

INTRODUCTION

- 1.1 The Distribution licensee, BSES Rajdhani Power Limited (BRPL) has filed petitions for true up for the FY 2009-10 and Aggregate Revenue Requirements (ARR) for the FY 2011-12.
- 1.2 This staff paper contains summary of the petition filed by BRPL for true up of FY 2009-10 (based on audited accounts) and ARR & Tariff of FY 2011-12 (projections). For the purpose of comparison of trends, the staff paper also contains the figures for true up of FY 2007-08 and revised ARR of FY 2009-10 as approved by the Commission in the tariff order of FY 2009-10 and figures for FY 2008-09 and FY 2010-11 as approved by the Commission in the MYT Order.
- 1.3 As per the MYT Regulations, Tariff for the year 2011-12 shall be based on the ARR approved by the Commission, which broadly has the following components:
 - (a) Power Purchase cost
 - (b) Operation and Maintenance (O&M) expenses
 - (i) Employee expenses
 - (ii) Administrative & General expenses
 - (iii) Repair & Maintenance expenses
 - (c) Return on capital employed
 - (d) Depreciation
 - (e) Income tax
- 1.4 The Commission shall also true up the uncontrollable parameters (Sales and Power Purchase) vis-à-vis the audited account of distribution licensees after prudence check for the year 2009-10.
- 1.5 In so far as the controllable parameters for the FY 2009-10 are concerned, any variation (up or down) on account of O&M expenses is completely to the account of the licensee and is not trued-up (excluding impact of Sixth pay Commission). Depreciation and ROCE shall be trued-up at the end of the control period based on the capital expenditure and capitalization undertaken by the licensees for each year of the control period viz-a-viz approved capital expenditure and capitalization by the Commission in the MYT order. Income Tax shall be considered at actual in accordance with the Regulations.

Energy Sales

- 1.6 In its petition, BRPL has submitted that its actual energy sales in FY 2009-10 were 7840 MU compared to energy sales of 7797 MU approved by the Commission in its

Tariff Order for FY 2009-10 issued in May 2009. BRPL in its tariff petition has revised estimates of energy sales as 8472 MU in FY 2010-11 and projected the same at 9476 MU in FY 2011-12.

1.7 Since sales is treated as an uncontrollable factor, BRPL has requested the Commission to approve the revised estimates for FY 2010-11 and true up for FY 2009-10 based on its audited accounts.

Table 1 : Energy sales in FY 2007-08, FY 2008-09, FY 2009-10 (actual), FY 2010-11 and FY 2011-12 (projected) along with the approved sales

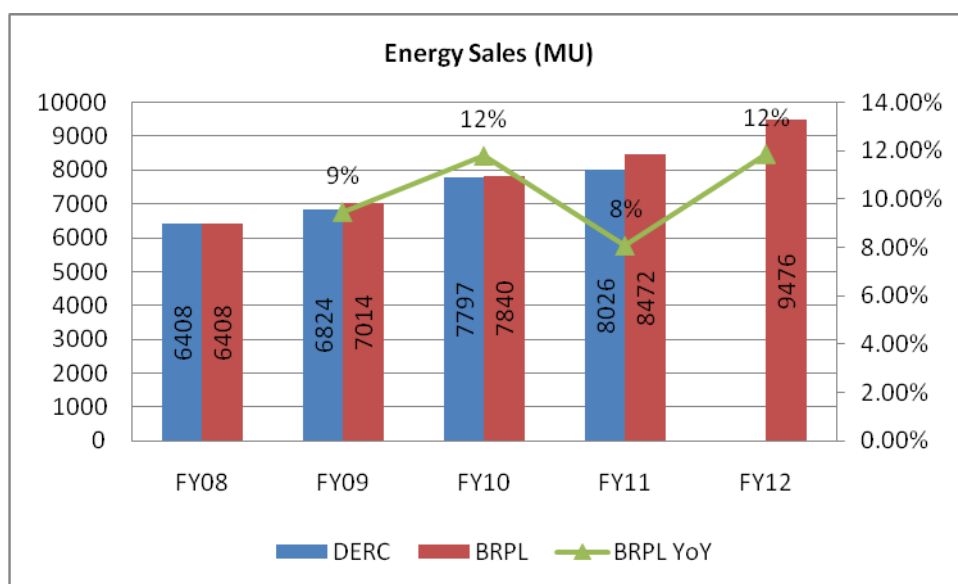
Sale of Energy (MU)	FY 2007-08	FY 2008-09		FY 2009-10		FY 2010-11		FY 2011-12
	Actual Sales Trued Up by Commission	Approved in the MYT order	Actual Sales as per True Up petition	Approved in the May 2009 order	Actual Sales as per True Up petition	Approved in the MYT Order	Revised estimates as per petition	Estimates as per petition
Domestic	3167	3201	3515	4005	4183	3566	4545	5074
Non Domestic	2174	2543	2417	2674	2457	3280	2541	2883
Industrial	653	642	636	651	625	671	591	591
Agricultural	25	21	24	18	20	15	18	18
Railways	22	24	23	24	26	24	24	24
DMRC	69	110	73	92	70	142	129	200
Street Lighting	103	171	130	128	138	216	149	157
Others	195	112	196	205	321	114	474	530
Total Sales	6408	6824	7014	7797	7840	8026	8472	9476

1.8 The category wise annual sales growth calculated in reference to BRPL submissions is given in Table 2 below:

Table 2: Annual Growth Rates from BRPL Submissions

Growth Rate	FY 2008-09 Actual	FY 2009-10 Actual	FY 2010-11 Revised Estimates	FY 2011-12 Projected
Domestic	11.0%	19.00%	8.65%	11.64%
Non Domestic	11.2%	1.65%	3.42%	13.46%
Industrial	-2.6%	-1.73%	-5.44%	0.00%
Agricultural	-4.0%	-16.67%	-10.00%	0.00%
Railways	4.5%	13.04%	-7.69%	0.00%
DMRC	5.8%	-4.11%	84.29%	55.04%
Street Lighting	26.2%	6.15%	7.97%	5.37%
Others	0.5%	63.78%	47.66%	11.81%
Total Sales	9.5%	11.78%	8.06%	11.85%

Figure 1: Energy Sales (MUs) (Approved, Actuals, Revised Estimates and Projections)



AT&C Losses

1.9 In its petition, BRPL has submitted the actual AT&C loss / Distribution loss figures for FY 2009-10, which are better than the loss level targets set in the MYT Order. As per the profit sharing mechanism laid down in the MYT Regulations, the gains from this over-achievement of target are to be shared between the consumers and the distribution licensee. BRPL has also submitted revised estimates of AT&C loss / Distribution loss for FY 2010-11 and projection for FY 2011-12.

Table 3: Actual vs. approved figures for FY 2007-08, FY 2008-09, FY 2009-10 and projections for FY 2010-11 and FY 2011-12

Particular	FY 2007-08		FY2008-09		FY2009-10		FY2010-11		FY2011-12
	MYT Order Target	Actual as approved by Commission	MYT Order Target	Actual achieved as per the Petition	MYT Order Target	Actual achieved as per the Petition	MYT Order Target	Revised estimates as per Petition	Estimates as per Petition
Distribution Loss	25.95%	30.89%	22.88%	21.76%	19.83%	18.90%	16.58%	18.40%	15.60%
Collection Efficiency	99%	104.89%	99.25%	101.50%	99.50%	99.84%	99.50%	101.72%	99.50%
AT&C Loss	26.69%	27.51%	23.46%	20.59%	20.23%	19.03%	17.00%	17.00%	16.00%

Figure 2: AT&C Loss (Approved, Actuals, Revised Estimates and Projections)

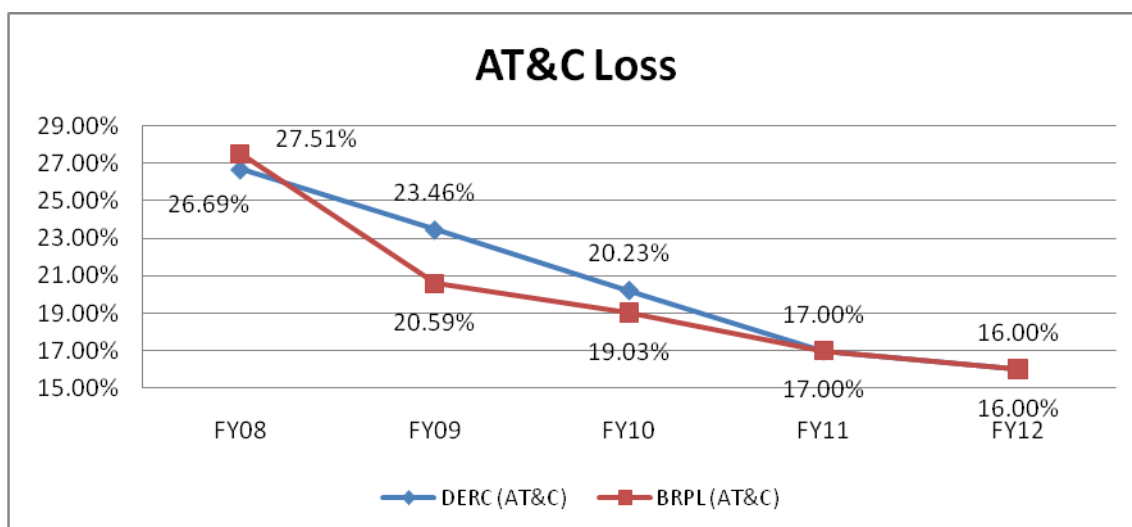
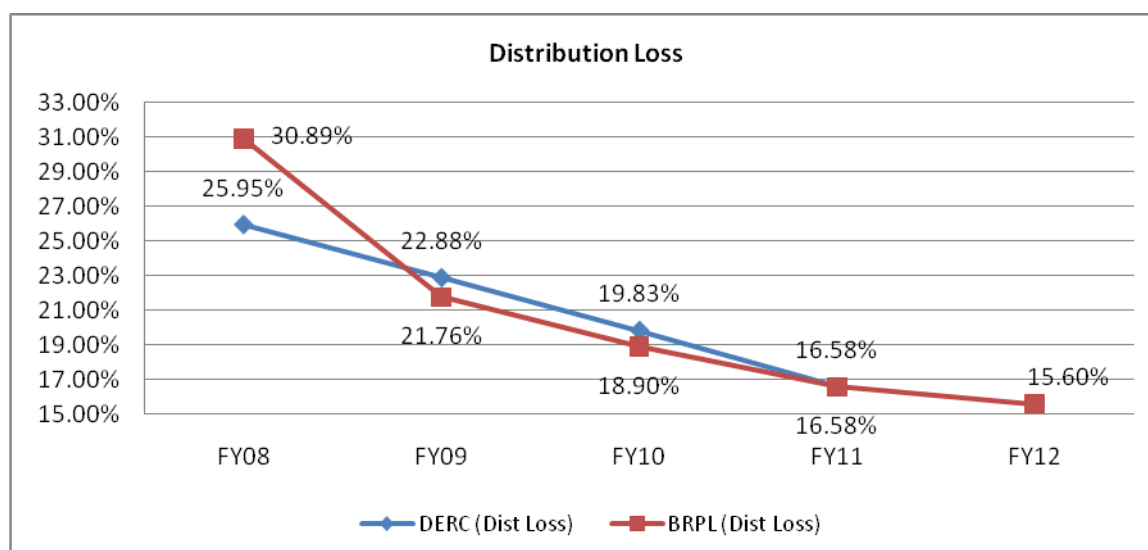


Figure 3: Distribution Loss (Approved, Actuals, Revised Estimates and Projections)



1.10 BRPL has submitted the benefit on account of over-achievement of AT&C losses for FY 2009-10, along with figures submitted in the petitions for FY 2007-08, FY 2008-09 as given in table below:

Table 4: Benefits on account of overachievement of AT&C loss targets for FY 2007-08, FY 2008-09 and FY 2009-10 and Projected for FY 2010-11 and FY2011-12

Particulars	FY 2007-08	FY 2008-09	FY 2009-10	FY 2010-11	FY 2011-12
	Approved/ trued up in the May 2009 order	As per True Up petition	As per True Up petition	Revised Estimates as per petition	Estimates as per petition
Total Amount on account of over-achievement of AT&C losses (Rs Cr)	(6.97)	118.27	53.3	-	-
Benefit to be retained by BRPL (Rs Cr)		59.14	26.7	-	-
Benefit to be transferred to Contingency Reserve		59.14	26.7	-	-

Power Purchase Requirement

- 1.11 The quantum of power purchase is decided by the expected sales of energy by the Licensee, as well as the loss levels projected/ approved. Higher expected sales require a greater quantum of power to be purchased. Similarly, higher loss levels also require a proportionately greater amount of power purchase by the Licensee because it needs to meet the expected sales (in MU) after accounting for various losses in the process of supplying electricity.
- 1.12 The energy sales for a year is grossed up by the loss levels for that year, to arrive at the required quantum of power purchase for that year in the following manner:

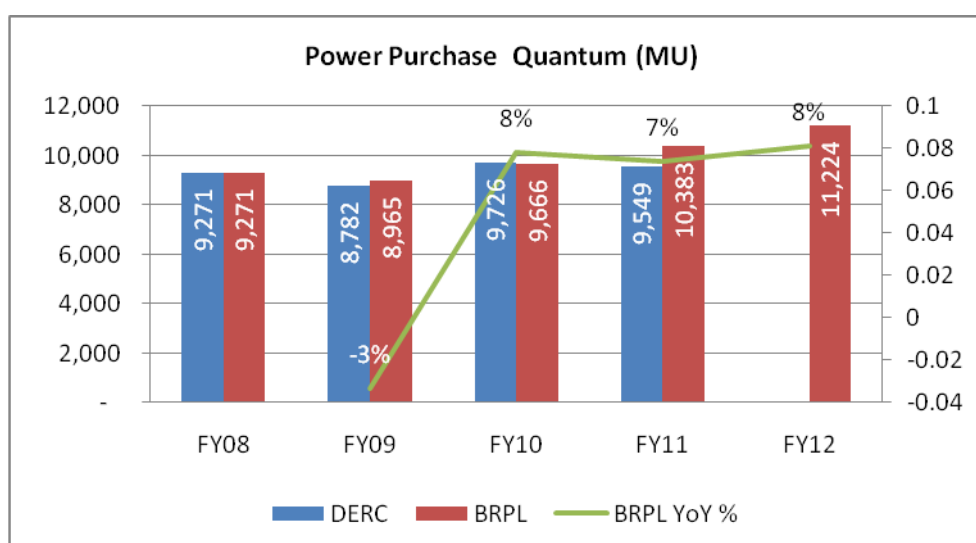
$$\text{Quantum of power purchase (MU)} = \frac{\text{Energy sales}}{(1 - \text{Distribution Loss (\%)})}$$

- 1.13 The Table 5 below shows the actual sales, loss levels and power purchase for FY 2008-09 and FY 2009-10 by BRPL, and gives the projections for FY 2010-11 and FY 2011-12.

Table 5: Power Purchase Requirement for FY 2007-08, FY 2008-09, FY 2009-10 projections for FY 2010-11 & FY 2011-12

Category	FY2007-08	FY 2008-09		FY 2009-10		FY 2010-11		FY 2011-12
	Approved/ trued up in the May 2009 order	MYT Order	True Up petition*	Approved in the May 2009 order	True Up petition	MYT Order	Revised estimates	Revised estimates
Sales (MU)	6408	6824	7014	7797	7840	8026	8472	9476
Distribution Loss	30.89%	22.88%	21.76%	19.83%	18.90%	16.58%	18.40%	15.60%
Power Purchase at Periphery (MU)	9271	8849	8965	9725	9666	9622	10383	11225

Figure 4: Power Purchase Quantum (MU) (Approved, Actuals, Revised Estimates and Projections)



Power Purchase Cost

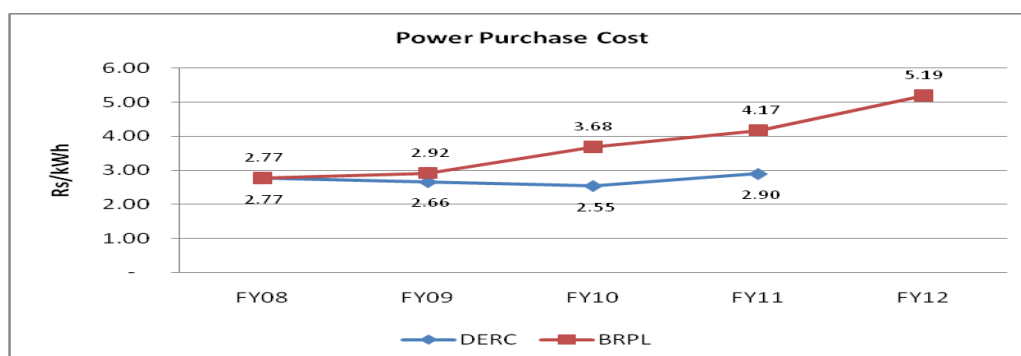
1.14 As per the MYT Regulations, 2007, power purchase cost is uncontrollable and the Licensee is allowed to recover the cost of power procurement from sources approved by the Commission for supply to its consumers. The following power procurement sources are approved by the Commission:

- (a) Intra-state and Inter-state Trading Licensees
- (b) Bilateral Purchases
- (c) Bulk Suppliers
- (d) State generators
- (e) Independent Power Producers
- (f) Central generating stations
- (g) Non-conventional energy generators
- (h) Any generation business of the Distribution Licensee

1.15 BRPL in its true up petition has submitted that the actual rate at which it purchased power in FY 2009-10 was higher than the rate approved in the Tariff Order of FY10 issued in May 2009. The actual rate for FY 2009-10 was Rs 3.68/ kWh against the approved rate of Rs 2.55/ kWh in the Tariff Order of FY10 issued in May 2009

1.16 BRPL has submitted that the actual quantum of power purchased in FY 2009-10 is 9666 MU which is higher than 9725 MU approved in the Tariff Order of FY10 issued in May 2009. Due to the actual rate as well as the actual quantum of purchase being higher than the respective approved figures, BRPL has submitted that it incurred a higher power purchase cost in FY 2009-10 than the amount approved in the Tariff Order of FY 2009-10 issued in May 2009.

Figure 5: Power Purchase Cost (Rs/kWh) (Approved, Actuals, Revised Estimates and Projections)



1.17 The tables below show the power purchase quantum and rate of purchase for FY 2007-08, FY 2008-09, FY 2009-10 (actuals), FY 2010-11 and FY 2011-12 (projected).

Table 6: Power purchase for FY 2007-08 (as approved in order issued in May 2009), FY 2008-09 (actuals) along with approved in the MYT Order

Source	FY 2007-08			FY 2008-09								
	Approved/ trued up in the May 2009 order			Approved in the MYT Order of 23 Feb 2008			Actual as per True Up Petition			Diff in %		
	MU Purchased /generated (ex-bus)	All Charges Total in Rs Crs	Avg rate (Rs./kwh)	MU Purchased /generated (ex-bus)	All Charges Total in Rs Crs	Avg rate (Rs./kwh)	MU Purchased /generated (ex-bus)	All Charges Total in Rs Crs	Avg rate (Rs./kwh)	MU Purchased /generated (ex-bus)	All Charges Total in Rs Crs	Avg rate (Rs./kwh)
NTPC	5,696.11	1,209.01	2.12	5,703.94	1,283.44	2.25	6,308.59	1,610.12	2.55	11%	25%	13%
NHPC	702.56	128.71	1.83	680.91	118.79	1.74	717.11	127.97	1.78	5%	8%	2%
TEHRI HEP	124.66	56.13	4.50	132.13	46.25	3.50	152.20	69.29	4.55	15%	50%	30%
NJPC (SATLUJ)	284.95	74.03	2.60	283.37	78.51	2.77	298.01	82.60	2.77	5%	5%	0%
TALA HEP	41.12	7.54	1.83	51.00	17.85	3.50	48.93	9.00	1.84	-4%	-50%	-47%
DVC							-	-	-			
Nuclear	34.44	7.42	2.15	72.69	15.10	2.08	42.13	9.06	2.15	-42%	-40%	3%
SGS	1,832.91	438.99	2.40	1,963.07	456.18	2.32	1,709.91	473.34	2.77	-13%	4%	19%
Future Stations	-	-	-	772.80	220.92	2.86	242.25	67.97	2.81	-69%	-69%	-2%
Power Purchase from other Sources	1,570.43	791.24	5.04	442.43	242.78	5.49	806.28	381.18	4.73	82%	57%	-14%
Power Sold to other Sources	630.43	333.54	5.29	874.24	229.44	262.45	904.10	466.99	5.17	3%	104%	97%
Other payments made	-	-	-	-	-	-	-	26.88	-			
GRAND TOTAL	9,656.75	2,379.54	2.46	9,228.10	2,250.38	2.44	9,421.32	2,390.43	2.54	2%	6%	4%
Inter-State transmission losses/charges	385.26	119.50	-	283.76	77.89	-	308.80	159.91	-	9%	105%	-
Intra-State transmission losses/charges		66.84	-	95.75	59.07	-	147.90	65.23	-	54%	10%	-
SLDC Fees and Charges	-	-	-	-	2.74	-	-	-	-	-	-	-
Total energy input to Distribution Company system	9,271.50	2,565.87	2.77#	8,848.59	2,390.08	2.70#	8,964.62	2,615.57	2.92#	1%	9%	8%

Inclusive of transmission charges;

Table 7: Power purchase for FY 2009-10 (revised estimates) along with approved in the Tariff order for FY 2009-10

Source	FY 2009-10								
	Approved in May 2009 Order			Actuals as per True Up Petition			Diff in %		
	MU Purchased /generated (ex-bus)	All Charges Total in Rs Crs	Avg rate (Rs./kwh)	MU Purchased /generated (ex-bus)	All Charges Total in Rs Crs	Avg rate (Rs./kwh)	MU Purchased /generated (ex-bus)	All Charges Total in Rs Crs	Avg rate (Rs./kwh)
NTPC	6,284.50	1,506.36	2.40	6,069.49	1,642.68	2.71	-3%	9%	13%
NHPC	701.43	132.82	1.89	701.63	221.25	3.15	0%	67%	67%
TEHRI HEP	122.71	57.43	4.68	99.71	58.53	5.87	-19%	2%	25%
NJPC (SATLUJ)	308.11	82.46	2.68	313.12	85.20	2.72	2%	3%	2%
TALA HEP	56.14	10.52	1.87	42.65	7.85	1.84	-24%	-25%	-2%
DVC				-	-	-			
Nuclear	76.25	16.01	2.10	40.11	8.79	2.19	-47%	-45%	4%
SGS	1,980.57	507.36	2.56	1,671.92	468.62	2.80	-16%	-8%	9%
Future Stations	1,832.10	524.66	2.86	582.27	179.08	3.08	-68%	-66%	7%
Power Purchase from other Sources	513.19	241.75	4.71	2,162.93	1,159.63	5.36	321%	380%	14%
Power Sold to other Sources	1,708.65	835.48	4.89	1,542.37	564.16	3.66	-10%	-32%	-25%
Other payments made	-	-	-	-	21.24	-			
GRAND TOTAL	10,166.35	2,243.89	2.21	10,141.46	3,288.69	3.24	0%	47%	47%
Inter-State transmission losses/ charges	288.00	157.99	-	306.39	195.07	-	6%	23%	
Intra-State transmission losses/ charges	152.80	71.24	-	168.63	74.25**	-	10%	4%	
SLDC Fees and Charges	0.00	2.99	-	-	-	-		-	
Total energy input to Distribution Company system	9,725.54	2,476.11	2.55*	9,666.44	3,558.01	3.68*	-1%	44%	45%

* Inclusive of transmission charges **inclusive of SLDC charges

Table 8: Power purchase for FY 2010-11 and FY 2011-12 (proposed) along with approved in the MYT Order

Source	FY 2010-11									FY 2011-12		
	Approved in the MYT Order of 23 Feb 2008			Revised Estimates as per petition			Diff in %			As per petition (Projection)		
	MU Purchased /generated (ex-bus)	All Charges Total in Rs Crs	Avg rate (Rs./kwh)	MU Purchased /generated (ex-bus)	All Charges Total in Rs Crs	Avg rate (Rs./kwh)	MU Purchased /generated (ex-bus)	All Charges Total in Rs Crs	Avg rate (Rs./kwh)	MU Purchased /generated (ex-bus)	All Charges Total in Rs Crs	Avg rate (Rs./kwh)
NTPC	6213.11	1477.70	2.38	5,440.12	1,525.55	2.80	-12%	3%	18%	8,029.58	2836.86	3.53
NHPC	680.91	118.79	1.74	706.24	146.16	2.07	4%	23%	19%	654.64	154.32	2.36
TEHRI HEP	132.13	46.25	3.50	141.40	61.79	4.37	7%	34%	25%	109.06	56.61	5.19
NJPC (SATLUJ)	283.37	78.51	2.77	295.49	76.33	2.58	4%	-3%	-7%	272.15	86.06	3.16
TALA HEP	51.00	17.85	3.50	46.38	8.52	1.84	-9%	-52%	-47%	28.98	5.33	1.84
DVC				0.00	0.00	0.00				257.03	75.64	2.94
Nuclear	72.69	15.41	2.12	77.04	15.83	2.06	6%	3%	-3%	130.03	35.86	2.76
SGS	2309.49	553.47	2.40	1,538.29	507.09	3.30	-33%	-8%	38%	1,310.99	471.89	3.60
Future Stations	2167.46	656.25	3.03	2426.24	922.65	3.80	12%	41%	26%	3620.18	1383.17	3.82
Power Purchase from other Sources	481.08	263.99	5.49	2510.14	1275.91	5.08	422%	383%	-7%	385.39	217.13	5.63
Power Sold to other Sources	2272.77	749.02	3.30	2084.63	591.52	2.84	-8%	-21%	-14%	2891.48	667.38	2.31
Other payments made	0.00	0.00	0.00	0.00	0.00	0.00					556.97	
GRAND TOTAL	10118.48	2479.20	2.45	11096.71	3948.32	3.56	10%	59%	45%	11906.56	5212.46	4.38
Inter-State transmission losses/ charges	379.46	146.24	0.00	527.82	227.19	-	39%	55%	-	478.76	392.33	-
Intra-State transmission losses/ charges	117.50	162.32	0.00	185.79	159.17	-	58%	-2%	-	202.67	224.72	-
SLDC fees and charges	0.00	3.08	0.00	-	-	-	-	-	-	-	-	-
Total energy input to Distribution Company system	9621.52	2787.76	2.90	10383.11	4334.68	4.17	8%	55%	44%	11,225.12	5,829.52	5.19

* Inclusive of transmission charges

Operation and Maintenance (O&M) Expense

1.18 The Commission has approved the O&M expense for BRPL for year FY 2007-08, FY 2008-09, FY 2009-10 and FY 2010-11 in its MYT order as shown in the table below. In accordance with MYT Regulations, O&M expense is a controllable factor and any losses / gains on O&M expenses will be to the account of the utility. However, the Commission, at the time of issuing MYT order, had assumed 10% increase on account of recommendations of Sixth pay Commission and provided for true up of employee expenses to the extent of Sixth Pay Commission recommendations for the DVB employees as and when they are incurred by the utility.

Table 9: Proposed and approved O&M expenses for FY 2007-08, FY 2008-09, FY 2009-10, FY 2010-11 & FY 2011-12

Particulars	FY 2007-08	FY 2008-09		FY 2009-10		FY 2010-11		FY 2011-12
	Approved/trued up in the May 2009 order	Approved in MYT Order	Actual as per True Up petition	Approved in the May 2009 order	Actual as per True Up petition	Approved in MYT Order	Revised estimates as per petition	Revised estimates as per petition
Employee Expenses	152.16	178.87	262.36	163.19	339.02	165.763	372.8	323.6
R&M Expenses	72.08	89.02	101.94	106.74	122.2	124.387	142.43	165.19
A&G Expenses	64.99	66.33	66.33	68.38	68.375	70.4832	70.48	76.46
O&M Expenses	289.23	334.22	430.63	338.31	535.51	360.63	585.71	565.25

1.19 BRPL's submissions for O&M expenses for the FY 2009-10, FY 2010-11 and FY 2011-12 have been further divided into the three heads of expenditure viz., Employee Cost, Repair & Maintenance (R&M) and Administrative & General (A&G) and discussed in details in the following sections.

Employee expense

1.20 The Commission had approved total employee cost for BRPL for FY 2007-08, FY 2008-09, FY 2009-10 and FY 2010-11, against which BRPL has submitted the following Net Employee Expense for FY 2009-10, FY 2010-11 and FY 2011-12 (as shown in the table below):

Table 10: Total Net employee expenses of BRPL for FY 2007-08, FY 2008-09, FY 2009-10 (actual) and FY 2010-11 and FY 2011-12 (projected)

Particulars	FY 2007-08	FY 2008-09		FY 2009-10		FY 2010-11		FY 2011-12
	Approved/trued up in the May 2009 order	Approved in MYT Order	Actual as per True Up petition	Approved in the May 2009 order	Actual as per True Up petition*	Approved in MYT Order	Revised estimates as per petition*	Revised estimates as per petition
Net Employee Cost	152.16	178.87**	262.36	163.19**	339.02	165.76**	372.8	323.6

* This includes Sixth Pay Commission Arrears ** Net of Efficiency factor @ 0%, 2%, 3%, 4% and 0% for FY2007-08, FY2008-09, FY2009-10, FY2010-11 and FY2011-12 respectively.

- 1.21 **Sixth Pay Commission Arrears pay out for FY 2009-10:** BRPL has submitted that the Commission, while approving the Employee Cost for MYT Period as well as for Truing UP for FY 07 has considered 10% increase in salaries for BRPL – FR/SR pay structure on implementation of 6th Pay Commission recommendations with the rider that the it shall be trued based on the actual impact. BRPL has submitted that as per the audited accounts for FY 2009-10, the total impact of this payout has come to an amount of Rs 144.64 Crs, pertaining to the period 1st January, 2006 to 31st March, 2010. The amount includes arrears of Sixth Pay Commission impact in pensions of the SVRS optees amounting to Rs 8.9 Cr, as submitted by the utility.
- 1.22 Employee Expense for FR/SR employee: BRPL has submitted that the Hon’ble Commission too vide para 4.108 of the MYT Order had recognized that the Salary / promotions etc. of FR/SR Structure employees are governed by rules and pay scales as specified by the GoNCTD and post privatization the terms of their service shall in no way be less favorable than of inferior to that applicable to them immediately before the transfer. Thus, the same is not within the control of the utility and needs to be trued up based on actual increase in their salaries.
- 1.23 Employee Expense for non FR/SR employee: As per the Hon’ble ATE order, the Commission is to allow BRPL the employee cost on a normative basis by linking such cost to inflation index and has also trued up such cost to the extent of increased cost by increase in consumer base. Also, as per the Hon’ble ATE Order, a salary hike comparable to the Sixth Pay Commission’s recommendations for employees other than ex-DVB employees shall also be allowed in true up process in case expenditure in that account has already been incurred. BRPL is yet to release any amount on this account.
- 1.24 Pension payment to SVRS optees: As per the Hon’ble ATE Order, the Commission is to allow BRPL the expenses incurred towards retirement of those who opted for the Special Voluntary Retirement Scheme (SVRS) and include the same in its ARR computation.

Table 11: Employee Expense Details for FY2009-10, FY2010-11 and FY2011-12.

Employee Cost (Rs Cr)	FY 2009-10	FY 2010-11	FY 2011-12
Total employee Cost as approved in MYT order (excl SVRS Pension)	165.16	172.01	-
<i>DVB Employees</i>			
Increase in FR/SR Salary	119.02	173.53	181.42
Increase in Consumer Base			
<i>Non DVB Employees</i>			
Increase in Non- FR/SR Salary	79.4	122.6	148.7
Increase in Consumer Base			
6 th Pay Commission Arrears for Past Period for DVB employees	144.63		
6 th Pay Commission Arrears for Past Period for Non-DVB employees*		85.8	
SVRS pensions pay-out	12.36	10	10
Total Gross Employee Cost as per Petition (incl. SVRS pension)	355.41	391.93	340.12
Less: Expenses Capitalised	16.32	19.1	16.5
Employee Expense (Net)	339.1	372.8	323.6

*The Commission has appealed in Supreme Court on this issue against ATE judgement

R&M expense

- 1.25 BRPL has submitted that as per the Hon'ble ATE Order, the R&M expense for FY 2004-05, FY 2005-06 and FY 2006-07 gets revised as per the rules set out in the Hon'ble ATE order, the corresponding value of "K" also gets revised. BRPL in the present True-up Petition for FY 2009-10 has claimed the additional O&M Expenses of Rs 15.48 Cr for FY 2009-10, on account of revised R&M expense, as per Hon'ble ATE order. The details of the calculation is given in the table below:

Table 12: Revision in K factor proposed by BRPL due to change in R&M expenses

Determination of K	FY 2002-03	FY 2003-04	FY 2004-05	FY 2005-06	FY 2006-07	Ave
GFA as approved by DERC(Rs Cr)	1,533	1,552	1,658	1,751	1,883	
Revised R&M Expenses (Rs Cr)	35.84	52.57	92.02	75.3	89.49	
Revised K Factor %	2.34%	3.39%	5.55%	4.30%	4.75%	4.07%

Table 13: Additional O&M due to revised R&M expense

Particulars	FY 2007-08	FY 2008-09	FY 2009-10	FY 2010-11
Opening GFA as approved in the MYT order (Rs Cr)	2030.14	2558.38	3099.23	3649.23
K factor	4.07%	4.07%	4.07%	4.07%
Revised R&M Expense (Rs Cr)	82.54	104.02	126.00	148.37
R&M Expense approved in the tariff order (Rs Cr)	72.08	90.84	110.04	129.57
Efficiency factor	0%	2%	3%	4%
Additional amount added to O&M Costs (Rs Cr)	10.46	12.91	15.48	18.04

A&G Expense

- 1.26 BRPL has projected the A&G expense for FY 2010-11 and FY 2011-12 as given in the table below:

Table 14: Summary of A&G expense claimed in the petition vis-à-vis approved in MYT order.

A&G (Rs Cr)	FY 2007-08	FY 2008-09	FY 2009-10	FY 2010-11	FY 2011-12
A&G as approved in the MYT order	64.99	67.68	70.49	73.42	-
A&G expense as per petition	64.99	67.68	70.49	73.42	76.46
Efficiency Factor %	0%	2%	3%	4%	-
Net A&G Expenses	64.99	66.33	68.38	70.48	76.46

- 1.27 **Correction of inflation-linked indexation for A&G expenses:** The MYT Regulations, 2007 say that A&G expenses shall be linked to an inflation-based index that takes into account the inflation indices of the immediate past five years. As per BRPL's submission, while fixing the tariff for FY 2007-08, the Commission had taken inflation figures for FY 2001-02 to FY 2005-06 because the figures for FY 2006-07 were not available then. However, now that inflation indices for FY 2006-07 are available, the utility has asked the Commission to replace the provisional computation for FY 2007-08 with confirmed figures by correcting the indexation.

Capital Expenditure

- 1.28 BRPL has submitted that an analysis of Load Growth suggests that the peak demand in the utility's area would be 3112 MW in FY 2014-15 which is 1084 MW more when compared to FY 2010-11. The average increment of peak load figure over the period is 271 MW. The system is therefore required to be designed adequately to cater to the load requirement continually as also to meet the requirement in emergency conditions such as sudden peaks etc. As submitted by the utility, considering that the capital requirement for development of power transmission & distribution system @ Rs 2 Cr per MW, the average capital requirement shall be Rs 542 Cr per year upto FY 2014-15. BRPL has submitted additional Capex requirement for FY 2011-12 under the following broad categories:

Table 15: Detail-wise Proposed Capital Expenditure for FY 2011-12

Capital Expenditure (Proposed)	Amount (Rs Cr)
Spill Over Works	150
Loss reduction work to be started in FY2011-12	20
Load Growth work to be started in FY2011-12	80
System improvement work to be started in FY 2011-12	80
Infrastructure Development (IT, Building, Office)	5
New Consumers (metering points)	50
Other works (conversion of oil DT to dry DTs and repair of DTs)	40
Research and development (Pilot projects)	5
BRPL share in deposit works	20
Total	450

- 1.29 BRPL has submitted the proposed capitalisation for FY 2011-12 as per the MYT order. Further, for FY 2011-12, the Capitalisation has been assumed as per the Hon'ble Commission's letter no. F.3 (130-A)/Tariff/DERC/2006-07/C.F.No.2787/Pt. File-I/5089 dated 08.03.2011 as tabulated below:

Table 16: Capital expenditure and Capitalisation for FY 2010-11 and FY 2011-12*

Proposed amounts in Rs Cr	FY 2007-08	FY 2008-09	FY 2009-10	FY 2010-11	FY 2011-12
Capital Expenditure	128.24	390.85	475.00	350.00	450.00
Capitalisation schedule					
Opening CWIP	1157.30	757.30	607.30	532.3	432.3
Addition during the year	128.24	390.85	475.00	350.00	450.00
Capitalisation	528.24	540.85	550.00	450.00	413.8
Closing CWIP	757.30	607.30	532.30	432.3	468.5

* As approved by the Commission in the MYT order

Depreciation

- 1.30 The Depreciation for FY 2007-08, FY 2008-09 and FY 2009-10, FY 2010-11 and FY 2011-12, as submitted by BRPL, is given in the table below.

Table 17: Depreciation for FY 2007-08, FY 2008-09, FY 2009-10, FY 2010-11 and FY 2011-12*

Particular	FY 2007-08	FY 2008-09		FY 2009-10		FY 2010-11		FY 2011-12
	Approved/ trued up in the May 2009 order	Approved in MYT Order	Actual as per True Up petition	Approved in the May 2009 order	Actual as per True Up petition	Approved in MYT Order	Revised estimates as per petition	Revised estimates as per petition
Depreciation including AAD (Rs Cr)	82.88	103.32	103.32	123.9	123.9	142.2	142.2	158.1

*Depreciation and RoCE shall be dealt with as per Regulation 4.16 (ii) of MYT Regulation 2007

Return on Capital Employed (RoCE)

1.31 The Return on capital employed for FY 2007-08, FY 2008-09, FY 2009-10, FY 2010-11 and FY 2011-12 is given in the table below:

Table 18: Return on capital employed for FY 2007-08, FY 2008-09, FY 2009-10, FY 2010-11 & FY 2011-12*

Particulars	FY 2007-08	FY 2008-09		FY 2009-10		FY 2010-11		FY 2011-12
	Approved/ trued up in the May 2009 order	Approved in MYT Order	Actual as per True Up petition	Approved in the May 2009 order	Actual as per True Up petition	Approved in MYT Order	Revised estimates as per petition	Revised estimates as per petition
RoCE (Rs Cr)	153.15	201.87	201.87	251.7	251.7	292.7	292.7	378.6

*Depreciation and RoCE shall be dealt with as per Regulation 4.16 (ii) of MYT Regulation 2007.

Income Tax

1.32 BRPL has shown the provision for tax in FY 2007-08, FY 2008-09, FY 2009-10 (actuals) and FY 2010-11 and FY 2011-12 (projected), vis-a-viz that approved in the MYT order, as given in the table below:

Table 19: Income Tax for FY 2007-08, FY 2008-09, FY 2009-10, FY 2010-11 & FY 2011-12*

Particulars	FY 2007-08	FY 2008-09		FY 2009-10		FY 2010-11		FY 2011-12
	Approved/ trued up in the May 2009 order	Approved in MYT Order	Actual as per True Up petition	Approved in the May 2009 order	Actual as per True Up petition	Approved in MYT Order	Revised estimates as per petition	Revised estimates as per petition
Tax (Rs Cr)	1.61	5.00	1.73	5.00	45.30	5.00	79.10	87.30

*Income Tax shall be dealt with as per Regulation 5.20, 5.21 and 5.22 of MYT Regulation 2007.

Other Expenses

Expense pertaining to the period before July 2002

1.33 **Litigation expenses:** The utility has submitted that during FY 2010-11 it has incurred an amount of Rs 24.97 lakhs (up to December, 2010) on the account litigations inherited by

BRPL from erstwhile DVB. BRPL has proposed the same figure for FY 2010-11 and FY 2011-12. BRPL has submitted an amount of Rs 29.07 Lakhs under this head in the true-up petition for FY 2009-10.

- 1.34 **Directions of the Hon'ble Supreme Court in SLP no. 4270/2006:** The Hon'ble Supreme Court of India vide its judgment dated 3.5.2010 in SLP No. 4270/2006 has held that BRPL along with other distribution utilities are responsible for meeting the liabilities relating to employees who ceased to be the employees of erstwhile Delhi Electric Supply Undertaking (Predecessor of Delhi Vidyut Board-DVB) prior to 1.7.2002 on account of their retirement, removal, dismissal or compulsory retirement in accordance with the provisions of Delhi Electric Reforms Act 2000. BRPL has submitted an expense of Rs 1.01 Crs for FY 2010-11 on this account. Also, BRPL has requested the Commission to allow the amount incurred on this account on actual while determining the ARR for FY 2011-12.
- 1.35 **Interest Capitalised:** As per the Hon'ble ATE order, the Commission must not deduct capitalised interest as the Commission already follows the principle of Return on Capital Employed in which it allows return on equity and interest on loan under ROCE only for the assets capitalized. Any interest cost incurred before capitalization is considered as IDC (Interest during Construction) and would be included in the asset base only after capitalization. Thus, the utility requests the Commission to follow the same while determining the present ARR.
- 1.36 **Carrying Cost:** BRPL, in Appeal No. 147 Of 2009, has requested the Hon'ble ATE to consider reconsider the carrying cost at the SBI PLR rate. Pending the decision on the same, the Petitioner in the present ARR petition has relied upon the judgment of the ATE in Appeal no. 153 of 2009 where the ATE has held the judgment that the Commission should reconsider the rate of carrying cost at the prevalent market rate keeping in view the prevailing Prime Lending Rate.
- 1.37 BRPL has submitted the following additional expenses for consideration in ARR computation. These proposed costs are shown in the table below detail-wise for FY 2009-10, FY 2010-11 and FY 2011-12.

Table 20: Other expenses proposed for FY 2009-10, FY 2010-11 & FY 2011-12

Particulars	FY 2009-10	FY 2010-11	FY 2011-12
	True-Up petition	ARR petition	ARR petition
CISF Expenses	0.42	0.1	1
Credit Rating	0.22	0.2	0.2
Cost of Auditors Certificate	0.03	0.04	0.04
Litigation Expenses pertaining to the period prior to July 2002	0.29	-	
Training Expense	0.39	5.59	4.85
Tender Cost for procurement of Material	0.17	0.03	0.03
Incremental License Fees paid to DERC	0.26	0.6	0.77
Incremental Bill printing expenses	0.82	0.31	0.42

Particulars	FY 2009-10	FY 2010-11	FY 2011-12
	True-Up petition	ARR petition	ARR petition
Consumer Awareness	-	1	3
Total (Rs Cr)	2.6	7.87	10.32

Expense in terms of ATE order no. 153 of 2009

- 1.38 BRPL, in its petition for determination of Aggregate Revenue Requirement for FY 2011-12 and review of FY 2010-11, has proposed an expense of Rs 36.7 Cr for FY 2010-11 and Rs 37.6 Cr for FY 2011-12 under this head. As per Appeal no. 142 of 2009, BRPL had approached the Hon'ble ATE requesting for the allowance of the additional financing cost involved due to late payment. Also, it had challenged the inclusion of unutilised return of past period and rebate obtained on power purchase as non-tariff income by the Commission while determining the Aggregate Revenue Requirement (ARR) in previous orders.
- 1.39 As per the judgement passed in the Hon'ble ATE order no. 153 of 2009, the utility has considered the entire amount of late payment surcharge as part of Non-tariff income, however the financing cost of outstanding dues has been included in the amount of Rs 122.3 Cr under this head, as submitted by BRPL, in the true-up petition for FY 2009-10. With regard to the exclusion of interest earned on unutilised return, the utility has requested the Commission to allow the amount it had earlier included as Non-tariff income while determining the ARR for FY 2009-10 in the May 2009 order. Further, BRPL has considered the amount of rebate on power purchase earned up to 1% as Non-Tariff Income while filing for the ARR petition and retained the remaining 1% as per the Hon'ble ATE order.

Non Tariff Income (NTI)

- 1.40 Apart from the revenue earned in accordance with the tariff schedule from supplying power to consumers, Distribution Licensees also earn income from other sources such as interest received on deposits, loans and advances; charging meter rent from consumers; delayed payment surcharge levied on bills that are paid late; sale of scrap, etc. This income is called Non-Tariff Income (NTI) and it needs to be subtracted from the average revenue requirement of the Licensee.
- 1.41 BRPL has submitted the detail-wise Non-Tariff Income for FY 2009-10 as given in the table below:

Table 21: Non-tariff Income for FY 2009-10

Particulars	As approved by Commission in the ARR Order	As per petition
Interest on fixed deposits		0.01
Interest on Government of India Securities		1.4
Interest on loans and advances to staff		0.0
Interest on loans and advances to other licensees		0.1

Particulars	As approved by Commission in the ARR Order	As per petition
Miscellaneous receipts(on street light maintenance)		22.37
Miscellaneous charges from consumers (on energy)		40.9
Commission on collection of electricity duty for MCD		28.2
Write back of miscellaneous provisions		4.6
penalties from contractors		0.3
sale of scrap		1.1
sale of material		0.2
Miscellaneous income		9.0
Rebate earned on early payment of power purchase bills		31.6
Total	51.37	139.7

1.42 BRPL has proposed the following amounts as NTI for the years FY 2007-08, FY 2008-09, FY 2009-10, FY 2010-11 and FY 2011-12. The amounts shown as ‘approved’ are the amounts approved earlier in the MYT Order (applicable for FY 2008-09 and FY 2010-11) and the True up Order of May 2009 (applicable for FY 2007-08 and FY 2009-10) issued by the Commission.

Table 26: Non-Tariff Income for FY 2007-08, FY 2008-09, FY 2009-10, FY 2010-11 and FY 2011-12

Particulars	FY 2007-08	FY 2008-09		FY 2009-10		FY 2010-11		FY 2011-12
	Approved/trued up in the May 2009 order	Approved in MYT Order	Actual as per True Up petition	Approved in the May 2009 order	Actual as per True Up petition	Approved in MYT Order	Revised estimates as per petition	Revised estimates as per petition
Non Tariff Income (Rs Cr)	110.43	48.2	166.99	51.4	139.7	54.6	54.6	54.6

Aggregate Revenue Requirement (ARR)

1.43 On the basis of the costs incurred in FY 2009-10, and projections for FY 2010-11 and FY 2011-12, and after subtracting the Non Tariff Income for each of the three years, BRPL has projected the following Aggregate Revenue Requirement:

Table 27: Proposed ARR (Rs Cr) for FY 2007-08, FY 2008-09, FY 2009-10, FY 2010-11 and FY 2011-12

Particulars	FY 2007-08	FY 2008-09		FY 2009-10		FY 2010-11		FY 2011-12
	Approved/trued up in the May 2009 order	Approved in MYT Order	Actual as per True Up petition	Approved in the May 2009 order	Actual as per True Up petition	Approved in MYT Order	Revised estimates as per petition	Revised estimates as per petition
Expenditure								
Cost of power purchase				2,243.90	3,288.70	2479.2	3948.30	5,212.50
Inter-State Transmission charges	2527.6	2390.08	2615.5	158	195.1	146.2	227.20	392.3
Intra-state Transmission (Delhi Transco) charges				74.2	74.3	165.4	159.20	224.7
O&M Expenses	289.22	334.22	430.62	338.3	385	360.6	503.40	565.3

Particulars	FY 2007-08	FY 2008-09		FY 2009-10		FY 2010-11		FY 2011-12
	Approved/ trued up in the May 2009 order	Approved in MYT Order	Actual as per True Up petition	Approved in the May 2009 order	Actual as per True Up petition	Approved in MYT Order	Revised estimates as per petition	Revised estimates as per petition
Arrears of Sixth Pay Commission	-	-	-	-	144.6	-	82.40	-
Depreciation including Advance Against Depreciation	82.88	103.32	103.32	123.9	123.9	142.2	142.20	158.1
Any other Expense/New Initiatives	64.5	-	7.44	-	2.6	-	7.90	10.3
RoCE(incl. supply margins)	162.38	214.92	214.92	251.7	251.7	292.7	292.7	378.6
Additional Return	-	-	-	16.7	16.7	19.8	19.8	22.7
Income Tax	1.61	5	1.73	5	45.3	5	79.10	87.3
Net impact of past true-up		-	158.87					-
Expenses in terms of ATE order no 153 of 2009	-				122.3		36.70	37.6
Energy Conservation				15.00	-			15
Litigation Expense							1.30	0.2
Less								
Other Income (Including income from wheeling charges)	110.43	48.21	166.99	51.4	139.7	54.6	54.6	54.6
Interest Capitalised	4.27	12.48	12.48	15	-	12.2	-	-
Less : Financial loss on account of AT&C losses	6.97	-	-	-	-	-	-	-
Aggregate Revenue Requirement	3006.51	2,986.85	3,353.01	3,160.30	4,510.50	3,544.40	5,445.40	7,050.00

Revenue from Sale of Power

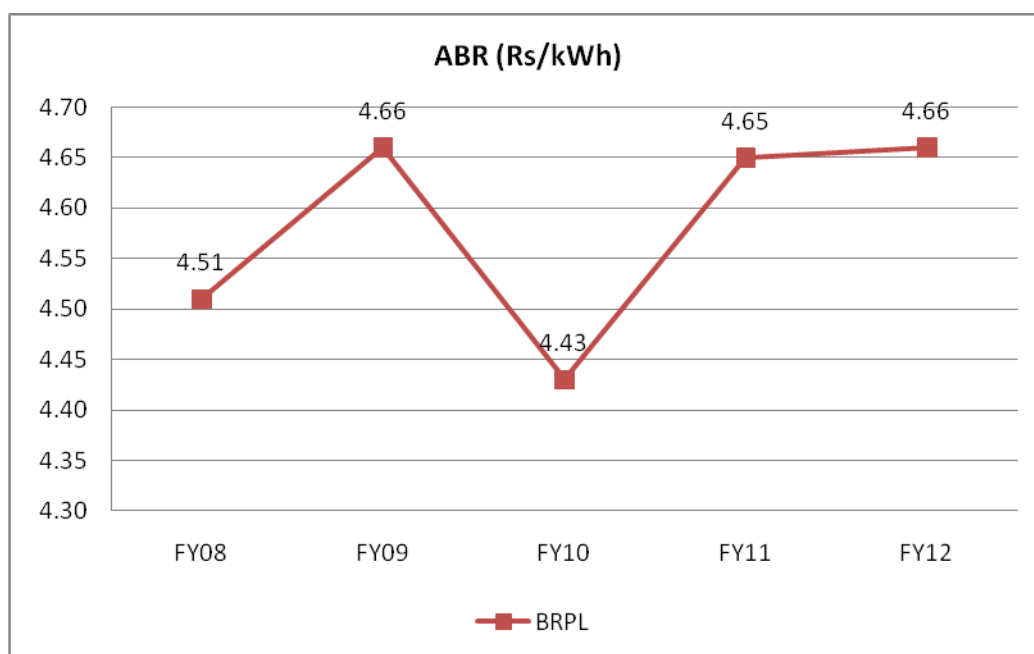
1.44 BRPL has submitted that actual energy sales for FY 2009-10, vis-à-vis that approved in the true-up order for FY08 and has shown the energy sales of FY 2007-08, FY 2008-09, along with projections for FY 2010-11 and FY 2011-12, as given below in the table below:

Table 22: Energy sales in FY 2007-08, FY 2008-09, FY 2009-10, FY 2010-11 and FY 2011-12

Energy Sales	FY 2007-08	FY 2008-09		FY 2009-10		FY 2010-11		FY 2011-12
	Approved/ trued up in the May 2009 order	Approve d in MYT Order	Actual as per True Up petition	Approv ed in the May 2009 order	Actual as per True Up petition	Approve d in MYT Order	Revised estimates as per petition	Revised estimates as per petition
Total Sales	6408	6824	7014	7797	7840	8026	8472	9476
Revenue Billed	2889.99	3273.56	3270.99	3681	3,475		3,942	4415

Energy Sales	FY 2007-08	FY 2008-09		FY 2009-10		FY 2010-11		FY 2011-12
	Approved/ trued up in the May 2009 order	Approved in MYT Order	Actual as per True Up petition	Approved in the May 2009 order	Actual as per True Up petition	Approved in MYT Order	Revised estimates as per petition	Revised estimates as per petition
(Rs Cr)								
Average Billing Rate (Rs/kWh)	4.51	4.80	4.66	4.72	4.43	-	4.65	4.66

Figure 6: ABR (Rs/ kWh) (Approved, Actuals, Revised Estimates and Projections)



Revenue available towards ARR

1.45 For calculating the revenue gap for FY 2009-10, FY 2010-11 and FY 2011-12, BRPL has submitted revenue available towards ARR as given in the table below:

Table 23: Revenue available towards ARR for FY 2007-08, FY 2008-09, FY 2009-10, FY 2010-11 and FY 2011-12

Particulars	FY 2007-08	FY 2008-09	FY 2009-10	FY 2010-11	FY 2011-12
	Approved/ trued up in the May 2009 order	As per petition	As per petition	As per petition	As per petition
Amount Collected	3031.27	3270.99	3588.8	4009.2	4393.1
Less : E Tax	121.94	163.64	152.36	167.2	188.3
Less: LPSC	31.77		28.16		

Particulars	FY 2007-08	FY 2008-09	FY 2009-10	FY 2010-11	FY 2011-12
	Approved/ trued up in the May 2009 order	As per petition	As per petition	As per petition	As per petition
Less: Amount to be retained by BRPL for over-achievement of targets		59.14	26.7		
Revenue available for ARR	2877.56	2989.08	1847.34	3842	4204.8

Revenue Gap

1.46 BRPL has submitted that is even after reducing the revenue obtained from tariff and the Non Tariff Income, it is facing a revenue gap as shown below.

Table 24: Computation of revenue gap by BRPL

Computation of Revenue Gap	FY 2007-08	FY 2008-09		FY 2009-10		FY 2010-11		FY 2011-12
	Approved/ trued up in the May 2009 order	Approved in MYT Order	Actual as per True Up petition	Approved in the May 2009 order	Actual as per True Up petition	Approved in MYT Order	Revised estimates as per petition	Revised estimates as per petition
ARR during the year	3006.51	2986.85	3353.01	3160.30	4510.50	3544.40	5445.40	7050.00
Revenue available towards ARR	2877.56	3273.56	2989.08	3681.65	3381.70	-	3842.00	4204.80
Revenue Gap during the year	(128.95)	286.71	(363.93)	521.3	(1128.80)		(1603.40)	(2845.20)
Accumulated Revenue Gap	(128.95)		(492.88)		(1621.68)		(3225.08)	(6070.28)

1.47 BRPL has filed an Appeal No 142 of 2009 before the Hon'ble ATE requesting consideration of carrying cost on the revenue gap at SBI PLR. The decision on the appeal is pending. The revenue gap considering carrying cost at SBI PLR is show in Table 25 below:

Table 25: Revenue Gap with Carrying Cost

Particulars	FY 2007-08	FY 2008-09	FY 2009-10	FY 2010-11	FY 2011-12
Opening Revenue Gap	(404.47)	(592.09)	(1053.70)	(2378.78)	(4377.83)
Revenue Gap for the year	(128.95)	(363.93)	(1128.80)	(1603.40)	(2845.20)
SBI PLR Rate	12.51%	12.62%	12.13%	12.44%	13.00%
Carrying Cost	(58.67)	(97.69)	(196.28)	(395.65)	(754.06)
Closing Revenue Gap with Carrying Cost	(592.09)	(1053.70)	(2378.78)	(4377.83)	(7977.08)

Figure 7: Computation of revenue gap by Petitioner

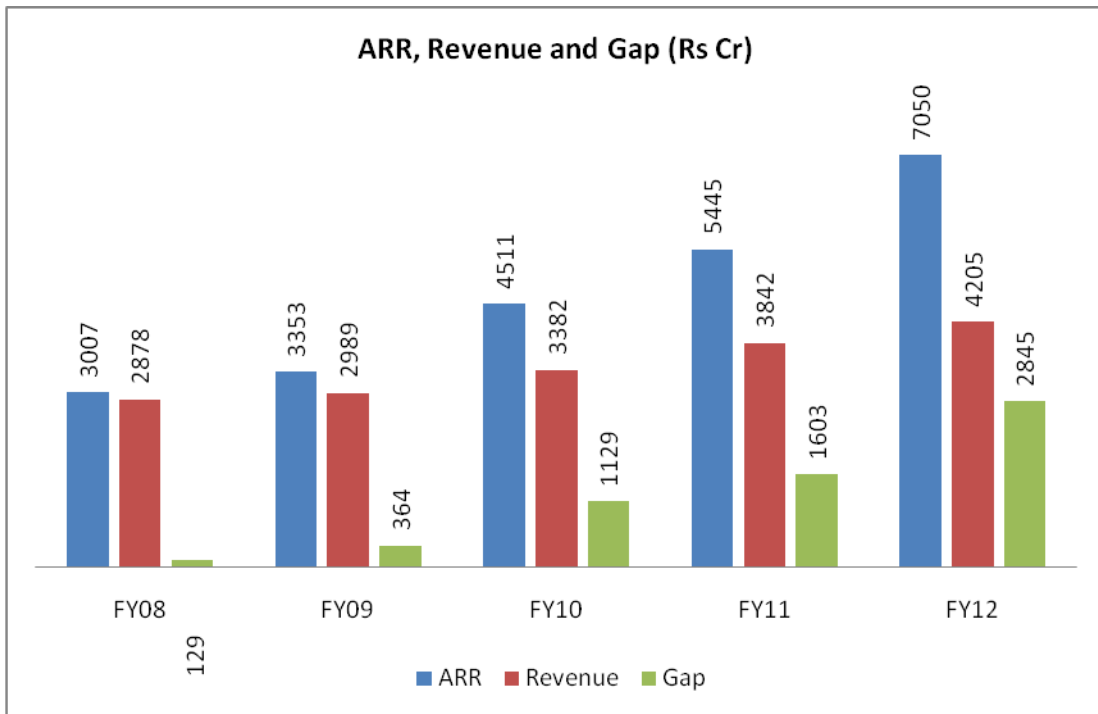
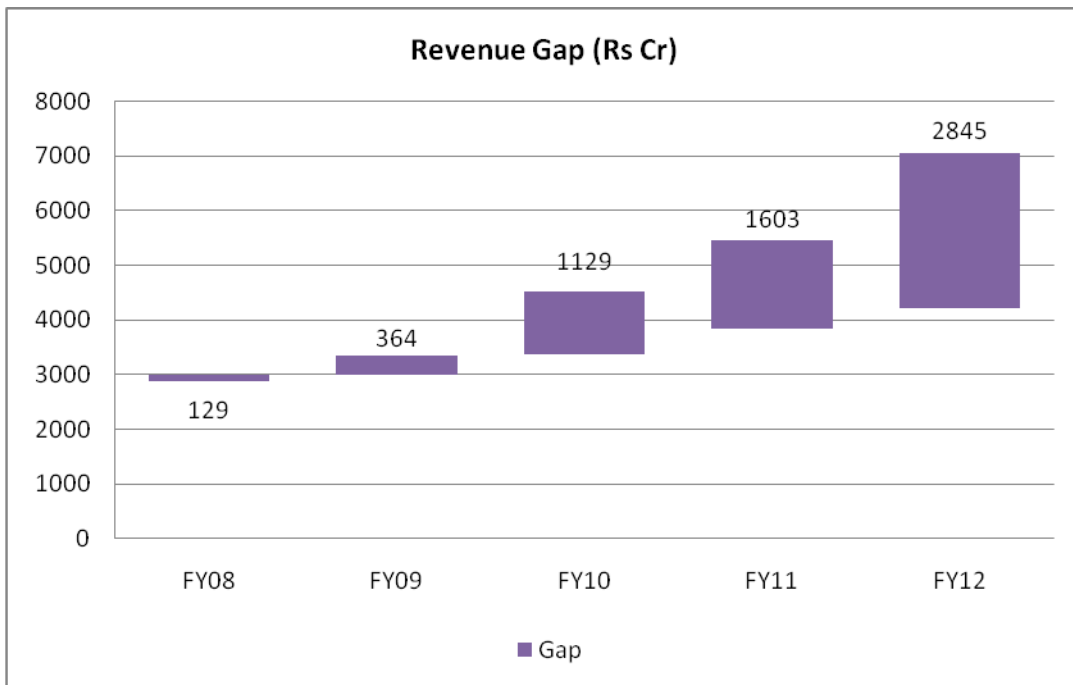


Figure 8: Revenue Gap w/o carrying cost (Petitioner's Submission)



Tariff Proposal

- 1.48 For recovering the entire gap (Rs 2845.20 Cr) submitted by BRPL, the tariff (fixed and energy charges) will need to be increased by 67.7%. BRPL has proposed to entirely recover the revenue gap for the year FY 2011-12 through a uniform increase in Retail supply tariff of 67.7% across all categories in fixed and energy charges. It may be noted that in its petition, BRPL has sought for a tariff revision to amortize the revenue gap during the FY 2011-12, without considering any carrying cost on the accumulated revenue gap of the previous years.
- 1.49 BRPL has further submitted that the revenue gaps till FY 2009-10, after being adjudicated by the Commission, may be given in the form of a one-time surcharge independent of tariff as fixed in the present petition. Also, BRPL has requested the Commission to allow a carrying cost on this accumulated gap, which should be determined in terms of ATE's order in Appeal no. 153 of 2009. To meet the entire revenue gap of 7977.08 Cr, an average tariff hike of 189.7% will be required.
- 1.50 BRPL has also suggested some tariff rationalization measures, as given below:
- (a) **Enhancement of limit for cash payment of energy bills by consumers:** BRPL has proposed that the restriction of acceptance of cash payments up to the existing limit of Rs 4, 000 should be reviewed and enhanced to a limit of Rs 20,000 for a better revenue recovery.
 - (b) **Applicability of tariff with load above 100kW for residential use:** BRPL has proposed that there should be a different treatment tariff for individuals with load above 100kW for residential use; like it is for other categories e.g. Non-Domestic, Industrial etc. with load above 100kW.
 - (c) **kVAh billing for industrial and non-domestic consumers with MDI greater than 10 kW:** The Licensee has requested that for industrial and non-domestic consumers with MDI greater than 10 kW, it should be entitled to charging kVAh tariff since it encourages consumers to improve their power factor which eventually helps the system by less loading and reduction in losses.
 - (d) **Uniform fixed charges till the load of 5 kW:** BRPL has stated that the majority of Domestic consumers have a connected load greater than 2 kW although their sanctioned load less than 2 kW. BRPL has submitted that this gives undue advantage to consumers who have not increased their declared load to the actual connected load, while consumers of other billed load are paying the fixed charges. To avoid this, the Licensee has requested the Commission to rationalize the slab-based fixed charges.