TPWODL

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

Case no. ____ of 2024

In the matter of: **Application of TPWODL for approval of Truing up for the period FY 2023-24 along with reconsideration/ revisit of Truing Up for FY 2022-23 (Case No. 117/ 2023) in line with Hon'ble Commission's letter No. SECY/ 09-Cor-TPCODL/ 2023/ 475 dated 30.04.2024 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

AFFIDAVIT

I, Kshirod Chandra Nanda, aged about 55 years, S/o. late Radhanath Nanda working as the Sr. 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 2024.

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, the Hon'ble Commission has dealt about O&M expenses & held that "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."

<u>Finalisation of truing up for FY 20-21 (3 months) & FY 21-22 and reconsideration for FY 22-23</u>

4. That, as per RST Order dated 13.02.2024 at Para Nos. 195 to 204, the Hon'ble Commission has revisited the truing up for the years FY 20-21 (3 months) and FY 21-22, taking into account fresh information provided by the DISCOMs and finalized the truing up for the said FYs in the ARR for FY 24-25 considering all the factors and submissions and directed that no further submission regarding truing up for FY 20-21 and FY 21-22 **will be entertained in future**.

5. However, the Hon'ble Commission at Table 78, Page 137 had provided the truing up for FY 22-23. Even though the Hon'ble Commission had not concluded the truing up exercise, no such observation was given as to whether the status was provisional or not.

6. Further, Para 202 of the Order makes it evident that the truing up exercise for FY 22-23 has been carried out as per the Tariff Regulations, 2022. However, the Hon'ble Commission has not provided any coherent reasoning or analysis regarding various claims of the Applicant while carrying out the truing up exercise for FY 22-23. The relevant extract is appended as under:

   "202. ***Basing on the application for all the four DISCOMs, the truing up exercise has been carried out by the Commission for FY 2022-23 as per the OERC's Wheeling & Retail Supply Tariff Regulations, 2022, which has taken into account the provisions of vesting orders and other related developments****. The Commission observed that the actual expenses booked in the Audited accounts are higher than the approved cost for most of components, particularly for O&M expenses. Although the OERC Wheeling and RST Regulations, 2022 came into force in December, 2022, the relevant expenses have been allowed on the basis of pragmatic approach. In absence of adequate information / data the Commission could not verify higher audited expenses in respect of O&M."* **(Emphasis Supplied)**

7. Accordingly, the License vide its letter No. TPWODL/RA&S/2024/037 dated 08.04.2024 had written to the Hon'ble Commission regarding clarification and revision of certain items in True Up for FY 22-23. The Hon'ble Commission had then vide letter No. SECY/ 09-Cor-TPCODL/ 2023/ 475 dated 30.04.2024 had stated as under:

With reference to the above, I am to state that the issues raised now in respect of truing up of account for FY 2022-23 could not be taken up due to non-availability of sufficient information and supporting documents which can be submitted during ensuing ARR & tariff hearing for the FY 2025-26 for consideration of the Commission.

8. The Hon'ble Commission is empowered u/s 94(1)(f) and 94(1)(g) of the Electricity Act, 2003 to provide clarification with respect to any directions issued by it. The relevant extracts of sections 94(1)(f) and 94(1)(g) of the Act are reproduced hereinbelow for ease of reference:

> *"**Section 94 of the Electricity Act, 2003-***
> *"Section 94. (Powers of Appropriate Commission): --- (1) 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 in respect of the following matters, namely:*
> *……………………………..*
> *(f) reviewing its decision, directions and orders;*
> *(g) any other matter which may be prescribed.*
> *……………………………"*

9. Further, under Regulation 76 (1) of the OERC (Conduct of Business) Regulations, 2004, the Hon'ble Commission has inherent powers to make such orders as may be necessary for meeting the ends of justice. Regulation 76 (1) of the OERC Conduct of Business Regulations, 2004 is reproduced hereinbelow:

> *"**76. Saving of inherent power of the Commission:***
> *(1) Nothing in these regulations shall be deemed to limit or otherwise affect the inherent power of the Commission to make such orders as may be necessary for meeting the ends of justice or to prevent the abuse of the process of the Commission.*
> *…………………………"*

10. Further, under Regulation 6.1 of the OERC (Terms and Conditions for Determination of Wheeling Tariff and Retail Supply Tariff) Regulations, 2022, the Hon'ble Commission has inherent powers to make such orders as may be necessary for meeting the ends of justice. Regulation 6.1 of the OERC Tariff Regulations, 2022 is reproduced hereinbelow:

> *"**6.1. Saving of Inherent Power of the Commission***
> *6.1.1. Nothing in these Regulations shall be deemed to limit or otherwise affect the inherent power of the Commission to make such orders as may be necessary for ends of justice or to prevent the abuse of the process of the Commission.*
>
> *6.1.2. Nothing in these Regulations shall bar the Commission from adopting in conformity with the provisions of the Act, a procedure, which is at variance with any of the provisions of these Regulations, if the Commission, in view of the special*

circumstances of a matter or class of matters and for reasons to be recorded in writing, deems it necessary or expedient for dealing with such a matter or class of matters.

6.1.3. Nothing in these Regulations shall, expressly or by implication, bar the Commission to deal with any matter or exercise any power under the Acts for which no Regulations have been framed, and the Commission may deal with such matters, powers and functions in a manner it thinks fit. In case of any conflict between the Vesting Orders, these Regulations, Bulk Supply Agreement and Bulk Power Transmission and SLDC Agreement, the decision of the Commission shall be final and binding on all parties."

11. Therefore, it is respectfully submitted that the truing up for FY 22-23 needs to be revisited by the Hon'ble Commission considering the legitimate actual O&M of the licensee with prudence check.

12. The Hon'ble Commission while truing up the costs for FY 22-23 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:

"203. The truing up exercise has been carried based on following principle along with principle of OERC's Wheeling & RST Regulation, 2022.

a) The employee expenses have been termed as controllable factor in the regulation. However, the employee expenses approved in the ARR for the first year of operation was based on the filing of the erstwhile utilities. The Commission has therefore taken into account following facts while approving employee expenses:
   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 only actual cash out go for the terminal benefits as per the vesting orders has been considered.
   v. the cost of outsourced expenses has been included in the employee expenses in the ARR.
b) The R&M and A&G expenses have been allowed as per the approved expense of Commission or 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 as has been actually paid and reflected in the audited accounts.
f) Return on Equity (RoE) 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 amortisation of consumer contribution and grant.
h) Revenue has been allowed as per the actuals reflected in the audited accounts.
i) Power purchase cost has been considered as per 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."*

From the above, it is evident that while the Hon'ble Commission has adopted the Tariff Regulation 2022 for the truing-up process, certain deviations have been made for specific parameters, such as O&M expenses. For instance, the interest on working capital and term loans has been computed in the working table (Table 78 of RST Order dated 13.02.2024) in accordance with Regulation 2022.

Therefore, the Licensee humbly submits before the Hon'ble Commission to adopt a uniform approach, i.e the Tariff Regulation 2022 while finalizing the revised truing filing of FY 22-23 of the DISCOM.

13. To substantiate the reason for the increase in actual cost over approved cost, the same is being appended in the following paragraphs:

14. Upon vesting of company, the new Licensee, without leaving a single stone unturned, started to magnify/enhance revenue collection and collected around Rs. 408.56 Cr. out of pre-vesting period arrears up to Oct'24. 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. Similarly, as regards AT&C loss target the commitment of the licensee for FY 22-23 as per vesting order was 25.56%, whereas the actual figure stood at 18.28%. The reduction in AT&C loss as achieved is due to many loss reduction initiatives for which considerable amount has been spent towards O&M.

    The Hon'ble Commission while framing the Tariff Regulation has also permitted in para 2.11.4 that truing up shall be carried out, on the basis of 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 Commission based on controllable & un-controllable costs provided in the Regulation.

    The Hon'ble Commission has also viewed that, in respect of the expenses incurred by the Distribution licensee during the year for controllable and uncontrollable parameters, the Commission shall carry out a detailed review of performance of an Applicant vis-à-vis the approved forecast as part of the truing up.

15. Therefore, TPWODL is filing this revised application for reconsideration of Truing up expenses for FY 22-23 for the kind consideration of the Hon'ble Commission, considering the above aspect. The licensee is submitting herewith the reason of higher O&M expenses as compared to approved figure in following paragraphs:

True up for FY 22-23 –

16. Now, considering the above justification/reason the revised True up for FY 22-23 is placed as under for reconsideration of Hon'ble Commission:

TPWODL					
Statement of Truing up calculation for FY 2022-23					**Rs. In Cr.**
Particulars	**Approved in the ARR FY 22-23**	**Audited (OERC Format) FY 22- 23**	**Proposed FY 22-23**	**Allowed in true up (provisional)**	**Revised Submission FY 22-23**
Expenditure					
Cost of Power Purchase	3610.07	5094.80	5169.93	5164.26	5164.27
Employee costs (cash out go)	474.83	447.62	474.40	425.83	447.62*
R&M Expenses	156.03	242.08	237.56	201.03	242.08*
A&G Expenses	110.39	148.94	146.45	110.39	148.94*
Provision for Bad & Doubtful Debts	27.87	129.41	61.81	61.81	61.81
Depreciation	46.52	44.27	44.27	45.95	45.95
Interest on Working capital	7.00	4.45	53.42	27.03	36.65*
Interest on Consumer Security Deposit	37.50	63.94	63.94	38.42	63.94*
Interest on long term loan		16.70	14.13	17.07	21.68*
Efficiency Gain to be shared:					
A-1/3rd to be declared as Dividend /Equity				**6.66**	**10.73**
B-1/3rd to be passed on to consumer as rebate				**6.66**	**10.73**
C-1/3rd to be kept as tariff balancing reserve				**6.66**	**10.73**
Sub-Total	**4470.21**	**6192.21**	**6265.91**	**6111.77**	**6232.93**
Less: Employee cost capitalised	21.18	15.23	15.23	15.23	15.23
Less: Interest capitalised		3.64	3.64	3.63	3.63
(A) Total expenses	**4449.03**	**6173.34**	**6247.04**	**6092.91**	**6214.07**
Add: Income Tax		31.94	22.61	22.61	22.28*
Add: Return on Equity	48.00		67.21	64.11	66.26*
Add: Carrying cost on ASL					4.27*
(B) Sub-Total	**48.00**	**31.94**	**89.82**	**86.72**	**92.82**
TOTAL (A+B)	**4497.03**	**6205.28**	**6336.86**	**6179.63**	**6306.89**
Less: Non-Tariff Income	267.69	233.99	218.33	195.26	208.23*
Net Movement in Regulatory Deferral Balances		-638.78			
Receipt on account of CSS		540.07	540.07	540.07	540.07
Revenue Requirement	**4229.34**	**6070.00**	**5578.46**	**5444.30**	**5558.59**
Less: Provisional Surplus considered	150.00				
Total Revenue Requirement	**4079.34**	**6070.00**	**5578.46**	**5444.30**	**5558.59**
Revenue from Sale of Power	**4119.48**	**6180.86**	**6180.86**	**6180.86**	**6180.86**
GAP (+/-)	**-109.86**	**110.87**	**602.40**	**736.56**	**622.26**

TPWODL					
Statement of Truing up calculation for FY 2022-23					Rs. In Cr.
Particulars	**Approved in the ARR FY 22-23**	**Audited (OERC Format) FY 22- 23**	**Proposed FY 22-23**	**Allowed in true up (provisional)**	**Revised Submission FY 22-23**
Adjustment towards Power purchase Cost					
Approved AT &C loss	%	A	20.40%	20.40%	20.40%
Normative collection efficiency	%	B	99%	99%	99%
Calculated distribution loss	%	C=1-(1-A)/B	19.60%	19.60%	19.60%
Actual sales	MU	D	10609.62	10609.62	10609.62
Actual power purchase	MU	E	13002.41	13002.41	13002.41
Normative power purchase	MU	F=D/(1-C)	13196.04	13195.38	13195.38
Additional power purchase	MU	G=E-F	-193.63	-192.97	-192.97
Approved BSP	Paise/ Unit	H	388	360	360
Additional power purchase cost incurred towards deviation from calculated distribution loss	Rs. Cr.	I=G*H/1000	-75.13	-69.47	-69.47
Amount eligible for loss or gain to be borne by distribution licensee	Rs. Cr.	J	-75.13	-69.47	-69.47

<u>Component wise justification for variation provided under: -</u>

A. <u>Sales</u> –

17. It is submitted that the Licensee has sold 10609.62 MUs in FY 22-23. The voltage category wise bifurcation for FY 22-23 is provided as under:

S. No.	Particulars	FY 22-23 (MU)
1	LT	2581.984
2	HT	2164.941
3	EHT	5862.697
4	**Total Sales**	**10609.623**

18. Furthermore, revenue from sale of power for FY 22-23 as per OERC format and financial statement is **Rs. 6180.86 Cr.** (net of consumer rebate). The same is represented in the table below:

S. No.	Particulars	FY 22-23 (Rs. Cr.)
1	Revenue from sale of power (OERC Format & Financial statement)	6241.03
2	Less: Rebate extended to consumers	60.17
3	**Revenue from sale of power – to be considered**	**6180.86**

B. <u>Employee Expenses</u> –

19. The Hon'ble Commission vide RST Order dated 13.02.2024 has provisionally approved the Employee Expenses of Rs. 425.83 Cr. for FY 22-23, against Applicant's claim of Rs. 474.40 Cr. The claim of Rs. 474.40 Cr. was made considering the approved figure in the ARR and in line with audited accounts as per company accounts. While finalizing the audited accounts as per company accounts outsourced employee cost has been booked under A&G and R&M expenses as per old practice. However, subsequently while finalizing the accounts as per OERC format, the same has been rectified and booked under employee head.

20. It is humbly submitted that the OERC Tariff Regulations, 2022 (Reg. 3.9.4 to Reg. 3.9.8) specifically provides for the provision of Employee Cost where in the actual employee cost shall be trued up considering variation in CPI subject to prudence check and in no case normative shall be permissible if the actual is lower than the approved amount in the ARR

21. The Applicant is now claiming the Employee Expense of **Rs. 447.62 Cr.** for FY 22-23 where terminal liabilities have been considered on cash out go basis, as per the provision of the OERC Tariff Regulations, 2022. The Applicant has considered the figure of Audited accounts as per OERC format in accordance with OERC letter No. DIR(T)-415/2022-23/1290 dated 19.11.2022 wherein the Hon'ble Commission has directed the Licensees to submit the Audited Accounts as per the existing accounting policy of the Commission. Accordingly, the Licensee vide its letter No. TPWODL/RA&S/2024/121 dated 02.11.2024 had submitted the Audited Accounts of TPWODL for FY 23-24 in OERC Format along with revised figures for FY 22-23. However, both of the Audited Accounts i.e as per OERC format and as per Financial Accounts format is herewith in **ANNEXURE-1 & 2** respectively**.**

22. In the past, the Hon'ble Commission has allowed the "Outsourced Employees Cost" under the head "Employee Cost" in ARR. The same was also allowed vide RST Order dated 26.03.2021 for FY 21-22 passed by the Hon'ble Commission. But, the Applicant, in line with prior practices has claimed the Outsourced Employee

Cost under the head of "Other Expenses" i.e. "R&M and A&G Expenses" as per the Annual Accounts of TPWODL. However, the same has been rectified while finalizing the audited accounts in OERC format and duly booked under Employee head.

23. Similarly, the Licensee had also wrongly booked certain costs with respect to Staff welfare amounting to Rs. 4.58 Cr. under the "A&G" head, which has now been corrected in the OERC format accounts. The following table provides the Actual Employee Expenditure along with the cost of Outsourced Employee Cost & staff welfare costs duly reconciled with the Audited Accounts:

S. No.	Particulars	Prov. Allowed in True Up FY 22-23	Revised Submission for FY 22-23
		(Rs. Cr.)	(Rs. Cr.)
1	Gross Employee Costs as per Financial Accounts (Audited)		425.83
2	Add: Outsourced Employee Cost (under A&G)		21.50
3	Add: Outsourced Employee Cost (under R&M)		15.48
4	Add: Staff Welfare Costs wrongly booked under A&G		4.58
5	**Emp Cost incl. outsourced & staff welfare costs**		**467.39**
6	Less: Non-Cash Expenditures (Terminal Benefits of Employees on account of Actuarial Valuation)		19.77
7	**Employee Cost on Cash Outgo basis (before capitalisation) - to be claimed as per OERC Format**	**425.83**	**447.62**

24. Further, the Employee Expenses as per the Annual Accounts included in the non-cash cost of Actuarial Valuation of retirement benefits for Erstwhile employees. The same has been deducted while computing the Employee Expenses for true-up purposes.

25. It is pertinent to state that the Hon'ble Commission had approved the recruitment of manpower for TPWODL for 31.03.2023. Moreover, vide letter No. OERC/RA/TPWODL-38/2021(Vol-I)/1141 dated 15.10.2022, the Hon'ble Commission had also assured to consider the additional cost incurred towards such recruitments in the truing-up exercise subject to prudence check. The relevant extract of the said letter is reproduced hereinbelow:

"3. The Commission is aware that there would be additional employees cost due to such recruitment which will be spread over the years due to phased recruitment. The DISCOMS are advised to optimize in the employee cost and recruit only required number

of persons. The Commission shall undertake a prudent analysis of the additional cost incurred due to such recruitment during the truing up exercise of the relevant year."

26. In this regard, the details of grade-wise recruitment of manpower by the applicant is provided hereinbelow:

Grade	Lateral Joinee	Transfer	Grand Total
Consultant / Retainer	12		12
FDA	15		15
MC1		1	1
MC2	2	4	6
MD1	2	3	5
MD2	11	2	13
ME01	40	3	43
ME02	54	2	56
ME03	116	3	119
ME04A	10		10
ME04B	22		22
ME04C	288		288
Total	**572**	**18**	**590**

27. In light of the above, it is submitted that the Employee Expenses incurred by the Applicant in FY 22-23 is in line with the past practices and the Hon'ble Commission is requested to approve the **Employee Expenditure of Rs. 447.62 Cr.** for FY 22-23 which is much lower than the figure approved in ARR i.e. Rs.474.83 Cr.

C. <u>R&M Expenses</u> –

28. The Hon'ble Commission vide RST Order has allowed the Repair and Maintenance ("R&M") Expense of Rs. 201.03 Cr. for FY 22-23.

29. In this regard, it is submitted that the Applicant claimed R&M expenses considering the decayed condition of network to maintain all its assets in a healthy condition for providing reliable power supply and to ensure longevity of the electrical equipment.

30. It is submitted that R&M Expenses is required for the smooth functioning and maintenance of the electrical equipment which is used for the distribution purposes. The R&M Expenses includes the expenditure towards the consumption of materials/ consumables which are essential for the maintenance, as well as the

expenditure towards Annual Maintenance Contracts (AMCs) of both 33 kV and 11 kV networks.

31. Also, that the Licensee has now prepared the Audited accounts as per OERC format in accordance with Hon'ble Commission's letter No. DIR(T)-415/2022-23/1290 dated 19.11.2022 and has submitted the same before the Hon'ble Commission vide letter No. TPWODL/RA&S/2024/121 dated 02.11.2024. The Licensee requests the Hon'ble Commission to consider the same for revised truing-up purposes.

32. Further, during the initial phase of the Applicant's role as a utility, the selection of vendors through competitive bidding process took some time to finalize. Thus, there was a delay in awarding contracts in the previous year and as a result AMCs cost was not for full year, it was from Aug-21 & Sep-21 onwards and hence the actual expenses during FY 21-22 were lower ie Rs. 137.06 Cr. It is pertinent that for FY 22-23, the Applicant has incurred all such expenses since the beginning of the financial year.

33. Also, the Licensee had wrongly booked certain costs with respect to Outsourced employee costs in R&M which has now been correctly considered under "Employee expenses" head as per the OERC format accounts. Furthermore, certain costs from A&G expenses w.r.t hire charge of vehicles and transportation expenses related to R&M have been regrouped under R&M head considering the nature of the expenditure with respect to repair and maintenance in the OERC format accounts. Accordingly, the Applicant is now providing the details of the actual expenditure towards R&M for FY 22-23 based on OERC format accounts as under:

S. No.	**Particulars**	**Allowed in True Up FY 22-23**	**Revised Submission for FY 22-23**
		(Rs. Cr.)	**(Rs. Cr.)**
1	Buildings		0.17
2	Lines, Cables and Network Assets		234.49
a	*R&M-AMC-33KV Lines Substations*		*54.05*
b	*R&M-AMC-11KV Lines Substations*		*154.84*
c	*R&M-AMC-LT Lines & others*		*25.60*

S. No.	Particulars	Allowed in True Up FY 22-23 (Rs. Cr.)	Revised Submission for FY 22-23 (Rs. Cr.)
3	Furniture, Fixtures & Office Equipment, Vehicle etc.		14.34
4	**Total R&M Expenses (as per Financial Accounts -Audited)**		**249.00**
5	Less: Outsourced costs now booked in Emp. Exp.		15.48
6	Add: Expenses wrongly booked under A&G but R&M in nature		8.56
a	*Hire charges of vehicles towards R&M*		*4.04*
b	*Transportation charges – R&M*		*4.52*
7	**Total R&M expenses – to be considered as per OERC Format**	**201.03**	**242.08**

34. Also, TPWODL submitted R&M Cost of Rs. 278.52 Cr. in ARR for FY 22-23 whereas the Hon'ble Commission had approved only Rs. 156.03 Cr. The relevant table of the RST Order dated 24.03.2022 is provided as under:

R&M for FY 22-23	***TPWODL***	
	Proposed	***Approved***
DISCOM's Gross fixed assets (GFA) as on 01.04.2022	*1963.5*	*1963.5*
Rate of R & M on GFA	*5.40%*	*5.40%*
R&M on GFA	*106.03*	*106.03*
Govt. (Funded/Grant) Assets as on 01.04.2022	*3194.5*	
Rate of R & M on Govt. (Funded/Grant) Assets	*5.4%*	
R&M on Govt. funded Assets	*172.5*	*50*
Total R & M incl. Spl. R & M	*278.53*	***156.03***

As can be seen from the above table, the Hon'ble Commission has fully approved the R&M expenses on DISCOM owned assets amounting to Rs. 106.03 Cr. in accordance with OERC Tariff Regulations, 2014. However, the Hon'ble Commission has allowed only Rs. 50 Cr. towards R&M on Govt. funded Assets instead of Rs. 172.50 Cr. From the provisional true up, as allowed by the Hon'ble Commission in RST order, where in provision of Tariff Regulation 2022 has been considered for some of the component. Therefore, it is the humble submission of the licensee to consider the provision of Tariff Regulation, 2022 while considering the revised true up of FY 22-23.

35. If the Hon'ble Commission had applied similar methodology as employed in RST Order for FY 23-24, the R&M expenses for FY 22-23 on Government-funded assets

would have been approved at a rate of 5.40%, amounting to Rs. 172.50 Cr., instead of the approved Rs. 50 Cr. Consequently, the total R&M approved expenses for FY 22-23 would have been Rs. 278.53 Cr. A detailed break-up of the Government funded assets maintained by the Applicant is provided hereinbelow:

S. No.	Name of Scheme	GFA as on 31.03.2022 (Rs. Crores)
1	ODSSP (I, II, III & IV)	930.23
2	DDUGJY New	257.00
3	IPDS	211.40
4	DDUGJY 12TH PLAN (PGCIL)	496.70
5	DDUGJY 12TH PLAN (NTPC)	870.48
6	RLTAP	76.75
7	OTHER GRANT & GOVT. FUNDED ASSETS	351.96
8	**TOTAL**	**3194.52**

36. It is submitted that vide RST Order dated 23.03.2023, the Hon'ble Commission computed the R&M Expenses for FY 23-24 based on the rate of R&M on opening GFA (%) as given in the OERC Tariff Regulations, 2022 for the assets owned by the DISCOMs and Government funded assets. Additionally, the Hon'ble Commission authorized an extra R&M Expenses amounting to Rs. 60.00 Cr. Furthermore, the Hon'ble Commission while allowing the additional expenses in the RST Order for FY 23-24 had directed utilization of the same for the purpose envisaged in the OERC Tariff Regulations, 2022 subject to prudence checks at the time of Truing Up.

37. Considering the above submissions, the Applicant is entitled on the norms of Tariff Regulation 2022 and also carried out the above-stated various activities which are necessary for the maintenance of the assets to improve their reliability and healthiness, and the benefit of which is ultimately passed onto the consumers. Further, the network area of such assets is spread up to 48,373 sq. kms., covering a large geographical licensed area and therefore the Applicant requests the Hon'ble Commission to allow the **R&M Expenses of Rs. 242.08 Cr.** which is less than the entitled amount of Rs.278.53 Cr. as calculated in line with norms of Tariff Regulation 2022. Further, it is submitted that the Hon'ble Supreme Court vide Judgement dated 05.10.2023 in the matter of GRIDCO Ltd. vs WESCO Ltd. & Ors.

in Civil Appeal No. 414 of 2007 & related matters has emphasized upon the significance of the field conditions and ground realities during the truing-up exercise of DISCOMs tariff.

D. A&G Expenses –

38. The Hon'ble Commission vide RST Order dated 13.02.2024 has allowed A&G Expenses of Rs. 110.39 Cr. for FY 22-23.

39. It is submitted that there is a considerable gap in allowance of the claimed amount which requires due re-consideration of the Hon'ble Commission. In this regard, it is submitted that Tariff Regulations, 2022 also provides for the A&G Expenses as follows:

> *"**Administrative and General (A&G) Expenses***
> ***3.9.16. The normal A&G Expenses for each subsequent year will be determined by escalating the approved A&G Expenses (excluding additional or special A&G expense) for the previous year, at the escalation factor of 7% to arrive at permissible A&G expenses for each year of the Control Period.***
>
> ***3.9.17. The Commission, in addition to the normal A&G expenses may allow additional expenses, under this head for special measures to be undertaken by the distribution licensees which are not covered under Capital Investment plan approved by the Commission.***
>
> *Provided the Commission will undertake a prudence check before allowing such expenditure.*

40. The broad categories under the head A&G Expenses demonstrating the necessity of such expenses for the efficient running of the operations are provided hereinbelow:

   i. **Customer related Expenditure:** This includes expenses for Meter Reading, Billing and Collection (MBC) Expenditure, and Meter Testing.

   ii. **Statutory and Mandatory Finance Expenditure:** This includes expenses for Auditors Remuneration, Bank Charges, Consultant Fees, Insurance, License Fees, and Legal and Professional Charges.

   iii. **IT Related Expenses:** This includes expenses for maintaining proper communication links, maintaining licenses, database and data center and providing a firewall for protection of data.

   iv. **Administrative Expenses:** This includes expenses towards rents of offices, electricity consumption, maintaining of Guest House, Travelling, Facility Management and House Keeping and Office Expenses and

v. **Other Expenses:** This includes expenses for advertisements for inviting tenders, objections and suggestions in ARR, and food and conveyance.

41. Keeping in mind the above-mentioned expenses which are imperative for the efficient running of operations, the A&G Expenditure can be categorized under the following heads as per the activities/ areas involved:

S. No	Head of Expenditure	Activities/Areas involved
1.	Statutory A&G Expenses	Rents, Taxes, Insurance, Audit- Finance, Cost, Tax, Electricity Charges, Compensation towards accidents, Security for offices and its areas of operation.
2.	MBC Expenses	Spot Billing, Meter Reading, Collection, Disconnection Squad expenses, Arrear Recovery, and Data Entry & Management Expenses.
3.	Normal A&G Expenses	Travelling, Training, Legal Fees, Telephones, Printing, Vehicles and other Sundry Expenses.

42. Also, that the Licensee has now prepared the Audited accounts as per OERC format in accordance with OERC letter No. DIR(T)-415/2022-23/1290 dated 19.11.2022 and has submitted the same before the Hon'ble Commission vide letter No. TPWODL/RA&S/2024/121 dated 02.11.2024. The Licensee requests the Hon'ble Commission to consider the same for revised truing-up purposes.

43. It is imperative to mention here that certain A&G Expenses are controllable and some are un-controllable in nature. The Statutory A&G Expenses are compulsory in nature and are governed by various statutes and thus not controllable *per se*. Further, the MBC Expenses are dependent on the consumer base and are non-controllable without compromising on consumer satisfaction as well as the AT&C Losses. Therefore, the Applicant humbly submits that for the above-mentioned reasons, the MBC Expenses and Statutory A&G Expenses may be allowed as incurred considering the actuals.

44. Furthermore, the Licensee had wrongly booked certain costs with respect to Outsourced employee costs in A&G which has now been correctly considered under "Employee expenses" head as per the OERC format accounts. Also, certain costs from A&G expenses w.r.t hire charge of vehicles and transportation expenses related to R&M have been regrouped under R&M head considering the nature of the expenditure with respect to repair and maintenance and staff

welfare expenses have been regrouped under Employee expenses in the OERC format accounts. Accordingly, the Applicant is now providing the details of the actual expenditure towards A&G for FY 22-23 based on OERC format accounts as under:

S. No.	Particulars	Allowed in True Up FY 22-23 (prov.)	Revised Submission for FY 22-23
		(Rs. Cr.)	(Rs. Cr.)
1	Property Related Expenses		11.76
2	Communication		2.42
3	Professional Charges		3.70
4	Conveyance and travelling		7.86
5	Billing & collection expenses		57.16
6	Meter reading & bill distribution exp		36.07
7	Licenses and Related Fees		9.06
8	Other Expenses		34.06
9	Outsourced & contractual labour cost		21.50
10	**Total A&G Expenses (as per Financial Accounts -Audited)**		**183.58**
11	Less: Outsourced costs to be taken to Employee expenses		21.50
12	Less: Staff welfare costs wrongly booked under A&G		4.58
13	Less: Expenses wrongly booked under A&G but R&M in nature		8.56
a	*Hire charges of vehicles towards R&M*		*4.04*
b	*Transportation charges – R&M*		*4.52*
14	**Total A&G Expenses – to be considered as per OERC Format**	**110.39**	**148.94**

45. It is evident from the above that the actual A&G Expenses amounting to **Rs. 148.94 Cr.** for FY 22-23 incurred by the Applicant is significantly higher than the amount of Rs. 110.39 Cr. approved by the Hon'ble Commission. The reasons pertaining to the significant jump in the A&G Expense for FY 22-23 are provided hereinbelow:

a) The Hon'ble Commission approved the quantum of Rs. 110.39 Cr. for FY 22-23 based on the amount approved for FY 21-22. In this regard, it is submitted that the said amount of Rs. 110.39 Cr. as approved with base of FY 21-22 needs re-consideration, as submitted in previous paragraphs during initial phase various activities undertaken for loss reduction, improvement in billing and collection efficiency etc was not streamlined, such activities were started giving result in 22-23 onwards as stability increases. Therefore, the cost as incurred towards A&G for streamlining the business may kindly be approved.

b) In terms of the Vesting Order, the Applicant has acquired its role as a utility from January 2021 onwards. It is pertinent that during the initial year of the operations (which commenced from 01.01.2021), any stabilised activity was not indicated regarding the MBC Expenses and other contracts which were being undertaken by the Applicant. It was only in FY 22-23, that the operations had stabilised and accordingly the expenses reflected a stable level of expenditure. The same are provided in the table hereinbelow:

S. No.	Particulars	FY 23	FY 22 (allowed in true up)
		(Rs. Cr.)	(Rs. Cr.)
1	Rent	8.5	3.64
2	Consultancy Fees	2.61	14.75
3	Legal Charges	1.09	17.47
4	Advertisement & Marketing Expenses	1.97	3.36
5	Electricity Consumption Expenses	5.83	2.6
6	Telephone Expenses	2.37	1.42
7	Insurance Premium	1.8	6.31
8	Conveyance & Travelling Expenses	7.86	15.55
9	Office Expenses	3.14	1.41
10	Other Administrative Expenses	15.00	21.14
11	Spot billing and meter reading expenses	36.07	14.25
12	Input & collection-based Franchisee Expenses	57.16	8.48
13	Corporate social responsibility Expenses	1.40	0.14
14	Director's sitting fees	0.47	0.38
15	Miscellaneous expenses	3.68	2.37
16	**Total (A&G)**	**148.94**	**113.27**

As can be seen from the above table, the Applicant has incurred substantial costs towards MBC in order to improve LT collection & realization.

Further, the Hon'ble Commission has pleased enough to allow Rs. 113.27 Cr. in final truing up for FY 21-22, however, for FY 22-23, the provisional approved amount is only Rs. 110.39 Cr. which appears to be inadequate as compared to the actual expenditure.

c) It is also submitted that the above A&G Expenses are required for the efficient running of the operations, to increase the collection and improve the billing processes and providing the improved customer services.

d) Increase in A&G Expenses from FY 21-22 to FY 22-23 is primarily on account of an increase in the MBC Expenses. It is pertinent that such an increase in MBC Expenses has resulted in an increased Collection Efficiency and has led to the reduced AT&C Losses from 26.8% in FY 21-22 to 18.28% in FY 22-23. In this regard, the Applicant is providing a comparison between the performance parameters for FY 21-22 and FY 22-23 as under:

S. No.	Performance Parameters	UoM	FY 21-22	FY 22-23
1	Billing Efficiency	%	79.00%	81.60%
2	Collection Efficiency	%	92.93%	100.15%
3	AT&C Loss	%	26.80%	18.28%
4	Past Arrear Collection	Rs. Cr.	113.78	130.58
5	SAIDI	Hrs.	424	330
6	SAIFI	Nos.	600	468
7	MAIFI	Nos.	66.10	40.39
8	Theft Booking	MW	74.62	102.52
9	Load Growth	MW	416	452
10	Faulty Meter Replaced	Nos.	130894	180112

e) Since the commencement of Applicant's role as utility, TPWODL has undertaken several measures in the area of billing and collection to improve the services to the consumers, and to reduce the AT&C Loss. In this regard, some of the measures undertaken by TPWODL in order to reduce the AT&C Loss is provided below:

Initiatives taken for billing efficiency improvement:

- Monthly review of field team jointly by Chief Operation Service and Chief Commercial Service for BE improvement with Circle Heads.
- Booking of unauthorized tube wells/month - Essentially in rural Divisions Enforcement activities were carried out to book unauthorized tube wells
- Analysis of Model Gram achievements - Analysis of progress along all parameters of Model Gram shall be done and action shall be taken on monthly basis.
- Checking buildings under construction for temp. connection - Buildings under construction in TPWODL area shall be checked for temporary connection.

- Monitoring Consumption pattern of Commercial/ Agricultural establishments
- Theft information through Meter Readers - Analysis is being done for low consumption billed consumers based on Meter Readers remarks specifically consumers using AC.

Initiatives taken for Collection efficiency improvement:

- Hourly Collection Monitoring System through Power BI module.
- Introduction of Miss Call Pay to improve digital payment.
- Digital Payment Stickers in every consumer premises to spread awareness.
- Out calling through call center agents to non-paying consumers.
- Section-wise allocation of Bill Collector. Settlement of disputes through bill revision.
- Improving gender ratio of Bill Collectors
- Collection camp – 4 per section in a month
- Allocation of POS machine to 100% collection agents & Awareness campaigns about existing Digital payment avenues.

Initiatives taken for Replacement of Faulty Meters:

- Effective material planning.
- Stores at strategic location
- Mobile App based (MANAK) protocol punching
- Regular trainings to meter installation team
- Team deployment at strategic locations
- System based analysis to find faulty meters from meter reader/reading remarks
- Adhering to SOP timelines
- Dedicated monitoring desk integrated with back-end Call Centre.

46. Moreover, it is worthwhile to submit that from FY 18-19 to FY 22-23, there has been a significant month-wise increase in the LT revenue collection for the DISCOM. The growth in LT collections reflects efforts toward better revenue generation, improved consumer engagement, and billing efficiency. Several factors contributed to this upward trend, such as the installation of smart meters, regular monitoring of energy consumption, targeted collections, and effective disconnection-reconnection drives. The month-wise collection trend for the LT segment is tabulated as below:

FY	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Total
	(Rs. Cr.)												
18-19	45.6	40.6	54.0	53.3	48.9	46.2	47.9	43.7	41.0	43.3	38.0	202.9	**705.4**
19-20	35.8	50.3	58.6	56.8	49.9	49.4	55.9	56.5	57.8	57.3	61.0	102.1	**691.3**
20-21	21.4	57.7	64.3	60.3	58.8	62.8	69.6	83.3	66.6	93.9	53.7	220.3	**912.5**
21-22	49.7	31.2	91.6	71.6	75.2	67.0	56.6	71.4	98.0	78.9	87.6	263.0	**1041.7**
22-23	57.6	72.9	107.5	104.7	90.2	100.7	89.5	90.3	92.4	96.9	109.7	287.1	**1299.3**
23-24	84.9	88.1	116.8	124.9	109.8	105.9	113.5	108.1	101.0	95.0	96.9	231.7	**1376.8**

Similarly, the month wise consumer coverage has been increased substantially as depicted below during the aforesaid period.

FY	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Total
	(MRs generated in lakhs)												
18-19	3.0	2.2	2.8	3.1	3.3	3.1	3.2	3.2	3.2	3.6	3.1	7.0	**40.7**
19-20	2.3	3.3	3.1	3.4	3.0	3.1	3.6	4.0	4.5	4.6	4.1	4.1	**43.1**
20-21	0.5	2.8	3.2	3.6	3.7	4.6	4.8	5.8	5.1	5.2	4.7	8.6	**52.4**
21-22	3.0	4.2	4.4	4.3	4.0	3.1	2.8	4.2	5.5	5.3	6.0	10.1	**57.0**
22-23	3.2	4.1	7.0	7.6	7.6	8.3	8.3	9.1	10.1	9.6	9.3	11.5	**95.7**
23-24	8.8	10.6	10.5	11.9	11.8	11.4	11.8	12.0	11.9	12.2	12.7	14.2	**139.8**

As can be seen from the above table, the month-wise increase in LT collection and consumer coverage not only signifies a better revenue profile but also justifies the proportional rise in A&G expenses. These expenses enhance DISCOM's operational efficiency, consumer satisfaction, and revenue generation potential, creating a sustainable cycle of improved financial health and service delivery. This proactive spending on infrastructure, technology, and consumer engagement drives operational efficiencies and enhances service quality, thereby supporting DISCOM's financial and operational sustainability

47. In the light of the above-stated submissions, the Applicant humbly requests that the Hon'ble Commission may review and consider the **A&G Expenditure of Rs. 148.94 Cr.** for FY 22-23.

E. <u>CAPEX</u> -

48. As per commitment in the bid document and subsequent direction in the vesting order, TPWODL submitted its CAPEX plan for FY 22-23 before the Hon'ble Commission for an amount of Rs. 582.18 Cr. The Hon'ble Commission vide Order

dated 08.07.2022 in Case No. 101/2021 approved CAPEX of Rs. 477.72 Cr. as per the details below:

S. No.	Particulars	FY 22-23	
		Proposed (Rs. Cr.)	OERC Approved (Rs. Cr.)
1	Statutory, Safety and Security	53.00	52.40
2	Loss Reduction	78.86	46.80
3	Reliability	144.28	118.34
4	Load Growth	176.00	145.57
5	Civil, Admin and Other Infrastructure	130.04	114.61
6	**Total**	**582.18**	**477.72**

49. As per para 39 (b) of vesting order TPCL has capital investment plan for Rs.1663 Cr. in a span of 5 years in the following manner:

FY 21-22 (Rs. Cr.)	FY 22-23 (Rs. Cr.)	FY 23-24 (Rs. Cr.)	FY 24-25 (Rs. Cr.)	FY 25-26 (Rs. Cr.)	TOTAL (Rs. Cr.)
306	500	333	322	202	1663

50. To allow flexibility Hon'ble Commission vide para 39(c) has permitted the cumulative capital expenditure plan in the following manner:

Up to 31st March-22	Up to 31st March-23	Up to 31st March-24	Up to 31st March-25	Up to 31st March-26
306	806	1139	1461	1663

51. As regards to progress of CAPEX for FY 22-23 is concerned, the same as on Q2 of FY 24-25 is appended below for kind perusal of Hon'ble Commission:

S. No.	Particulars	FY 22-23	
		OERC Approved (Rs. Cr.)	Capitalization up to Q2 FY 25 (Rs. Cr.)
1	Statutory, Safety and Security	52.40	50.97
2	Loss Reduction	46.80	40.57
3	Reliability	118.34	98.02
4	Load Growth	145.57	114.00
5	Civil, Admin and Other Infrastructure	114.61	103.59
6	**Total**	**477.72**	**407.15**

Out of the above capitalization till Q2 of FY 24-25 an amount of Rs. 221.88 Crs was capitalized during FY 22-23 and included in Gross Block of Asset.

F. Interest on working Capital –

52. Regulation 3.10.1 of the OERC Tariff Regulations, 2022 provides for the computation of working capital requirement of DISCOMs and interest thereof in the following manner:

> *"3.10.1. .... The* ***working capital*** *for the purpose of ARR calculation shall be computed as follows:*
> *a.* ***Operation and maintenance expenses for one month****; plus*
> *b.* ***Maintenance spares @ twenty (20) % of average R&M expense for one month****; plus*
> *c.* ***Power Purchase Cost for one (1) month****.*
> *......*
> ***The interest on the working capital*** *shall be at a* ***rate equal to the SBI Base Rate*** *or any replacement thereof by SBI from time to time (being in effect applicable for 1 year period)* ***as applicable as on 1st April of the Financial Year*** *(for which Truing Up shall be done)* ***plus 300 basis points or actual weighted average rate of interest towards loan for meeting working capital requirement*** *availed by the Distribution Licensee(s),* ***whichever is lower****:*
>
> *Provided that at the time of truing up for any year, the working capital requirement shall be re-calculated on the basis of the components of working capital approved by the Commission.*
>
> *Provided that, the variation between the normative interest on working capital recomputed at the time of Truing-up and the actual interest on working capital incurred by the Distribution Licensee, substantiated by documentary evidence, shall be considered as an efficiency gain or efficiency loss, as the case may be, on account of controllable factors."* **(Emphasis supplied)**

53. Accordingly, the Licensee is claiming the revised normative interest on working capital as per the table below:

S. No.	Particulars	To be considered as per Audited Accounts (Rs. Cr.)	Average for 1 month (Rs. Cr.)	Maintenance spares @ 20% of R&M for 1 month (Rs. Cr.)	Normative Working Capital (with Normative Rate) FY 22-23 (Rs. Cr.)	Normative Working Capital (with Weighted avg. Rate) FY 22-23 (Rs. Cr.)
1	O&M Expenses for FY	838.64	69.89		69.89	69.89
2	Power Purchase Cost during FY	5094.80	424.57		424.57	424.57
3	Maintenance spares (20% of avg. R&M for 1 month)	242.08	20.17	4.03	4.03	4.03
4	**Total monthly requirement**				**498.49**	**498.49**
5	Rate of Interest for Working Capital				10.55%*	7.35%
6	**Interest on Working Capital**				**52.59**	**36.65**

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

54. It is submitted that the company has a Secured Overdraft (SOD) working capital loan of Rs. 215 Cr. taken from Union Bank of India (UBI) backed by a Fixed Deposit (FD) as collateral. The overdraft limit is utilized on a day-to-day basis as needed and is repaid at the end of each day, with the collection account linked to the loan account. Interest is charged only on the loan's outstanding balance at the close of each day. **The actual weighted average rate of working capital interest charged by the bank is 7.35%,** which is substantiated by the following table:

S. No.	Deposit A/c No.	Original Face Value (Rs. Cr.)	Rate of Interest + 0.5% for SOD	FD Considered @97.5% (Rs. Cr.)	Weighted Interest (Rs. Cr.)
1	365203030070980	0.25	5.75%	0.24	0.014
2	365203030071060	0.50	5.75%	0.49	0.028
3	365203030068903	0.90	5.75%	0.88	0.050
4	365203030071410	0.95	5.75%	0.93	0.053
5	365203030071411	1.85	5.75%	1.80	0.104
6	365203030069743	0.70	6.80%	0.68	0.046
7	365203030071252	1.80	6.80%	1.76	0.119
8	365203030071286	1.80	6.80%	1.76	0.119
9	365203030071287	1.80	6.80%	1.76	0.119
11	365203030071253	1.80	6.80%	1.76	0.119
12	365203030071301	1.80	6.80%	1.76	0.119
13	365203030070271	1.11	6.80%	1.08	0.074
14	365203030072154	176.85	7.30%	172.43	12.587
15	365203030069798	0.90	7.80%	0.88	0.068
16	365203030069810	0.90	7.80%	0.88	0.068
17	365203030069817	0.90	7.80%	0.88	0.068
18	365203030069827	0.90	7.80%	0.88	0.068
19	365203030072583	1.98	7.80%	1.93	0.150
20	365203030072585	1.85	7.80%	1.80	0.141
21	365203030072131	27.55	8.05%	26.86	2.162
22	**Total**			**221.41**	**16.28**
23	**Weighted avg. Interest Rate**				**7.35%**

55. Thus, TPWODL, in accordance with Regulation 3.10 of the OERC Tariff Regulations, 2022 has computed the interest on normative working capital based on the actual weighted average rate of interest and is now submitting its revised figures of **Rs. 36.65 Cr.** for consideration of the Hon'ble Commission. Accordingly, the Licensee requests the Hon'ble Commission to consider **Rs. 36.65 Cr.** on account of **Interest on Working Capital** for FY 22-23 as per Tariff Regulation

2022 where in the efficiency gain of **Rs. 32.20 Cr.** shall be shared as per terms of Regulation.

G. <u>Sharing of Efficiency Gains</u> –

56. Second proviso to Regulation 3.10.1 provides for computation of efficiency gain as under:

> *"3.10.1. .....*
> *Provided that, the **variation between the normative interest on working capital recomputed at the time of Truing-up and the actual interest on working capital incurred by the Distribution Licensee**, substantiated by documentary evidence, **shall be considered as an efficiency gain** or efficiency loss, as the case may be, on account of controllable factors."* **(Emphasis supplied)**

57. Further, regulation 2.14.2 of the Tariff Regulations, 2022 provides for sharing of efficiency gain as under:

> *"2.14.2 The Distribution Licensee, if makes profit on account of improved performance in the areas (other than improved AT&C loss, O&M expense (comprising of Employee Expense, A&G expense & R&M Expense) and incentive on account of recovery of past arrears), including but not limited to refinancing of high-cost loan with low-cost loan, the Commission shall treat the profit beyond the approved return in the following manner:*
> *a. **One-third amount to be declared by the licensee as dividends** to the shareholders and **if it is not paid out as dividend, it shall be eligible to be treated as part of equity to that extent and earn returns on the same**. Any future declaration of dividend from this shall lead to commensurate decrease in the equity base for the purpose of returns.*
> *b. One-third amount to be returned back to consumers by way of reduction in the consumer bills as rebate.*
> *c. One-third amount shall be kept as tariff balancing reserve, which shall be used to reduce sharp rise in ARR in future years. The Commission may allow a part of the total reserve to be returned to the consumers every three years by way of reduction in ARR. The amount in tariff balancing reserve shall not be eligible to be treated as part of equity and would not earn any return for the shareholders. Any return earned on this reserve shall be added back to this reserve."*
>
> **(Emphasis supplied)**

58. Accordingly, the Licensee requests the Hon'ble Commission to allow **efficiency gain of Rs. 32.20 Cr.** (Rs.36.65 crs- Rs.4.45 crs) for FY 22-23 as has been computed in the above paragraphs. Furthermore, the Hon'ble Commission, while approving the provisional true up for FY 22-23 in Tariff Order dated 13.02.2024, has erroneously added the efficiency gain twice which has been corrected by the Licensee in the revised submission.

H. <u>Interest on Security Deposits</u> –

59. The Hon’ble Commission vide RST Order has allowed the Interest on Security Deposit of Rs. 38.42 Cr. for FY 22-23, against the Applicant’s claim of **Rs. 63.94 Cr.** This may be due to oversight at the Hon'ble Commission’s end.

60. It is submitted that the Hon’ble Commission while carrying out the truing up exercise for FY 22-23 has followed the principles (as claimed by the Applicant) and the same is evident vide para 203(d) of the RST Order. The relevant extract of the same is reproduced as under:

> *“203. The truing up exercise has been carried based on following principle along with principle of OERC’s Wheeling & RST Regulation, 2022.*
> *.....*
> ***d) Interest on Security deposit, CAPEX loan and working capital loan has been allowed as per the audited account on actual basis.”*** **(Emphasis supplied)**

61. As per the aforementioned posits, the Hon’ble Commission had approved the Interest on Security Deposit as accrued by the Applicant in its Audited Accounts for FY 20-21 & FY 21-22 while finalizing the truing up exercise. However, while approving the Interest on Security Deposit for FY 22-23, the Hon’ble Commission has allowed an amount of Rs. 38.42 Cr. instead of the actual Interest paid and booked in the audited accounts amounting to **Rs. 63.94 Cr**.

62. In this regard, it is submitted that the credit to the consumers towards Interest on Security Deposit is regulated as per OERC (Conditions of Supply) Code, 2019. The relevant extract of the Supply Code, 2019 is reproduced below:

> *“**Interest on Security Deposit payable by the Licensee/supplier***
> *57. …*
> *(iii)* ***The interest accruing to the credit of the consumer shall be adjusted annually in the amounts outstanding from the consumer to the licensee/supplier as on 1st May of every year*** *and the amounts becoming due from the consumer to the licensee/supplier immediately thereafter.”*
>
> **(Emphasis supplied)**

63. Accordingly, the Interest on Security Deposit accrued on 31st March of a Financial Year is being credited to the consumers account in the month of May. And hence the Interest on Security Deposit appearing in the Audited Accounts needs to be recognized in the Truing Up exercise by this the Hon’ble Commission.

64. The details of consumer Security Deposits available with the licensee as on 31st March as per audited accounts has been indicated below. Interest on SD is being credited considering the balance of consumer ledger as on 31st March. The amount of SD as on 31st March includes the new consumers who have taken power supply during the financial year and some have been refunded with. So, interest on such consumers shall be for part period. Therefore, with comprehensive calculation in the database, interest is being credited to consumer accounts. The detailed calculation is as follows:

S. No.	Particulars	UoM	FY 22-23	FY 21-22
1	Balance of SD as on 31st March	Rs. Cr.	1076.49	904.02
2	Applicable Rate of Interest	%	6.75%	4.25%
3	Worked out Interest	Rs. Cr.	72.66	38.42
4	**Actual Interest booked as per Audited Accounts**	**Rs. Cr.**	**63.94**	**32.95**
5	Interest Approved	Rs. Cr.	38.42	32.95

Accordingly, the Licensee requests the Hon'ble Commission to consider the actual **interest on SD** booked as per audited accounts of **Rs. 63.94 Cr.** for FY 22-23.

I. <u>Interest on term loans</u> –

65. Regulation 3.7 of the OERC Tariff Regulations, 2022 provides for the computation of normative term loans as under:

> *"3.7.1 The **loans arrived at in the manner indicated in these Regulations on the assets put to use, shall be considered as gross normative loan** for calculation of interest on loan:*
> *Provided that **interest and finance charges on capital works in progress shall be excluded**:*
> *……*
> *3.7.2 …*
> *Provided that the **assets of erstwhile DISCOMs as on effective date** in terms of the provisions of Vesting Orders **shall not be eligible for calculation of interest on loan**.*
> *3.7.3 The **normative repayment for the year** during the Control Period shall be deemed to be **equal to the depreciation allowed for that year**.*
> *3.7.5 The rate of interest shall be the weighted average rate of interest calculated on the basis of the actual loan portfolio at the beginning of each year applicable to the Distribution Licensee:*
> *Provided that **at the time of truing up, the weighted average rate of interest calculated on the basis of the actual loan portfolio during the year applicable to the Distribution Licensee shall be considered as the rate of interest**:*
> *……*

3.7.6 The interest on loan shall be calculated on the normative average loan of the year by applying the weighted average rate of interest:
Provided that ***at the time of truing up, the normative average loan of the year shall be considered on the basis of the actual asset capitalisation approved by the Commission for the year.***
Provided further that neither penal interest nor overdue interest shall be allowed for computation of Tariff.
3.7.7 The above interest computation ***shall exclude*** *interest on loan amount, normative or otherwise, to the extent of* ***capital cost funded by Consumer Contribution, Grants or Deposit Works carried out by the Distribution Licensee****.*
…….” **(Emphasis supplied)**

66. In accordance with the above and the prevailing regulations, the Licensee has computed the interest cost on the normative term loan for FY 22-23 as under:

S. No.	Particulars	As per Audited A/c (Rs. Cr.)
1	Opening GFA (as on 01.04.2022)	2353.58
2	Less: WESCO Assets (incl. CC & Grants)	1963.31
3	Less: CC & Grant during FY 21-22	242.49
4	**Net GFA**	**147.78**
5	Less: Normative repayment (Dep. for FY 21-22 on TPWODL CAPEX)	2.97
6	**Normative Loan (Opening) (70% of net GFA)**	**101.37**
7	Addition of Assets during FY 22-23	644.41
8	Less: Meter Cost Capitalisation during FY 22-23	34.39
9	Less: CC & Grant Assets added during FY 22-23	144.81
10	**Normative Loan (during the year) (70% of Net additions)**	**325.65**
11	**Normative Loan (Closing)**	**427.02**
12	Less: Normative repayment (Dep. for FY 22-23 on TPWODL CAPEX)	24.41
13	**Normative Loan (Closing) (after Dep.)**	**402.61**
14	**Average Normative Loan**	**251.99**
15	Rate of Interest	8.60%
16	**Interest on Term Loan – to be claimed**	**21.68**

67. The Licensee for computing the Interest on term loan has considered the weighted average rate of interest calculated on the basis of the actual loan portfolio in accordance with the Tariff Regulations, 2022 and considered **8.60%** as the rate of interest as per the following table:

Month	Loan availed (HDFC Bank)			
	(Rs. Cr.)	Date of Loan	Days	Product of Loan (Rs. Cr.)
Apr-22	50	01-04-2024	30	1500
May-22	50		31	1550
Jun-22	50		28	1400
Jun-22	100	29-06-2022	2	200
Jul-22	100		31	3100
Aug-22	100		2	200
Aug-22	150	03-08-2024	29	4350
Sep-22	150		30	4500
Oct-22	150		31	4650
Nov-22	150		28	4200
Nov-22	190	29-11-2022	2	380
Dec-22	190		31	5890
Jan-23	190		31	5890
Feb-23	190		28	5320
Mar-23	190		28	5320
Mar-23	225	29-03-2024	3	675
Total			**365**	**49125**
Average Loan during the Year (Product of Loan/365) (Rs. Cr.)				134.59
Interest as per Audited accounts (Rs. Cr.)				11.58
Weighted avg. interest rate				**8.60%**

68. Therefore, the Licensee requests the Hon'ble Commission to allow **Rs. 21.68 Cr. as Interest on Term Loan** for FY 22-23 on a normative basis in accordance with Regulation 3.7 of the OERC Tariff Regulations, 2022.

J. <u>Return on Equity</u> –

69. The Hon'ble Commission vide the RST Order dated 13.02.2024 has allowed the Return on Equity of Rs. 64.11 Cr. for FY 22-23.

70. It is submitted that the OERC Tariff Regulations, 2022 provides for the Return on Equity as under:

> *"**3.6. Return on Equity***
> *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.***
> *3.6.2. Return on equity on the **assets put to use after Effective Date** up to date of applicability of these Regulations:*

Return on equity on assets put to use after Effective Date up to date of applicability of these Regulations shall be eligible to get return as per Odisha Electricity Regulatory Commission (Terms and Conditions for Determination of Wheeling Tariff and Retail Supply Tariff) Regulations, 2014 and its amendments thereof.
3.6.3 Return on equity on the assets ***put to use under instant Regulations****:*
Return on equity on assets put to use under these Regulations shall be computed on the paid-up equity capital determined in accordance with these Regulations and shall be ***allowed at the rate of 16% per annum (post tax)****, in Indian Rupee terms:*
Provided further that for the purpose of truing up for the Distribution Licensee, return on equity shall be allowed from the date of commercial operation on pro-rata basis based on documentary evidence provided for the assets put to use during the year in absence of which the assets shall be considered to be added in the mid of the year.
……
3.6.4 ***The return on equity shall be calculated on the normative average equity of the year****.*
Provided that ***at the time of truing up, the normative average equity of the year shall be considered on the basis of the actual asset capitalisation*** *approved by the Commission for the year. ……"* (**Emphasis supplied**)

71. In accordance with the said Tariff Regulation, 2022, the Licensee has computed the Return on Equity for FY 22-23 on normative equity base for the kind perusal of the Hon'ble Commission. The detailed break-up of the computation of the Return on Equity (Normative equity base) in accordance with the OERC Tariff Regulations, 2022 are appended in the following table:

<u>Normative Equity Base</u> –

S. No.	Particulars	Formula	FY 22-23 (Normative)
			(Rs. Cr.)
1	Opening Equity (as on date of Vesting)	A	300
2	Asset addition/ put to use (Rs. 147.78 Cr.) during FY 21-22 (@30%)	B	44.33
3	**Equity Base for this purpose as on 31.03.2022**	**C=A+B**	**344.33**
4	Asset addn./ put to use (Rs. 465.21 Cr.) during FY 22-23 (@30%)	D	139.56
5	**Equity Base for this purpose**	**E=C+D**	**483.90**
6	Rate per annum (Post Tax)	F	16%
7	RoE on Opening Equity	G=C*F	55.09
8	RoE on addition	H=D/2*F	11.17
9	**Total RoE for FY 2022-23**	**I=G+H**	**66.26**
10	Tax on RoE (%)	J	25.168%
11	Grossed up RoE	K=I/(1-J)	88.54
12	**Income Tax - Normative**	**L=K-I**	**22.28**

72. It is submitted that the total claim for Return on Equity amounts to Rs. 66.26 Cr. on Normative basis, which is calculated in accordance with the OERC Tariff

Regulations, 2022. Accordingly, the Licensee requests the Hon'ble Commission to review and allow the **Return on Equity on normative equity** amounting to **Rs. 66.26 Cr.** for FY 22-23 in line with provision of Regulation 2022.

73. The Licensee also requests the Hon'ble Commission to approve **the Income Tax amounting to Rs. 22.28 Cr.** computed on grossed up equity (Normative equity base) for FY 22-23. The proof of Actual Interest paid i.e IT return is enclosed as **ANNEXURE-3**

K. Non-Tariff Income –

74. Further, the Licensee has considered a Non-Tariff Income of **Rs. 208.23 Cr**. as against the approved figure of Rs. 195.26 Cr. as per the table below:

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	1/3d of Efficiency gain out of WC offered to Consumer	10.73
6	**Total**	**244.73**
7	Less: Meter Rent (excl. IPDS meters)	25.06
8	Less: Incentive on Arrear Collection	11.44
9	**Non-Tariff Income considered in revised True up**	**208.23**

L. Carrying cost on ASL –

75. The Licensee has also incurred carrying cost on Additional serviceable liabilities (ASL) amounting to Rs. 4.27 Cr. for FY 22-23, which has been claimed by the Licensee as under:

Particulars	FY 22-23 (Rs. Cr.)
Opening ASL	-53.44
Addition during the year	169.71
Closing ASL	116.27
Rate	7.35%
Carrying Cost	**4.27**

76. So, the Revised Truing for FY 2022-23 is appended below for kind approval of Hon'ble Commission:

TPWODL					
Statement of Truing up calculation for FY 2022-23					**Rs. In Cr.**
Particulars	**Approved in the ARR FY 22-23**	**Audited (OERC Format) FY 22- 23**	**Proposed FY 22-23**	**Allowed in true up (provisional)**	**Revised Submission FY 22-23**
Expenditure					
Cost of Power Purchase	3610.07	5094.80	5169.93	5164.26	5164.27
Employee costs (cash out go)	474.83	447.62	474.40	425.83	447.62*
R&M Expenses	156.03	242.08	237.56	201.03	242.08*
A&G Expenses	110.39	148.94	146.45	110.39	148.94*
Provision for Bad & Doubtful Debts	27.87	129.41	61.81	61.81	61.81
Depreciation	46.52	44.27	44.27	45.95	45.95
Interest on Working capital	7.00	4.45	53.42	27.03	36.65*
Interest on Consumer Security Deposit	37.50	63.94	63.94	38.42	63.94*
Interest on long term loan		16.70	14.13	17.07	21.68*
Efficiency Gain to be shared:					
A-1/3rd to be declared as Dividend /Equity				**6.66**	**10.73**
B-1/3rd to be passed on to consumer as rebate				**6.66**	**10.73**
C-1/3rd to be kept as tariff balancing reserve				**6.66**	**10.73**
Sub-Total	**4470.21**	**6192.21**	**6265.91**	**6111.77**	**6232.93**
Less: Employee cost capitalised	21.18	15.23	15.23	15.23	15.23
Less: Interest capitalised		3.64	3.64	3.63	3.63
(A) Total expenses	**4449.03**	**6173.34**	**6247.04**	**6092.91**	**6214.07**
Add: Income Tax		31.94	22.61	22.61	22.28
Add: Return on Equity	48.00		67.21	64.11	66.26*
Add: Carrying Cost on ASL					4.27*
(B) Sub-Total	**48.00**	**31.94**	**89.82**	**86.72**	**92.82**
TOTAL (A+B)	**4497.03**	**6205.28**	**6336.86**	**6179.63**	**6306.89**
Less: Non-Tariff Income	267.69	233.99	218.33	195.26	208.23
Net Movement in Regulatory Deferral Balances		-638.78			
Receipt on account of CSS		540.07	540.07	540.07	540.07
Revenue Requirement	**4229.34**	**6070.00**	**5578.46**	**5444.30**	**5558.59**
Less: Provisional Surplus considered	150.00				
Total Revenue Requirement	**4079.34**	**6070.00**	**5578.46**	**5444.30**	**5558.59**
Revenue from Sale of Power	**4119.48**	**6180.86**	**6180.86**	**6180.86**	**6180.86**
GAP (+/-)	**-109.86**	**110.87**	**602.40**	**736.56**	**622.26**
Adjustment towards					

TPWODL					
Statement of Truing up calculation for FY 2022-23					**Rs. In Cr.**
Particulars	**Approved in the ARR FY 22-23**	**Audited (OERC Format) FY 22- 23**	**Proposed FY 22-23**	**Allowed in true up (provisional)**	**Revised Submission FY 22-23**
Power purchase Cost					
Approved AT &C loss	%	A	20.40%	20.40%	20.40%
Normative collection efficiency	%	B	99%	99%	99%
Calculated distribution loss	%	C=1-(1-A)/B	19.60%	19.60%	19.60%
Actual sales	MU	D	10609.62	10609.62	10609.62
Actual power purchase	MU	E	13002.41	13002.41	13002.41
Normative power purchase	MU	F=D/(1-C)	13196.04	13195.38	13195.38
Additional power purchase	MU	G=E-F	-193.63	-192.97	-192.97
Approved BSP	Paise/ Unit	H	388	360	360
Additional power purchase cost incurred towards deviation from calculated distribution loss	Rs. Cr.	I=G*H/1000	-75.13	-69.47	-69.47
Amount eligible for loss or gain to be borne by distribution licensee	Rs. Cr.	J	-75.13	-69.47	-69.47

Hon'ble Commission is requested to consider the revised true up of **Rs.622.23 Cr.** against provisional approval of Rs.736.56 Cr.

True Up for FY 23-24 –

1. The Hon'ble Commission vide its Order dated 23.03.2023 in Case Nos. 80, 81, 85 & 13 of 2023 had approved the ARR for FY 23-24. The ARR submitted by the Licensee and correspondingly approved by the Hon'ble Commission were based on estimated sales and expenses for FY 23-24 at the time of issuance of the Order. Now upon finalization of Audited Accounts, actual figures are available with DISCOM. The Licensee is now submitting herewith the True-up Petition for FY 23-24 in accordance with the Audited Accounts for approval of the Hon'ble Commission.

Component-wise submissions:

A. Power Purchase Cost –

2. Hon'ble Commission has approved purchase 13286 MU for FY 2023-24 in the ARR, however, the actual power purchase till Mar-24 is only 12752 MU. The shortfall is mainly attributable to the following reasons:

    a) Under drawal of M/s RSP-SAIL by more than 200 MUs due to functioning of its CGP signifying a reduced reliance on Grid power.

    b) Restriction/ monthly approval mechanism adopted at GRIDCO's end to permit drawal up to double the CD (up to 20 MW) due to unavailability of power on RTC basis. Apart from this, GRIDCO had also denied power under this scheme in certain months.

    c) Inadequate TPA allotment.

3. Also, the Hon'ble Commission in the last RST Order dated 13.02.2024 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.

4. As per Tariff Regulations, 2022, the Hon'ble Commission has computed the loss/ gain on account of under/ over achievement of AT&C Loss reduction targets to be borne by the DISCOM. The same has been computed with BSP + BSP surcharge which may kindly be considered.

5. 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 23-24
Approved AT&C Loss	%	A	18.90%
Normative Collection Efficiency	%	B	99%
Calculated Distribution Loss	%	C=1-(1-A)/B	18.08%
Actual AT&C Loss achieved	%	D	15.51%
Actual Collection Efficiency	%	E	101.23%
Actual Distribution Loss	%	F	16.54%
Actual Sales	MU	G	10643.73
Actual Power Purchase	MU	H	12752.41
Normative Power Purchase	MU	I=G/(1-C)	12992.97
Additional Power Purchase	MU	J=H-I	(-)240.56
Approved BSP including transmission charges (BSP 390 paise plus BSP Surcharge 30 paise pr unit)	P/U	K	420

Particulars	Unit	Formula	FY 23-24
Normative Additional Power Purchase Cost incurred towards deviation from calculated Distribution Loss	Rs. Cr.	L=JxK/1000	(-)101.03
Normative Amount eligible for of loss / (gain) to be borne by Distribution Licensee	Rs. Cr.	M=L	(-)101.03
Power Purchase Cost (As per Audited Accounts)	Rs. Cr.	N	5662.99
Power Purchase Cost (Considered for True Up)	**Rs. Cr.**	**O=N-M**	**5764.02**

6. The Hon'ble Commission is requested to consider the **revised power purchase cost of Rs. 5764.02 Cr.** in accordance with Regulation 3.14.4 of the Tariff Regulations, 2022.

B. <u>Sales</u> –

7. It is submitted that the Licensee has sold 10643.74 MUs in FY 23-24. The voltage category wise bifurcation for FY 23-24 is provided as under:

S. No.	Particulars	FY 23-24 (MU)
1	LT	2806.327
2	HT	2425.779
3	EHT	5411.629
4	**Total Sales**	**10643.735**

8. Furthermore, revenue from sale of power for FY 23-24 as per OERC format and financial statement is **Rs. 6238.17 Cr.** (net of consumer rebate). The same is represented in the table below:

S. No.	Particulars	FY 23-24 (Rs. Cr.)
1	Revenue from sale of power (OERC Format & Financial statement)	6285.88
2	Less: Rebate extended to consumers	47.71
3	**Revenue from sale of power – to be considered**	**6238.17**

C. <u>Employee Expenses</u> –

9. The Licensee had projected a total manpower requirement of 4,209 in line with the commitments outlined in the RFP and the terms of the vesting order. Considering the existing regular employees as of the vesting date, an additional

1,791 employees were planned (1,291 in the executive cadre and 500 in the non-executive cadre).

10. In its Order dated 27.10.2021 in Case No. 37/2021 (Annual Business Plan for FY 2021-22), the Hon'ble Commission observed in paragraphs 89 and 90 (pages 40 and 41) that the employee-to-consumer ratio has widened over the years, the gap can only be bridged through recruitment. However, recruitment of 1291 will have huge impact on employee costs & hence approved 8% of total requirement i.e 336 nos. out of which till the date of ABP order the licensee has already recruited 56 executives hence permitted the balance of 280 nos. (336-56). The addition of new employees was deemed necessary to narrow this gap and ensure the efficient functioning of the DISCOMs.

11. Again, the licensee vide letter no 10 dt.11.01.2022 had represent before Hon'ble Commission to consider recruitment against the retired employees. Hon'ble Commission through letter No. OERC/RA/TPWODL-38/2021/18 dated 17.01.2022, had permitted the fill up of 172 nos. retirement vacancies. The Hon'ble Commission granted this approval with the condition that the ratio of employees per one thousand consumers should not exceed 1.40.

12. 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 (i.e 6702 nos.) for FY 22-23 (536 nos.) in order to cover up the less recruitment during the earlier years. The Hon'ble Commission also allowed recruitment of employees against retiring employees (109 Nos.).

13. Also, while approving the ARR of DISCOM for FY 22-23 vide RST Order dated 24.03.2022, 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**."*

14. Thereafter, the Hon'ble Commission vide RST Order dated 23.03.2023 at para 105, Table 29 had approved the total number of employees for DISCOMs for FY 23-24 wherein 725 nos. of recruitment for the year were permitted. Considering the opening balance and allowed recruitment the strength of CTC employees as on 31.03.2024 approved as 1808 nos. The relevant table is as under:

Table - 29

Employees Approved (Inherited)	TPWODL	TPNODL	TPSODL	TPCODL
No. of employees as on 01.04.2022	2121	2059	1858	4490
Add: Addition during 2022-23	0	0	0	0
Less: Retirement/Expired /Resignation during 2022-23	109	100	79	183
No. of employees as on 31.03.2023	2012	1959	1779	4307
Add: Addition during 2023-24	0	0	0	0
Less: Retirement/Expired/ Resignation during year 2023-24	88	52	76	140
No. of employees as on 31.03.2024	1924	1907	1703	4167
Average no. of employees for FY 2022-23	2067	2009	1819	4399
Average no. of employees for FY 2023-24	1968	1933	1741	4237
Employees Approved – CTC	**TPWODL**	**TPNODL**	**TPSODL**	**TPCODL**
No. of employees as on 01.04.2022	514	524	475	775
Add: Addition during 2022-23	600	562	496	135
Less: Retirement/Expired Resignation during 2022-23	31	20	0	12
No. of employees as on 31.03.2023	1083	1066	971	898
Add: Addition during 2023-24	725	277	526	100
Less: Retirement/Expired/ Resignation during year 2023-24	0	30	0	0
No. of employees as on 31.03.2024	1808	1313	1497	998
Average no. of employees for FY 2022-23	799	795	723	837
Average no. of employees for FY 2023-24	1446	1190	1234	948
Total no. of employees including CTC	3732	3220	3200	5165

15. Also, that the Licensee has now prepared the Audited accounts as per OERC format in accordance with OERC letter No. DIR(T)-415/2022-23/1290 dated 19.11.2022 and has submitted the same to the Hon'ble Commission vide letter No. TPWODL/RA&S/2024/121 dated 02.11.2024. However, both of the Audited Accounts i.e as per OERC format and as per Financial Accounts format is herewith in **ANNEXURE-1 & 2.**

16. The Applicant, in line with prior practices has claimed the Outsourced Employee Cost under the head of "A&G Expenses" as per the Annual Accounts of TPWODL. However, the same has been rectified while finalizing the audited accounts in OERC format and duly booked under Employee head. Similarly, the Licensee had also wrongly booked certain costs with respect to Staff welfare amounting to Rs. 8.98 Cr. under the "A&G" head, which has now been corrected in the OERC format accounts. The following table provides the Actual Employee Expenditure along

with the cost of Outsourced Employee Cost & staff welfare costs duly reconciled with the Audited Accounts:

S. No.	Particulars	FY 23-24 (Rs. Cr.)
1	Gross Employee Costs as per Financial Accounts (Audited)	529.32
2	Add: Outsourced & Contractual Labour cost from A&G	47.84
3	Add: Staff Welfare Costs wrongly booked under A&G	8.98
4	**Emp Cost incl. outsourced & staff welfare costs**	**586.14**
5	Less: Non-Cash Expenditures (Terminal Benefits of Employees on account of Actuarial Valuation)	57.82
6	**Employee Cost on Cash Outgo basis (before capitalisation) - to be claimed as per OERC Format**	**528.31**

17. The Licensee requests the Hon'ble Commission to consider the same for revised truing-up purposes. The component wise details of Employee Expenses for FY 23-24 are appended below:

S. No.	Expenditure	OERC Approved FY 23-24	Total (Audited) FY 23-24
		(Rs. Cr.)	(Rs. Cr.)
1	Basic Pay +GP	106.45	104.16
2	DA	47.90	47.90
3	Reimbursement of HR	20.40	20.40
4	Other Allowance	2.13	2.13
5	Bonus	0.35	0.35
6	Contractual Employee Cost	39.01	47.83
7	Additional employee cost - CTC	129.30	127.41
8	**Total Emoluments (1 to 7)**	**345.54**	**350.18**
9	Med. Allowance	5.07	5.49
10	Leave Travel Concession	1.07	0.22
11	Honorarium	0.50	0.20
12	Payment under Workmen Compensation Act	0.10	0.00
13	Ex-gratia	6.50	4.47
14	Other Staff Costs	6.00	6.00
15	**Total Other Staff Costs (9 to 14)**	**19.24**	**16.38**
16	Staff Welfare Expenses	10.37	17.99
17	Terminal Benefits (Pension + Gratuity + Leave + PF + commuted + NPS/CPS) on cash outgo basis.	205.41	143.75
18	**Total (8+15+16+17)**	**580.57**	**528.31**

18. As mentioned in the above paras, the Hon'ble Commission allowed recruitment of 1808 nos. of employees till FY 23-24. 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."*

19. Considering the directions of the Hon'ble Commission as per earlier RST Orders, 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.

20. In accordance with the above, the Hon'ble Commission is requested to allow the actual audited additional employee expenses – CTC of Rs. 127.41 Cr. taking into account the industry norms and inflation rate.

21. It is submitted that the Hon'ble Commission in its RST Order for FY 23-24 had approved Rs. 39.01 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 23-24. 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. Further, due to the increase in minimum wages, the impact of such has increased substantially and the actual outsourced employee cost stood

at Rs.47.83 Cr. for FY 23-24. Accordingly, Hon'ble Commission is requested to kindly consider the same.

22. 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. 528.31 Cr.** as per Audited Accounts (OERC Format) of FY 23-24 as against Rs. 580.57 Cr. approved by the Hon'ble Commission.

D. Repair & Maintenance Expenses –

23. The Hon'ble Commission vide its RST Order dated 23.03.2023 at Para 129, Table-47 has approved the R&M Expenses for FY 23-24 as under:

"*129. The Gross Fixed Assets as on 01.04.2021 has been computed based on the audited accounts and additional assets approved during the FY 2022-23. The R&M for FY 2023-24 is calculated at the different rates of percentage of the GFA as on 1.04.2023 in terms of the OERC Wheeling & Retail Supply Tariff Determination Regulation 2022. In order to ensure maintenance of the assets created under RGGVY, DDUGVY & Biju Gram Jyoti Scheme, which continue to be with the Govt. of Odisha, the Commission also allows 3% of such assets as R&M subject to detailed scrutiny in next tariff proceedings. The approved R&M for FY 2023-24 is accordingly shown in the following table:*

Table – 47
R&M Approved for FY 2023-24

(Rs. in Cr.)

R&M for FY 2023-24	TPWODL		TPNODL		TPSODL		TPCODL	
	Proposed	Approved	Proposed	Approved	Proposed	Approved	Proposed	Approved
DISCOM's Gross fixed assets (GFA) as on 01.04.2023(pre vesting)	1963.30	1963.30		2199.41		1000.58		3365.46
DISCOM's Gross fixed assets (GFA) as on 01.04.2023(post vesting)	1046.14	704.34		668.61		488.00		1607.87
Total GFA as on 01.04.2023	3009.44	2667.64	2778.83	2868.02	1499.08	1488.58	5256.99	4973.33
Rate of R & M on GFA	5.40%	4.50%	4.50%	4.50%	5.40%	5.40%	4.20%	4.20%
R&M on GFA	162.51	120.04	125.05	129.06	80.95	80.38	220.79	208.88
Govt. (Funded/Grant) Assets as on 01.04.2023	3398.17	3398.17	2033.26	1675.95	2406.38	2406.38	2350.04	2350.04
Rate of R & M on Govt. (Funded/Grant) Assets	5.40%	3.00%	3.00%	3.00%	3.00%	3.00%	3.00%	3.00%
R&M on Govt. funded Assets	183.50	101.95	61.00	50.28	72.19	72.19	70.50	70.50
Additional R & M		60.00	71.14	35.00				
Total R & M including Special R & M	**346.01**	**281.99**	**257.19**	**214.34**	**153.14**	**152.57**	**291.29**	**279.38**

24. While approving the same, the Hon'ble Commission had justified the aim of allowing above R&M expenses vide para 130 of the RST Order dated 23.03.2023 as under:

"130. The DISCOMs shall make the expenses under R&M in a prudent manner and achieve the objectives for which these expenses are being made. ***The additional expenses have also been allowed under R&M in view of the fact that that the approval based on the GFA is insufficient to meet the cost of R&M****. The Commission has also taken into*

cognisance of the current year FY 2022-23 expenditure 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</u>***. *The Commission will prudently check such expenses made by the DISCOMs while allowing them in the Truing up.* ***<u>The expenses in R&M shall also reflect in the achieving a robust and reliable system network, lower network down time, desirable voltage profile and automation of Substations</u>***. *The Commission will also take into account such parameters while scrutinizing R&M expenses through data verification, field visits and third-party audit. The Commission hereby directs that the DISCOMs must limit its expenditure within the amount approved in the ARR for the FY 2023-24.* ***<u>The Commission also directs that the TPWODL & TPNODL shall keep a separate fund for maintaining an inventory for materials which will be required for restoration of disaster affected network for all DISCOMs. This inventory will be used by other DISCOMs on transfer basis.</u>***" **(Emphasis supplied)**

25. The Hon'ble Commission had approved additional R&M expenses to the tune of Rs. 60 Cr. for TPWODL & Rs. 35 Cr. for TPNODL for FY 23-24. It is submitted that TPWODL has effectively utilized the regular as well as additional R&M expenditure resulting in significant improvements in system reliability, reduced network downtime and automation of substations.

26. The Hon'ble Commission, while allowing additional R&M also addressed about the DISCOM's request of higher amount in the ARR for FY 23-24 as compared to the approved quantum for FY 22-23 and mentioned this in paragraph 126 of the RST Order.

> "126. ……………… ***<u>The commission may also allow special R&M in order to enable the Distribution Licensees to undertake critical activities which are not covered under capital investment plan approved by the Commission.</u>***"

27. The above observation stems from the "OERC Tariff Regulations, 2022," which was published through a Gazette notification on 20th December 2022. By that time, the DISCOMs had already submitted their ARR application to the Hon'ble Commission on 30th November 2022. Thereafter, as per direction of Hon'ble Commission, the licensee has filed the revised ARR for FY 23-24 in line with new Tariff Regulation 2022 on 09th January 2023.

28. From the above paragraphs, it was well established and clearly intended by the Hon'ble Commission that there was a need for higher R&M expenses to enhance system reliability, lower network downtime, ensure a desirable voltage profile

and automated substations. At the same time, there should have been some provision towards separate fund for maintaining an inventory for materials which will be required for restoration of disaster affected networks across all DISCOMs. While observing the above, the Hon'ble Commission was also in the opinion that special R&M expenses are inevitable to undertake critical activities which are not covered under capital investment plan approved by the Commission.

29. Considering the above, all DISCOMs acknowledged the Hon'ble Commission's approved figure and continued their R&M expenditures accordingly. While the Commission noted the need for a disaster-resilient fund, it did not specify a separate amount. However, the Hon'ble Commission while approving ARR of FY 24-25 (the detailed order issued on 5th March 2024), has observed that the special R&M expenses approved for TPWODL & TPNODL for an amount of Rs. 60 Cr. and Rs. 35 Cr. respectively for FY 23-24 were intended to maintain inventory for unforeseen disasters/cyclones across all DISCOMs. By then, FY 2023-24 was almost over, and DISCOMs had already planned and spent their R&M budgets based on approved amounts (including special R&M expenses), making it impractical to create such an inventory within the last three weeks of the fiscal year due to lack of adequate funds. Furthermore, without a specified quantum, DISCOMs were unable to anticipate or allocate resources for the Disaster Resilient Inventory. Nevertheless, the directive for creation of Rs.10 Cr. each towards disaster resilient fund for FY 24-25 shall be duly complied.

30. Therefore, **TPWODL vide letter no. TPWODL/RA&S/2024/079 dated 25.07.2024** had communicated the same to the Hon'ble Commission requesting to clarify & accord permission regarding special R&M expenses of Rs.60 Cr. for TPWODL & Rs. 35 Cr. for TPNODL, as allowed, to be considered under R&M head. Furthermore, no such major disasters occurred during FY 23-24 thus eliminating the necessity/ requirement of substantial inventory.

31. Also, certain costs from A&G expenses w.r.t hire charge of vehicles and transportation expenses related to R&M have been regrouped under R&M head considering the nature of the expenditure with respect to repair and maintenance

in the OERC format accounts. Accordingly, the Applicant is now providing the details of the actual expenditure towards R&M for FY 23-24 based on OERC format accounts as under:

S. No.	Particulars (R&M Expenses)	FY 23-24 (Rs. Cr.)
1	Buildings	0.09
2	Lines, Cables and Network Assets	231.98
a	*R&M-AMC-33KV Lines Substations*	*61.70*
b	*R&M-AMC-11KV Lines Substations*	*130.83*
c	*R&M-AMC-LT Lines & others*	*28.27*
3	Furniture, Fixtures & Office Equipment, Vehicle etc.	12.27
4	**Total R&M Expenses (as per Financial Accounts -Audited)**	**233.16**
5	Add: Expenses wrongly booked under A&G but R&M in nature	11.19
a	*Hire charges of vehicles towards R&M*	*2.61*
b	*Transportation charges – R&M*	*5.34*
c	*Office Maintenance – R&M*	*3.24*
6	**Total R&M expenses – to be considered as per OERC Format**	**244.35**

32. It can be seen from the above table that the **R&M Expenses of** the Licensee for FY 23-24 of **Rs. 244.35 Cr.** is well within the limits of the approved R&M expenses of Rs. 281.99 Cr. 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.

33. Even the entitlement of the license as per terms of Regulation for FY 23-24 is much higher than the actual expenses as incurred. The entitlement figure is calculated as below:

Particulars	TPWODL's entitlement (Rs. Cr.)
DISCOM's Gross fixed assets (GFA) as on 31.03.2023 (pre vesting)	1963.30
DISCOM's Gross fixed assets (GFA) as on 31.03.2023 (post vesting)	1032.55
Total GFA as on 31.03.2023	2995.85
Rate of R & M on GFA	4.50%
R&M on GFA	134.81

Particulars	TPWODL's entitlement (Rs. Cr.)
Govt. (Funded/Grant) Assets as on 31.03.2023	4322.27
Rate of R & M on Govt. (Funded/Grant) Assets	3%
R&M on Govt. funded Assets	129.67
Total R & M Expenses	**264.48**

E. Administrative & General Expenses –

34. The Hon'ble Commission at Table 39, Page 107 of the RST Order dated 23.03.2023 had approved the total A&G Expenses of Rs. 158.12 Cr. for FY 23-24. The Commission had allowed the expenses by escalating 7% over the previous year's approved expenses and had provided an additional expense of Rs. 40 Cr. The additional expenses were allowed in view of the fact that that the normal escalation of 7% over the last year's approval is insufficient to meet the A&G expenses.

35. It is submitted that FY 22-23 is the first year wherein since the beginning all the expenses are being incurred. 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.

36. Furthermore, there has been an increase in Meter Reading, Bill Distribution, Billing, and Collection (MBC) costs due to various reasons as under:

    a. Transition towards advanced metering infrastructure (AMI) and smart meters, while beneficial in the long run, requires significant upfront investment in technology and training.
    b. Rising costs of labor, driven by inflation and increased demand for skilled personnel.
    c. Growing complexity of billing systems, including the need for accurate data integration and management.
    d. Enhancements in customer service, such as improved complaint resolution mechanisms, necessitate additional resources and technology investments.

e. Implementation of robust collection strategies to minimize revenue losses from delinquent accounts.

37. Moreover, it is worthwhile to submit that from FY 18-19 to FY 23-24, the DISCOM has experienced a consistent increase in month-wise revenue collection (LT), reflecting improved operational efficiency, enhanced billing accuracy, and expanded consumer coverage. Several factors contributed to this growth, including the implementation of advanced metering infrastructure (AMI) and digital payment solutions, which have minimized revenue leakage and streamlined the billing process. Additionally, targeted drives for arrears recovery, consumer awareness programs on timely payments, and service enhancements for both urban and rural consumers have contributed to this upward trend. The month-wise collection & consumer coverage for the LT segment (Rs. Cr.) is tabulated as below:

FY	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Total
	(Rs. Cr.)												
18-19	45.6	40.6	54.0	53.3	48.9	46.2	47.9	43.7	41.0	43.3	38.0	202.9	**705.4**
19-20	35.8	50.3	58.6	56.8	49.9	49.4	55.9	56.5	57.8	57.3	61.0	102.1	**691.3**
20-21	21.4	57.7	64.3	60.3	58.8	62.8	69.6	83.3	66.6	93.9	53.7	220.3	**912.5**
21-22	49.7	31.2	91.6	71.6	75.2	67.0	56.6	71.4	98.0	78.9	87.6	263.0	**1041.7**
22-23	57.6	72.9	107.5	104.7	90.2	100.7	89.5	90.3	92.4	96.9	109.7	287.1	**1299.3**
23-24	84.9	88.1	116.8	124.9	109.8	105.9	113.5	108.1	101.0	95.0	96.9	231.7	**1376.8**

FY	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Total
	(MRs generated in lakhs)												
18-19	3.0	2.2	2.8	3.1	3.3	3.1	3.2	3.2	3.2	3.6	3.1	7.0	**40.7**
19-20	2.3	3.3	3.1	3.4	3.0	3.1	3.6	4.0	4.5	4.6	4.1	4.1	**43.1**
20-21	0.5	2.8	3.2	3.6	3.7	4.6	4.8	5.8	5.1	5.2	4.7	8.6	**52.4**
21-22	3.0	4.2	4.4	4.3	4.0	3.1	2.8	4.2	5.5	5.3	6.0	10.1	**57.0**
22-23	3.2	4.1	7.0	7.6	7.6	8.3	8.3	9.1	10.1	9.6	9.3	11.5	**95.7**
23-24	8.8	10.6	10.5	11.9	11.8	11.4	11.8	12.0	11.9	12.2	12.7	14.2	**139.8**

As can be seen from the above table, there has been a considerable increase in the annual as well as month-wise LT collection & consumer coverage in FY 23-24 which not only signifies a better revenue profile but also justifies the proportional rise in A&G expenses. The increase in LT consumer coverage reflects DISCOM's commitment to enhancing energy access, which has, in turn, supported revenue growth and improved overall network utilization. As the consumer base has expanded, DISCOM has scaled up its infrastructure and customer service capabilities to maintain quality and reliability, positioning itself to serve an ever broadening and diverse range of consumers across its service areas.

38. Furthermore, the Licensee had wrongly booked certain costs with respect to Outsourced employee costs in A&G which has now been correctly considered under "Employee expenses" head as per the OERC format accounts. Also, certain costs from A&G expenses w.r.t hire charge of vehicles and transportation expenses related to R&M have been regrouped under R&M head considering the nature of the expenditure with respect to repair and maintenance and staff welfare expenses have been regrouped under Employee expenses in the OERC format accounts. Accordingly, the Applicant is now providing the details of the actual expenditure towards A&G for FY 23-24 based on OERC format accounts as under:

S. No.	Particulars (A&G Expenses)	FY 23-24 (Rs. Cr.)
1	Property Related Expenses	7.66
2	Communication	3.09
3	Professional Charges	4.80
4	Conveyance and travelling	7.51
5	Billing & collection expenses	54.27
6	Meter reading & bill distribution exp	52.76
7	Licenses and Related Fees	13.97
8	Other Expenses	44.75
9	Outsourced & contractual labour cost	47.84
10	**Total A&G Expenses (as per Financial Accounts (Audited)**	**236.64**
11	Less: Outsourced costs to be taken to Employee expenses	47.84
12	Less: Staff welfare costs wrongly booked under A&G	8.98
13	Less: Expenses wrongly booked under A&G but R&M in nature	11.19
a	*Hire charges of vehicles towards R&M*	*2.61*
b	*Transportation charges – R&M*	*5.34*
c	*Office Maintenance – R&M*	*3.24*
14	**Total A&G Expenses – to be considered as per OERC Format**	**168.63**

39. 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. 168.63 Cr.** for FY 23-24 considering field condition and ground realities.

Request for consideration of O&M Expenses in toto–

40. The Hon'ble Commission has approved Rs.1020.68 Cr. under O&M head for FY 23-24, however the actual O&M is only Rs. 941.30 Cr. which is well within the limits of the approved O&M expenses.

F. Provision for Bad & doubtful debts –

41. 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."*

42. Accordingly, the Licensee hereby requests the Hon'ble Commission to consider **Rs. 62.38 Cr. (1% of Total revenue billed of Rs. 6238.17 Cr.)** for true up for FY 23-24. The Hon'ble Commission while determining the tariff and performance of the licensee has considered AT&C of 18.90% with collection efficiency of 99% and T&D of 18.09%. So, provision on bad and doubtful debt needs consideration of 1% of total revenue.

G. CAPEX –

43. As per commitment in the bid document and subsequent direction in the vesting order, TPWODL submitted its CAPEX plan for FY 23-24 before the Hon'ble Commission for an amount of Rs. 398.84 Cr. The Hon'ble Commission vide Order dated 21.06.2023 in Case No. 97/2022 approved CAPEX of Rs. 381.91 Cr. as per the details below:

S. No.	Particulars	FY 23-24	
		Proposed (Rs. Cr.)	OERC Approved (Rs. Cr.)
1	Statutory, Safety and Security	34.12	34.12
2	Loss Reduction	60.00	59.00
3	Reliability	74.49	69.48
4	Load Growth	67.82	67.82
5	Civil, Admin and Other Infrastructure	162.41	151.49
6	**Total**	**398.84**	**381.91**

44. As per para 39 (b) of vesting order TPCL has capital investment plan for Rs.1663 Cr. in a span of 5 years in the following manner:

FY 21-22 (Rs. Cr.)	FY 22-23 (Rs. Cr.)	FY 23-24 (Rs. Cr.)	FY 24-25 (Rs. Cr.)	FY 25-26 (Rs. Cr.)	TOTAL (Rs. Cr.)
306	500	333	322	202	1663

45. To allow flexibility Hon'ble Commission vide para 39(c) has permitted the cumulative capital expenditure plan in the following manner:

Up to 31st March-22	Up to 31st March-23	Up to 31st March-24	Up to 31st March-25	Up to 31st March-26
306	806	1139	1461	1663

46. As regards to progress of CAPEX for FY 23-24 is concerned, the same as on Q2 of FY 24-25 is appended below for kind perusal of Hon'ble Commission:

S. No.	Particulars	FY 23-24	
		OERC Approved (Rs. Cr.)	Capitalization up to Q2 FY 25 (Rs. Cr.)
1	Statutory, Safety and Security	34.12	30.88
2	Loss Reduction	59.00	44.57
3	Reliability	69.48	46.80
4	Load Growth	67.82	34.23
5	Civil, Admin and Other Infrastructure	151.49	127.53
6	**Total**	**381.91**	**284.01**

Out of the above capitalization till Q2 of FY 24-25, an amount of Rs. 252.13 Crs was capitalized during FY 23-24 and included in Gross Block of Asset.

H. Depreciation –

47. 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.

48. 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."*

49. The Hon'ble Commission has approved depreciation of Rs.72.93 Cr. for FY 23-24 (including Rs. 27.52 Cr. as erstwhile assets and Rs. 45.41 Cr. as TPWODL assets). However, the detailed calculation has not been provided for. As submitted earlier, the Opening Gross block of TPWODL assets, addition during the year & closing balance as on 31st March 2024 as per audited accounts is depicted below for reference:

Particulars	**As on 31.03.2024 (Rs. Cr.)**
Opening balance as on 31.03.2023	2995.85
Additions during the year	977.72
Closing balance as on 31.03.2024	3973.57

50. Therefore considering the above, the Licensee is now claiming Depreciation for FY 23-24 as under:

S. No.	**Assets**	**As per audited accounts Dep. for TPWODL period Assets**	**As per audited accounts Dep. on transferred Assets**	**FY 23-24**
		(Rs. Cr.)	**(Rs. Cr.)**	**(Rs. Cr.)**
1	Lines, Cables, Network	29.84	32.56	62.40
2	Plant & Machinery	48.81	32.56	81.37
3	Buildings	1.92	0.29	2.21
4	Other Civil works	2.59	0.00	2.59
5	Vehicles	0.72	0.00	0.72
6	Furniture and Fixtures	0.67	0.03	0.69
7	Office Equipment	0.93	0.07	1.01
8	Computer Equipment	9.19	0.16	9.36
9	Software	25.30	0.00	25.30
10	**Total**	**119.97**	**65.68**	**185.64**

S. No.	Assets	As per audited accounts Dep. for TPWODL period Assets	As per audited accounts Dep. on transferred Assets	FY 23-24
		(Rs. Cr.)	(Rs. Cr.)	(Rs. Cr.)
11	Depreciation on Grants/ Consumer Contribution	32.88	46.68	79.56
12	**Depreciation w/o Grants/ Consumer Contribution**	**87.09**	**18.99**	**106.08**
	Depreciation approved by Hon'ble Commission	**45.41**	**27.52**	**72.93**

51. The Licensee requests the Hon'ble Commission to allow **Rs. 106.08 Cr. on account of depreciation** for FY 23-24 considering the figure of actual audited accounts.

I. <u>Interest on Security Deposit</u> –

52. The Licensee has considered **Rs. 74.73 Cr. towards interest on consumer security deposits** as per the Audited Accounts (OERC format) against Hon'ble Commission's approval on ARR of Rs.72.06 Cr. The Hon'ble Commission has approved the interest on SD considering the SD balance of Rs. 1067.52 Cr. as on March-23. The actual balance of SD as on 31st March-23 was Rs.1076.49 Cr. and considering addition and refund, the actual balance as on 31st March 24 became Rs.1206.43 Cr. As explained earlier, considering part period interest for the SD came and TPWODL refunded the actual figure of interest on SD of Rs.74.73 Cr. which may kindly be allowed.

J. <u>Interest on working Capital</u> –

53. Regulation 3.10 of the OERC Tariff Regulations, 2022 provides that the interest on the working capital shall be at a rate equal to the SBI Base Rate or any replacement thereof by SBI from time to time (being in effect applicable for 1 year period) as applicable as on 1st April of the Financial Year (for which Truing Up shall be done) plus 300 basis points or actual weighted average rate of interest towards loan for meeting working capital requirement availed by the Distribution Licensee(s), whichever is lower.

    Also, at the time of truing up for any year, the working capital requirement shall be re-calculated based on the components of working capital approved by the Hon'ble Commission.

Accordingly, Licensee is claiming the interest on working capital as per normative with weighted average rate of interest as depicted below:

S. No.	Particulars	To be considered as per Audited Accounts (Rs. Cr.)	Average for 1 month (Rs. Cr.)	Maintenance spares @ 20% of R&M for 1 month (Rs. Cr.)	Normative Working Capital (with Normative rate) FY 23-24 (Rs. Cr.)	Normative Working Capital (with weighted avg. rate) FY 23-24 (Rs. Cr.)	Approved by Hon'ble OERC (Rs. Cr.)
1	O&M Expenses for FY	941.30	78.44		78.44	78.44	81.45
2	Power Purchase Cost during FY	5662.99	471.92		471.92	471.92	433.96
3	Maintenance spares (20% of avg. R&M for 1 month)	244.35	20.36	4.07	4.07	4.07	4.70
4	**Total monthly requirement**				**554.43**	**554.43**	**520.11**
5	**Less: Depreciation allowed on old assets**						**59.67**
6	**Net Working Capital**						**460.44**
7	Rate of Interest for Working Capital				13.10%*	**7.94%**	11.70%
8	**Interest on Working Capital**				**72.63**	**44.04**	**53.87**

* *SBI Base Rate as on 15.03.2023 (10.10%) plus 300 basis points*

54. Further 3.10.1 of the OERC Tariff Regulations, 2022 provides that any variation between the normative interest on working capital recomputed at the time of Truing-up and the actual interest on working capital incurred by the Distribution Licensee substantiated with documentary evidence, shall be considered as an efficiency gain or efficiency loss on account of controllable factors.

55. As has been submitted in above paragraphs, the company has a Secured Overdraft (SOD) working capital loan of Rs. 215 Cr. taken from Union Bank of India (UBI) backed by a Fixed Deposit (FD) as collateral. The overdraft limit is utilized on a day-to-day basis as needed and is repaid at the end of each day, with the collection account linked to the loan account. Interest is charged only on the loan's outstanding balance at the close of each day. The actual weighted average rate of working capital interest charged by the bank is 7.94%, which is substantiated by the following table:

S. No.	Deposit A/c No.	Value as on 02.02.24 (Rs. Cr.)	Rate of Interest + 0.5% for SOD	FD Considered @97.5% (Rs. Cr.)	Weighted Interest (Rs. Cr.)
1	365203030070980	0.29	5.75%	0.28	0.016
2	365203030071060	0.55	5.75%	0.53	0.031
3	365203030068903	1.28	5.75%	1.25	0.072
4	365203030071410	1.07	5.75%	1.04	0.060
5	365203030071411	1.98	5.75%	1.93	0.111
6	365203030070271	1.17	5.75%	1.15	0.066
7	365203030069743	0.97	7.25%	0.95	0.069
8	365203030071252	2.04	6.80%	1.99	0.136
9	365203030071286	2.04	6.80%	1.99	0.135
11	365203030071287	2.04	6.80%	1.99	0.135
12	365203030071253	2.04	6.80%	1.99	0.135
13	365203030071301	2.04	6.80%	1.99	0.135
14	365203030072893	178.53	8.08%	174.06	14.064
15	365203030069798	1.23	7.80%	1.20	0.094
16	365203030069810	1.23	7.80%	1.20	0.094
17	365203030069817	1.19	7.80%	1.16	0.091
18	365203030069827	1.23	7.80%	1.20	0.094
19	365203030072583	2.05	7.80%	2.00	0.156
20	365203030072585	1.92	7.80%	1.87	0.146
21	365203030072131	27.90	8.05%	27.20	2.190
22	**Total (Rs. Cr.)**			**226.99**	**18.029**
23	**Weighted avg. Interest Rate**				**7.94%**

56. Accordingly, the Licensee requests the Hon'ble Commission to consider **Rs. 44.04 Cr.** on account of **Interest on Working Capital** for FY 23-24 as per normative with actual weighted average interest rate. The amount of efficiency gains i.e **Rs.43.71 Cr.** (Rs.44.04 Cr. - Rs. 0.32 Cr.) shall be shared as per the norms of Tariff Regulations, 2022.

K. <u>Sharing of Efficiency Gains</u> –

57. Second proviso to Regulation 3.10.1 provides for computation of efficiency gain as under:

> *"3.10.1. .....*
> *Provided that, the* ***variation between the normative interest on working capital recomputed at the time of Truing-up and the actual interest on working capital incurred by the Distribution Licensee****, substantiated by documentary evidence,* ***shall be considered as an efficiency gain*** *or efficiency loss, as the case may be, on account of controllable factors."* **(Emphasis supplied)**

Further, Regulation 2.14.2 of the Tariff Regulations, 2022 provides for sharing of efficiency gain as under:

"2.14.2 The Distribution Licensee, if makes profit on account of improved performance in the areas (other than improved AT&C loss, O&M expense (comprising of Employee Expense, A&G expense & R&M Expense) and incentive on account of recovery of past arrears), including but not limited to refinancing of high-cost loan with low-cost loan, the Commission shall treat the profit beyond the approved return in the following manner:

*a. **One-third amount to be declared by the licensee as dividends** to the shareholders and **if it is not paid out as dividend, it shall be eligible to be treated as part of equity to that extent and earn returns on the same**. Any future declaration of dividend from this shall lead to commensurate decrease in the equity base for the purpose of returns.*

b. One-third amount to be returned back to consumers by way of reduction in the consumer bills as rebate.

c. One-third amount shall be kept as tariff balancing reserve, which shall be used to reduce sharp rise in ARR in future years. The Commission may allow a part of the total reserve to be returned to the consumers every three years by way of reduction in ARR. The amount in tariff balancing reserve shall not be eligible to be treated as part of equity and would not earn any return for the shareholders. Any return earned on this reserve shall be added back to this reserve."

(Emphasis supplied)

L. Interest on Term Loans –

58. Regulation 3.7 of the OERC Tariff Regulations, 2022 provides for the computation of normative term loans as under:

*"3.7.1 The **loans arrived at in the manner indicated in these Regulations on the assets put to use, shall be considered as gross normative loan** for calculation of interest on loan:*

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

……

3.7.2 …

*Provided that the **assets of erstwhile DISCOMs as on effective date** in terms of the provisions of Vesting Orders **shall not be eligible for calculation of interest on loan**.*

*3.7.3 The **normative repayment for the year** during the Control Period shall be deemed to be **equal to the depreciation allowed for that year**.*

3.7.5 The rate of interest shall be the weighted average rate of interest calculated on the basis of the actual loan portfolio at the beginning of each year applicable to the Distribution Licensee:

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

……

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

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

Provided further that neither penal interest nor overdue interest shall be allowed for computation of Tariff.

3.7.7 The above interest computation ***shall exclude*** *interest on loan amount, normative or otherwise, to the extent of* ***capital cost funded by Consumer Contribution, Grants or Deposit Works carried out by the Distribution Licensee****.*
.......” (**Emphasis supplied**)

59. The Licensee for computing the Interest on term loan has considered the weighted average rate of interest calculated on the basis of the actual loan portfolio in accordance with the Tariff Regulations, 2022 and considered 9.28% as the rate of interest as per the following table:

Month	Loan availed (HDFC)			
	(Rs. Cr.)	Date of Loan	Days	Product of Loan (Rs. Cr.)
Apr-23	220.75	01-04-2024	30.00	6622.64
May-23	220.75		31.00	6843.40
Jun-23	220.75		30.00	6622.64
Jul-23	216.51		31.00	6711.79
Aug-23	216.51		31.00	6711.79
Sep-23	216.51		30.00	6495.28
Oct-23	212.26		31.00	6580.19
Nov-23	212.26		30.00	6367.92
Dec-23	212.26		31.00	6580.19
Jan-24	208.02		31.00	6448.58
Feb-24	208.02		29.00	6032.55
Mar-24	208.02		31.00	6448.58
Term Loan - Canara Bank				
Month	**(Rs. Cr.)**	**Date of Loan**	**Days**	**Product of Loan (Rs. Cr.)**
Aug-23	50.00	31-08-2024	1.00	50.00
Sep-23	50.00		30.00	1500.00
Oct-23	50.00		31.00	1550.00
Nov-23	50.00		30.00	1500.00
Dec-23	50.00		31.00	1550.00
Jan-24	50.00		10.00	500.00
Jan-24	100.00	11-01-2024	21.00	2100.00
Feb-24	100.00		14.00	1400.00
Feb-24	150.00	15-02-2004	8.00	1200.00
Feb-24	200.00	23-02-2024	7.00	1400.00
Mar-24	200.00		31.00	6200.00
Total			**366.00**	**97415.57**
Average Loan during the Year (Product of Loan / 366)				266.16
Interest as per FS				24.70
Interest Rate				**9.28%**

60. In accordance with the above and the prevailing regulation, the Licensee has computed the interest cost on the normative term loan for FY 23-24 as under:

S. No.	Particulars	FY 23-24 (Rs. Cr.)
1	**Normative Loan (Opening)**	**402.61**
2	Addition of Assets during FY 23-24	981.72
3	Less: Meter Cost Capitalisation during FY 23-24	111.77
4	Less: CC & Grant Assets added during FY 23-24	265.38
5	**Normative Loan (during the year) (70% of Net additions)**	**423.20**
6	**Normative Loan (Closing)**	**825.81**
7	Less: Normative repayment (Dep. for FY 23-24 on TPWODL CAPEX)	87.09
8	**Normative Loan (Closing) (after Dep.)**	**738.72**
9	**Average Normative Loan**	**570.66**
10	Rate of Interest	9.28%
11	**Interest**	**52.95**

61. Therefore, the Licensee requests the Hon'ble Commission to allow **Rs. 52.95 Cr. as Interest on Term Loan** for FY 23-24 on a normative basis in accordance with Regulation 3.7 of the OERC Tariff Regulations, 2022.

M. Return on Equity –

62. 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."*

63. 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.*

*3.6.2. Return on equity on the **assets put to use after Effective Date** up to date of applicability of these Regulations:*
Return on equity on assets put to use after Effective Date up to date of applicability of these Regulations shall be eligible to get return as per Odisha Electricity Regulatory Commission (Terms and Conditions for Determination of Wheeling Tariff and Retail Supply Tariff) Regulations, 2014 and its amendments thereof.
*3.6.3 Return on equity on the assets **put to use under instant Regulations**:*
*Return on equity on assets put to use under these Regulations shall be computed on the paid-up equity capital determined in accordance with these Regulations and shall be **allowed at the rate of 16% per annum (post tax)**, in Indian Rupee terms:*
Provided further that for the purpose of truing up for the Distribution Licensee, return on equity shall be allowed from the date of commercial operation on pro-rata basis based on documentary evidence provided for the assets put to use during the year in absence of which the assets shall be considered to be added in the mid of the year.
……
*3.6.4 **The return on equity shall be calculated on the normative average equity of the year**.*
*Provided that **at the time of truing up, the normative average equity of the year shall be considered on the basis of the actual asset capitalisation** approved by the Commission for the year. ……"* (**Emphasis supplied**)

64. Also, Regulation 2.14.2 of the Tariff Regulations, 2022 provides as under:

"2.14.2 The Distribution Licensee, if makes profit on account of improved performance in the areas (other than improved AT&C loss, O&M expense (comprising of Employee Expense, A&G expense & R&M Expense) and incentive on account of recovery of past arrears), including but not limited to refinancing of high-cost loan with low-cost loan, the Commission shall treat the profit beyond the approved return in the following manner:

*a. **One-third amount to be declared by the licensee as dividends** to the shareholders and **if it is not paid out as dividend, it shall be eligible to be treated as part of equity to that extent and earn returns on the same**. Any future declaration of dividend from this shall lead to commensurate decrease in the equity base for the purpose of returns……"*

65. Accordingly, the Licensee has computed the Return on Equity for FY 23-24 on normative equity base for the kind perusal of the Hon'ble Commission. The detailed break-up of the computation of the Return on Equity (Normative equity base) in accordance with the OERC Tariff Regulations, 2022 are appended in the following tables:

<u>Normative Equity Base</u> –

S. No.	Particulars	Formula	FY 23-24 (Normative) (Rs. Cr.)
1	**Opening Equity Base (incl. eff. gain)**	**A**	**483.90**
2	Asset addition/ put to use (Rs. 604.57 Cr.) during FY 23-24 (@30%)	B	181.37
3	**Equity Base for this purpose**	C=A+B	**665.27**

S. No.	Particulars	Formula	FY 23-24 (Normative)
			(Rs. Cr.)
4	Rate per annum (Post Tax)	D	16%
5	RoE on Opening Equity	E=A*D	77.42
6	RoE on addition	F=B/2*D	14.51
7	**Total RoE for FY 2023-24**	**I=G+H**	**91.93**
8	Tax on RoE (%)	J	25.168%
9	Grossed up RoE	K=I/(1-J)	122.85
10	**Income Tax - Normative**	**L=K-I**	**30.92**

66. Accordingly, the Licensee requests the Hon'ble Commission to review and allow the **Return on Equity with normative terms** amounting to **Rs. 91.93 Cr.** for FY 23-24.

N. <u>Income Tax</u> –

67. As per the provision of new Tariff Regulations 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**<u>, on submission of documentary evidence of the actual tax paid</u>** subject to the conditions stipulated in these Regulations:*
> *Provided that **<u>no Income Tax shall be considered on the amount of efficiency gains and incentive</u>** approved by the Commission, irrespective of whether or not the amount of such efficiency gains and incentive are billed separately:"*

68. Similarly, 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.**"*

69. 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 arising out

of arrear collection. However, the Licensee has claimed the income tax only on equity base. Since the actual payment of Income Tax is Rs. 75.87 Cr., the Licensee has claimed the income tax on grossed up RoE on normative equity base and has considered tax of **Rs. 30.92 Cr.** for FY 23-24 and requests the Hon'ble Commission to approve the same for truing up. For documentary evidence, the licensee is submitting herewith the Income Tax Return Acknowledgment for FY 23-24 as enclosed in **ANNEXURE-4**.

O. Non-Tariff Income –

70. For FY 23-24, the Hon'ble Commission has approved Non-Tariff income of Rs. 400.33 Cr. The Licensee now considers the same as **Rs. 258.31 Cr**. in accordance with Audited accounts for FY 23-24 r/w Tariff Regulations, 2022 as under:

S. No.	Particulars	Submissions FY 23-24 (Rs. Cr.)
1	Meter Rent/ Service Line Rental	39.85
2	Miscellaneous Charges	43.55
3	Delayed Payment Surcharges & Overdrawal Penalty	36.29
4	Other Miscellaneous Receipts	29.82
5	Interest from Bank	138.27
6	1/3d of Efficiency gain out of WC offered to Consumer	14.57
7	**Total**	**302.35**
8	Less: Meter Rent (excl. IPDS meters)	37.64
9	Less: Incentives on Arrears Collection	6.39
10	**Non- Tariff Income to be considered in True up**	**258.31**

71. The Licensee, hence, requests the Hon'ble Commission to approve **Rs. 258.31 Cr. towards NTI** based on actual Audited Accounts for FY 23-24 in accordance with the principle adopted by the Hon'ble Commission while Truing up the expenses in RST Order dated 13.02.2024. Furthermore, the Licensee has collected **Cross subsidy/ Open Access charges to the tune of Rs. 197.47 Cr.**, which has been factored in net ARR.

P. Carrying cost on ASL –

72. The Licensee has also incurred carrying cost on Additional serviceable liabilities (ASL) amounting to Rs. 9.50 Cr. for FY 23-24, which has been claimed by the Licensee as under:

Particulars	FY 23-24 (Rs. Cr.)
Opening ASL	116.27
Addition during the year	6.79
Closing ASL	123.07
Rate	7.94%
Carrying Cost	**9.50**

73. Basing upon above, the summary of truing up table for FY 23-24 is as under:

TPWODL			
Statement of Truing up calculation for FY 23-24			**Rs. In Cr.**
Expenditure	**Approved in ARR FY 23-24**	**Actual FY 23-24 (Audited)**	**Considered for True-up FY 23-24**
Cost of Power Purchase (net of Rebate)	5207.54	5031.55	5132.58
Transmission Cost	318.86	299.62	299.62
SLDC Cost	2.06	2.06	2.06
BSP Surcharge	-	329.76	329.76
Total Power Purchase, Transmission & SLDC Cost (A)	**5528.46**	**5662.99**	**5764.02**
Employee Cost (cash out go)	580.57	528.31	528.31
Repair & Maintenance	281.99	244.35	244.35
Administrative and General Expenses	158.12	168.64	168.64
Provision for Bad & Doubtful Debts	62.52	238.86	62.38
Depreciation (net of CC & Grants Assets)	72.93	106.08	106.08
Interest Chargeable to Revenue (Interest on S.D)	72.06	74.73	74.73
Interest on Working Capital	53.87	0.32	44.04
Interest on long term loan	45.57	27.51	52.95
Efficiency Gain to be shared:			
A-1/3rd to be declared as Dividend /Equity			14.57
B-1/3rd to be passed on to consumer as rebate			14.57
C-1/3rd to be kept as tariff balancing reserve			14.57
Total Operation & Maintenance and Other Cost	**1327.63**	**1388.79**	**1281.47**
Less: Employee Cost Capitalised	25.67	25.66	25.66
Less: Interest Capitalised	17.58	2.77	2.77
Add: Return on Equity	57.59	91.97	91.93
Add: Tax Income	-	73.92	30.92
Add: Carrying cost on ASL			9.50
Total Distribution Cost	**1341.97**	**1526.24**	**1385.39**
Less: Non-Tariff Income	400.33	287.78	258.31

TPWODL			
Statement of Truing up calculation for FY 23-24			**Rs. In Cr.**
Expenditure	**Approved in ARR FY 23-24**	**Actual FY 23-24 (Audited)**	**Considered for True-up FY 23-24**
Less: Cross Subsidy/ Open Access Charges		197.47	197.47
Net Distribution Cost (B)	**941.64**	**1041.00**	**929.61**
Less: Provisional Surplus considered	**277.38**		
Total Special Appropriation (C)	**-277.38**		
Total Revenue Requirement (A+B+C)	**6192.72**	**6703.99**	**6693.63**
Total Revenue (Full year) on accrual basis	**6251.99**	**6238.17**	**6238.17**
GAP at existing (+/-) on accrual basis	**59.27**	**-465.81**	**-455.45**
(GAP)/ Surplus carried forward from past years:			
FY 2020-21 (Jan'21 to Mar'21) (OERC Approved)			94.86
FY 2021-22 (OERC Approved)			609.96
FY 2022-23 (Revised submission)			622.26
FY 2023-24			-455.45
Cumulative (GAP)/ Surplus till FY 23-24			**871.63**

74. The actual revenue from the sale of power to the consumers is Rs. 6238.17 Cr. as per the Audited Accounts for FY 23-24. It is submitted that the Hon'ble Commission has approved input of 13286 MU for FY 23-24 as against the actuals of 12752 MU. Decrease in energy input vis-à-vis Hon'ble Commission's approved figure for FY 23-24 is majorly on account of under-drawal of M/s RSP-SAIL by more than 200 MUs due to functioning of its CGP signifying a reduced reliance on Grid power, restriction/ monthly approval mechanism adopted at GRIDCO's end to permit drawal up to double the CD (up to 20 MW) due to unavailability of power on RTC basis and inadequate TPA allotment. The same was also communicated to GRIDCO vide letter Nos. TPWODL/RA&S/2023/115 and TPWODL/RA&S/2023/160 dated 08.09.2023 and 25.10.2023 respectively.

75. As can be seen from the above table, there is a revenue gap of Rs. 455.45 Cr. for FY 23-24 which includes BSP surcharge of Rs. 329.76 Cr. Considering the available surplus from past years, the **cumulative surplus up to FY 23-24 is Rs. 871.63 Cr**.

Prayer –

With the above, the Licensee prays before Hon'ble Commission to acknowledge & take into records the revised true up application FY 22-23 & true up application for FY 23-24 and prays

a) to approve the revised True up Petition for FY 22-23 considering the genuine and actual costs as incurred as per Audited Accounts as well as Tariff Regulation 2022 while revisiting the provisional Truing up as allowed in RST Order dated 23.03.2023.
b) to approve the cost components submitted by the Licensee for True up of FY 23-24 taking into consideration the Audited Accounts and in line with Tariff Regulation 2022.
c) to approve any other benefits/ relief as deemed fit.

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

Place:

Date: Applicant

through authorized representative