TARIFF ORDER

True-up for FY 2017-18, FY 2018-19, FY 2019-20 and FY 2020-21

Petition No. 64/2021

For

Electricity Department Andaman & Nicobar Islands (EDA&N)

10th May 2022

JOINT ELECTRICITY REGULATORY COMMISSION
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List of abbreviations

Abbreviation	Full Form
A&G	Administrative and General
Act	The Electricity Act, 2003
APR	Annual Performance Review
ARR	Aggregate Revenue Requirement
ATE	Appellate Tribunal of Electricity
CAGR	Compound Annualized Growth rate
Capex	Capital Expenditure
CEA	Central Electricity Authority
CGS	Central Generating Stations
Cr	Crores
DG	Diesel Generator
Discom	Distribution Company
FY	Financial Year
GoI	Government of India
HPP	Hired Power Plant
HT	High Tension
IPP	Independent Power Producer
JERC	Joint Electricity Regulatory Commission for the state of Goa and Union Territories
kVA	Kilo Volt Ampere
kWh	Kilo Watt Hour
LT	Low Tension
MoP	Ministry of Power
MU	Million Units
MW	Mega Watt
MYT	Multi Year Tariff
NTPC	National Thermal Power Corporation
O&M	Operation and Maintenance
PH	Power House
PLF	Plant Load Factor
PPA	Power Purchase Agreement
REC	Renewable Energy Certificate
RPO	Renewable Purchase Obligation
SECI	Solar Energy Corporation of India Limited
SERC	State Electricity Regulatory Commission
T&D	Transmission & Distribution
TVS	Technical Validation Session
UI	Unscheduled Interchange
UT	Union Territory
YoY	Year on Year

Before the

Joint Electricity Regulatory Commission

For the State of Goa and Union Territories, Gurugram

QUORUM

Smt. Jyoti Prasad, Member (Law)

Petition No. 64/2021

In the matter of

Approval for the True-up of FY 2017-18, FY 2018-19, FY 2019-20 and FY 2020-21.

And in the matter of

Electricity Department, Andaman & Nicobar (EDA&N) ....Petitioner

ORDER

Dated: 10th May 2022

1) This Order is passed in respect of a Petition filed by the Electricity Department Andaman & Nicobar (EDA&N) (herein after referred to as "The Petitioner" or "EDA&N" or "The Licensee") for approval of True-up of FY 2017-18, FY 2018-19, FY 2019-20 and FY 2020-21 before the Joint Electricity Regulatory Commission (herein after referred to as "The Commission" or "JERC").

2) The Commission scrutinised the said Petition and generally found it in order. The Commission admitted the Petition on 30th December 2021. The Commission thereafter requisitioned further information/ clarifications on the data gaps observed to take a prudent view of the said Petition. The Commission also held a Technical Validation Session to determine sufficiency of data and the veracity of the information submitted. Further, due to the COVID-19 pandemic that had adversely impacted the movement of people as per the guidelines of GoI which had suggested avoiding of travel and gathering of people as far as possible, the Commission had decided to conduct the Public Hearing virtually. The virtual Public Hearing was held on 21st January 2022, however, none of the Stakeholders/Electricity Consumers attended the Public Hearing.

3) The Commission based on the Petitioner's submission, relevant MYT Regulations, facts of the matter, rules and provisions of the Electricity Act, 2003 and after proper due diligence and prudence check, has approved the True-up of FY 2017-18, FY 2018-19, FY 2019-20 and FY 2020-21.

4) A Summary has been provided as follows:

    (a) The following table provides ARR, Revenue and gap as submitted by the Petitioner and approved by the Commission in the True-up of FY 2017-18:

Table 1: Standalone Revenue Gap/ (Surplus) approved for FY 2017-18 (INR Crore)

S. No	Particulars	Petitioner's Submission	Approved by Commission
1	Net Revenue Requirement	664.34	638.81
2	Revenue from Retail Sales at Existing Tariff	142.65	142.65
	Net Gap /(Surplus)	**521.69**	**496.16**

Certified

(b) The following table provides ARR, Revenue and gap as submitted by the Petitioner and approved by the Commission in the True-up of FY 2018-19:

Table 2: Standalone Revenue Gap/ (Surplus) approved for FY 2018-19 (INR Crore)

S. No	Particulars	Petitioner's Submission	Approved by Commission
1	Net Revenue Requirement	766.79	704.94
2	Revenue from Retail Sales at Existing Tariff	153.74	153.74
	Net Gap /(Surplus)	**613.05**	**551.20**

(c) The following table provides ARR, Revenue and gap as submitted by the Petitioner and approved by the Commission in the True-up of FY 2019-20:

Table 3: Standalone Revenue Gap/ (Surplus) approved for FY 2019-20 (INR Crore)

S. No	Particulars	Petitioner's Submission	Approved by Commission
1	Net Revenue Requirement	814.46	733.44
2	Revenue from Retail Sales at Existing Tariff	170.17	170.17
	Net Gap /(Surplus)	**644.29**	**563.27**

(d) The following table provides ARR, Revenue and gap as submitted by the Petitioner and approved by the Commission in the True-up of FY 2020-21:

Table 4: Standalone Revenue Gap/ (Surplus) approved for FY 2020-21 (INR Crore)

S. No	Particulars	Petitioner's Submission	Approved by Commission
1	Net Revenue Requirement	837.63	666.95
2	Revenue from Retail Sales at Existing Tariff	156.63	156.63
	Net Gap /(Surplus)	**681.00**	**510.32**

(e) The Petitioner has submitted that the above gap shall be met through the budgetary support.

5) Ordered accordingly, the attached documents giving detailed reasons, grounds and conditions are the Integral part of this Order.

Sd/-

Smt. Jyoti Prasad

Member (Law)

Place: Gurugram
Date: 10th May 2022

Certified Copy

RKumar
10/5/2022

Rakesh Kumar

(Secretary)

1. Chapter 1: Introduction

1.1. About Joint Electricity Regulatory Commission (JERC)

In exercise of powers conferred by the Electricity Act 2003, the Central Government constituted a Joint Electricity Regulatory Commission for all the Union Territories except Delhi to be known as "the Joint Electricity Regulatory Commission for the Union Territories" vide notification no. 23/52/2003-R&R dated 2nd May 2005. Later with the joining of the State of Goa, the Commission came to be known as "Joint Electricity Regulatory Commission for the State of Goa and Union Territories" (hereinafter referred to as "the JERC" or "the Commission") vide notification no. 23/52/2003-R&R (Vol. II) dated 30th May 2008.

JERC is a statutory body responsible for regulation of the Power Sector in the State of Goa and the Union Territories of Andaman & Nicobar Islands, Lakshadweep, Chandigarh, Daman & Diu, Dadra & Nagar Haveli and Puducherry, consisting of generation, transmission, distribution, trading and use of electricity. Its primary objective includes taking measures conducive to the development of the electricity industry, promoting competition therein, protecting the interest of consumers and ensuring the supply of electricity to all areas.

1.2. Andaman & Nicobar Islands

Andaman & Nicobar Islands (hereinafter referred to as "A&N") is a cluster of islands scattered in the Bay of Bengal and a designated Union Territory of India. These islands are separated from the rest of India by more than 1000 kms. The total area of the territory is 8,249 sq.km out of which the forest cover is about 7,589 sq. km. (92%). A&N is having population of 379,944 as per census provisional records and average growth rate of population is 6.68%. These islands are divided in three districts, viz., Andaman, Nicobar and North & Middle Andaman. The seat of the Administration is at Port Blair (South Andaman) in which 14.14 sq. km. area is under the jurisdiction of Port Blair Municipal Council.

The tempo of economic development has tremendously accelerated along with all-round expansion in the areas/ sectors, viz., (i) Shipping Services, (ii) Civil Supplies, (iii) Education, (iv) Fisheries, (v) Tourism & Information Technology, (vi) Health, (vii) Industries, (viii) Rural Development, (ix) Social Welfare, (x) Transport, (xi) Increase in District Headquarters, (xii) Central Government Department, (xiii) Public Undertaking & other offices, (xiv) Services & Utilities, (xv) Defence Establishment, (xvi) Commercial Organisations/Business Centres, etc. Thus, these islands have reached the take off stage for total economic transformation. All these economic and infrastructure developments require power as a vital input and to play a key role for achieving overall transformation.

For operational purpose the area has been divided into 7 divisions and 26 sub-divisions.

Andaman Group of Islands

1.3. About Electricity Department Andaman & Nicobar Administration (EDA&N)

The Electricity Department of Andaman & Nicobar Administration (hereinafter referred to as "EDA&N" or "Utility" or "Petitioner") is solely responsible for power supply in the Union Territory (UT). Power requirements of EDA&N are met by own generating stations as well as power purchase.

Due to the geographical and topographical peculiarities of these islands including separation by sea over great distances, there is no single power grid for the entire electrified islands, instead, power house at various islands caters independently to the power requirements of area/islands.

EDA&N is operating and maintaining power generation, transmission and distribution system network in these islands for providing electric power supply to general public. It implements various Planned and Non-Planned schemes for augmentation of Diesel Generating Capacity, establishment of new power plants and T&D Systems. EDA&N is also functioning as a Nodal Agency for implementing renewable energy programme of the Ministry of New & Renewable Energy (MNRE) on these islands. Presently, EDA&N is headed by a Superintending Engineer, along with seven Executive Engineers and around thirty-eight Assistant Engineers for carrying out the task of power generation, transmission and distribution to the general public including schemes under renewable energy sources.

The key duties being discharged by EDA&N are:

- Laying and operating of electric lines, sub-stations and electrical plants that are primarily maintained for the purpose of distributing electricity in the area of Andaman & Nicobar Islands.

- Operating and maintaining sub-stations and dedicated transmission lines connected therewith as per the provisions of the Act and the rules framed there under;
- Generation of electricity for the supply of electricity required within the boundary of the UT and for the distribution of the same in the most economical and efficient manner;
- Supplying electricity, as soon as practicable to any person requiring such supply, within its competency to do so under the said Act;
- Implementation of schemes for distribution and generally for promoting the use of electricity within the UT.

The present Installed Capacity of EDA&N is approximately 113.86 MW from various generating stations. The current demand mainly comprises of the domestic and commercial category, which contributed approximately 75% to the total sales of the EDA&N.

1.4. Multi Year Distribution Tariff Regulations, 2014

The Commission notified the Joint Electricity Regulatory Commission for the State of Goa and Union Territories (except Delhi) (Multi-Year Distribution Tariff) Regulations, 2014 (hereinafter referred to as MYT Regulations, 2014) on June 30, 2014 applicable for a three-year Control period starting from FY 2015-16 till FY 2017-18. The Commission subsequently notified the Joint Electricity Regulatory Commission for the State of Goa and Union Territories (except Delhi) (Multi-Year Distribution Tariff) (First Amendment) Regulations, 2015 on August 10, 2015 shifting the MYT Control Period to FY 2016-17 to FY 2018-19. These Regulations are applicable to all the distribution licensees in the State of Goa and Union Territories of Andaman & Nicobar Islands, Lakshadweep, Chandigarh, Daman & Diu, Dadra & Nagar Haveli and Puducherry.

1.5. Multi Year Tariff Regulations, 2018

The Commission notified the Joint Electricity Regulatory Commission for the State of Goa and Union Territories (Generation, Transmission and Distribution Multi Year Tariff) Regulations, 2018 (hereinafter referred to as MYT Regulations, 2018) on August 10, 2018. These Regulations are applicable in the 2nd MYT Control Period comprising of three financial years from FY 2019- 20 to FY 2021-22. These Regulations are applicable to all the generation companies, transmission and distribution licensees in the State of Goa and Union Territories of Andaman & Nicobar Islands, Lakshadweep, Chandigarh, Daman & Diu, Dadra & Nagar Haveli and Puducherry.

1.6. Filing and Admission of the Present Petition

The present Petition was admitted on December 30, 2021 and marked as Petition No. 64/2021. The Commission and the Petitioner subsequently uploaded the Petition on their respective websites.

1.7. Interaction with the Petitioner

A preliminary scrutiny/analysis of the Petition was conducted and certain deficiencies were observed. Accordingly, discrepancy notes were issued to the Petitioner. Further, additional information/clarifications were solicited from the Petitioner as and when required. The Commission and the Petitioner also discussed various concerns of the Petitioner and key data gaps, which included retail sales, revenue from retail tariff, capitalization, tariff proposal etc. The Petitioner submitted its response to the issues through various letters/emails.

The Commission conducted the Technical Validation Session (TVS) with the Petitioner at the Commission's office in Gurugram, during which the discrepancies in the Petition were conveyed and additional information required by the Commission was sought. Subsequently, the Petitioner submitted replies to the issues raised in this session and provided documentary evidence to substantiate its claims regarding various submissions. The following table provides the list of interactions with the Petitioner along with the dates:

Table 5: List of interactions with the Petitioner

S. No	Subject	Date
1	Issue of First Discrepancy Note	23.12.2021

S. No	Subject	Date
2	Reply received from the Petitioner with regard to first discrepancy Note	12.1.2022
3	Public hearing	21.1.2022
4	Issue of second Discrepancy Note	24.1.2022
5	Replies received from the Petitioner with regard to second Discrepancy note	18.2.2022, 12.3.2022, 16.3.2022
6	Technical Validation Session	3.3.2022

1.8. Notice for Public Hearing

The Public Notices were published in the leading newspapers as tabled below, giving due intimation to the stakeholders, consumers and the public at large about the Public Hearings.

Table 6: Details of Public Notices published

S. No.	Date	Name of Newspaper	Language	Place of Circulation
1	December 31, 2021	The Andaman Express	English	Port Blair
2	December 31, 2021	The Eco of India	English	Port Blair
3	December 31, 2021	Arthik Lipi	Bengali	Port Blair
4	December 31, 2021	Sanmarg	Hindi	Port Blair
5	January 19, 2022	The Andaman Express	English	Port Blair
6	January 19, 2022	The Eco of India	English	Port Blair
7	January 19, 2022	Arthik Lipi	Bengali	Port Blair
8	January 19, 2022	Sanmarg	Hindi	Port Blair

The Petitioner uploaded the Petition on its website (https://vidyut.andaman.gov.in/) for inviting objections and suggestions on the Petition. The Commission also uploaded the Tariff Petition and the Public Notice on its website www.jercuts.gov.in giving due intimation to stakeholders, consumers, objectors and the public at large about the Public Hearing to be conducted by the Commission on 21st January 2022 through Video Conferencing due to ongoing COVID19 pandemic.

1.9. Public Hearing

The COVID-19 pandemic has adversely impacted the movement of people as per the guidelines of GoI. These guidelines have also suggested avoiding of travel and gathering of people as far as possible. In view of above, the physical conduct of proceedings by the Commission was not possible. So, the Commission deemed it fit to provide an access to all the stakeholders by conducting proceedings remotely, by the use of audio and video enabled hearings in the matters of Petition submitted by Electricity Department Andaman & Nicobar Administration. Therefore, the Commission has decided that the comments/suggestions of the stakeholders need to be heard virtually through video conferencing for seeking their opinion.

Accordingly, the Virtual Public Hearing was held on 21st January 2022 from 11:30 AM to discuss the issues, if any, related to the Petition filed by the Petitioner. However, none of the stakeholder attended the public hearing considering no discussion related to tariff proposal was envisaged. The major issues discussed, the responses of the Petitioner thereon and the views of the Commission have been summarized in Chapter 2 of this Order.

2. Chapter 2: Summary of Suggestions/ Comments received, Response from the Petitioner and the Commission's Views

2.1. Regulatory Process

On admitting the Petition, the Commission directed the Petitioner to make copies of the Petition available to the public, upload the Petition on the website and also publish the same in the newspapers in an abridged form in the given format duly inviting suggestions/ comments from the public as per the provisions of the MYT Regulations, 2014 and MYT Regulations, 2018.

The Public Hearing was held on 21st January 2022 through Video Conferencing on the Petition for the True-up of FY 2017-18, FY 2018-19, FY 2019-20 and FY 2020-21. However, owing to the absence of MYT Petition and discussion on the tariff matters, none of the stakeholders attended the public hearing and neither had submitted any written submissions.

3. Chapter 3: True-up of FY 2017-18 and FY 2018-19

3.1. Background

Under the MYT regime, Order on Aggregate Revenue Requirement (ARR) for the 1st MYT Control Period (FY 2016-17 to FY 2018-19) was issued on April 06, 2016 (hereinafter referred to as the "MYT Order"). Further, the Annual Revenue Requirement for FY 2017-18 and FY 2018-19 was approved in line the ARR approved in MYT Order as the Petitioner proposed to retain the same ARR in the tariff petition for FY 2017-18 and FY 2018-19. Similarly, the Annual Performance Review (APR) for FY 2017-18 and FY 2018-19 was not taken-up by the Commission as the Petitioner did not proposed the review of FY 2017-18 and FY 2018-19 along with the tariff petition for determination of ARR for FY 2018-19 and FY 2019-20 respectively.

The Commission, now, in this Chapter carries out the True-up of FY 2017-18, being the second year of the Control Period in accordance with the principles laid down in the MYT Regulations, 2014. The True up for the FY 2017-18 has to be carried out in accordance with Regulation 8(2) of the MYT Regulations, 2014, which states as following:

"(2) After audited accounts of a year are made available, the Commission shall undertake similar exercise as above with reference to the final actual figures or the provisional actual accounts as available as per the audited accounts. This exercise with reference to audited accounts shall be called 'Truing Up'.

The Truing Up for any year will ordinarily not be considered after more than one year of 'Review'.

(3) The revenue gap/surplus, if any, of the ensuing year shall be adjusted as a result of review and truing up exercises.

(4) While approving such expenses/revenue to be adjusted in the future years as arising out of the Review and/or Truing up exercises, the Commission may allow the carrying costs as determined by the Commission of such expenses/revenue. Carrying costs shall be limited to the interest rate approved for working capital borrowings.

(5) For any revision in approvals, the licensee would be required to satisfy the Commission that the revision is due to conditions beyond its control.

(6) In case additional supply is required to be made to any particular category, the licensee may, any time during the year make an application to the Commission for its approval. The application will demonstrate the need for such additional supply of power and also indicate the manner in which the licensee proposes to meet the cost for such additional supply of power."

3.2. Approach for True-up for FY 2017-18 and FY 2018-19

The Petitioner has requested for True-up of FY 2017-18 and FY 2018-19 on the basis of audited accounts. The Petitioner has submitted details of the expenditure and the revenue for the year based on its audited accounts along with a comparison of the actual revenue and expenditure against the corresponding figures previously approved by the Commission in the ARR of FY 2017-18 and FY 2018-19.

The Commission has analysed various elements of the actual revenue and expenses for the FY 2017-18 and FY 2018-19 based on the audited accounts submitted by the Petitioner and has carried out the True-up exercise in accordance with the principles laid down in the MYT Regulations, 2014 after due prudence check. The Commission has allowed necessary adjustments in cases where variations are for reasonable and justifiable reasons.

3.3. Energy Sales

Petitioner's Submission

The Petitioner has submitted the total quantum of energy sales for FY 2017-18 and FY 2018-19 as 242.37 MU and 254.38 MU respectively as against the respective approved energy sales quantum of 265.32 MU and 278.87 MU in the MYT Order.

Commission's Analysis

The MYT Regulations, 2014 stipulate that the variation in sales constitutes "uncontrollable factors" that are beyond the control of the Petitioner and cannot be mitigated. Regulation 9.1 of the MYT Regulations, 2014 in this regard stipulates the following:

"The "uncontrollable factors" shall comprise of the following factors which were beyond the control of, and could not be mitigated by the applicant:

(a) *Force Majeure events, such as acts of war, fire, natural calamities, etc.*
(b) *Change in law;*
(c) *Taxes and Duties;*
(d) *Variation in sales; and*
(e) *Variation in the cost of power generation and/or power purchase due to the circumstances specified in these Regulations;"*

The table below provides the energy sales approved by the Commission in the Tariff Order of FY 2017-18 and FY 2018-19, the Petitioner's submission and quantum of energy sales now trued-up by the Commission.

Table 7: Energy Sales (MU) trued-up by the Commission for FY 2017-18

S. No	Category	Approved in MYT Order	Petitioner's Submission	Trued-up by Commission
1	Domestic	140.92	127.38	127.38
2	Commercial	65.31	56.86	56.86
3	Industrial	17.35	17.49	17.49
4	Bulk Supply	31.34	32.05	32.05
5	Public Lighting	9.53	7.61	7.61
6	Irrigation Pumps & Agriculture	0.87	0.98	0.98
	Total	**265.32**	**242.37**	**242.37**

Table 8: Energy Sales (MU) trued-up by the Commission for FY 2018-19

S. No	Category	Approved in MYT Order	Petitioner's Submission	Trued-up by Commission
1	Domestic	150.56	133.66	133.66
2	Commercial	66.99	62.14	62.14
3	Industrial	18.93	21.03	21.03
4	Bulk Supply	31.82	29.83	29.83
5	Public Lighting	9.70	6.72	6.72
6	Irrigation Pumps & Agriculture	0.87	1.02	1.02
	Total	**278.87**	**254.38**	**254.38**

The Commission approves 242.37 MU and 254.38 MU as energy sales in the True-up of the FY 2017-18 and FY 2018-19 respectively.

3.4. Power Purchase Quantum & Cost

Petitioner's submission

The energy requirement is met mainly from own generation apart from procurement of power from the IPPs and other generators. However, there is no availability of power from Central Generating Stations (CGS) or from other sources/ open market/ power exchanges, etc. The Power purchase cost and the fuel cost as incurred by the Petitioner vis-à-vis the Power purchase cost and the fuel cost as approved by the Commission in the MYT order is provided in table below:

Table 9: Power Purchase Quantum and Cost claimed by the Petitioner for the FY 2017-18 and FY 2018-19 (INR Crore)

Particulars	FY 2017-18		FY 2018-19	
	Quantum (MU)	Cost (INR Crore)	Quantum (MU)	Cost (INR Crore)
Power Generation	142.83	212.74	218.46	371.51
Own Generation	143.46	248.72	80.81	185.43
Total	**286.29**	**461.46**	**299.27**	**556.94**

Commission's analysis

The MYT Regulations, 2014 stipulate that any variation in the cost of power generation and/or power purchase shall be treated as an uncontrollable factor. Regulation 9.1 of the MYT Regulations stipulates the following:

"The "uncontrollable factors" shall comprise of the following factors which were beyond the control of, and could not be mitigated by the applicant:

(a) Force Majeure events, such as acts of war, fire, natural calamities, etc.
(b) Change in law;
(c) Taxes and Duties;
(d) Variation in sales; and
(e) Variation in the cost of power generation and/or power purchase due to the circumstances specified in these Regulations;"

Although, the Petitioner has submitted the plant wise units purchased from the IPPs and the units generated from own generating stations for FY 2017-18 and FY 2018-19. The Petitioner has also submitted the invoices of the IPPs along with the invoices of fuel purchase for validating the claim of the Petitioner. The Commission has verified the power purchase cost and fuel cost as per annual audited accounts and as per the invoices of fuel cost and power purchase from IPPs as submitted by the Petitioner.

In response to the Commission's specific query regarding the increase in the fuel cost, the Petitioner has submitted that the Commission approved the fuel cost based on the per unit rate of HSD applicable at the time of Tariff Order. However, actual per unit rate of HSD fluctuates during the respective financial year. The fuel cost considered in the True-up Petition is based on the actual expenditure incurred towards procurement of fuel and incorporated in the Audited Accounts. In view of the above, the fuel cost in the True-up petition is at variance with the approved figure for the respective years.

For validating the claim of the power purchase quantum and own generation, the Commission sought the island wise, plant wise and source wise power generation, cost, auxiliary consumption, HSD and Lube Oil consumption and cost for FY 2017-18 and FY 2018-19. The Petitioner submitted some of the details sought vide replies to the deficiency note. On scrutiny, the Commission found certain discrepancies in the power purchase generation as claimed in the True-up Petition and as submitted in the replies to the deficiency note. The Commission has considered the power generation details along with the auxiliary consumption as per the Petitioner's submission in the deficiency note for the computation of net power generation from various sources. Further, the Petitioner has submitted the solar power generation of 6.94 MUs and 8.00 MUs for the FY 2017-18 and FY 2018-19 respectively and the same has been considered as part of own generation.

The details of the power purchase quantum from both the IPPs and own generation along with the auxiliary consumption for the FY 2017-18 and FY 2018-19 is as follows:

Table 10: Total Power Generation (MUs) as approved by the Commission for FY 2017-18 and FY 2018-19

Particulars	FY 2017-18	FY 2018-19
Total Power Generation from various sources (MU)	312.31	336.39
Auxiliary Consumption (MU)	8.71	4.61
Total Power Purchase (MU)	**303.60**	**331.77**

The approved quantum of Own generation, cost of fuel, power purchase quantum and cost in True-up of FY 2017-18 and FY 2018-19 is as given in the following tables:

Table 11: Power purchase quantum (MU) and Cost (INR Crore) approved by the Commission for FY 2017-18

Particulars	Approved in MYT Order	Petitioner's Submission	Approved by the Commission
Own Generation (MU)	186.62	142.83	142.83
Power Purchase (MU)	127.21	143.46	160.77
Energy Availability (MU)	**313.83**	**286.29**	**303.60**
Fuel Cost (INR Crore)	132.35	248.72	248.72
Power Purchase Cost (INR crore)	216.72	212.74	212.74
Total Power Purchase Cost (INR Crore)	**349.07**	**461.46**	**461.46**

Table 12: Power purchase quantum (MU) and Cost (INR Crore) approved by the Commission for FY 2018-19

Particulars	Approved in MYT Order	Petitioner's Submission	Approved by the Commission
Own Generation (MU)	186.62	218.46	218.46
Power Purchase (MU)	136.45	80.81	113.31
Energy Availability (MU)	**323.07**	**299.27**	**331.77**
Fuel Cost (INR Crore)	142.87	185.43	185.43
Power Purchase Cost (INR crore)	216.72	371.51	371.51
Total Power Purchase Cost (INR Crore)	**359.59**	**556.94**	**556.94**

The approved cost towards own generation consists of cost incurred towards consumption of HSD oil and Lube oil only as per the audited accounts. The fixed cost incurred against own generation (i.e. O&M expenses, interest and finance charges, depreciation, interest on working capital etc.) has been considered and approved for the department as a whole in subsequent sections as the cost of DG sets is already a part of the existing Gross Fixed Assets. Accordingly, no separate cost has been approved for own generation.

Accordingly, no separate cost has been approved for own renewable based generation.

Therefore, the Commission approves the overall power generation and purchase cost of INR 461.46 Crore and INR 556.94 Crore in the True-up of FY 2017-18 and FY 2018-19 respectively.

3.5. Renewable Purchase Obligation (RPO)

As per Regulation 1, Sub-regulation (1) of the JERC for the State of Goa and UTs (Procurement of Renewable Energy) Regulations, 2010

"Each distribution licensee shall purchase electricity (in kWh) from renewable energy sources, at a defined minimum percentage of the total consumption of all the consumers in its area during a year."

The Commission notified the JERC (Procurement of Renewable Energy), (Third Amendment) Regulations, 2016 on 22nd August 2016 and revised the RPO targets, according to which the Petitioner had to purchase 6.70% of its total consumption (including 2.50% from Solar) from renewable sources for the FY 2017-18. Similarly, the Petitioner had to purchase 9.00% of its total consumption (including 3.60% from Solar) from renewable sources for the FY 2018-19.

For the FY 2017-18, the Petitioner had a standalone target of 15.38 MU comprising of 5.74 MU Solar and 9.64 MU Non-Solar. Against the compliance target, the Petitioner has procured 6.94 MU of solar power and 12.81 MU of Non-Solar Power, thereby resulting in overachievement of 4.37 MU in achieving overall RPO target.

For the FY 2018-19, the Petitioner had a standalone target of 21.56 MU comprising of 8.63 MU Solar and 12.94 MU Non-Solar. Against the compliance target, the Petitioner has procured 8.00 MU of solar power and 14.79 MU of Non-Solar Power, thereby resulting in overachievement of 1.23 MU in achieving overall RPO target.

Based on the above, the Commission has computed the standalone RPO compliance for FY 2017-18 and FY 2018-19 as shown in the following table:

Table 13: Compliance status of Renewable Purchase Obligation (RPO) (In MU)

Sr. No.	Particulars	FY 2017-18	FY 2018-19
1.	Sales Within the State (excluding Hydro) *	229.56	239.59
2.	RPO Obligation (in %)	6.70%	9.00%
a)	Solar	2.50%	3.60%
b)	Non-Solar	4.20%	5.40%
3.	RPO Obligation	15.38	21.56
a)	Solar	5.74	8.63
b)	Non-Solar	9.64	12.94
4.	RPO Compliance (Actual Purchase)	19.75	22.79
a)	Solar	6.94	8.00
b)	Non-Solar	12.81	14.79
5.	RPO Compliance (REC Purchase)	0.00	0.00
6.	Total RPO Compliance	19.75	22.79
7.	**Shortfall/ (Surplus) in RPO Compliance**	**(4.37)**	**(1.23)**

**The hydro generation of 12.81 MUs and 14.79 MUs have been deducted from the approved sales of FY 2017-18 and FY 2018-19 respectively.*

The Commission notes that there is a net surplus in RPO compliance for both FY 2017-18 (4.37 MU) and FY 2018-19 (1.23 MU).

3.6. Intra- State Transmission & Distribution (T&D) loss

Petitioner's submission

The Petitioner has submitted that it has achieved an Intra-State T&D loss of 15.34% in the FY 2017-18 against target of 15.34% in FY 2017-18 and an Intra-State T&D loss of 15.00% in the FY 2017-18 against target of 13.59% in FY 2018-19

Commission's analysis

The Petitioner has not submitted the energy Audit report for FY 2017-18 and FY 2018-19. In absence of the energy audit report, the Commission has considered the net generation/purchase as submitted by the Petitioner for the purpose of True-up. Considering actual sales of 242.37 MU and actual generation of 303.60 MU as approved above, actual T&D loss comes to 20.17% for FY 2017-18. Similarly, for FY 2018-19, considering actual sales of 254.38 MU and actual generation of 331.77 MU as approved above, actual T&D loss comes to 23.33%.

Since, the Petitioner has not been able to achieve the Intra-State T&D loss target for both the year, the disincentive for the same has to be borne by the Petitioner in accordance with the MYT Regulations, 2014. The calculation of the same has been discussed in detail in "Section 3.18.: Incentive/Disincentive towards over/under-achievement of norms of distribution losses section" of this Order.

The table below provides the Intra-State T&D loss approved in the ARR of FY 2017-18 and FY 2018-19, Petitioner's submission and as approved by the Commission now.

Table 14: Intra-State T&D loss (%)

S. No	Particulars	Approved in Tariff Order	Petitioner's Submission	Trued-up by Commission
1	T&D Losses (%) for FY 2017-18	15.34%	15.34%	20.17%
2	T&D Losses (%) for FY 2018-19	13.59%	15.00%	23.33%

The Commission, while Truing Up for FY 2017-18 and FY 2018-19, has considered the actual Intra-State T&D loss of 20.17% and 23.33% for the FY 2017-18 and FY 2018-19 respectively.

3.7. Energy Balance

Petitioner's submission

The Petitioner has submitted the energy balance as shown in the following table.

Table 15: Energy Balance (MU) as submitted by Petitioner

S. No.	Particulars	Petitioner's Submission	
		FY 2017-18	FY 2018-19
A	**Energy Requirement**		
1	Total Sales within UT	242.37	254.38
2	Transmission & Distribution Losses (%)	15.34%	15.00%
3	T&D Losses (MU)	43.92	44.89
	Total Energy Requirement (for sale to retail consumers)	286.29	299.27
B	**Energy Availability at Periphery**		
1	Power Purchase	142.83	218.46
2	Own Generation	143.46	80.81
	Total Energy Availability	286.29	299.27
9	**Energy Surplus/(Gap)**	0.00	0.00

Commission's analysis

The information submitted by the Petitioner on power purchase quantum has been examined and accordingly the energy balance for the FY 2017-18 and FY 2018-19 is derived. The following table provides the energy balance approved in the ARR of the FY 2017-18 and FY 2018-19, the Petitioner's submission and now trued-up by the Commission.

Table 16: Energy Balance (MU) approved by Commission for the FY 2017-18

S. No	Particulars	Formula	Approved in Tariff Order	Petitioner's Submission	Now Approved by Commission
A	**Energy Requirement**				
1	Total Sales within the State/UT	a	265.32	242.37	242.37
	Transmission & Distribution losses				
2	%	b	15.34%	15.34%	20.17%
3	MU	c=d-a	48.07	43.92	61.23
	Energy required at UT Periphery	d=a/(1-b)	**313.39**	**286.29**	**303.60**
B	**Energy Available at Periphery**				
1	**Power Purchase**	e	186.62	142.83	142.83
2	Own Generation	f	127.21	143.46	160.77
	Total Energy Availability	g=e+f	**313.83**	**286.29**	**303.60**
C	**Shortfall/(Surplus)**	**h= d-g**	**-0.44**	**0.00**	**0.00**

Table 17: Energy Balance (MU) approved by Commission for the FY 2018-19

S. No	Particulars	Formula	Approved in Tariff Order	Petitioner's Submission	Now Approved by Commission
A	**Energy Requirement**				
1	Total Sales within the State/UT	a	278.87	254.38	254.38
	Transmission & Distribution losses				
2	%	b	13.59%	15.00%	23.33%
3	MU	c=d-a	43.86	44.89	77.39
	Energy required at UT Periphery	d=a/(1-b)	**322.73**	**299.27**	**331.77**
B	**Energy Available at Periphery**				
1	**Power Purchase**	e	186.62	218.46	218.46
2	Own Generation	f	136.45	80.81	113.31
	Total Energy Availability	g=e+f	**323.07**	**299.27**	**331.77**
C	**Shortfall/(Surplus)**	**h= d-g**	**-0.34**	**0.00**	**0.00**

3.8. Operation & Maintenance (O&M) Expenses

The Operation & Maintenance Expenses comprise of the Employee Expenses, Administrative and General Expenses (A&G) and the Repair & Maintenance Expenses (R&M). The MYT Regulations, 2014 considers the variation of O&M Expenses to be controllable. Regulation 9.2 of the MYT Regulation, 2014 states the following:

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

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

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

Detailed methodology for the computation of AT&C loss (as adopted by Forum of Regulators) has been indicated in Appendix to these regulations;

(b) (ii) Distribution Losses which shall be measured as the difference between total energy inpui for sale to all consumers and sum of the total energy billed in the licensee area in the same year."

(c)Depreciation and working capital requirements;

(d)Failure to meet the standards specified in the Joint Electricity Regulatory Commission (Standards of Performance) Regulations, 2009 except where exempted;

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

(f)Variation in Wires Availability and Supply Availability;"

Therefore, any variation in O&M Expenses is attributable to the Petitioner and is not passed on in the ARR, other than any expense which is beyond the control of the Petitioner.

3.8.1. Employee Expenses

Petitioner's submission

The Petitioner has incurred actual employee expenses of INR 125.09 Crore and INR 127.41 Crore against the approved expenses of INR 55.61 Crore INR 54.94 Crore in the MYT Order respectively for FY 2017-18 and FY 2018-19.

Commission's analysis

Any variation in Employee Expenses is attributable to the Petitioner and is not passed on in the ARR, other than any expense which is beyond the control of the Petitioner. The Commission vide deficiency note sought clarification from the Petitioner for such exorbitant hike in the employee expenses vis-à-vis the employee expenses approved by the Commission. The Petitioner clarified that the proforma Accounts of the FY 2015-16, FY 2016-17, FY 2017-18 and FY 2018-19 were not finalized/audited at the time when the employee cost for the FY 2017-18 & FY 2018-19 was approved by the Commission. The Commission approved the employee cost for the FY 2017-18 & FY 2018-19 based on cost figures of previous years and other estimates/benchmarks. Hence, the approved figures are substantially lower than the actual expenses.

Accordingly, the Commission finds it appropriate to allow the employee expenses as per actuals. The table below provides the employee expenses approved in the ARR Order, submission of the Petitioner and now trued-up by the Commission.

Table 18: Employee Expenses approved by Commission (INR Crore)

S. No	Particulars	Approved in MYT Order	Petitioner's Submission	Trued-up by Commission
1	Employee Expenses for FY 2017-18	55.61	125.09	125.09
2	Employee Expenses for FY 2018-19	54.94	127.41	127.41

The Commission approves the Employee Expenses of INR 125.09 Crore and INR 127.41 Crore in the True-up of the FY 2017-18 and FY 2018-19.

3.8.2. Administrative and General (A&G) Expenses

Petitioner's submission

The Petitioner has incurred A&G expenses of INR 16.63 Crore and INR 15.93 Crore and against the approved expenses of INR 1.83 Crore and INR 1.91 Crore in the MYT Order respectively for FY 2017-18 and FY 2018-19.

Commission's analysis

A&G expenses mainly comprise of rents, telephone and other communication expenses, professional charges, office expenses etc.

Any variation in A&G Expenses is attributable to the Petitioner and is not passed on in the ARR, other than any expense which is beyond the control of the Petitioner. The Commission vide deficiency note sought clarification from the Petitioner for such exorbitant hike in the A&G expenses vis-à-vis the A&G expenses approved by the Commission. The Petitioner clarified that the proforma Accounts of the FY 2015-16, FY 2016-17, FY 2017-18 and FY 2018-19 were not finalized / audited at the time when the employee cost for the FY 2017-18 & FY 2018-19 was approved by the Commission. The Commission approved the A&G expenses for the FY 2017-18 & FY 2018-19 based on cost figures of previous years and other estimates/benchmarks. Hence, the approved figures are substantially lower than the actual expenses. Further, the A&G expenses submitted in the True-up petition is actual expenses based on Audited Accounts for the respective year.

Accordingly, the Commission finds it appropriate to allow the A&G expenses as per actuals. The table below provides the A&G expenses approved in the ARR Order, submission of the Petitioner and now trued-up by the Commission

Table 19: A&G Expenses approved by Commission (INR Crore)

S. No	Particulars	Approved in MYT Order	Petitioner's Submission	Trued-up by Commission
1	A&G Expenses for FY 2017-18	1.83	16.63	16.63
2	A&G Expenses for FY 2018-19	1.91	15.93	15.93

The Commission approves the Administrative & General (A&G) expenses of INR 16.63 Crore and INR 15.93 Crore in the True-up of FY 2017-18 and FY 2018-19 respectively.

3.8.3. Repair & Maintenance Expenses (R&M)

Petitioner's submission

The Petitioner has incurred R&M expenses of INR 33.29 Crore and INR 41.47 Crore and against the approved expenses of INR 41.31 Crore and INR 41.31 Crore in the MYT Order respectively for FY 2017-18 and FY 2018-19.

Commission's analysis

Any variation in R&M Expenses is attributable to the Petitioner and is not passed on in the ARR, other than any expense which is beyond the control of the Petitioner. The Commission vide deficiency note sought clarification from the Petitioner for such hike in the R&M expenses vis-à-vis the R&M expenses approved by the Commission. The Petitioner clarified that R&M cost are comparatively more in the A&N than other utilities due to the fact that the operating area of the department is spread across more than 40 isolated islands and due to topographical & geographical conditions of the area of operation of the utility. The Petitioner has also requested to allow the R&M expenses as per actual as actual base data was not available at the time of MYT trajectory setting and certain assumptions were used to set the same. Accordingly, the Commission finds it appropriate to allow the R&M expenses as per actuals. The table below provides the R&M expenses approved in the ARR Order, submission of the Petitioner and now trued-up by the Commission

Table 20: R&M Expenses approved by Commission (INR Crore)

S. No	Particulars	Approved in MYT Order	Petitioner's Submission	Trued-up by Commission
1	R&M Expenses for FY 2017-18	41.31	33.29	33.29
2	R&M Expenses for FY 2018-19	41.31	41.47	41.47

The Commission approves the Repair & Maintenance (R&M) expenses of INR 33.29 Crore and INR 41.47 Crore in the True-up of FY 2017-18 and FY 2018-19 respectively.

3.8.4. Total Operation and Maintenance Expenses (O&M)

The following table provides the O&M expenses approved in the Tariff Order, submitted by the Petitioner and now trued-up by the Commission.

Table 21: O&M Expenses approved by Commission for FY 2017-18 (INR Crore)

S. No	Particulars	Approved in MYT Order	Petitioner's Submission	Trued-up by Commission
1	Employee Expenses	55.61	125.09	125.09
2	Administrative & General Expenses (A&G)	1.83	16.63	16.63
3	Repair & Maintenance Expenses	41.31	33.29	33.29
	Total Operation & Maintenance Expenses	**98.75**	**175.01**	**175.01**

Table 22: O&M Expenses approved by Commission for FY 2018-19 (INR Crore)

S. No	Particulars	Approved in MYT Order	Petitioner's Submission	Trued-up by Commission
1	Employee Expenses	54.94	127.41	127.41
2	Administrative & General Expenses (A&G)	1.91	15.93	15.93
3	Repair & Maintenance Expenses	41.31	41.47	41.47
	Total Operation & Maintenance Expenses	**98.16**	**184.81**	**184.81**

The Commission approves the Operation & Maintenance (O&M) Expenses of INR 175.01 Crore and INR 184.81 Crore in the True-up of FY 2017-18 and FY 2018-19 respectively.

3.9. Capitalisation

Petitioner's submission

The Petitioner submitted the actual capitalisation as INR 3.12 crore and INR 0.01 crore for the FY 2017-18 and FY 2018-19 against an approved capitalization of INR 21.58 Crore and INR 18.70 Crore in the MYT Order respectively for FY 2017-18 and FY 2018-19.

Commission's analysis

The Commission approves the Capitalisation as per the submission in the audited Accounts by the Petitioner. The Commission observed that the Petitioner consistently has not been able to meet the capitalisation targets, which is necessary for efficient and reliable operations of the system. Accordingly, the Commission directs the Petitioner to achieve the capitalisation targets, failing which Commission may be constrained to impose penalty.

The table below provides the capitalisation approved in the Tariff Order, the Petitioner's submission and the capitalisation approved by the Commission now:

Table 23: Capitalisation approved by the Commission (INR Crore)

S. No	Particulars	Approved in MYT Order	Petitioner's Submission	Trued-up by Commission
1	Capitalisation for FY 2017-18	21.58	3.12	3.12
2	Capitalisation for FY 2018-19	18.70	0.01	0.01

The Commission approves the INR 3.12 crore and INR 0.01 crore Capitalisation in the True-up of FY 2017-18 and FY 2018-19 respectively.

3.10. Capital Structure

Petitioner's Submission

The Petitioner has submitted that all the capital assets have been created out of equity contribution from Andaman & Nicobar Administration.

Commission's analysis

The MYT Regulations 2014, specify that if the equity actually deployed is more than 30% of the capital cost, then equity in excess of 30% would be considered as the normative loan. Regulation 24 of the MYT Regulations, states the following:

(a) The Distribution Licensee shall provide detailed loan-wise, project-wise and utilization-wise details of all of the pending loans

(b) If the equity actually deployed is more than 30% of the capital cost, equity in excess of 30% shall be treated as normative loan.

Provided that where equity actually deployed is less than 30% of the capital cost, the actual loan shall be considered for determination of interest on loans.

The Commission sought details of assets created out of consumer contribution/ grants from the Petitioner, on which the Petitioner has responded that no assets have been created out of consumer contribution/ grants. Further, the Petitioner has submitted the Fixed Asset Register for the FY 2017-18, based on which the opening GFA has been submitted as INR 222.07 crore. The Commission sought the detailed reasons for the variation in the opening GFA for FY 2017-18 vis-à-vis the closing GFA for FY 2016-17 as approved by the Commission in the true-up order. The Petitioner submitted that the assets are being carried over in the accounting records historically for last over 40 years and no Fixed Asset Register was maintained by the Department. The department undertook the exercise to compile the Fixed Asset Register during the FY 2017-18. Accordingly, the details of the assets as available in the records of the Department were analysed and incorporated in the Fixed Asset Register, thus, restating the opening GFA as on 1.4.2017 on account of inclusion of several assets which were historically not incorporated in the books of accounts. The revised GFA along with the Annual Accounts for the FY 2017-18 was accordingly audited by AG.

The Commission has considered the Petitioner's Submission and accordingly, has considered the opening GFA as INR 222.07 crore for the FY 2017-18. Further, the difference between the closing GFA for FY 2016-17 as approved by the Commission and the opening GFA for FY 2017-18 as per FAR has been added to the opening loan balances and opening equity for FY 2017-18 in the normative Debt:Equity ratio of 70:30.

In accordance with the MYT Regulations, 2014, and the submissions made by the Petitioner, the Commission has determined the Capital Structure for FY 2017-18 as follows:

Table 24: GFA addition approved by Commission for FY 2017-18 (INR Crore)

S. No	Particulars	Approved in MYT Order	Petitioner's Submission	Trued-up by Commission
1	Opening Gross Fixed Assets	204.53	222.07	222.07
2	Addition During the FY	21.58	3.12	3.12
3	Adjustment/Retirement During the FY	-	0.00	0.00
4	Closing Gross Fixed Assets	226.11	225.19	225.19

Table 25: GFA addition approved by Commission for FY 2018-19 (INR Crore)

S. No	Particulars	Approved in MYT Order	Petitioner's Submission	Trued-up by Commission
1	Opening Gross Fixed Assets	226.11	225.19	225.19
2	Addition During the FY	18.70	0.01	0.01
3	Adjustment/Retirement During the FY	-	0.00	0.00
4	Closing Gross Fixed Assets	244.81	225.20	225.20

Table 26: Normative Loan addition approved by Commission for FY 2017-18 (INR Crore)

S. No	Particulars	Approved in MYT Order	Petitioner's Submission	Trued-up by Commission
1	Opening Normative Loan	131.65	72.12	70.48
2	Add: Normative Loan During the year	15.11	2.18	2.18
3	Less: Normative Repayment equivalent to Depreciation	10.75	5.90	9.01*
4	Closing Normative Loan	136.00	68.40	63.65

**Depreciation has been calculated in the next section*

Table 27: Normative Loan addition approved by Commission for FY 2018-19 (INR Crore)

S. No	Particulars	Approved in MYT Order	Petitioner's Submission	Trued-up by Commission
1	Opening Normative Loan	136.00	68.40	63.65
2	Add: Normative Loan During the year	13.09	0.00	0.00
3	Less: Normative Repayment equivalent to Depreciation	11.73	5.99	9.09*
4	Closing Normative Loan	137.37	62.42	54.56

**Depreciation has been calculated in the next section*

Table 28: Normative Equity addition approved by Commission for FY 2017-18 (INR Crore)

S. No	Particulars	Approved in MYT Order	Petitioner's Submission	Trued-up by Commission
1	Opening Equity	61.36	66.62	66.62
2	Additions on account of new capitalisation	6.47	0.94	0.94
3	Closing Equity	67.83	67.56	67.56

Table 29: Normative Equity addition approved by Commission for FY 2018-19 (INR Crore)

S. No	Particulars	Approved in MYT Order	Petitioner's Submission	Trued-up by Commission
1	Opening Equity	67.83	67.56	67.56
2	Additions on account of new capitalisation	5.61	0.00	0.00
3	Closing Equity	73.44	67.56	67.56

3.11. Depreciation

Petitioner's submission

The Petitioner has submitted the actual depreciation of assets as per the audited annual accounts of FY 2017-18 and FY 2018-19.

The depreciation as claimed by the Petitioner has been tabulated below:

Table 30: Depreciation submitted by Petitioner (INR Crore)

S. No	Particulars	Petitioner's Submission	
		FY 2017-18	FY 2018-19
1	Opening Gross Fixed Assets	222.07	225.19
2	Addition During the FY	3.12	0.01
3	Adjustment/Retirement During the FY	0.00	0.00
4	Closing Gross Fixed Assets	225.19	225.20
5	Average Gross Fixed Assets	223.63	225.19
6	Weighted Average Depreciation rate (%)	2.64%	2.66%
	Depreciation	**5.90**	**5.99**

Commission's analysis

Regulation 23 of the MYT Regulations 2014, states the following:

(a) *Depreciation shall be calculated for each year of the control period on the original cost of the fixed assets of the corresponding year.*
(b) *Depreciation shall not be allowed on assets funded by capital subsidies, consumer contributions or grants.*
(c) *Depreciation shall be calculated annually as per straight-line method over the useful life of the asset at the rate of depreciation. The same shall be as specified in the Central Electricity Regulatory Commission (Terms & Conditions of Tariff) Regulations, 2014. (The same may vary as notified by CERC from time to time.)*
(d) *The residual value of assets shall be considered as 10% and depreciation shall be allowed to a maximum of 90% of the original cost of the asset.*
Provided that Land shall not be treated as a depreciable asset and its cost shall be excluded while computing 90% of the original cost of the asset.
(e) *Depreciation shall be charged from the first year of operation of the asset.*
Provided that in case the operation of the asset is for a part of the year, depreciation shall be charged on proportionate basis.
(f) *A provision of replacement of assets shall be made in the capital investment plan."*

As per the norms specified in the MYT Regulations, 2014 the Commission has verified the asset wise capitalisation of the Petitioner and has accordingly derived the weighted average rate of depreciation based on the asset wise depreciation rate prescribed in the CERC Tariff Regulations, 2014, provided in the table below:

Table 31: Depreciation Rate (%)

Description	Rate
Plant & Machinery	5.28%
Buildings	3.34%
Vehicles	9.50%
Furniture & Fixtures	6.33%
Computers & Others	15.00%
Land	0.00%

The Petitioner as part of this Petition has submitted the Fixed Asset Register (FAR) for FY 2017-18 and FY 2018-19 which specifies the value of assets that have achieved 90% depreciation as of FY 2017-18 and FY 2018-19 respectively. As the MYT Regulations, 2014 stipulates that the depreciation shall be allowed to a maximum of 90% of the original cost of the asset, therefore the total value of assets depreciated upto 90% as reflected in the FAR of FY 2017-18 and FY 2018-19 respectively has been deducted from the opening GFA as approved in the previous section.

The revised GFA has then been considered and the depreciation on average Gross Fixed Assets (GFA) has been determined. The net addition during the year has been calculated after deducting the value of retired assets.

The following table provides the calculation of revised GFA for the year FY 2017-18 and FY 2018-19:

Table 32: Calculation of revised GFA and depreciation for FY 2017-18 (INR Crore)

Description	Opening GFA as per audited accounts	Less: Assets depreciated upto 90% till FY 2017-18	Revised Opening GFA	Addition/ Deletion during the year	Closing GFA	Depreciation Rate	Depreciation
Plant & Machinery	163.19	19.43	143.76	3.11	146.88	5.28%	7.67
Building & Civil Engineering Works	35.82	0.02	35.80	0.00	35.80	3.34%	1.20
Furniture & Fixtures & Office Equipments	17.01	15.83	1.18	0.01	1.19	6.33%	0.07
Land	0.86	0.00	0.86		0.86	0.00%	0.00
Vehicles	5.18	4.48	0.71	0.00	0.71	9.50%	0.07
Total	**222.07**	**39.76**	**182.31**	**3.12**	**185.43**		**9.01**

Table 33: Calculation of revised GFA and depreciation for FY 2018-19 (INR Crore)

Description	Opening GFA as per audited accounts	Less: Assets depreciated upto 90% till FY 2018-19	Revised Opening GFA	Addition/ Deletion during the year	Closing GFA	Depreciation Rate	Depreciation
Plant & Machinery	166.31	19.43	146.88	0.00	146.88	5.28%	7.76
Building & Civil Engineering Works	35.82	0.02	35.80	0.00	35.80	3.34%	1.20
Furniture & Fixtures & Office Equipments	17.02	15.83	1.19	0.00	1.19	6.33%	0.08
Land	0.86	0.00	0.86		0.86	0.00%	0.00
Vehicles	5.18	4.48	0.71	0.00	0.71	9.50%	0.07
Total	**225.19**	**39.76**	**185.43**	**0.00**	**185.44**		**9.09**

The Commission approves depreciation of INR 9.01 Crore and INR 9.09 Crore in the true-up of FY 2017-18 and FY 2018-19 respectively.

3.12. Interest and Finance Charges

Petitioner's submission

The Petitioner has submitted that the Fixed Asset Register up-to FY 2017-18 has been finalised and the GFA figures have been considered as per the annual audited accounts. The Hon'ble Commission has considered the closing loan balance of INR 6.60 crore in the true-up of FY 2016-17 corresponding to the GFA of INR 130.81 crore. Since there is a difference between the opening GFA as per the Fixed asset register and the Commission approved figures in the true-up order of FY 2016-17, the Petitioner has requested to revise the opening loan balance as per the FAR for FY 2017-18. Further, the rate of interest has been considered as the State Bank of India Prime Lending Rate (SBI PLR) as on 1st April of the relevant year.

Commission's analysis

The MYT Regulations, 2014 stipulate that the rate of interest to be considered while determining the ARR shall be the weighted average interest rate of the actual loan portfolio. Regulation 24 of the MYT Regulations, 2014 states the following:

(a) *The Distribution Licensee shall provide detailed loan-wise, project-wise and utilization-wise details of all of the pending loans*

(b) *If the equity actually deployed is more than 30% of the capital cost, equity in excess of 30% shall be treated as normative loan.*

Provided that where equity actually deployed is less than 30% of the capital cost, the actual loan shall be considered for determination of interest on loans.

(c) *Actual loan or normative loan, if any, shall be referred as gross normative loan in this Regulation.*

(d) *The normative loan outstanding as of 1st April of control period shall be computed by deducting the cumulative repayment as approved by the Commission (basis as mentioned below) up to 31st March of current period (a year before control period) from the gross normative loan.*

(e) *The repayment for the control period shall be deemed to be equal to the depreciation allowed for the year.*

(f) *Notwithstanding any moratorium period availed by the Distribution Licensee, the repayment of the loan shall be considered from the first year of the control period as per annual depreciation allowed.*

(g) *The rate of interest shall be the weighted average rate of interest calculated on the basis of actual loan portfolio at the beginning of each year of the control period, in accordance with terms and conditions of relevant loan agreements, or bonds or non-convertible debentures.*

Provided that if no actual loan is outstanding but normative loan is still outstanding, the last available weighted average rate of interest shall be applicable.

Provided further that the interest on loan shall be calculated on the normative average loan of the year by applying the weighted average rate of interest.

Provided also that exception shall be made for the existing loans which may have different terms as per the agreements already executed if the Commission is satisfied that the loan has been contracted for and applied to identifiable and approved projects.

(h) *The Distribution Licensee shall make every effort to refinance the loan as long as it results in net benefit to the consumers.*

Provided that the cost associated with such refinancing shall be eligible to be passed through in tariffs and the benefit on account of refinancing of loan and interest on loan shall be shared in the ratio of 50:50 between the Distribution Licensee and the consumers.

Provided further that the Distribution Licensee shall submit the calculation of such benefit to the Commission for its approval. •

(i) *(The Distribution Licensee shall enable tracking of the loans converted into grants under schemes, like APDRP by providing information and data regularly to the Commission and for ensuring that the interest on these loans which has been passed on to the consumers inappropriately in the earlier years shall be recovered from the Distribution Licensee."*

As per the MYT Regulations 2014, if the equity actually deployed is more than 30% of the capital cost, then equity in excess of 30% would be considered as normative loan. Further, the Commission has considered the actual capitalisation of assets as approved in the foregoing paragraphs. The Commission for the purpose of funding of the capitalisation has considered the normative debt-equity ratio of 70:30. Repayment has been considered equivalent to depreciation allowed during the year.

The Commission has decided to revise the opening GFA for the FY 2017-18 in line with the fixed asset register and accordingly, has revised the opening loan balance to the extent of 70% of the difference between the closing GFA for FY 2016-17 as approved by the Commission and the opening GFA for FY 2017-18.

The Commission for the purpose of calculation of Interest on Loan has considered interest rate equivalent to SBI PLR @ 13.85% as on 1st April 2017 and @13.45% as on 1st April 2018 for FY 2017-18 and FY 2018-19 respectively. Further, in accordance with the MYT Regulations, 2014, the interest has been calculated on the average loan during the year. The addition of loan has been considered as explained above and the repayment is considered same as per accrued depreciation during the year.

The following table provides the Interest and Finance charges as approved by the Commission:

Table 34: Interest and Finance charges approved by Commission for FY 2017-18 (INR Crore)

S. No	Particulars	Approved in MYT Order	Petitioner's Submission	Trued-up by Commission
1	Opening Normative Loan	131.65	72.12	70.48
2	Add: Normative Loan During the year	15.11	2.18	2.18
3	Less: Normative Repayment= Depreciation	10.75	5.90	9.01
4	Closing Normative Loan	136.00	68.40	63.65
5	Average Normative Loan	133.83	70.26	67.07
6	Rate of Interest (%)	14.05%	13.85%	13.85%
7	**Interest on Loan**	**18.80**	**9.73**	**9.29**

Table 35: Interest and Finance charges approved by Commission for FY 2018-19 (INR Crore)

S. No	Particulars	Approved in MYT Order	Petitioner's Submission	Trued-up by Commission
1	Opening Normative Loan	136.00	68.40	63.65
2	Add: Normative Loan During the year	13.09	0.00	0.00
3	Less: Normative Repayment= Depreciation	11.73	5.99	9.09
4	Closing Normative Loan	137.37	62.42	54.56
5	Average Normative Loan	136.68	65.41	59.11
6	Rate of Interest (%)	14.05%	13.45%	13.45%
7	**Interest on Loan**	**19.20**	**8.80**	**7.95**

The Commission approves the Interest and Finance Charges of INR 9.29 Crore and INR 7.95 Crore in the True-up of the FY 2017-18 and FY 2018-19 respectively.

3.13. Return on Equity (RoE)

Petitioner's submission

RoE is calculated in accordance with the MYT Regulations 2014 on 30% of the capital base. Equity to the tune of 30% has been considered based on the assets capitalized during the year. Accordingly, the Return on Equity has been computed at 16% on post-tax basis.

Commission's analysis

According to the Regulation 27 of the MYT Regulations, 2014,

(a) *the Return on equity shall be computed on 30% of the capital base or actual equity, whichever is lower: Provided that assets funded by consumer contribution, capital subsidies/grants and corresponding depreciation shall not form part of the capital base. Actual equity infused in the Distribution Licensee as per book value shall be considered as perpetual and shall be used for computation in this Regulation.*

(b) *The return on the equity invested in working capital shall be allowed from the date of start of commercial operation.*

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

As mentioned above, the total asset capitalisation other than the Central Government schemes during the year has been funded by equity. The Commission for the purpose of equity addition during the year, has limited it to

30% of total capitalisation as prescribed in the MYT Regulations, 2014. The RoE has been calculated on the average of opening and closing of equity during the year @ 16% post-tax basis with opening equity considered at 30% of the opening GFA for FY 2017-18 as per FAR as the assets are completely funded by the equity contribution from Andaman & Nicobar Administration. The following table provides the RoE approved by the Commission now:

Table 36: RoE approved by Commission for FY 2017-18 (INR Crore)

S. No	Particulars	Approved in MYT Order	Petitioner's Submission	Trued-up by Commission
1	Opening Equity	61.36	66.62	66.62
2	Additions on account of new capitalisation	6.47	0.94	0.94
3	Closing Equity	67.83	67.56	67.56
4	Average Equity	64.60	67.09	67.09
5	Return on Equity (%)	16.00%	16.00%	16.00%
	Return on Equity	**10.34**	**10.73**	**10.73**

Table 37: RoE approved by Commission for FY 2018-19 (INR Crore)

S. No	Particulars	Approved in MYT Order	Petitioner's Submission	Trued-up by Commission
1	Opening Equity	67.83	67.56	67.56
2	Additions on account of new capitalisation	5.61	0.00	0.00
3	Closing Equity	73.44	67.56	67.56
4	Average Equity	70.64	67.56	67.56
5	Return on Equity (%)	16.00%	16.00%	16.00%
	Return on Equity	**11.30**	**10.81**	**10.81**

The Commission approves a Return on Equity of INR 10.73 Crore and INR 10.81 Crore in the True-up of FY 2017-18 and FY 2018-19 respectively.

3.14. Interest on Security Deposits

Petitioner's submission

The Petitioner has submitted that it does not collect security deposit from consumers in cash. The consumers are required to create a Term Deposit in scheduled bank equivalent to the security amount and a lien is created in favour of the EDA&N towards security deposit. Hence, Interest on Security deposits is not payable to the consumers. Therefore, EDA&N has not claimed Interest on Security deposit in the ARR.

Commission's analysis

As per Regulation 6.10 (8) of the JERC Electricity Supply Code Regulations, 2010

"The distribution licensee shall pay interest, at the bank rate notified by the Reserve Bank of India from time to time on such security deposits taken from the consumer. In this regard it shall be the responsibility of the licensee to keep a watch on the bank rate from time to time. The interest amount of previous financial year shall be adjusted in the energy bill issued in May / June of each financial year depending on billing cycle."

The security deposit of Rs 2.46 crore is available to the Petitioner as per the audited balance sheet. As per Section 47 (5) of the Electricity Act, 2003, the Petitioner has to pay the interest on the security deposits available with it and same shall be claimed in the ARR filed by the Petitioner. The Petitioner shall maintain the registers of security deposits collected from the consumers every year and pay the interest as per the bank rate of interest.

As the Petitioner has not paid any interest on consumer security deposit for FY 2017-18 and FY 2018-19, therefore, the Commission has not approved any interest on security deposits of the consumers in the True-up of FY 2017-18 and FY 2018-19 respectively.

3.15. Interest on Working Capital

Petitioner's submission

Interest on working capital has been calculated based on the normative principles outlined in the JERC (Multi-Year Distribution Tariff) Regulations, 2014.

The Working Capital requirement for the Control Period has been computed considering the following parameters:

(a) Receivables of two months of billing

(b) Less power purchase cost of one month

(c) Less consumer security deposit but excluding Bank Guarantee/Fixed Deposit

(d) Inventory for two months based on the annual requirement for the previous year

The Petitioner has claimed the Interest on Working Capital as INR 3.82 Crore and INR 3.14 Crore for FY 2017-18 and FY 2018-19 respectively.

Commission's analysis

The computation of the working capital requirements and the rate of interest to be considered as stipulated in the MYT Regulations. Regulation 25 of the MYT Regulations, 2104 states the following:

"Working capital for retail supply activity of the licensee shall consist of:
(i) Receivables of two months of billing
(ii) Less power purchase cost of one month
(iii) Less consumer security deposit but excluding Bank Guarantee/Fixed Deposit Receipt
(iv) Inventory for two months based on annual requirement for previous year.

The rate of interest on working capital shall be equal to the base rate for the State Bank of India on the 1st April of the relevant financial year. The interest on working capital shall be payable on normative basis notwithstanding that the licensee has not taken working capital loan from any outside agency or has exceeded the working capital loan worked out on the normative figures.

The Commission for determination of Working Capital requirements of the Petitioner during the year has considered the receivables as proportionate for 2 months of revenue billed, the net power purchase cost after adjusting the rebate in power purchase bills, the consumer security deposit and the inventory for two months as per the audited annual accounts respectively for FY 2017-18 and FY 2018-19.

With regards to the interest rate, the Commission has considered the SBI Base rate as on 1st April for the relevant year as stipulated in the MYT Regulations, 2014. Accordingly, the Interest on Working Capital has been calculated, as shown in the table below:

Table 38: Interest on Working Capital approved by Commission for FY 2017-18 (INR Crore)

S. No	Particulars	Approved in MYT Order	Petitioner's Submission	Now Approved by Commission
1	Receivables of two months of billing	81.66	23.78	23.78

S. No	Particulars	Approved in MYT Order	Petitioner's Submission	Now Approved by Commission
2	Less: Power Purchase Cost for one month	29.09	17.73	38.45
3	Less: Security Deposit excluding BG/FDR	0.00	0.00	0.00
4	Add: Inventory Based on Annual Requirement for Previous FY for 2 months	0.00	35.96	35.96
5	Total Working Capital Requirement	52.57	42.01	21.28
6	Rate of Interest (%)	9.30%	9.10%	9.10%
	Interest on Working Capital	**4.89**	**3.82**	**1.94**

Table 39: Interest on Working Capital approved by Commission for FY 2018-19 (INR Crore)

S. No	Particulars	Approved in MYT Order	Petitioner's Submission	Now Approved by Commission
1	Receivables of two months of billing	83.71	25.62	25.62
2	Less: Power Purchase Cost for one month	29.97	30.96	46.41
3	Less: Security Deposit excluding BG/FDR	0.00	0.00	0.00
4	Add: Inventory Based on Annual Requirement for Previous FY for 2 months	0.00	41.45	41.45
5	Total Working Capital Requirement	53.74	36.11	20.66
6	Rate of Interest (%)	9.30%	8.70%	8.70%
	Interest on Working Capital	**5.00**	**3.14**	**1.80**

The Commission approves the Interest on Working Capital as INR 1.94 crore and INR 1.80 crore in the True- up of FY 2017-18 and FY 2018-19 respectively.

3.16. Provision for Bad & Doubtful Debts

Petitioner's submission

The Petitioner hasn't claimed any amount towards bad and doubtful debts for the years.

Commission's analysis

As per Regulation 32 of the MYT Regulations, 2014:

"Bad and Doubtful Debts shall be limited to 1% of receivables in the true up, subject to the condition that amount of bad and doubtful debts have actually been written off in the licensee books of accounts."

It is observed that as per the audited accounts, the licensee has not written off any amount in the FY 2017-18 and FY 2018-19. Therefore, the Commission does not approve any amount under the provision for bad and doubtful debts in the True-up of FY 2017-18 and FY 2018-19 respectively.

3.17. Non-Tariff Income (NTI)

Petitioner's submission

The Petitioner has claimed a Non-Tariff Income (NTI) of INR 2.32 crore and INR 3.70 crore as against the approved value of INR 2.67 crore and INR 2.73 crore in the MYT order for FY 2017-18 and FY 2018-19 respectively.

Commission's analysis

The Commission has verified the submission of the Petitioner from the audited accounts and found the same to be correct. The NTI approved in the tariff Order, the Petitioner's submission and now trued-up by the Commission is shown in the following table:

Table 40: Non- Tariff Income approved by Commission (INR Crore)

S. No	Particulars	Approved in MYT Order	Petitioner's Submission	Trued-up by Commission
1	Non-Tariff Income for FY 2017-18	2.67	2.32	2.32
2	Non-Tariff Income for FY 2018-19	2.73	3.70	3.70

The Commission approves Non-Tariff Income of INR 2.32 crore and INR 3.70 crore in the True-up of FY 2017-18 and FY 2018-19 respectively.

3.18. Incentive/Disincentive towards over/under-achievement of norms of distribution losses

Petitioner's submission

No submission has been made in this regard.

Commission's analysis

In the MYT Order, the Commission had approved the distribution loss level of 15.34% and 13.59% for FY 2017-18 and FY 2018-19 respectively. As discussed earlier, the Petitioner has only been able to achieve an Intra-State T&D Loss of 20.17% and 23.33% for FY 2017-18 and FY 2018-19 respectively. Thus, there is an underachievement of the loss target. The Commission, in accordance with Regulations 10 & 11 of the MYT Regulations, 2014 (reproduced below) therefore has determined the disincentive towards underachievement of the target of Intra-State distribution loss for FY 2017-18 and FY 2018-19.

"10. Mechanism for Sharing of Gains with Respect to Norms and Targets Mechanism for pass through of gains or losses:

10.1 The licensee shall pass on to the consumers, the 70% of the gain arising from over achievement of the norms laid down by the Commission in these Regulations or targets set by the Commission from time to time and retaining balance 30% with themselves.

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

10.3 The Distribution Licensee shall submit such details of the variation between expenses incurred and revenue earned and the figures approved by the Commission, in the prescribed format to the Commission, along with the detailed computations and supporting documents as may be required for verification by the Commission.

10.4 Nothing contained in this Regulation 10 shall apply in respect of any gain or loss arising out of variations in the price of fuel and power purchase, which shall be dealt with as specified by the Commission from time to time.

11. Mechanism for Sharing of Losses with Respect to Norms and Targets

(1) the licensee shall bear the entire loss on account of its failure to achieve the norms laid down by the Commission or targets set by the Commission from time to time."

The disincentive has been derived by calculating the additional cost of power procured due to under achievement of the stipulated Intra-State T&D loss target by the Petitioner, at the Average Power Purchase cost (APPC). The APPC has been derived at State/UT Periphery based on the Power Purchase cost approved in the True-up above and the Energy at State/UT Periphery computed after grossing up the retail energy sales with the approved Intra-State T&D Loss.

The assessment of disincentive for higher Intra-State T&D Loss is shown in the following table:

Table 41: Disincentive towards underachievement of Intra-State distribution loss for FY 2017-18 (INR Crore)

S. No	Particulars	As per Approved Intra-State T&D Loss	Trued-up by Commission
1	Retail Sales	242.37	242.37
2	T&D Loss (%)	15.34%	20.17%
3	Power Purchase at State/UT Periphery	286.29	303.60
4	Gain/(Loss) (MU)		-17.31
5	Average Power Purchase Cost (APPC)		15.20
6	Gain/ (Loss) (INR Crore)		-26.31
	Sharing (30% to EDA&N in case of gain and 100% in case of loss) (INR Crore)		**-26.31**

Table 42: Disincentive towards underachievement of Intra-State distribution loss for FY 2018-19 (INR Crore)

S. No	Particulars	As per Approved Intra-State T&D Loss	Trued-up by Commission
1	Retail Sales	254.38	254.38
2	T&D Loss (%)	13.59%	23.33%
3	Power Purchase at State/UT Periphery	294.39	331.77
4	Gain/(Loss) (MU)		-37.39
5	Average Power Purchase Cost (APPC)		16.79
6	Gain/ (Loss) (INR Crore)		-62.76
	Sharing (30% to EDA&N in case of gain and 100% in case of loss) (INR Crore)		**-62.76**

The Commission approves INR 26.31 Crore and INR 62.76 Crore as disincentive for under-achieving the Intra-State distribution loss target for FY 2017-18 and FY 2018-19 respectively.

3.19. Aggregate Revenue Requirement (ARR)

Petitioner's submission

Based on the expenses as detailed above, the net aggregate revenue requirement of INR 664.34 Crore and INR 766.79 Crore is submitted for approval in the True-up of FY 2017-18 and FY 2018-19 respectively.

Commission's analysis

The Commission on the basis of the detailed analysis of the cost parameters of the ARR has considered and approved the revenue requirement in the True-up of FY 2017-18 and FY 2018-19 as given in the following table:

Table 43: Aggregate Revenue Requirement approved by Commission for FY 2017-18 (INR Crore)

S. No	Particulars	Approved in MYT Order	Petitioner's Submission	Trued-up by Commission
1	Power Purchase Cost	216.72	212.74	212.74
2	Fuel Cost	132.35	248.72	248.72
3	Employee Expenses	55.61	125.09	125.09
4	Administration & General Expenses (A&G)	1.83	16.63	16.63
5	Repair & Maintenance Expenses (R&M)	41.31	33.29	33.29
6	Depreciation	10.75	5.90	9.01
7	Interest and Finance charges	18.80	9.73	9.29
8	Interest on Working Capital	4.89	3.82	1.94
9	Interest on Security Deposit	0.00	0.00	0.00
10	Return on Equity	10.34	10.73	10.73
11	Incentive/ (Disincentive)on achievement of norms	-	0.00	(26.31)
12	**Total Revenue Requirement**	**492.60**	**666.66**	**641.13**
13	Less: Non-Tariff Income	2.67	2.32	2.32
14	**Net Revenue Requirement**	**489.93**	**664.34**	**638.81**

Table 44: Aggregate Revenue Requirement approved by Commission for FY 2018-19 (INR Crore)

S. No	Particulars	Approved in MYT Order	Petitioner's Submission	Trued-up by Commission
1	Power Purchase Cost	216.72	371.51	371.51
2	Fuel Cost	142.87	185.43	185.43
3	Employee Expenses	54.94	127.41	127.41
4	Administration & General Expenses (A&G)	1.91	15.93	15.93
5	Repair & Maintenance Expenses (R&M)	41.31	41.47	41.47
6	Depreciation	11.73	5.99	9.09
7	Interest and Finance charges	19.20	8.80	7.95
8	Interest on Working Capital	5.00	3.14	1.80
9	Interest on Security Deposit	0.00	0.00	0.00
10	Return on Equity	11.30	10.81	10.81
11	Incentive/ (Disincentive)on achievement of norms	-	0.00	(62.76)
12	**Total Revenue Requirement**	**504.98**	**770.49**	**708.64**
13	Less: Non-Tariff Income	2.73	3.70	3.70
14	**Net Revenue Requirement**	**502.25**	**766.79**	**704.94**

The Commission approves net Aggregate Revenue Requirement of INR 638.81 Crore and INR 704.94 Crore in the True-up of the FY 2017-18 and FY 2018-19 respectively.

3.20. Revenue at existing Retail Tariff

Petitioner’s submission

The Petitioner has submitted the net actual revenue of INR 142.65 Crore and INR 153.74 Crore for the true-up of FY 2017-18 and FY 2018-19 respectively.

Commission’s analysis

The Commission has verified the revenue from audited accounts. The total revenue as submitted by the Petitioner and approved by the Commission is shown in the following table:

Table 45: Revenue at existing tariff approved by Commission for FY 2017-18 and FY 2018-19 (INR Crore)

S. No	Particulars	Approved in MYT Order	Petitioner's Submission	Trued-up by Commission
1	Revenue approved for FY 2017-18	144.10	142.65	142.65
2	Revenue approved for FY 2018-19	163.06	153.74	153.74

The Commission approves the revenue from sale of power as INR 142.65 Crore and INR 153.74 Crore in the True-up of the FY 2017-18 and FY 2018-19 respectively.

3.21. Standalone Revenue Gap/ Surplus

Petitioner's submission

Based on the ARR submitted and the revenue from retail tariff, the standalone revenue gap of INR 521.69 Crore and INR 613.05 Crore is arrived at in the True-up of FY 2017-18 and FY 2018-19 respectively.

Commission analysis

The Commission based on the approved ARR and retail tariff has arrived at the Revenue Gap/Surplus as follows:

Table 46: Standalone Revenue Gap/ Surplus for FY 2017-18 (INR Crore)

S. No	Particulars	Approved in MYT Order	Petitioner's Submission	Trued-up by Commission
1	Net Revenue Requirement	489.93	664.34	638.81
2	Total Revenue	144.10	142.65	142.65
	Net Gap / (Surplus)	**345.83**	**521.69**	**496.16**

Table 47: Standalone Revenue Gap/ Surplus for FY 2018-19 (INR Crore)

S. No	Particulars	Approved in MYT Order	Petitioner's Submission	Trued-up by Commission
1	Net Revenue Requirement	502.25	766.79	704.94
2	Total Revenue	163.06	153.74	153.74
	Net Gap / (Surplus)	**339.19**	**613.05**	**551.20**

The Commission approves a standalone gap of INR 496.16 Crore and INR 551.20 Crore in the True-up of FY 2017-18 and FY 2018-19 respectively. The Petitioner has submitted the Letter / certificate issued by Andaman Administration in support of gap funding for the year wise gap to be recognized by the Commission in the true-up of FY 2017-18 and FY 2018-19, accordingly, the approved standalone gap shall be met from the budgetary support by the Government.

4. Chapter 4: True-up for the FY 2019-20 and FY 2020-21

4.1. Applicable Provisions and Background

Under the second MYT regime of the JERC, the Tariff Order approving the True-up for the FY 2015-16 and Aggregate Revenue Requirement (ARR) for 2nd MYT Control Period (FY 2019-20 to FY 2021-22) and determination of retail tariff for the FY 2019-20 was issued on 20th May 2019 (hereinafter referred to as the "MYT Order"). Subsequently, the Tariff Order approving True-up of the FY 2016-17, Annual Performance review (APR) of the FY 2019-20 and Aggregate Revenue Requirement (ARR) and determination of retail tariff for the FY 2020-21 was issued on 18th May 2020 and the Tariff Order approving Annual Performance review (APR) of the FY 2020-21 and Aggregate Revenue Requirement (ARR) and determination of retail tariff for the FY 2020-21 was issued on 31st May 2021.

The True up for the FY 2019-20 and FY 2020-21 is to be carried out in accordance to Regulation 11 of the MYT Regulations, 2018, stated as following:

"11.1 The Generating Company, Transmission Licensee and Distribution Licensee shall be subject to annual performance review and truing up of expenses and revenue during the Control Period in accordance with these Regulations.

11.2 The Generating Company, Transmission Licensee and Distribution Licensee shall file an application for the annual performance review of the current year, truing up of the previous Year or the Year for which the audited accounts are available and determination of tariff for the ensuing Year on or before 30th November of each Year, in formats specified by the Commission from time to time:

Provided that the Generating Company, Transmission Licensee or Distribution Licensee, as the case may be, shall submit to the Commission information in such form as may be specified by the Commission, together with the audited accounts, extracts of books of account and such other details as the Commission may require to assess the reasons for and extent of any variation in financial performance from the approved forecast of Aggregate Revenue Requirement and Expected Revenue from Tariff and Charges.

11.3 The scope of the annual performance review, truing up and tariff determination shall be a comparison of the performance of the Generating Company, Transmission Licensee or Distribution Licensee with the approved forecast of Aggregate Revenue Requirement and Expected Revenue from Tariff and Charges and shall comprise of the following:

a) ***True-up:*** *a comparison of the audited performance of the Applicant for the Financial Year for which the true up is being carried out with the approved forecast for such previous Financial Year, subject to the prudence check;*

b) ***Annual Performance Review****: a comparison of the revised performance targets of the Applicant for the current Financial Year with the approved forecast in the Tariff Order corresponding to the Control Period for the current Financial Year subject to prudence check;*

c) ***Tariff determination*** *for the ensuing Year of the Control Period based on the revised forecast of the Aggregate Revenue Requirement for the Year;*

d) Review of compliance with directives issued by the Commission from time to time;

e) Other relevant details, if any.

11.4 Upon completion of the exercise, the Commission shall attribute any variations or expected variations in performance for variables specified under Regulation 12below, to factors within the control of the Applicant (controllable factors) or to factors beyond the control of the Applicant (uncontrollable factors):

Provided that any variations or expected variations in performance, for variables other than those specified under Regulation 12below shall be attributed entirely to controllable factors.

11.5 Upon completion of the exercise, the Commission shall pass an order recording:

a) Components of approved cost pertaining to the uncontrollable factors, which were not recovered during the previous Year, to be passed through in tariff as per Regulation 13 of these Regulations:

Provided that, for a Generating Company, the above exercise shall be in accordance with prevalent CERC Tariff Regulations.

b) Approved aggregate gain or loss to the Transmission Licensee or Distribution Licensee on account of controllable factors, and the amount of such gains or such losses that may be shared in accordance with Regulation 14 of these Regulations:

Provided that, for a Generating Company, the above exercise shall be in accordance with prevalent CERC Tariff Regulations.

c) Carrying cost shall be allowed for a Generating Company, Transmission Licensee or Distribution Licensee on the amount of revenue gap for the period from the date on which such gap has become due, i.e., from the end of the Year for which true-up has been done, till the end of the Year in which it is addressed, on the basis of actual rate of loan taken by the Licensee to fund the deficit in revenue:

Provided that carrying cost on the amount of revenue gap shall be allowed subject to prudence check and submission of documentary evidence for having incurred the carrying cost in the years prior to the year in which the revenue gap is addressed:

Provided also that if no loan has been taken to fund revenue deficit, the Commission shall allow Carrying Cost on simple interest basis at one (1) Year State Bank of India (SBI) MCLR /any replacement thereof as notified by RBI for the time being in effect applicable for 1 Year period, as may be, applicable as on 1st April of the relevant Year plus 100 basis points;

Provided further that in case of revenue surplus, the Commission shall charge the Licensee a Carrying Cost from the date on which such surplus has become due, i.e., from the end of the Year for which true up has been done, till the end of the Year in which it is addressed on simple interest basis at one(1) Year State Bank of India (SBI) MCLR / any replacement thereof as notified by RBI for the time being in effect applicable for 1 Year period, as may be, applicable as on 1st April of the relevant Year plus 100 basis points.

d) Revision of estimates and tariff for the ensuing Financial Year."

4.2. Approach for True-up for FY 2019-20 and FY 2020-21

The Petitioner has requested for True-up of FY 2019-20 and FY 2020-21 on the basis of audited annual accounts for FY 2019-20 and FY 2020-21. The Petitioner has submitted details of the expenditure and the revenue for the year based on its audited accounts along with a comparison of the actual revenue and expenditure against the corresponding figures previously approved by the Commission in the APR of FY 2019-20 and FY 2020-21.

The Commission has analysed various elements of the actual revenue and expenses for the FY 2019-20 and FY 2020-21 based on the audited accounts submitted by the Petitioner and has carried out the True-up exercise in accordance with the principles laid down in the MYT Regulations, 2018 after due prudence check. The

Commission has allowed necessary adjustments in cases where variations are for reasonable and justifiable reasons.

4.3. Energy Sales

Petitioner's Submission

The Petitioner has submitted the total quantum of energy sales for the FY 2019-20 as 268.27 MU and for the FY 2020-21 as 232.26 MU as against the approved energy sales quantum of 265.65 MU and 230.24 MU during the APR of FY 2019-20 and FY 2020-21 respectively.

Commission's Analysis

Regulation 12.1 of the MYT Regulations, 2018 provides:

"12.1 For the purpose of these Regulations, the term "uncontrollable factors" for a Transmission or Distribution Licensee shall comprise of the following factors, which were beyond the control of the Licensee, and could not be mitigated by the Licensee:

- *a) Force Majeure events;*
- *b) Change in Law, judicial pronouncements and Orders of the Central Government, State Government or Commission;*
- *c) Variation in the number or mix of Consumers or quantities of electricity supplied to Consumers;*
- *d) Transmission loss;*
- *e) Variation in the cost of power purchase due to variation in the rate of power purchase from approved sources, subject to clauses in the power purchase agreement or arrangement approved by the Commission;*
- *f) Variation in fuel cost;*
- *g) Change in power purchase mix;*
- *h) Inflation;*
- *i) Transmission Charges for a Distribution Licensee;*
- *j) Variation in market interest rates for long-term loans;*
- *k) Employee expenses limited to one time payment owing requirements of a pay commission and terminal liability of employees;*
- *l) Taxes and Statutory levies;*
- *m) Taxes on income;*
- *n) Income from the realisation of bad debts written off:*

Provided that where the Applicant believes, for any variable not specified above, that there is a material variation or expected variation in performance for any Financial Year on account of uncontrollable factors, such Applicant may apply to the Commission for inclusion of such variable at the Commission's discretion, under this Regulation for such Financial Year:

Provided further that the uncontrollable factors for a Generating Company shall be as specified in the prevalent CERC Tariff Regulations."

The Commission had approved the energy sales of 295.06 MU in the MYT Order and 265.66 MU during the APR of FY 2019-20, against which the Petitioner has now submitted the actual energy sales of 268.27 MU. Similarly, the Commission had approved the energy sales of 310.95 MU in the MYT Order and 230.25 MU during the APR of FY 2020-21, against which the Petitioner has now submitted the actual energy sales of 232.26 MU.

The table below provides the energy sales approved by the Commission in the APR Order, the Petitioner's submission and quantum of energy sales now trued-up by the Commission.

Table 48: Energy Sales (MU) Trued-up by the Commission for FY 2019-20

S. No	Category	Approved in APR Order	Petitioner's Submission	Trued-up by Commission
1	Domestic	141.50	142.93	142.93
2	Commercial	66.91	72.41	72.41
3	Industrial	17.52	12.82	12.82
4	Bulk Supply	31.92	32.26	32.26
5	Public Lighting	6.67	6.73	6.73
6	Irrigation Pumps & Agriculture	1.13	1.12	1.12
7	**Gross Total**	**265.65**	**268.27**	**268.27**

Table 49: Energy Sales (MU) Trued-up by the Commission for FY 2020-21

S. No	Category	Approved in APR Order	Petitioner's Submission	Trued-up by Commission
1	Domestic	139.08	139.30	139.30
2	Commercial	46.28	48.55	48.55
3	Industrial	8.81	8.53	8.53
4	Bulk Supply	28.93	27.03	27.03
5	Public Lighting	6.15	7.77	7.77
6	Irrigation Pumps & Agriculture	0.99	1.08	1.08
7	**Gross Total**	**230.24**	**232.26**	**232.26**

The Commission approves 268.27 MU and 232.26 MU as energy sales in the True-Up of FY 2019-20 and FY 2020-21 respectively.

4.4. Power Purchase Quantum & Cost

Petitioner's submission

The energy requirement is met mainly from own generation apart from procurement of power from the IPPs and other generators. However, there is no availability of power from Central Generating Stations (CGS) or from other sources/ open market/ power exchanges, etc. The Power purchase cost and the fuel cost as incurred by the Petitioner vis-à-vis the Power purchase cost and the fuel cost as approved by the Commission in the MYT order is provided in table below:

Table 50: Power Purchase Quantum and Cost claimed by the Petitioner for the FY 2019-20 and FY 2020-21 (INR Crore)

Particulars	FY 2019-20		FY 2020-21	
	Quantum (MU)	Cost (INR Crore)	Quantum (MU)	Cost (INR Crore)
Power Generation	254.35	424.64	244.55	35.46
Own Generation/ Cost of Fuel	87.75	159.42	38.75	542.23
Total	**342.10**	**584.06**	**283.30**	**577.69**

Commission's analysis

The MYT Regulations, 2018 stipulate that Variation in the cost of power purchase due to variation in the rate of power purchase from approved sources, subject to clauses in the power purchase agreement or arrangement approved by the Commission shall be treated as an uncontrollable factor. Regulation 58.1 of the MYT Regulations, 2018 stipulates the following:

"58.1 The Distribution Licensee shall be allowed to recover the cost of power generated by the Generating Stations owned by it or purchased from approved sources for supply to Consumers based on the power procurement plan of the Distribution Licensee, approved by the Commission."

The Petitioner has submitted the plant wise units purchased from the IPPs and the units generated from own generating stations for FY 2019-20 and FY 2020-21. The Petitioner has also submitted the invoices of the IPPs along with the invoices of fuel purchase for validating the claim of the Petitioner. The Commission has verified the power purchase cost and fuel cost as per annual audited accounts and as per the invoices of fuel cost and power purchase from IPPs as submitted by the Petitioner.

Based on the analysis of the data submitted by the Petitioner in the petition, the Commission found the details to be absurd and therefore, for validating the claim of the power purchase quantum and own generation, the Commission sought the island wise, plant wise and source wise power generation, cost, auxiliary consumption, HSD and Lube Oil consumption and cost for FY 2019-20 and FY 2020-21. The Petitioner submitted some of the details sought vide replies to the deficiency note. On scrutiny, the Commission found certain discrepancies in the power purchase generation as claimed in the True-up Petition and as submitted in the replies to the deficiency note. The Commission has considered the power generation details along with the auxiliary consumption as per the Petitioner's submission in the deficiency note for the computation of net power generation from various sources. The details of the power purchase quantum from both the IPPs and own generation along with the auxiliary consumption for the FY 2019-20 and FY 2020-21 is as follows:

Table 51: Total Power Generation (MUs) as approved by the Commission for FY 2019-20 and FY 2020-21

Particulars	FY 2019-20	FY 2020-21
Total Power Generation from various sources (MU)	349.14	328.11
Auxiliary Consumption (MU)	5.31	4.07
Total Power Purchase (MU)	**343.83**	**324.05**

The Commission has observed that the Petitioner has considered different SFC of HSD and Lube oil for various IPPs and HPPs vis-à-vis the values approved by the Commission in the MYT Order dated May 20, 2019. In response to the Commission's specific query regarding the increase in the fuel cost, the Petitioner has submitted that the Commission approved the fuel cost based on the per unit rate of HSD applicable at the time of Tariff Order. However, actual per unit rate of HSD fluctuates during the respective financial year. The fuel cost considered in the True-up Petition is based on the actual expenditure incurred towards procurement of fuel and incorporated in the Audited Accounts. In view of the above, the fuel cost in the True-up petition is at variance with the approved figure for the respective years in the APR Order.

The Commission has verified the fuel cost based on the prudence check of invoices for the procurement of HSD and Lube oil from IOCL, invoices for incentives on additional power procurement from IPPs and fixed charges from the power purchase agreements. The Commission, on the basis of analysis of fuel invoices, has considered the HSD cost of INR 58.94/litre and INR 65.21/litre for FY 2019-20 and FY 2020-21 respectively. Further, the Commission has considered the Lube oil cost of INR 194.27/litre for both FY 2019-20 and FY 2020-21 as the Petitioner has only submitted the details of Lube oil for FY 2019-20 only. For the Specific Fuel Consumption of HSD and Lube oil, the Commission has considered the SFC value approved in the MYT Order.

Further, the Petitioner has submitted the solar power generation of 10.08 MUs and 18.95 MUs for the FY 2019-20 and FY 2020-21 respectively and the same has been considered as part of own generation.

Accordingly, the Commission has computed the fuel requirement for various IPPs, HPPs and own generation considering the approved values of specific fuel consumption as shown in table below:

Table 52: Fuel Requirement for various IPPs, HPPs & Own generations as approved by the Commission for FY 2019-20

Particulars	Units generated (MU)	SFC of HSD (ml/kWh)	Per Litre cost of HSD (INR)	Total Cost of HSD (INR Crore)	SFC of Lube (ml/kWh)	Per Litre cost of Lube (INR)	Total cost of Lube (INR Crore)
Own Generation (HSD)	89.41	304.00	58.94	160.20	0.98	194.27	1.70
HPP -1 (5 MW)	41.58	273.51	58.94	67.03	0.00	0.00	0.00

HPP-2 (10MW)	74.45	258.46	58.94	113.41	0.00	0.00	0.00
Other HPPs	0.31	269.00	58.94	0.49	0.00	0.00	0.00
NTPC DG 5MW	43.16	270.25	58.94	68.73	0.00	0.00	0.00
NTPC DG 10MW	71.08	270.25	58.94	113.22	0.00	0.00	0.00
DG P/Plant Niel 0.96MW	4.76	269.00	58.94	7.54	0.00	0.00	0.00
DG P/Plant Havelock 3 MW	8.14	269.00	58.94	12.90	0.00	0.00	0.00
Total				**543.52**			**1.70**
Total Fuel Cost for FY 2019-20 (INR Crore)							**545.22**

Table 53: Fuel Requirement for various IPPs, HPPs & Own generations as approved by the Commission for FY 2020-21

Particulars	Units generated (MU)	SFC of HSD (ml/kWh)	Per Litre cost of HSD (INR)	Total Cost of HSD (INR Crore)	SFC of Lube (ml/kWh)	Per Litre cost of Lube (INR)	Total cost of Lube (INR Crore)
Own Generation (HSD)	77.74	304.00	65.21	154.10	0.98	194.27	1.48
HPP -1 (5 MW)	36.20	273.51	65.21	64.56	0.00	0.00	0.00
HPP-2 (10MW)	62.35	258.46	65.21	105.08	0.00	0.00	0.00
Other HPPs	9.95	269.00	65.21	17.46	0.00	0.00	0.00
NTPC DG 5MW	41.62	270.25	65.21	73.34	0.00	0.00	0.00
NTPC DG 10MW	66.62	270.25	65.21	117.40	0.00	0.00	0.00
DG P/Plant Niel 0.96MW	3.15	269.00	65.21	5.52	0.00	0.00	0.00
DG P/Plant Havelock 3 MW	0.39	269.00	65.21	0.69	0.00	0.00	0.00
Total				**538.15**			**1.48**
Total Fuel Cost for FY 2020-21 (INR Crore)							**539.63**

The Petitioner has only submitted the detailed reconciliation for FY 2019-20. Therefore, the Commission has considered the fixed cost for various power plants as submitted by the Petitioner after prudence check from the audited accounts. Accordingly, the Commission has computed the power purchase cost for various sources as shown in following table:

Table 54: Power purchase quantum (MU) and Cost (INR Crore) approved by the Commission for FY 2019-20

Particulars	Approved in APR Order	Petitioner's Submission	Approved by the Commission
Power Purchase (MU)	245.87	254.35	254.35
Own Generation (MU)	64.26	87.75	89.48
Energy Availability (MU)	**310.13**	**342.10**	**343.83**
Fuel Cost (INR Crore)	88.18	159.42	161.90
Power Purchase Cost (INR crore)	413.40	424.64	419.43
Total Power Purchase Cost (INR Crore)	**501.58**	**584.06**	**581.33**

Table 55: Power purchase quantum (MU) and Cost (INR Crore) approved by the Commission for FY 2020-21

Particulars	Approved in APR Order	Petitioner's Submission	Approved by the Commission
Power Purchase (MU)	244.55	244.55	244.55
Own Generation (MU)	85.82	38.75	79.50
Energy Availability (MU)	**330.37**	**283.30**	**324.05**

Particulars	Approved in APR Order	Petitioner's Submission	Approved by the Commission
Fuel Cost (INR Crore)	413.63	542.23	575.09
Power Purchase Cost (INR crore)		35.46	
Total Power Purchase Cost (INR Crore)	**413.63**	**577.69**	**575.09**

The approved cost towards diesel-based generation consists of cost incurred towards consumption of HSD oil and Lube oil only. The fixed cost incurred against own generation (i.e. O&M expenses, interest and finance charges, depreciation, interest on working capital etc.) has been considered and revised for the department as a whole in subsequent sections as the cost of DG sets is an already part of Gross Fixed Assets. Accordingly, no separate cost has been approved for own renewable based generation also.

Accordingly, no separate cost has been approved for own renewable based generation.

Therefore, the Commission approves the overall power generation and purchase cost of INR 581.33 Crore and INR 575.09 Crore in the True-up of FY 2019-20 and FY 2020-21 respectively.

4.5. Renewable Purchase Obligation (RPO)

As per Regulation 1, Sub-regulation (1) of the JERC for the State of Goa and UTs (Procurement of Renewable Energy) Regulations, 2010

"Each distribution licensee shall purchase electricity (in kWh) from renewable energy sources, at a defined minimum percentage of the total consumption of all the consumers in its area during a year."

The Commission notified the JERC (Procurement of Renewable Energy), (Third Amendment) Regulations, 2016 on 22nd August 2016 and revised the RPO targets, according to which the Petitioner had to purchase 11.50% of its total consumption (including 4.70% from Solar) from renewable sources for the FY 2019-20. Similarly, the Petitioner had to purchase 14.10% of its total consumption (including 6.10% from Solar) from renewable sources for the FY 2020-21.

For the FY 2019-20, the Petitioner had a standalone target of 30.19 MU comprising of 12.34 MU Solar and 17.85 MU Non-Solar. Against the compliance target, the Petitioner has procured 10.08 MU of solar power and 5.75 MU of Non-Solar Power, thereby resulting in shortfall of 14.35 MU in achieving overall RPO target.

For the FY 2020-21, the Petitioner had a standalone target of 31.18 MU comprising of 13.49 MU Solar and 17.69 MU Non-Solar. Against the compliance target, the Petitioner has procured 18.95 MU of solar power and 11.11 MU of Non-Solar Power, thereby resulting in shortfall of 1.12 MU in achieving overall RPO target.

Based on the above, the Commission has computed the standalone RPO compliance for FY 2019-20 and FY 2020-21 as shown in the following table:

Table 56: Compliance status of Renewable Purchase Obligation (RPO) (In MU)

Sr. No.	Particulars	FY 2019-20	FY 2020-21
1.	Sales Within the State (excluding Hydro)*	262.52	221.15
2.	RPO Obligation (in %)	4.70%	6.10%
a)	Solar	6.80%	8.00%
b)	Non-Solar	11.50%	14.10%
3.	RPO Obligation	30.19	31.18
a)	Solar	12.34	13.49
b)	Non-Solar	17.85	17.69

Sr. No.	Particulars	FY 2019-20	FY 2020-21
4.	RPO Compliance (Actual Purchase)	15.84	30.06
a)	Solar	10.08	18.95
b)	Non-Solar	5.75	11.11
5.	RPO Compliance (REC Purchase)	0.00	0.00
6.	Total RPO Compliance	15.84	30.06
7.	**Shortfall/ (Surplus) in RPO Compliance**	**14.35**	**1.12**
8.	**Cumulative Shortfall/ (Surplus) in RPO Compliance**	**14.35**	**15.47**

**The hydro generation of 5.75 MUs and 11.11 MUs have been deducted from the approved sales of FY 2019-20 and FY 2020-21 respectively.*

The Commission notes that there is a net shortfall in RPO compliance for both FY 2017-18 (14.35 MU) and FY 2018-19 (1.12 MU), thus resulting in net shortfall of 15.47 MU at the end of FY 2020-21. The Commission directs the Petitioner to complete the RPO obligation on priority.

4.6. Intra- State Transmission & Distribution (T&D) loss

Petitioner's submission

The Petitioner has submitted that it has achieved an Intra-State T&D loss of 21.58% in the FY 2019-20 against target of 14.34% for FY 2019-20 and an Intra-State T&D loss of 18.01% in the FY 2020-21 against target of 13.84% in FY 2020-21.

Commission's analysis

The Petitioner has not submitted the energy Audit report for FY 2019-20 and FY 2020-21. In absence of the energy audit report, the Commission has considered the net generation/purchase as submitted by the Petitioner for the purpose of True-up. Considering actual sales of 268.27 MU and actual generation of 343.83 MU as approved above, actual T&D loss comes to 21.98% for FY 2019-20. Similarly, for FY 2020-21, considering actual sales of 232.26 MU and actual generation of 324.05 MU as approved above, actual T&D loss comes to 28.33%.

Since, the Petitioner has not been able to achieve the Intra-State T&D loss target for both the year, the disincentive for the same has to be borne by the Petitioner in accordance with the MYT Regulations, 2014. The calculation of the same has been discussed in detail in "Section 4.18.: Incentive/Disincentive towards over/under-achievement of norms of distribution losses section" of this Order.

The table below provides the Intra-State T&D loss approved in the ARR of FY 2019-20 and FY 2020-21, Petitioner's submission and as approved by the Commission now.

Table 57: Intra-State T&D loss (%)

S. No	Particulars	Approved in Tariff Order	Petitioner's Submission	Trued-up by Commission
1	T&D Losses (%) for FY 2019-20	14.34%	21.58%	21.98%
2	T&D Losses (%) for FY 2020-21	13.84%	18.01%	28.33%

The Commission, while Truing Up for FY 2019-20 and FY 2020-21, has considered the actual Intra-State T&D loss of 21.98% and 28.33% for the FY 2019-20 and FY 2020-21 respectively.

4.7. Energy Balance

Petitioner's submission

The Petitioner has submitted the energy balance as shown in the following table.

Table 58: Energy Balance (MU) as submitted by Petitioner

S. No.	Particulars	Petitioner's Submission	
		FY 2019-20	FY 2020-21
A	**Energy Requirement**		
1	Total Sales within UT	268.27	232.26
2	Transmission & Distribution Losses (%)	21.58%	18.01%
3	T&D Losses (MU)	73.82	51.02
	Total Energy Requirement (for sale to retail consumers)	342.09	283.28
B	**Energy Availability at Periphery**		
1	Power Purchase	254.35	244.55
2	Own Generation	87.75	38.75
	Total Energy Availability	342.10	283.30
9	**Energy Surplus/(Gap)**	-0.01	-0.02

Commission's analysis

The information submitted by the Petitioner on power purchase quantum has been examined and accordingly the energy balance for the FY 2019-20 and FY 2020-21 is derived. The following table provides the energy balance approved in the APR of the FY 2019-20 and FY 2020-21, the Petitioner's submission and now trued-up by the Commission.

Table 59: Energy Balance (MU) approved by Commission for the FY 2019-20

S. No	Particulars	Formula	Approved in APR Order	Petitioner's Submission	Now Approved by Commission
A	**Energy Requirement**				
1	Total Sales within the State/UT	a	265.65	268.27	268.27
	Transmission & Distribution losses				
2	%	b	14.34%	21.58%	21.98%
3	MU	c=d-a	44.47	73.82	75.56
	Energy required at UT Periphery	d=a/(1-b)	**310.12**	**342.09**	**343.83**
B	**Energy Available at Periphery**				
1	**Power Purchase**	e	245.87	254.35	254.35
2	Own Generation	f	64.26	87.75	89.48
	Total Energy Availability	g=e+f	**310.13**	**342.10**	**343.83**
C	**Shortfall/(Surplus)**	**h= d-g**	**-0.01**	**-0.01**	**0.00**

Table 60: Energy Balance (MU) approved by Commission for the FY 2020-21

S. No	Particulars	Formula	Approved in APR Order	Petitioner's Submission	Now Approved by Commission
A	**Energy Requirement**				
1	Total Sales within the State/UT	a	230.24	232.26	232.26
	Transmission & Distribution losses				
2	%	b	13.84%	18.01%	28.33%
3	MU	c=d-a	36.98	51.02	91.79
	Energy required at UT Periphery	d=a/(1-b)	**267.22**	**283.28**	**324.05**
B	**Energy Available at Periphery**				
1	**Power Purchase**	e	244.55	244.55	244.55
2	Own Generation	f	85.82	38.75	79.50
	Total Energy Availability	g=e+f	**330.37**	**283.30**	**324.05**
C	**Shortfall/(Surplus)**	**h= d-g**	**-63.15**	**-0.02**	**0.00**

4.8. Operation & Maintenance Expenses

The Operation & Maintenance Expenses comprise of the Employee Expenses, Administrative and General Expenses (A&G) and the Repair & Maintenance Expenses (R&M). The MYT Regulations, 2018 considers the variation of O&M Expenses except to the extent of inflation to be controllable. Regulation 12.2 of the MYT Regulation, 2018 states the following:

"For the purpose of these Regulations, the term "controllable factors" for a Transmission or Distribution Licensee shall comprise of the factors which were within the control of the Licensee, shall inter-alia include:

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

b) Variation in Interest and Finance Charges, Return on Equity, and Depreciation on account of variation in capitalisation, as specified in clause (a) above;

c) Variations in technical and commercial losses of Distribution Licensee;

d) Availability of transmission system;

e) Variations in performance parameters;

f) Failure to meet the standards specified in the Joint Electricity Regulatory Commission for the State of Goa & UTs (Standard of Performance for Distribution Licensees) Regulation, 2015, as amended from time to time;

g) Variations in labour productivity;

h) Variation in O&M Expenses, except to the extent of inflation;

i) Bad debts written off, in accordance with the provisions of Regulation 62:

Provided further that the controllable factors for a Generating Company shall be as specified in the prevalent CERC Tariff Regulations."

Therefore, any variation in O&M Expenses is attributable to the Petitioner and is not passed on in the ARR, other than any cost which is beyond the control of the Petitioner.

4.8.1. Employee Expenses

Petitioner's submission

The Petitioner has incurred actual employee expenses of INR 131.05 Crore and INR 143.71 Crore against the approved expenses of INR 102 .39 Crore and INR 112.80 Crore in the MYT Order respectively for FY 2019-20 and FY 2020-21.

Commission's analysis

As per the audited accounts submitted by the Petitioner, the employee expenses during the FY 2019-20 and FY 2020-21 are reflected as INR 131.05 Crore and INR 143.71 Crore respectively.

In accordance with the MYT Regulations, 2018, the Commission had determined the Employee expenses for each year of the MYT Control Period. The Regulation 6 of the MYT Regulations, 2018 stipulates the following:

"6. Values for Base Year

6.1 The values for the Base Year of the Control Period shall be determined on the basis of the audited accounts or provisional accounts of last three (3) Years, and other factors considered relevant by the Commission:

Provided that, in absence of availability of audited accounts or provisional accounts of last three (3) Years, the Commission may benchmark the parameters with other similar utilities to establish the values for Base Year:

Provided further that the Commission may change the values for Base Year and consequently the trajectory of parameters for Control Period, considering the actual figures from audited accounts."

The Commission vide deficiency note sought clarification from the Petitioner for such exorbitant hike in the employee expenses vis-à-vis the employee expenses approved by the Commission. The Petitioner clarified that It is submitted that at the time of Tariff Order, the Annual accounts of the Department was pending for several previous years. Hence, the Commission considered the employee cost based on the past trends of the expenditure. However, the employee cost considered in the True-up Petition is based actual figures as per Audited Accounts of the respective years. In view of the above, the employee cost in the True-up petition is at variance with the approved figure for the year.

In accordance with MYT Regulations, the Employee expenses has been revised to the extent of change in inflation and growth rate during the control period. Accordingly, the Commission has considered the approved value of employee expenses for base year (FY 2018-19) for computation of revised employee expenses of FY 2019-20. Thus, the approved employee expenses for FY 2018-19 has been escalated with the average CPI of previous three years and growth rate to arrive at the employee expenses for FY 2019-20.

The CPI Inflation has been computed as follows:

Table 61: Computation of CPI Inflation (%)

FY	Increase in CPI Index	Average increase in CPI Index over 3 years
2016-17	4.12%	**4.22%**
2017-18	3.08%	
2018-19	5.45%	

The growth rate has been computed as follows:

Table 62: Employee Growth Rate for FY 2019-20 and FY 2020-21

S. No	Particulars	FY 2018-19 (Base Year)	FY 2019-20	FY 2020-21
1	Opening Employee	2162	2060	1973
2	Recruitment during the year	5	51	5
3	Retirement during the year	107	138	157
4	Closing Employee	2060	1973	1821
5	**Growth rate**	**-4.72%**	**-4.22%**	**-7.70%**

Accordingly, the employee expenses approved by the Commission for FY 2019-20 have been provided in the following table:

Table 63: Employee Expenses computation for FY 2019-20 and FY 2020-21 (INR Crore)

S. No	Particulars	FY 2018-19-Base Year (Approved in MYT Order)	FY 2019-20	FY 2020-21
1	Employee Expenses base year		95.17	94.99
2	Growth in number of employees (Gn)		-4.22%	-7.70%
3	CPI Inflation for preceding 3 years (CPI)		4.22%	5.35%
4	**Employee Expenses**	**95.17**	**94.99**	**92.37**

Table 64: Employee Expenses Trued-up by Commission for FY 2019-20 and FY 2020-21 (INR Crore)

S. No	Particulars	Approved in APR Order	Petitioner's Submission	Normative Expenses
1	Employee Expenses for FY 2019-20	102.39	131.05	94.99
2	Employee Expenses for FY 2020-21	112.80	143.71	92.37

The Commission approves the normative Employee Expenses of INR 94.99 Crore and INR 92.37 Crore in the True-up of FY 2019-20 and FY 2020-21 respectively.

4.8.2. Administrative and General (A&G) Expenses

Petitioner's submission

The Petitioner has submitted the actual A&G expenses of INR 15.36 Crore and INR 2.36 Crore as reflected in audited accounts against the approved expenses of INR 36.01 Crore and INR 37.93 Crore respectively for FY 2019-20 and FY 2020-21 in the APR.

Commission's analysis

A&G expenses mainly comprise of rents, telephone and other communication expenses, professional charges, conveyance and travelling allowances, etc. As per the audited accounts submitted by the Petitioner, the A&G expenses are reflected as INR 15.36 Crore and INR 2.36 Crore respectively for FY 2019-20 and FY 2020-21.

Similar to the methodology followed while estimating the employee expenses, the Commission has determined the A&G expenses for the FY 2019-20 and FY 2020-21 using the CPI Inflation for preceding three years to determine the A&G expenses for FY 2019-20 and FY 2020-21.

The A&G expenses approved by the Commission in FY 2019-20 and FY 2020-21 have been provided in the following table:

Table 65: A&G Expenses computation for FY 2019-20 and FY 2020-21 (INR Crore)

S. No	Particulars	FY 2018-19 Base Year (Approved in MYT Order)	FY 2019-20	FY 2020-21
1	A&G Expenses base year		34.55	36.01
2	CPI Inflation for preceding 3 years (CPI)		4.22%	5.35%
3	**A&G Expenses**	**34.55**	**36.01**	**37.93**

Table 66: A&G Expenses Trued-up by Commission for FY 2019-20 and FY 2020-21 (INR Crore)

S. No	Particulars	Approved in APR Order	Petitioner's Submission	Normative Expenses
1	Administration & General Expenses (A&G) for FY 2019-20	36.01	15.36	36.01
2	Administration & General Expenses (A&G) for FY 2020-21	37.93	2.36	37.93

The Commission approves the normative Administrative & General (A&G) expenses of INR 36.01 Crore and INR 37.93 in the True-up of FY 2019-20 and FY 2020-21 respectively.

4.8.3. Repair & Maintenance Expenses (R&M)

Petitioner's submission

The Petitioner has incurred R&M expenses of INR 60.31 Crore and INR 45.66 Crore and against the approved expenses of INR 44.03 Crore and INR 45.12 Crore in the MYT Order respectively for FY 2019-20 and FY 2020-21.

Commission's analysis

In accordance with the MYT Regulations, 2018, the R&M expenses has to be computed based on the 'K' factor as approved in the MYT Order. In the current true-up petition, the Petitioner has sought to revise the opening GFA as on FY 2020-21 based on the physical verification of assets and considering the assets created out of TRP fund. Further, the Petitioner has submitted that these assets have been under commercial operation for the long time, but the same were not included in the Fixed Asset Details earlier and in the books of accounts of FY 2020-21.

The Commission would like to highlight that at the time of deciding the 'K' factor in the MYT Order, the Commission was only aware of GFA as per the provisional accounts, which were substantially lower than the GFA claimed in the true-up of FY 2020-21. However, the actual R&M Expenses for the past years, based on which the 'K' factor was approved for the 2nd Control period, were expensed for the maintenance for all the assets including the assets now identified in the physical verification report. Therefore, it had resulted in the significantly higher 'K' Factor for the 2nd Control period, thus rendering it inappropriate for computing the R&M Expenses during the true-up of FY 2019-20 and FY 2020-21.

Considering the revision of opening GFA based on the audited accounts of FY 2020-21, the Commission finds it appropriate to consider the R&M Expenses as per actuals for truing up during the FY 2019-20 and FY 2020-21.

The R&M expenses approved by the Commission in FY 2019-20 and FY 2020-21 have been provided in the following table:

Table 67: R&M Expenses Trued-up by Commission for FY 2019-20 and FY 2020-21 (INR Crore)

S. No	Particulars	Approved in APR Order	Petitioner's Submission	Normative Expenses
1	Repair & Maintenance Expenses (R&M) for FY 2019-20	44.03	60.31	60.31
2	Repair & Maintenance Expenses (R&M) for FY 2020-21	45.12	45.66	45.66

The Commission approves the normative Repair & Maintenance (R&M) expenses of INR 60.31 Crore and INR 45.66 Crore in the True-up of FY 2019-20 and FY 2020-21 respectively.

4.8.4. Total Operation and Maintenance Expenses (O&M)

The Regulation 14 of the MYT Regulations, 2018 stipulates the following:

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

14.1 Approved aggregate gain to the Transmission Licensee or Distribution Licensee on account of controllable factors shall be shared equally between Licensee and Consumers:

Provided that the mechanism for sharing of gains or losses on account of controllable factors for a Generating Company shall be as specified in the prevalent CERC Tariff Regulations.

14.2 Approved aggregate loss, if any to the Transmission Licensee or Distribution Licensee on account of controllable factors shall be on account of the Licensee, and shall not be passed to the Consumers."

The following table provides the O&M expenses, approved by the Commission in the APR Order, Petitioner's submission and O&M expenses now trued-up by the Commission after sharing of gains or losses.

Table 68: O&M Expenses Trued-up by Commission for FY 2019-20 (INR Crore)

S. No	Particulars	Approved in APR Order	Petitioner's Submission	Normative Expenses	Gain/Loss Sharing	Trued-up by Commission
1	Employee Expenses	102.39	131.05	94.99	-36.05	94.99
2	A&G Expenses	36.01	15.36	36.01	20.65	25.68
3	R&M Expenses	44.03	60.31	60.31	0.00	60.31
4	**Total O&M Expenses**	**182.43**	**206.72**	**191.31**		**180.99**

Table 69: O&M Expenses Trued-up by Commission for FY 2020-21 (INR Crore)

S. No	Particulars	Approved in APR Order	Petitioner's Submission	Normative Expenses	Gain/Loss Sharing	Trued-up by Commission
1	Employee Expenses	112.80	143.71	92.37	-51.34	92.37
2	A&G Expenses	37.93	2.36	37.93	35.58	20.15
3	R&M Expenses	45.12	45.66	45.66	0.00	45.66
4	**Total O&M Expenses**	**195.85**	**191.73**	**175.96**		**158.18**

The Commission approves the Operation & Maintenance (O&M) expenses of INR 180.99 Crore and INR 158.18 Crore in the True-up of FY 2019-20 and FY 2020-21 respectively.

4.9. Capitalisation

Petitioner's submission

The Petitioner has managed to achieve capitalisation of INR 1.38 Crore and INR 23.88 Crore during FY 2019-20 and FY 2020-21 as against approved the capitalisation of INR 6.32 and INR 37.17 Crore in the APR Order.

Commission's analysis:

The Commission approves the Capitalisation as per the submission in the audited Accounts by the Petitioner. The Commission observed that the Petitioner consistently has not been able to meet the capitalisation targets, which is necessary for efficient and reliable operations of the system. Accordingly, the Commission directs the Petitioner to achieve the capitalisation targets, failing which Commission may be constrained to impose penalty.

Post thorough scrutiny and review of the submissions made by the Petitioner with regards to the capitalization of schemes undertaken and the Fixed Asset Register (FAR) as submitted by the Petitioner, the Commission approves the capitalisation for the year as shown in the following table:

Table 70: Capitalisation approved by the Commission (INR Crore)

S. No	Particulars	Approved in APR Order	Petitioner's Submission	Now Approved by Commission
1	Capitalisation for FY 2019-20	6.32	1.38	1.38
2	Capitalisation for FY 2020-21	37.17	23.88	23.87

The Commission approves the Capitalisation of INR 1.38 Crore and INR 23.87 Crore in the True-up of the FY 2019-20 and FY 2020-21 respectively.

4.10. Capital Structure

Petitioner's Submission

The Petitioner has submitted that all the capital assets have been created out of equity contribution from Andaman & Nicobar Administration.

Commission's analysis

The Regulation 26 of the MYT Regulations, 2018 specifies the following:

"26. Debt to Equity Ratio

26.1 In case of Existing Projects, debt to equity ratio allowed by the Commission for determination of tariff for the period ending March 31, 2018 shall be considered:

Provided that in case of retirement or replacement or De-capitalisation of the assets, the equity capital approved as mentioned above, shall be reduced to the extent of 30% (or actual equity component based on documentary evidence, if it is lower than 30%) of the original cost of such assets:

Provided further that in case of retirement or replacement or De-capitalisation of the assets, the debt capital approved as mentioned above, shall be reduced to the extent of outstanding debt component based on documentary evidence, or the normative loan component, as the case may be, of the original cost of such assets.

26.2 For New Projects, the debt-equity ratio as on the Date of Commercial Operation shall be 70:30 of the amount of capital cost approved by the Commission under Regulation 23, after prudence check for determination of tariff:

Provided that where equity actually deployed is less than 30% of the capital cost of the capitalised asset, the actual equity shall be considered for determination of tariff:

Provided also that if the equity actually deployed is more than 30% of the capital cost, equity in excess of 30% shall be treated as a normative loan for the Licensee for determination of tariff:

Provided also that the Licensee shall submit documentary evidence for the actual deployment of equity and explain the source of funds for the equity:

Provided also that the equity invested in foreign currency shall be designated in Indian rupees on the date of each investment:

Provided further that the premium, if any, raised by the Licensee while issuing share capital and investment of internal resources created out of its free reserves, for the funding of the scheme, shall be reckoned as paid up capital for the purpose of computing return on equity, provided such premium amount and internal resources are actually utilized for meeting the capital expenditure of the transmission system or the distribution system, and are within the ceiling of 30% of capital cost approved by the Commission.

26.3 Any expenditure incurred or projected to be incurred on or after April 1, 2019, as may be admitted by the Commission, as additional capital expenditure for determination of tariff, and renovation and modernisation expenditure for life extension shall be serviced in the manner specified in this Regulation."

The Commission sought details of assets created out of consumer contribution/ grants from the Petitioner, on which the Petitioner has responded that no assets have been created out of consumer contribution/ grants. Further, the Petitioner has submitted the Fixed Asset Register for the FY 2020-21, based on which the opening GFA has been claimed as INR 542.22 crore. The Commission sought the detailed reasons for the variation in the opening GFA for FY 2020-21 vis-à-vis the closing GFA for FY 2019-20 as claimed by the Petitioner in the true-up petition. The Petitioner submitted that the Department compiled the Fixed Asset Register for first time for the FY 2017-18 based on the historical records available. However, with the initiation of privatization process, it was required that all the assets of the department are to be physically verified and validated with the records maintained at the respective Divisions/Sub-Divisions. The department constituted a committee for the same and carried out the exercise to identify all the assets at various location of the Department. The exercise was carried out and details such as description of assets, location, date of capitalization, functional segregation, quantity and cost was validated and recorded. In the above exercise, several assets were identified which were existing and were in use but the same were not incorporated in the Fixed Asset Details & Annual Accounts of the Department.

Accordingly, the Fixed Asset Register of the FY 2020-21 was reworked based on the current exercise of physical verification and assessment. The GFA value as on 1.4.2020 was restated and Fixed Asset Register for the FY 2020-21 was prepared. Hence, there is difference in the closing value of GFA of FY 2019-20 vis-à-vis the opening value of GFA for FY 2020-21.

Further, the Commission sought the detailed status of assets covered under the Fixed Asset Register for unserviceable assets, i.e. whether they are not in use or have been decommissioned completely. In response, the Petitioner submitted that the assets categorized as unserviceable is as per preliminary assessment and accounting treatment applicable to unserviceable assets cannot be done till the same is approved by the competent authority. Accordingly, although such assets have been reported separately, the accounting treatment of the same has been done in line with the normal assets. The categorization is only for management information purpose and the same has been appropriately disclosed in the Notes to Accounts.

The Commission also sought the details regarding the assets created out of TRP Fund such as treatment of TRP fund in the funding of assets, whether the same has been considered as capital infusion from GoI or provided as grant. The Petitioner submitted that the Andaman and Nicobar Islands is a UT without Legislature which receives budget from Govt. of India through the grant of Ministry of Home Affairs. Funds are allocated to Electricity Department for incurring expenditure without any obligation to return the same with interest costs attached. UT Administration had received funds under Tsunami Rehabilitation Programme post Tsunami from the Govt. of India for various works. The funds provided by the Govt. of India through grants of MHA for regular budget to meet expenses for CAPEX and the special assistance under TRP are on similar footing, both being grants and are incorporated in Government Capital Account in the Balance Sheet of the Department, hence any distinction between the assets created through yearly grants and assets created from TRP funds would be incorrect. Since the funds under budget allocation and TRP are provided by MHA without any interest component nor any provision of returning the funds, therefore, there is no grant/debt component in respect of the same in the accounts. The funds received by the Department for creation of assets irrespective of the nomenclature is considered as capital contribution by the Government and accordingly, credited to the capital account of the government. Further, unlike grants there are no eligibility/compliance terms & conditions attached to the funds provided by the Government for creation of assets under TRP fund. Therefore, the same cannot be treated as grant. In view of the above, it is submitted that the assets created out of funds received from GOI is in the nature of capital and the same is eligible for RoE / Interest & Depreciation.

Further, during the Technical Validation Session held on March 3, 2022, the Commission apprised the Department and the Power Secretary, Andaman & Nicobar Administration regarding the impact of considering the assets created out of TRP fund on the end consumer tariffs, if the same will be considered as the equity infusion from the government instead of the grant and therefore, sought the declaration from the Department/

Andaman & Nicobar Administration or Government of India declaring the funding of assets created out of TRP fund as the equity infusion. The Minutes of Meeting for TVS were shared with Petitioner vide letter March 30, 2022 and subsequently, a reminder letter dated April 19, 2022 was also shared with the Petitioner for sharing the declaration from the Department/ Andaman & Nicobar Administration or Government of India. However, the Petitioner has failed to provide any such declaration.

Therefore, in absence of any proof detailing the nature of funding of these assets created out of TRP fund, the Commission has considered that these assets have been funded through special grant in the form of TRP fund only. Further, the Commission grants the liberty to the Petitioner to provide the proof of funding for assets created out of TRP fund as equity within three months from the date of issuance of this order for the Commission's consideration.

Accordingly, the Commission has not approved the Return on Equity, Interest on Loan and Depreciation for the assets created out of TRP fund and the same may be considered in case, the Petitioner provides the proof of funding of the assets created out of TRP fund as equity along with the asset wise details of year-on-year capitalisation and depreciation from the date of capitalisation for the assets created out of TRP funds.

Further, after reconciliation, the Commission finds that the additional assets of INR 7.23 crore have been recognised in the FAR of FY 2020-21 apart from the assets created out of TRP funds. The funding for the same has been considered as equity infusion from the central government.

The Commission has considered the Petitioner's Submission and accordingly, has considered the opening GFA as INR 542.22 crore for the FY 2020-21. Further, the funding additional assets of INR 7.23 crore, which are recognised in FAR additionally over and above the assets created out of TRP fund, has been added to the opening loan balances and opening equity for FY 2020-21 in the normative Debt:Equity ratio of 70:30.

In accordance with the MYT Regulations, 2018 the Commission has determined the Capital Structure for FY 2019-20 and FY 2020-21 is shown in the following tables:

Table 71: GFA addition approved by Commission for FY 2019-20 (INR Crore)

S. No	Particulars	Approved in Tariff Order	Petitioner's Submission	Trued-up by Commission
1	Opening Gross Fixed Assets	192.46	225.20	225.20
2	Addition During the FY	6.32	1.38	1.38
3	Adjustment/Retirement During the FY	-	0.00	0.00
4	Closing Gross Fixed Assets	198.78	226.58	226.58

Table 72: GFA addition approved by Commission for FY 2020-21 (INR Crore)

S. No	Particulars	Approved in Tariff Order	Petitioner's Submission	Trued-up by Commission
1	Opening Gross Fixed Assets	175.38	542.22	542.22
2	Addition During the FY	37.17	23.88	23.87
3	Adjustment/Retirement During the FY	-	0.00	0.00
4	Closing Gross Fixed Assets	212.55	566.10	566.10

Table 73: Funding of GFA as on 1.4.2020 as approved by the Commission (INR Crore)

S. No	Particulars	Trued-up by Commission
1	Opening Gross Fixed Assets	542.22
2	Less: Unserviceable Assets	21.99
3	Net Fixed Assets	520.23
4	Normative Loan	163.65
5	Normative Equity	70.14

S. No	Particulars	Trued-up by Commission
6	Grant (TRP Fund)	286.44

Table 74: Normative Loan addition approved by Commission for FY 2019-20 (INR Crore)

S. No	Particulars	Approved in Tariff Order	Petitioner's Submission	Trued-up by Commission
1	Opening Normative Loan	16.72	62.42	54.56
2	Add: Normative Loan During the year	4.42	0.97	0.97
3	Less: Normative Repayment equivalent to Depreciation	6.35	5.99	6.13*
4	Closing Normative Loan	14.80	57.39	49.40

**Depreciation has been calculated in the next section*

Table 75: Normative Loan addition approved by Commission for FY 2020-21 (INR Crore)

S. No	Particulars	Approved in Tariff Order	Petitioner's Submission	Trued-up by Commission
1	Opening Normative Loan	13.43	279.29	54.45
2	Add: Normative Loan During the year	26.02	16.72	16.71
3	Less: Normative Repayment equivalent to Depreciation	7.05	17.10	7.52*
4	Closing Normative Loan	32.39	278.91	63.65

**Depreciation has been calculated in the next section*

Table 76: Normative Equity addition approved by Commission for FY 2019-20 (INR Crore)

S. No	Particulars	Approved in Tariff Order	Petitioner's Submission	Trued-up by Commission
1	Opening Equity	51.33	67.56	67.56
2	Additions on account of new capitalisation	1.90	0.41	0.41
3	Closing Equity	53.22	67.97	67.97

Table 77: Normative Equity addition approved by Commission for FY 2020-21 (INR Crore)

S. No	Particulars	Approved in Tariff Order	Petitioner's Submission	Trued-up by Commission
1	Opening Equity	52.61	162.67	70.14
2	Additions on account of new capitalisation	11.15	7.16	7.16
3	Closing Equity	63.77	169.83	77.30

4.11. Depreciation

Petitioner's submission

The Petitioner has submitted the actual depreciation of assets as per the audited annual accounts of FY 2019-20 and FY 2020-21.

The depreciation as claimed by the Petitioner has been tabulated below:

Table 78: Depreciation submitted by Petitioner (INR Crore)

S. No	Particulars	Petitioner's Submission	
		FY 2019-20	FY 2020-21
1	Opening Gross Fixed Assets	225.20	542.22

S. No	Particulars	Petitioner's Submission	
		FY 2019-20	FY 2020-21
2	Addition During the FY	1.38	23.88
3	Adjustment/Retirement During the FY	0.00	0.00
4	Closing Gross Fixed Assets	226.58	566.10
5	Average Gross Fixed Assets	225.89	554.16
6	Weighted Average Depreciation rate (%)	2.65%	3.09%
	Depreciation	**5.99**	**17.10**

Commission's analysis

Regulation 30 of the MYT Regulations, 2018 stipulates the following:

30. Depreciation

30.1 The value base for the purpose of depreciation shall be the capital cost of the asset admitted by the Commission:

Provided that the depreciation shall be allowed after reducing the approved original cost of the retired or replaced or decapitalized assets:

Provided also that the no depreciation shall be allowed on the assets financed through consumer contribution, deposit work, capital subsidy or grant.

30.2 The salvage value of the asset shall be considered as 10% and depreciation shall be allowed up to a maximum of 90% of the capital cost of the asset.

30.3 Land other than the land held under lease shall not be a depreciable asset and its cost shall be excluded from the capital cost while computing depreciable value of the assets.

30.4 In case of existing assets, the balance depreciable value as on April 1, 2019, shall be worked out by deducting the cumulative depreciation as admitted by the Commission up to March 31, 2018, from the gross depreciable value of the assets.

30.5 The depreciation shall be chargeable from the first Year of commercial operations. In case of projected commercial operation of the assets during the Year, depreciation shall be computed based on the average of opening and closing value of assets:

Provided that depreciation shall be re-calculated during truing-up for assets capitalised at the time of truing up of each Year of the Control Period, based on documentary evidence of asset capitalised by the Applicant, subject to the prudence check of the Commission.

30.6 For Transmission Licensee, the depreciation shall be calculated at rates and norms specified in the prevalent CERC Tariff Regulations for transmission system.

30.7 The depreciation for a Distribution Licensee shall be calculated annually, based on the Straight Line Method, over the Useful Life of the asset at rates specified in Appendix I of the Regulations.

30.8 In addition to allowable depreciation, the Distribution Licensee shall be entitled to advance against depreciation (AAD), computed in the manner given hereunder:

AAD = Loan (raised for capital expenditure) repayment amount based on loan repayment tenure, subject to a ceiling of 1/10th of loan amount minus depreciation as calculated on the basis of these Regulations:

Provided that advance against depreciation shall be permitted only if the cumulative repayment upto a particular Year exceeds the cumulative depreciation upto that Year:

Provided further that advance against depreciation in a Year shall be restricted to the extent of difference between cumulative repayment and cumulative depreciation upto that Year.

30.9 The Distribution Licensee shall provide the list of assets added during each Year of Control Period and list of assets completing 90% of depreciation in the Year along with Petition for annual performance review, true-up and tariff determination for ensuing Year.

30.10 The remaining depreciable value for a Distribution Licensee shall be spread over the balance useful life of the asset, on repayment of the entire loan.

The Commission has derived the weighted average rate of depreciation based on the asset wise depreciation rate prescribed in MYT Regulations, 2018, provided in the table below:

Table 79: Depreciation Rate (%)

Description	Rate
Plant & Machinery	3.60%
Buildings	1.80%
Vehicles	18.00%
Furniture & Fixtures	6.00%
Computers & Others	6.00%
Land	0.00%

The closing GFA of FY 2018-19 as approved in the True-Up has been considered as opening GFA of FY 2019-20, however, the opening GFA of FY 2020-21 has been considered as per the opening GFA in the FAR. The Commission has determined the depreciable GFA after deducting the value of assets that have achieved 90% depreciation as reflected in the FAR of FY 2019-20 and FY 2020-21. Further, depreciation has been computed on average Gross Fixed Assets (GFA) after considering the net addition approved for FY 2019-20 and FY 2020-21 respectively.

For FY 2020-21, the Petitioner has submitted the Fixed Asset Register for unserviceable assets separately comprising of the assets which are currently not in use. On scrutiny, the Commission has found that some of the assets under the FAR of unserviceable assets are yet to achieve the 90% depreciation and therefore, has allowed the one-time expense upto 90% of GFA over and above the accumulated depreciation as on 1.4.2020 for such assets, which has been computed as INR 5.93 Crore. Further, the assets created out of TRP fund has not been considered for the computation of depreciation for the FY 2020-21 in accordance with Regulation 30.1 of the MYT Regulations, 2018 as they have been funded through grant.

Accordingly, the following tables provides the depreciation as approved in the true-up of FY 2019-20 and FY 2020-21, Petitioner's submission and now approved by the Commission:

Table 80: Calculation of revised GFA and depreciation for FY 2019-20 (INR Crore)

Description	Opening GFA as per audited accounts	Less: Assets depreciated upto 90% till FY 2019-20	Revised Opening GFA	Addition/ Deletion during the year	Closing GFA	Depreciation Rate	Depreciation
Plant & Machinery	166.31	19.43	146.88	1.28	148.16	3.60%	5.31
Building & Civil Engineering Works	35.82	0.02	35.80	0.00	35.80	1.80%	0.64
Furniture & Fixtures & Office Equipments	17.03	16.21	0.82	0.08	0.90	6.00%	0.05
Land	0.86	0.00	0.86	0.01	0.87	0.00%	0.00
Vehicles	5.18	4.48	0.71	0.00	0.71	18.00%	0.13
Total	**225.20**	**40.13**	**185.06**	**1.38**	**186.44**		**6.13**

Table 81: Calculation of revised GFA and depreciation for FY 2020-21 (INR Crore)

Description	Opening GFA as per audited accounts	Add: Additional assets recognized as per PV Report	Less: Assets depreciated upto 90% till FY 2020-21	Revised Opening GFA	Addition/ Deletion during the year	Closing GFA	Depreciation Rate	Depreciation
Plant & Machinery	167.59	5.34	34.40	138.54	23.32	161.85	3.60%	5.41
Building & Civil Engineering Works	35.82	1.14	0.40	36.57	0.47	37.04	1.80%	0.66
Furniture & Fixtures & Office Equipments	17.11	0.55	0.70	16.95	0.08	17.03	6.00%	1.02
Land	0.87	0.03	0.00	0.90	0.00	0.90	0.00%	0.00
Vehicles	5.18	0.17	2.97	2.38	0.00	2.38	18.00%	0.43
Total	**226.57**	**7.23**	**38.47**	**195.33**	**23.87**	**219.20**		**7.52**
One-Time Expense for Unserviceable assets								**5.93**
Total Depreciation allowed for FY 2020-21								**13.45**

The Commission now approves depreciation of INR 6.13 Crore and INR 13.45 Crore in the True-up of the FY 2019-20 and FY 2020-21 respectively.

4.12. Interest on Loan

Petitioner's submission

The Petitioner has submitted that the EDA&N has finalized the Fixed Asset Register for the year & the GFA figures have been considered as per the audited FAR. The closing normative loan for the previous year has been taken as opening balance. Further, in line with the Tariff Regulations, 70% of GFA addition during the year as per the audited Fixed Asset Register has been considered to arrive at the normative loan for the FY 2019-20. Further, normative repayment has been considered to be equal to the depreciation for the year. SBI MCLR (1 Year) plus 100 basis points in accordance with Regulation 28.4 of JERC MYT Regulations, 2018 has been considered.

Accordingly, the Petitioner has submitted the interest on normative loans as INR 5.72 Crore and INR 24.42 Crore for FY 2019-20 and FY 2020-21 respectively as against INR 1.51 Crore and INR 2.00 Crore as approved in APR.

Commission's analysis:

The Regulation 28 of the MYT Regulations, 2018 specifies the following:

28. Interest on Loan

28.1 The loans arrived at in the manner indicated in Regulation 26 on the assets put to use, shall be considered as gross normative loan for calculation of interest on the loan:

Provided that interest and finance charges on capital works in progress shall be excluded:

Provided further that in case of De-capitalisation or retirement or replacement of assets, the loan capital shall be reduced to the extent of outstanding loan component of the original cost of the de-capitalised or retired or replaced assets, based on documentary evidence.

28.2 The normative loan outstanding as on April 1, 2019, shall be worked out by deducting the cumulative repayment as admitted by the Commission up to March 31, 2018, from the gross normative loan.

28.3 Notwithstanding any moratorium period availed by the Transmission Licensee or the Distribution Licensee, as the case may be, the repayment of loan shall be considered from the first Year of commercial operation of the project and shall be equal to the annual depreciation allowed in accordance with Regulation 30.

28.4 The rate of interest shall be the weighted average rate of interest calculated on the basis of the actual loan portfolio at the beginning of each Year applicable to the Transmission Licensee or the Distribution Licensee:

Provided that at the time of truing up, the weighted average rate of interest calculated on the basis of the actual loan portfolio during the Year applicable to the Transmission Licensee or the Distribution Licensee shall be considered as the rate of interest:

Provided also that if there is no actual loan for a particular Year but normative loan is still outstanding, the last available weighted average rate of interest for the actual loan shall be considered:

Provided further that if the Transmission Licensee or the Distribution Licensee does not have actual loan, then one (1) Year State Bank of India (SBI) MCLR / any replacement thereof as notified by RBI for the time being in effect applicable for one (1)Year period, as may be applicable as on 1st April of the relevant Year plus 100 basis points shall be considered as the rate of interest for the purpose of allowing the interest on the normative loan.

28.5 The interest on loan shall be calculated on the normative average loan of the Year by applying the weighted average rate of interest:

Provided that at the time of truing up, the normative average loan of the Year shall be considered on the basis of the actual asset capitalisation approved by the Commission for the Year.

28.6 For new loans proposed for each Financial Year of the Control Period, interest rate shall be considered as lower of (i) one (1) Year State Bank of India (SBI) MCLR / any replacement thereof as notified by RBI for the time being in effect applicable for one (1)Year period, as may be applicable as on 1st April of the relevant Year plus 100 basis points, and (ii) weighted average rate of interest proposed by the Distribution Licensee.

28.7 The above interest computation shall exclude the interest on loan amount, normative or otherwise, to the extent of capital cost funded by consumer contribution, deposit work, capital subsidy or grant, carried out by Transmission Licensee or Distribution Licensee.

28.8 The finance charges incurred for obtaining loans from financial institutions for any Year shall be allowed by the Commission at the time of Truing-up, subject to prudence check.

28.9 The excess interest during construction on account of time and/or cost overrun as compared to the approved completion schedule and capital cost or on account of excess drawal of the debt funds disproportionate to the actual requirement based on Scheme completion status, shall be allowed or disallowed partly or fully on a case to case basis, after prudence check by the Commission:

Provided that where the excess interest during construction is on account of delay attributable to an agency or contractor or supplier engaged by the Transmission Licensee, any liquidated damages recovered from such agency or contractor or supplier shall be taken into account for computation of capital cost:

Provided further that the extent of liquidated damages to be considered shall depend on the amount of excess interest during construction that has been allowed by the Commission.

28.10 The Transmission Licensee or the Distribution Licensee, as the case may be, shall make every effort to re-finance the loan as long as it results in net savings on interest and in that event the costs associated with such re-financing shall be borne by the beneficiaries and the net savings shall be shared between the equally between the beneficiaries and the Transmission Licensee or the Distribution Licensee and the Consumers of Distribution Licensee.

28.11 Interest shall be allowed on the amount held as security deposit held in cash from Retail Consumers at the Bank Rate as on 1st April of the Financial Year in which the Petition is filed:

Provided that at the time of truing-up, the interest on the amount of security deposit for the Year shall be considered on the basis of the actual interest paid by the Licensee during the Year, subject to prudence check by the Commission."

Hence, the rate of interest to be considered while determining the ARR shall be the weighted average interest rate of the actual loan portfolio. However, the Petitioner has submitted that capitalisation during each year has been funded by the Petitioner's equity and no loan has been taken against any of the capitalised assets. In absence of any actual loans, the Commission has considered the SBI MCLR rate, as on 1st April of the relevant year, plus 100 basis points as Rate of Interest, in accordance with the MYT Regulations, 2018.

As per the MYT Regulations 2018, if the equity actually deployed is more than 30% of the capital cost, then equity in excess of 30% would be considered as normative loan. Further, the Commission has considered the capitalisation of assets as approved in the foregoing paragraphs. The Commission for the purpose of funding of the capitalisation has considered the normative debt equity ratio of 70:30.

Further, the loan portion for the additional assets of INR 7.23 crore, which are recognised in FAR additionally over and above the assets created out of TRP fund, has been added to the opening loan balances for FY 2020-21 in the normative Debt:Equity ratio of 70:30.

The Interest on Loan has been calculated on the average loan during the year with the opening loan considered equivalent to the closing loan approved for FY 2018-19 in the True-Up. The total normative loan has been considered to be repaid through depreciation during the year. The following table provides the Interest on Loan approved in APR, Petitioner's submission and now approved by the Commission:

Table 82: Interest on Loan approved by Commission for FY 2019-20 (INR Crore)

S. No	Particulars	Approved in APR Order	Petitioner's Submission	Now Approved by Commission
1	Opening Normative Loan	16.72	62.42	54.56
2	Add: Normative Loan During the year	4.42	0.97	0.97
3	Less: Normative Repayment	6.35	5.99	6.13
4	Closing Normative Loan	14.80	57.39	49.40
5	Average Normative Loan	15.76	59.91	51.98
6	Rate of Interest (%)	9.55%	9.55%	9.55%
7	**Interest on Loan**	**1.51**	**5.72**	**4.96**

Table 83: Interest on Loan approved by Commission for FY 2020-21 (INR Crore)

S. No	Particulars	Approved in APR Order	Petitioner's Submission	Now Approved by Commission
1	Opening Normative Loan	13.43	279.29	54.45
2	Add: Normative Loan During the year	26.02	16.72	16.71
3	Less: Normative Repayment	7.05	17.10	7.52
4	Closing Normative Loan	32.39	278.91	63.65
5	Average Normative Loan	22.91	279.10	59.05
6	Rate of Interest (%)	8.75%	8.75%	8.75%
7	**Interest on Loan**	**2.00**	**24.42**	**5.17**

The Commission approves Interest on Loan of INR 4.96 Crore and INR 5.17 Crore in the true-up of the FY 2019-20 and FY 2020-21 respectively.

4.13. Return on Equity (RoE)

Petitioner's submission

The RoE is calculated in accordance with the Regulation 27 of MYT Regulations, 2018. Debt:Equity norm of 70:30 and RoE of 16% has been considered. Accordingly, the Petitioner has submitted the return on equity as INR 10.84 Crore and INR 26.60 Crore for FY 2019-20 and FY 2020-21 respectively against INR 8.36 Crore and INR 9.31 Crore as approved in APR.

Commission's analysis:

The Regulations 27.2 and 27.3 of the MYT Regulations, 2018 stipulate the following:

"27.2 The return on equity for the Distribution Wires Business shall be allowed on the equity capital determined in accordance with Regulation 26 for the assets put to use at post-tax rate of return on equity specified in the prevalent CERC Tariff Regulations for transmission system.

27.3 The return on equity for the Retail Supply Business shall be allowed on the equity capital determined in accordance with Regulation 26 for the assets put to use, at the rate of sixteen (16) per cent per annum."

As mentioned above, the total asset capitalisation other than the Central Government schemes during the year has been funded by equity. The Commission for the purpose of equity addition during the year, has limited it to 30% of total capitalisation as prescribed in the MYT Regulations, 2018.

Further, the equity portion for the additional assets of INR 7.23 crore, which are recognised in FAR additionally over and above the assets created out of TRP fund, has been added to the opening equity balances for FY 2020-21 in the normative Debt:Equity ratio of 70:30.

The RoE has been calculated on the average of opening and closing of equity during the year @ 16% post-tax basis. The following table provides the total return on equity approved in the APR, Petitioner's submission and now approved by the Commission:

Table 84: RoE approved by Commission for FY 2019-20 (INR Crore)

Particulars	Approved in APR Order	Petitioner's Submission	Now Approved by Commission
Opening Equity	51.33	67.56	67.56
Additions on account of new capitalisation	1.90	0.41	0.41
Closing Equity	53.22	67.97	67.97
Average Equity	52.28	67.76	67.76
Return on Equity (%)	16.00%	16.00%	16.00%
Return on Equity	**8.36**	**10.84**	**10.84**

Table 85: RoE approved by Commission for FY 2020-21 (INR Crore)

Particulars	Approved in APR Order	Petitioner's Submission	Now Approved by Commission
Opening Equity	52.61	162.67	70.14
Additions on account of new capitalisation	11.15	7.16	7.16
Closing Equity	63.77	169.83	77.30
Average Equity	58.19	166.25	73.72
Return on Equity (%)	16.00%	16.00%	16.00%
Return on Equity	**9.31**	**26.60**	**11.80**

The Commission approves the Return on Equity of INR 10.84 Crore and INR 11.80 Crore in the true-up for FY 2019-20 and FY 2020-21 respectively.

4.14. Interest on Consumer Security Deposits

Petitioner's submission

The Petitioner has submitted that it does not collect security deposit from consumers in cash. The consumers are required to create a Term Deposit in scheduled bank equivalent to the security amount and a lien is created in favour of the EDA&N towards security deposit. Hence, Interest on Security deposits is not payable to the consumers. Therefore, EDA&N has not claimed Interest on Security deposit in the ARR.

Commission's analysis:

Regulation 28.11 of the MYT Regulations, 2018 stipulates the following:

"Interest shall be allowed on the amount held as security deposit held in cash from Retail Consumers at the Bank Rate as on 1st April of the Financial Year in which the Petition is filed:

Provided that at the time of truing-up, the interest on the amount of security deposit for the Year shall be considered on the basis of the actual interest paid by the Licensee during the Year, subject to prudence check by the Commission. "

The security deposit of Rs 10.07 crore is available to the Petitioner as per the audited balance sheet of FY 2020-21. As per Section 47 (5) of the Electricity Act, 2003, the Petitioner has to pay the interest on the security deposits available with it and same shall be claimed in the ARR filed by the Petitioner. The Petitioner shall maintain the registers of security deposits collected from the consumers every year and pay the interest as per the bank rate of interest. However, the Petitioner has not considered any interest on consumer security deposit as the interest amount on fixed deposits is not available with Petitioner in cash.

Therefore, the Commission has not approved any interest on security deposits of the consumers in the True-up of the FY 2019-20 and FY 2020-21 respectively.

4.15. Interest on Working Capital

Petitioner's submission

As per clause 31 & 52 of JERC MYT Regulations, 2018 the working capital of a licensee shall consist of:

(e) Receivable of two months of billing

(f) O&M Expenses of one month

(g) 40% of Repair & maintenance expenses for one month

(h) Less consumer security deposit but excluding Bank Guarantee

The interest on working capital is computed at SBI base rate as on 1st April for the relevant year plus 200 basis point and has been shown in the table below:

Table 86: Interest on Working Capital submitted by Petitioner (INR Crore)

S. No	Particulars	FY 2019-20	FY 2020-21
1	Two months receivables	17.23	15.98
2	Add: one month O&M Expenses	2.01	1.52
3	Add: 40% of R&M expenses for one month	28.36	26.11
4	Less: Security Deposit excluding BG/FDR	0.00	0.00
5	Net Working Capital	47.60	43.60
6	Rate of Interest (%)	10.55%	9.75%

S. No	Particulars	FY 2019-20	FY 2020-21
	Interest on Working Capital	**5.02**	**4.25**

Commission's analysis:

The Regulation 52 of the MYT Regulations, 2018 stipulates the following:

"52. Norms of Working Capital for Distribution Wires Business

52.1 The Distribution Licensee shall be allowed interest on the estimated level of working capital for the Distribution Wires Business for the Financial Year, computed as follows:

(a) O&M Expenses for one (1) month; plus

(b) Maintenance spares at 40% of repair and maintenance expenses for one (1) month; plus

(c) Receivables equivalent to two (2) months of the expected revenue from charges for use of distribution

wires at the prevailing tariff;

Less:

(d) Amount, if any, held as security deposits under clause (b) of sub-section (1) of Section 47 of the Act from distribution system users except the security deposits held in the form of Bank Guarantees:

Provided that at the time of truing up for any Year, the working capital requirement shall be re-calculated on the basis of the values of components of working capital approved by the Commission in the truing up."

Further, Regulation 31.3 of the MYT Regulation, 2018 stipulates the following:

"31.3 The interest on working capital shall be a payable on normative basis notwithstanding that the Licensee has not taken working capital loan from any outside agency or has exceeded the working capital loan based on the normative figures. 31.4 The rate of interest on working capital shall be equal one (1)Year State Bank of India (SBI) MCLR / any replacement thereof as notified by RBI for the time being in effect applicable for one (1)Year period, as may be applicable as on 1st April of the Financial Year in which the Petition is filed plus 200 basis points."

In accordance with the MYT Regulation, 2018, the Commission has computed the Interest on Working Capital for FY 2019-20 and FY 2020-21. The interest on working capital is computed at SBI base rate as on 1st April for the relevant year plus 200 basis point.

Accordingly, the Interest on Working Capital as approved in the APR Order, as submitted by the Petitioner and now approved by the Commission is shown in the table below:

Table 87: Interest on Working Capital approved by Commission for FY 2019-20 (INR Crore)

S. No	Particulars	Approved in APR Order	Petitioner's Submission	Now Approved by Commission
1	O&M Expense for 1 month	15.57	17.23	15.94
2	Maintenance spares at 40% of R&M expenses for one (1) month;	1.61	2.01	2.01
3	Receivables equivalent to two (2) months of the expected revenue from charges at the prevailing tariff	33.89	28.36	28.36
4	Less: Amount, held as security deposits	0.00	0.00	0.00
5	Net Working Capital	51.07	47.60	46.31

S. No	Particulars	Approved in APR Order	Petitioner's Submission	Now Approved by Commission
6	Rate of Interest (%)	10.55%	10.55%	10.55%
	Interest on Working Capital	**5.39**	**5.02**	**4.89**

Table 88: Interest on Working Capital approved by Commission for FY 2020-21 (INR Crore)

S. No	Particulars	Approved in APR Order	Petitioner's Submission	Now Approved by Commission
1	O&M Expense for 1 month	16.32	15.98	14.66
2	Maintenance spares at 40% of R&M expenses for one (1) month;	1.50	1.52	1.52
3	Receivables equivalent to two (2) months of the expected revenue from charges at the prevailing tariff	25.53	26.11	26.11
4	Less: Amount, held as security deposits	0.00	0.00	0.00
5	Net Working Capital	43.35	43.60	42.29
6	Rate of Interest (%)	9.75%	9.75%	9.75%
	Interest on Working Capital	**4.23**	**4.25**	**4.12**

The Commission approves the Interest on Working Capital as INR 4.89 Crore and INR 4.12 Crore for FY 2019-20 and FY 2020-21 respectively.

4.16. Provision for Bad & Doubtful Debts

Petitioner's submission

The Petitioner hasn't claimed any amount towards bad and doubtful debts for the years.

Commission's analysis:

As per Regulation 62 of the MYT Regulations, 2018:

"The Commission may allow bad debts written off as a pass through in the Aggregate Revenue Requirement, based on the trend of write off of bad debts in the previous years, subject to prudence check:

Provided that the Commission shall true up the bad debts written off in the Aggregate Revenue Requirement, based on the actual write off of bad debts excluding delayed payment charges waived off, if any, during the year, subject to prudence check:

Provided also that the provision for bad and doubtful debts shall be limited to 1% of the annual Revenue Requirement of the Distribution Licensee:

Provided further that if subsequent to the write off of a particular bad debt, revenue is realised from such bad debt, the same shall be included as an uncontrollable item under the Non-Tariff Income of the year in which such revenue is realised."

The Commission had enquired for details of actual write off of bad and doubtful debts for the FY 2019-20 and FY 2020-21. The Petitioner has submitted that no bad debts are written off by it during the years.

The Commission therefore has not considered any bad and doubtful debts in the True-up of FY 2019-20 and FY 2020-21.

4.17. Non-Tariff Income (NTI)

Petitioner's submission

The Petitioner has submitted the actual Non-Tariff Income of INR 3.89 Crore and INR 4.16 Crore for the FY 2019-20 and FY 2020-21 respectively.

Commission's analysis:

Regulation 34.2 of JERC MYT Regulation, 2018 states the following:

"The delayed payment charge earned by the Transmission Licensee or the Distribution Licensee shall not be considered under its Non-Tariff Income."

The Commission has verified the submission of the Petitioner from the audited accounts and found the same to be correct. The NTI approved in the tariff Order, the Petitioner's submission and now trued-up by the Commission is shown in the following table:

Table 89: Non- Tariff Income approved by Commission (INR Crore)

S. No	Particulars	Approved in Tariff Order	Petitioner's Submission	Trued-up by Commission
1	Non-Tariff Income for FY 2019-20	2.94	3.89	3.89
2	Non-Tariff Income for FY 2020-21	3.09	4.16	4.16

The Commission approves Non-Tariff Income of INR 3.89 Crore and INR 4.16 Crore in the True-up of the FY 2019-20 and FY 2020-21 respectively.

4.18. Incentive/Disincentive towards over/under-achievement of norms of distribution losses

Petitioner's submission:

No submission has been made in this regard.

Commission's analysis:

In the MYT Order, the Commission had approved the T&D loss level of 14.34% and 13.84% for FY 2019-20 and FY 2020-21 respectively against which the Petitioner has achieved T&D loss of 21.98% and 28.33%. The Commission, in accordance with Regulation 14.2 of the JERC MYT Regulations, 2018 (reproduced below) has determined the dis-incentive towards the under-achievement of the target of T&D loss for the FY 2019-20 and FY 2020-21 as follows:

As per Regulation 14.2 of the MYT Regulations 2018,
"14.2 Approved aggregate loss, if any to the Transmission Licensee or Distribution Licensee on account of controllable factors shall be on account of the Licensee, and shall not be passed to the Consumers"

The disincentive has been derived by calculating the additional cost of power procured due to under achievement of the stipulated Intra-State T&D loss target by the Petitioner, at the Average Power Purchase cost (APPC). The APPC has been derived at State/UT Periphery based on the Power Purchase cost approved in the True-up above and the Energy at State/UT Periphery computed after grossing up the retail energy sales with the approved Intra-State T&D Loss.

The assessment of dis-incentive for higher T&D losses is shown in the following table:

Table 90: Dis-incentive due to under-achievement of T&D Loss target for FY 2019-20 (INR Crore)

S. No	Particulars	As per Approved Intra-State T&D Loss	Trued-up by Commission
1	Retail Sales	268.27	268.27
2	T&D Loss (%)	14.34%	21.98%

S. No	Particulars	As per Approved Intra-State T&D Loss	Trued-up by Commission
3	Power Purchase at State/UT Periphery	313.18	343.83
4	Gain/(Loss) (MU)		-30.65
5	Average Power Purchase Cost (APPC)		16.91
6	Gain/ (Loss) (INR Cr)		-51.82
7	**Sharing of 100% of Loss with the Petitioner**		**-51.82**

Table 91: Dis-incentive due to under-achievement of T&D Loss target for FY 2020-21 (INR Crore)

S. No	Particulars	As per Approved Intra-State T&D Loss	Trued-up by Commission
1	Retail Sales	232.26	232.26
2	T&D Loss (%)	13.84%	28.33%
3	Power Purchase at State/UT Periphery	269.57	324.05
4	Gain/(Loss) (MU)		-54.48
5	Average Power Purchase Cost (APPC)		17.75
6	Gain/ (Loss) (INR Cr)		-96.68
7	**Sharing of 100% of Loss with the Petitioner**		**-96.68**

The Commission determines and approves INR 51.82 Crore and INR 96.68 crore as dis-incentive for under-achieving the T&D Loss target for the FY 2019-20 and FY 2020-21 respectively.

4.19. Aggregate Revenue Requirement (ARR)

Petitioner's submission

Based on the expenses as detailed above, the Petitioner has submitted the net aggregate revenue requirement of INR 814.46 Crore and INR 837.63 Crore for approval in the True-up of the FY 2019-20 and FY 2020-21.

Commission's analysis

The Commission on the basis of the detailed analysis of the cost parameters of the ARR approves the net revenue requirement in the True-up of the FY 2019-20 and FY 2020-21 as given in the following table:

Table 92: Aggregate Revenue Requirement approved by Commission for FY 2019-20 (INR Crore)

S. No	Particulars	Approved in APR Order	Petitioner's Submission	Trued-up by Commission
1	Power Purchase Cost	413.40	424.64	419.43
2	Fuel Cost	88.18	159.42	161.90
3	Employee Expenses	102.39	131.05	94.99
4	Administration & General Expenses (A&G)	36.01	15.36	25.68
5	Repair & Maintenance Expenses (R&M)	44.03	60.31	60.31
6	Depreciation	5.67	5.99	6.13
7	Interest and Finance charges	1.51	5.72	4.96
8	Interest on Working Capital	5.39	5.02	4.89
9	Interest on Security Deposit	0.00	0.00	0.00
10	Return on Equity	8.36	10.84	10.84
11	Incentive/ (Disincentive)on achievement of norms	-	0.00	(51.82)
12	**Total Revenue Requirement**	**704.94**	**818.35**	**737.33**
13	Less: Non-Tariff Income	2.94	3.89	3.89

S. No	Particulars	Approved in APR Order	Petitioner's Submission	Trued-up by Commission
14	**Net Revenue Requirement**	**702.00**	**814.46**	**733.44**

Table 93: Aggregate Revenue Requirement approved by Commission for FY 2020-21 (INR Crore)

S. No	Particulars	Approved in APR Order	Petitioner's Submission	Trued-up by Commission
1	Power Purchase Cost	413.63	35.46	575.09
2	Fuel Cost		542.23	
3	Employee Expenses	112.80	143.71	92.37
4	Administration & General Expenses (A&G)	37.93	2.36	20.15
5	Repair & Maintenance Expenses (R&M)	45.12	45.66	45.66
6	Depreciation	7.06	17.10	13.45
7	Interest and Finance charges	2.00	24.42	5.17
8	Interest on Working Capital	4.23	4.25	4.12
9	Interest on Security Deposit	0.00	0.00	0.00
10	Return on Equity	9.31	26.60	11.80
11	Incentive/ (Disincentive)on achievement of norms	-	0.00	(96.68)
12	**Total Revenue Requirement**	**632.08**	**841.79**	**671.11**
13	Less: Non-Tariff Income	3.09	4.16	4.16
14	**Net Revenue Requirement**	**628.99**	**837.63**	**666.95**

The Commission approves net Aggregate Revenue Requirement of INR 733.44 Crore and INR 666.95 Crore in the True-up of the FY 2019-20 and FY 2020-21 respectively.

4.20. Revenue at existing Retail Tariff

Petitioner's submission

The Petitioner has submitted the net actual revenue of INR 170.17 Crore and INR 156.63 Crore for the true-up of FY 2019-20 and FY 2020-21 respectively.

Commission's analysis

The Commission has verified the revenue from audited accounts. The total revenue as submitted by the Petitioner and approved by the Commission is shown in the following table:

Table 94: Revenue at existing tariff approved by Commission for FY 2019-20 and FY 2020-21 (INR Crore)

S. No	Particulars	Approved in APR Order	Petitioner's Submission	Trued-up by Commission
1	Revenue approved for FY 2019-20	183.98	170.17	170.17
2	Revenue approved for FY 2020-21	153.19	156.63	156.63

The Commission approves the revenue from sale of power as INR 170.17 Crore and INR 156.63 Crore in the True-up of the FY 2019-20 and FY 2020-21 respectively.

4.21. Standalone Revenue Gap/ (Surplus)

Petitioner's submission

Based on the ARR and the revenue from retail tariff, the standalone revenue gap of INR 644.29 Crore and INR 681.00 Crore is arrived at in the True-up of the FY 2019-20 and FY 2020-21 respectively.

Commission analysis

The Commission based on the approved ARR and retail tariff has arrived at the Revenue Gap/Surplus as follows:

Table 95: Standalone Revenue Gap/ (Surplus) for the FY 2019-20 (INR Crore)

S. No	Particulars	Approved in APR Order	Petitioner's Submission	Trued-up by Commission
1	Net Revenue Requirement	702.00	814.46	733.44
2	Revenue from Retail Sales at Existing Tariff	183.98	170.17	170.17
3	**Net Gap /(Surplus)**	**518.02**	**644.29**	**563.27**

Table 96: Standalone Revenue Gap/ (Surplus) for the FY 2020-21 (INR Crore)

S. No	Particulars	Approved in APR Order	Petitioner's Submission	Trued-up by Commission
1	Net Revenue Requirement	628.99	837.63	666.95
2	Revenue from Retail Sales at Existing Tariff	153.19	156.63	156.63
3	**Net Gap /(Surplus)**	**475.80**	**681.00**	**510.32**

The Commission approves a standalone gap of INR 563.27 Crore and INR 510.32 Crore in the True-up of FY 2019-20 and FY 2020-21 respectively. The Petitioner has submitted the Letter / certificate issued by Andaman Administration in support of gap funding for the year wise gap to be recognized by the Commission in the true-up of FY 2019-20 and FY 2020-21, accordingly, the approved standalone gap shall be met from the budgetary support by the Government.