2016-17 (Rs Cr)

Particulars	Approved	Actual
Insurance Expenses	23.00	1.06

Repair and Maintenance Expenses

1.52 The comparison of the actual R&M expenses v/s the revised normative R&M is as below:

Table 11: R&M Expenses for FY 2016-17 (Rs Cr)

Particulars	Approved	Actual
Gross R&M Expenses	172.00	111.23

1.53 The Petitioner has incurred Rs 111.23 Cr in FY 2016-17 toward Repair and maintenance of its infrastructure; the major expenditure has been booked under repair and maintenance of plant and machinery, lines & cable network of JVVNL. The actual R&M expense is much less than that approved by the Hon'ble Commission, the Petitioner requests the Commission to approve the value in entirety.

Table 12: Repair and Maintenance Expenses for FY 2016-17 (Rs Cr)

Particulars	FY 2016-17
Plant & Machinery	26.71
Buildings	11.09
Other Civil Works	-
Lines & Cable Network	72.28
Vehicles	0.39
Furniture & Fixtures	0.03
Office & Other Equipment's	0.74
Total	**111.23**

Interest & Finance Charges

1.54 The Commission had allowed Rs 732 Cr. as Interest and Finance charges; whereas the actual outgo under the same for FY 2016-17 is Rs. 1627.65 Cr.

1.55 It is pertinent to mention that the Commission also approved interest on unfunded gap as Rs. 1,334 Cr. Loans have to be taken to cover the unfunded gap and as such the interest paid on the unfunded gap also gets reflected in the interest and finance charges of the Discom. These are included in long term as well as short term loans.

1.56 The interest and finance expenses incurred by the Petitioner for different types of borrowings vis-a-vis the same allowed by the Hon'ble Commission have been detailed in the following table:

Table 13: Interest and Finance Charges for FY 2016-17 (Rs Cr)

Particulars	Approved	Actual
Interest on Long term Loans	578.00	352.88
Interest on Short term Borrowings & Interest on Working Capital	112.00	757.73
Interest Charges to Others		452.01

Particulars	Approved	Actual
Interest on Security Deposits	83.00	69.55
Finance Charges & Lease Rental	98.00	83.67
Less: Interest and Finance capitalized	139.00	88.18
Interest on unfunded gap	1,334	Reflected as part of interest on LTL and Working Capital
Total	**2,066.00**	**1,627.65**

1.57 In view of the above highlighted factors, JVVNL requests the Hon'ble Commission to kindly allow the actual net interest and finance charges of Rs 1,627.65 Cr incurred by JVVNL during FY 2016-17.

Depreciation

1.58 The Commission had allowed Rs 622 Cr as depreciation for FY 2016-17 in its Tariff Order for FY 2016-17 as against the actual depreciation of Rs 758.03 Cr incurred by the Petitioner for FY 2016-17. The table below gives comparative summary of approved and audited amounts of opening GFA, closing GFA and depreciation:

Table 14: Depreciation for FY 2016-17 (Rs Cr)

Particulars	Approved	Actual
Opening GFA	11,753.00	14,461.83
Closing GFA	13,445.00	16,005.56
Depreciation	**622.00**	**758.03**

1.59 From the year FY 2007-08, Depreciation on the assets has been charged at the rate notified by forum of regulators on dated 23.06.2006 in pursuance to para 5.3 (C) of the Tariff policy issued by the Ministry of Power, GoI on dated 6.01.2006 and duly accepted by the RERC. Accordingly depreciation is being charged as per notified rates in the book of accounts.

1.60 In accordance with the past practice Depreciation has been provided on assets in existence at the beginning of the year on yearly basis up to FY 2006-07. From the year FY 2007-08 depreciation has been provided on assets in existence at the beginning of the year on yearly basis plus provision for depreciation to the assets added during the year at the end of the quarter of its installation considering that it has been put to use immediately before the quarter end (the accounting treatment of depreciation). From FY 2014-15 provision for depreciation as prescribed in the RERC Tariff Regulation 2014 have been adopted and consequently the useful life of the assets up to 31.3.2014 has been recalculated

1.61 The Petitioner requests the Hon'ble Commission to allow Rs 758.03 Cr as depreciation (as per Audited Accounts) for the year FY 2016-17.

Other Debits, Rebate allowed to Consumers and Prior Period

1.62 Based on the actual audited accounts for FY 2016-17 the Petitioner requests the Hon'ble Commission to allow for other debits of Rs 502.04 Cr in FY 2016-17. It is submitted that this along with the nature of the other heads under the 'Other Debits' section which also includes the rebate allowed to consumers is outside the control of the Petitioner and hence should be allowed by the Commission.

1.63 It is further submitted that the Petitioner has also given rebate to the consumers on account of rebate on tariff as applicable, supply on specific voltages and on waiving off the delayed payment surcharge. These rebates account for Rs. 232.78 Cr. The details of same are listed out in the table below.

1.64 In addition to above, the Petitioner also received grants under UDAY from the state Govt. worth Rs. 3,135.57 Cr. Keeping in view the commitment of GoR in Financial Restructuring Plan (FRP), 2005 and reiterated vide MoU executed on dated 26.10.2009, revenue Gap upto 2008-09 of Rs. 4,410.43 crore had been depicted as subvention receivable from the State Government. However, considering the subvention disbursement schedule decided in the State Cabinet meeting dated 19.10.2011 and also recognized in FRP-2013 Rs. 1,543 crore which would remain unfunded till 2022 had been reversed and shown as loss in FY 2011-12. Balance amount of Rs. 2,867.43 crore had been considered as subvention receivable from the State Government against which Rs. 978.17 crore has been disbursed by the GoR till March, 2016. But after implementation of UDAY in Rajasthan Discoms, the Energy Department, GoR vide its letter dated 23.12.2016 has intimated that Finance Department, GoR has declined to release any further subsidy against the balance amount as per MoU dated 26.10.2009 therefore, Discom has written off balance amount of ` 1889.26 crore in current financial year and shown under exceptional item in Statement of Profit and Loss for the year 2016-17. Moreover, the Govt. of Rajasthan vide letter dated 13.06.2016 has declined to reimburse the difference of minimum charges related to period 2009-10 to 2011-12 and therefore, minimum charges of Rs. 125.05 Cr. which were appearing as receivable from the State Government has been written off during the current financial year. As such the net grants received from the State Govt. under UDAY amounts to Rs. 1,121.26 Cr.

1.65 The Petitioner prays to the Hon'ble Commission to take a prudent view on the above mentioned details.

Table 15: Other Debits and rebate allowed to consumers during FY 2016-17 (Rs Cr)

S. No.	Particulars	FY 2016-17
A.	**OTHER DEBITS**	
1	Compensation for Injured/Death of Employees	0.70
2	Compensation for Injured/Death of Outsider	5.46
3	Loss on obsolete store	0.38
4	Loss on valuation of Inventory	65.02
5	Loss on Exchange Rate variation	-
6	Loss on sale of scrap/fixed assets	64.40
7	Loss due to theft of Fixed Asset	7.33

S. No.	Particulars	FY 2016-17
8	Deferred Expenses Written off	0.41
10	Provision for bad Debts	358.35
	Total Other debits	**502.04**
B.	**REBATE ALLOWED TO CONSUMERS**	
1	Rebate for supply on specific voltage/block supply/Flat Rate/Defective Meter/Prompt Payment etc.	187.99
2	Rebate to PSL for providing Timers	0.08
3	DPS/LPS Waived off	44.72
	TOTAL	**232.78**
C.	**PRIOR PERIOD EXPENSES**	
1	Prior Period Income/(Expenses)	30.02
2	Exceptional items (Grant from the State Govt. under UDAY and FRP)	(1,121.26)
	TOTAL	**(1091.24)**
	GRAND TOTAL of OTHER EXPENSES (Income) (A+B-C)	**(356.41)**

Summary of ARR for FY 2016-17

1.66 The table below summarizes the ARR approved by the Commission in the MYT Order vis-à-vis the actual ARR incurred by the Petitioner.

Table 16: ARR for FY 2016-17 (Rs Cr)

Expenditure	Approved	Actual
Power purchase Expenses (incl. transmission charges)	11,497.00	11,829.00
Operation and Maintenance Expenses (including insurance expenses)	814.00	761.93
Terminal Benefits	700.00	456.34
Interest and Finance Charges	621.00	869.92
Interest on unfunded gap	1,334.00	Reflected as part of interest on LTL and Working Capital
Interest on Working Capital	112.00	757.73
Depreciation	622.00	758.03
Other Expenses		(356.41)
Total ARR	**15,700.00**	**15,076.53**

Non-Tariff Income and Other Tariff Income

1.67 Non-Tariff Income is income realized from sources other than consumers such as income from interest on loan and advances to staff etc. Delayed Payment Charges, FD (Fixed Deposit), income from sales of scrap and sales of fixed assets etc. The other Tariff Income includes Meter Rent, Miscellaneous charges from consumers and the cost recoverable as per the RVPN and RVUN true up orders of the previous years.

1.68 The Petitioner has realized Rs. 501.07 Cr during FY 2016-17 as Non tariff Income. The other income amounts to Rs. 222.82 Cr. JVVNL would like to requests the Hon'ble Commission to approve the non-tariff income and other income based on the summary provided below:

Table 17: Non-Tariff Income and Other Tariff Income FY 2016-17 (Rs Cr)

Particulars	Approved	Actual
Gain on sale of Fixed Assets	459.00	2.33
Interest on Loans and Advances to Staff		0.00
Interest on Loans & Advances to Licensee		0.37
Interest Income from FDR		1.07
Interest income other than FD		-
Rental From Staff Quarters		0.12
Registration fees		0.06
Sale Of Tender Forms		1.02
Income from Sale of Scrap		5.35
Income from Testing Charges		2.03
Other Misc. Receipts.		64.07
Gain on Exchange Rate Difference		0.05
Excess Prov. of Gratuity written back		12.18
Deferred Income from Govt. Grants/subsidy & CCSL		159.56
Rebate for Prompt Payment		20.44
Delayed Payment Charges from Consumers		232.41
Total		**501.07**
OTHER TARIFF INCOME		
50% of amount recovered against electricity theft (Reg 35)		62.13
Meter Rent / Service line rental (CT / PT Rent)		12.23
Misc. Charges from Consumers		36.46
Other Income - True up credit of RVPNL		112.00
Other Income - True up credit of RVUNL		-
Total		**222.82**
GRAND TOTAL	**459.00**	**723.89**

1.69 The Petitioner in its petition for approval of ARR for FY 2016-17 had claimed interest on funding of principal amount of DPS while approving the non-tariff income. The Hon'ble Commission, while approving the ARR for FY 2016-17 in its order dated 2nd November 2017 directed the Petitioner to take up this matter while filing the petition for true-up for FY 2016-17.

1.70 The Petitioner accordingly submits that as per the audited annual accounts for FY 2016-17, the Non-tariff income is Rs.723.89 Cr which includes Rs.232.41 Cr towards Delayed Payment Surcharge (DPS) from consumers. As the Petitioner charges DPS @ 24% per annum (2.0% per month), the principal amount works out to Rs.968.40 Crore on which DPS has been charged. The Commission in its order dated 2nd November 2017 has allowed 12.26% as the normative interest rate for working capital in accordance with the RERC (Terms and Conditions for Determination of Tariff) Regulations, 2014. Considering the same interest rate, the detailed computation of financing cost of DPS is summarised in the table below:

Table 18: Interest on funding of principal amount of DPS

Interest on funding of Principal DPS	FY 2016-17
DPS	232.41
Principal Amount on which DPS is charged (@2% per month)	968.40
Interest rate for funding principal of DPS	12.26%
Interest on funding of Principal DPS	**118.73**

1.71 Accordingly, the Non-Tariff Income may be appropriately adjusted by reducing it with the financing cost computed above.

1.72 It is pertinent to mention that consideration of financing cost of DPS is in line with the judgement of the Hon'ble Appellate Tribunal for Electricity (APTEL) dated 12.07.2011 in case no. 142 & 142 of 2009. It is also worthwhile to mention that in line with the above mentioned judgement, other state commissions have consistently considered the carrying cost of receivables against which DPS is booked in NTI. For example, the State Electricity Regulatory Commission of Bihar in its latest tariff order dated 24th March 2017, like in its previous orders, has also considered such carrying cost of receivables against which DPS is booked in the NTI and has considered the financing cost of DPS as per the interest rate allowed for interest on working capital. The Petitioner prays to the Hon'ble Commission to take a prudent view on the same.

Revenue from sale of power

1.73 The Hon'ble Commission in the Tariff order approved Rs. 12,664 Cr as revenue at existing tariff from sale of Power for FY 2016-17. The actual revenue as per the audited accounts is Rs. 12,942.86 Cr.

1.74 As mentioned in the previous sections, the Hon'ble Commission while approving the ARR for FY 2016-17 has considered a much higher amount of revenue from trading activities and reduced power purchase cost accordingly. However, the market clearing prices in exchange are dependent on the bids submitted by buyers and other sellers and the power available in the entire market and the Petitioner has no control over these factors. In light of the above, the Petitioner submits that the revenue from trading activities should be considered only to the extent of actual revenue generated.

1.75 The details of the approved and actual revenue are summarized in the table below:

Table 19: Approved and Actual Revenue for FY 2016-17 (Rs Cr)

Revenue	Approved	Actual
Revenue from Sale of Power	12,664.00	12,942.86
Non-Tariff/Other tariff Income	317.00	723.89
Income from trading activity	843.00	31.89
Income from wheeling and cross subsidy	142.00	231.94
Total Revenue	**13,966.00**	**13,930.58**

Revenue Deficit for FY 2016-17

1.76 Based on the actual ARR and revenue realization, the actual revenue gap for FY 2016-17 stands at Rs. 615.76 Cr as against Rs. 1226.53 Cr approved by the Commission. The approved and actual revenue deficit is summarized in the table below:

Table 20: Revenue Deficit for FY 2016-17 (Rs Cr)

Particulars	Approved	Actual
Aggregate Revenue Requirement (A)	15,700	15,076.53
Total Revenue including non-tariff income, sale through exchange and other income (B)	13,966.00	13,930.58
Revenue Deficit (C = A-B)	**1,734.53**	**1,145.95**
Revenue Subsidy /grant received during the year:		
Differential Interest Subvention on World Bank Loan	0.00	0.00
Subvention from State Govt. against ED	583.00	530.20
Cash Support from State Govt.	0	0.00
Other Subsidy	0	0.00
Total (D)	**583.00**	**530.20**
Net Revenue Gap (C-D)	**1,151.53**	**615.76**
Add: RVUN True For FY 2013-14, FY 2014-15 and FY 2015-16	74.5	0
Add: Consumer Education	0.5	Included in A&G
Net Deficit including Carrying cost	**1226.53**	**615.76**

1.77 As is evident from above, the actual gap in revenue requirement for FY 2016-17 of Rs. 615.76 Cr is substantially less than Rs.1226.53 Cr as allowed by the Commission in its ARR Order for FY 2016-17. This is the result of debt takeover by state govt. under UDAY as well as operational improvements made by the Petitioner.

1.78 It is prayed that the Commission considers the actual revenue gap for FY 2016-17 while determining the tariff for ensuing year.

Deviation Analysis for FY 2016-17

1.79 The following table depicts the deviation analysis in respect of each of the elements of the Income and Expense accounts.

Table 21: Deviation Analysis (Rs Cr)

Particulars	Approved (a)	Actual (b)	Deviation (c=a-b)	Reason for Deviation	Controllable/ Uncontrollable
1. Revenue					
Sale of Power	12,664	12,942.86	-278.86	As per actuals. The actual quantum of sales was higher than that approved in the ARR	Uncontrollable
Wheeling, Cross Subsidy & Additional Surcharge	142.00	231.94	-89.94	As per Actual	Uncontrollable
Non Tariff Income and other income	317	723.89	-406.89	As per Actual. Also includes the other tariff income from misc receipts from consumers, meter rent and cost recoverable on account of RVPN previous years True up order.	Uncontrollable
Income from Trading	843	31.89	811.11	As per annual audited accounts	Uncontrollable
Total Revenue (A)	**13,966.00**	**13,930.58**	**35.42**		
2. Expenditure					
Power purchase	11,497.00	11,829.00	-332.00	Higher than approved per unit cost. The quantum of energy purchased was also higher than the approved quantum due to distribution losses being higher than the approved losses.	Uncontrollable
Operation and Maintenance Expenses (including insurance expenses)	1491.00	1,217.21	273.79	The O&M costs incurred have been lower than that approved in the ARR order.	Controllable
Interest and Finance Charges (Included Unfunded gap)	2,067.00	1,627.65	439.43	The total interest cost has been lower than that approved in the ARR despite of interest cost of short term loans being higher than the interest on working capital approved in the ARR	Controllable
Depreciation	622.00	758.03	-136.03	Depreciation claimed	Uncontrollable

Particulars	Approved (a)	Actual (b)	Deviation (c=a-b)	Reason for Deviation	Controllable/ Uncontrollable
				as per actual opening and closing balances of GFA in the books of accounts	
Other Expenses		(356.41)	356.41	As per actual charges paid	Uncontrollable
Aggregate Revenue Requirement (ARR) (B)	**15,700.08**	**15,076.53**	**623.55**		
Gap/ (Surplus) (B-A)=C	**1,734.53**	**1,145.95**	**588.58**		
Less: Revenue Subsidy					
Differential Interest Subvention on World Bank Loan		0.00	0.00	As per annual audited accounts	NA
Subvention from State Govt. against ED	583.00	530.20	52.80	As per annual audited accounts	NA
Cash Support from State Govt.		0.00	0.00	As per annual audited accounts	NA
Subsidy against Interest		0.00	0.00	As per annual audited accounts	NA
Total revenue Subsidy D	**583.00**	**530.20**	**52.80**	As per annual audited accounts	NA
Net Revenue Gap (C-D)	**1,151.53**	**615.76**	**535.78**		
Add: RVUN True For FY 2013-14, FY 2014-15 and FY 2015-16	74.5	0	74.5		
Add: Consumer Education	0.5	Included in A&G			
Net Deficit including Carrying cost	**1226.53**	**615.76**	**610.78**		

NA: Not Applicable

1.80 Based on the above, the Petitioner respectfully prays to the Commission to true-up the expenditure and revenue for FY 2016-17 on the actual performance of the Petitioner and approve the revenue gap of Rs. 615.76 Cr for the year.

A2: Prayer

2.1 Jaipur Vidyut Vitran Nigam Limited requests the Commission to:

- Based on the above, the Petitioner respectfully prays to the Commission to true-up the expenditure and revenue for FY 2016-17 on the actual performance of the Petitioner and approve the revenue gap of Rs. 615.76 Cr for the year.

- And pass such other and further orders as are deemed fit and proper in the facts and circumstances of the case.