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

Case no. of 2022

In the matter of: **Application of TPWODL for approval of revised Truing Up for the period of FY 2020-21(for 3 months) and Truing up for the period of FY 2021-22 under Sections 62 & 86 of the Electricity Act, 2003 read with relevant provisions of OERC (Terms and Conditions for determination of Wheeling and Retail Supply Tariff) Regulations, 2014 and other related matters**

AND

In the matter of:

M/s. TPWODL … Applicant

VRS

GRIDCO & Others … Respondent

<u>AFFIDAVIT</u>

I Kshirod Chandra Nanda, aged about 53 years, S/o. late Radhanath Nanda working as the GM (RA & Strategy), do hereby solemnly affirm and state as follows: -

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

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

DEPONENT

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

Verified at on this day of Nov, 2022.

DEPONENT

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

Case no. of 2022

In the matter of: **Revised Truing-up application for the FY 2020-21 (3 months) and Truing-up for FY 2021-22 under Sections 62 & 86 of the Electricity Act, 2003 read with relevant provisions of OERC (Terms and Conditions for determination of Wheeling and Retail Supply Tariff) Regulations, 2014 and other related matters** **AND**

In the matter of:

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 OERC (Terms and Conditions for determination of Wheeling and Retail Supply Tariff) Regulations, 2014 & as per vesting order dated 28th December 2020, the Distribution licensee has to submit Truing Up application before Hon'ble Commission for approval.

3. That, as per Regulation 8.2 of the OERC (Terms & Conditions for Determination of Wheeling Tariff and Retail Supply Tariff) Regulations, 2014, 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 Hon'ble Commission.

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

TRUE-UP for FY 2020-21 (Jan to Mar) –

5. TPWODL had filed the application for approval of truing up for FY 2020-21 (January 2021 to March 2021) which was registered as Case No.116 of 2021.

6. That, Hon'ble Commission heard the matter along with ARR application (FY 2022-23) of the Licensee and approved provisional true-up figures vide order dated 24.03.2022. The following principles were adopted by the Hon'ble Commission vide para 175 of the order:

> *"175.The principles adopted by the Commission with regard to truing up of DISCOMs for FY 2020-21 are summarized below:-*
> *(a) Power Purchase and its cost: The power purchase cost has been accepted in full as shown in the audited accounts for the FY 2020-21.*
> *(b) Distribution Loss: Benchmark losses as per the vesting order has been taken for the purpose of true up assuming collection efficiency of 99%.*
> *(c) Sale: Sale of energy determined as per the actual power purchase and benchmark distribution as per the vesting order assuming collection efficiency of 99%.*
> *(d) Employee Cost: The employee cost has been allowed as per actual shown in the audited accounts excluding terminal benefits. As regards terminal benefits, the same has been allowed as approved in the RST order for the FY 2020-21.*
> *(e) Repair and Maintenance: The expenditure towards Repair and Maintenance of substations allowed as per actual shown in the audited accounts.*
> *(f) A & G Expenses: The Administration and General expenses has been allowed in line with approval of the Commission in the ARR for FY 2020-21 subject to the maximum amount reflected in the audited accounts for that year.*
> *(g) Bad & Doubtful Debt: In the ARR the provision towards bad and doubtful debt is allowed as 1% of HT and LT sales only. The same percentage is applied to the true up sales for arriving at the provision towards bad and doubtful debt.*

(h) Depreciation: The depreciation is allowed as per the respective vesting orders.
(i) Interest Expenses: Only Interest on security Deposit has been allowed as per actual in the audited accounts as no long term loans have been transferred to new DISCOMs. No interest on working capital has been allowed as it was not allowed in the ARR.
(j) Other Expenses: The audited accounts the licensees reflect certain items under the head "Other Expenses". Commission after due scrutiny allows the expenses for the purpose of true up.
(k) Expenses Capitalized and prior period expenses– The expenses under this head are allowed as per audited figures.
(l) Miscellaneous Receipt: The miscellaneous receipt as shown in the audited accounts have been considered ***excluding DPS, meter rent and overdrawl penalty****.*
(m) Computation of the revenue of the DISCOMs: The Commission has considered the annual revenue based on the distribution loss accepted by the Commission for truing up exercise. The saleable unit is multiplied with the average rate of billing (as computed from the audited data filed by the licensee) to arrive at the revenue earned."

7. That, the Hon'ble Commission at Para 178 of the Order dated 24.03.2022 had considered the truing-up as provisional and held that DISCOMs were allowed to file their submissions in this regard for further consideration of the Commission w.r.t Jan'21 to Mar'21 of FY 2020-21. Also, the Hon'ble Commission had taken a view to finalize the truing-up for FY 2020-21 along with truing-up for FY 2021-22 when the full year audited accounts are available.

"178 The Commission has carried out this truing up exercise purely based on the Tariff regulations 2014, wherein many such features of the vesting orders and subsequent orders are required to be further scrutinized. This exercise has resulted in a surplus scenario for the utilities in spite of having only few months of operation when the AT&C losses still are prevailing at pre vesting level. Moreover, all the utilities were vested during the height of the Covid pandemic situation. In these circumstances it is observed that this truing up exercise require further scrutiny of the expenditure vis-à-vis approval in the ARR along with concessions allowed in the vesting order and other related orders of the Commission. Moreover, audited accounts of a full year will give the right scenario of the performance of the new DISCOMs. ***Under these circumstances the Commission considers this truing up as provisional and the DISCOMs are allowed to file any submissions in this regard for***

further consideration of the Commission. The Commission may take a view in this regard later in order to address the issues and to finalise the truing up along with the next year truing up for FY 2021-22 when the full year audited accounts are available."

8. In the meantime, full year Audited Accounts for FY 2021-22 along with previous year three months figure has been available and accordingly the Licensee is herewith filing its revised claims for true up for FY 2020-21.

9. It is submitted that the Hon'ble Commission at Table 63, Page 119 of the Tariff Order dated 24.03.2022 in Case Nos. 108,109,110&111 of 2021 provided the provisional true up for FY 2020-21 as tabulated below:

TPWODL					
Statement of Truing up calculation for FY 2020-21 Rs. In Cr.					
Particulars	**Approved in the ARR FY 21**	**TPWODL Jan 21 to Mar 21 Approved (Pro-rated)**	**TPWODL Jan 21 to Mar 21 (Proposed for true up)**	**Audited (3 months)**	**Allowed in true up**
Expenditure					
Cost of Power Purchase	2707.62	676.91	692.05	692.05	692.05
Employee costs	361.02	90.26	79.85	79.85	79.85
R&M Expenses	92.24	23.06	5.75	5.75	5.75
A&G Expenses	52.8	13.2	109.45	109.45	13.2
Provision for Bad & Doubtful Debts	23.39	5.85	8.53	8.53	8.53
Other expenses		0			
Depreciation	61.4	15.35	16.4	16.4	16.4
Interest on Working capital		0			
Interest Chargeable to Revenue (Including SD)	53.2	13.3	10.94	10.94	10.94
Sub-Total	**3351.67**	**837.92**	**922.97**	**922.97**	**826.72**
Less: Expenses capitalised					
Prior period expenses (Debit, credit)					0
(A) Total expenses	**3351.67**	**837.92**	**922.97**	**922.97**	**826.72**
Income Tax				0	0
Contingency reserve					0
(B) Total Special Appropriation					**0**
(C) Return on Equity	**7.78**	**1.95**	**12**	**12**	**12**
TOTAL (A+B+C)	**3359.45**	**839.86**	**934.97**	**934.97**	**838.72**
Less Miscellaneous Receipt	191.39	47.85	29.06	75.7	54.9
Receipt on account of CSS		0			
Total Revenue Requirement	3168.06	792.02	905.91	859.27	783.82
Revenue from Sale of Power	3187.81	796.95	892.89	887.25	919.62

TPWODL					
Statement of Truing up calculation for FY 2020-21 Rs. In Cr.					
Particulars	**Approved in the ARR FY 21**	**TPWODL Jan 21 to Mar 21 Approved (Pro-rated)**	**TPWODL Jan 21 to Mar 21 (Proposed for true up)**	**Audited (3 months)**	**Allowed in true up**
GAP (+/-)	**19.75**	**4.94**	**-13.02**	**27.98**	**135.80**
Total Gap considered for True up					
Units Purchased (MU) (Actual)					2013.06
Dist Loss (%) (Approved)					19.60%
Dist Loss (MU)					394.56
Units Billed (MU) (Approved)					1618.50
Units Billed As Per Audit (MU)					1561.53
Revenue (Rs In Crores) (Audit)					887.25
Average Rate of Realisation (p/kwh) (Audit)					**5.68**
Expected Revenue for Truing Up (Rs In Cr)					919.62

10. Since the Audited Account was not available, the Hon'ble Commission had carried out the truing up exercise purely based on the Tariff Regulations 2014. This had resulted in a surplus scenario for the utilities in spite of only few months of operation when the AT&C losses still were prevailing at pre vesting level. The Hon'ble Commission had also considered surplus of Rs. 150 Cr. provisionally towards ARR determination for FY 2022-23 and had held that the actual adjustment of the surplus will be considered in the truing up order for the year after the Audited Accounts are available.

11. Power Purchase Cost –

That, as per revised audited accounts, the power purchase cost arrives as Rs. 692.06 Cr. as under:

S. No.	**Particulars**	**Petitioner's Submissions FY 21 (3 months) (Rs. Cr.)**
1	Power purchase cost	649.37
2	Transmission charges	48.79
3	SLDC charges	0.30
4	Less: Rebate	6.42
5	**Power Purchase cost (considered for True up)**	**692.06**

N.B. Rebate is earned by the Petitioner by making early payment of power purchase bills. Further, a distribution company is entitled to have 1% rebate if the payment is made within 30 days of presentation of bill. However, to avail 2% rebate, payment has to be made within 3 working days . If the license is able to avail 2% rebate is only due to its efficiency for which is working capital is not being provided for. Hon'ble APTEL in its Judgment dated 30.07.2010 in Appeal No. 153 of 2009 (NDPL Vs DERC) has held as under:

> *"58 (ii) The second issue relates to the deduction of rebate due to the early payment of the power purchase cost from the ARR. The Appellant, through its efficient management, has paid all the bills immediately on raising of the bills by the generating company and, therefore, it has to be allowed a rebate of 2%. Therefore, there is no justifiable reason for the State Commission to reduce the power purchase cost by rebate earned by the Appellant. The normative working capital provides for power purchase cost for one month. Therefore, rebate of 1% available for payment of power purchase bill within one month should be considered as non-tariff income and to that extent benefit of 1% rebate goes to reducing the ARR of the Appellant. As such this issue is answered in favour of the Appellant."*

The Petitioner has earned 1% Rebate on account of payment of power purchase bills for FY 2020-21 and hence has offered the rebate of Rs. 6.42 Cr. to be deducted from power purchase cost for true up for FY 2020-21.

Further, it is to be brought to the notice of the Hon'ble Commission that it has not allowed interest on working capital in previous Tariff Order and expected it to be met from rebate earned on prompt payment of BST and transmission charges. Accordingly, the Petitioner requests the Hon'ble Commission to allow interest on working capital on normative basis and if not allowed rebate earned on BST may not be considered in truing up.

12. Operation & maintenance expenses –

12a) Employee Expenses

The Employee Expenses of the Petitioner comprises of salaries, wages, Allowance, Contribution to provident & other funds, Staff Welfare Expenses, Terminal Benefits etc. It is submitted when the Audited Accounts for FY 2021-22 were finalized, it was revealed that some of the major items has not been properly grouped for in 3 months accounts which was prepared earlier.

So, considering such aspect the financials of FY 2020-21 (3 months) has been revised and accordingly there has been an increase in employee expenses as can be seen from the table below:

Particulars (FY 21) (3 months)	Previous Submissions	Revised Submissions	Diff.
	(Rs. Cr.)	(Rs. Cr.)	(Rs. Cr.)
Salaries, wages and bonus	44.49	44.49	0.00
Contribution to provident and other funds*	31.90	49.87	17.97
Staff welfare expenses	1.29	1.29	0.00
Terminal benefit expenses-CTC employee	2.17	6.05	3.88
Sub-total	**79.85**	**101.70**	**21.85**
Add: Outsourced & Contractual Labour cost from A&G expenses	-	14.69	14.69
Total Employee Expenses (considered for True up)	**79.85**	**116.38**	**36.53**

* Increase in Actuarial provision by Rs. 17.97 Cr. (Gratuity - Rs. 5.09 Cr. and Pension - Rs. 12.88 Cr.)

Hon'ble Commission had approved Rs. 90.26 Cr. on a pro-rated basis in the ARR for FY 2020-21. As per revised submissions, the actual employee cost incurred is Rs. 116.38 Cr. as against Rs. 79.85 Cr. claimed earlier and approved by Hon'ble Commission for FY 2020-21 (Jan'21 to Mar'21). The revised employee expenses have increased mainly on account of change in accounting policy of the company.

As per terms of vesting order dated December 28, 2020 issued by the Odisha Electricity Regulatory Commission (OERC), all existing employees of Wesco Utility (WESCO) have been transferred to the Licensee. Payment of terminal benefits including pension, gratuity and leave encashment to the past and existing employees will be made by the respective Trusts (WESCO Employees' Pension Fund Trust, WESCO Employees Gratuity Fund Trust and WESCO Employees Rehabilitation Fund Trust) over the eligibility period.

The Licensee has received the Carve Out order dated November 23, 2021 issued by the Hon'ble Commission. The carve out order issued for the Licensee does not specify the treatment of the terminal liabilities. However, TP Central Odisha Distribution Limited (TPCODL) had also received the Carve Out Order dated October 01, 2021 issued by the

Hon'ble Commission wherein it was stated that for entire liabilities towards pension, gratuity and leave encashment of past employees and acquisition date liabilities of existing employees, TPCODL's responsibility is limited only to remitting fixed amount requested by the respective Trusts and recovered by it from consumers as a part of ARR on behalf of the respective Trusts for disbursal to the beneficiaries covered under the Trusts as prescribed in clause 50(c) of the Vesting Order. TPCODL's Carve Out Order also states that the relevant paragraph of the vesting order stands modified to this extent. The management believes that similar clarification will also apply for the Carve Out Order issued for the Licensee and is expecting a clarification on similar lines from the Hon'ble Commission.

Considering specific clarification in TPCODL's Carve Out Order and management expectations, the Licensee has revised the accounting treatment of terminal employee liabilities to align it with TPCODL and therefore the Actuarial provisions on account of Gratuity has increased by Rs. 5.09 Cr., Pension has increased by Rs. 12.88 Cr. and other terminal benefits including unutilized leaves have increased by Rs. 3.88 Cr. thereby increasing the Employee Expenses to Rs. 101.70 Cr.

The figures for the comparative period have also been restated accordingly to align with the Carve Out Order.

Similarly, the Hon'ble Commission has approved contractual and outsourcing cost under employee expenses. However, as per audited accounts it is booked under the head of A&G expenses. Now, in truing-up the amount paid towards outsourcing and contractual obligation to the tune of Rs. 14.69 Cr. has been shown under the head of Employee expenses for consideration.

The Hon'ble Commission is thereby requested to approve the revised actual employee costs incurred by the Petitioner during the said period of FY 2020-21 (3 months) amounting to Rs. 116.38 Cr.

12b) R&M Expenses

The R&M Expenses of the Petitioner is considered as approved by the Hon'ble Commission in Tariff Order dated 24.03.2022 during the said period of FY 2020-21.

12c) A&G Expenses

The Petitioner is now claiming Rs. 22.07 Cr. on account of actual A&G expenses incurred during FY 2020-21 (Jan to Mar) for the kind approval of the Hon'ble Commission. The details of A&G expenses under different head along with a reconciliation with previous submission are as follows:

S. No.	Particulars	Previous Submission FY 2020-21 (3 months)	Revised Submission FY 2020-21 (3 months)
		(Rs. Cr.)	(Rs. Cr.)
1	Rent	-	0.50
2	Consultancy fee	1.83	1.83
3	Legal Expenses	0.02	0.02
4	Advertisement and marketing Expenses	0.1	0.1
5	Electricity Consumption Expenses	1.2	1.2
6	Telephone Expenses	0.28	0.28
7	Insurance premium Expenses	0.62	0.62
8	Travelling Expenses	3.43	3.43
9	Office Expenses	0.25	0.25
10	Other Administrative Expenses	4.23	4.23
11	Spot billing and meter reading Expenses	1.59	1.59
12	Input and collection-based franchisee Expenses	7.94	7.94
13	Outsourced & Contractual Labour cost	14.69	-
14	Miscellaneous Expenses	0.08	0.08
15	Regulatory Deferrals	73.04	-
16	**Sub-total A&G Expenses**	**109.3**	**22.07**

N.B. Regulatory Deferrals as claimed earlier under A&G has been withdrawn. Similarly, Outsourced and contractual Labour Cost has been claimed under Employee cost.

The Hon'ble Commission while approving the ARR for FY 2020-21 in Tariff Order dated 22.04.2020 had approved total A&G Expenses to the tune of Rs. 52.80 Cr. for FY 2020-21. However, the erstwhile Wesco utility has incurred Rs.48.67 Cr. from April-2020 to Dec-2020, as per the audited accounts. No such substantial approved amount was left for the new licensee TPWODL for the Q4 of the financial year. Hon'ble Commission while approving provisional truing up for FY 2020-21 in RST order dated 24.03.2022 had pro-rated the A&G expenses basing upon approved figure for Jan'21 to Mar'21 which is not correct. Even pro-rating the actual expenditure till Dec'2020, the Q4 portion would be Rs. 16.22 Cr. (Rs. 48.67 Cr./9 months * 3 months). Therefore, considering the initial set up cost of TPWODL and the additional expenditure normally incurred on driving the collection activities during Q4, the actual expenditure is higher in the last quarter of the year. It may be appreciated that, even 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. The amount of arrear collection was Rs. 104.55 Cr. which has been passed on to GRIDCO. Apart from this, with additional initiatives, TPWODL has collected approx. Rs. 300 Cr. (out of Apr'20 to Dec'20 arrears) towards payment of BST and transmission bills of Dec'2020 apart from employee salary and other expenses. It is a fact that during takeover process lot of incidental A&G expenses has been incurred due to travelling, accommodation etc. of senior management team in Q4 of the financial year.

Considering the above factual aspect, the Hon'ble Commission is requested to consider the actual A&G expenses of Rs.22.07 Cr. for Q4 of FY 2020-21 instead of Rs.13.02 Cr. as approved provisionally earlier.

The amount paid towards outsourcing and contractual obligation amounting to Rs. 14.69 Cr. has been booked under the head of A&G Expenses as per Audited Accounts. However, it has been placed under Employee expenses head in this truing-up petition for consideration. If the same is not considered under employee expenses head, actual Audited A&G expenses would be Rs. 36.75 Cr.

13. Interest on working capital –

That as regards to interest on Working capital, the licensee has relied upon the following regulation of Hon'ble Commission

Regulation 7.49 of the OERC Tariff Regulations, 2014 provides for Interest on working capital as under:

"7.49 Interest for Working Capital: Working Capital shall include –
(a) Operation and maintenance expenses for one month;
(b) Receivables for one month;
(c) Maintenance spares @ 40% of R&M for one month."

The Petitioner, in accordance with the above Regulation has computed the normative interest on working capital as under:

S. No.	Particulars	FY 2020-21 (3 months)	Average for 1 month	Maintenance spares @ 40% of R&M for 1 month	Working Capital
		(Rs. Cr.)	(Rs. Cr.)	(Rs. Cr.)	(Rs. Cr.)
1	O&M Expenses	138.45	46.15		46.15
2	Receivables	894.19	298.06		298.06
3	R&M Expenses	5.75	1.92	0.77	0.77
4	**Total monthly requirement**				**344.98**
5	Rate of Interest for Working Capital *				10.30%
6	**Interest on Working Capital**				**8.88**

* SBI Base Rate as on 10.12.2020 (7.30%) plus 300 basis points

Accordingly, the Petitioner requests the Hon'ble Commission to approve Rs. 8.88 Cr. on account of normative interest on working capital for FY 2020-21 and if not allowed may please not consider the rebate earned on BST for truing up.

14. Miscellaneous Receipts –

The Petitioner has also considered a revised Misc. receipt of Rs. 28.34 Cr. as per the audited 3 months for FY 2020-21 for the kind consideration of the Hon'ble Commission as per the table below:

Particulars	Revised Submissions FY 21 (3 months) (Rs. Cr.)
Other Operating Revenue	
Amortisation of consumer contribution	11.25
Maintenance charges	-
Interest on investment in Government Securities	-
Amortisation of capital grants	-
Foreign exchange fluctuation gain (net)	-
Recovery of meter Rent	8.71
Over drawl Payment recovered	1.28
Reliability Charges	1.89
Incentives on Arrears Collection	10.81
Supervision Charges	7.48
Miscellaneous operating income	5.22
Sub- Total (Other Operating Revenue)	**46.64**
Other Income	
Interest income	12.37
Delayed payment surcharge	15.74
Income from sale of scraps	-
Other income	0.95
Sub- Total (Other Income)	**29.06**
Grand Total	**75.70**
Less: Meter Rent & incentive on arrear collection	19.52
Less: Over Drawl Penalty (2/3rd)	0.86
Less: Delayed Payment Surcharge	15.74
Less: Amortisation of Consumer Contribution	11.25
Misc. receipt to be considered	**28.34**

N.B. The Petitioner in accordance with Regulation 7.62 of the OERC Tariff Regulations, 2014 has offered one third of revenue from Over Drawl Penalty to be deducted from ARR. Also, the Hon'ble Commission while approving the ARR had set a principle that Meter rent and Delayed Payment Surcharge are to be excluded from miscellaneous receipts. The Hon'ble Commission is also not allowing cost of meter under CAPEX head with a view that it has to be met out of meter rent. Further, to recover cost of meter through meter rent it takes 5 years' period, however, the Petitioner is incurring cost on account of procurement of meters in the 1st year itself. The Petitioner also incurs finance cost on such capital investment for which no such provision is available neither in regulation nor in the RST order.

The miscellaneous receipt of the DISCOMS is mainly on account of amortisation of consumer contribution, reliability charges, supervision charges, interest on Fixed Deposits, miscellaneous charges and other miscellaneous receipts.

15. Revenue from sale of power –

The Petitioner has considered the revenue from sale of power for true up as per the table below:

S. No.	Particulars	Formula	Prev. Submission	Rev. Audited	Diff	Now considered for True up
			(Rs. Cr.)	(Rs. Cr.)	(Rs. Cr.)	(Rs. Cr.)
1	Sale of Power	A=i+ii	887.25	901.41	14.16	901.41
a	*Revenue from SoP- Manual EC etc.*	*i*	*854.84*	*854.84*	*0.00*	
b	*Cross Subsidy & Open Access*	*ii*	*32.41*	*46.57*	*14.16*	
2	Less: Rebate to consumers	B	4.92	7.22	2.30	7.22
3	Less: Pre acquisition period employee liabilities	C	36.08		36.08	
4	**Revenue from sale of power**	**D=A-B-C**	**846.25**	**894.19**	**47.94**	**894.19**
5	Other Operating Revenue	E	46.64	46.64	0.00	
6	**Revenue towards True up**	**F=D+E**	**892.89**	**940.83**	**47.94**	**894.19**

16. From the above table, it can be seen that the Petitioner had considered Rs. 892.89 Cr. as revenue available towards truing up during previous submission. However, during preparation of the full year accounts for FY 2021-22, it was found that there was an increase of Rs. 14.16 Cr. on account of cross-subsidy and open access and an increase of Rs. 2.30 Cr. on account of rebate paid to the consumers for FY 2020-21. Furthermore, the Petitioner has not considered employee liabilities of pre-acquisition period amounting to Rs. 36.08 Cr. for FY 2020-21. With respect to other operating revenue, the Petitioner submits that it has considered the same under Miscellaneous receipts head for truing up. Accordingly, the Petitioner is now considering Rs. 894.19 Cr. as revenue available toward truing up of FY 2020-21 for the revised submission.

17. In lieu of the above, TPWODL is herewith providing its revised submissions for truing up for FY 2020-21 based on the Audited Accounts for 3 months of FY 2020-21 as tabulated below:

TPWODL				
Statement of Truing up calculation for FY 2020-21 Rs. Cr.				
Particulars	**Previous submission for true up**	**Audited (3months)**	**Allowed in true up**	**TPWODL Revised Submission FY 2020-21**
Expenditure				
Cost of Power Purchase	692.05	692.05	692.05	692.06
Employee costs	79.85	79.85	79.85	116.38
R&M Expenses	5.75	5.75	5.75	5.75
A&G Expenses	109.45	109.45	13.20	22.07
Provision for Bad & Doubtful Debts	8.53	8.53	8.53	8.53
Depreciation	16.40	16.40	16.40	16.40
Interest on Working capital				8.88
Interest Chargeable to Revenue (Including SD)	10.94	10.94	10.94	10.94
Sub-Total	**922.97**	**922.97**	**826.72**	**881.01**
(A) Total expenses	**922.97**	**922.97**	**826.72**	**881.01**
(B) Total Special Appropriation			**0**	-
(C) Return on Equity	**12.00**	**12.00**	**12.00**	**12.00**
TOTAL (A+B+C)	**934.97**	**934.97**	**838.72**	**893.01**
Less: Miscellaneous Receipt	29.06	75.70	54.90	28.34
Total Revenue Requirement	**905.91**	**859.27**	**783.82**	**864.67**
Revenue from Sale of Power	**892.89**	**887.25**	**919.62**	**894.19**
GAP(+/-)	**-13.02**	**27.98**	**135.80**	**29.52**
Total Gap considered for True up				
Units Purchased (MU) (Actual)			2013.06	
Dist Loss (%) (Approved)			19.60%	
Dist Loss (MU)			394.56	
Units Billed (MU) (Approved)			1618.5	
Units Billed As Per Audit (MU)			1561.53	
Revenue (Rs In Crores) (Audit)			887.25	
Average Rate of Realisation (p/kwh) (Audit)			**5.68**	
Expected Revenue for Truing Up (Rs In Cr)			919.62	

18. The audited revenue requirement for FY 2020-21 (Jan'21 to Mar'21) as per revised submissions of the Petitioner is Rs. 864.67 Cr. and the revenue from Sale of Power for FY 2020-21 is Rs. 894.19 Cr. leaving a surplus of Rs. 29.52 Cr. as against Rs. 135.80 Cr. approved by the Hon'ble Commission provisionally in Order dated 24.03.2022 in Case Nos. 108,109,110&111 of 2021.

19. The Petitioner has now submitted its actual revenue from sale of power as Rs. 894.14 Cr. for FY 2020-21 (Jan to Mar) in accordance with the final year Audited Accounts. It is further submitted that the Hon'ble Commission in its Order dated 24.03.2022 had computed the revenue from sale of power as Rs. 919.62 Cr. on the basis of the approved Units Billed. It is to be brought to the kind notice of the Hon'ble Commission that the Petitioner has already billed the units on actuals and cannot go back to revise the units billed based on the approval of the Commission. Consideration of revenue has also been clarified in the RFP of TPNODL at Clause 38.9. Hence, the Petitioner requests the Hon'ble Commission to consider the actual revenue from sale of power being Rs. 894.14 Cr. for FY 2020-21 on accrual basis.

20. Further, since the Petitioner was settling down during Q4 of FY 2020-21 as the license was granted only on 01.01.2021, the Hon'ble Commission is requested to treat the Surplus/ Gap as "NIL/ Zero" for FY 2020-21 and provide a fresh beginning to the Petitioner.

TRUE-UP for FY 2021-22 –

21. The ARR submitted by the Petitioner and correspondingly approved by the Hon'ble Commission were based on estimated sales and expenses for FY 2021-22 at the time of issuance of the Order. Now upon finalization of audited accounts actual figures are available with the DISCOM, the Petitioner is submitting herewith the true-up petition for FY 2021-22 in accordance with the audited accounts for approval of Hon'ble Commission. (Audited accounts enclosed in **ANNEXURE-1).**

Approved ARR for FY 2021-22:

22. The Hon'ble Commission vide its Order dated 26.03.2021 in Case Nos. 75,76,77&78 of 2020 had approved the ARR for FY 2021-22. However, vide Order dated 27.10.2021 in Case No. 37 of 2021 (ABP Order), Hon'ble Commission had revised the R&M and A&G Expenses for FY 2021-22 as has been tabulated below:

Expenditure	OERC Approved Tariff Order dated 26.03.2021	OERC Revised Order dated 27.10.2021 (ABP)
	(Rs. Cr.)	(Rs. Cr.)
Cost of Power Purchase	2898.20	2898.20
Transmission Cost	240.80	240.80
SLDC Cost	1.48	1.48
Total Power Purchase, Transmission & SLDC Cost(A)	**3140.48**	**3140.48**
Employee Cost	409.49	*
R&M Expenses	109.22	160.00
A&G Expenses	63.66	103.17
Provision for Bad & Doubtful Debts	27.42	27.42
Depreciation	36.34	36.34
Interest Chargeable to Revenue incl. Interest on S.D	34.37	34.37
Total O&M and Other Cost	**680.49**	
Return on Equity	48.00	48.00
Total Distribution Cost	**728.49**	
Less: Miscellaneous Receipt	237.45	237.45
Net Distribution Cost (B)	**491.04**	
Special Appropriation (C)		
Total Revenue Requirement (A+B+C)	**3631.52**	
Expected Revenue (Full year)	**3705.75**	
GAP at existing (+/-)	**74.23**	

*Hon'ble Commission has approved 508 nos. of employees through subsequent letters/ orders, however, related cost has not been provided. Considering the increase in employee numbers, the actual expenditure will be increased.

As regards to Employee Expenses even though Hon'ble Commission has not specified the figure of employee cost in ABP approval order however observed as follows:

> *"Para 90 of ABP order*
> *The Commission now allows 8% of the total proposed manpower to be recruited in the current year. This will include post facto approval for recruitment of 56 employees already made. Thus only 280 (.08X4209-56) more employees can be recruited now. Commission stipulates that the new recruitments be made as per the operational requirements. The proposed expense on HR operation may also be accordingly adjusted.*
> *Para 91.*
> *The approval of the new recruitment as above will be assessed by the Commission during the true-up exercise and periodical reviews. The expenses under this head will be allowed only after prudence check."*

That, distressed with the above observation the applicant had filed a review petition before Hon'ble Commission which was registered as case no 98 of 2021. Thereafter, the petitioner (TPWODL) had withdrawn the review petition and represented through letter No. TPWODL/RA&S/2022/010 dt.11-01-2022 for reconsideration.

In response to above Hon'ble Commission had approved the revised manpower requirement plan vide their letter No. OERC/RA/TPWODL/-38/2021/18 dt.17.01.2022. The operative part of the approval is placed below:

The Commission has now allowed filing up of retirement vacancies in view of a low percentage of employees per one thousand consumers. The Commission further observes that the recruitment for the ensuing year may be undertaken to the extent so that the number of employees per one thousand consumers shall not exceed 1.40 including replenishment of retiring vacancies for TPWODL, TPNODL and TPSODL. The Commission observes that due to large scale automation of the processes and intervention of the modern technologies, it may have a relook at this parameter in future depending on the assessment of manpower requirement. The commission observes that the number of employee per thousand consumers of TPCODL is already high relative to other DISCOMs and it shall be rationalized over the years to bring it to the level mentioned above. The Commission further directs the DISCOMs to file their separate manpower requirement and Plan of Action for FY 2022-23 keeping in view the number of employees per thousand consumers as indicated by the Commission above. It shall be kept within 1.40.

Further, Hon'ble Commission in the RST order for FY 22-23 vide para 98 has given post facto approval for recruitment actually made after the effective date.

> *"Para 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****. The Commission further stipulated that the new recruitments be made as per the operational requirements. The proposed expense on HR operation may also be accordingly adjusted. The four DISCOMs approached the Commission regarding consideration to recruit more people since the numbers allowed for deployment as per the ABP order was highly inadequate."*

Component wise submission

Power purchase Cost

23. The Petitioner would like to submit that since FY 2020-21, it witnessed an unprecedented force majeure event in the form of the COVID-19 pandemic outbreak. Taking cognizance of this force majeure event, various restrictions vis-à-vis Lockdown Orders were imposed by the Central Government and the Odisha Government to control the outbreak of Novel Corona Virus (COVID-19) pandemic. Due to such force majeure conditions and specially on account of the Lockdown Orders, all industrial and commercial establishments were directed to remain closed, except for activities specifically permitted by the Central and Odisha Government and certain industrial and commercial activities which were engaged in and supporting essential goods and services in the state. This has adversely affected the economic activity in the country including Odisha state and led to a major drop in the electricity demand. But, to maintain uninterrupted and reliable power supply to the consumers of the licensee the applicant has incurred the required cost under O&M head which needs to be recognized by Hon'ble Commission on prudent manner.

24. In the aftermath of COVID-19 scenario, the Central as well as the Odisha Governments allowed various activities to re- open in a phased manner. Consequently, various industrial and commercial activities started functioning which gradually led to a substantial increase in the electricity load.

25. Also, due to a sudden shortage of coal around Q3 & Q4 of FY 2021-22, the Central Government vide its letter No. 23/13/2021-R&R (Pt-1) dated 18.05.2022 had directed CERC to allow higher amount of blending up to 30% with costlier imported coal. As a result, certain Industrial consumers consuming power from their own Captive Generating Plants, started drawing from the Petitioner to the extent of demand maintained due to substantial increase in coal costs. As a result, power purchase quantum has increased to certain extent. Further, Hon'ble Commission has also approved a special concessional tariff for 12 nos. of steel industries under the licensee area who

were struggling for survival due to covid effect, as a result their normal consumption could possible to be retained by the licensee. Similarly, for enhancement of industrial consumption, additional sale was made under the provision of RST Order and subsequent directions (Case No. 54 of 2021) of the Hon'ble Commission through TPA arrangement was made with couple of CGP industries and in this arrangement around 550 MU was sold. Therefore, the actual power purchase increased to 9313 MU against approval of 8600 MU for FY 21-22.

26. The following table provides the sales, power purchase quantum and power purchase cost as considered in the True Up for FY 2021-22:

S. No.	Particulars	UoM	FY 2021-22
A	**BILLING**		
1	As per Performance Report (MIS)	MU	7356
2	Add: Sundry adjustment to different category of consumers	MU	67
3	Add: Unbilled Revenue	MU	70
4	Billing (As per Audited A/C)	MU	7493
5	Less: Unbilled Revenue	MU	70
6	Billing considered for True up	MU	7423
B	**CONSIDERED FOR TRUING UP**		
7	Approved T&D Loss	%	19.60%
8	**Quantum of Input required as per approved T&D loss**	**MU**	**9232**
9	Actual Power Purchase Quantum (As per Audited A/Cs)	MU	9313
10	Excess Power Purchase (Sl. 8- Sl. 9) (Not claimed)	MU	(80.89)
11	Rate of excess Power Purchase (incl. Transmission)	Rs./ kWh	3.65
12	Cost of excess Power Purchase (incl. Transmission) (Not claimed) (sl 10* sl 11)	Rs. Cr.	(29.52)
13	Actual Power Purchase Cost (incl. Transmission & SLDC charges) (As per Audited A/c)	Rs. Cr.	3395.97
14	Less: 1% Rebate on timely payment of power purchase bills	Rs. Cr.	32.79
15	Net Power Purchase Cost (incl. Transmission & SLDC charges)	Rs. Cr.	3363.18
16	**Power Purchase Cost considered for true up (incl. Transmission & SLDC charges) (Sl. 12 + Sl. 15)**	**Rs. Cr.**	**3333.66**

27. It can be seen from the above table that there has been a change in total power purchase cost including transmission and SLDC charges. The Hon'ble Commission is approving the ARR with normative AT&C loss. Accordingly, with energy sale of 7423 MU, the derived power purchase quantum is 9232 MU, as appended in the above table, leaving a difference in power purchase to the tune of 81 MU.

28. Further, the Petitioner has earned rebate (1% & 2%) on account of timely payment of power purchase, transmission and SLDC bills. However, the Petitioner is offering 1% Rebate to be deducted from power purchase cost for FY 2021-22 in terms of the directions of the Hon'ble APTEL in Judgment dated 30.07.2010 in Appeal No. 153 of 2009 (NDPL Vs DERC).

The details of the month-wise rebate earned by the Petitioner and considered towards truing up for FY 2021-22 is as under:

S. No.	Month	Power Purchase & Transmission Bills (Rs. Cr.)			Rebate Availed (Rs. Cr.) *			Rebate %			Rebate Considered for Truing up (1%) (Rs. Cr.)
		GRIDCO	OPTCL	SLDC	GRIDCO	OPTCL	SLDC	GRIDCO	OPTCL	SLDC	
1	Apr-21	269.4	21.6	0.12	5.4	0.4	0.001	2%	2%	1%	2.91
2	May-21	251.1	20.4	0.12	5.0	0.4	0.001	2%	2%	1%	2.72
3	Jun-21	238.2	19.3	0.12	4.8	0.4	0.001	2%	2%	1%	2.58
4	Jul-21	249.9	20.2	0.12	5.0	0.4	0.001	2%	2%	1%	2.70
5	Aug-21	0.5	22.3	0.12	0.01	0.4	0.001	2%	2%	1%	0.23
6	Aug-21	273.5			2.7			1%			2.73
7	Sep-21	251.3	20.3	0.12	5.0	0.4	0.001	2%	2%	1%	2.72
8	Oct-21	285.1	24.3	0.12	5.7	0.5	0.001	2%	2%	1%	3.10
9	Nov-21	240.4	21.6	0.12	4.8	0.4	0.001	2%	2%	1%	2.62
10	Dec-21	226.3	21.2	0.12	4.5	0.4	0.001	2%	2%	1%	2.48
11	Jan-22	240.2	21.3	0.12	4.9	0.4	0.001	2%	2%	1%	2.64
12	Feb-22	219.9	17.9	0.12	2.2	0.4	0.001	1%	2%	1%	2.39
13	Mar-22	274.4	22.1	0.12	2.7	0.4	0.001	1%	2%	1%	2.96
14	**Total**	**3020.1**	**252.3**	**1.5**	**52.8**	**5.0**	**0.015**				**32.79**

* The Petitioner has availed a total rebate of Rs. 57.8 Cr. during FY 2021-22 and is retaining Rs. 25 Cr. out of it.

29. Therefore, the power purchase cost net of rebate, including transmission and SLDC charges with approved normative AT&C loss is Rs. 3333.66 Cr., which may please be considered for true-up.

Operation & Maintenance Expenses: -

30. Hon'ble Commission, in the RST order dated 26.03.2021 and ABP Order dated 27.10.2021 for FY 2021-22, had approved net O&M Expenses to the extent of Rs. 672.66 Cr. for TPWODL which was based on certain norms as provided in the Tariff Regulation, 2014.

26 a) Employee Expenses

It is submitted that the Petitioner had 2418 regular employees and had proposed further addition of 1791 employees (1291 in executive cadre and 500 in non-executive cadre). As a result, the Petitioner had projected total requirement of manpower at 4209 as per commitment in RFP and terms of vesting order.

The Hon'ble Commission in its Order dated 27.10.2021 in Case No. 37/2021 (Annual Business Plan for FY 2021-22) at para 89 & 90 at page 40 & 41 has held as under:

> *"89. The Commission however, observes that the induction of 1291 new employees in executive cadre in one year will have a huge impact on the employees cost and consequently on tariff. The Commission is also aware that in the DISCOMs no new significant recruitments have been made during last 10 years and DISCOMs have appreciable shortage of required manpower.* ***The ratio of the employees vrs consumers has also widened over the years and bringing in new employees will bridge this gap for efficient functioning of the DISCOMs****…..*
>
> *90. The Commission now allows 8% of the total proposed manpower to be recruited in the current year. This will include post facto approval for recruitment of 56 employees already made. Thus only 280 (.08X4209-56) more employees can be recruited now. Commission stipulates that the new recruitments be made as per the operational requirements. The proposed expense on HR operation may also be accordingly adjusted."*

Further, upon representation of the licensee as narrated in earlier paragraphs Hon'ble Commission vide its letter No. OERC/RA/TPWODL-38/2021/18 dated 17.01.2022 had allowed the filing up of retirement vacancies (172 Nos.), in view of a low percentage of employees per one thousand consumers (1.28), and in a manner that the percentage of employees per one thousand consumers shall not exceed 1.40.

With the above consideration the approved no of recruitment became 508 nos (280+56+172). Thereafter, while approving the ARR of DISCOM for FY 22-23, 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."*

Component wise details of Employee Expenses for FY 2021-22 are appended below:

S. No.	Expenditure	OERC Approved FY 21-22	Total FY 21-22 (Audited)	Difference
		(Rs. Cr.)	(Rs. Cr.)	(Rs. Cr.)
1	Basic Pay +GP	110.80	128.55	17.75
2	DA	32.13	31.24	-0.89
3	Reimbursement of HR	15.61	15.61	
4	Other Allowance	3.01	1.73	-1.28
5	Bonus	0.30	0.30	
6	Contractual Employee Cost	53.92	36.77	-17.15
7	Additional employee cost *	24.00	29.54	5.54
8	**Total Emoluments (1 to 8)**	**239.78**	**243.75**	**3.97**
9	Med. Allowance	4.43	10.38	5.95
10	Leave Travel Concession	0	0.05	0.05
11	Honorarium	0.20	0.24	0.04
12	Payment under Workmen Compensation Act	0.25	0.04	-0.21
13	Ex-gratia	0.30	4.86	4.56
14	Other Staff Costs	0.50	0.50	
15	**Total Other Staff Costs (9 to 16)**	**5.68**	**16.08**	**10.40**
16	Staff Welfare Expenses	1.00	2.30	1.30
17	Terminal Benefits (Pension + Gratuity + Leave + PF + commuted + NPS/CPS)	165.68	227.18	61.50
18	**Total (9+17+18+19)**	**412.14**	**489.31**	**77.17**
19	Less: Empl. Cost capitalised	2.65	5.64	2.99
20	**Total Employees Cost (as per Audited A/c)**	**409.49**	**483.68**	**74.19**
21	Terminal Dues on Cash outgo basis	165.68	181.96	16.28

S. No.	Expenditure	OERC Approved FY 21-22	Total FY 21-22 (Audited)	Difference
		(Rs. Cr.)	(Rs. Cr.)	(Rs. Cr.)
22	Total Employee Cost (on Cash outgo basis)	409.49	438.46	28.97

*Hon'ble Commission has approved 508 nos. of employees through subsequent letters/ orders, however, related cost has not been approved. Accordingly, actual expenditure will be increased. Hence, the Petitioner has considered an amount of Rs. 29.54 Cr. (Rs. 23.52 Cr. towards salary and Rs. 6.02 Cr. towards Terminal dues of the CTC employees) as against Rs. 24 Cr. approved by Hon'ble Commission in ARR for FY 2021-22.

It is submitted that the Hon'ble Commission in its Tariff Order for FY 2021-22 had approved Rs. 53.92 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 Petitioner in FY 2021-22. Apart from the above, the Petitioner has also outsourced many of the activities like meter reading, billing and distribution, collection, energy auditing etc. incurring costs on account of manpower hired. The said costs had been booked under the A&G head in the Audited Accounts. However, the Petitioner is claiming the same under Employee Expenses now as Hon'ble Commission has allowed under Employee head.

The increase in Employee cost has also due to release of 30% 7th pay arrear salary of erstwhile Wesco utility employees during Feb-22. While approving the ARR for FY 21-22 even though the licensee has claimed the amount, Hon'ble commission has observed that it may paid on notification by Govt of Odisha and DISCOMs may claim the amount through subsequent truing up exercise. Relevant clause of RST order FY 21-22 is appended below:

> *"Para 421 The DISCOMs implemented the recommendation of the 7th Pay Commission during August 2018. The 7th Pay Commission envisages revision of pay and pension with effect from January, 2016. The DISCOMs have projected for payment of the balance 50% of the arrears towards 7th Pay Commission recommendations during the ensuing FY 2021-22. However,*

Government of Odisha is yet to notify the payment of arrears towards 7th Pay Commission recommendation. In view of this, Commission is not inclined to allow any amount on this account in the ARR for FY 2021-22. ***The Commission further observes that as and when the notification on such aspect is notified by Government of Odisha, which becomes due to the employees, the DISCOMs will pay be same and project such expense in their subsequent truing up petition which Commission will allow after prudence check****."*

Subsequently, Hon'ble Commission has also approved the same through letter No.OERC/RA/TPWODL-38/2021(Vol-I)/64 dt.19.02.2022. Copy of the approval letter is enclosed herewith for kind reference.

ODISHA ELECTRICITY REGULATORY COMMISSION
BIDYUT NIYAMAK BHAWAN
PLOT NO.4, CHUNOKOLI, SHAILASHREE VIHAR
BHUBANESWAR -751021,
TEL. No. 2721048, 2721049 /FAX: 2721053/2721057
E-mail: orierc@gmail.com /Website: www.orierc.org
******

No. OERC/RA/TPWODL-38/2021(Vol-I) 169
Dated: 19 **.02.2022**

To,

The Chief Executive Officer, TPCODL, 2nd Floor, IDCO Tower, Janpath, Bhubaneswar- 751022	The Chief Executive Officer, TPNODL, At/PO – Januganj, Dist. Balasore-756019
The Chief Executive Officer, TPWODL, Burla, Sambalpur-768017	The Chief Executive Officer, TPNODL, Courtpeta,Berhampur-760010

Sub: Approval for release of 30% Arrear Salary (7th Pay Commission) of Regular Employees, releasing HRA and Medical Allowance on the revised Pay Scale for all the executive employees of erstwhile DISCOMs.

Ref: i) letter No. TPCODL/Regulatory/2022/07/467/dated 19.01.2022.
ii) letter No. TPWODL/ RA&S/ 2022/ 015 dated 20.01.2022

Sir,

In inviting reference to the letters as above, the Commission approves the following:

1. In view of the Government of Odisha Notification dt.01.01.2022, the Commission is pleased to release 30% arrear salary to be paid to the regular CESU employees transferred to TPCODL. Regarding release of balance 20% arrear, this will be released as and when Government of Odisha notifies the same.
2. In view of the Commission's direction with reference to Govt. of Odisha, Finance Dept. notification drawal of HRA on the revised pay scale as requested is not allowed as of now.
3. As regards release of medical allowance at the revised rate for its executives, TPCODL, TPWODL, TPNODL and TPSODL the Commission approves the same in line with the Government of Odisha approval and the OPTCL resolution in this aspect. This may also be placed by the DISCOMs in their respective Board.

Yours sincerely,

SECRETARY

The amount of 30% arrear salary is Rs. 13.13 Cr. included under the head employee cost which may kindly be approved through truing up.

As per terms of vesting order, Terminal benefits on account of Pension, Gratuity, Rehabilitation and Leave encashment, are being allowed by Hon'ble

Commission on **cash out go** basis. So, even cash out go basis the actual is Rs.181.96 Cr. against approval of Rs.165.68 Cr. which needs to be allowed.

S. No.	Particulars (Terminal Benefits)	FY 2021-22 (Rs. Cr.)
1	Pension	133.04
2	Gratuity	28.97
3	Rehabilitation	0.385
4	Leave Encashment	19.56
5	**Total**	**181.96**

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 Petitioner is now claiming the employee expenses as Rs. 483.68 Cr. as per Audited Accounts of FY 2021-22 as against Rs. 409.49 Cr. approved by the Hon'ble Commission on account of increase in the employee strength of the Petitioner. The Petitioner, hence, requests the Hon'ble Commission to approve Rs.483.68 Cr. towards Employee expenses basing up on audited accounts.

26b. R&M Expenses

The Hon'ble Commission vide its Order dated 27.10.2021 in Case No. 37/2021 (Annual Business Plan for FY 2021-22) at para 97, page 43 has held as under:

> *"97. Though the Repair and Maintenance aspect is critical to the overall improvement of the distribution system the Commission considering earlier capex approval and time left in this financial year now approves the total cost of Rs.160.00 crore for FY 2021-22 against the earlier approval of Rs.109.22 cr."*

The Petitioner submits that comprehensive repair and maintenance is required in the areas of safety, system operation, distribution system and distribution services, centralized power system control center, civil structures, automation technology etc. R&M Expenses are mainly incurred by the Petitioner under 33 kV & 11 KV grid substation and lines (AMC & material), safety expenses, PSCC, SCADA, GIS, transformer and other equipment repairs, civil repair and maintenance, IT related and store related material handling. Even though Hon'ble Commission has approved an amount of Rs.160 Cr. under R&M head, due to delay in awarding and start of AMC of 33kv and 11 kv contract i.e. around July'21 & August'21, the actual expenses for FY 2021-22 was less. The delay of awarding the contract was mainly due to initial phase of difficulties as well as prudent practice of selection of vendors through competitive bidding process which took considerable time of 4 - 5 months.

Therefore, the actual expenditure under this head were Rs.137 Cr. only which is within the approved amount. The monthly average of AMC costs is around Rs. 16 Cr., if the AMC would have been placed from the beginning of the Financial Year, then the actual expenditure might have been Rs. 192 Cr. approx. (excluding Material costs of around Rs. 40 Cr.). It is also to submit that the entitlement of the Licensee as per the extant Regulation is on opening GFA (DISCOM owned assets & Govt. owned assets) @ 5.4% p.a.

S. No.	Particulars	UoM	FY 2021-22
1	Opening GFA – DISCOM Owned Assets as on Mar' 2021	Rs. Cr.	1979.40
2	GFA – Govt. Owned Assets maintained by DISCOM	Rs. Cr.	2940.20
3	Total GFA	Rs. Cr.	4919.60
4	**R&M Expenses (@5.4% of GFA)**	**Rs. Cr.**	**265.66**

The Petitioner has booked Rs. 137.05 Cr. under R&M Expenses for FY 2021-22 in the Audited accounts as under:

S. No.	Particulars (R&M Expenses)	FY 2021-22 (Rs. Cr.)
1	Building & Office Equipment	1.73
2	Network Assets vis-à-vis Lines, Conductors, Cables, Transformers etc. (includes major amount towards AMC)	135.31
3	Vehicles	0.01
4	**Total**	**137.05**

26c. A&G Expenses

The following table provides the details of A&G Expenses for FY 2021-22:

S. No.	Particulars (A&G Expenses)	FY 2021-22 (Rs. Cr.)
1	Rent	3.64
2	Communication	1.42
3	Conveyance & travelling	4.09
4	Vehicle Hire Charges/ Running Expenses	11.46
5	Material related & office expenses	1.41
6	Other Administrative Expenses	13.84

S. No.	Particulars (A&G Expenses)	FY 2021-22 (Rs. Cr.)
7	Insurance Premium	6.31
8	Electricity Consumption expenses	2.60
9	Advertising & Marketing Expenses	3.36
10	Consultancy charges	14.75
11	Legal Expenses	17.47
12	Spot billing and meter reading expenses	14.25
13	Input & collection-based Franchisee Expenses	15.78
14	Outsource Obligation for Grid and S/S manning (maintenance, watch & ward)*	-
15	Other Expenses	2.89
16	**Total Expenses**	**113.27**

*The amount paid towards outsourcing and contractual obligation amounting to Rs. 32.96 Cr. has been booked under the head of A&G expenses as per Audited accounts. However, it has been placed under Employee expenses head in this ARR petition for consideration. If it is not considered under head of Employee expenses, actual audited A&G expenses would be Rs. 146.23 Cr.

As can be seen from the above table, the Petitioner has incurred major costs on vehicle hire and running expenses, spot billing and meter reading expenses, collection-based franchisee expenses, consultancy expenses and other administrative expenses. The Petitioner has also booked Legal charges of Rs. 17.47 Cr. which includes contingent liability of Rs. 17 Cr. Also, various collection franchisees have been appointed for collection activities for which substantial amount has been spend to increase collection & booked under A&G head.

The major functions of Revenue Cycle Management viz. meter reading, billing, collection was managed by various meter reading and billing agencies in across the DISCOM. Moreover, due to lack of structured & proper defined processes for the activity the scope of work was not prevalent in the system. Thus, TPWODL had taken steps for bringing in new level efficiency and transparency in all the processes of Revenue Cycle Management. TPWODL had thus introduced the system of competitive bidding with proper checks and balances for the appointment of circle wise MBC agencies. The agencies were required to carry out MBC activities in a phased manner to carry out performance-based tasks of Meter reading, Billing & Collection activities in their assigned circles. Besides, the primary activities of Meter reading, Billing & Collection, incentives were attached with other supporting and loss reduction activities such as painting of walk-in sequence, reporting of extra connections, Theft/ Unauthorized Extension, Misuse cases, reporting of unethical activities etc. Due to the above competitive bidding process, considerable time of around 3 - 4 months was taken. If the same would have been taken the beginning of the financial year, the associated costs would have been much higher.

Furthermore, the Hon'ble Commission vide its ABP Order dated 27.10.2021 had approved an increased R&M and A&G expenses owing to the overall improvement of the distribution system and considering the time left in the Financial Year. Hence, the Petitioner requests the Hon'ble Commission to allow the costs on account of R&M and A&G in toto for FY 2021-22 as under:

<table>
<tr><th>Expenditure</th><th>OERC Approved FY 2021-22</th><th>TPWODL FY 2021-22 (Audited)</th><th>Considered for True-up FY 2021-22</th></tr>
<tr><td>R&M Expenses (Rs. Cr.)</td><td rowspan="2">263.17</td><td rowspan="2">250.32</td><td rowspan="2">250.32</td></tr>
<tr><td>A&G Expenses (Rs. Cr.)</td></tr>
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<u>Request for O&M Expenses</u> –

The Petitioner submits that it had taken over the distribution business for retail supply and wheeling business on 01.01.2021. The Hon'ble Commission had issued the ABP Order on 27.10.2021 providing the details of the revised O&M costs. In the very 1st year of the operation lot of issues from all the area like meter reading, billing, collection, repair and maintenance of network assets, customer service, civil maintenance, hiring of employees, creation of different office set up etc. was the major challenge for the licensee. The ABP was filed in Feb-21 which was being approved in Oct-21, pending decision of Hon'ble Commission licensee was conservative in engaging the AMC contracts. Hence, the delay in staring the AMC activity ended up with shortfall in actual expenses. However, the A&G cost which was inevitable and genuine has been spend and the actual is more than the approved amount. Therefore, it is the submission of the licensee to approve A&G and R&M in toto. Similarly, in case of employee front the actual expenditure as incurred may kindly approved. Furthermore, Para 53 of the Vesting Order dated 28.12.2020 provides that along with estimate of O&M expenses, TPWODL shall provide detailed justification for any deviation from the O&M expenses approved by the Commission in the ARR of for that year. The Commission shall undertake a prudence check of the plan submitted by TPWODL before approving the same. 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.

31. Provision for Bad & Doubtful Debts: -

Hon'ble Commission had approved an amount of Rs. 27.42 Cr. towards provision for bad & doubtful debts @ 1% of the total revenue under HT and LT sales only.

DISCOM	Total Revenue	EHT Revenue	HT Revenue	LT Revenue	Bad Debt
	(Rs. Cr.)	(Rs. Cr.)	(Rs. Cr.)	(Rs. Cr.)	(Rs. Cr.)
TPWODL (OERC Approved)	3705.76	964.14	1204.75	1536.87	27.42

However, as per Audited Accounts, the provision of bad & doubtful debt is Rs. 45.03 Cr. The Petitioner has computed provisions for Bad Debts @ 1% of the Total Revenue. Considering 1% on the total audited revenue of Rs.4691 Cr. the figure as claimed is genuine which may please be approved. The Hon'ble Commission while determining the tariff and performance of the licensee has considered AT&C of 20.40% with collection efficiency of 99% and T&D of 19.60%. So, provision on bad and doubtful debt needs consideration of 1% on total revenue.

32. Depreciation: -

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.

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."*

Accordingly, the Petitioner is now claiming Depreciation for FY 2021-22 as under:

S. No.	Assets	Dep. for FY 22 for TPWODL period Assets	Dep. for FY 22 for transferred Assets	FY 2021-22
		(Rs. Cr.)	(Rs. Cr.)	(Rs. Cr.)
1	Lines , Cables, Network	5.73	33.88	39.61
2	Plant & Machinery	4.09	33.49	37.58
3	Buildings	0.14	0.26	0.40
4	Other Civil works	0.04		0.04
5	Vehicles	0.03	0.03	0.06
6	Furniture and Fixtures	0.02	0.04	0.06
7	Office Equipment	0.01	0.04	0.06
8	Computer Equipment	0.91	0.89	1.80
9	Software	1.51		1.51
10	**Total**	**12.48**	**68.64**	**81.12**
11	Depreciation on Grants/ Consumer Contribution	9.51	47.16	56.66
12	**Depreciation w/o Grants/ Consumer Contribution**	**2.97**	**21.48**	**24.45**

The Petitioner requests the Hon'ble Commission to allow Rs. 24.45 Cr. on account of depreciation for FY 2021-22.

33. Interest Cost: -

The Petitioner has considered Rs. 32.95 Cr. towards interest on consumer security deposits as per the audited accounts.

Interest on working Capital –

In accordance with Regulation 7.49 of the OERC Tariff Regulations, 2014, the Petitioner is claiming the normative interest on working capital as per the table below:

S. No.	Particulars	FY 2021-22	Average for 1 month	Maintenance spares @ 40% of R&M for 1 month	Working Capital
		(Rs. Cr.)	(Rs. Cr.)	(Rs. Cr.)	(Rs. Cr.)
1	O&M Expenses for FY	596.94	49.75		49.75
2	Receivables during FY	4691.85	390.99		390.99
3	R&M Expenses for FY	137.05	11.42	4.57	4.57
4	**Total monthly requirement**				**445.30**
5	Rate of Interest for Working Capital *				10.40%
6	**Interest on Working Capital**				**46.31**

* SBI Base Rate as on 10.03.2021 (7.40%) plus 300 basis points

Interest on Term Loans –

The Petitioner had capitalized Rs. 117.39 Cr. against the approved CAPEX of Rs. 333.13 Cr. for FY 2021-22 and GRIDCO had infused Rs. 29.37 Cr. during FY 2021-22. Accordingly, the Petitioner has computed the normative interest on term loans as per the table below:

S. No.	Particulars	FY 2021-22 (Rs. Cr.)
1	Actual Capitalization (incl. GRIDCO contribution)	146.76
2	Debt (@70%)	102.73
3	Average Debt (Considered towards Interest)	51.37
4	Rate of Interest	10.40%
5	**Normative Interest on Term Loan**	**5.34**

34. Return on Equity: -

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."*

The Petitioner has booked Return on Equity of Rs. 48 Cr. for FY 2021-22. Furthermore, the Petitioner had capitalized Rs. 117.39 Cr. against the approved CAPEX of Rs. 333.13 Cr. for FY 2021-22. Also, GRIDCO had infused equity in terms of kind to the tune of Rs. 29.37 Cr. in FY 2021-22. Accordingly, the total RoE of the Petitioner during FY 2021-22 is computed as per the table below:

S. No.	Particulars	Formula	FY 2021-22 (Rs. Cr.)
1	Opening Equity Share Capital	A	300
2	Addition during the year	B	59.93
3	Closing Equity Share Capital	C	359.93
4	Actual Capitalization (incl. GRIDCO contribution)	D= (Rs. 117.39 Cr. +Rs. 29.37 Cr.)	146.76
5	Normative equity addition basing upon actual capitalisation	E= (30%*D)	44
6	Rate per annum (Post Tax)	F	16%
7	RoE on Opening Equity	G=A*F	48
8	RoE on addition (average)	H=(E*F for 6 months)	3.52
9	Total RoE for FY 2021-22	I=G+H	51.52
10	Tax on RoE (%)	J	25.17%
11	**Grossed up RoE ***	**K=I/(1-J)**	**68.85**

*Actual Tax paid with net of refund is Rs. 22 Cr. for FY 2021-22.

Further to the above, the Petitioner has earned effective gains on account of incentive on arrear collection to the tune of Rs. 11.92. Cr.

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****."*

Accordingly, the Petitioner has considered RoE of Rs. 68.85 Cr. and incentive on arrear collection of Rs. 11.92 Cr. as per the Audited Accounts for FY 2021-22 and requests the Hon'ble Commission to approve the same for FY 2021-22.

35. **Miscellaneous Receipt: -**

For FY 2021-22, the Hon'ble Commission has approved Miscellaneous Receipt of Rs. 237.45 Cr. The Petitioner now considers a Miscellaneous Receipt of Rs. 117.44 Cr. as per the Audited accounts for FY 2021-22 as under:

Particulars	**FY 2021-22 (Rs. Cr.)**
Other Operating Revenue	
Amortisation of consumer contribution	56.66
Recovery of meter Rent	23.11
Over drawl Payment recovered	20.01
Reliability Charges	0.87
Incentives on Arrears Collection	11.92
Supervision Charges	24.90
Miscellaneous operating income	13.22
Sub- Total (Other Operating Revenue)	**150.71**
Other Income	
Interest income	50.94
Delayed payment surcharge	11.90
Income from sale of scraps	14.59
Other income	6.23
Sub- Total (Other Income)	**83.67**
Grand Total	**234.38**
Less: Meter Rent, incentive on arrear collection	35.04
Less: Over Drawl Penalty (2/3rd)	13.34
Less: Delayed Payment Surcharge	11.90
Less: Amortisation of Consumer Contribution as indicated above	56.66
Misc. receipt to be considered in True up	**117.44**

The Hon'ble Commission while approving the ARR has set a principle that Meter rent and Delayed Payment Surcharge are to be excluded from miscellaneous receipt. The Petitioner in accordance with Regulation 7.62 of the OERC Tariff Regulations, 2014 has offered one third of revenue from Over Drawl Penalty to be deducted from ARR. The Petitioner is also offering 1% rebate on account of prompt payment of power purchase bills as Non-Tariff

Income. Further, the Hon'ble Commission also not allowing cost of meter under capex head with view that it has to be met out of meter rent. Further, to recover cost of meter through meter rent it takes 5 years' period, however, the Petitioner is incurring cost on account of procurement of meters in the 1st year itself. The Petitioner also incurs finance cost on such capital investment for which no such provision is available neither in regulation nor in the RST order. The Petitioner, hence requests the Hon'ble Commission to approve Rs. 117.44 Cr. towards Miscellaneous Receipt based on actual as per Audited Accounts for FY 2021-22.

On the basis of above the summary of truing up table for FY 2021-22 is appended below: -

TPWODL			
Statement of Truing up calculation for FY 2021-22		**Rs. In Cr.**	
Expenditure	**OERC Approved FY 2021-22**	**TPWODL FY 2021-22 (Audited)**	**Considered for True-up FY 2021-22**
Total Power Purchase, Transmission & SLDC Cost(A)	**3140.48**	**3395.98**	**3333.66**
Employee Cost	409.49	483.68	483.68
Repair & Maintenance	263.17	250.32	250.32
Administrative and General Expenses			
Provision for Bad & Doubtful Debts	27.42	45.03	45.03
Depreciation	36.34	24.45	24.45
Interest Chargeable to Revenue (Interest on S.D.)	34.37	42.94	32.95
Interest on working capital and finance cost			51.65
Total Operation & Maintenance and Other Cost	**770.78**	**846.41**	**888.08**
Return on Equity grossed up	48	63.74	68.85
Incentive on Arrear Collection		11.92	11.92
Total Distribution Cost	**818.78**	**922.08**	**968.85**
Less: Miscellaneous Receipt	237.45	167.43	117.44
Net Distribution Cost (B)	**581.33**	**754.65**	**851.41**
Total Special Appropriation (C)			
Total Revenue Requirement (A+B+C)	**3721.81**	**4,150.63**	**4,185.07**
Total Revenue (Full year) on accrual basis	**3705.75**	**4,691.85**	**4,691.85**
GAP at existing (+/-) on accrual basis	**-16.06**	**541.23**	**506.78**
Carrying Cost @ 7.4% on SBI base rate as on 01.04.21			**18.75**
GAP at existing (+/-) on accrual basis (incl. Carrying Cost)			**525.54**

TPWODL			
Statement of Truing up calculation for FY 2021-22 Rs. In Cr.			
Expenditure	OERC Approved FY 2021-22	TPWODL FY 2021-22 (Audited)	Considered for True-up FY 2021-22
Amount yet to be collected from consumers out of above surplus as on 31st March-22			330.98

The actual revenue from sale of power to the consumers is Rs. 4691.85 Cr. as per the Audited Accounts for FY 2021-22. As can be seen from the above table, there is a surplus of Rs. 506.78 Cr. for FY 2021-22 on accrual basis. The Petitioner has computed the carrying cost as under:

S. No.	Particulars	FY 2021-22 (Rs. Cr.)
1	Opening	0
2	Revenue Surplus/ Gap	506.78
3	Closing	506.78
4	Average	253.39
5	Rate of Carrying Cost (*SBI Base Rate as on 01.04.2021*)	7.40%
6	**Carrying Cost Amount**	**18.75**

Accordingly, the surplus after considering the carrying cost of Rs. 18.75 Cr. comes to Rs. 525.54 Cr. The Petitioner requests the Hon'ble Commission to approve the same while truing up FY 2021-22. Furthermore, considering the actual Collection Efficiency of 92.95%, the amount yet to be collected from consumers comes out to Rs. 330.98 Cr. The Petitioner would like to submit that, it is committed to offer the amount remaining uncollected on the year when it is realized, through truing up.

With the above the Petitioner requests the Hon'ble Commission to approve Rs. 3,333.66 Cr. towards the power purchase cost including transmission & SLDC charges & revenue from sale of power of Rs.4691.85 Cr. based on actual as per Audited Accounts.

Prayer: -

1. The Petitioner prays that the Hon'ble Commission may kindly approve the revised Surplus of Rs. 29.52 Cr. for FY 2020-21 (3 months) and Surplus of Rs. 525.54 Cr. after carrying cost for FY 2021-22.
2. That since the Petitioner was settling down its base during Q4 of FY 2020-21, the Hon'ble Commission may kindly treat the Surplus/ Gap as "NIL/ Zero" for FY 2020-21.
3. That the true up petition may kindly be taken into record.
4. That the licensee craves leave for submission of additional submission in this regard

Place:

Date: Applicant

through authorized representative