

JOINT ELECTRICITY REGULATORY COMMISSION
For the State of Goa and Union Territories Gurgaon

CORAM

Shri Alok Tandon (Chairperson)

Smt. Jyoti Prasad, Member (Law)

Review Petition No. 169/2026

Date of Hearing: 15.01.2026

Date of Order: 05.03.2026

In the matter of

Petition under Sections 94(1) of the Electricity Act, 2003 read with Regulation 74(B) of the Joint Electricity Regulatory Commission (Conduct of Business) Regulations, 2009 as amended vide the Joint Electricity Regulatory Commission (Conduct of Business) (Fourth Amendment) Regulation, 2015 seeking review of the Tariff Order dated 30.10.2025 issued by the Commission in Petition No. 150/2025 for Aggregate Revenue Requirement and Determination in Retail Tariff for the MYT Control Period (FY 2025-26 to FY 2029-30) for Chandigarh Power Distribution Limited.

And in the matter of

Chandigarh Power Distribution Limited (CPDL)

SCO-33-35, 4th Floor, City Centre, Sector 34-A, Chandigarh – 160 022, India.

.....Petitioner

Present:

For the Petitioner

1. Ms. Prachi Jain, Head-Regulatory, CPDL
2. Mr. Dushyant Manocha, Counsel for the Petitioner

ORDER

This Review Petition has been filed by Chandigarh Power Distribution Limited (hereinafter referred to as the "CPDL" or the "Petitioner") seeking review of the Commission's Order dated 30th October 2025 on certain issues. The Commission has examined the Petition and a hearing in this matter was held on 15th January 2025.

Before proceeding to analyse the issues and concerns of the Petitioner, it is imperative to understand the powers of the Commission to review its own Order and the scope of review.

The Commission's Power to Review:

1. The Commission's power to review its own Order flows from Section 94(1)(f) of the Electricity Act, 2003 ("the Act") which provides that:

... "The Appropriate Commission shall, for the purposes of any inquiry or proceedings under this Act, have the same powers as are vested in a civil court under the Code of Civil Procedure, 1908 (5 of 1908) in respect of the following matters, namely:

(f) reviewing its decisions, directions and orders;"

These powers to review u/s 94(1)(f) of the Act are the same as conferred on a Civil Court by the Code of Civil Procedure (CPC). These have been spelt out in Section 114, read with Order 47, of the CPC.

- a) As per the said provisions, the specific grounds on which an Order already passed can be reviewed are:
 - I. if there are mistakes or errors apparent on the face of the record, or
 - II. on discovery of new and important matter or evidence which, after due diligence, was not within the knowledge or could not be produced at the time of making the order, or
 - III. if there exist other sufficient reasons.
- b) Thus, review is permissible where some mistake or error apparent on the face of record is found and the error apparent on record must be such an error which may strike one merely by looking at the record and would not require any long drawn process of reasoning. But simultaneously, the materials on record, which on proper consideration may justify the claim, cannot be ignored.
- c) Clerical or arithmetical mistakes in Judgments or Orders, or errors arising therein from any accidental slip or omission may at any stage be corrected by the Commission under Section 152 of the CPC, either of its own motion or on the application of any of the parties. The word "accidental" qualifies the slip/

omission.

2. Section 74 of the Joint Electricity Regulatory Commission (Conduct of Business) Regulations, 2009, specifies the following:

“74. Review of the decisions, directions and orders

(a) The Commission may at any time on its own motion or on the application of any of the persons or parties concerned, within 45 days of the making of any decision, direction or order, review such decisions, directions or orders and pass such appropriate orders as the Commission thinks fit:

Provided that power of review by the Commission on its own motion shall be exercised limited to correction of clerical or typographical errors.

(b) An application for such review shall be filed in the same manner as a Petition under Chapter II of these regulations.”

Therefore, the instant review application has to necessarily meet the requirements of Section 114 and Order 47 of the CPC to be eligible for review.

3. Accordingly, the issues raised by the Petitioner and the Commission's views there on are analysed as under:

Issue 1: Error in the computation of interest on consumer security deposit

Petitioner's Submission

The Petitioner has submitted that the Commission, in the Order under Review, under Para 3.17 at Page 76, while calculating the normative interest on Consumer Security Deposit approved for each year of the MYT Control Period, has inadvertently considered the Bank Rate as on 1st April 2025 as 5.75% instead of the correct rate of 6.50%.

“The rate of interest has been considered equivalent to the RBI Bank rate on the 1st April 2025 which is 5.75%. The Commission has considered the security deposit based on the specific load (~Rs. 1021 per kW) of FY 2024-25 and worked out the average security deposit for the Control Period based on approved load for each year of the 4th MYT Control Period.”

The Petitioner further submitted that as per Regulation 29.11 of the Joint Electricity Regulatory Commission (Generation, Transmission and Distribution) Multi-Year Tariff Regulations, 2024 (“JERC MYT Regulations, 2024”), interest has to be allowed for amounts held by the licensee towards customer security deposits at the Bank Rate as on 1st April of the relevant Financial Year. In terms of Regulation 2(15) of the JERC MYT Regulations, 2024, Bank Rate is defined as the *Bank Rate declared by the Reserve Bank of India from time to time.*

The Petitioner has considered the interest on consumer security deposit for each year of the

Control period, which is computed at a Bank Rate of 6.50% as provided below:

| S.No. | Particulars | Reference | FY 2025-26 | FY 2026-27 | FY 2027-28 | FY 2028-29 | FY 2029-30 |
|-------|-----------------------------------------------------------|---------------------------|------------|------------|------------|------------|------------|
| A | Load (kW) | | 16,97,694 | 17,18,401 | 17,40,311 | 17,63,904 | 17,89,896 |
| B | Specific Load(Rs/kW) | | 1021 | 1021 | 1021 | 1021 | 1021 |
| C | Average Security Deposit (Rs. Cr.) | $C = (A \times B) / 10^7$ | 173.33 | 175.44 | 177.68 | 180.09 | 182.74 |
| D | Rate of Interest (%) | | 6.50% | 6.50% | 6.50% | 6.50% | 6.50% |
| E | Interest on Security Deposit on normative basis (Rs. Cr.) | $E = C \times D$ | 11.27 | 11.40 | 11.55 | 11.71 | 11.88 |

Commission's Analysis

The Commission notes that, while determining the normative interest on Consumer Security Deposit in Para 3.17 of the Order under Review, the Bank Rate as on 1st April 2025 has been considered as 5.75%. The Commission observes that, in terms of Regulation 29.11 of the JERC MYT Regulations, 2024, interest on amounts held by the licensee towards customer security deposits is required to be allowed at the Bank Rate as on 1st April of the relevant Financial Year, and further, as per Regulation 2(15) of the said Regulations, the Bank Rate is the rate declared by the Reserve Bank of India from time to time.

The interest on Consumer Security Deposit has been provisionally allowed for MYT Control period FY 2025-26 to FY 2029-30, which is subject to adjustment based on actuals. The Commission further clarifies that the as per Regulation 29.11 of the JERC MYT Regulations, 2024, interest on amounts held by the licensee towards customer security deposits is required to be allowed at the Bank Rate as on 1st April of the relevant Financial Year.

Thus, the Petitioner has to remit interest on customer security deposits at the Bank Rate as on 1st April of the relevant Financial Year subject to Truing-up based on actuals.

Accordingly, there is error apparent and allowed.

Issue 2: Error in determining the Operation and Maintenance (O&M) expenses for MYT Control Period

Petitioner's Submission

The Petitioner has submitted that the Commission, in the Order under Review, while allowing the individual components of O&M expenses, has specified, in respect of Employee

Expenses and A&G Expenses, that in the absence of True-Up Petitions submitted by the Review Petitioner / EWEDC from FY 2022-23 onwards, the calculations have been based on the last approved figures, i.e., as per the Tariff Order for FY 2024-25 dated 25.07.2024, as the base value for determining the expenses for the Control Period (FY 2025-26 to FY 2029-30).

In Table 33 at Page 59 of the Order under Review, the Commission has considered the last approved figure (i.e., Tariff Order for FY 2024-25 dated 25.07.2024) of employee expenses as base value to determine the employee expenses for the 4th Control Period. The rationale for taking this view is captured at Page 58 of the Order under Review, wherein the Commission has observed as under:

“Further, as the Petitioner/EWEDC (whichever is applicable) has not submitted the Truing-up petition from FY 2022-23 onwards, therefore, the Commission has considered the last approved (Tariff Order for FY 2024-25) value of employee expenses as base value to determine the employee expenses for the 4th Control Period.”

Similarly, in Table 36 at Page 61 of the Order under Review, the Commission has considered the last approved figure (i.e., Tariff Order for FY 2024-25 dated 25.07.2024) of Opening GFA and 'K' factor to determine the R&M expenses for the 4th Control Period. The rationale for taking this view is captured at Page 60 of the Order under Review, wherein the Commission has observed as under:

“Further, the EWEDC has not submitted the Truing-up petition from FY 2022-23 onwards. In the absence of the same the Commission has considered the 'K' factor same as approved in the Tariff Order for FY 2024-25. The 'K' factor is kept constant for all the years of the Control Period and multiplied with the opening GFA of the respective year for the purpose of allowance of R&M expenses.”

Similarly, in Table 38 at Page 63 of the Order under Review, the Commission has considered the last approved figure (i.e., Tariff Order for FY 2024-25 dated 25.07.2024) of A&G expenses as base value to determine the A&G expenses for the 4th Control Period. The rationale for taking this view is captured at Page 62 of the Order under Review, wherein the Commission has observed as under:

“Similar to the methodology followed while estimating the employee expenses, the Commission has determined the A&G expenses for the Control Period. The Commission has considered the last approved (Tariff Order for FY 2024-25) value of A&G expenses as base value in the absence of truing-up from FY 2022-23 onwards, to determine the A&G expenses for the 4th Control Period...”

The Petitioner has submitted that it has taken over the business with effect from 01.02.2025. As such, the finding that the Review Petitioner did not submit its true up petitions for the past three years, is with respect, an error apparent on the face of the record.

Further, while determining the Employee expenses, R&M expenses and A&G expenses for each year of the Control Period, the Commission has overlooked the fact that the

Commission's own Regulations (i.e., JERC MYT Regulations, 2024) provide for the eventuality that if a Licensee has not been in operation for the past three years, O&M expenses could have been determined on a case to case basis. In this regard, the Petitioner craves leave to place reliance on Regulation 60.4 and 72.4 of the JERC MYT Regulations, 2024.

That the Proviso to Regulation 60.4 of the JERC MYT Regulations, 2024 is reproduced hereinbelow for the sake of convenience of the Commission:

“Provided that in case the Distribution Licensee has been in operation for less than three (3) Years as on the date of effectiveness of these Regulations, O&M Expenses shall be determined on case-to-case basis.”

Similarly, Regulation 72 governs O&M expenses for Retail Supply Business and the Proviso to Regulation 72.4 provides for the same to be determined on a case-to-case basis where the Licensee has been in operation for less than three years. The proviso to Regulation 72.4 of JERC MYT Regulations, 2024 is reproduced hereinbelow for the convenience of the Commission:

“Provided that in case the Licensee has been in operation for less than three (3) Years as on the date of effectiveness of these Regulations, the O&M Expenses shall be determined on a case to case basis.”

In accordance with Regulation 60.4 and 72.4 and Regulation 6 of MYT Regulations, 2024, the Review Petitioner submitted the said details requesting the Commission to take the budgeted/estimated figures for FY 2025-26 to FY 2029-30.

However, it appears that the Commission has inadvertently not considered the fact that the Review Petitioner is a new entity that has only entered into business with effect from 01.02.2025 and as such, could not have filed an earlier True-up Petition. That being the case, the recourse available was to rely on Regulations 60.4 and 72.4 of the JERC MYT Regulations, 2024.

It may also be relevant to point out that on an earlier occasion, in an almost identical situation where a Licensee had not been in operation for more than three years, the Commission had placed reliance on its *pari materia* provisions of MYT Regulations, 2021 (Regulation 52.4 and Regulation 61.4) to consider the actual/estimated numbers for the said Licensee whilst allowing the O&M expenses in the ARR and True-up . In this regard, the Review Petitioner places reliance on the Order dated 13.06.2024 passed by the Commission in Petition No. 117 of 2023. In the said Order, the Commission, while determining the APR for FY 2023-24 and ARR for FY 2024-25, has approved the O&M expenses (*Employee, A&G and R&M*) as proposed by DNHDDPDCL in a budgeted and not in a normative manner and held as hereunder:

“4.10 Operation & Maintenance (O&M) Expenses

Commission's Analysis:

...
It is worthwhile to mention here that due to privatization of Utilities in Daman & Diu, the new entity DNHDDPDCL has been formed which is vested with the responsibility of distribution of power supply within the UT, thus, in absence of actual last three year audited accounts as per JERC MYT Regulations, 2021, based on new asset base, it is imperative and Commission deems it fit to consider the O&M expenses as submitted by the Petitioner in order to carry out APR of FY 2023-24.

4.10.1 Employee Expenses

Commission's Analysis:

...
It is to be noted that due to restructuring, the O&M norms shall be determined on case to case basis, thus, as per the Regulations stipulated above, the Commission has considered the projected employee expenses for FY 2023-24 to be allowed in APR subject to truing-up.

4.10.2 Repair & Maintenance (R&M) Expenses

Commission's Analysis:

As per the approach and methodology adopted while allowing employee expenses in earlier section, the Commission has considered Regulation 61.3 and 61.4 of the JERC MYT Regulations, 2021 for allowing R&M expenses...

Therefore, in view of above, the Commission has considered the projected R&M expenses for FY 2023-24 to be allowed in APR of FY 2023-24 subject to truing-up."

4.10.3 Administrative and General (A&G) Expenses

Commission's Analysis:

Based on the methodology adopted by the Commission in approving the Employee Expenses and R&M Expenses for FY 2023-24 in the previous sections, the following table provides the A&G expenses approved by the Commission in the ARR Order, Petitioner's submission and now approved by the Commission.

.....

5.10 Operation & Maintenance (O&M) Expenses

Commission's Analysis:

...
It is worthwhile to mention here that due to privatization of Utilities in Daman & Diu, the new entity DNHDDPDCL has been formed which is vested with the responsibility of distribution of power supply within the UT, thus, in absence of actual last three year audited accounts as per JERC MYT Regulations, 2021, based on new asset base, it is imperative and Commission deems it fit to consider the base year value on actual basis in order to carry out truing-up of FY 2022-23.

5.10.1 Employee Expenses

Commission's Analysis:

...
In view of above, in order to allow the O&M expenses for FY 2023-24, the Commission has considered Regulation 61.3 and 61.4 of the JERC MYT Regulations, 2021 as stated above.

It is to be noted that due to restructuring, the O&M norms shall be determined on case to case basis, thus, as per the Regulations stipulated above, the Commission has

considered the projected employee expenses for FY 2024-25 to be allowed in ARR subject to truing-up.

5.10.2 Repair & Maintenance (R&M) Expenses

Commission's Analysis:

....

As per the approach and methodology adopted while allowing employee expenses in earlier section, the Commission has considered Regulation 61.3 and 61.4 of the JERC MYT Regulations, 2021 for allowing R&M expenses which specifies the following:

"61. Operation and Maintenance (O&M) expenses for Distribution Retail Supply Business

61.3 The Licensee shall submit the required O&M expenses for the Control Period as a part of Multi Year Tariff Petition. O&M expenses for the base Year shall be approved by the Commission taking into account the latest available audited accounts, business plan filed by the distribution Licensee, estimates of the actuals for the base Year, prudence check and any other factors considered appropriate by the Commission.

61.4 Provided that in case the Licensee has been in operation for less than three (3) Years as on the date of effectiveness of these Regulations, the O&M Expenses shall be determined on case to case basis:

Therefore, in view of above, the Commission has considered the projected R&M expenses for FY 2024-25 to be allowed in ARR of FY 2024-25 subject to truing-up.

5.10.3 Administrative and General (A&G) Expenses

Commission's Analysis:

....

Based on the methodology adopted by the Commission in approving the Employee Expenses and R&M Expenses for FY 2024-25 in the previous sections, the following table provides the A&G expenses as submitted by the Petitioner and now approved by the Commission"

[Emphasis supplied]

Therefore, on the principles of parity, the Commission ought to have meted out the same treatment for the Review Petitioner as well. This would not only align with the principles of regulatory certainty and fairness but would also ensure that the Review Petitioner is not restricted to undertake the activities required to meet its operational and statutory obligations.

The Petitioner has submitted that the Commission may be pleased to review the Order under Review and correct the error in determining the O&M Expenses for the MYT Control Period by taking into account the budgeted/estimated actual expenses and clarifying that O&M Expenses (Employee, R&M and A&G) shall be allowed as per actuals subject to prudence check at the time of truing up and that norms may be determined once atleast three years Audited Accounts for the Review Petitioner are available.

Commission's Analysis

The Commission notes that the methodology adopted in the Order under Review for

determination of O&M expenses is in accordance with the provisions of the JERC MYT Regulations, 2024 and is based on the information and filings made available by the Review Petitioner at the time of tariff determination. The Commission, while projecting the O&M expenses for the MYT Control Period found it appropriate to rely on the last approved figures, as per the Tariff Order for FY 2024-25 dated 25.07.2024, as the base for determining Employee Expenses, A&G Expenses, and for computing R&M expenses using the approved GFA and K-factor.

The Commission also takes note of the reliance placed by the Review Petitioner on the Tariff Order dated 13.06.2024 issued in respect of DNH and DD Power Distribution Corporation Limited. It is observed that DNH and DD Power Distribution Corporation Limited was incorporated as a new entity from the erstwhile DNHPDCL and Electricity Department of Daman & Diu by transferring assets of voltage level of upto 11 KV only. However, in the case of UT of Chandigarh there is no such merger/demerger or voltage specific asset segregation as in case of UT of DNHDD. The Commission is of the considered opinion that the approach adopted in the Order under Review does not suffer from any error apparent on the face of the record. Hence, we do not find any ground for review on this issue.

Issue 3: Error in computation of Return on Equity (RoE) for the MYT Control Period.

Petitioner's Submission

The Petitioner has submitted that the Commission, at Page 82 (Table 56) of the Order under Review, has erroneously reduced 30% of the GFA while computing the Opening Equity for FY 2025-26. The total GFA has been considered as Rs. 244.51 Cr., with the corresponding 30% equity component amounting to Rs. 73.35 Cr on account of assets depreciated up to 90%.

The Petitioner submits that such reduction has been made on the erroneous assumption that certain assets which have completed their useful life, i.e., have been depreciated up to 90% as on 01.04.2025, are no longer in use. This finding is factually incorrect, and therefore the Commission may exercise its review jurisdiction to correct the same.

The Petitioner has submitted the operative findings of the Order under Review as below:

“3.19 The opening Gross Equity for the first year of the MYT Control Period has been considered equivalent to the closing Equity approved in the Tariff Order for the FY 2024-25. Further, the Commission has reduced the Equity portion of assets depreciated upto 90%. The normative equity addition during each year of the control period has been considered as per the capital structure approved in the previous section.”

The Petitioner highlights that there is an error apparent on the face of record since the

assumption made by Commission is that the assets which have completed their useful life (depreciated up to 90%) as on 01.04.2025 are no more in use. The Commission, erroneously, computed the "Net Equity Opening" for FY 2025-26 as Rs. 94.60 crores by reducing 30% of the GFA (in terms of Debt-Equity Ratio of 70:30), aggregating to Rs. 244.51 crores, on account of certain assets which this Commission notes were depreciated up to 90%.

On the contrary, while computing the Repair and Maintenance expenses at Page 60 of the Order under Review, the Commission has categorically recorded that the deduction of assets on account of depreciation up to 90% was not considered, since the Review Petitioner's assets continue to remain in use and have neither been removed nor dismantled. Accordingly, the said assets warranted the computation of Repair and Maintenance expenses. The relevant extract of the Order under Review is as follows:

"...the commission has not considered deduction of assets depreciated up to 90% based on the fact that the same has not been removed / dismantled from the distribution network and is still being utilized for servicing the consumers and hence, requires R&M expenses."

The Petitioner has submitted that while the Commission has duly accorded and provided Repair and Maintenance expenses at one place in the Order under Review, on such assets having depreciated upto 90% as they continue to be in use, it has, for the very same assets, removed them from the Equity Base, even though such assets are still operational. This inconsistency constitutes an error apparent on the face of the record.

Further, it is pertinent to note that the JERC MYT Regulations, 2024 do not allow for reduction of corresponding Equity, merely because such Assets have been depreciated upto 90%.

The Petitioner highlights that the Regulation 27.1 of the MYT Regulations, 2024 deals with the Debt Equity ratio in case of assets which have completed their useful life as on 01.04.2025 and it is clearly provided that the equity capital for such assets shall be limited to 30% (in case the same was higher, which is not the instant case) for tariff computation. Further Regulation 28.4 of the MYT Regulation, 2024 provides that the actual equity infused in the Distribution Licensee as per book value shall be considered as perpetual and shall be used for computation of RoE. Further, It is submitted that harmonious reading of these Regulations implies that in no circumstances can the equity for tariff determination be considered at less than the equity infused and at 30% of the original capital cost in case of decapitalisation, replacement or retirement of such assets.

Accordingly, the Petitioner has submitted the "Net Equity Opening" for FY 2025-26 in Table 56 at Page 82 of Order under Review ought to be corrected to Rs. 167.95 Crore and shall be considered to compute the average equity for each year of the MYT control period without any deductions are as below:

| Particulars | FY 2025-26 | FY 2026-27 | FY 2027-28 | FY 2028-29 | FY 2029-30 |
|--------------------------------------------------------------------------------------------------|---------------|---------------|---------------|---------------|---------------|
| Gross Equity | 167.95 | 194.08 | 239.37 | 279.40 | 298.44 |
| Less: Consumer Contribution Equity portion | 0.00 | 1.20 | 3.60 | 6.00 | 7.80 |
| Net Equity Opening | 167.95 | 192.88 | 235.77 | 273.40 | 290.64 |
| Equity Addition during year (30% of Capitalization) | 26.13 | 45.29 | 40.03 | 19.04 | 12.94 |
| Less: Equity Addition of Consumer Contribution during year (30% of Consumer Contribution) | 1.20 | 2.40 | 2.40 | 1.80 | 1.20 |
| Closing Equity | 192.88 | 235.77 | 273.40 | 290.64 | 302.38 |
| Average Equity | 180.42 | 214.33 | 254.59 | 282.02 | 296.51 |
| Average Equity-Wires Business | 162.37 | 192.89 | 229.13 | 253.82 | 266.86 |
| Average Equity (Retail Supply Business) | 18.04 | 21.43 | 25.46 | 28.20 | 29.65 |
| Return on Equity for Wires Business (%) | 15.50% | 15.50% | 15.50% | 15.50% | 15.50% |
| Return on Equity for Retail Supply Business (%) | 16.00% | 16.00% | 16.00% | 16.00% | 16.00% |
| Return on Equity for Wires Business | 25.17 | 29.90 | 35.51 | 39.34 | 41.36 |
| Return on Equity for Retail Supply Business | 2.89 | 3.43 | 4.07 | 4.51 | 4.74 |
| Return on Equity | 28.05 | 33.33 | 39.59 | 43.85 | 46.11 |

Commission's Analysis

The Commission has examined the submissions of the Petitioner regarding the computation of Opening Equity for FY 2025-26 and observed that the adjustment made in the Order under review, whereby 30% of the Gross Fixed Assets (GFA) amounting to Rs. 73.35 Crore (*Equity portion of assets depreciated upto 90%*) was excluded while determining the Opening Equity for FY 2025-26. The reduction in equity has not been made on the premise that the assets are physically dismantled or removed from service, but on the basis of regulatory prudence associated with assets that have reached the threshold of 90% depreciation. Such assets are considered to have substantially recovered their capital cost through depreciation, and continued servicing of equity on the same beyond this stage would amount to over-recovery from consumers. Further, the Commission hereby clarifies that adjustment entry in opening equity of FY 2025-26 was provisionally done to compute the opening of FY 2025-26 in the absence of duly filed and admitted True-Up Petitions for FY 2022-23 onwards. Hence, during Truing-up of FY 2025-26, closing of FY 2024-25 True-up will only be the opening of FY 2025-26 as per the consistent Regulatory practice followed by the Commission.

Hence, we do not find any ground for review on this issue.

Issue 4: Error in reducing the outstanding loan for the computation of interest cost.

Petitioner's Submission

The Petitioner has submitted that the Commission, at Page 74 of the Order under Review, has, albeit erroneously, reduced the gross loan component of the assets i.e., 70% of the asset value from the Opening Outstanding Loan as on 01.04.2025 on the ground that such assets stand depreciated up to 90% and are presumably not in use, while computing the "Interest on Loan" for FY 2025-26.

The Commission, at Page 72 of the Order under Review, while relying upon Regulation 29 of the JERC MYT Regulations, 2024, has categorically reduced the loan portion of the assets that have been depreciated up to 90%, i.e., 70% in terms of the prescribed debt-equity ratio.

The relevant extract of the Order under Review is as follows:

"Interest on Loan has been calculated on the average loan during the year with the opening loan for the first year of the MYT Control Period considered equivalent to the closing loan approved in the Tariff Order for the FY 2024-25. The Commission has reduced the loan portion of assets depreciated up to 90%. Further, the normative loan addition during each year of the control period has been considered as per the capital structure a proved in the previous section."

The Petitioner has submitted that the artificial deduction of the loan component, despite the Review Petitioner's assets continuing to remain in use, as duly acknowledged by the Commission while computing the Repair and Maintenance Charges constitutes *an inadvertent error apparent on the face of the record*. The consequent reduction of the loan portion arising from the treatment of assets depreciated up to 90% has, in turn, resulted in a distorted computation of the "Interest on Loan" for the relevant financial years.

Without prejudice to the foregoing submissions, it is submitted that even if the accumulated depreciation of the said assets, amounting to 90% is treated as repayment of loan, the Review Petitioner would, in effect, have repaid the loan portion corresponding to 70% of the value of such assets. Consequently, the outstanding loan against these assets already stands set off by the Review Petitioner. In such circumstances, no further deduction could have been made from the opening Normative Loan, as there would be no outstanding loan remaining to be adjusted against these assets.

Such a contradiction, in accounting for values that have been expressly acknowledged and applied by the Commission in the Order under Review, constitutes an error apparent on the face of the record. The inadvertent inconsistency between (i) recognising the continued use of the assets for the purposes of allowing Repair and Maintenance Charges, and (ii) simultaneously effecting a reduction in the normative loan by treating such assets as effectively decapitalised up to 90%, warrants judicial correction. It is therefore respectfully

prayed that the Commission may be pleased to review and rectify the aforesaid inconsistency in the interest of fairness and proper application of the MYT framework.

Commission's Analysis

The Commission has examined the submissions of the Petitioner regarding the computation of Opening Loan for FY 2025-26 and observed that the adjustment made in the Order under review, whereby 70% of the Gross Fixed Assets (GFA) amounting to Rs. 40.28 Crore out of Rs. 171.16 Crore Loan portion of assets depreciated upto 90%, was excluded while determining the Opening Loan for FY 2025-26. The reduction in loan has not been made on the premise that the assets are physically dismantled or removed from service, but on the basis of regulatory prudence associated with assets that have reached the threshold of 90% depreciation. Such assets are considered to have substantially recovered their capital cost through depreciation. The Commission also notes that the Petitioner in the MYT filing itself has considered the nil opening loan for the FY 2025-26, which has been recorded in the Table 49 of the MYT Order. Further, the Commission hereby clarifies that adjustment entry in opening loan of FY 2025-26 was provisionally done to compute the opening of FY 2025-26 in the absence of duly filed and admitted True-Up Petitions for FY 2022-23 onwards. Hence, during Truing-up of FY 2025-26, closing of FY 2024-25 True-up will only be the opening of FY 2025-26 as per the consistent Regulatory practice followed by the Commission.

Hence, we do not find any ground for review on this issue.

Issue 5: Error in computation of Income Tax for the MYT Control Period i.e., from FY 2025-26 to FY 2029-30.

Petitioner's Submission

The Petitioner has submitted that the Commission, in the Order under Review, has held that no "Income Tax" liability for the entire Control Period is being computed since the Review Petitioner has not submitted its Audited Account from FY 2022-23 onwards. This, being an error on the face of the record as the Review Petitioner started operating the business only w.e.f. 01.02.2025.

The Petitioner highlights that the Review Petitioner by way of its MYT Petition had categorically submitted that it has considered an "Effective Tax Rate" of 25.17% for determining the "Income Tax Liability". The said "Effective Tax Rate" has been computed on the basis of the actual income tax paid by the Review Petitioner for FY 2024-25, i.e., for the months of February 2025 and March 2025 and in terms of Regulation 33 of MYT Regulations, 2024.

The Petitioner further submitted that the Commission, while relying upon Regulation 33 of

the JERC MYT Regulations, 2024, erroneously observed at Page 84 of Order under Review, that due to the non-submission of the Review Petitioner's Audited Accounts since FY 2022-23, no income tax liability has been considered for the entire MYT Control Period. The relevant extract of the Order under Review is as follows:

"Since the Petitioner has not submitted Audited Accounts from FY 2022-23 onwards, no income tax liability is computed for the MYT Control Period and the same shall be considered based on the actual income paid by the Petitioner."

The Petitioner has further submitted that "Since the Petitioner has not submitted Audited Accounts from FY 2022-23 onwards, no income tax liability is computed for the MYT Control Period and the same shall be considered based on the actual income paid by the Petitioner."

"33.1 The treatment of income tax for a Generating Company or the Transmission Licensee or the Distribution Licensee shall be done by grossing up the rate of return on equity with the effective income tax rate."

Further, Regulation 33.2 of the JERC MYT Regulations, 2024 unequivocally provides that the Commission shall provisionally consider the effective income tax rate, if any, on the basis of the actual income tax paid (including cess and surcharge thereon), as reflected in the latest audited accounts available for the DISCOM, subject to true-up. The relevant extract of the said Regulation is as follows:

"33.2 The Commission in its MYT Order shall provisionally consider the effective income tax rate for each Year of the Control Period, if any, based on the actual income tax paid including cess and surcharge on the same, if any, as per latest audited accounts available for the Distribution Licensee, subject to true-up."

Since the Review Petitioner has taken over the distribution and retail supply functions of the Chandigarh Electricity Department with effect from 01.02.2025, the Review Petitioner has paid "Income Tax" for the period of remaining FY 2024-25 to the tune of INR 0.28 Crore in accordance with the provisions of Income Tax Act, 1961, amounting to an effective tax rate of 25.17%.

Pertinently, in compliance with the aforementioned Regulations, the Review Petitioner submitted the computation for Income Tax of the Control Period. Therein, the Review Petitioner has computed the effective income tax rate of 25.17%, which is captured at Table 57, Page 83 of the Order under Review.

However, the Commission has inadvertently overlooked the undisputed fact that the Review Petitioner was not in existence during FY 2022-23 and came into force only from 01.02.2025. This, in the submission of the Review Petitioner, constitutes an error apparent on the face of the record, as it is an admitted position that the Review Petitioner could not have submitted Audited Accounts for FY 2022-23. Consequently, the computation of the "Effective Tax Rate" undertaken by the Review Petitioner based exclusively on the actual

income tax paid for the period February 2025 to March 2025, being the only relevant portion of FY 2024-25 during which the Review Petitioner was operational has not been considered in the Order under Review. The absence of any finding on this aspect amounts to an inadvertent omission, which the Commission may review and rectify.

In addition, thereto, the Commission has erroneously overlooked Regulation 33.2 of the JERC MYT Regulations, 2024, which mandates that the effective income tax rate be considered *provisionally* for each year of the Control Period. Instead, the Commission has concluded that there is no income tax liability qua the Review Petitioner for the entire MYT Control Period, which is contrary to the scheme and mandate of the said Regulation.

In view of the above, the Petitioner has submitted that the amount towards Income Tax for each year of the Control Period ought to be computed as below:

| Particulars | Ref. | FY 2025-26 | FY 2026-27 | FY 2027-28 | FY 2028-29 | FY 2029-30 |
|-----------------------------------------------------------------------|---------------|-------------|-------------|-------------|--------------|--------------|
| Approved Return on Equity (RoE) [as per Table 56 of the Tariff Order] | A | 16.65 | 21.92 | 28.18 | 32.45 | 34.70 |
| Income Tax Rate (%) | B | 25.17% | 25.17% | 25.17% | 25.17% | 25.17% |
| Grossed up Return on Equity (RoE) (Rs. Cr.) | C= A/(1-B) | 22.25 | 29.29 | 37.66 | 43.36 | 46.37 |
| Income Tax (Rs. Cr.) | D=C-A | 5.60 | 7.37 | 9.48 | 10.91 | 11.67 |

Commission's Analysis

The Commission notes that the treatment of income tax under the JERC MYT Regulations, 2024 is intrinsically linked to the availability of audited financial statements, which provide the factual and verifiable basis for determination of the effective income tax rate. Regulation 33 of the JERC MYT Regulations, 2024 envisages provisional consideration of income tax based on the latest audited accounts available, subject to true-up, and does not mandate automatic allowance of income tax in the absence of such audited data.

In the present case, it is an admitted position that the Review Petitioner had not submitted audited accounts for any completed financial year. The Review Petitioner has contended that it commenced operations only with effect from 01.02.2025 and has paid income tax for the months of February-March 2025. But such details were not submitted during MYT proceedings. Further, partial-period operations within a financial year, without corresponding audited accounts, do not by themselves constitute a sufficient basis for determination of an effective income tax rate for the entire Control Period under the MYT framework.

The Order under Review explicitly provides that effective income tax rate shall be considered based on the actual income tax paid, which preserves the Review Petitioner's entitlement to claim income tax through the true-up process upon submission of audited accounts for the relevant years. This approach is consistent with regulatory prudence and

the scheme of the MYT Regulations. Accordingly, the Commission finds no grounds to review this issue.

Issue 6: Omission to allow cost against approved opening CWIP of Rs. 90 Crores.

Petitioner's Submission

The Petitioner has submitted that the Commission, in the Order under Review, in Table 43 at Page 67, as determined in its Business Plan Order dated 21.10.2025 ("Business Plan Order"), has provisionally allowed Capital Work in Progress (CWIP) amounting to Rs. 90.62 Crores. Further, the Commission has allowed capitalisation to the extent of 50% of the proposed capital expenditure (CAPEX) for the entire Control Period, subject to truing-up. The Petitioner has submitted that, however, while determining the ARR in the Order under Review, the Commission has failed to permit the corresponding tariff components for such costs, including depreciation, Return on Equity and Interest on Loan, on the amount capitalised during the MYT Period. The Petitioner has submitted that the same is an inadvertent omission, resulting in an error apparent on the face of the record.

Commission's Analysis

The Commission notes that the Capital Work in Progress (CWIP) of Rs. 90.62 Crores, as reflected in Table 43 of the Order under Review and as approved in the Business Plan Order, is only a provisional estimate based on the projections furnished by the Petitioner at the business plan stage. The said CWIP figure is indicative in nature and subject to verification at the time of True-Up, based on the actual capital expenditure incurred and supported by audited accounts.

The Commission further notes that the allowance of capitalisation during the MYT Period, along with the associated tariff components such as depreciation, Return on Equity and Interest on Loan, is intrinsically linked to the actual assets capitalised during the period. Inclusion of all such components at the business plan stage, based on provisional estimates, would lead to overloading of the ARR. Therefore, these components cannot be conclusively determined or allowed at that stage and are required to be examined during the True-Up proceedings on the basis of actuals.

In view of the above, the Commission is of the considered view that the issue raised by the Petitioner does not constitute an error apparent on the face of the record. Accordingly, the Commission rejects the contention raised in this regard. The CWIP, capitalisation, and the consequential tariff components shall be appropriately considered at the time of True-Up, in accordance with the applicable MYT Regulations.

Issue 7: Error in considering 100% decapitalization of assets while allowing replacement cost only to the extent of 50%.

Petitioner's Submission

The Petitioner has submitted that the Commission, in the Order under Review and the Business Plan Order, has allowed capitalisation only to the extent of 50% of the proposed capital expenditure, including capital expenditure proposed towards replacement of existing assets depreciated up to 90%. However, despite allowing only 50% of the proposed CAPEX to be capitalised, the Commission has considered 100% decapitalisation of the assets depreciated up to 90%, which has resulted in a substantial reduction in the net capitalisation considered for computation of the ARR.

While capitalisation has been allowed only to the extent of 50%, the Commission has directed/approved decapitalisation of 100% of the assets which have depreciated to the extent of 90%. This has led to substantially reduced net capitalisation, which cannot be countenanced. For instance, if the cost of assets depreciated upto 90% is say Rs. 200 Cr and the replacement cost is said Rs. 350 Cr. the treatment in Order under Review has resulted in a situation where the capitalisation over 5 years has been considered at Rs. 175 Cr. (50% of Rs. 350 Crore), and decapitalisation has been considered at Rs. 200 Cr., resulting in allowance of net capitalisation of (-) Rs. 25 Cr. which is factually erroneous. This has suppressed the tariff entitlements of the Review Petitioner thus leaving it without allowance of commensurate costs in ARR.

The Petitioner has submitted that this dichotomy constitutes an inadvertent error, wherein replacement has been valued at a lower figure while decapitalisation has been considered at the full value, leading to an unjustified reduction in net capitalisation and a consequential understatement of ARR components such as RoE and Interest on Loan. Accordingly, the Petitioner submitted that this inconsistency materially impacts its legitimate entitlement under the MYT framework and warrants correction.

Commission's analysis

The Commission notes that the capital expenditure and capitalization allowed for the MYT Control Period in the Business Plan order were on in-principle basis and the Petitioner was asked to obtain scheme-wise approval of the capital works by filing separate petition (scheme-wise) along with DPR, cost-benefit analysis and other relevant documents justifying the requirement within 3 months of the Business Plan Order. Accordingly, any perceived impact on net capitalisation and the consequential effect on ARR components such as Return on Equity and Interest on Loan cannot be conclusively determined at Business Plan stage. Hence, capitalisation has been provisionally allowed only to the extent of 50% of the proposed capital expenditure for the MYT Control Period.

In view of the above, the Commission is of the considered view that the issues raised by the Petitioner regarding the alleged mismatch between capitalisation and decapitalisation are premature at the business plan level and tariff determination stage, when scheme-wise details along with DPR, cost-benefit analysis and other relevant documents justifying the requirement were not submitted. The Commission clarifies that the final capitalization, decapitalisation, and the resultant net capitalisation shall be duly examined and approved during the True-Up, in accordance with the applicable MYT Regulations, 2024. Accordingly, the Commission finds no grounds to review this issue.

Accordingly, the Petition stands disposed of accordingly.

Sd/-
(Jyoti Prasad)
Member (Law)

Sd/-
(AlokTandon)
Chairperson

Certified Copy


(Rajesh Dangi)
Secretary I/c

Place: Gurugram, Haryana

Date: 05, March, 2026