BEFORE THE HON'BLE
ODISHA ELECTRICITY REGULATORY COMMISSION
BIDYUT NIYAMAK BHAWAN
PLOT NO.4, CHUNOKOLI, SHAILASHREE VIHAR, CHANDRASEKHARPUR,
BHUBANESWAR-751023

Case no. ____ of 2023

In the matter of: **Application of TPWODL for approval of Truing up for the period FY 2022-23 along with reconsideration/ revisit of Truing Up for FY 2020-21(3 months) and FY 2021-22 (Case No. 81/ 2022) in line with Hon'ble Commission's letter No. Dir(T)-330/2023/691 dated 16.05.2023 u/s 62, 86 & 94(1)(f) of the Electricity Act, 2003 r/w relevant provisions of OERC (Terms and Conditions for determination of Wheeling and Retail Supply Tariff) Regulations, 2022 and other related matters.**

AND

In the matter of:

M/s. TPWODL ... Applicant

VRS

GRIDCO & Others ... Respondent

<u>AFFIDAVIT</u>

I, Kshirod Chandra Nanda, aged about 54 years, S/o. late Radhanath Nanda working as the GM (RA & Strategy), do hereby solemnly affirm and state as follows: -

That, I am the authorized representative of TPWODL, the Applicant in the instant case and competent to swear this affidavit for and on behalf of the licensee.

1. That, I have gone through the contentions in this application and understood the contents thereof.
2. That, the facts stated in the reply are true to the best of my knowledge and belief.

DEPONENT

Verified that the contents of above affidavit are true and correct, no part of it is false and nothing material has been concealed there-from.

Verified at on this day of November, 2023.

DEPONENT

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AND

In the matter of:

M/s. TPWODL	**...**	**Applicant**
VRS		
GRIDCO & Others	**...**	**Respondent**

1. TPWODL has taken over the distribution business from erstwhile WESCO utility w.e.f 1st January 2021 as per terms of Order dated 28th December 2020 ("Vesting Order"). TP Western Odisha Distribution Limited (TPWODL) is a joint venture between Tata Power and the Government of Odisha with the majority stake being held by Tata Power Company (51%).

2. That, as per Regulation 2.11.4 of the OERC (Terms & Conditions for Determination of Wheeling Tariff and Retail Supply Tariff) Regulations, 2022, truing-up shall be carried out based on actual expenses booked in the Audited Account of the Distribution Licensee for the particular year and the expenses allowed in the ARR for the corresponding financial year, subject to prudence check by the Hon'ble Commission.

3. That, as per Vesting order para 53 "TPWODL shall make expenses in line with the approved expenses and the actual expenses allowed shall be determined at the time of true-up based on prudence check as per the Tariff Regulations."

RECONSIDERATION – True Up for FY 20-21 (Jan-Mar) & FY 21-22 –

4. The Hon'ble Commission vide its RST Order for FY 22-23 dated 24.03.2022 at Para 178, Page 120 had considered the truing up for FY 20-21 (3 months) as provisional and allowed the DISCOMs to file any submissions in this regard for further consideration along with truing up for FY 21-22 when the full year audited accounts are available.

5. Accordingly, TPWODL had filed the application for approval of revised Truing up expenses for the period of FY 20-21 (Jan-Mar) and truing up for FY 21-22, along with ARR for FY 23-24, on 30th November 2022 which was registered as Case No. 81/ 2022.

6. The Hon'ble Commission while truing up the costs for FY 20-21 (3 months) and FY 21-22 has taken a decision to consider the principles in accordance with the Tariff Regulations, 2022 which came into effect in December 2022. Accordingly, the following principle was adopted:

"186. In view of the notification of the new regulations which has taken into account the provisions of vesting orders and other related developments, the Commission has decided to take up the truing up exercise based on the OERC wheeling &Retail Supply Tariff Regulation, 2022. Taking into account the provisions of the said regulations the truing up for the both years latest FY 2020-21 and FY 2021-22 have been carried out on the following principles:

a) Employee cost- The employee cost has been termed as controllable factor in the regulation. However, the employee cost approved in the ARR for the first year of operation was based on the filing of the erstwhile utilities. The Commission, considering lower approval for erstwhile Utilities, allowed additional expenses to the new DISCOMs for the year. The Commission has therefore taken into account following facts while approving employee cost:

(i) Subsequent approvals accorded in the respective Annual Business Plan Orders.

(ii) New recruitment allowed after taking over.

(iii) The expenditure booked in the audited accounts.

(iv) The projection towards actuarial valuation for contribution to the trusts have been deducted and considered only actual cash out go for the terminal benefits as per the vesting orders.

(v) The cost of outsourced expenses has been included in the employees cost in the ARR.

b) The Cost towards R&M and A&G expenses have been allowed as per the approved and audited figure whichever is lower.

c) Bad and Doubtful Debt have been allowed @1% of the actual revenue.

d) Interest on Security deposit, CAPEX loan and working capital loan has been allowed as per the audited account on actual basis.

e) Income Tax has been allowed which has been actually paid and reflected in the audited accounts.

f) Return on Equity has been allowed @16% per annum on the actual equity reflected in the audited accounts.

g) Non-Tariff Income (NTI) has been allowed excluding meter rent, incentive and arrear collection and amortization of consumer contribution and grant.

h) Revenue has been allowed as per the actuals reflected in the audited accounts.

i) Power purchase cost derived as per the cost reflected in the audited accounts and further adjusted as per regulation 3.14 wherein the calculation of gains and loss arising from over achievement or under achievement of AT&C loss reduction vis-à-vis the regulated AT&C loss has been considered."

7. Furthermore, the Hon'ble Commission at Para 189, Page 142 of the RST Order dated 23.03.2023 has observed as under:

> *"189. The Commission hereby finalizes the truing up of expenses of the new DISCOMs (TPCODL, TPSODL, TPWODL & TPNODL) for the FY 2020-21 and FY 2021-22. The Commission finds that the* ***actual expenses booked in the audited accounts are higher than the approved costs*** *for most of components,* ***particularly for O&M****. However,* ***DISCOMs have booked higher Revenues also against the approved Revenues in the ARR****. The DISCOMs have proposed to allow the higher costs owing to the operational requirement during these initial two years of the operations i.e FY 2020-21 and 2021-22.* ***<u>The Commission observes these proposed higher costs can only be verified through relevant information/data, field visits and third-party audit</u>****."*

8. Now to substantiate the reason of increase in actual cost over approved cost, the same is being appended in following paragraphs:

9. That, it is worth mentioning that, vesting of company was w.e.f 1st Jan-21 as per Hon'ble Commission's Order dt. 28.12.2020 in Case No. 82 of 2020. On the date of vesting, the ARR for FY 20-21 was in force which was filed by the erstwhile utility and approved by the Hon'ble Commission vide Order dt. 22.04.2020. As regards FY 21-22, the erstwhile DISCOM had also filed the ARR with the Hon'ble Commission on 30th Nov-2020 for which public hearing was conducted during Feb-2021 & order was passed on 23.03.2021. As ARR for FY 20-21 was already finalized and ARR for FY 2021-22 was approved on the application filed by erstwhile utility, the Hon'ble Commission had given opportunity to the Licensee to file its ABP within 45 days from the date of vesting and Licensee has honored the same. The Hon'ble Commission had also approved the revised cost limited to O&M (i.e A&G, R&M and Employee) for FY 21-22. However, for the operational

period of 3 months i.e, Jan-21 to March-21 there was no separate/additional cost approval for the newly vested company.

10. Upon vesting of company, the new Licensee, without leaving a single stone unturned, started to magnify/enhance revenue collection and collected around Rs.104.55 Cr. out of pre-vesting period arrear. As per normal practice and trend, the O&M cost is always higher in the last quarter of the year as well as improving collection. The following table provides a comparison of the approved O&M costs and revenue vis-à-vis the actual booked by the Licensee in its Audited Accounts for FY 20-21 (3 months) & FY 21-22:

REVENUE (FY 20-21: 3 months)			**REVENUE (FY 21-22)**		
Approved (Rs. Cr.)	**Actual (Rs. Cr.)**	**Growth (%)**	**Approved (Rs. Cr.)**	**Actual (Rs. Cr.)**	**Growth (%)**
782.23	847.62	8%	3705.75	4691.86	27%
O&M EXPENSES (FY 20-21: 3 months)			**O&M EXPENSES (FY 21-22)**		
Approved (Rs. Cr.)	**Actual (Rs. Cr.)**	**Growth (%)**	**Approved (Rs. Cr.)**	**Actual (Rs. Cr.)**	**Growth (%)**
126.52	144.21	14%	672.66	734.00	9%

As can be seen from the above table, the actual expenses/ revenue booked by the Licensee in its Audited Accounts have increased over the approved expenses/ revenue. However, reasons attributable to the increase in Bulk Supply Price, initial set up cost of TPWODL due to takeover process on account of travelling, accommodation etc., has in turn increased the expenses incurred by the Licensee. Further, upon take-over of the business, there was an increase in collection activity. It is worth mentioning that the licensee has collected around Rs.500 crs under LT in Q4 of FY 20-21 out of which pre-vesting arrear collection was Rs. 104.55 Cr. which has been passed on to GRIDCO. The Licensee has also collected approx. Rs. 300 Cr. (out of Apr’20 to Dec’20 arrears) towards payment of BST and transmission bills of Dec’2020 after meeting the employee salary and other expenses.

11. However, the Hon’ble Commission while approving the true up for FY 20-21 (3 months) & FY 21-22 had not considered certain legitimate costs for which TPWODL vide letter No. TPWODL/RA&S/2023/037 dated 12.04.2023 had represented before the Hon’ble Commission for re-consideration of cost

component and other items not considered in Truing up for FY 20-21 (3 months) & FY 21-22 in RST Order dated 23.03.2023.

12. In response to TPWODL's letter dated 12.04.2023, the Hon'ble Commission vide letter No. Dir(T)-330/2023/691 dated 16.05.2023 has given their kind consent for reconsideration with following observation:

> *"In view of the above observation, the **Commission only after undertaking verification of information/ data through field visits and third-party audit may reconsider** higher/ lower cost, if any, in the truing up for the FY 2020-21 and FY 2021-22 including any variation in the calculation methodology as per the existing Regulations. This will be taken into consideration while finalizing the ARR for FY 2024-25."*

13. Accordingly, TPWODL is filing this revised application for reconsideration of Truing up expenses for FY 20-21 (3 months) & FY 21-22 for the kind consideration of the Hon'ble Commission.

14. TPWODL has analyzed and found that certain important aspect which has been overlooked by the Hon'ble Commission needs reconsideration:

S. No.	Particulars	TPWODL's finding
1	Employee Expenses	a) Even though no. of employees to be recruited has been approved through ABP order dt. 27.10.2021 and amended letter dt. 17.01.2022, however, corresponding cost was not considered. Hence, from audited accounts the equivalent cost needs to be considered for FY 20-21. b) Outsourced and contractual labour costs not considered under either Employee Expenses or under A&G head.
2	R&M and A&G Expenses	Hon'ble Commission while approving for FY 20-21(3months) has just prorated the approved amount without considering actual expenses incurred by WESCO Utility till Dec-2020 from it's Audited Accounts. Further, the initial set up cost of the Licensee, which is obviously higher, has not been considered even though it was submitted with detailed justification.
3	Bad and Doubtful Debt	Allowed on approved revenue instead of actual revenue.
4	Income Tax	Not considered even though it has been actually paid as per Audited Accounts.
5	Revenue	Revenue from sale of power includes unbilled revenue. However, Hon'ble Commission while approving the power purchase cost has ignored the unbilled sales needs re-consideration.
6	Disallowance of Power purchase cost	The disallowance of Power purchase cost for FY 20-21 has been calculated with T&D Loss of 19.60% instead of AT&C Loss of 20.40%. Further, sales unit (MU) not correctly captured.

True up for FY 20-21 (Jan-Mar) –

15. Now, considering the above justification/reason the revised True up for FY 20-21 (3 months) is placed as under for reconsideration of Hon'ble Commission:

TPWODL				
Statement of Truing up calculation for FY 2020-21 (Jan'21 to Mar'21)				**Rs. In Cr.**
Particulars	**Approved in the ARR FY 21**	**Audited (3 months)**	**Allowed in true up**	**Request to consider now FY 21 (3 months)**
Expenditure				
Cost of Power Purchase	2633.22	689.8	660.68	665.15*
Employee costs	361.02	101.7	101.7	116.38*
R&M Expenses	92.24	5.75	5.75	5.75
A&G Expenses	52.8	36.76	13.2	22.07*
Provision for Bad & Doubtful Debts	22.95	8.53	5.74	8.53*
Depreciation	61.4	16.4	15.35	16.40*
Interest on Working capital	0	2.95	2.95	2.95
Interest on Consumer Security Deposit	38.62	8	8	8
Interest on long term loan	14.58		0	0
Sub-Total	**3276.83**	**869.89**	**813.36**	**845.23**
Less: Employee cost capitalized				
(A) Total expenses	**3276.83**	**869.89**	**813.36**	**845.23**
Income Tax				
(B) Return on Equity	**7.78**	**0**	**12**	**12**
TOTAL (A+B)	**3284.61**	**869.89**	**825.36**	**857.23**
Less: Miscellaneous Receipt	191.39	44.93	44.93	44.93
Less: Receipt on a/c of CSS		46.57	46.57	46.57
Total Revenue Requirement (C)	**3093.22**	**778.39**	**733.86**	**765.72**
Revenue from Sale of Power (D)	**3128.91**	**847.62**	**847.62**	**847.62**
GAP (-)/ Surplus (+) (D-C)	**35.69**	**69.23**	**113.76**	**81.90**

*__Component wise justification provided under: -__

A. Power Purchase Cost –

16. Hon'ble Commission vide order dated 26.03.2021 for FY 21-22 (Table 31, Page 98) had approved the AT&C Loss for FY 20-21 as 20.40%. However, while approving power purchase cost in truing up, AT&C Loss for FY 20-21 has been erroneously considered as 19.60%.

17. For computation of Gains/ Losses on over/ under achievement of AT&C losses vis-à-vis the target for tariff determination, the Hon'ble Commission has computed the loss/ gain in terms of Rs. Cr., the same has been computed only with BSP & inadvertently Transmission charges has not been included, which is directly linked to Power Purchase MUs. The Hon'ble Commission also while approving ARR, approves cost of power purchase including Bulk supply power as well as transmission charges along with SLDC charges.

18. It is submitted that, as explained above, while determining the Loss/ Gains as above, the Hon'ble Commission may please consider the Gains/ Losses on account of Transmission Cost as well. The allowance for the same for Jan'21 to Mar'21 and FY 21-22 may kindly be adjusted for the same and ARR & Revenue Gap/ Surplus be determined accordingly. So, considering AT&C loss of 20.40%, the revised computation for power purchase cost is as under:

S. No.	Particulars (FY 21) (3 months)	UoM	Approved	Request for consideration	Diff.
1	Approved AT &C loss	%	19.60%	20.40%	
2	Normative collection efficiency	%	99%	99%	
3	Calculated distribution loss	%	18.79%	19.60%	
4	Actual sales	MU	1561.53	1561.53	
5	Actual power purchase	MU	2013.06	2013.06	
6	Normative power purchase	MU	1922.78	1942.10	19.32
7	Additional power purchase	MU	90.28	70.96	-19.32
8	Approved BSP including transmission charges	P/ U	322.6	347.6	
9	Amount eligible for loss or gain to be borne by distribution licensee	Rs. Cr.	29.12	24.66	-4.47
10	Power Purchase Cost (As per Audited A/c)	Rs. Cr.	689.81	689.81	
11	**Revise Power Purchase Cost (Considered for Truing Up)**	**Rs. Cr.**	**660.68**	**665.15**	**4.47**

B. Employee Expenses –

19. The Hon'ble Commission is approving the contractual and outsourcing cost under Employee Expenses. However, the Licensee in it's Audited Accounts has booked under the head of A&G. Even though in truing up application the licensee has disclosed this aspect, due to oversight the Hon'ble Commission has approved employee cost without considering outsource employee expenses neither under Employee head nor under A&G. Revised computation of Employee Expenses is as under:

Particulars (FY 21) (3 months)	**As per Audited Accounts (3 Months)**	**Approved**	**Request for consideration**	**Diff.**
	(Rs. Cr.)	**(Rs. Cr.)**	**(Rs. Cr.)**	**(Rs. Cr.)**
Salaries, wages and bonus	44.49	44.49	44.49	
Contribution to provident and other funds	49.87	49.87	49.87	
Staff welfare expenses	1.29	1.29	1.29	
Terminal benefit expenses-CTC employee	6.05	6.05	6.05	
Sub-total	**101.70**	**101.70**	**101.70**	
Outsourced & Contractual Labour cost from A&G expenses	Booked under A&G	-	14.69	14.69
Total Employee Expenses (Considered for Truing up)	**101.70**	**101.70**	**116.38**	**14.69**

C. A&G Expenses –

20. TPWODL has claimed Rs. 22.07 Cr. under A&G expenses as incurred during FY 20-21 (Jan to Mar). However, the Hon'ble Commission has prorated the approved figure for 3 months and has approved only Rs.13.20 Cr., which appears to be not correct & needs revisit for the reason as explained earlier.

21. It is submitted that the Hon'ble Commission in RST Order dated 22.04.2020 had approved total A&G Expenses of Rs. 52.80 Cr. for FY 20-21 i.e, prior to vesting of the company. It is pertinent to mention here that the erstwhile WESCO utility had incurred Rs. 48.67 Cr till Dec-2020 (9 months) as reflected in its Audited Accounts (As filed in truing up application Case no.116 of 2021). That means the erstwhile utility has spent around Rs. 5.41 Cr. p.m. for 9 months operation.

22. So, with the same monthly average, TPWODL share would be Rs. 16.22 Cr. As Q4 is the most crucial part for enhancement of revenue collection, corresponding

A&G cost is also higher w.r.t other months. Therefore, the actual of Rs. 22.07 Cr. as incurred by TPWODL in Q4 is proper and justified.

23. Further, the initial set up cost of TPWODL due to takeover process has been incurred on account of travelling, accommodation etc. of senior management team in Q4 of the financial year. In normal practice, the actual expenditure is always higher in the last quarter of the year on account of additional expenditure towards revenue collection activities. Upon take-over of the business, the new Licensee having initial other issues has not left a single stone unturned towards increase in collection activity in Q4 of the year. With additional initiative, TPWODL has collected approx. Rs. 500 Cr. under LT for 3 months (Jan-21 to Mar-21) period. Due to which, it could be able to clear Dec-20 BSP & Transmission bills for an amount of around Rs. 300 Cr. (after meeting employee salary and other expenses) and remitted Rs.104 Cr. to GRIDCO towards arrear collection as per commitment of Vesting Order.

24. In addition to the above, the Hon'ble Commission has approved the ARR of erstwhile DISCOM with their proposal and business need and requirement. Under the changed scenario the approved A&G cost needs to be reviewed and reconsidered judiciously.

25. The Licensee submits that it had taken over the distribution business for retail supply and wheeling business on 01.01.2021. The Hon'ble Commission issued the ABP Order on 27.10.2021 providing the details of the revised O&M costs. In the very 1st year of the operation lot of issues from all the area like meter reading, billing, collection, repair and maintenance of network assets, customer service, civil maintenance, hiring of employees, creation of different office set up etc. was the major challenge for the licensee. The ABP was filed in Feb-21 which was being approved in Oct-21, pending decision of Hon'ble Commission, licensee was conservative in engaging the AMC contracts. Hence, the delay in starting the AMC activity ended up with a shortfall in actual expenses. However, the A&G cost which was inevitable and genuine has been spend and the actual is more than the approved amount. Therefore, it is the submission of the licensee to approve A&G and R&M in toto. In addition to above, due to COVID-19, maintenance of power

supply system was a challenge and supply of reliable power was the basic necessity. The Licensee has taken utmost care to maintain the power supply 24X7 for which required R&M and A&G Expenses has been judiciously spent.

26. Hence, the Hon'ble Commission is requested to consider the actual A&G and R&M expenses of Rs.27.82 Cr. in toto for Q4 of FY 20-21 which is well within the limits of the total pro-rated A&G and R&M Expenses amounting to Rs. 36.26 Cr. for FY 20-21 (3 months).

D. <u>Provision for Bad & Doubtful Debts</u> –

27. Proviso to Regulation 5.8.1 of Tariff Regulations, 2022 provides as under:

> *"Provided that during True-Up, the DISCOMs shall submit the audited annual accounts depicting provision for bad and doubtful debt for the respective years and provisioning for bad debt shall be allowed subject to ceiling of **<u>@ 1% of the total annual revenue billed for sale of electricity and provisioning of bad and doubtful debt mentioned in the audited annual accounts whichever is lower</u>**."*

28. While approving the true up, the Hon'ble Commission has considered 1% on approved revenue, however billed revenue is more. As per Audited Account provision towards bad & doubtful debt is Rs. 8.53 Cr (which is 1% of the total revenue billed). Therefore, as per the above regulation and in accordance with the Audited Accounts, the bad & doubtful debt is considered as Rs. 8.53 Cr.

29. Therefore, rectification is required in the True Up Order for provision towards Bad & Doubtful Debts and may please be considered as Rs. 8.53 Cr.

E. <u>Depreciation</u> –

30. Similarly, the Hon'ble Commission has just prorated the approved depreciation and allowed in truing up. The approved depreciation for the full year of FY 20-21 was Rs. 61.40 Cr. considering opening GFA as Rs.1615 Cr. As per carveout/segregation order, the Hon'ble Commission has transferred Rs.1963 Cr. to the new Licensee, therefore considering the actual assets transferred, the depreciation has been booked in Audited Accounts. Further, the erstwhile WESCO Utility has booked Rs.48.32 Cr. towards depreciation in their books of accounts. The total depreciation (Audited) is Rs. 64.72 Cr. for both the periods (9 months plus 3 months).

31. The following table provides that approved as well as actual Depreciation in the Audits Accounts of WESCO & TPWODL:

S. No.	Particulars	Approved as per RST order dated 22.04.2020	WESCO Utility (9 months) as per audited account	TPWODL (3 months) as per audited accounts
1	Opening GFA (Rs. Cr.)	1615.63	1776.99	1963.31
2	Depreciation (Rs. Cr.)	61.40	48.32	16.40

32. As can be seen from the above table, the Hon'ble Commission while approving the ARR for FY 20-21 in RST Order dated 22.04.2020 had approved total Depreciation to the tune of Rs. 61.40 Cr. for FY 20-21. However, the erstwhile Wesco utility has incurred Rs.48.32 Cr. from April-2020 to Dec-2020, as per the Audited Accounts. No such substantial approved amount was left for the new licensee TPWODL for the Q4 of the financial year. The Hon'ble Commission while approving truing up for FY 20-21 in RST order dated 23.03.2023 had pro-rated the depreciation basing upon approved figure for Jan'21 to Mar'21 which is not correct. Even pro-rating the actual depreciation till Dec'2020, the Q4 portion would be Rs. 16.11 Cr. (Rs. 48.32 Cr./9 months * 3 months). Therefore, considering the actual capitalization and audited GFA, the depreciation as permissible under regulation, the Hon'ble Commission is requested to allow the Depreciation of Rs. 16.40 Cr as per Audited Accounts.

True up for FY 21-22 –

33. The revised True up for FY 21-22 is as under:

TPWODL				
Statement of Truing up calculation for FY 2021-22				**Rs. In Cr.**
Particulars	**Approved in the ARR FY 22 & ABP**	**Audited FY 2021-22**	**Allowed in true up**	**Request for consideration FY 2021-22**
Expenditure				
Cost of Power Purchase	3140.48	3338.17	3310.91	3340.43*
Employee costs	409.49	456.35	412.35	473.45*
R&M Expenses	160	137.06	137.05	137.06*
A&G Expenses	103.17	146.23	103.17	113.27*
Provision for Bad & Doubtful Debts	27.42	45.03	45.03	45.03
Depreciation	36.34	81.12	24.45	24.45
Interest on Working capital	34.37	9.98	9.98	9.98
Interest on Consumer Security Deposit		32.95	32.95	32.95
Interest on long term loan				
Sub-Total	**3911.27**	**4246.89**	**4075.90**	**4176.61**
Less: Employee cost capitalized		5.64	5.64	5.64*
(A) Total expenses	**3911.27**	**4241.25**	**4081.54**	**4170.97**
Arrear collection Incentive				
Return on Equity	48	63.74	52.79	52.79
Income Tax		21.45	0	21.79*
(B) Sub-Total	**48**	**85.19**	**52.79**	**74.58**
TOTAL (A+B)	**3959.27**	**4326.44**	**4134.33**	**4245.55**
Less: Miscellaneous Receipt	237.45	234.36	142.67	142.67
Total Revenue Requirement ©	**3721.82**	**4092.08**	**3991.66**	**4102.88**
Revenue from Sale of Power (D)	**3705.75**	**4691.86**	**4691.86**	**4691.86**
GAP (-)/ Surplus (+) (D-C)	**-16.07**	**599.78**	**700.20**	**588.98**

However, the R&M and A&G in toto is Rs.250.32 Cr. against approved amount of Rs.263.17 Cr.

Component-wise submissions:

A. Power Purchase Cost –

34. As explained earlier, the revenue from sale of power as considered by the Hon'ble Commission amounting to Rs. 4691.86 Cr. includes unbilled revenue. The quantum of unbilled revenue considered in sales figures is 69.301 MU. However, while approving cost of power purchase, the Hon'ble Commission has erroneously deducted the unbilled revenue from sales MU and derived with 7423

MU instead of 7492.301 MU. So, considering billing 7492.301 MU, the power purchase cost needs to be derived as under:

S. No.	Particulars	UoM	Submitted vide True up Petition	OERC Approved	Request for consideration FY 2021-22
A	**BILLING**				
1	As per Performance Report (MIS)	MU	7356		
2	Add: Sundry adjustment to different category of consumers	MU	67		
3	Add: Unbilled Revenue	MU	70		
4	Billing (As per Audited A/C)	MU	7492.301		7492.301
5	Less: Unbilled Revenue	MU	70		
6	Billing considered for True up	MU	7423	7423	
B	**CONSIDERED FOR TRUING UP**				
7	Approved T&D Loss	%	19.60%	19.60%	19.60%
8	**Quantum of Input required as per approved T&D loss**	**MU**	**9232**	**9232**	**9319**
9	Actual Power Purchase Quantum (As per Audited A/Cs)	MU	9313	9313	9313
10	Excess Power Purchase (Sl. 8- Sl. 9)	MU	(80.89)	(80.88)	6.18
11	Approved BSP including transmission charges	Rs./ kWh	3.65	3.37	3.65
12	Additional power purchase due to efficiency gain (sl 10* sl 11)	Rs. Cr.	(29.52)	(27.26)	2.26
13	Actual Power Purchase Cost (incl. Transmission & SLDC charges) (As per Audited A/c)	Rs. Cr.	3395.97	3395.97	3395.97
14	Less: Rebate on timely payment of power purchase bills	Rs. Cr.	32.79	57.80	57.80
15	Net Power Purchase Cost (incl. Transmission & SLDC charges)	Rs. Cr.	3363.18	3338.17	3338.17
16	**Power Purchase Cost considered for true up (Sl. 12 + Sl. 15)**	**Rs. Cr.**	**3333.66**	**3310.91**	**3340.43**

As per Tariff Regulations, 2022, the Hon'ble Commission has computed the loss/ gain on account of under/ over achievement of AT&C Loss redn. targets to be borne by the DISCOM. The same has been computed only with BSP & inadvertently Transmission charges has not been included, which is directly linked to Power Purchase MUs. The Hon'ble Commission also while approving ARR, approves cost of power purchase including Bulk supply power as well as transmission charges along with SLDC charges. Accordingly, the Licensee has considered actual BSP including transmission charges which may kindly be considered.

Alternatively, revenue billed should be reduced and considered excluding the unbilled quantum of 69.301 MU. That means the revenue billed as considered amounting to Rs.4691.86 Cr. needs to be considered as Rs.4609.32 Cr. The opening & closing quantum of unbilled revenue as per Audited Accounts is as under:

Particulars	Unbilled (MU)	Corresponding billing value (Rs. Cr.)
Opening quantum	595.968	373.41
Closing quantum	526.667	290.87
Difference	**69.301**	**82.54**

Accordingly, the alternative revised true up for FY 21-22 would be:

TPWODL				
Statement of Truing up calculation for FY 2021-22				**Rs. In Cr.**
Particulars	**Approved in the ARR FY 22 & ABP**	**Audited FY 2021-22**	**Allowed in true up**	**Request for consideration FY 2021-22**
Expenditure				
Cost of Power Purchase	3140.48	3338.17	3310.91	3308.65
Employee costs	409.49	456.35	412.35	473.45
R&M Expenses	160	137.06	137.05	137.06
A&G Expenses	103.17	146.23	103.17	113.27
Provision for Bad & Doubtful Debts	27.42	45.03	45.03	45.03
Depreciation	36.34	81.12	24.45	24.45
Interest on Working capital	34.37	9.98	9.98	9.98
Interest on Consumer Security Deposit		32.95	32.95	32.95
Interest on long term loan				
Sub-Total	**3911.27**	**4246.89**	**4075.90**	**4144.83**
Less: Employee cost capitalized		5.64	5.64	5.64
(A) Total expenses	**3911.27**	**4241.25**	**4081.54**	**4139.19**
Arrear collection Incentive				
Return on Equity	48	63.74	52.79	52.79
Income Tax		21.45	0	21.79
(B) Sub-Total	**48**	**85.19**	**52.79**	**74.58**
TOTAL (A+B)	**3959.27**	**4326.44**	**4134.33**	**4213.77**
Less: Miscellaneous Receipt	237.45	234.36	142.67	142.67
Total Revenue Requirement ©	**3721.82**	**4092.08**	**3991.66**	**4071.10**
Revenue from Sale of Power (D)	**3705.75**	**4691.86**	**4691.86**	**4609.32**
GAP (-)/ Surplus (+) (D-C)	**-16.07**	**599.78**	**700.20**	**538.22**

However, the R&M and A&G in toto is Rs.250.32 Cr. against approved amount of Rs.263.17 Cr.

B. Employee Expenses –

35. Hon'ble Commission while approving ABP of TPWODL vide order dated 27.10.2021 has provided post facto approval for recruitment of 336 employees. However, upon subsequent representation of DISCOMs, approval accorded for another 172 employees to be recruited during FY 21-22 in lieu of retirement vide letter no. OERC/RA/TPWODL-38/2021/18. dt.17.01.2022. It is a fact that the Hon'ble Commission has approved an additional Cost of Rs.50.78 Cr. for R&M and Rs. 39.51 Cr. under A&G in the ABP order, however, no such cost element has been approved towards employee expenses even though a total of 508 nos. of employee have been permitted for recruitment. TPWODL in its submissions had shown employee expenses of Rs. 52 Cr for FY 21-22 for recruitment of CTC employee. However, the Hon'ble Commission in RST Order dated 26.03.2021 had approved additional employee cost of Rs. 24 Cr. Therefore, considering subsequent approval of recruitment provided in the ABP Order and amendment letter dt. 17.01.22, the actual audited employee cost of Rs. 52.14 Cr. for CTC employee may please be allowed.

36. Furthermore, Outsourced & Contractual Labour cost of Rs. 32.96 Cr. is being booked under A&G head in Audited Accounts. However, while approving the A&G of the Licensee, the Hon'ble Commission has not taken a cognizance of the same, as it was not appearing under Employee Head in Audited Accounts. The Hon'ble Commission might have overlooked this aspect and approved lower figure. Therefore, the outsourced employee cost amounting to Rs. 32.95 Cr. may please be considered in truing up along with additional cost towards recruitment. Further, during FY 21-22 through regulatory approval the applicant DISCOM has disbursed 7th Pay arrear, DA arrear, HRA arear & arrear on Medical Allowance to erstwhile employees from time to time which has been included in the audited accounts for which actual is higher and may please be considered.

37. The revised computation of Employee Expenses is as under:

Particulars (FY 22)	**Audited (FY 21-22)**	**Approved (FY 21-22)**	**To be considered FY 21-22**
	(Rs. Cr.)	**(Rs. Cr.)**	**(Rs. Cr.)**
Employee Expenses		412.35	412.35
Outsource & Contractual cost	Shown under A&G	-	32.96
Addnl. Employee expenses due to permitted recruitment (Rs.52.14 crs – Rs.24 crs)		-	28.14
Total Employee Expenses	**456.35**	**412.35**	**473.45**

C. <u>R&M and A&G Expenses</u> –

38. TPWODL submits that it took over the distribution business for retail supply and wheeling business on 01.01.2021. OERC issued the ABP Order on 27.10.2021 providing the details of the revised O&M costs. In the very 1st year of the operation lot of issues from all the area like meter reading, billing, collection, repair and maintenance of network assets, customer service, civil maintenance, hiring of employees, creation of different office set up etc. was the major challenge for the licensee. The ABP was filed in Feb-21 which was being approved in Oct-21, pending decision of Hon'ble Commission, the licensee was conservative in engaging the AMC contracts.

39. The AMC were engaged in phased manner and started operating in full phase from Sep-21 onwards. Hence, the delay in starting the AMC activity ended up with a shortfall in actual expenses. However, the A&G cost, which was inevitable and genuine, has been spend and the actual is more than the approved amount. The Licensee through ABP application (Case No. 37/ 2021) has requested Rs. 129.51 Cr. towards A&G Expenses for FY 21-22, however the Hon'ble Commission has considered only Rs. 39.51 Cr. which is 60% of the additional cost (i.e. difference of previous approval of Rs. 63.66 Cr. & ABP proposal of Rs. 129.51 Cr.).

40. Therefore, it is the humble submission of the Licensee to approve A&G and R&M in toto. Because, the Hon'ble Commission has approved Rs. 263.17 Cr. under R&M and A&G for FY 21-22 against which the Licensee's Audited Actual is Rs. 250.32 Cr., which is lower than the approved one. The Hon'ble Commission has brought the new Regulation in Dec-22 and made applicable from the date of it's Gazette notification i.e from 19th Dec-2022. As per the regulation, the control period starts

from FY 23-24 but as far as past period is concerned the normative R&M was 5.4% on opening GFA. Tariff is being determined on the basis of targeted AT&C loss level as per terms of vesting order, however, as regards to O&M cost no such base was defined prior to Dec-22. In absence of fixation any base for O&M, the new licensee was continuing its operation focusing entirely to achieve the approved AT&C loss. Therefore, the reasonable actual O&M cost is required to be recognized & to be approved.

Apart from this, due to impact of COVID-19 during initial phase, maintenance of power supply system was a challenge and supply of reliable power was the basic necessity. The Licensee has taken utmost care to maintain the power supply 24X7 for which required R&M and A&G Expenses has been judiciously spent.

Rs. In Cr.

<table>
<tr><th>Expenditure</th><th>Approved As per RST order</th><th>Approved as per ABP</th><th>Total</th><th>As per Audited Accounts</th><th>Considered in True up</th><th>To be considered</th><th>In toto</th></tr>
<tr><td>R&M</td><td>109.22</td><td>50.78</td><td>160</td><td>137.06</td><td>137.05</td><td>137.05</td><td rowspan="2">250.32</td></tr>
<tr><td>A&G</td><td>63.66</td><td>39.51</td><td>103.17</td><td>146.23 (considering Outsource cost of Rs.32.96 Cr.)</td><td>103.17</td><td>113.27</td></tr>
</table>

41. It is the humble submission of the Licensee to approve a total R&M and A&G Expenses of Rs. 250.32 Cr. for FY 21-22.

D. Depreciation –

42. The Hon'ble Commission in its Order dated 28.12.2020 (Vesting Order) had held that depreciation on all existing assets, being transferred to TPWODL, would continue to earn depreciation as per existing depreciation rates approved by the Commission.

43. Also, as per Vesting Order para no. 44 a(iii)

> *"**No depreciation shall be allowed to be recovered on assets created out of Government grants/capital subsidy/capital contribution** from consumers irrespective of whether the corresponding grant is transferred to TPWODL or not."*

44. The total depreciation, as per Audited Accounts, amounts to Rs. 81.12 Cr. which includes depreciation on account of consumer contribution & grants amounting to Rs. 56.66 Cr.

45. Accordingly, the Licensee has claimed the depreciation of Rs. 24.45 Cr. excluding depreciation on assets created under consumer contribution & grants, in accordance with 3rd proviso to Para 3.8.6 of the Tariff Regulations, 2022.

E. <u>Income Tax Paid</u> –

46. As per the provision of new tariff determination regulation 2022, vide clause 3.11 the licensees are permitted to claim the actual amount of income tax paid subject to submission of documentary evidence.

> *"3.11.1. The Income Tax for the Distribution licensee for the regulated business shall be allowed through the Tariff charged to the Distribution System users**, on submission of documentary evidence of the actual tax paid** subject to the conditions stipulated in these Regulations:*
> *Provided that **no Income Tax shall be considered on the amount of efficiency gains and incentive** approved by the Commission, irrespective of whether or not the amount of such efficiency gains and incentive are billed separately:"*

47. In accordance with the above, the Licensee submits that it has not claimed any income tax on incentive and efficiency gains. However, the Licensee has claimed only on equity base even though the actual payment of Income Tax is more. For verification of documentary evidence, the licensee is submitting herewith the Income Tax Return Acknowledgement to verify the income tax payment along with TDS amounting to Rs. 33.13 Cr. for FY 21-22 enclosed as **ANNEXURE-1** for the kind consideration of the Hon'ble Commission.

48. The Licensee is submitting herewith the normative Income Tax in line with Regulation based on grossed up RoE for the kind consideration of the Hon'ble Commission:

Particulars	**Formula**	**FY 2021-22 (Rs. Cr.)**
Opening Equity Share Capital	A	300
Addition during the year	B	59.93
Closing Equity Share Capital	C=A+B	359.93
RoE rate(%)	D	16%
RoE on Opening Equity	E=A*D	48

Particulars	Formula	FY 2021-22 (Rs. Cr.)
RoE on addition (average)	F=B/2*D	4.79
RoE for FY 21-22	G=E+F	52.79
RoE for FY 20-21 (3 months)	H	12.00
Total RoE considered	**I=G+H**	**64.79**
Tax on RoE (%)	J	25.17%
Grossed up RoE *	**K=I/(1-J)**	**86.59**
Income Tax	**L=K-I**	**21.79**

49. As regards to Income Tax for 3 months (FY 20-21), the Licensee has not claimed as payment was not made in FY 20-21 (3 months). However, the amount of Income Tax liability arose in FY 21-22 of the above 3 months and the same has been claimed along with Income tax for FY 21-22 on payment basis. Even though the actual payment is Rs.33.13 crs, the amount of Rs. 21.79 Cr. calculated on ROE may kindly be approved.

50. It is also observed that due to oversight/clerical error, the Hon'ble Commission has added the employee cost capitalized while total expenses instead of deduction. Hence, the amount of Rs. 5.64 Cr. towards employee cost capitalized needs to be factored accordingly.

<u>True Up for FY 22-23</u> –

51. The Hon'ble Commission vide its Order dated 24.03.2022 in Case Nos. 108, 109, 110 & 111 of 2021 had approved the ARR for FY 22-23. The ARR submitted by the Licensee and correspondingly approved by the Hon'ble Commission were based on estimated sales and expenses for FY 22-23 at the time of issuance of the Order. Now upon finalization of Audited Accounts, actual figures are available with the DISCOM. The Licensee is now submitting the True-up Petition for FY 22-23 in accordance with the Audited Accounts for approval of the Hon'ble Commission.

<u>Component-wise submissions</u>:

A. <u>Power Purchase Cost</u> –

Hon'ble Commission has approved purchase 9300 MU for FY 2022-23 in the ARR, however, the actual power purchase is more than the approved quantum due to the following reason along with subsequent Regulatory approval of TPA sale. So the actual input became 13002 MU.

52. The Ministry of Power (MoP), Government of India vide its various letters to the GENCOs vis-à-vis 23/13/2021-R&R (Pt-1) dated 05.05.2022 & 26.05.2022 and FU-21/ 2020-FSC(Vol-VI) dated 09.01.2023 had observed as under:

> *"It has been observed that due to sharp increase in electricity demand some areas, in the country, are facing power shortage. With soaring power demand, the generation needs to be maximized. Efforts have been made to increase the supply of domestic coal; however, there is still a gap between the requirement of coal and the supply of coal, because of which the coal stock at the generating stations are depleting at a worrisome rate. The gap in demand and supply of domestic coal is anticipated to continue in next few months."*

53. Accordingly, directions were issued to source/ import at least 10% to 15% of requirement of coal for blending through RSR mode. Efforts were also made to address the constraints in transportation of coal through all modes. Despite such efforts, it was noted that the infrastructure related logistic constraints of Railways will take some time to get fully addressed. However, it was observed that imports of coal have not been at the required level. Some GENCOs were not willing to import coal for blending due to lack of clarity on compensation. It was also assessed that coal stock position without blending of imported coal in Domestic

Coal based plants will progressively decline to zero which may severely impact the power supply position in the country. Also, during Q1 & Q2 of FY 22-23, imported coal stocks at ports piled up due to logistics constraints.

54. As a result, certain Industrial consumers consuming power from their own Captive Generating Plants, started drawing from the Licensee to the extent of demand maintained due to substantial increase in coal costs. As a result, power purchase quantum has increased to certain extent. Further, the Hon'ble Commission has also approved a special concessional tariff for steel industries under the Licensee area, as a result their normal consumption could be possible to be retained by the Licensee. Similarly, for enhancement of industrial consumption, additional sale was made under the provision of RST Order and subsequent directions (Case No. 54 of 2021) of the Hon'ble Commission through TPA arrangement was made with couple of CGP industries and in this arrangement around 2932.83 MU was sold (alongwith their normal CD consumption). Therefore, the actual power purchase increased to 13002 MU against approval of 9300 MU for FY 22-23.

55. Also, the Hon'ble Commission in the last RST Order dated 23.03.2023 while truing up the expenses for FY 20-21 (3 months) & FY 21-22 had considered the Gains/ Losses on account of over/ under achievement of AT&C loss reduction in the power purchase cost of the Licensee in accordance with Regulation 3.14.4 of the OERC (Terms & conditions for determination of Wheeling Tariff & Retail Supply Tariff) Regulations, 2022. The relevant extract/ regulation of the Tariff Regulations, 2022 is as under:

> *"3.14.4 The Distribution Licensees shall adhere to the committed AT&C loss reduction trajectory for future years (Annexure III) as per the Vesting Orders. Any gains or loss arising from over-achievement or under achievement of AT&C loss reduction vis-a-vis the regulated AT&C loss provided for Tariff determination in Annexure-III shall be retained by Distribution Licensee. Sample computation for gains/ losses arising from over/ under achievement of AT&C loss reduction vis-a-vis the regulated AT&C loss is provided below:*
> ***Illustration:***
> *Two cases have been considered for calculation of gains and loss arising from overachievement or under achievement of AT&C loss reduction vis-a-vis the regulated AT&C loss. Case-1 is for calculation of loss due to under-achievement of AT&C loss trajectory and Case-2 is for calculation of gain due to over-achievement of AT&C loss trajectory.*

Sample Computation for gains / losses due to AT&C loss

Particulars	Unit	Formula	Case-I	Case-II
Approved AT&C Loss	%	A	19.17%	19.17%
Normative Collection Efficiency	%	B	99.00%	99.00%
Calculated Distribution Loss	%	C=1-(1-A)/B	18.35%	18.35%
Actual AT&C Loss achieved	%	D	21.00%	18.00%
Actual Collection Efficiency	%	E	98.00%	98.00%
Actual Distribution Loss	%	F	19.39%	16.33%
Actual Sales	MU	G	3,000	3,000
Actual Power Purchase	MU	H	3721.52	3585.37
Normative Power Purchase	MU	I=G/(1-C)	3674.38	3674.38
Additional Power Purchase	MU	J=H-I	47.14	(-)89.01
Approved BSP	P/U	K	300.00	300.00
Additional Power Purchase Cost incurred towards deviation from calculated Distribution Loss	Rs. Cr.	L=JxK/1000	14.14	(-)26.70
Amount eligible for of loss / (gain) to be borne by Distribution Licensee	Rs. Cr.	L	14.14	(-)26.70

In both the cases, the gain / loss shall be entirely borne by the Distribution Licensee.

56. As per Tariff Regulations, 2022, the Hon'ble Commission has computed the loss/ gain on account of under/ over achievement of AT&C Loss redn. targets to be borne by the DISCOM. The same has been computed only with BSP & inadvertently Transmission charges has not been included, which is directly linked to Power Purchase MUs. The Hon'ble Commission also while approving ARR, approves cost of power purchase including Bulk supply power as well as transmission charges along with SLDC charges. Accordingly, the Licensee has considered actual BSP including transmission charges which may kindly be considered.

57. Accordingly, the Licensee has claimed the power purchase cost in accordance with Regulation 3.14.4 of the Tariff Regulations, 2022 as under:

Particulars	Unit	Formula	FY 22-23
Approved AT&C Loss	%	A	20.40%
Normative Collection Efficiency	%	B	99%
Calculated Distribution Loss	%	C=1-(1-A)/B	19.60%
Actual AT&C Loss achieved	%	D	18.28%
Actual Collection Efficiency	%	E	100.15%
Actual Distribution Loss	%	F	18.40%
Actual Sales	MU	G	10609.62
Actual Power Purchase	MU	H	13002.41
Normative Power Purchase	MU	I=G/(1-C)	13196.05
Additional Power Purchase	MU	J=H-I	(-)193.64
Approved BSP including transmission charges	P/U	K	388
Normative Additional Power Purchase Cost incurred towards deviation from calculated Distribution Loss	Rs. Cr.	L=JxK/1000	(-)75.13

Particulars	Unit	Formula	FY 22-23
Normative Amount eligible for of loss / (gain) to be borne by Distribution Licensee	Rs. Cr.	M=L	(-)75.13
Power Purchase Cost (As per Audited Accounts)	Rs. Cr.	N	5094.79
Power Purchase Cost (Considered for True Up)	**Rs. Cr.**	**O=N-M**	**5169.93**

58. The Hon'ble Commission is requested to consider the revised power purchase cost of Rs. 5169.93 Cr. in accordance with Regulation 3.14.4 of the Tariff Regulations, 2022.

B. <u>Employee Expenses</u> –

59. It is submitted that the Licensee had projected total requirement of manpower at 4209 as per commitment in RFP and terms of vesting order. With the existing regular employee on the date of vesting, an addition of 1791 employees (1291 in executive cadre and 500 in non-executive cadre) was considered.

60. The Hon'ble Commission in its Order dated 27.10.2021 in Case No. 37/2021 (Annual Business Plan for FY 2021-22) at para 89 & 90 at pages 40 & 41 has held that the ratio of employees versus the consumers has also widened over the years and bringing in new employees will bridge this gap for efficient functioning of the DISCOMs.

61. Further, the Hon'ble Commission vide its letter No. OERC/RA/TPWODL-38/2021/18 dated 17.01.2022 had allowed the filing up of retirement vacancies (172 Nos.), with the above consideration the approved no of recruitment became 508 Nos. (280+56+172). Hon'ble Commission has approved in view of the percentage of employees per one thousand consumers shall not exceed 1.40.

62. The Hon'ble Commission, also, vide its letter No. OERC/RA/TPWODL-38/2021(Vol-I)/1141 dated 15.10.2022 had allowed recruitment of 8% of the total sanctioned strength for FY 22-23 (536 Nos.) in order to cover up the less recruitment during the earlier years. The Commission had also allowed recruitment of employees against retiring employees (109 Nos.). As a result, the Hon'ble Commission has allowed a total of 645 Nos. for FY 22-23 (536+109).

63. Thereafter, while approving the ARR of DISCOM for FY 22-23, the Hon'ble Commission has accorded post facto approval for the actual recruitment made during the year. Relevant para appended below:

> *"98. The Commission in all the four respective ABP orders of DISCOMs allowed 8% of the total proposed manpower for the year. The Commission further observed that* ***any recruitment already made without the approval of the Commission after the effective date are hereby given post facto approval and shall be included in the approved number for the year****."*

64. Component wise details of Employee Expenses for FY 22-23 are appended below:

S. No.	Expenditure	OERC Approved FY 22-23	Total (Audited) FY 22-23	Difference
		(Rs. Cr.)	(Rs. Cr.)	(Rs. Cr.)
1	Basic Pay +GP	104.00	100.75	-3.25
2	DA	38.48	41.75	-1.91
3	Reimbursement of HR	15.60	15.60	5.18
4	Other Allowance	4.00	7.23	3.23
5	Arrear of 7th Pay Commission of regular employees	26.19	31.37	5.18
6	Bonus	0.30	0.30	0.00
7	Contractual Employee Cost	55.54	38.67	-16.87
8	Additional employee cost - CTC	57.13	66.50	9.37
9	**Total Emoluments (1 to 8)**	**301.25**	**302.17**	**0.92**
10	Med. Allowance	5.20	5.47	0.27
11	Leave Travel Concession	0.00	0.16	0.16
12	Honorarium	0.35	0.13	-0.22
13	Payment under Workmen Compensation Act	0.10	0.001	-0.10
14	Other Staff Costs	1.00	1.00	0.00
15	**Total Other Staff Costs (10 to 14)**	**6.65**	**6.76**	**0.11**
16	Staff Welfare Expenses	3.00	13.89	10.89
17	Terminal Benefits (Pension + Gratuity + Leave + PF + commuted + NPS/CPS)	163.93	151.59	-12.34
18	**Total (9+15+16+17)**	**474.83**	**474.40**	**-0.43**

65. As mentioned in the above paras, the Hon'ble Commission allowed recruitment of 508 Nos. of employees during FY 21-22 & 635 Nos. of employees during FY 22-23. Further, in RST Order dated 24.03.2022 for FY 22-23, at Para 101, page 86, the Hon'ble Commission had approved the additional employee cost for CTC employees as per the industry norms. Relevant extracts are appended below:

"101. The above table projects the addition and exit of employees those who are under the prescribed pay scales of the utility and the estimation of basic pay is made accordingly for the approval of employee cost. The Commission in the approval for the Annual Business plan of the four DISCOMs has observed the following similar to the quoted extract from the TPCODL ABP order, with regard to new recruitment:

> *"In view of the above Regulations, the wages and salaries shall be determined on the basis of basic pay and Grade pay in the structured pay scale. Other allowances are also linked to the pay scales which are allowed as per the Government of Odisha rates.* ***In the present context however, the wages and salaries proposed for the new induction will not be based on such pay scales but as per the industry norms to be decide by the TPCODL****".*

The Commission analyzed the expenditures incurred by the four DISCOMs during the current year and taking into account the new recruitment during the ensuing year 2022-23 allows Rs.57.13 crore to TPWODL, Rs.44.76 core to TPNODL, Rs.34.11 crore to TPSODL and Rs.98.10 crore to TPCODL towards additional employee cost including new recruitment for FY 2022-23."

66. Considering the directions of the Hon'ble Commission as per RST Order for FY 22-23, the Licensee had made recruitments under various cadre, designations and grades as per their experience in the industry and also in accordance with the industry norms.

67. Furthermore, the Hon'ble Commission had notified the OERC (Terms and Conditions for Determination of Wheeling Tariff and Retail Supply Tariff) Regulations, 2022 on 20.12.2022 and Gazette on 23.12.2022 wherein the expenses for the employees recruited after Effective Date shall be determined based on the formula $EMP_n = EMP_{n-1} x (1+Index_{Escn})$ where $Index_{Escn} = CPI_n$ which is expressed in % and means the average yearly inflation of Consumer Price Index (Industrial workers) over the years. Accordingly, the Inflation Index for FY 22-23 comes to around 6% for Industrial Workers.

68. In accordance with the above, the Hon'ble Commission is requested to allow the actual audited additional employee expenses – CTC of Rs. 66.50 Cr. taking into account the industry norms and inflation rate.

69. It is submitted that the Hon'ble Commission in its RST Order for FY 22-23 had approved Rs. 55.54 Cr. on account of Outsourced and Contractual Employee Costs. Also, there was an increase in technical and non-technical employees by way of new recruitments for the Licensee in FY 22-23. Apart from the above, the Licensee has also outsourced many of the activities like meter reading, billing and distribution, collection, energy auditing etc. incurring costs on account of

manpower hired. The said costs had been booked under the A&G head in the Audited Accounts. However, the Licensee is claiming the same under Employee Expenses now as Hon'ble Commission has allowed under Employee head.

70. The increase in Employee cost is also due to release of 7th pay arrear salary of erstwhile WESCO utility employees during Apr-22. The Hon'ble commission has observed that it may be paid on notification by Govt. of Odisha and DISCOMs may claim the amount through subsequent truing up exercise. The Hon'ble Commission vide its letter No. OERC/RA/TPWODL-38/2021(Vol-I)/64 dated 19.02.2022 has also approved the costs. Also, relevant clause of RST order FY 22-23 is appended below:

> *"114. The DISCOMs implemented the recommendation of the 7th Pay Commission during August 2018. The 7th Pay Commission envisages revision of pay and pension with effect from January, 2016. The DISCOMs have projected for payment of the balance 50% of the arrears towards 7th Pay Commission recommendations during the ensuing FY 2021-22.* ***However, Government of Odisha has notified 30% of the payment of arrears towards 7th Pay Commission recommendation which has been allowed in this ARR. The Commission further observes that as and when the notification for the balance 20% is notified by Government of Odisha, which becomes due to the employees, the DISCOMs will pay the same and project such expense in their subsequent truing up petition which Commission will allow after prudence check.****"*

71. The amount of arrears of 7th Pay Commission included under the head employee cost of Rs. 31.37 Cr. (HRA – Rs. 18.04 Cr. + Medical – Rs. 4.51 Cr. + Base Pay – Rs. 8.82 Cr.) may kindly be approved through truing up.

72. Also, the Licensee has considered Lease rentals on account of lease to employees (Rs. 5.18 Cr.) & Compensation for Injuries, Death & Damages to Staffs & others (Rs. 1.82 Cr.) as part of Employee Expenses.

73. In accordance with the above paras as well as the orders of the Hon'ble Commission and for the efficient functioning of the DISCOMs, the Licensee is now claiming the employee expenses as Rs. 474.40 Cr. as per Audited Accounts of FY 22-23 as against Rs. 474.83 Cr. approved by the Hon'ble Commission on account of increase in the employee strength of the Licensee. The Licensee, hence, requests the Hon'ble Commission to approve Rs.474.40 Cr. towards Employee expenses based on Audited Accounts which is well within the approved limit.

C. Repair & Maintenance Expenses –

74. The Hon'ble Commission vide its RST Order dated 24.03.2022 in Case Nos. 108, 109, 110 & 111 of 2021 at Para 130, page 99 has approved the R&M expenses for FY 22-23 as under:

> *"130. The R&M for FY 2022-23 is calculated as the 5.4% of the GFA as on 1.04.2022 in terms of the OERC Tariff Determination Regulation 2014. The Commission in order to ensure maintenance of the assets under RGGVY, DDUGVY & Biju Gram Jyoti Scheme, which continue to be with the Govt. of Odisha, also allows additional amount to each DISCOM subject to detailed scrutiny in next tariff proceedings. The approved R&M for FY 2022-23 is accordingly shown in the following table:*

Table – 43

R&M Approved for FY 2022-23

(Rs. in Cr.)

R&M for FY 2022-23	*TPWODL*		*TPNODL*		*TPSODL*		*TPCODL*	
	Proposed	*Approved*	*Proposed*	*Approved*	*Proposed*	*Approved*	*Proposed*	*Approved*
DISCOM's Gross fixed assets (GFA) as on 01.04.2022	*1963.50*	*1963.50*	*2533.44*	*2026.48*		*1115.62*	*4302.85*	*4059.82*
Rate of R&M on GFA	*5.40%*	*5.40%*	*5.40%*	*5.40%*		*5.40%*	*5.40%*	*5.40%*
R&M on GFA	*106.03*	***106.03***	*136.81*	***109.43***	*137.91*	***60.24***	*232.35*	***219.23***
Govt. (Funded/ Grant) Assets as on 01.04.2022	*3194.50*		*2575.16*				*2624.00*	
Rate of R&M on Govt. (Funded/ Grant) Assets	*5.40%*							
R&M on Govt. funded Assets	*172.50*	*50.00*	*103.20*	*32.00*		*30.00*	*20.62*	*20.62*
Total R&M incl Spl. R&M	*278.53*	***156.03***	*240.01*	***141.43***	*137.91*	***90.24***	*252.97*	***239.85***

75. It can be seen from the above table that the Hon'ble Commission has fully approved the R&M expenses on DISCOM owned assets amounting to Rs. 106.03 Cr. in accordance with Tariff Regulations, 2014. However, an additional amount of Rs. 50 Cr. was allowed as R&M on Govt. funded Assets instead of Rs. 172.50 Cr.

76. It is submitted that R&M Expenses are mainly incurred by the Licensee under 33 kV & 11 KV grid substation and lines (AMC & material), safety expenses, PSCC, SCADA, GIS, transformer and other equipment repairs, civil repair and maintenance, IT related and store related material handling. Further, initial phase of difficulties as well as prudent practice of selection of vendors through competitive bidding. It was delayed in awarding the contract in previous year and as a result AMC was not streamlined during previous year. As a result, the R&M Expense was low during FY 21-22. However, in FY 22-23 from the beginning all the expenses are being incurred.

77. Regulation 3.9.24 of the Tariff Regulations, 2022 provides as under:

*"3.9.24 The R&M expense shall be allowed on **normative basis in the ARR** for ensuing year and shall be **subject to True-Up**."*

78. Accordingly, the Hon'ble Commission in RST Order dated 23.03.2023 in Case Nos. 80, 82, 83 & 88 of 2022 at Para 129 & Table 47, Page 111 had computed the R&M Expenses for FY 23-24 considering the Rate of R&M on GFA (%) as mentioned in the Tariff Regulations, 2022 for DISCOM owned assets & Govt. funded assets. Further, the Commission had also allowed additional R&M Expenses amounting to Rs. 60 Cr. instead of the normative percentage (%) on the GFA of Govt owned assets, which is insufficient to meet the cost of R&M.

79. Hon'ble Commission has brought the new Regulation in Dec-22 and made applicable from the date of it's Gazette notification i.e from 19th Dec-2022. As per the regulation, the control period starts from FY 23-24 but as far as past period is concerned the normative R&M was 5.4% on opening GFA. Tariff is being determined on the basis of targeted AT&C loss level as per terms of vesting order, however, as regards to O&M cost no such base was defined prior to Dec-22. In absence of fixation any base for O&M, the new licensee was continuing its operation focusing entirely to achieve the approved AT&C loss. Therefore, the reasonable actual O&M cost is required to be recognized & to be approved.

80. Applying, similar methodology adopted by the Hon'ble Commission for FY 23-24 on FY 22-23, the R&M on Govt. funded assets for FY 22-23 would have been allowed @5.40% i.e. Rs. 172.50 Cr. instead of Rs. 50 Cr. As a result, the Total R&M Expenses for FY 22-23 would have been allowed as Rs. 278.53 Cr. instead of Rs. 156.03 Cr.

81. The Licensee submits its actual Audited R&M Expenses for FY 22-23 as per the table below:

S. No.	Particulars (R&M Expenses)	FY 22-23 (Rs. Cr.)
1	Buildings	0.17
2	Lines, Cables and Network Assets	223.05
3	Furniture, Fixtures & Office Equipment, Vehicle etc.	14.34
4	**Total R&M Expenses**	**237.56**

82. It can be seen from the above table that the R&M Expenses of the Licensee for FY 22-23 of Rs. 237.56 Cr. is well within the limits of the would have been permitted (derived as per Regulation) as Rs. 278.53 Cr as proposed above and requests the Hon'ble Commission to allow the actual costs incurred by the Licensee in the true up which is genuine considering large geographical area along with large range of Elephant Corridor.

83. Also, the Hon'ble Supreme Court of India in a recent judgement dated 05.10.2023 in C.A. No. 759 of 2007 has given emphasis on field condition and ground realities while approving truing up of the DISCOMs:

84. Accordingly, the Hon'ble Commission is requested to consider actual audited expenses and approve the costs based on ground realities.

D. <u>Administrative & General Expenses</u> –

85. The Hon'ble Commission at Table 39, Page 96 of the RST Order dated 24.03.2022 in Case Nos. 108, 109, 110 & 111 of 2021 had approved the total A&G Expenses of Rs. 110.39 Cr. for FY 22-23. The Commission had allowed the expenses by escalating 7% over the previous year's approved expenses of Rs.103.17 Cr. (A&G Expenses of Rs. 63.66 Cr. + Addnl. A&G as per ABP of Rs. 39.51 Cr.).

86. In addition to the above, the Hon'ble Commission at Para 123, Page 96 of the RST Order dated 24.03.2022 has held as under:

> *"123. The Commission over the years in the ARR has been allowing A&G by escalating 7% over the previous expenses.* ***The Commission also allows additional expenses on AT&C loss reduction activities, accident compensation, IT automation, training programme, inspection fee etc."***

As can be depicted from the above para, the Hon'ble Commission has also allowed additional A&G Expenses to the Licensee.

87. Vide RST Order dated 23.03.2023 in Case Nos. 80, 82, 83 & 88 of 2022, the Hon'ble Commission has allowed the A&G as per Tariff Regulations, 2022 by escalating 7% over the expenses for the previous year of the control period. The Hon'ble Commission had also allowed additional expenses under the head for special measures to be undertaken by the distribution licensees as a separate cost to the

Licensee over & above the A&G costs approved. Unlike of previous year, FY 22-23 is the first year wherein since the beginning all the expenses are being incurred. The Hon'ble Commission has brought the new Regulation in Dec-22 and made applicable from the date of it's Gazette notification i.e from 19th Dec-2022. As per the regulation, the control period starts from FY 23-24 but as far as past period is concerned the normative R&M was 5.4% on opening GFA. Tariff is being determined on the basis of targeted AT&C loss level as per terms of vesting order, however, as regards to O&M cost no such base was defined prior to Dec-22. In absence of fixation any base for O&M, the new licensee was continuing its operation focusing entirely to achieve the approved AT&C loss. Therefore, the reasonable actual O&M cost is required to be recognized & to be approved.

88. The Hon'ble Commission at Para 123, Page 107 of RST Order dated 23.032023 has held as under:

> *"123. The Commission further observes that the DISCOMs shall make the expenditure in A&G Expenses head in a prudent manner and achieve the objectives for which these expenses are being made.* ***<u>The additional expenses have also been allowed under this head in view of the fact that that the normal escalation of 7% over the last year approval is insufficient to meet the A&G expenses. The Commission has also taken into cognisance of the expenditure during current FY 2022-23 and found that additional expenses are required to meet the committed obligations.</u>*** *The Commission has therefore allowed additional expenses which must be utilised for the purpose envisaged in the Tariff Regulations, 2022. However, the Commission will check prudently such expenses made by the DISCOMs while allowing them in the Truing up. The higher expenses in A&G shall also reflect in the reduction of AT&C losses and general improvement in the customer services. The Commission will also take into account such parameters while scrutinizing A&G expenses through data verification, field visits by the Commission and third-party audit."*

As can be seen from the above para, the Hon'ble Commission has admitted that normal escalation of 7% over previous year approval is insufficient to meet A&G expenses. Further, it was observed that additional expenses are required to meet the committed obligations.

89. The Hon'ble Commission had approved a total A&G Expenses of Rs. 158.12 Cr. for FY 23-24 taking into account the actual ground realities and costs incurred by the Licensee. Para 3.9.16 of the OERC Tariff Regulations, 2022 provides that the normal A&G Expenses for each subsequent year will be determined by escalating the approved A&G Expenses for the previous year, at the escalation factor of 7 %.

Accordingly, the Licensee requests the Hon'ble Commission to re-consider approved A&G Expenses for FY 22-23 as Rs. 147.78 Cr. for FY 22-23 (Rs. 158.12 Cr./ (1+7%)) and allow the Licensee to limit its A&G Expenses within the said limit.

90. In accordance with the above, the Licensee is now claiming the A&G expenses for FY 22-23 as per the table below:

S. No.	Particulars (A&G Expenses)	FY 22-23 (Rs. Cr.)
1	Distribution License Fee	1.90
2	SAP & FG (IPDS billing system)	10.74
3	Insurance	1.80
4	Rent, rates & taxes	3.34
5	Communication (incl. Telephone, Postage, Courier etc.)	2.42
6	Professional Charges	3.91
a	*Legal Charges*	*1.09*
b	*Audit Fees*	*1.44*
c	*Consultancy & other professional charges*	*1.38*
7	Conveyance and travelling	7.86
a	*Transport*	*3.67*
b	*Vehicle hire charges*	*4.18*
8	Material related expenses	4.52
9	Billing & collection expenses	57.16
10	Meter reading & bill distribution exp	36.07
11	Office Upkeep & Maintenance	3.81
12	Electricity Charges	5.83
13	Advertisement	1.97
14	Other Expenses	5.12
15	**Total A&G Expenses**	**146.45**

91. Hence, the Licensee requests the Hon'ble Commission to take into cognizance the above submissions of the Licensee and allow the actual Audited A&G expenses of Rs. 146.45 Cr. for FY 22-23 considering field condition and ground realities.

E. <u>Provision for Bad & doubtful debts</u> –

92. Regulation 5.8 of the Tariff Regulations, 2022 provides as under:

> *"5.8.1 The Commission shall allow provisioning for bad debts as a pass through in the Aggregate Revenue Requirement, as a prudent commercial practice in the revenue requirement of the licensee. The Bad and Doubtful debt during this control period* ***shall be allowed on normative basis of 1% of the total annual revenue billed for sale of electricity****.*

Provided that during True-Up, the DISCOMs shall submit the audited annual accounts depicting provision for bad and doubtful debt for the respective years and provisioning for ***bad debt shall be allowed subject to ceiling of @ 1% of the total annual revenue billed for sale of electricity*** *and provisioning of bad and doubtful debt mentioned in the audited annual accounts whichever is lower."*

93. Accordingly, the Licensee hereby requests the Hon'ble Commission to consider Rs. 61.81 Cr. (1% of Total revenue billed of Rs. 6180.86 Cr.) for true up for FY 22-23. The Hon'ble Commission while determining the tariff and performance of the licensee has considered AT&C of 20.40% with collection efficiency of 99% and T&D of 19.60%. So, provision on bad and doubtful debt needs consideration of 1% of total revenue.

F. <u>Depreciation</u> –

94. The Hon'ble Commission in its Order dated 28.12.2020 (Vesting Order) had held that depreciation on all existing assets, being transferred to TPWODL, would continue to earn depreciation as per existing depreciation rates approved by the Commission.

95. Also, as per Vesting Order para no. 44 a(iii)

"No depreciation shall be allowed to be recovered on assets created out of Government grants/capital subsidy/capital contribution from consumers irrespective of whether the corresponding grant is transferred to TPWODL or not."

96. Accordingly, the Licensee is now claiming Depreciation for FY 22-23 as under:

S. No.	Assets	Dep. for FY 23 for TPWODL period Assets	Dep. for FY 23 for transferred Assets	FY 22-23
		(Rs. Cr.)	(Rs. Cr.)	(Rs. Cr.)
1	Lines, Cables, Network	13.11	33.02	46.13
2	Plant & Machinery	17.96	33.26	51.22
3	Buildings	0.90	0.26	1.16
4	Other Civil works	0.87		0.87
5	Vehicles	0.23	0.01	0.24
6	Furniture and Fixtures	0.17	0.04	0.21
7	Office Equipment	0.46	0.05	0.51
8	Computer Equipment	4.22	0.31	4.53
9	Software	7.12		7.12
10	**Total**	**45.04**	**66.95**	**111.99**

S. No.	Assets	Dep. for FY 23 for TPWODL period Assets	Dep. for FY 23 for transferred Assets	FY 22-23
		(Rs. Cr.)	(Rs. Cr.)	(Rs. Cr.)
11	Depreciation on Grants/ Consumer Contribution	20.63	47.09	67.72
12	**Depreciation w/o Grants/ Consumer Contribution**	**24.41**	**19.86**	**44.27**

97. The Licensee requests the Hon'ble Commission to allow Rs. 44.27 Cr. on account of depreciation for FY 22-23.

G. <u>Interest Costs</u> –

98. The Licensee has considered Rs. 63.94 Cr. towards interest on consumer security deposits as per the Audited Accounts.

99. Interest on working Capital –

In accordance with Regulation 3.10 of the OERC Tariff Regulations, 2022, the Licensee is claiming the normative interest on working capital as per the table below:

S. No.	Particulars	FY 22-23 (Rs. Cr.)	Average for 1 month (Rs. Cr.)	Maintenance spares @ 20% of R&M for 1 month (Rs. Cr.)	Working Capital FY 22-23 (Rs. Cr.)
1	O&M Expenses for FY	858.42	71.53		71.53
2	Power Purchase Cost during FY	5169.93	430.83		430.83
3	R&M Expenses for FY	237.56	19.80	3.96	3.96
4	**Total monthly requirement**				**506.32**
5	Rate of Interest for Working Capital *				10.55%
6	**Interest on Working Capital**				**53.42**

* SBI Base Rate as on 15.03.2022 (7.55%) plus 300 basis points

100. Interest on Term Loans –

The Licensee has capitalized Rs. 169.79 Cr. against the approved CAPEX of Rs. 333.13 Cr. for FY 21-22 & Rs. 212.95 Cr. against the approved CAPEX of Rs. 477.72 Cr. for FY 22-23. Accordingly, the Licensee has computed the normative interest on term loans as per the table below:

S. No.	Particulars	FY 22-23 (Rs. Cr.)
1	Actual Capitalization (FY 21-22 CAPEX approved)	169.79
2	Actual Capitalization (FY 22-23 CAPEX approved)	212.95
3	Actual Capitalization	382.74
4	Debt (@70%)	267.92
5	Average Debt (Considered towards Interest)	133.96
6	Rate of Interest	10.55%
7	**Normative Interest on Term Loan**	**14.13**

H. Return on Equity –

101. Para 54 of the Vesting Order provides as under:

"54. Return on equity:
a) As per the terms of RFP, the Commission shall allow return on equity, as per the Tariff Regulations, to TPWODL on the equity capital of Rs. 300 crore (Indian Rupees Three Hundred Crore) only which was the reserve price of the utility of WESCO specified in the RFP.
b) ***Return on equity shall be allowed on the reserve price of the utility as per (a) above and also on the capital investments made by the TPWODL****, as per the Tariff Regulations."*

102. Further to the above, Regulation 3.6.1 of the Tariff Regulations, 2022 provides as under:

"3.6.1 Return on equity on approved reserve price (INR 300 Crore for TPCODL, INR 300 Crore for TPWODL, INR 250 Crore for TPNODL and INR 200 Crore for TPSODL) for the utilities (TPCODL, TPWODL, TPNODL & TPSODL) of the erstwhile Distribution utilities as on effective date in terms of the provisions of Vesting Orders:
Return on equity shall be allowed on the approved reserve price of the utility *from the effective date of operation* ***at the rate of 16% per annum (post tax)****, in Indian Rupee terms on pro-rata basis as per Vesting Order."*

103. Accordingly, the total grossed up RoE of the Licensee during FY 22-23 is computed as per the table below:

S. No.	Particulars	Formula	FY 22-23 (Rs. Cr.)
1	Opening Equity Share Capital	A	359.93
2	Addition during the year	B	120.27
3	Closing Equity Share Capital	C	480.20
4	Rate per annum (Post Tax)	D	16%
5	RoE on Opening Equity	E=A*D	57.59
6	RoE on addition (average)	F=B/2*D	9.62
7	**Total RoE for FY 22-23**	**G=E+F**	**67.21**

S. No.	Particulars	Formula	FY 22-23 (Rs. Cr.)
8	Tax on RoE (%)	H	25.17%
9	Grossed up RoE	I=G/(1-H)	89.82
10	**Income Tax for FY 22-23**	**J=I-G**	**22.61**

104. As per para 43 (b) of the Vesting Order, incentive on arrear collection is permitted and it is not a part of ARR:

> *"43. (b) The incentive mechanism for sharing of past arrears collection was also provided in the RFP. Accordingly, TPWODL shall be offered an incentive of 10% for Past Arrears collected from live consumers and 20% for Past Arrears collected from permanently disconnected consumers. This incentive would be on the amount of Past Arrears collected from the consumers, net of all taxes and duties recovered from consumers. However, the collection from current live Consumers may first be appropriated towards current bill and then towards the arrears.* ***The cost incurred by TPWODL for such recovery will not form a part of Aggregate Revenue Requirement of TPWODL.****"*

105. As per the provision of new tariff regulation 2022, vide clause 3.11 the licensees are permitted to claim the actual amount of income tax paid subject to submission of documentary evidence.

> *"3.11.1. The Income Tax for the Distribution licensee for the regulated business shall be allowed through the Tariff charged to the Distribution System users****, on submission of documentary evidence of the actual tax paid*** *subject to the conditions stipulated in these Regulations:*
> *Provided that* ***no Income Tax shall be considered on the amount of efficiency gains and incentive*** *approved by the Commission, irrespective of whether or not the amount of such efficiency gains and incentive are billed separately:"*

106. In accordance with the above, the Licensee submits that it has not claimed any income tax on incentive and efficiency gains as well as tax on incentive due to arrear collection. However, the Licensee has claimed only on equity base. Even though the actual payment of Income Tax is more i.e Rs.66.28 crs claiming only Rs.22 .61 crs. For documentary evidence, the licensee is submitting herewith the Income Tax Return Acknowledgment for FY 22-23 as enclosed in **ANNEXURE-2**.

I. Miscellaneous Expenses –

107. For FY 22-23, the Hon'ble Commission has approved Miscellaneous Receipt of Rs. 267.69 Cr. The Licensee now considers a Miscellaneous Receipt of Rs. 218.33 Cr. in accordance with Audited accounts for FY 22-23 r/w as under:

S. No.	Particulars	Revised Submissions FY 22-23 (Rs. Cr.)
1	Meter Rent/ Service Line Rental	27.28
2	Miscellaneous Charges	34.26
3	Delayed Payment Surcharges & Overdrawal Penalty	52.07
4	Other Miscellaneous Receipts	24.04
5	Interest from Bank	96.34
6	**Total**	**233.99**
7	Less: Meter Rent (Others)	15.66
8	**Misc. receipt to be considered in True up**	**218.33**

108. The Licensee has not considered/ offered the Meter rent on account of IPDS & Saubhagya scheme amounting to Rs. 11.62 Cr. (IPDS – Rs. 7.75 Cr. & Saubhagya – Rs. 3.87 Cr.) as Non-tariff income for FY 22-23.

109. The Licensee, hence, requests the Hon'ble Commission to approve Rs. 218.33 Cr. towards Miscellaneous Receipt based on actual as per Audited Accounts for FY 22-23 in accordance with the principle adopted by the Hon'ble Commission while Truing up the expenses for FY 20-21 (3 months) & FY 21-22 as per Para 186, Page 130 of RST Order dated 23.03.2023.

110. Furthermore, the Licensee has collected Cross subsidy/ Open Access charges to the tune of Rs. 540.07 Cr, which has been factored in net ARR.

111. Basing upon above, the summary of truing up table for FY 22-23 is appended below:

TPWODL			
Statement of Truing up calculation for FY 22-23			**Rs. In Cr.**
Expenditure	**OERC Approved FY 22-23**	**TPWODL FY 22-23 (Audited)**	**Considered for True-up FY 22-23**
Total Power Purchase, Transmission & SLDC Cost(A)	**3610.07**	**5094.79**	**5169.93**
Employee Cost	474.83	467.40	474.40
Repair & Maintenance	156.03	237.56	237.56
Administrative and General Expenses	110.39	153.46	146.45
Provision for Bad & Doubtful Debts	27.87	129.41	61.81
Depreciation (net of CC & Grants Assets)	46.52	44.27	44.27
Interest Chargeable to Revenue (Interest on S.D)	37.50	63.94	63.94
Interest on Working Capital & Finance costs	7.00	21.15	67.55

TPWODL			
Statement of Truing up calculation for FY 22-23			**Rs. In Cr.**
Expenditure	**OERC Approved FY 22-23**	**TPWODL FY 22-23 (Audited)**	**Considered for True-up FY 22-23**
Total Operation & Maintenance and Other Cost	**860.14**	**1117.19**	**1095.98**
Less: Employee Cost Capitalised	21.18	15.23	15.23
Less: Interest Capitalised		3.64	3.64
Add: Return on Equity	48.00	67.21	67.21
Add: Tax Income		31.94	22.61
Total Distribution Cost	**886.96**	**1197.47**	**1166.93**
Less: Miscellaneous Receipt	267.69	233.99	218.33
Less: Cross Subsidy/ Open Access Charges		540.07	540.07
Net Distribution Cost (B)	**619.27**	**423.40**	**408.52**
Less: Provisional Surplus considered	**150.00**		
Total Special Appropriation (C)			
Total Revenue Requirement (A+B+C)	**4079.34**	**5518.20**	**5578.45**
Total Revenue (Full year) on accrual basis	**4119.48**	**6180.86**	**6180.86**
GAP at existing (+/-) on accrual basis	**40.14**	**662.66**	**602.41**

112. The actual revenue from the sale of power to the consumers is Rs. 6180.86 Cr. as per the Audited Accounts for FY 22-23. It is submitted that the Hon'ble Commission has approved input of 9300 MU for FY 22-23 as against the actuals of 13002 MU. Increase in energy input vis-à-vis Commission's approved figure for FY 22-23 is majorly on account of increase in TPA sale to M/s Vedanta Limited as can be seen from the table below:

S. No.	**Particulars**	**As approved by OERC (FY 22-23)**	**Actual (FY 22-23)**
		(MUs)	**(MUs)**
1	Energy Input	9300.00	13002.41
2	TPA including CD consumption of the consumer	-	2932.83
3	**Net Energy Input**	**9300.00**	**10069.57**

Also, the Hon'ble Commission vide Order dated 23.05.2022 in Case No. 25 of 2022 had approved the tariff for sale of intermittent power through bucket filling method. Accordingly, for sale of such intermittent surplus power, a special fixed rate of Rs.4.75/ unit as agreed has been arrived as an interim arrangement wherein GRIDCO shall get Rs. 4.26/ unit, OPTCL shall get normal transmission charge of Rs. 0.28/ unit and DISCOM shall keep the balance amount (Rs. 0.21/ unit) as margin out of fixed price of Rs. 4.75/ unit.

113. As can be seen from the above table, there is a surplus of Rs. 602.41 Cr. for FY 22-23 on an accrual basis. Furthermore, the Licensee has invested the carrying cost on surplus available in mutual funds, fixed deposits etc. and in turn has provided benefits to the consumers by way of pass through in the miscellaneous expenses.

114. With the above the Licensee requests the Hon'ble Commission to approve Rs. 5169.93 Cr. towards the power purchase cost including transmission & SLDC charges & revenue from sale of power of Rs. 6180.86 Cr. based on actual as per Audited Accounts.

Prayer –

With the above, the Licensee prays before Hon'ble Commission to acknowledge & take into records the revised true up application FY 20-21 (3 months) and FY 21-22 & true up application for FY 22-23 and prays

a) to approve the revised True up Petitions for FY 20-21 (3 months) & FY 21-22 considering the genuine and actual costs as incurred as per Audited Accounts while revisiting the provisional Truing up as approved in RST Order dated 23.03.2023.
b) to approve the cost components submitted by the Licensee for True up of FY 22-23 taking into consideration the Audited Accounts.
c) to approve any other benefits/ relief as deemed fit.

That the Licensee craves leave for additional submission, if any, as & when required.

Place:

Date: Applicant

through authorized representative