

**BEFORE THE**  
**TRIPURA ELECTRICITY REGULATORY COMMISSION**  
**BidyutBhavan ,Bhutoria , Banamalipur , Agartala ,Tripura-799001**  
**Phone : 0381-2300137 , 0381-2326372 , Website :**  
**<https://terc.tripura.gov.in>**

**Coram**

**Shri. D. Radhakrishna, Chairman**

**Shri. Jiban Krishna Sen, Member**

**Review Petition No: 13 OF 2020 in connection to Petition No. 4&5 of  
2020**

**Order No. 28 of 2020**

**Date of Order: 14.12.2020**

**In the matter of**

**Review Petition Under Section 94(1)(f) of The Electricity Act, 2003 read with Regulation 34  
of TERC Conduct of Business Regulation – 2015 for Review of MYT Tariff Order in  
Petition No. 4 & 5 of 2020 for FY 2020-21 effective from 1st September, 2020.**

**by**

**Tripura State Electricity Corporation Limited (TSECL) ..... Petitioner**

**Bidyut Bhawan, North Banamalipur**

**Agartala – 799001**

**Tripura**

**No: F. 24/TERC/09    Review Petition No: 13 OF 2020 in connection to Petition No.  
4&5 of 2020**

## ORDER

1. Tripura State Electricity Corporation Limited (TSECL) filed a Review Petition bearing Case no. **13 OF 2020 on 21.10.2020** seeking review of certain aspects of the Multi Year Tariff Order for FY 2020-21 passed by the Commission on 1<sup>st</sup> September, 2020 (“tariff order”) vide Petition No. 4 & 5 of 2020, under Section 94 (1)(f) of the Electricity Act, 2003 (“the Act”) and Regulation 34 of TERC (Conduct of Business) Regulations, 2015.
2. TSECL has submitted that the demerger of TPGL from TSECL as per provisions of Companies Act 2015, is still in progress, post which the independent functioning of TPGL shall commence. Therefore, a combined petition for the review of the combined order for generation, transmission and distribution functions in Tripura is being filed by TSECL.
3. As TSECL is seeking review of MYT Order in Petition No. 4 & 5 of 2020 dated 1 September, 2020, both these cases related to TPGL and TSECL are being dealt with in this common Order.
4. TSECL made the following prayers in a review Petition:
  - a) *Admit the Review Petition on Tariff Order of the Commission dated March 25, 2020, as submitted herewith*
  - b) *Condone any inadvertent omissions/errors/shortcomings and permit the Petitioner to add/change/modify after this filing and make further submissions as may be required at a future date.*
  - c) *Permit submission of any additional information required by the Commission during the processing of this Petition*
  - d) *And pass such other and further orders as are deemed fit and proper in the facts and circumstances of the case.*
5. The Commission has taken on record the review Petition and issued notice to

the Petitioner on 24.11.2020 for hearing to be held on 27.11.2020. The Commissions issued hearing notice to the Government Of Tripura through Principal Secretary (Power) and Tripura Power Generation Limited (TPGL) through their Managing Director also.

The Petitioner through in communication dated **25<sup>th</sup> Nov** prayed for deferment of the date by 2<sup>nd</sup> week of Dec. Moreover the Commission heard the TPGL who were present on 27<sup>th</sup> Nov.2020 and scheduled the final hearing on 8<sup>th</sup> Dec 2020.

6. The Commission held the Final hearing on the matter on **08.12.2020**. Where the Petitioners were present during the hearing, the Petitioners were heard the submissions made in the Review Petition .
7. Having heard the Petitioner and considering the materials placed on record before the Commission, issue wise submission made by the Petitioner, the Commission's analysis decisions are discussed subsequent paragraphs of this Order.
8. The Commission notes that in prayer (a) of the review Petition, the date of the Order is mentioned as **25 March, 2020** which Commission takes as **1<sup>st</sup> September 2020** as it seems to the typographical errors.
9. **Issue No. 1 – Non allowance of Cost Reflective Tariff and no tariff increase after a gap of 6 years**

**TSECL's Submission**

- 9.1. TSECL submitted that it is suffering on account of its poor financial position and high accumulated losses. TSECL filed a Tariff Petition with objective to bridge the gap between cost and revenue and recover the gap of past years. The increase in tariff would have provided TSECL an opportunity to come out of the vicious cycle of losses and underinvestment in assets to improve in operational efficiency through improvement of cash flows.

- 9.2. TSECL has stated that the Commission has not approved any tariff increase to recover the accumulated gap of more than eight years in spite of no tariff hike in the last six years. Further, the Commission has approved a revenue gap but the recovery mechanism of the same has not been specified.
- 9.3. TSECL further submitted that this would pose a challenge for the financial sustainability of TSECL and also burden the consumers with carrying cost of past years' gap. Also, the Commission has not considered the submissions of the Petitioner, not balanced the interests of all stakeholders and conveniently ignored basic facts of the case, which was submitted by the Petitioner for approval of a cost reflective or cost plus tariff essential to recover the prudent and legitimate costs of TSECL.
- 9.4. Further, TSECL made the following submission:
- (a) **Marginal Increase in Average Cost of Supply:** The average cost of supply approved for FY 2020-21 is Rs. 6.56 per unit as against the average cost of supply of Rs. 6.50 per unit approved for FY 2014-15. This has resulted into abysmally small amount of 6 paise per unit approved after gap of six years. The basic principle of increase in costs and inflation factor in cost of supply is ignored.
- (b) **Non consideration of Increase in Inflation during the last 6 years:** TSECL in its submission has requested to consider the increase in inflation during the last 6 years, which is approx. 20.2% cumulatively, while approving the tariff increase to balance the interest of all stakeholders and allow a tariff which is cost plus for TSECL.
- (c) **Benchmarking of costs and tariffs:** For benchmarking of the tariff increase and average cost of supply, the TSECL had submitted information of State wise tariff hike observed in the last 6 years. The data showed that most of the States in India have witnessed total tariff increase in the last six years of about 20% or more to bring the tariffs reflective of the increase in costs due to inflation and other factors during this period.

Further, it is submitted that, the Commission has not undertaken benchmarking to assess the prudence of the cost submitted by the Petitioner.

(d) **Non consideration of Impact of COVID 19 on Discoms:** In Tariff Order, it is stated that the Commission is not approving any increase in tariff in the matter of public interest, in view of the difficulties being faced by the consumers in the wake of COVID-19 pandemic. However, the Commission has ignored the basic fact that COVID 19 pandemic has equally (if not more) impacted the power distribution companies on multiple areas affecting the revenue collections, increasing the LT:HT mix of sales, increase in T&D losses, difficulty in operational activities, increasing the working capital requirement and so on. In spite of all the difficulties faced, TSECL has made all out efforts to ensure continuous and reliable power supply during the most challenging and unprecedented times. The Commission has already provided various relief to consumers on account of COVID 19 pandemic including reduction of late payment surcharge, extension of due date for payment etc. Also, the economy of the country is already showing sign of recovery. In addition, TSECL has submitted that the recent tariff orders by Odisha, Uttaranchal and Goa have allowed a tariff hike for current Financial Year (since 1<sup>st</sup> April 2020) to allow utilities to recover the legitimate gap. Thus, COVID 19 is not a justified reason for non approval of tariff increase as some States in India have already approved tariffs in the ongoing scenario.

(e) **Allowance of Regulatory Asset to offset Tariff Increase:** As regards the regulatory assets, Clause 8.2.2 of National Tariff Policy 2006 clearly states that regulatory assets should only be allowed in exceptional circumstances and should always be accompanied by a small recovery period preferably within the Control Period. Also, the draft proposed amendments to Electricity Act 2003 brought out by Ministry of Power,

Government of India in 2020, also clearly states that the Commission should approve tariff based on full recovery of costs which implies there should not be any regulatory assets created to offset the tariff increase. The impugned order is clearly a violation of the above mentioned principles.

- 9.5. In view of the above, TSECL submitted that the Commission has not taken into consideration key aspects of the cost recovery of TSECL and has not balanced the interests of TSECL while avoiding a tariff increase.

**Commission's Analysis and Ruling**

- 9.6. The Commission has approved the average Cost of Supply(ACOS) for FY 2020-21 based on the facts and submissions made by the licensee and subject to the prudence check carried out by the Commission. Also, though the inflation does have affect on the cost component, on standalone basis, the Commission has allowed Net ARR of Rs. 1,553.29 Crore against the claim of Rs. 1595.73 crore by TSECL resulting in disallowance of only 3% of the cost. Hence it is quite evident that the ARR as approved for FY 2020-21 is more or less in line with the submission made by the Petitioner and will be reviewed at the time of True-up based on the actual audited statement. Accordingly, the mere comparison of the ACoS in FY 2014-15 and FY 2020-21 based on the inflation data may not reflect the correct picture and the same also needs to be reviewed based on the past actual performance, power scenario, energy market, current cost estimates, etc to determine the ACoS. Accordingly, the Commission while approving the same has considered the above factors along with the macro economic factors, subject to prudence check and has approved the ARR.
- 9.7. In the said review petition, TSECL has highlighted the benchmarking of costs and tariffs of other States and stated that most of the States in India have witnessed total tariff increase in the last six years of 20% or more to

bring the tariffs reflective of the increase in costs due to inflation and other factors during this period. The Commission is aware about the fact that there is no tariff hike for TSECL from last six years. However, it has been observed that, the Commission has notified the TERC MYT Regulations, 2015 in December 2015 and thereafter, TSECL has not filed a Multi-Year Tariff Petition for determination of tariff for Control Period. Even after repeated directives of the Commission, TSECL has not filed tariff Petition on regular basis thereby violating the regulatory requirement. The Commission observes that in the example as provided by the Petitioner in the Review petition, most of the States have been periodically filing the tariff petition against which such tariff hike is provided. Due to such non-filing of the petition on the timely basis, the past gap has been accumulated and such huge accumulation cannot be passed to the consumers resulting in tariff shock. Accordingly, the Commission has already directed TSECL not to delay further filings before the Commission to enable timely determination of tariff for future years.

- 9.8. The Commission in MYT Tariff Order in Petition No. 4 & 5 of 2020 for FY 2020-21 has decided to continue with the same tariff considering the COVID-19 situation in the State. The relevant extract of the Order is as under:

*“The Commission in this Order has undertaken the truing up for FY 2013-14 to FY 2015-16 and computed the revenue gap arising out of such truing up. Such revenue gap has been carried forward to consider for recovery during FY 2020-21.*

*Further, the Commission has determined the Aggregate Revenue Requirement for MYT Control Period from FY 2016-17 to FY 2020-21. Also, truing up for FY 2016-17 has been undertaken based on audited accounts. The revenue gap/(surplus) for MYT Control Period is determined in the previous Chapter of this Order. Such revenue gap/(surplus) has been carried forward and mechanism of the recovery of the same is described in the subsequent section of this order.*

*As regards the carrying cost, the Commission notes that TSECL has not filed the Tariff Petition on time. Hence, it would not be prudent to allow carrying cost on revenue gaps approved in this Order. The Commission notes that, TSECL has also sought carrying cost from FY 2018-19 onwards. The Commission finds the approach of TSECL in this regard justified and the same has been adopted by the Commission to arrive at cumulative revenue gap for FY 2020-21.*

*... ..  
... ..*

*The Commission determines the cumulative revenue gap of **Rs. 247.55 Crore** at end of FY 2020-21, considering the past revenue gaps arising out of truing up/provisional truing up/review.*

*The Commission notes that the State of Tripura is in a state of lockdown because of the COVID-19 pandemic. The Commission is conscious of the difficult conditions, which the country and the State are going through. The Government of India has itself declared the prevailing situation as a force majeure event. The Commission appreciates that most industrial and commercial establishments have been shut down due to lockdown conditions.*

*The prime function of the Commission is to protect the interest of the consumer and at the same time ensuring recovery of cost by the utilities. The present circumstances are unforeseen and unprecedented. It is also true that extraordinary situations require extraordinary solutions. This is a matter of public interest and the Commission deems it fit to provide some relief to consumers and utilities in the State of Tripura in order to mitigate the difficulties being faced, to some extent, in the context of the all-out efforts to contain the spread of COVID-19 pandemic.*

*As an immediate measure, the Commission, vide its order dated April 04, 2020 in Petition No. 6 (SM/TERC) has already provided certain relaxation to generating companies, licensees and consumers in the State of Tripura, in order to mitigate the impact of COVID-19.*

*Further, the cumulative Revenue Gap has been determined as Rs. 247.55 Crore. For full recovery of this Gap, there would be substantial impact on consumer tariff. However, the Commission is of the view that increases in Tariff in situation of COVID- 19 pandemic would not be appropriate. Also, even if the tariff increase is considered, the recovery of such Revenue Gap also depends on energy sales, which also remain affected because of lockdown. In light of forgoing, in order to mitigate the difficulties being*



*faced by the consumers in the State because of the spread of COVID-19 pandemic, the Commission decides to continue with the existing Tariff approved vide order dated 22 November, 2014.*

*The Commission has determined the Net ARR for FY 2020-21, which includes the cost of purchase towards inter-state sale. After deducting the projected revenue of Rs. 968.39 Crore from inter-state sale of power, the Commission approves the Net ARR for FY 2020-21 as Rs. 584.90 Crore, which is Aggregate Revenue Requirement for sale of power within State.*

... ..

... ..

*The Commission has created the regulatory asset of Rs. 247.55 Crore. The Commission notes that this Regulatory Assets shall be revised after final truing up for FY 2017-18 onwards and the same shall be considered by the Commission for recovery through tariff. The Commission directs TSECL to submit revised Regulatory Asset after final truing up for FY 2017-18 to FY 2019-20 and review of FY 2020-21 and the plan for amortisation of such regulatory asset in next Tariff Petition.”*

- 9.9. The Commission while approving the tariff for FY 2020-21 has taken the approach for which detailed reasoning has already been given in the Tariff Order.
- 9.10. With regards to creation and allowance of Regulatory assets, though the National Tariff Policy clearly states that the regulatory assets should only be allowed in exceptional circumstances and should always be accompanied by a small recovery period preferably within the control period, the Commission is of the view that creation of Regulatory Asset could not be avoided in view of the accumulation of Regulatory Asset for past 6 years, phenomenal load growth, less addition to the generating capacity, increase in costs, etc. If the tariff was to be increased for the entire revenue gap it would have resulted in a tariff shock to all categories of consumers. The Petitioner itself has also proposed the creation of Regulatory assets with highlighting the different scenarios to recover the proposed gap with different tariff hike and number of years. Hence, the submission of TSECL that creation of Regulatory Assets without any exceptional circumstances is

violation of the abovementioned principles contravenes its own submission. However, as stated above, non-filing of tariff petition and resultant approved gap will result in tariff shock to consumers and can be treated as an exceptional case for which it is necessary to create a Regulatory asset. Also, the same is provided in clause 10 (III) of TERC MYT Regulations 2015, whereby the Regulatory Assets can be created to avoid any major tariff shocks. The clause is reproduced below:

*“The Commission shall have the discretion of providing regulatory assets. Regulatory assets shall be created only in case of the Licensee incurring losses on account of force majeure or cost variations due to uncontrollable factors or avoiding **major tariff shocks** because of these reasons:”*(Emphasis Supplied)

- 9.11. The Commission further contends that according to TERC Regulation, 2015, the Commission has stipulated that Regulatory Assets should be created to deal with the aforementioned conditions and prevent tariff shocks. One cannot deny the fact that the State Commission has to consider the actual parameters, expenses and revenue within the four corners of regulatory norms while discharging its functions in the process of considering truing up of total revenue required for the previous year/years and then adopt a mechanism how the revenue gap has to be filled up and while doing so, the Regulatory Asset is determined.
- 9.12. Also, accounts from FY 2017-18 onwards are still to be audited though the Financial year has been completed long back and it is essential that there is timely completion of audit of accounts for all financial year. Therefore, the Commission is of the view that tariffs can be reviewed along with the amortisation of balance regulatory asset, once the pending audit is finalised. The same is also been stated in the Tariff Order in Chapter 8 as outlined below:

*“The Commission notes that this Regulatory Assets shall be revised after final truing up for FY 2017-18 onwards and the same shall be considered by the Commission for recovery through tariff”.*

9.13. Accordingly, the Commission finds that there is no error apparent in the approach adopted in Tariff Order. Hence, the review is not admissible on this issue.

**10. Issue No. 2 – Specification of the amortization schedule of the regulatory asset of Rs. 247.55 Crore**

**TSECL's Submission**

10.1. The Commission has approved the regulatory assets of Rs. 247.55 Crore, but the recovery schedule/amortization schedule has not been specified. This approach is in contradiction of the clause 10 (III) of TERC MYT Regulations 2015 which clearly states that the Commission should provide the amortization schedule along with the regulatory asset.

10.2. However, the Commission in its Order has directed the licensee to submit the amortization schedule after Truing up of FY 2017-18 to FY 2019-20. It is important to note that the truing up of these years would be subject to completion of audited accounts and may take a long time which would increase the gap further. Moreover, the discretion of regulatory asset and its amortization schedule is with the Commission.

10.3. TSECL requested the Commission to review the order with respect to amortization schedule of the approved regulatory asset and specify a time bound recovery mechanism (starting date of recovery and the period of recovery). It is further suggested that the recovery should start from April 1, 2021 and the total period of recovery should be not more than 24 months.

**Commission's Analysis and Ruling**

10.4. The Commission in its Tariff Order has approved the regulatory asset of Rs. 247.55 Crore at end of FY 2020-21. The Commission notes that Regulatory asset of Rs. 247.55 Crore is the summation of the approved gap for FY

2020-21 and accumulated approved past gaps from FY 2013-14 to FY 2019-20. However, the truing up is undertaken only till FY 2016-17 as the audited accounts are available only till that period and the final audit statement for FY 2017-18 to FY 2019-20 is still pending though the financial year has been completed long back. Therefore, the Commission is of the view that the regulatory assets would be reassessed for amortization as soon as audited accounts are available for all the period.

- 10.5. Also, TSECL is in the process of finalization of its transfer scheme, and once the scheme is finalized, the amortization of balance regulatory asset can be worked out considering State Government support and the action points as would be specified in the notified Transfer scheme.
- 10.6. Accordingly, the Commission directed TSECL to submit revised Regulatory Asset after final truing up for FY 2017-18 to FY 2019-20 and review of FY 2020-21 and the plan for amortisation of such regulatory asset in next Tariff Petition.
- 10.7. The Commission further notes that the prayer of TSECL for recovery of Regulatory Asset of Rs. 247.55 Crore to be commenced from FY 2021-22 cannot be determined at present as the tariff for such year is yet to be determined. In case of finalisation of recovery mechanism for such regulatory assets, it is necessary to consider the projected ARR and tariff hike for FY 2021-22 and for future years for which TSECL is required to file the tariff petition on a timely basis. The Commission can ensure the recovery of such regulatory assets and bring in regulatory certainty, only in case the Petitioner ensure the submission of tariff petition on regular and periodical basis.
- 10.8. Also, in line with the proviso 10 (III) of the Tariff Regulations, 2015, though the Commission has discretionary power of providing the Regulatory assets and the amortisation schedule corresponding to the Regulatory assets, since there is no tariff hike been approved by the Commission, the amortisation

schedule will therefore be considered at the time of next tariff Petition. However, the basic objective to direct TSECL to submit revised Regulatory Asset after final truing up for FY 2017-18 to FY 2019-20 and review of FY 2020-21 and the plan for amortisation of such regulatory asset in next Tariff Petition is to evaluate the plan of the license for the recovery of the same after following due process of law including public hearing.

- 10.9. The Commission has to balance the interest of consumers and distribution licensees. It is also essential to avoid the tariff shock to consumers. The Hon'ble Tribunal in its order dated 11 March, 2014 in IA No 364 of 2013 in Appeal No 265 of 213 and IA No 365 of 2013 in Appeal No 266 of 213 has held as follows:

*“17. The Applicants/Appellants want us to direct the Commission to liquidate the Regulatory Assets in next 3 years. We are not inclined to pass such directions as we do not want to usurp the powers of the Commission. Only the Commission will be in a position to decide a proper road map after examining the present financial position of the Applicants after balancing the interests of the consumers and the distribution licensees. As the Regulatory Assets have accumulated to a huge amount the recovery of the accumulated Regulatory Assets in a short period may result in huge tariff shock to the consumers which has to be avoided. ....”*

- 10.10. In view of the above and reasoning given in the Tariff Order, the Commission is not inclined to allow the review on the aforesaid issue as sought for by the Petitioner.

## **11. Issue No. 3 – Truing up of Revenue for FY 2014-15**

### **TSECL's Submission**

- 11.1. TSECL submitted that, while truing up of FY 2014-15, the revenue component has been inadvertently missed and true-up done only for

expenses for FY 2014-15 as shown in the following Table:

*Table 34: Summary of True-up for FY 2014-15 approved in Order (Rs. Crore)*

Sl. No.	Particulars	FY 2014-15		
		Approved in Tariff Order	Petition	Approved after True-up
1	Net ARR	754.26	814.05	767.64
2	Less: Total Revenue	-	659.11	732.42
3	Revenue Gap/(surplus)	754.26	154.94	35.22

11.2. TSECL further submitted that, the total approved revenue is shown as Nil. Instead of this, the total approved revenue for FY 2014-15 should be Rs. 780.31 Crore(i.e., Rs. 754.26 Crore + Rs. 26.05 Crore) and the revenue surplus shall be Rs. 26.05 Crore as approved in Tariff Order for FY 2014-15. Based on this, the total gap to be carried over in the regulatory asset calculation worked out as Rs. 61.27 Crore instead of Rs. 35.22 Crore as appear in the above Tariff Order. This would imply an increase of Rs. 26.05 Crore in the total gap and regulatory asset.

### **Commission's Analysis and Ruling**

11.3. The Commission notes that, in its Tariff Order for FY 2014-15, ARR was approved for Rs. 754.26 Crore for FY 2014-15. In addition to this, the Commission has approved the additional revenue gap of Rs. 26.05 Crore for recovery during FY 2014-15. Hence, the Commission has approved a total revenue gap of Rs. 780.31 Crore in totality for recovery. Moreover, while undertaking the trueing up for FY 2014-15, the Commission has considered ARR on a standalone basis in line with the submission of TSECL in its original MYT Petition and therefore inadvertently has not considered such past revenue gaps of Rs. 26.05 Crore. Hence, there is an error apparent on the face of record.

11.4. In view of the above, the Commission admits the review on this issue and recalculate the revised revenue gap after true-up for FY 2014-15.

11.5. The Commission in its Tariff Order in Case No. 1 of 2014 dated 22

November 2014 has approved the following consolidated gap vide Table 6-42. The same is outlined as below:

**Table 1: Approved consolidated revenue gap for FY 2014-15 (Rs. Crore)**

Particulars	Approved by Commission
Approved revenue gap/(surplus) for FY 2012-13	75.29
Approved revenue gap/(surplus) for FY 2013-14	19.49
Approved revenue gap/(surplus) for FY 2014-15	(15.65)
Less: Revenue gap/(surplus) for FY 2012-13 already allowed in the previous Tariff Order	53.08
<b>Consolidated revenue gap/(surplus) approved for FY 2014-15</b>	<b>26.05</b>

11.6. Based on the above approved consolidated gap, the Commission allowed the same to be adjusted and recovered in tariff for FY 2014-15 and accordingly has approved the tariff for FY 2014-15. The same is outlined in para 8.3.2 of the Tariff Order in Case No. 1 of 2014 dated 22 November 2014.

*“..... The Commission has approved the total revenue for FY 2014-15 as Rs. 769.92 Crore based on approval of revenue from intra-State sales at existing tariff as Rs. 483.48 Crore and approval of revenue from inter-State sales as Rs. 286.44 Crore. Accordingly, the Commission has approved Rs. 75.29 Crore as revenue gap for FY 2012-13, Rs. 19.49 Crore as revenue gap FY 2013-14, and Rs. 15.65 Crore as revenue surplus for FY 2014-15 at existing tariff. Further, in view of the fact that the revenue gap of Rs. 53.08 Crore for FY 2012-13 has already been allowed by the Commission in the previous Tariff Order, **the Commission has approved the consolidated revenue gap of Rs. 26.05 Crore for FY 2014-15 at existing tariff.** **Thus, the total approved revenue requirement from intra-State sale for FY 2014-15 is Rs. 509.52 Crore. The Commission has approved total intra-State energy sales of 784.42 MU for FY 2014-15.....**”*

11.7. Accordingly, the revised gap for FY 2014-15 as approved under this tariff order is as outlined below:

**Table 2: Revised approved Gap / (Surplus) for FY 2014-15**

Particulars	Approved in Tariff Order	Approved (Case No. 4 & 5 of 2020)	Approved (Review Order)
<b>Net ARR as approved in MYT Tariff Order</b>	754.26	767.64	767.64
<b><u>Add: Past Gaps allowed to be recovered in FY 2014-15</u></b>			
<i>Approved revenue gap/(surplus) for FY 2012-13</i>	75.29	-	75.29
<i>Approved revenue gap/(surplus) for FY 2013-14</i>	19.49	-	19.49

Particulars	Approved in Tariff Order	Approved (Case No. 4 & 5 of 2020)	Approved (Review Order)
<i>Less: Revenue gap/(surplus) for FY 2012-13 already allowed in the previous Tariff Order</i>	(53.08)	-	(53.08)
<b>Total ARR as approved in Tariff Order</b>	<b>795.96</b>	<b>767.64</b>	<b>809.34</b>
<b>Less: Revenue</b>	<b>795.96</b>	<b>732.42</b>	<b>732.42</b>
<i>Revenue from Intra-State sale of Power</i>	509.52	409.96	409.96
<i>Revenue from Subsidy from State Government</i>	-	62.00	62.00
<i>Revenue from Inter-State sale of Power</i>	286.44	187.15	187.15
<i>Receivable for energy not sold or lost in the system</i>		73.30	73.30
<b>Net Gap / (Surplus) approved for FY 2014-15</b>	<b>-</b>	<b>35.22</b>	<b>76.92</b>

11.8. Based on the above re-computation of gap for FY 2014-15, the Commission approves the Revenue gap of Rs. 76.92 Crore against the pre-approved gap of Rs. 35.22 Crore. The Gap has been revised due to consideration of the past gap allowed to be recovered in FY 2014-15 which was not considered by the Commission and also that the Petitioner has not claimed the same in the original tariff Petition.

**12. Issue No. 4 – Calculation of Inter State Transmission Loss based only on PoC Losses of Tripura Withdrawal and non-inclusion of losses incurred on injection points at generation end**

**TSECL's Submission**

12.1. The Commission while calculating the energy balance in each of the years from FY 2013-14 to FY 2020-21 has considered the inter-state transmission losses as the PoC losses for Tripura withdrawal only. It is pertinent to note that, in the PoC mechanism, the transmission losses are calculated as the sum of the losses applicable at the injection point and the losses applicable at the withdrawal point. The Regional Load Dispatch Centre also published the weekly average transmission loss of a region on its website for each year. The report clearly states the regional transmission losses to be in the range of 2.5-3.5% on an average basis for the last few years as against 1-1.5% losses considered by the Commission in the impugned Order.

12.2. It is further submitted that, because of the approach adopted by the



Commission, the surplus quantum of energy not sold or lost in the system due to the difference of approved and actual losses is coming higher. TSECL requested to correct the error and consider the average inter-state transmission losses in the NER region as provided by TSECL in its tariff petition. The said correction would lead to increase in the regulatory asset by Rs. 73.91 Crore as shown in the following Table:

**Table 3: Impact of POC losses (Rs. Crore)**

Sl. No	Particulars	FY 2013-14	FY 2014-15	FY 2015-16	FY 2016-17	FY 2017-18	FY 2018-19	FY 2019-20	FY 2020-21
1	Energy Purchased from CGS (MU)	600.61	1046.52	1521.97	1812.82	2321.22	2567.53	2634.1	2634.1
2	Inter-State Transmission Losses – Tripura withdrawal (%)	1.21%	1.54%	0.80%	0.54%	0.54%	0.57%	0.39%	0.39%
3	Actual Inter-State Transmission Losses (%)	2.42%	3.08%	1.60%	1.08%	1.08%	2.73%	2.54%	2.60%
4	Energy which should be considered in calculation of energy not sold or lost in the system (difference of actual and approved losses) (MU)	7.27	16.12	12.18	9.79	12.53	55.46	56.64	58.22
5	Per unit revenue considered for energy not sold or lost in the system of tariff order (Rs./Unit)	3.53	3.89	3.47	3.17	3.31	3.45	2.97	3.03
6	Increase in Revenue Gap (Rs. Crore)	2.57	6.27	4.23	3.10	4.15	19.13	16.82	17.64
7	<b>Total</b>	<b>73.91</b>							

### **Commission's Analysis and Ruling**

- 12.3. The Commission notes that, TSECL in its Tariff Petition has submitted the energy balance based on actual energy received. However, TSECL has considered the notional Inter-State transmission losses for such years. TSECL has not provided details of actual inter-state transmission losses

along with Regional Energy Account Statements for prudence check of the Commission. Based on the limited data available before the Commission, it has taken the approach for computation of inter- state transmission losses.

- 12.4. Now, in the present Petition, TSECL submitted the revised computation of inter-state transmission losses instead of providing the supporting documents including Regional Energy Account details. Also, while considering the injection losses, TSECL has not considered the applicable injection POC losses based on location of generator/source. Hence, the Commission does not find merits in the submission of TSECL. However, the Commission directs TSECL to submit all necessary details along with Regional Energy Accounts for computation of inter-state transmission losses in the next Tariff Petition.
- 12.5. The Commission notes that there is no error apparent. Hence, review is not admissible on this issue.

**13. Issue No. 5 – Non-consideration of impact of 7<sup>th</sup> Pay Commission in Calculation of Employee Cost**

**TSECL's Submission**

- 13.1. TSECL submitted that, the Commission has calculated the employee cost for Distribution Business based on the formula provided in TERC MYT Regulations 2015 and considering actual employee expense of FY 2015-16 as base and applying the yearly escalation factor based on CPI and WPI. However, the Commission has not considered the impact of 7<sup>th</sup> Pay Commission as a one-time provision, which is allowed as per regulations and is a justified expenditure already incurred. The formula prescribed in Clause 31 (V) of TERC MYT Regulations, 2015 clearly allows provisional increases (apart from inflation increase) based on pay commission as under:

*“Employee cost shall be escalated by consumer price index (CPI), adjusted by provisions for expenses beyond the control of the*

*Distribution Licensee and one time expected expenses, such as recovery/adjustment of terminal benefits, implications of pay commission, arrears and Interim Relief, governed by the following formula:*

$$EMP_n = (EMP_b * CPI\ inflation) + \textit{Provision}$$

- 13.2. TSECL had mentioned the impact of 7<sup>th</sup> Pay Commission in its Petition clearly stating an increase of around 22% in FY 2017-18 and 4% in FY 2018-19. TSECL submitted the increase of Rs. 113.05 Crore in Regulatory Asset on account of consideration of impact of 7<sup>th</sup> Pay Commission as shown in the following Table:

**Table 4: Impact of consideration of 7<sup>th</sup> Pay Commission (Rs. Crore)**

Sl. No.	Particulars	Claimed in Review Petition	Approved in Tariff Order	Difference
1	FY 2017-18	115.55	142.63	27.08
2	FY 2018-19	121.85	150.41	28.56
3	FY 2019-20	131.02	161.26	30.24
4	FY 2020-21	140.89	168.06	27.17
	<b>Grand total</b>			<b>113.05</b>

- 13.3. TSECL requested to allow employees cost as claimed by the Petitioner from FY 2017-18 onwards (since the implementation of 7<sup>th</sup> Pay Commission) by incorporating the impact of pay revision.

### **Commission's Analysis and Ruling**

- 13.4. The Commission in its Tariff Order has allowed the employee expenses for Control Period on normative basis. The Commission notes that TSECL has submitted the actual employee cost based on the provisional accounts for FY 2017-18 to FY 2019-20 and the audit of the respective financial year were yet to be finalised as on the date of the issue of the said impugned tariff order.
- 13.5. The Commission is of view that, allowing O&M expenses as per provisional accounts would not be appropriate as the same is usually undertaken during truing up process at the time of availability of audited accounts. Further,

TERC MYT Regulations, 2015 provides for allowance of O&M Expenses on normative basis plus any provision for expenses beyond the control of the Distribution Licensee and one time expected expenses, such as recovery/adjustment of terminal benefits, implications of pay commission, arrears and Interim Relief. However, such additional provision for expenses needs to be considered on actual basis as the same is a one time expenses and will be considered as per audited annual accounts.

- 13.6. The Commission observes that TSECL has considered the impact of 7<sup>th</sup> pay commission during the Control Period while projecting the O&M expenses for recovery through the ARR, however, the submissions are not supported by any calculation or justification and the trend of expenses after inclusion of the impact of wage revision projected over the Control period is also not consistent. It is necessary to consider such cost with proper rationale and calculation to be made available by TSECL.
- 13.7. Based on the submission of TSECL, the Commission understands that the increase in employee expenses is on account of the impact of 7<sup>th</sup> pay commission, however as stated above, a detailed analysis of the expenses is required to be undertaken whereby such expenses are required to be paid and not allowed on a provisional basis. In view of the same, the Commission does not find merit in approving impact of wage revision on adhoc basis.
- 13.8. Therefore, it would be appropriate to allow such impact based on actual audited details, subject to prudence check. Hence, the Commission shall consider such impact at time of truing up of such years based on audited accounts. The completion of process of finalisation of accounts shall also be expedited to complete truing up for such years.
- 13.9. Also, the Commission directs TSECL to provide the detail submission of the 7<sup>th</sup> pay commission with respect to amount actual paid and the provision made in the accounts along with the calculation of the impact of 7<sup>th</sup> pay commission on the salaries as well as the number of employees to whom the

impact of 7<sup>th</sup> Pay commission was provided. The Commission directs TSECL to submit impact of wage revision separately along with necessary documentary proof during the next tariff Petition.

13.10. In view of the above, the Commission notes that there is no error apparent. Hence, the review is not admissible on this issue.

**14. Issue No. 6 – Provision for bad debts not considered as per audited accounts in Truing up for FY 2015-16**

**TSECL's Submission**

- 14.1. TSECL submitted that the Commission, while allowing provision for bad debts for FY 2016-17 to FY 2020-21 held that it shall consider the bad debts based on audited accounts during truing up. However, during the truing up of FY 2015-16, the Commission has ignored the bad debts of Rs. 16.50 Crore, which is booked in audited accounts as per surcharge waiver scheme relief provided by TSECL.
- 14.2. TSECL requested the Commission to allow such provision for bad debts for FY 2015-16.

**Commission's Analysis and Ruling**

- 14.3. In the Tariff Order, the Commission has determined the Aggregate Revenue Requirement for the Control Period from FY 2016-17 to FY 2020-21 based on TERC MYT Regulations, 2015. The regulations provide for allowance of provision for bad debts for such control period and the same shall be considered based on audited accounts, subject to prudence check.
- 14.4. However, the Commission would like to outline that financial year FY 2015-16 does not fall under MYT Control period. The same was clearly clarified in Chapter 1 of the said tariff order and is outlined as below:

*“The Commission notified TERC MYT Regulations, 2015 on 18 December, 2015 and the said Regulations were applicable from the date of notification and shall remain in force for a period of five*

*(5) years from the date of publication or until notification of the revised Regulations whichever is later.*

*As the new Tariff Regulations were applicable from December 2015, when the nine (9) months of the FY 2015-16 were already over and the said period was governed by TERC Tariff Regulations, 2004. In such a scenario, major part of the year will be governed by old Regulations and three (3) months will fall under new TERC MYT Regulations 2015. As the licensee would have carried out its function considering that Tariff Regulations, 2004 were in place, the Commission invokes its power under Regulation 59 and 60 of the TERC MYT Regulations, 2015, to determine the tariff/truing-up for the entire FY 2015-16 as per TERC Tariff Regulations, 2004 and MYT Control period shall be considered from FY 2016-17 to FY 2020-21 as per new TERC MYT Regulations, 2015”*

- 14.5. However, with regards to FY 2015-16, the Commission would like to specify that TSECL in its Petition has not claimed the expenses related to the bad debts of Rs. 16.50 Crore, which is booked in audited accounts as per surcharge waiver scheme relief. It is a normal view of the Commission that the entire revenue billed shall be collected, has always been the principle in estimating ARR and if revenue was not collected, it was carried forward as receivables. There is also a provision for bad and doubtful debts through which the uncollected revenue is waived of and shown as expenditure. In case the same was claimed by the Petitioner, the Commission might have undertaken the prudence check with respect to analyse the need of writing off such bad debt, the efforts undertaken by the Licensee for the recovery of the same, etc as the Licensee cannot write-off whatever they consider as bad or doubtful without highlighting the effort made for recovery.
- 14.6. In the review petition, TSECL have neither stated the efforts they made for recovery of the principal amount nor given any reasoning for such waiver

except that waiver has been made under some scheme. The Commission is therefore, not inclined to admit expenses against such waivers by the Licensee so that the regular paying consumers are not loaded with this burden.

- 14.7. In view of the above, the Commission notes that there is no error apparent. Hence, the review is not admissible on this issue.

**15. Issue No. 7 – Wrong Calculation of Sharing of efficiency gains on account of interest on Working capital for FY 2016-17**

**TSECL's Submission**

- 15.1. TSECL submitted that, while calculating the efficiency gain due to lower interest on working capital than normative, the Commission has considered zero actual interest on working capital. As per the audited accounts, the actual interest on working capital is Rs. 5.93 Crore (i.e., Total finance charges of Rs. 6.04 Crore– interest charges on long term loans of Rs. 0.11 Crore). This has overstated the gain calculation and the gap by Rs. 1.5 crores.
- 15.2. TSECL requested the Commission to review this inadvertent error and accordingly correct the regulatory asset amount and gap amount.

**Commission's Analysis and Ruling**

- 15.3. The Commission in tariff Order has allowed interest on working capital on normative basis and also undertaken the sharing of efficiency gains by considering the actual interest on working capital as Nil. However, TSECL in the present review Petition has submitted that it has incurred an actual interest on working capital of Rs. 5.93 Crore, based on audited accounts and the same was not claimed by the Petitioner in the Original Tariff petition.
- 15.4. From the perusal of audited accounts, it is noted that, out of Rs. 5.93 Crore,

amount of Rs. 0.26 Crore is towards processing fees and Rs. 5.66 Crore is towards the interest on loan which was not claimed by the Petitioner in the Original Tariff Petition. Though the Commission finds merit in the submission of TSECL for considering the actual interest on working capital loan for sharing purpose, however, TSECL in the present Petition has not substantiated that such interest on loan is towards short terms working capital loan with any documentary evidence.

- 15.5. Also, as per the audited Balance sheet for FY 2016-17, only Long-term liabilities under Schedule 4 is highlighted and under current liabilities, the short term borrowing is NIL. Therefore, the claim of TSECL that interest of Rs. 5.66 Crs paid is towards working capital loan cannot be considered without any clarification provided for the same.
- 15.6. Therefore, the Commission is of view that in lieu of Financial Statement not highlighting any short term capital borrowing, the interest on loan of Rs. 5.66 Crs cannot be considered as Interest against the working capital loan. Also, TSECL has not provided any documentary evidence supporting the claim of the interest paid against the working capital loan.
- 15.7. In view of the above, the Commission is therefore, not inclined to admit the said amount as interest on working capital loan to be adjusted against the normative expenses and recompute the efficiency gain due to lower interest on working capital than normative.

## **16. Issue No. 8 – Vending Transaction Charges for Pre-paid meters**

### **TSECL's Submission**

- 16.1. TSECL submitted that, in order to promote Pre-paid meters, TSECL had requested the Commission to allow it to recover vending transaction charges through ARR so that the pre -paid consumers do not have to pay separately such charges for installation of pre-paid meters. However, the Commission in its Order has put certain limitations on this waiver which are vending



transaction charges allowed to be recovered should be Rs. 12 per consumer per transaction and maximum of 6 transactions in the first year. The reasoning for limitations of 6 transactions is not clear to TSECL.

- 16.2. Also, it is pertinent to note that in case of prepaid meters, the overall cost for meter reading, billing and collection gets reduced drastically as the collection happens in pre-paid mode and the meter reading and billing is done without human intervention or the need to deploy meter readers. For normal consumers, the charges for meter reading, billing and collection are borne in the ARR itself and there are no separate charges for meter reading, billing or collection which the consumer has to pay. As such, the vending transaction charges have to be borne in the ARR as it forms part of the services which a distribution licensee has to carry out as part of its services to all consumers and do not form any separate service which is being provided specifically for pre-paid consumers. As such, TSECL may be allowed to recover vending transaction charges from ARR as per the proposal of TSECL.

### **Commission's Analysis and Ruling**

- 16.3. The Commission in its Tariff Order has allowed vending transaction charge of Rs. 12 per consumer per transaction subject to maximum of 6 transactions in the first year from the date of installation of prepaid meter. The vending transaction charge shall not be recovered from the 2<sup>nd</sup> year onwards through ARR.
- 16.4. The Commission has allowed 6 transactions on the basis that, if there is no limit to the transactions, there is possibility of consumer recharging multiple times and vending transaction charge being applicable on each transaction, would burden the consumers.
- 16.5. However, on perusal of the submissions of the Petitioner, considering the monthly billing cycle, the Commission is inclined to review and accordingly

decides to allow vending transaction charge of Rs. 12 per consumer per transaction subject to maximum of 12 transactions in the first year from the date of installation of prepaid meter.

- 16.6. Also, TSECL in next tariff Petition needs to highlight the cost benefit analysis to understand the saving of cost of Meter reading, billing collection as against the vending transaction charges as specified by TSECL.

**17. Issue No. 9 – Rebate for different consumer categories and increase in rebate**

**TSECL's Submission**

- 17.1. TSECL submitted that, the Commission in its order has increased the rebate for prompt payment from 2% to 5% without providing any basis for such increase. As mentioned earlier, the working capital requirement of TSECL, which is burdened with compounded impact of accumulated financial losses, regulatory assets and the delay in collection due to COVID 19 pandemic is already high. As such, it would not be justified to increase the rebate in light of the present financial situation, which would reduce the revenue collection of TSECL and further increase the working capital requirement. This would further burden the consumers in the long run.
- 17.2. Apart from this, the Commission has provided the different rebate for different categories and additional prompt payment rebate of 10% for Tea, Coffee and Rubber. This is completely unjustified as the prompt payment rebate has nothing to do with the category or nature/purpose of use of electricity and ought to be same for all consumers. The provision of additional rebate for prompt payment to one category of consumer defies logic and also is against the Section 62(3) of Electricity Act, 2003. A differential rate can be provided to a consumer only in case of differentiation created on certain fixed parameters. The differential rebate for prompt

payment is against the spirit of the Electricity Act 2003.

**Commission's Analysis and Ruling**

- 17.3. The Commission in its Tariff Order has increased the rebate in order to promote the collection of TSECL, wherein manual collection has been largely affected because of COVID-19 situation. The relevant extract of the Order is as under:

***“Commission's Analysis and Ruling***

*The Government of India has been encouraging digitization across various areas including monetary transactions. The Commission is of view that the digital payment will enable the TSECL to make earlier collection and generation cash inflow earlier than manual mode of payment. However, because of COVID-19 situation during FY 2020-21, the difficulties have been faced by the Consumers while making the payment as well as TSECL for collection of bill amount. Hence, the Commission is of view that, only digital payment discount would not be enough. The Commission has decided to increase a rebate to 5% for all consumer categories for prompt payment either through manual mode or digital mode such as credit cards, debit cards, UPI, BHIM, internet banking, mobile banking, mobile wallets, etc.”*

- 17.4. Further, the Commission notes that Section 62(3) of the Act provides basis for categorisation of the consumer categories for determination of tariff. While considering the rebate for each consumer category, the Commission has taken considerate approach based on the objections and suggestions received during the public hearing.
- 17.5. Based on the submission of TSECL in review Petition, the Commission finds that there is no error apparent while considering the rebate for consumer categories. Hence, the review is not admissible on this issue.
- 17.6. The Commission in the Country for the 1<sup>st</sup> time has decreased the rates for the paying consumer which is well appreciated in the country. The

Commission has received accolades from different quarters all across the country and even one research Company has come forward to do the research on such a move. Under this circumstance it is not proper on the part of the petitioner to only request for increase. It is expected that license to improve the service conscious reduce the loss and make quality supplies.

**18. Issue No. 10 – Calculation of Energy Charge Rate for Gumti Hydro Station**

**TSECL's Submission**

- 18.1. TSECL submitted that, the Commission has only approved the annual fixed cost of Gumti Hydro Station and the total cost has been approved to be recovered as annual fixed cost. This is in contradiction to the Regulation 33 of TERC MYT Regulations 2014, which clearly requires recovery of 50% of cost through fixed cost and remaining 50% as variable cost through energy charge rate (as proposed in the tariff petition).
- 18.2. Also, TSECL has pointed out the discrepancy in the approved net energy generated figure for Gumti Hydro Station. It has stated that as per Table 86 of ARR for FY 2019-20 for TPGL, Gross Generation and Net Generation of GHEP are 35.51 MU and 35.48 MU respectively. However, as per Table 44, the Gross Generation and Net generation are 26.01 MU and 25.88 MU respectively.
- 18.3. TSECL requested to review the discrepancy along with the calculation of energy charge rate.

**Commission's Analysis and Ruling**

- 18.4. The Commission notes that, TERC MYT Regulations, 2015 provides for determination of Annual Fixed Charges for Hydro Stations. However, tariff for billing purpose, such Annual Fixed charges shall be converted into capacity charges and energy charges based on the design energy as specified in Regulation 22 of TERC Tariff Regulations 2015.

**22. Components of Tariff:**

II. The tariff for supply of electricity from a hydro generating station shall comprise capacity charge and energy charge to be derived in the manner specified in Clause 33 of these regulations, for recovery of annual fixed cost (consisting of the components referred to in Clause 23) through the two charges.

**33. Computation and Payment of Capacity charge and Energy Charge for Hydro Generating Stations:**

The fixed cost of a hydro generating station shall be computed on annual basis, based on norms specified under these regulations, and shall be recovered on monthly basis under capacity charge (inclusive of incentive) and energy charge, which shall be payable by the beneficiaries in proportion to their respective allocation in the saleable capacity of the generating station, i.e., in the capacity excluding the free power to the home State:

.....

I. The capacity charge (inclusive of incentive) payable to a hydro generating station for a calendar month shall be :

$$AFC \times 0.5 \times NDM / NDY \times (PAFM / NAPAF) \text{ (in Rupees)}$$

Where,

*AFC = Annual fixed cost specified for the year, in Rupees*

*NAPAF = Normative plant availability factor in percentage*

*NDM = Number of days in the month*

*NDY = Number of days in the year*

*PAFM = Plant availability factor achieved during the month, in percentage*

II. The PAFM shall be computed in accordance with the following formula:

$$PAFM = \frac{10000 \times \sum_{i=1}^N DC_i}{\{ N \times IC \times (100 - AUX) \}} \%$$

Where

*AUX = Normative auxiliary energy consumption in percentage*

*DC<sub>i</sub> = Declared capacity (in ex-bus MW) for the i<sup>th</sup> day of the month which the station can deliver for at least three (3) hours, as certified by the nodal load dispatch centre after the day is over.*

*IC = Installed capacity (in MW) of the complete generating station*

*N = Number of days in the month*

*III. The energy charge shall be payable by every beneficiary for the total energy scheduled to be supplied to the beneficiary, excluding free energy, if any, during the calendar month, on ex power plant basis, at the computed energy charge rate. Total Energy charge payable to the generating company for a month shall be:*

*(Energy charge rate in Rs. / kWh) x {Scheduled energy (ex-bus) for the month in kWh} x (100 – FEHS) / 100*

*IV. Energy charge rate (ECR) in Rupees per kWh on ex-power plant basis, for a hydro generating station, shall be determined up to three decimal places based on the following formula, subject to the provisions of clause (VI):*

***ECR = AFC x 0.5 x 10 / {DE x (100 – AUX) x (100 – FEHS)}***

***Where,***

***DE =Annual design energy specified for the hydro generating station, in MWh, subject to the provision in clause (V) below.***

***FEHS = Free energy for home State, in per cent, as defined in clause 43 of this regulation.***

### ***43. Billing and Payment of charges:***

*I. Bills shall be raised for capacity charge, energy charge and the transmission charge on monthly basis by the generating company and the transmission licensee in accordance with these regulations, and payments shall be made by the beneficiaries directly to the generating company or the transmission licensee, as the case may be.*

18.5. The Commission observes that Regulations 33 of TERC Tariff Regulations 2015 clearly highlight the mechanism under which the billing related to energy charges and capacity charges is required to be undertaken between generating company and the beneficiary. Also, Regulations 43 of TERC Tariff Regulations 2015, clearly provides that the Generating Company needs to raise the bill in line with the provisions as specified in TERC Tariff Regulations 2015. Therefore, the Generating company needs to raise the bill based on the AFC as determined by the Commission in the tariff order

segregating into Capacity charges and Energy charges as per the methodology provided in the Tariff Regulations, 2015.

- 18.6. Therefore, the Commission is of the view that, TPGCL shall consider capacity charges and energy charges as per formula specified in Regulations and billing needs to be undertaken accordingly to TSECL for sale of power from Gumti HEP.
- 18.7. The Commission finds that there is no error apparent in determination of tariff for Gumti HEP. Hence, the review is not admissible on this issue.
- 18.8. With respect to the discrepancy in the approved net energy generated figure for Gumti Hydro Station in Table 44 & Table 86 of the Tariff Order, the Commission clarifies that, Gross Generation and Net Generation for FY 2019-20 for GHEP shall be considered as 26.01 MU and 25.88 MU respectively in Table 86 which is based on the actual provisional Generation of FY 2019-20 provided by TPGL during the time of reply to the data gaps.
- 18.9. The Commission notes that there is an advertent error while considering the Energy Generation for Gumti HEP and hence, the Table 86 stands revised accordingly with Gross Generation to be considered is 26.01 MU and Net Generation to be considered as 25.88 MU respectively.

## **19. Issue No. 11 – O&M Expenses for FY 2016-17**

### **TSECL's Submission**

- 19.1. TSECL submitted that, there is an inadvertent mistake in considering the final approved figure of O&M expenses for FY 2016-17 for TSECL.
- 19.2. As per Table 160, O&M Expenses for FY 2016-17 considered is Rs. 142.41 Crore, while as per Table 140, O&M expense for FY 2016-17 considered are Rs. 149.56 Crore. This has resulted in understatement gap of Rs. 7.15 Crore.

### **Commission's Analysis and Ruling**

- 19.3. The Commission notes that, for distribution business, it has approved the

normative O&M Expenses of Rs. 149.56 Crore for FY 2016-17. Also, sharing of efficiency gains of Rs. 0.51 Crore has been considered after taking into account the actual O&M Expenses of Rs. 148.28 Crore as specified in Table 156 of the Tariff Order.

19.4. The Commission notes that there is an error while considering the O&M Expenses in Table 160 of the Order. As specified in Table 140 of the Tariff Order, the approved O&M expenses for FY 2016-17 are Rs. 149.56 Crore and the same shall be considered for the computation of ARR for FY 2016-17. Accordingly, Table 160 stands revised and the ARR of FY 2016-17 is replaced from Rs. 1019.52 Crore to Rs. 1026.72 Crore and the Gap is revised from Rs. 5.45 Crore to Rs. 12.72 Crore. The resultant impact is calculated along with the impact on Interest on working capital also.

19.5. **The revised ARR and resultant gap for FY 2016-17 is outlined in the following Table:**

*Table 5: Revised ARR and resultant gap for FY 2016-17 (Rs. Crore)*

Particulars	Approved (Case No. 4 & 5 of 2020)	Approved (Review Order)
Power Purchase Cost	634.12	634.12
Inter State Transmission Charges	53.49	53.49
Power Purchase Cost Adjustment (Prior Period)	36.91	36.91
Intra State Transmission Charges	26.16	26.16
Cost of State own/ TSECL Generation	177.18	177.18
O&M Expenses	142.41	149.56
Depreciation	5.92	5.92
Interest on Term Loans & Fin. Charges	0.11	0.11
Return on Equity	16.84	16.84
Interest on Working Capital	14.54	14.75
Recovery of ARR & Tariff Petition Fees	0.51	0.51
Reduction in power purchase on account of higher T&D Losses	(49.78)	(49.78)
Sharing of (gains)	(6.33)	(6.41)
<b>Gross ARR</b>	<b>1,052.09</b>	<b>1,059.36</b>
Less: Non-Tariff Income (Excluding Government Grant)	32.57	32.57
<b>Net ARR</b>	<b>1,019.52</b>	<b>1,026.79</b>
Less: Total Revenue	1,014.07	1,014.07
<b>Revenue Gap / (Surplus)</b>	<b>5.45</b>	<b>12.72</b>

19.6. Since there is error apparent in consideration of approved O&M Expenses for FY 2016-17, the review is admissible on this issue and the ARR and



Revenue gap for FY 2016-17 is revised accordingly.

**20. Issue No. 12 – Calculation of cost of Energy Lost for FY 2017-18**

**TSECL's Submission**

- 20.1. TSECL submitted that, as per Table 159, total power purchase cost for FY 2017-18 is taken as Rs. 826.74 Crore. However, as per Table 128, the total power purchase cost for FY 2017-18 is approved as Rs. 818.90 Crore.
- 20.2. TSECL has requested the Commission to reconcile the same.

**Commission's Analysis and Ruling**

- 20.3. The Commission notes that, it has approved the total power purchase cost for FY 2017-18 as Rs. 818.90 Crore, for which source wise break up was provided in **"Table 128 - Power Purchase cost for FY 2017-18 and FY 2018-19 approved by the Commission"** of the Tariff Order. However, as per **"Table 159: Cost of additional energy purchase for FY 2016-17 to FY 2018-19"**, the Power Purchase Cost considered for FY 2017-18 is Rs. 826.74 Crore.
- 20.4. Hence, there is an advertent error while considering the total power purchase cost in Table 159 while computing the cost of energy lost and hence the review is admissible on the said issue. Considering the error apparent in consideration of power purchase cost while computing the calculation of Energy Lost in FY 2017-18, the same is recalculated with the approved power purchase cost as specified in Table 128 of the Tariff Order i.e. Rs. 818.90 Crore.

20.5. Accordingly, the “Table 159: Cost of additional energy purchase for FY 2016-17 to FY 2018-19” of Order stands revised as shown below:

**Table 6: Revised Cost of additional energy purchase for FY 2016-17 to FY 2018-19**

Sl. No.	Particulars	Derivation	FY 2016-17	FY 2017-18	FY 2018-19
1	Fuel cost (Rs. Crore)	A	149.17	126.55	179.07
2	Net energy generated (from fuel based plants) (MU)	B	477.55	441.64	481.36
3	Total Power Purchase cost (Rs. Crore)	C	630.90	818.90	914.18
4	Total power purchase quantum (MU)	D	1,981.41	2,434.65	2,683.16
5	Total fuel and power purchase cost (Rs. Crore)	E=A+C	780.07	945.45	1,093.25
6	Total energy quantum (own generation from fuel based plants + power purchase) (MU)	F=B+D	2,458.97	2,876.29	3,164.52
7	Average fuel and power purchase cost (Rs./kWh)	G=(Ex10)/F	3.17	3.29	3.45
10	Additional energy purchase (MU)	J	156.91	147.69	254.72
11	Cost of additional energy purchase (Rs. Crore)	K = IxJ/10	<b>49.78</b>	<b>48.55</b>	<b>88.00</b>

20.6. Considering the above revision with respect to computation of cost of energy lost for FY 2017-18, the resultant impact on the ARR and revenue gap is outlined in the following Table:

**Table 7: Revised ARR and resultant gap for FY 2017-18 (Rs. Crore)**

Particulars	Approved (Case No. 4 & 5 of 2020)	Approved (Review Order)
Power Purchase Cost	822.90	818.90
Inter State Transmission Charges	51.48	55.48
Intra State Transmission Charges	28.58	28.58
Cost of State own/ TSECL Generation	206.38	206.38
O&M Expenses	153.52	153.52
Depreciation	5.91	5.91
Interest on Term Loans & Fin. Charges	0.16	0.16
Return on Equity	17.45	17.45
Interest on Working Capital	14.83	14.83
Recovery of ARR & Tariff Petition Fees	0.50	0.50
Reduction in power purchase on account of higher T&D Losses	(48.95)	(48.55)

Particulars	Approved (Case No. 4 & 5 of 2020)	Approved (Review Order)
<b>Gross ARR</b>	<b>1,253.16</b>	<b>1,253.17</b>
Less: Non-Tariff Income (Excluding Government Grant)	32.13	32.13
<b>Net ARR</b>	<b>1,221.03</b>	<b>1,221.03</b>
Less: Total Revenue	1,262.94	1,262.94
<b>Revenue Gap / (Surplus)</b>	<b>(41.91)</b>	<b>(41.91)</b>

20.7. The Commission noted that there was an inadvertent error with respect to the numbers considered in the table, however the ARR and Revenue gap for FY 2017-18 remains unchanged. However, based on the above analysis, the “*Table 160: Aggregate Revenue Requirement for MYT Control Period approved by the Commission (Rs. Crore)*” stand revised as outlined in Table 7 of this Order.

**21. Issue No. 13 – Sharing of efficiency gains on account of interest on Working capital for FY 2016-17**

**TSECL’s Submission**

21.1. TSECL submitted that, the review in other mentioned heads in the present Petition, would require to recalculate the interest on working capital for respective years as per the normative formula specified in TERC MYT Regulations, 2015. TSECL requested to recalculate the interest on working capital based on new ARR approved after this review Petition.

**Commission’s Analysis and Ruling**

21.2. The Commission observes that based on the issues for which review is allowed, there is impact on working capital only in respect of additional O&M expenses allowed for FY 2016-17. The additional impact allowed in view of the said issue is as given below:

**Table 8: Impact of IWC due to revision in O&M Cost for FY 2016-17 (Rs. Crore)**

Particulars	FY 2016-17		
	TSECL Petition	Approved (Case No. 4 & 5 of 2020)	Approved (Review Order)
<b>Distribution</b>			
Receivables for 2 months	110.54	84.99	84.99
O&M Expenses for one month	12.36	11.87	12.46
Maint Spares @15% of O&M Expenses	22.26	21.36	22.43
<b>Total Working Capital Requirement</b>	<b>145.16</b>	<b>118.22</b>	<b>119.89</b>
Rate of Interest (%)	12.30%	12.30%	12.30%
<b>Interest on Working Capital</b>	17.86	14.54	14.75

21.3. Based on the above issues considered for review, the Commission has recalculated the ARR and Revenue gap of the respective years and is outlined in the subsequent para of this order. Accordingly, the revision in ARR and Revenue gap is post considering the impact of revision in Interest on working capital also.

## **22. Resultant Impact on Overall cumulative Revenue Gap for FY 2020-21**

### **Commission's Analysis and Ruling**

22.1. After considering the review as allowed on certain issues in the present Order and applicable carrying cost, the Commission revises the "**Table 168 - Cumulative revenue gap for FY 2020-21 as considered by the Commission (Rs. Crore)**" as outlined below:

*Table 9: Cumulative revenue gap for FY 2020-21 as considered by the Commission (Rs. Crore)*

Sl. No.	Particulars	FY 2020-21		
		TSECL Petition	Approved (Case No. 4 & 5 of 2020)	Approved (Review Order)
1	Net ARR for FY 2020-21	1,595.73	1,553.29	1,553.29
2	Less: Total Revenue from sale of power	1,432.01	1,523.53	1,523.53
<b>3</b>	<b>Standalone Revenue Gap/(surplus)</b>	<b>163.72</b>	<b>29.76</b>	<b>29.76</b>
4	Revenue gap/(surplus) for Truing up of ARR for FY 2013-14	109.95	33.66	33.66
5	Revenue gap/(surplus) for Truing up of ARR for FY 2014-15	151.42	35.22	76.92
6	Revenue gap/(surplus) for Truing up of ARR for FY 2015-16	121.25	108.72	108.72
7	Revenue gap/(surplus) for Truing up of ARR for FY 2016-17	152.79	5.45	12.72
8	Revenue gap/(surplus) for Provisional Truing up o ARR for FY 2017-18	57.02	(41.91)	(41.91)
9	Revenue gap/(surplus) for Provisional Truing up o ARR for FY 2018-19	163.78	24.21	24.21
10	Revenue gap/(surplus) for Review of ARR for FY 2019-20	154.35	13.76	13.76
11	Carrying cost	104.21	38.68	50.31
<b>12</b>	<b>Cumulative Revenue gap till FY 2020-21 (3 to 11)</b>	<b>1178.08</b>	<b>247.55</b>	<b>308.15</b>

The Commission has extensively dealt with the review petition albeit the Commission is not oblivious of the limited jurisdiction under review which is basically confined to mistake apparent on the face of the record or clerical and arithmetical errors. Therefore the Review Petition **No 13 of 2020** filed by Tripura State Electricity Corporation Limited for review of Tariff Order dated 01 September 2020 is partly allowed.

23. In view of the above observations and order, the Review Petition is disposed off

24. The Secretary, TERC is directed to inform to all concerned.

**Sd/**  
**( Jiban Krishna Sen )**  
**Member**  
**TERC ,Agartala**

**Sd/**  
**( D . Radhakrishna )**  
**Chairman**  
**TERC , Agartala**

**Certified True Copy**

**Sd/**

**18/12/2020**

**( Ms Sujata Das Chakrabarti )**

**Secretary**

**TERC , Agartala**