

Chhattisgarh State Electricity Regulatory Commission Raipur



Petition No. 39 of 2012 (D)

Present: Shri Manoj Dey, Chairman
Shri Vinod Srivastva, Member

In the matter of-

- 1) Truing-up of FY 2010-11 and FY 2011-12
- 2) Determination of Retail Tariff for FY 2012-13

ORDER

(Passed on 10.07.2013)

This Order is passed in respect of the Petition filed by Jindal Steel & Power Limited-Distribution Licensee (JSPL-D) for determination of Annual Revenue Requirement for its licensed distribution business for the FY 2012-13 and True up for FY 2010-11 and FY2011-12 under Section 61, 62 and 86 (1) (a) of the Electricity Act, 2003, together with the relevant provisions of the CSERC (Conduct of Business) Regulations, 2009 and CSERC (Terms and Conditions for Determination of Tariff) Regulation, 2006 and CERC Tariff Regulations, 2004.

JSPL-D submitted its application for determination of ARR and Retail Tariff for FY 2012-13 on 24th July 2012 and the Petition was admitted on 24th August 2012. This petition was placed in public domain by JSPL-D on 29th September 2012 and 2nd October 2012 for inviting objections/suggestions. The Commission received several objections from Raigarh Ispat Udyog Sangh (RIUS).

The Commission also held a technical validity session with JSPL-D on 7th November 2012 in its office for obtaining clarifications and further information required for processing of the petition. Another discrepancy note was sent to JSPL-D for information/clarification based on discussion during TVS. Subsequently JSPL-D made submissions in response to the deficiency note and additional data requirements specified by the Commission.

JSPL has not filed the segregated audited accounts for the distribution business for FY 2010-11. Hence, the Commission is of the view that there is no reason to carry out true up for FY 2010-11 in this order.

JSPL-D had not submitted audited segregated accounts for distribution business along with its petition and had pleaded the Commission for one month time for submission of the same. After various reminders JSPL-D finally submitted segregated accounts for distribution business on 15th October 2012 i.e. approximately 3 months post the submission of the petition.

The petitioner has claimed to submit its segregated accounts for the FY 2011-12. However, after the scrutiny of the accounts submitted by JSPL for the distribution business, the Commission is of the view that accounts submitted by the JSPL does not fulfill the requirement

as prescribed in the CSERC (License) Regulations 2004 and there was no auditor's opinion with accounts filed with respect to whether accounts prepared gives a true and fair view of JSPL-licensed distribution business. Also the Commission is of the opinion that the segregation of the accounts carried out are barely extractions from the audited accounts of the parent company i.e. JSPL based on certain assumptions as provided by the company management. Hence, the account preparation is merely an extraction exercise based on assumptions and management judgment. Hence, Commission is not carrying out final true up for FY 2011-12 but carrying out only provisional true up of FY 2011-12.

The Commission had undertaken a detailed review of the assets of the JSPL distribution business during the processing of the previous year petitions (i.e. FY 2009-10, FY 2010-11 & FY 2011-12) and had ascertained that the 2 nos. of transformers and supporting infrastructure was adequate for meeting the demand in the distribution area of the petitioner. In absence of appropriate audited accounts and lack of details/ substantiation provided by the petitioner, the Commission has therefore considered the amount of fixed assets approved in the previous tariff order for the JSPL distribution business.

JSPL-D has taken considerable time in submitting information necessary to carry out regulatory validation of data and has not been able to provide appropriate annual accounts for the distribution business which has resulted in considerable delay in passing this order.

JSPL-D has proposed its Aggregate Revenue Requirement (ARR) for FY 2010-11 at Rs 193.24 Cr and for FY 2011-12 at Rs 223.63 Cr. Based on its prudence check, the Commission approves ARR

for FY 2011-12 at Rs 213.42 Cr in this order. The Commission takes cognizance of the undertaking made by JSPL-D in its letter dated August 18, 2011 wherein it has stated

“JSPL-D hereby provides an undertaking that it will meet any payments due towards interest, repayment of debt, employee expenses, power purchase expenses, other expenses and cash deficits from its other business segments, in case the licensed distribution & retail supply business is unable to meet these from its own revenues and cash flows on account of maintaining the Tariffs at the existing/ proposed levels. Any loss/ deficit incurred by the licensed business of JSPL will not be carried forward to subsequent financial years for purpose of determination of tariff”

For FY 2012-13, JSPL-D has proposed ARR of Rs 263.39 Cr against which the Commission has approved Rs 218.49 Cr in this order after prudence check. With existing tariff, the Commission has estimated revenue of Rs 205.66 Cr for FY 2012-13 resulting in a revenue gap of Rs 12.83 Cr. As FY 2012-13 is already complete at the time of issuance of this Order and moreover JSPL has subsequently submitted another tariff petition for approval and determination of ARR for the Control Period of FY 2013-14 to 2015-16 under MYT Regulations, the Commission has decided to carry forward the approved gap for FY 2012-13 to the control period, with reasonable carrying cost. The Commission noted that as the JSPL –D had filed its accounts for FY 2011-12 only on 15th October , the carrying cost for the period of 120 days after this cannot be administered as the Commission needed this much period to process the petition. Hence, the Commission has decided to allow the carrying cost on the approved gap of FY 2012-13 for the period of 38 days which is not attributed to the delay in filing of petition and accounts by the JSPL-D.

Member

Chairman

Table of Contents

1. Introduction	1
The Electricity Act, 2003, National Tariff Policy (NTP) and Regulations	1
Brief Note on process of Tariff determination for FY 2012-13	2
Annual Revenue Requirement for FY 2010-11, FY 2011-12 and FY 2012-13.....	5
2. Objections Received, JSPL-D's Response and Commission's Views.....	7
3. Truing-up of FY 2010-11.....	21
4. Provisional Truing-up of FY 2011-12	22
Delay in Submission of Petition for approval of ARR.....	22
Rejection of Accounts for FY 2011-12.....	22
Energy Sales	25
Transmission and Distribution Loss	26
Energy Balance.....	28
Power Purchase Cost	29
Operation and Maintenance Expenses.....	31
Capital Expenditure and Capitalization.....	34
Depreciation.....	36
Interest on loan.....	37
Interest on normative loans.....	37
Interest on Consumer Security Deposit	41
Interest on Working Capital	41
Return on Equity	43
Transmission Charges	44
Non-Tariff Income	45
Revenue at Existing Tariff	45
Annual Revenue Requirement.....	47
Revenue Gap/Surplus and treatment of Revenue Gap	47
5. Determination of Annual Revenue Requirement for FY 2012-13.....	49
Energy Sales	49
Distribution Loss	50
Energy Balance.....	51
Power Purchase Cost	51
Operation and Maintenance Expenses.....	54
Capital Expenditure and Capitalization.....	54
Depreciation.....	55

Interest on loan.....	56
Interest on normative loans.....	56
Interest on Consumer Security Deposit.....	61
Interest on Working Capital.....	61
Return on Equity.....	63
Transmission Charges.....	64
Non-Tariff Income.....	65
Annual Revenue Requirement.....	65
Revenue on Existing Tariff.....	66
Treatment of Revenue Gap.....	67
6. Directives.....	68
Directive Compliance by JSPL-D.....	68
New Directives.....	71

Table 1: ARR Proposed by JSPL for FY 2011, FY 2012 and FY 2013.....	5
Table 2: ARR Proposed by JSPL for FY 2011-12.....	25
Table 3: Energy Sales Proposed by JSPL for FY 2011-12	25
Table 4: Energy sales Approved by the Commission for FY2011-12.....	26
Table 5: Proposed Energy Loss for FY2011-12 as submitted by JSPL	26
Table 6: Energy Loss for FY 2011-12 Approved by the Commission.....	28
Table 7: Proposed Energy balance for FY 2011-12 as submitted by JSPL-D	28
Table 8: Proposed Power purchase quantum for FY 2011-12 submitted by JSPL.....	29
Table 9: Proposed Power purchase cost for FY 2011-12 submitted by JSPL	29
Table 10: Disallowance of Power Purchase cost for FY 2011-12	31
Table 11: Power purchase cost for FY 2011-12 Approved by the Commission	31
Table 12: Proposed O&M Expenses for FY 2010-11 and FY 2011-12 submitted by JSPL	32
Table 13:O&M Expenses for FY 2011-12 approved by Commission.....	34
Table 14: Proposed Gross Fixed assets submitted by JSPL for FY 2011-12	34
Table 15: Additional submission made by JSPL	35
Table 16: Gross Fixed assets Approved by the Commission for FY 2011-12	36
Table 17: Proposed Depreciation submitted by JSPL for FY 2011-12	36
Table 18: Depreciation Approved by the Commission for FY 2011-12.....	37
Table 19: Proposed Interest on normative loan for FY 2011-12 submitted by JSPL.....	38
Table 20: Proposed Additional Submission made by JSPL.....	38
Table 21: Loan for FY 2011-12 approved by the Commission	40
Table 22: Interest on loan approved by the Commission for FY 2011-12	40
Table 23: Interest on consumer security deposit submitted by JSPL	41
Table 24: Approved Interest on consumer security deposit	41
Table 25: Proposed Interest on working capital submitted by JSPL	41
Table 26: Approved Interest on working capital.....	42
Table 27: Proposed Return on equity submitted by JSPL for FY 2010-11 and FY 2011-12.....	43
Table 28: Return on Equity Approved by the Commission for FY 2011-12	44
Table 29: Transmission charges for FY 2011-12 submitted by JSPL	44
Table 30: Transmission charges Approved by the Commission for FY 2011-12	45
Table 31:Proposed Non-Tariff Income for FY 2011-12 submitted by JSPL	45
Table 32:Non-Tariff Income for FY 2011-12 approved by Commission.....	45
Table 33: Revenue from sale of power as approved by the Commission.....	46
Table 34: Approved ARR for FY 2011-12 (in Rs. Lakhs).....	47
Table 35: Proposed Energy Sales submitted by JSPL for FY 2012-13.....	49
Table 36: Approved Energy sales for FY 2012-13	50
Table 37: Approved Distribution losses for FY 2012-13.....	51
Table 38: Proposed Energy balance for FY 2012-13 as submitted by JSPL.....	51
Table 39: Proposed Power purchase quantum and cost for FY 2012-13 submitted by JSPL	52
Table 40: Minimum Power to be Procured by a Distribution Licensee as Percentage of Total Consumption.....	53
Table 41: Approved Power purchase cost for FY 2012-13.....	53
Table 42: O&M Expenses for FY 2012-13 submitted by JSPL.....	54
Table 43: Approved O&M Expenses for FY 2012-13.....	54
Table 44: Proposed Gross Fixed assets submitted by JSPL for FY 2012-13	55
Table 45: Gross Fixed assets Approved by the Commission.....	55
Table 46: Proposed Depreciation submitted by JSPL for FY 2012-13	56
Table 47: Approved Depreciation for FY 2012-13.....	56

Table 48: Proposed Interest on normative loan for FY 2012-13 submitted by JSPL.....	57
Table 49: Information regarding Loan portfolio of the parent company JSPL as on 31st December 2012	58
Table 50: Information regarding Loan portfolio as per the Audited Accounts of the parent company JSPL as on 31 st March 2012.....	59
Table 51: Interest on Normative Loans for FY 2012-13 approved by the Commission.....	60
Table 52: Proposed Interest on consumer security deposit submitted by JSPL.....	61
Table 53: Approved Interest on consumer security deposit	61
Table 54: Proposed Interest on working capital submitted by JSPL.....	61
Table 55: Approved Interest on working capital.....	62
Table 56: Proposed Return on equity submitted by JSPL for FY 2012-13.....	63
Table 57: Approved Return on Equity for FY 2012-13	64
Table 58: Proposed Transmission charges for FY 2012-13 submitted by JSPL	64
Table 59: Approved Transmission charges for FY 2012-13	65
Table 60: Proposed Non-Tariff Income for FY 2012-13 submitted by JSPL	65
Table 61: Approved Non-Tariff Income for FY 2012-13	65
Table 62: Proposed ARR for FY 2012-13 submitted by JSPL	65
Table 63: Approved ARR for FY 2012-13.....	66
Table 64: Revenue on existing tariff projected by the Commission for FY 2012-13	66
Table 65: Approved Revenue Gap by the Commission for FY 2012-13	67

List of Abbreviations

S.No.	Abbreviation	Description
1	A & G	Administration and General Expenses
2	ABC	Aerial Bunched Cables
3	ABR	Average Billing Rate
4	ARR	Aggregate Revenue Requirement
5	CAGR	Compound Annual Growth Rate
6	CERC	Central Electricity Regulatory Commission
7	CGS	Central Generating Station
8	COS	Cost of Supply
9	CPP	Captive Power Plant
10	CSD	Consumer Security Deposit
11	CSEB	Chhattisgarh State Electricity Board
12	CSERC	Chhattisgarh State Electricity Regulatory Commission
13	CSPDCL	Chhattisgarh State Power Distribution Company Limited
14	DA	Dearness Allowance
15	EA	The Electricity Act, 2003
16	ED	Electricity Duty
17	CGRF	Consumer Grievance redressal Forum
18	FY	Financial Year
19	GFA	Gross Fixed Assets
20	H1	First Half
21	H2	Second Half
22	HT	High Tension
23	HVDS	High Voltage Distribution System
24	kWh	Kilo-watt Hour
25	LT	Low Tension
26	MoU	Memorandum of Understanding
27	MU	Million Units
28	MW	Mega-watt
29	MYT	Multi-Year Tariff
30	O & M	Operation & Maintenance
31	R & M	Repair & Maintenance
32	RoE	Return on Equity
33	TO	Tariff Order
34	TP	Tariff Policy
35	TVS	Technical Validation Session
36	Y-O-Y	Year on Year

1. Introduction

- 1.1 Jindal Steel Power Limited (JSPL) submitted its application on 25th January 2005 under Section-15 of Electricity Act, 2003 for the issuance of license to distribute electricity in the area of Jindal Industrial Park (OPJIP) in villages of Tumdih and Punjipathra of Gharghoda Tahsil of Raigarh District of the State. The Commission vide its Order dated November 29, 2005 granted a license to the applicant for distribution of electricity in the Jindal Industrial Park (OPJIP), limited to 70 industrial consumers with a maximum demand not exceeding 299 MW, in the Jindal Industrial Park of Tumdih and Punjipathra villages of Gharghoda tahsil of Raigarh District and also in the remaining areas of these two villages for a period of 25 years.
- 1.2 Jindal Steel Power Limited-Distribution Business (hereinafter referred to as 'JSPL-D') filed its first application for approval of Aggregate Revenue Requirement (ARR) and Determination of Retail Tariff for FY 2009-10. The Commission vide its Order dated June 27, 2009 approved the ARR for FY 2009-10 of JSPL-D.
- 1.3 JSPL-D submitted the Petition for determination of Aggregate Revenue Requirement for FY 2010-11 under Section 45, 62 and 86 (1) (a) of the Electricity Act, 2003 together with the relevant provisions of the CSERC Conduct of Business Regulations, 2009 and CSERC Tariff Regulations, 2006. By the time the Petition was processed with Regulatory provisions the FY 2010-11 was over. Hence, on reference, JSPL-D made additional submissions. After additional submissions the Commission was required to provisionally true-up the ARR for FY 2009-10, determine ARR for FY 2010-11 and FY 2011-12 and also determine the Retail Tariff for FY 2011-12. The Commission passed its order dated 8th February 2012 and approved the ARR for FY 2010-11 and FY 2011-12 along with retail tariff for the time period till the next order is passed with the direction to submit audited segregated accounts for the distribution business along with the next tariff petition.
- 1.4 Now, JSPL-D has submitted its petition for true up of FY 2010-11 and FY 2011-12 and determination and retail tariff for FY 2012-13. JSPL-D submitted its segregated accounts for FY 2011-12 on 15th October 2012, however, the Commission rejects the accounts filed by the JSPL-D on the grounds that there is no opinion expressed by the JSPL auditors' regarding the accounts and that only an extraction certificate by the auditor is provided with the accounts. Also JSPL-D has not submitted any segregated accounts for FY 2010-11. The Commission, in exercise of the powers vested in it under Regulation 4 of CSERC Tariff Regulations, 2006; Section-12, 183 & 184 of the Electricity Act, 2003; Section 61 and Section 62 of the Act and all other powers enabling it in this behalf, is the decision-taking authority in the matters related to ARR and Tariff determination of Licensee.

The Electricity Act, 2003, National Tariff Policy (NTP) and Regulations

- 1.5 Section-61 of the Electricity Act, 2003 stipulates the guiding principles for determination of Tariff by the Commission and mandates that the Tariff should progressively reflect

cost of electricity, reduce cross-subsidy, safeguard consumer interest and recover the cost of electricity in a reasonable manner.

- 1.6 Section-62 (1) of Act empowers the Commission to determine the tariff in accordance with its provisions for supply of electricity by a generating company to a distribution licensee, transmission of electricity, wheeling of electricity, retail sale of electricity.
- 1.7 The objectives stipulated in the National Tariff Policy, 2005 recommended the following:
 - a. Ensure availability of electricity to consumers at reasonable and competitive rates;
 - b. Ensure financial viability of the sector and attract investments;
 - c. Promote transparency, consistency and predictability in regulatory approaches across jurisdictions and minimize perceptions of regulatory risks;
 - d. Promote competition, efficiency in operations and improvement in quality of supply;
- 1.8 The Commission has notified the following Regulations, which specify tariff setting principles and norms:
 - CSERC (Details to be furnished by Licensee and generating company for determination of tariff and manner of making application) Regulations, 2004.
 - CSERC (Terms and conditions for determination of Tariff) Regulations, 2006
 - CSERC (Terms and conditions of determination of Tariff according to Multi-Year tariff Principles) Regulations, 2008 (Repealed now)
 - CSERC (Terms and Conditions of determination of tariff according to Multi-Year Tariff principles) Regulations, 2010.
- 1.9 JSPL-D filed its present Petition under Section 45, 62 and 86 (1) (a) of the Electricity Act, 2003 together with the relevant provisions of the Chhattisgarh State Electricity Regulatory Commission's Conduct of Business Regulations, 2009 and CSERC Tariff Regulations, 2006, CSERC MYT Tariff Regulations 2010, CERC Tariff Regulations 2004 and 2009.

Brief Note on process of Tariff determination for FY 2012-13

- 1.10 In accordance with Clause-6 of CSERC (Details to be furnished by licensee or generating company for determination of tariff and manner of making application) Regulations, 2004, the Distribution Licensee shall make an application every year up to end of November for determination of tariff.
- 1.11 The Petition for determination of ARR and Retail Tariff for FY 2012-13 filed by JSPL-D was admitted by the Commission on 24th August 2012 as petition no 39 of 2012 (D) In accordance with provisions of Section 64 of the Act, the Commission vide its letter PNo-39/2012(T)/2012/696 dated 24/08/2012 directed JSPL-D to notify its ARR and Tariff Proposal in the prescribed abridged form in public domain. JSPL was also directed to submit the gist of proposal within a week for approval of the Commission.

1.12 JSPL submitted draft public notice for approval on 25th August 2012 and the same was approved by the Commission on 22nd September 2012. JSPL-D issued the Public Notice in newspapers inviting suggestions and objections from stakeholders on its Petition within 21 days from the date of issuance of such Notice. The Public Notice was published in following Local Newspapers

S. No.	Name of Newspaper	Language	Publication Date
1.	KeloPravah	Hindi	29.09.2012
2.	Amrit Sandesh	Hindi	02.10.2012
3.	Central Chronicle	English	02.10.2012

1.13 The copies of JSPL-D's Petition and its summary were made available for inspection/purchase to the public at the office of the Commission and JSPL-D. The copy of Public Notice and Executive Summary of the Petition was also uploaded on the website of the Commission (www.cserc.gov.in). The Public Notice specified that the suggestions and objections, either in English or Hindi, may be submitted within prescribed 21 days of issue of such notice.

1.14 The Commission ensured the due process as envisaged under law to ensure transparency and public participation is followed during the process punctiliously and adequate opportunity is given to all the stakeholders concerned to express their opinion in the matter. The Commission received suggestions/objections by Raigarh Ispat Udyog Sangh (RIUS) on various issues in the Petition filed by JSPL-D on 18th October 2012. The letter of RIUS objections along with objections were sent to JSPL for its response on 25th October 2012. JSPL replied the RIUS objections on 15th November 2012 with a copy to the RIUS and advocate Sh. Vinay K Jain at email id rius1234@gmail.com and vinay.jain@vkJlaw.com respectively. The objections of RIUS, response of JSPL and the Commission views thereupon are dealt with in detail in next section.

1.15 It appears prudent to mention that RIUS in its submissions has pleaded for rejection of M/s JSPL petition summarily. It must be appreciated by all the stakeholders that tariff determination process is an inquisitional proceeding wherein as per established procedures and provisions of the Act and the National Tariff Policy, there is no provision for issuance of any intermediate order regarding objections and suggestions made by the objectors. In fact, all the issues raised during the tariff process are addressed in the final tariff order only. The Commission has, thus, dealt with all the issues raised by the objectors in the present tariff order.

1.16 The Commission its letter dated 18th September 2012 raised deficiency note regarding the clarification on various issues, gap in data submitted by JSPL-D in respect of the Petition filed by JSPL-D. The Commission drew JSPL-D's attention to the fact that it has not filed its segregated audited accounts for distribution business and one month was

already over since submission of its petition. In this regard JSPL-D through its letter dated 5th October 2012 prayed for extension of time for submission of audited segregated accounts. The Commission accepted the requests/ prayers of JSPL-D for seeking extra time for submission of accounts.

- 1.17 Thereafter, JSPL-D submitted its response to the data gaps and additional data requirements through its reply dated 5th October 2012 and 15th October 2012. JSPL (D) also filed its segregated accounts for distribution business on 15th October 2012. Further the Commission asked additional information through its letter date 2nd November and same were replied to by JSPL on 21st November 2012
- 1.18 The Commission also held a Technical Validation Session on 7th November 2012 in its Raipur office with the officials and consultants of JSPL for obtaining necessary regulatory information required for evaluation and approval of the ARR and tariff petition and at the same time giving sufficient opportunity to JSPL-D to explain its stand on various issues. The Commission also issued another deficiency note dated 26th November 2012 for submission of additional information based on the discussion held during TVS. JSPL-D made additional submissions dated 30th November 2012 in reply to the queries raised by the Commission. On 7th January 2013 the JSPL was asked to furnish further additional information /clarifications/ data gaps. JSPL submitted the information on 18th January 2013.
- 1.19 A public hearing was conducted on 8th December 2012 at the office of the Commission. The complaints and grievances of participants were forwarded to JSPL to reply on 18th November 2013. JSPL responded to the same on 12th February 2013.
- 1.20 During the public hearing and further its letter dated 15.01.2013 and 25.01.2013 RIUS objected that JSPL had not responded to its objections submitted on 18th October 2013. JSPL-D replied that it had marked the copy of its response which was submitted on 15th November to the RIUS and advocate Sh. Vinay K Jain at email id rius1234@gmail.com and vinay.jain@vkjlaw.com respectively. In support of its contention JSPL-D submitted the e-mail dated 16th November 2012 marked to these 2 email ID pertaining to RIUS and its advocate and also submitted the copy of receipt in hard copy of replies by Advocate Sh Ankit Jain on 19th November 2012. Further copy of all the replies and accounts of JSPL were sent to RIUS by the Commission office on 1st February 2013.
- 1.21 Through its letter dated 25th January 2013 and 11th Feb 2013, the RIUS through its advocate Sh Vinay Jain asked for time extension for submission of comments and objections. The Commission granted time till 25th February, 2013 for reply/comments and drew RIUS's attention to the fact that its representative have already received the JSPL-D replies via mail dated 15th November, 2012 and through hard copy on 19th November, 2012 as per proof submitted by JSPL-D and its contention regarding transparency of the Commission was casual, wrong, misplaced and uncalled for.
- 1.22 Meanwhile RIUS approached Hon'ble high court in this matter. Further, though it is amply known to RIUS that Government of Chhattisgarh has no power, whatsoever, to influence or interfere in the tariff determination process, yet Government was made the

first respondent in the case regarding the ARR and tariff determination process and at the same time Commission were not served with any notice or copy of petition.

1.23 The matter was decided by the Hon'ble High court in the motion hearing itself on 7.03.2013. The Hon'ble high court made following observations in the matter –

“a. The petitioner is permitted to pursue the objection filed before the respondent no 2 on 18.10.2012

b. The petitioner may file an application for urgent hearing of the aforesaid objection and the respondent no 2 is under obligation to act in accordance with law and also in the light of observation made in this order”

1.24 The counsel for RIUS served a copy of the aforesaid decision to the Commission however the copy of petition was still not served to the Commission till date. Further, even after directions of the Hon'ble High court, RIUS has neither pursued the objections filed by it nor applied for urgent hearing for the objections filed by it, however, the Commission admits that it is the right and privilege of RIUS to pursue the matter before the Commission. However, the Commission has considered all the points raised by RIUS in its objection dated 18.10.2012 and the issues have been redressed in reasoned and cogent manner.

1.25 Otherwise also, prior to issue of the above order, the Commission had given sufficient opportunity on request of the RIUS to pursue its objections. RIUS didn't make any additional submissions to its objections filed earlier. Hence, after due deliberation and expert consultation, the Commission has arrived at the conclusion that because RIUS has nothing further to submit with regard to present petition, the tariff determination process was continued as per mandate of the Act.

1.26 There were some discrepancies and data gaps in the petition. JSPL-D made several subsequent submissions and has made available revised information for the Commissions analysis. To avoid the discrepancies between the revised submissions and the original petition data, this order is referencing the most recent data submitted for the purpose of approval of ARR

Annual Revenue Requirement for FY 2010-11, FY 2011-12 and FY 2012-13

1.27 Summary of the proposed ARR (Rs. Lakhs) for FY 2010-11, FY 2011-12 and FY 2012-13 filed in the petition by JSPL Distribution is provided in the table below:

Table 1: ARR Proposed by JSPL for FY 2011, FY 2012 and FY 2013

(all fig in Rs Crs)

Sl. No	Particulars	FY 2010-11	FY 2011-12	FY 2012-13
1	Purchase of Power	169.87	194.87	227.61
2	Intra-State Transmission Charges	1.78	1.77	4.66
3	R&M Expense	1.24	0.65	0.68
4	Employee Expenses	5.33	4.26	4.89

Sl. No	Particulars	FY 2010-11	FY 2011-12	FY 2012-13
5	A&G Expense	0.62	0.73	0.77
6	Depreciation	1.40	0.98	1.4
7	Interest & Finance Charges	11.00	19.17	21.17
A	Interest on Long Term Loan	2.30	1.82	1.3
B	Interest on W.C.	7.74	13.23	18.62
C	Interest on CSD	0.96	4.12	1.25
8	Total	191.23	222.43	261.18
9	Reasonable Return	2.12	1.82	2.32
10	Other Income	0.11	0.62	0.11
11	Annual Revenue Requirement 11=8+9-10	193.24	223.63	263.39

1.28 As may be seen from the table above, JSPL-D has proposed an ARR of Rs. 193.24 Crores, Rs. 223.63 crores and Rs. 263.39 crores for FY 2010-11, FY 2011-12 and FY 2012-13, respectively. JSPL-D has prayed for approval of the proposed values from the Commission.

2. Objections Received, JSPL-D's Response and Commission's Views

- 2.1 JSPL-D has filed its Petition for true-up of ARR for the period from FY 2010-11 and FY 2011-12 and ARR petition for FY 2012-13. The views and suggestions of the various objectors ,replies given by JSPL-D during the proceedings and Commission's views on the same are summarized in this section:

Objector: Raigarh Ispat Udyog Sangh

- 2.2 The objector represents interest of its members engaged in Steel Industry having their units in Jindal Industrial Park set up by JSPL in Tumidh and Punjipatra villages in Raigarh district. RIUS submitted its objections on various issues in its letter dated 18th October 2012. Further during the general hearing conducted on 8th January 2013 in the Commission's office, representatives of RIUS made several objections including those which were submitted in the letter dated 18th October 2012.

Segregation of Accounts for the Distribution Business

- 2.3 RIUS claimed that JSPL had not complied with the directions given by the Hon'ble Commission in previous order dated 27.06.2009 and 8.02.2012 to maintain separate accounts for the distribution and supply business as per terms and conditions of the license granted to JSPL. RIUS has contended that no order should be passed in the absence of the audited data.
- 2.4 It also claimed that all the figures provided into formats attached are based on projected data and not as per actuals. JSPL had not submitted segregated financial accounts pertaining to its licensed electricity business from the overall consolidated accounts of JSPL. RIUS demanded the segregated accounts and audit certificate of JSPL as and when it is submitted by JSPL.
- 2.5 RIUS requested Commission to ensure that JSPL other businesses are not subsidized through JSPL's power distribution business.

JSPL-D's Response:

- 2.6 JSPL-D stated that it had submitted the statutory auditor's certificate for segregation of accounts to the Commission on 15.10.2012 along with the basis of preparation of such accounts.

Further, JSPL-D submitted that the data for FY 2010-11 and FY 2011-12 is based on the actual transactions recorded for the licensed activity and is not based on projections

Commission's View:

- 2.7 The Commission noted that JSPL-D has filed its segregated accounts for distribution business and a copy of the same has also been provided to the RIUS. During the hearing, members of the RIUS mentioned that they have not received a copy of the segregated annual accounts and therefore the hearing should be extended. A copy of the same was furnished again to RIUS and adequate time was provided for submission of any objections based on the segregated accounts. However, RIUS has not submitted any further objections post the receipt of segregated accounts of JSPL-D business even after providing several extensions.
- 2.8 The Commission has examined the segregated accounts submitted by JSPL-D and rejected the accounts filed by JSPL-D after observing that the accounts have been prepared considering the audited accounts of parent company JSPL and no auditor opinion is supplied with the accounts. In preparation of the segregated accounts for the distribution business, some assumptions have been considered as book keeping was not being done separately for the regulated business. Therefore, the actual expenditure with respect to the JSPL-distribution business may not have been appropriately recorded. Based on the examination, the Commission is not convinced regarding the reasonableness of expenditure shown in the segregated books of accounts. Therefore, it would be appropriate to consider the prudence check for approving the ARR for FY 2012-13. The rejection of accounts and its effects, thereof, on the tariff order is dealt with in this tariff order. As per the licence conditions, the licensee is required to maintain separate books of accounts of the regulated business, therefore, for the subsequent years, the licensee is directed to commence separate account keeping for the regulated business and prepare separate accounts and get the same audited.

Issue 2: Power Purchase Units and Power Purchase Cost

- 2.9 RIUS objected that JSPL-D does not intend to fulfill its statutory obligation of supplying power from its captive power plant and is proposing to purchase full power to be supplied under distribution business segment from its wholly owned subsidiary Jindal Power Limited (JPL). RIUS submitted that any proposal of JSPL-D to procure power from JPL should not be approved even for short term.

RIUS submitted that at the same time JSPL's captive power plant had not supplied power for JSPL's distribution business. Instead, JSPL entered into an agreement with CSPDCL for supply of 50 MW over and above the contracted 70 MW from the captive plant for years FY 2009-10 and FY 2010-11. RIUS objected that JSPL has surplus power available with it and it should not be allowed increased quantity of power purchase from JPL.

Also, RIUS objected to the increase in power purchase claiming that there was no increase in consumers or connected load or any quantity of power to be supplied.

RIUS claimed that, JSPL in its application for of distribution license, had proposed to supply Jindal Industrial Park 400 MVA (300 MW) of electricity on full implementation of

the industrial Park for which 120 MVA (90MW) was proposed to be supplied from the existing captive power plant and 280 MVA (210 MW) from Jindal Power Limited. But, JSPL is proposing to purchase the full quantity of power to be supplied under distribution business from JPL in order to gain undue profits.

RIUS submitted that the Commission had allowed JSPL-D to procure power in short term from JPL only for FY 2010-11 at a maximum price of Rs. 3.00 per unit and directed it to make necessary arrangement for procurement of power in the long term. JSPL-D had failed to make necessary arrangements for long term power procurement and hence the Commission had allowed JSPL to procure short term power till 2011-12 but JSPL is again proposing to procure power from JPL for FY 2012-13 at a higher cost of Rs. 3.13 per unit stating it to be the average rate allowed to CSPDCL by the Hon'ble Commission. RIUS objected that this must not be allowed on the ground that no comparisons can be made between the power procurement by CSPDCL and JSPL as unlike CSPDCL, JSPL is buying power from its own subsidiary.

JSPL-D's Response:

- 2.10 JSPL clarified that data for FY 2011-12 is not a projection but is based on the actual consumption during the year. JSPL stated that JSPL had explained the reasons for increase in energy sales in the petition.

JSPL further submitted that the steel business of JSPL has expanded significantly resulting in increase in consumption of power generated from JSPL's captive plant and thus reduced power availability from captive power plant for other consumers.

JSPL stated that it has initiated the process for procurement of power for long term under competitive bidding process and already submitted the bid documents for procurement of power under competitive bidding framework to the Commission for approval. The short term power purchase from JPL was to fulfill the obligation of stable power supply as it is only cost effective and viable solution available till JSPL is able to source power on long term basis.

JSPL further submitted that it has not demanded steep hike in tariff as was demanded by CSPDCL in its tariff petition. JSPL has drawn the attention to the fact that the Commission acknowledged JPL is a separate juristic entity and cannot be forced by the petitioner/Commission to enter into an arrangement against its own will. JPL is inclined to revise its energy supplied cost to JSPL.

Commission's View:

- 2.11 As per the obligation to provide uninterrupted and reliable power to its consumers, the licensee is required to procure power from either firm or infirm sources to meet the demand in its area. In absence of any long-term power purchase agreement of JSPL-D, the Commission had approved the licensee to procure power from JPL during FY 2011-12 and FY 2012-13 for meeting the demand in the licensee area. Also, the Commission in its Order dated December 31, 2011 in the matter of approval of the deviations from the

Standard Bidding Document (RFP and PPA) for carrying out long-term power procurement under Case-1 bidding framework (Petition Number 26 of 2011) has ruled as under:

“Regarding availability of power from JSPL, the petitioner has stated that due to expansion of their steel business, the captive power station is not able to fulfill the requirement of stable power for distribution business on long term basis. However, it has not been made clear that actually what minimum quantum of stable power can be supplied by JSPL to its own distribution business on long term basis. Without having a clear statement of power availability from the licensee’s own sources, deciding the quantum of power which needs to be procured through long term PPA may suffer from infirmity.

Accordingly, petitioner JSPL is directed to submit within one month from the date of this order, a detailed power requirement plan indicating the last five years actual consumption data along with the future projection, so that the long term power to be requisitioned through bid may be assessed in a rational manner.”

JSPL-D has initiated the process of bidding for procurement of power on long-term basis. The process of bidding and adoption of tariff by the Commission under Section-63 of the Act may take considerable time. Therefore, the Commission is left with no option but to allow short-term procurement of power from JSPL until a long-term power is available to the licensee.

In absence of any long-term arrangement, the Commission is restricting the maximum ceiling rate for purchase of power from short-term sources in order to avoid any over-burdening to the consumers in the retail tariffs of the licensee.

Issue 3: Fixed Assets, depreciation, O&M expenses, Interest on working capital loan, Interest on consumer security deposits, Interest on normative loans, employee expenses.

- 2.12 RIUS objected that the assets and accounts are not segregated hence all the figures submitted for expenses are manipulative.

Additionally, RIUS claimed that JSPL, in gross violation of the provisions of section 47 of the Electricity Act, 2003 and CSERC (Security Deposit) Regulations, 2005 as it was not paying interest on the security deposits received from the consumers since the acceptance of deposits till 2010. Commission vide an order, had directed JSPL to pay interest on consumer security deposits. RIUS claimed that JSPL-D has defaulted in paying the interest and the Commission must pass necessary directions in this regard. This interest was being claimed by JSPL as part of the true up for FY 2010-12. RIUS submitted that additionally interest on the unpaid amount of interest on security deposit should be paid by JSPL.

JSPL-D’s Response:

- 2.13 JSPL-D stated that with regard to expenses JSPL-D had submitted the statutory auditor's certificate for segregation of accounts to the Hon'ble Commission on 15.10.2012 along with the basis of preparation of such accounts.
- 2.14 On the matter related to payment of interest on security deposit held by JSPL-D, it was submitted that this issue had been addressed under paragraphs 29 to 33 of the counter-petition filed by JSPL-D on 18.10.2012 before the Hon'ble Commission in response to the petition filed by RIUS (dated 21.08.12)

Commission's View:

- 2.15 The Commission's view with respect to segregated audited accounts is detailed at Clause 2.7 and 2.8 above. The Commission has continued with its prudence check for approving each parameter of the ARR for the JSPL-D licensed business which is discussed in the Chapter 5 below.

With regard to the interest on consumer security deposit, the Commission is of the view that the interest on consumer security deposit is subject matter of another petition filed by RIUS and the same is dealt with in the same petition.

Issue 4: Return on Equity

- 2.16 RIUS objected to JSPL-D's claim of return on equity of 15.5% for FY 2010-11 and FY 2011-12, and 23.5% for FY 2012-13.
- 2.17 RIUS additionally claimed that JSPL-D had not submitted details under the equity head, and in the absence of segregated accounts, the gross fixed assets considered for equity may have been greater than actual assets. It has also requested the Commission to allow RoE to the extent to 14% of the allowed GFA.

JSPL-D's Response:

- 2.18 JSPL-D submitted that it has calculated the return on equity based on the provisions given under CSERC (Terms and conditions of determination of tariff according to Multi-Year tariff principles) Regulations, 2010. As per regulation 22 of the aforesaid Regulations, a licensee is allowed to recover return on equity at a base rate of 15.5% to be grossed up for tax rate

In accordance with the aforesaid provisions of the CSERC (Terms and conditions of determination of tariff according to Multi-Year tariff Principles) Regulations, 2010, JSPL-D has calculated the RoE for FY 2010-11 and FY 2011-12 at 15.5% (i.e. at the base rate) as the licensed business made losses during this period and therefore no income tax was payable during the term. However, during FY 2012-13, JSPL-D has calculated RoE at 23.481% by grossing up the base rate of 15.5% by the corporate tax rate (i.e. 33.99%).

Further, on the matter of inflated GFA figures, JSPL submitted a certificate from the statutory auditor in FY 2010-11 certifying the assets deployed in the accounts for FY 2010-11 for the licensed distribution business. The segregated accounts also mention the GFA figure for the licensed distribution business of JSPL-D and the same figures have been used calculating RoE on normative equity.

Commission's View

- 2.19 This tariff petition is disposed of according to the CSERC (Terms and Conditions for determination of Tariff) Regulation, 2006, being a tariff petition for single year ARR. Hence, return on equity is being calculated according to the rate mentioned in this regulations i.e. 14%.

Issue 5: Revenue Gap/Surplus and treatment

- 2.20 RIUS claimed that JSPL-D had submitted inflated Annual Revenue Requirement by proposing unjustified figures under various heads. RIUS also submitted that the gap in revenue was mainly attributed to the high power purchase cost that JSPL-D had incurred on purchase of power from JPL.

JSPL-D's Response:

- 2.21 JSPL-D stated that the ARR figures given in the petition are based on actual expenses and assets for FY 2010-11 and FY 2011-12 and JSPL-D had submitted the certificates from statutory Auditors regarding such expenses and assets. Therefore, JSPL-D denied the allegations made by RIUS of submitting inflated ARR to the Hon'ble Commission.

Commission's View:

- 2.22 The Commission has undertaken prudence check and detailed analysis of the submission of JSPL-D while approving the ARR in this Order. The ARR and Revenue gap as considered by the Commission is elaborated in subsequent sections of this Order.

Issue 6: Performance Parameters

Mechanism to attend FOC:

- 2.23 RIUS submitted that despite high employee costs being incurred by JSPL, the system to redress consumer's grievances was inefficient and consumers are facing problem in handling and resolving of their grievances.

RIUS also claimed that JSPL-D has not provided the required relief from power cuts.

During the hearing, some other issues were also raised by members of the RIUS regarding consumer services by the JSPL-D . Members of RIUS claimed that they were facing severe difficulty in submission of any complaint related to deficiency in the services rendered by the JSPL-D. On many occasions, they are directed from one desk to

other for filing of complaint(s). Further, no acknowledgment is being issued by any of the JSPL-D Officials/ Staff stating that there is no such practice to issue acknowledgment of complaints.

JSPL-D's Response:

- 2.24 JSPL-D stated that its staff as well as management was accessible to the consumers and that JSPL-D had been prompt in taking remedial actions against the grievances raised by the consumers. JSPL-D further submitted that many of RIUS members are in talks with JSPL-D personnel for redressal of matters related to supply of electricity to their premises and such queries are being resolved expeditiously by JSPL-D.
- 2.25 JSPL-D asserted that all the consumers in the licensed area have been notified the contact number of the concerned authority for lodging complaints with regards to all technical and commercial matters. The mentioned authorized person also accepts and acknowledged the complaint by the way of signing a duplicate copy. Further JSPL-D has appointed a person of the designation of AGM for OPJIP to oversee matters related to retail supply business and other non- licensed business activities at OPJIP. The consumers have been sending complaints and these have been duly addressed by JSPL-D. JSPL-D contended that the consumers of JSPL-D are aware of the contact details of the key personnel in the electrical team & commercial person deployed in the licensed area and are in directly touch with them to resolve complaints.
- 2.26 JSPL-D also admitted that it has not formally maintained a complaint acknowledgement process separately for the retail business. Although JSPL-D's steel plant at Raigarh has a separate department for receiving and dispatching letters. This department also accepts letters delivered by hand other than receiving couriers/posts. The consumers in the past have been sending the complaints to this department.
- 2.27 JSPL-D also admitted that current billing format does not carry details with regard to personnel with whom complaints can be registered. JSPL-D submitted that it should amend the billing formats and would also publish these details on its website.

Commission's View:

- 2.28 The issue of addressing Consumer grievances doesn't fall under the purview of present tariff determination exercise. However, the Commission has considered the issues as severe in nature and calls upon the licensee M/s JSPL-D and draws its attention to the matter since as per provisions under the Supply Code (section 9.23 c) it is mandatory to provide the designation and address of the authority of licensee with whom grievance pertaining to bills, meter, meter readings etc. can be lodged. These details must be printed / stamped on the bill or must be provided as an attachment to the bill. Further, as per the Code (section 9.25), the licensee is also expected to provide assistance to consumers in filing complaints by setting up a call center/consumer care center.

- 2.29 Through its letter dated 18th January, 2013, the Commission directed the licensee to ensure that immediate steps must be taken for incorporation necessary details in its billing formats in accordance with the provisions of the Supply Code. In reply to the direction and during the proceedings, JSPL-D has admitted that it has not been providing the details in its bills and would make required changes in the billing formats. As proof of compliance, licensee is directed to submit a copy of the revised formats to the Commission and ensure usage of the same for billing in future.

The Commission had directed the JSPL-D to produce a copy of its complaint register. JSPL-D in reply to the directive has stated that it has institutionalized CGRF in May 2012 and all complains are being received by AGM. JSPL-D is directed to also maintain a complain register and submit a copy of the same to the Commission on a quarterly basis, going forward. JSPL-D is also directed that consumer redressal forum instituted by it should be easily accessible to the consumers of the licensee.

Issue 7: Other Objections

Prospective Order:

- 2.30 RIUS claimed that under the provision of the regulation 6 of the CSERC (Details to be Furnished by Licensee for Determination of Tariff and Manner of Making Application) Regulations, 2004 JSPL-D has not fulfilled its obligation to file the current petition before 30th November, 2011 despite Commission's direction in this regard in previous Tariff Order. Hence, the present petition should be dismissed.

RIUS submitted that any order passed with respect to this petition should only have prospective effect and not retrospective applicability and the tariff order should become applicable at least after one month from the date of issuance of order.

JSPL-D's Response:

- 2.31 JSPL-D stated that the latest order was issued on February 08, 2012 and therefore JSPL-D was not in a position to submit the current petition before November 30, 2011.

JSPL-D further submitted that it is complying with the regulations and the directives of the Hon'ble Commission in implementing the Tariff Order. The Commission had issued the directive to JSPL-D to give a public Notice of seven days and make the approved tariffs effective thereafter in accordance with the provision in CSERC (Details to be furnished by the licensees or generating company etc.) Regulations, 2004. The public notice was published on 16.02.2012 and the new tariff was implemented from 23.02.2012 in line with the directive of the Hon'ble Commission. JSPL-D stated that the Objector's submission that the Tariff Order be effective at least one month after the issue of order holds no merit.

Commission's View:

- 2.32 The Commission has noticed the delay made by JSPL-D in filing the Petition, submission of additional information including segregated accounts for the licensed business and replies to queries raised by the Commission. The Tariff Schedule can only be made applicable from the date in accordance with the CSERC (Details to be furnished by the licensees or generating company etc.) Regulations, 2004.

Reduction on account of Captive Coal Mines:

- 2.33 RIUS claimed that JSPL-D and JPL has been allocated coal blocks for captive use by which they are obtaining coal at very low price in comparison to existing market rates. RIUS objected to the high power purchase cost submitted by JSPL-D since coal is the major input in production of power, the per unit cost of production of power is low for JSPL-D.

JSPL-D's Response:

- 2.34 JSPL-D claimed that it was unable to supply power to its industrial consumers at O.P. Jindal industrial park from its captive power plants and was sourcing power from JPL on short term basis. Further, JPL is a separate juristic entity supplying power to JSPL-D at rates approved by the Commission.

Commission's View:

The issue of captive coal mines and power generation cost at JSPL/JPL plant doesn't fall under the jurisdiction purview of this Commission as per the Electricity Act Hence, the reasonability of the rate of power procurement by JSPL-D from the JSPL / JPL power stations do not fall under the jurisdiction purview of the Commission. As regard to the short-term power procurement by JSPL-D, the Commission has prescribed a maximum ceiling rate. The issue with regard to purchase of power has been dealt in the above objections.

Demand Charges:

- 2.35 RIUS claimed that since no addition in fixed expenses of JSPL-D had occurred coupled with the fact that JSPL-D has no consumer in subsidized category, the hike in demand charges was unjustified. The demand charges claimed by JSPL-D were on par with CSPDCL which is responsible for supplying electricity to subsidized consumers like BPL and agriculture consumers.

JSPL-D's Response:

- 2.36 JSPL-D claimed that JSPL-D was incurring fixed costs in supplying electricity to the industrial consumers in OPJIP and was facing inflationary pressures in fixed costs towards Operations & Maintenance of the distribution network in the licensed area. The increase in demand charges was for recovery of such increase in fixed costs

Commission's View:

- 2.37 The issue of ARR Determination is discussed in detail under this Order. The FY 2012-13 is already over and the JSPL-D has submitted petition for ARR determination for FY 2013-14 and FY 2015-16 and retail Tariff Petition for FY 2013-14 which is under process with the Commission. The Commission would address the issue of demand charges in the retail tariff determination process of the said tariff petition.

Memorandum of Understanding with State Government of Chhattisgarh

- 2.38 RIUS claimed that as per Clause 11 of the MoU dated 23.10.2002 between JSPL and Chhattisgarh state industrial development corporation for establishing the industrial park in Raigarh district JSPL promised contributions towards development and socio-economic growth of Raigarh district, employment to local people and environmental up gradations. RIUS claimed that demand of increase in tariff would lead to closure of several industries hampering the socio-economic growth of Raigarh breaching the Memorandum of Understanding between JSPL-D and State Govt.

JSPL-D's Response:

- 2.39 JSPL-D submitted on the matter related to the Memorandum of Understanding ("MOU") between JSPL and the Chhattisgarh State Industrial Development Corporation ("CSIDC") JSPL has committed to contribute to the development and socio-economic growth of Raigarh District. JSPL-D also submitted that it has been carrying out activities as a part of its corporate social responsibility and has not shied away from the larger cause of the socio-economic development of Raigarh District and development of the peripheral areas of OPJIP in terms of infrastructural needs and environmental upgrade.

Commission's View:

- 2.40 The issue of ARR Determination is discussed in detail under this Order. The FY 2012-13 is already over and the JSPL-D has submitted petition for ARR determination for FY 2013-14 to FY 2015-16 and retail Tariff Petition for FY 2013-14 which is under process with the Commission. The Commission would take the issue of retail tariff for each consumer category in the retail tariff determination process of the said tariff petition.

Issue 8: Non –Compliance of directives issued by Commission in its order dated February 08, 2012

Separation of accounts

- 2.41 RIUS objected that despite the direction given by the Commission in previous tariff order for submission of segregated accounts for licensed distribution business within 3 months of the issuance of the order, JSPL-D had not submitted the segregated accounts for its distribution business.

JSPL-D's Response:

- 2.42 JSPL-D stated that it had submitted the statutory auditor's certificate for segregation of accounts to the Hon'ble Commission on 15.10.2012 along with the basis of preparation of such accounts.

Commission's View:

- 2.43 It is noted that the licensee has provided a copy of the segregated accounts of the distribution business. The Commission based on the examination of the accounts submitted by JSPL-D observed that the accounts have been prepared considering the audited accounts of parent company JSPL. As per the reasons detailed in para 2.8 of this Order, the Commission has not accepted the audited accounts submitted by JSPL-D and has directed the licensee to maintain separate books of accounts for the licensed business for subsequent years.

Load Factor Incentive/ Demand Charges/ Additional Charge for exceeding Contract Demand

- 2.44 RIUS submitted that with regard to provision of payment of load factor incentive to HV-1 category and additional demand charges for exceeding contract demand the Commission was of the view that JSPL-D was supposed to follow all the Terms and Conditions of CSPDCL Tariff Order FY 2009-10 made applicable to it from the date of applicability of CSPDCL Tariff to JSPL-D's Consumers. The Commission had further directed JSPL-D to revisit the bills from the date of applicability of CSPDCL Tariff Order for FY 2009-10 for JSPL-D's consumers by applying the terms and conditions of CSPDCL Tariff Order for FY 2009-10 in respect of Retail Supply Tariff Schedule and adjust such amount, if any, within three months from the date of issuance of the tariff order for JSPL-D.

RIUS claimed that JSPL-D had misinterpreted the directions of Tariff Order and had levied demand charges for any past month for which the previous tariff order dated 8th Feb 2012 was made applicable. The charges are levied on consumers for the hours/day during which power was not supplied to the members and concessions were provided to the members based on mutual agreement for waiver of proportionate demand charges. This was done by JSPL-D to set off any payment which it was under obligation to make to its consumers in the light of the aforementioned direction.

RIUS also claimed that the direction of the Commission was issued with respect to the specific objections made by the RIUS in previous order; it was only issue specific and cannot be interpreted in a manner which puts the consumer in a more damaging position. JSPL-D cannot interpret the direction to impose a retrospective levy and recovery of charges on consumers for benefits which were provided by JSPL at an earlier date. RIUS has requested the Commission to pass an order to refund the amount with respect to this issue which was recovered from the consumers under the supplementary bills raised along with the electricity bills for the month of April 2012.

JSPL-D's Response:

- 2.45 JSPL claimed that JSPL had submitted a detailed response to this matter in the counter petition filed on 18.10.2012

Commission's View:

- 2.46 The Commission notes that the above issue became subject matter of a different petition no 38/2012(D) at later date which has been adjudicated by the Commission separately on 7th May 2012. The Commission has taken a cogent and reasoned view after due deliberation. It is a settled principle that an issue dealt in one petition is, normally, not deliberated in another judicial proceeding. As such, we refrain from offering separate views on the issue.

Consumer Grievances

- 2.47 RIUS claimed that JSPL has breached directions given by the Commission to attend consumer grievances timely.

Member of RIUS also lodged complaint that acknowledgment is not issued in token of receipt of the letter by the Consumer Redressal Forum also.

JSPL-D's Response:

- 2.48 JSPL submitted that its staff as well as management was accessible to the consumers and that JSPL has been prompt in taking remedial actions against the grievances raised by the consumers.

JSPL replied that it has formed a CGRF and copy of the letter dated May 18, 2012 to the Hon'ble Commission notifying the constitution of CGRF has also been placed on the website of JSPL.

JSPL submitted that it acknowledges receipt of complaints by signing the duplicate copy of the complaint. Also, the AGM in –charge of operation at the industrial park ensure that all complaints received by CGRF are addressed promptly. However, JSPL admitted that it had not maintained a formal complaint register and assured the Commission that it should implement this practice and record all complaint by means of physical/ electronics complaint register.

Commission's View

- 2.49 The issue of addressing Consumer grievances doesn't fall under the purview of present tariff determination exercise.
- 2.50 However, The Commission considers it as a serious matter and draws attention to the specific provisions made in the regulation 19 of the CSERC (Redressal of grievances of consumers) Regulations, 2011 which is reproduced here under for ready reference:-

"The office of the Forum /complaint receiving and redressal centre shall issue acknowledgment of the receipt of the grievance/complaint to the person presenting it in

person at the time of presenting the grievance/complaint, or by post if complaint is received by post, indicating the receipt number and date of receipt. An acknowledgement sent by post, shall be sent within two working days."

In view of the above, it is directed that compliance of the regulation shall be ensured without fail.

Load Shedding:

- 2.51 The Commission had directed JSPL-D to ensure that no load shedding is done by JSPL-D without prior permission of the Commission. RIUS submitted that JSPL had failed in ensuring proper redressal of consumer grievances with respect to, load-shedding and had done load shedding without prior permission of the Commission. JSPL cut supply from 19th July 2012 to 31st July 2012 for 12 hours per day. Several mails were written by objector to JSPL for further details w.r.t. load shedding but no reply was given by JSPL.

RIUS demanded refund of proportionate minimum demand charges collected in the month with respect to the unavailable of supply from 19th July 2012 to 31st July 2012 with 18% interest.

JSPL-D's Response:

- 2.52 JSPL stated that JSPL was unable to supply to consumers due to overhauling of a 250 MW unit for 13 days and this was communicated prior hand to the consumers. The period of availability of power was less than the limit stipulated by the Supply Code and therefore, no adjustment was applicable to demand charges and/or other incentives/charges to the consumers.

Commission's View:

- 2.53 As per the directives given by the Commission in the Tariff Order for FY 2011-12, the licensee was directed to ensure that no load shedding was to be done by JSPL-D without prior permission of the Commission. It is observed that the licensee has not taken prior permission for the above mentioned load shedding. JSPL-D is directed to provide the reasons for the non-compliance.

Treatment of energy for street lighting

- 2.54 The Commission had directed JSPL-D to properly account the sales and revenue received on account of street lighting in total energy sales within its area of Distribution Licensee. RIUS claimed that JSPL had included the consumption of electricity by the units, facilities and premises owned by JSPL and situated in the licensed area in addition to the electricity consumed by street lighting.

JSPL-D's Response:

- 2.55 JSPL claimed that the license was awarded for distribution of electricity in OPJIP. Hence, RIUS cannot challenge inclusions of other entities as JSPL's consumers in the licensed area.

Commission's View:

- 2.56 In the Tariff Order for FY 2011-12, the Commission had directed JSPL-D for accounting of sales and revenue received on account of street lighting within the area of Distribution Licensee. It is clarified that the energy consumption by the street lighting are to be recorded separately while any energy consumption by other establishment are to be recorded under respective categories of the tariff schedule.

Treatment of Security Expenses

- 2.57 During the hearing on 8th January 2013 it was contended by the objectors that security charges are being recovered from the industries situated in the OPJIP. However, it is apprehended that expenses incurred on security have been included in the O&M expenses incurred by the distribution licensee.

JSPL-D's Response:

- 2.58 JSPL submitted that the security expenses included in the O&M expenses of the licensed businesses are the only those which are incurred towards the security of the assets of the licensed businesses of the retail supply of electricity in the O.P. Jindal industrial park. JSPL clarified that it was recovering infrastructure maintenance charges (and not security charges) from the industries in the OPJIP on the basis of land area occupied by them for installation of their facilities based on terms and conditions on the mutually agreed at the time of establishment in the OPJIP. These charges are meant towards maintenance of the assets of the non-licensed business and include expenses towards security of such assets. These expenses pertains to non-licenses business of the JSPL and not licenses business.

Commission's View:

- 2.59 The Commission has been constrained for reliable data regarding O&M expenses incurred by JSPL-D on the licensed business due to non-availability of segregated audited accounts for the past years. In the previous Tariff Orders, the Commission has therefore not considered the O&M expense proposed by the licensee and has used its own judgment for approving the O&M expenses.

3. Truing-up of FY 2010-11

- 3.1 JSPL-D submitted in its petition that it has segregated and ring fenced the accounting of transactions pertaining to the licensed distribution business activities by creating a separate cost center in JSPL's books of accounts. All financial and accounting transactions relevant to the licensed electricity distribution business have been recorded separately under the newly created cost center for FY 2011-12. Accordingly, JSPL-D has filed its segregated financial accounts for FY 2011-12 on 15th October 2012.
- 3.2 JSPL-D has not filed any accounts for FY 2010-11. JSPL submitted in its petition that it also sought true up for FY 2010-11 based on the data submitted by it in its last petition. The data was supported by the certificate from the statutory Auditor. However, in previous tariff order dated December 31, 2011, the Commission had not accepted this certificate in absence of actual audited accounts for FY 2010-11.
- 3.3 The Commission also notes that the previous order was issued on 8th February 2012 when whole of financial year 2011 was already over. All the data submitted by JSPL was deemed as actual data hence, all the estimates and approvals for FY 2010-11 were based on the actual figures for that year. JSPL has neither filed any new or revised information nor submitted the audited accounts for the respective year.
- 3.4 As the Commission also observed its opinion in the previous tariff orders that prudence check of expenses of a prior period incurred by a licensee can only be undertaken based on the Audited Accounts of licensed business. In the present case, JSPL-D has neither submitted the audited figures of segregated accounts for its distribution business nor has JSPL resubmitted any additional information or justification of expenses for FY 2010-11. Hence, there is no basis on which final true-up can be done for FY 2010-11. Consequently, the Commission feels there is no justification in JSPL-D's application for final true up for FY 2010-11 in the absence of any new information provided or basis of assets and other expenses shown in the application of FY 2010-11. Therefore, the Commission finds no merit in undertaking final truing-up for the FY 2010-11 in the present tariff order.

4. Provisional Truing-up of FY 2011-12

Delay in Submission of Petition for approval of ARR

- 4.1 The Commission in previous tariff order issued on 8th February 2012 directed JSPL-D to file all subsequent tariff petitions within the stipulated timeframe. JSPL-D filed this tariff petition in July only. JSPL-D has not been able to file its ARR/ tariff petition and during the past years which has consequently caused delay in approval of orders.
- 4.2 The Commission also noted that JSPL-D had not submitted the accounts with the tariff petition. JSPL-D submitted that the audit certificate and certified annual accounts for FY 2011-12 for the licensed distribution business will be submitted with Commission within a month of submitting the petition. However, the annual accounts were submitted by JSPL-D on 15th Oct 2012 i.e. approximately three months from the date of submission of the petition. Delay in processing of this petition is primarily attributed to non-submission of appropriate segregated annual accounts of distribution business within stipulated time limit, submission of incomplete information and repeated requests for extension of time for submissions of replies by petitioner on the objections raised by the Commission.

Rejection of Accounts for FY 2011-12

- 4.3 After many notices and persuasions, JSPL-D submitted its accounts for segregated Distribution business along with Auditor's certificate for the accounts on 15th October 2012. Further, JSPL-D has claimed to submit its auditor's certificate for segregated accounts for FY 2011-12. The Commission has asked JSPL to submit audited segregated accounts in all the queries sent to the JSPL , as produced below-

"As also directed in FY 2011-12 Tariff order, please provide certified audited segregated accounts of distribution and retail business for FY 2010-11 and FY 2011-12"

In reply to the above query JSPL replied for FY 2010-11 as under

"JSPL submits that it had submitted a letter dated July 30th 2011 from the statutory auditor of JSPL certifying assets deployed in the licensed distribution business and the O&M expenses incurred by the JSPL's licensed business in FY 2010-11. JSPL requests the Commission to accept this letter as the certified segregated statement of assets and O&M expenses for FY 2010-11"

For audited segregated accounts for FY 2011-12 JSPL sought several extensions for submission of the accounts and finally submitted segregated accounts for FY 2011-12 along with an auditor's certificate. The auditor's certificate reads as follows:

"Based on our audit of books of accounts of Jindal Steel and Power Limited ("the company") for the year ended 31st March 2012 and according to the information and explanations given to us by the company management, we hereby certify that the information mentioned in Annexures A and B(read with notes thereon) relating to the company's licensed business of distribution and retail supply of electricity (the business unit as mentioned in the notes accompanying the Annexures)

has been extracted from such books of account and other records maintained by the company”
(Emphasis inserted)

- 4.4 A bare reading of the auditor’s certificate clearly indicates that it is a mere extraction certificate for the figures abstracted from JSPL main accounts considering the assumptions provided by the JSPL management. Further, the Auditor has given no opinion regarding accounts representing a true and fair view of the JSPL distribution business. The Auditor has not commented on the appropriateness of the assumptions or adequacy of the information. The certificate mentions primarily the submission of the MIS by the JSPL to the Auditor.
- 4.5 As also stated in the notes to the accounts for fixed assets “Fixed assets are segregated on the basis of their booking in the company’s internal financial reporting system identifiable with the business area fully dedicated to the business unit” Hence fixed assets are identified in segregate business as per the MIS given by the JSPL and auditor has not provided any certification with respect to carrying out any due diligence of the fixed assets for the purpose of appropriateness/adequacy.
- 4.6 The Section 227(2) & (3) of the companies act 1956 , wherein Powers and Duties of the Auditors’ are specified reads as follows:-

“The auditor shall make a report to the members of the company on the accounts examined by him, and on every balance sheet and profit and loss account and on every other document declared by this Act to be part of or annexed to the balance sheet or profit and loss account, which are laid before the company in general meeting during his tenure of office, and the report shall state whether, in his opinion and to the best of his information and according to the explanations given to him, the said accounts give the information required by this Act in the manner so required and give a true and fair view -

(i) in the case of the balance sheet, of the state of the company's affairs as at the end of its financial year and

(ii) in the case of the profit and loss account, of the profit or loss for its financial year.

(3) The auditors' report shall also state -

(a) whether he has obtained all the information and explanations which to the best of his knowledge and belief were necessary for the purposes of his audit ;

(b) whether, in his opinion, proper books of account as required by law have been kept by the company so far as appears from his examination of those books, and proper returns adequate for the purposes of his audit have been received from branches not visited by him“

- 4.7 The Commission issued the CSERC (License) Regulation 2004, in January 2005, The JSPL as a distribution licensee in the state and as contained in its license itself is bound by these Regulations. The Regulation under paragraph 28 (2) provides as follows :-

“(2) The licensee shall, in respect of the licensed business and any other business:

(a) keep such accounting records as would be required to be kept in respect of each such business as if it were carried on by separate companies so that the revenues, costs, assets, liabilities, reserves and provisions of, or reasonably attributable to, the licensed business are

separately identifiable in the books of the licensee, from those of other business in which the licensee may be engaged;

(b) prepare on a consistent basis from such accounting records and provide to the Commission:

(i) in respect of the first six months of each financial year, a half yearly profit and loss account, cash flow statement and balance sheet together with such supporting documents and information as the Commission may prescribe from time to time;

(ii) the annual financial statements; an

(iii) in respect of the financial statements prepared, an auditor's report for each financial year, stating whether these statements give a true and fair view of the revenues, costs, assets, liabilities, reserves and provisions of, are reasonably attributable to, such businesses to which the statements relate" (Emphasis provided)

- 4.8 Based on the examination of the accounts submitted by the JSPL-D, it is evident that the accounts have not been prepared as per the provisions of the Companies Act 1956 or the CSERC (License) Regulations 2004. Also, it is evident from the Auditors certificate that their scope of the work was limited to extraction of the figures from main accounts of the JSPL i.e. parent company based on the assumptions provided by the management of the company. Therefore, the Commission does not consider the accounts submitted by the JSPL-D to be appropriate.
- 4.9 In the current petition, the Petitioner has proposed capital cost of Rs. 32.87 Cr against the distribution system as against the amount of Rs. 22.36 Cr. approved by the Commission in the Tariff Order for previous year i.e. FY 2011-12 after prudence check. Further, the accounts submitted by JSPL-D reflect a similar number. The Commission had undertaken a detailed review of the assets of the JSPL distribution business during the processing of the previous year petitions (i.e. FY 2009-10, FY 2010-11 & FY 2011-12) and had ascertained that the 2 nos. of transformers and supporting infrastructure was adequate for meeting the demand in the distribution area of the petitioner. In absence of appropriate audited accounts and lack of details/ substantiation provided by the petitioner, the Commission finds no reason to differ from the amount of fixed assets approved in the previous tariff order.
- 4.10 Since the Commission is not convinced regarding the appropriateness of the proposed value/ physical capacities of the assets being proposed to be charged to the distribution business, the Commission has decided to continue with the asset base approved in the last Tariff Order for the purpose of provisional true up for FY 2011-12 and for ARR of FY 2012-13.
- 4.11 In view of the above discussions, the Commission has carried out provisional true up for FY 2011-12 based on the actual figures for various parameters submitted by the JSPL and prudence check by the Commission which is detailed in subsequent paragraphs. Final true-up would be undertaken only after the receipt of the audited segregated accounts for the FY 2011-12 as per the Companies Act, 1956 and CSERC (License) Regulations, 2004.
- 4.12 JSPL has proposed Rs. 223.63 crores as the ARR for FY 2011-12.

Table 2: ARR Proposed by JSPL for FY 2011-12

(all fig in Lakhs)

Particulars	FY 2011-12
Purchase of Power	19487.4
Intra-State Transmission Charges	177.00
R&M Expense	64.62
Employee Expenses	425.58
A&G Expense	72.78
Depreciation	98
Interest & Finance Charges	1917.28
Interest on Long Term Loan	182.28
Interest on W.C.	1323.00
Interest on CSD	412.00
Total	22,243
Reasonable return	182
Other Income	62
Annual Revenue Requirement	22363

Energy Sales

4.13 Actual Category-wise energy sales during FY 2011-12 as submitted in the petition by JSPL – Distribution are as provided in the table below:

Table 3: Energy Sales Proposed by JSPL for FY 2011-12

(All fig in MUs)

S. No	Consumer category	FY 2011-12
1	LT non-domestic	0.21
2	LT domestic	0.08
3	LT Street lighting	0.03
	LT Total	0.32
4	33 kV Steel industries	603.64
5	33 kV Other industries	0.93
6	11 kV Steel industries	35.13
7	11 kV Other industries	0.32
8	11 kV Gen. purpose non industrial	1.38
	HT Total	641.40
9	Total	641.72

4.14 JSPL submitted that the increase in sales is due to inclusion of supply on account of street lighting in the licensed area from FY 2011-12 onwards and also inclusion of units/ facilities/ premises owned by other business units of JSPL situated within the licensed area. In the previous years, the same was being adjusted by reduction of power purchase cost attributable to the consumption.

Commission's View

4.15 During the TVS, the Commission asked JSPL to submit actual 5 months sales for different consumer categories for FY 2011-12. JSPL submitted the same in reply to the queries raised during the TVS. Based on the analysis of the actual 5 months consumption data, the Commission approves the actual sales submitted by JSPL for FY 2011-12.

Table 4: Energy sales Approved by the Commission for FY2011-12

(All fig in MUs)

S. No	Consumer category	In previous Tariff Order	Approved Now
1	LT non-domestic	.13	0.21
2	LT domestic		0.08
3	LT Street lighting		0.03
	LT Total	.13	0.32
4	33 kV Steel industries	526.78	603.64
5	33 kV Other industries		0.93
6	11 kV Steel industries	60.19	35.13
7	11 kV Other industries	.91	0.32
8	11 kV Gen. purpose non industrial		1.38
	HT Total	587.88	641.40
9	Total	588.01	641.72

Transmission and Distribution Loss

4.16 Proposed Transmission and Distribution Loss for FY 2011-12 as submitted in the petition is as provided in the table under:

Table 5: Proposed Energy Loss for FY2011-12 as submitted by JSPL

Particulars	FY 2011-12
Energy required at transmission periphery (MUs)	649.58
Intra-state transmission losses (MUs)	0.95
Transmission losses (%)	0.15%
Energy delivered at distribution periphery (MU)	648.63
Energy sold at 33 kV (MUs)	604.57
Energy sent to 11 kV (MUs)	38.05
Losses at 33 kV (MUs)	6.01
Losses at 33 kV (%)	0.93%
Energy sold at 11 kV (MUs)	36.83
Energy sent to LT network (MUs)	0.39
Losses at 11 kV (MUs)	0.83
Losses at 11 kV (%)	2.18%
Energy sold to LT consumers (MUs)	0.32
Energy losses in LT network (MUs)	0.07
Energy losses in LT network (%)	18.44%
Total T&D losses (%)	1.21%

- 4.17 JSPL-D submitted that there is marginal increase of 0.19% in energy loss for FY 2011-12. Further JSPL-D attributed this increase on account of increase in the connected load across the voltage levels. However, JSPL assured the Commission that it is committed to keeping a check on the system losses and would ensure that there is no major change in T&D losses in the future years as the network increases.

Commission's View

- 4.18 In the last tariff order, the Commission had directed JSPL-D to submit detailed meter reading data for the metering done at different voltage levels, the total energy injected in transmission system by agency(s) from which the power is sourced (source-wise), and energy injected at distribution periphery and total energy sold to the consumers. The Commission again instructed JSPL to submit actual meter readings (MRI downloaded data or SCADA extracted readings) for the meters installed at the transmission and distribution periphery and all the meters installed at interface points as on 1st April 2010(00:00 Hrs) , 1st April 2011(00:00Hrs) and 1st April 2012(00:00Hrs). After several directions and persuasions JSPL submitted meter reading of some of the meters in this regard but has failed to submit complete downloaded meter reading data at various voltage levels.
- 4.19 Further, the Commission noticed that calculation of T&D loss done by the Commission is different from that submitted by JSPL-D for FY 2011-12. The Commission raised the discrepancy in a written note sent to JSPL and further in technical validation session held in Commission's office on 7th November 2012. JSPL-D replied that difference in the calculation is due to the rounding off of the figures used in the calculation. The Commission directed JSPL-D to resubmit the actual data. JSPL-D could not submit any actual data separately and in its written reply requested the Commission to produce the calculation done by Commission to evaluate the reason of error.
- 4.20 The Commission instructed JSPL to furnish energy consumption and connected load of all 45 consumers. JSPL furnished the required data in its additional submission. The Commission noticed several discrepancies in the data submitted in petition and formats with the summation of all 45 consumers data submitted subsequently. JSPL-D further submitted revised formats 12B and 13B after correcting the discrepancies and matching energy consumption in formats with summation of 45 consumers.
- 4.21 As per JSPL petition total loss in distribution network has increased to 6.91 MUs in FY 2011-12 as compared to 3.10 MUs in FY 2010-11 that is increase of around 125%. At the same time sales of JSPL had increased to 641.71 MUs in FY 2011-12 from 560.01 MUs in FY 2010-11 i.e. an increase of about 15%. The LT sale of JSPL is merely 0.32 MUs, which means most of the loss is in HT network. The Commission in its previous year had approved 0.47% of distribution losses for FY 2011-12. The Commission finds such an increase in distribution losses in a single year unreasonable.
- 4.22 JSPL-D did not submit actual SCADA extracted meter readings for all the meters at the transmission and distribution boundaries which is necessary for computation of actual T&D losses in the system. Hence, for the purpose of this order, the Commission has

approved the same percentage of distribution losses as approved by the Commission in its previous order.

Table 6: Energy Loss for FY 2011-12 Approved by the Commission

Particulars	In previous Order	Re-calculated as per submission	Approved distribution loss
Energy delivered at distribution periphery (MU)	590.79	648.63	
Energy sold at 33 kV (MUs)	587.88	604.57	
Energy sold at 11 kV (MUs)		36.83	
Energy sold to LT consumers (MUs)	0.13	0.32	
Distribution Losses (MUs)	2.78	6.91	
Distribution Losses (%)	0.47%	1.07%	0.47%

Energy Balance

4.23 Proposed Energy Balance for FY 2010-11 and FY 2011-12 as submitted in the petition is as provided in the table below:

Table 7: Proposed Energy balance for FY 2011-12 as submitted by JSPL-D

Sl. No	Particulars	FY2011-12
1	Energy Sales	
	a) LT Sales	0.32
	b) HT Sales	641.40
	c) EHT Sales	-
	Total Energy Sales	641.72
2	Distribution Loss	6.89
3	Distribution Loss%	1.06%
4	Energy Requirement at Distribution Periphery	648.60
5	Transmission Loss	0.97
6	Transmission Loss%	0.15%
7	Energy Requirement at Transmission Periphery	649.58

Commission's View

4.24 The Commission reiterates that JSPL-D did not submit actual meter readings at the transmission and distribution boundaries which are necessary for computation of actual T&D losses and energy required at different voltage levels in the system.

4.25 The Commission, however, directs JSPL-D to submit detailed actual meter reading data (MRI downloaded data or SCADA extracted readings) for the metering done at different voltage levels, the total energy injected energy injected at distribution periphery and total energy sold to the consumers. JSPL needs to submit this data for the meters installed at the distribution periphery at all the circuits separately for 1st April 2011(00:00Hrs) and 1st April 2012(00:00Hrs)

Power Purchase Cost

4.26 Based on the energy balance for FY 2010-11 and FY 2011-12, JSPL-D has proposed the power purchase quantum as provided in the table below:

Table 8: Proposed Power purchase quantum for FY 2011-12 submitted by JSPL

Particulars	FY 2011-12
Energy sold (MUs)	641.72
Total T&D losses (%)	1.21%
Energy purchased (MUs)	649.58

4.27 JSPL-D submitted that it had filed a petition on April 4, 2011 with the Commission to approve long-term procurement of power through tariff based competitive bidding process under Case 1 bidding framework. In the petition filed by JSPL-D, it has sought approval from the Commission on deviations from the Standard Bidding Documents (RFP and PPA) for carrying out the aforesaid bidding process.

4.28 The Commission in the order dated December 31, 2011 partially disposed-off the petition as far as it related to the approval sought with respect to the deviations from the standard bidding documents and issued certain directives with regards to the bidding process. In the above mentioned order, the Commission had raised certain queries. JSPL-D submitted its response to the queries raised by the Commission vide letter dated March 1, 2012 and is awaiting further communication from the Commission in this regard. The Commission had provisionally permitted JSPL-D to procure power from Jindal Power Limited (JPL) at the power purchase rate of Rs 3 per unit for FY 2011-12 till the finalization of the long term power procurement plan.

4.29 JSPL submitted that it had not been able to source power from renewable sources for FY 2010-11 and FY 2011-12 and had sourced its entire requirement from JPL. JSPL requested the Commission to exempt it from meeting RPO obligations for FY 2010-11 and submitted that it will fulfill its RPO for FY 2011-12 through purchase of Renewable Energy Certificates (REC) in FY 2012-13. Further, JSPL will recover the cost of purchase of these RECs through ARR for FY 2012-13 and therefore is not claiming any expenses towards meeting the RPO for FY 2011-12 in the true up of ARR for FY 2011-12.

Table 9: Proposed Power purchase cost for FY 2011-12 submitted by JSPL

Particulars	Energy (MUs)	Rate (Rs/Unit)	Cost (Rs Crs)
Total Power Purchase (MUs)	649.58	3.00	194.87
Power From RE Sources			
Solar			
Biomass			
Other RE			
Power Purchase from conventional sources	649.58	3.00	194.87

Commission's View

- 4.30 The Commission had provisionally permitted the ceiling rate of Rs 3 per unit at which JSPL-D can procure power for FY 2011-12 till the finalization of the long term power procurement plan. The commission has approved the power purchase cost from conventional sources at the same rate on the power purchase units approved by the commission to be purchased from conventional sources, as detailed in the table no 10 below.
- 4.31 In the last tariff order, the Commission had approved power purchase cost of Rs 181.38 Crores for FY 2011-12 considering the obligation of purchase of renewable power. The Commission noted that JSPL-D has not honored its renewable power purchase obligation in the year and requested the Commission to allow it to carry forward the same.
- 4.32 The Commission is of the opinion that JSPL-D was obligated to purchase power from renewable energy sources as per the CSERC (Renewable Purchase Obligation and REC Framework Implementation) Regulations, 2011. The said regulations specify the minimum quantum of energy that a distribution utility must buy from renewable sources as shown in the Table below:

Year	Solar	Biomass	Other RE	Total
2011-12	0.25%	3.75%	1.25%	5.25%

- 4.33 The Commission noted that JSPL-D has not fulfilled its obligation for purchase of renewable energy. Commission does not absolve JSPL-D for not honoring its commitment towards renewable power purchase obligation and would deal with the issue separately in accordance with the RPO regulations and proceedings toward RPO compliance for FY 2011-12.
- 4.34 Regulation 9.1 of the CSERC (Renewable Purchase Obligation and REC framework Implementation) Regulations, 2011 empowers the Commission to allow a licensee to carry forward its RPO to the next year in the case of genuine difficulty in complying with the renewable purchase obligation because of non-availability of power from renewable energy sources or the RECs. During the Technical Validation Session, the Commission clarified regarding purchase of REC for FY 2011-12 or FY 2012-13. In response JSPL submitted that it is yet to purchase REC certificates in lieu of RPO. Therefore, the Commission has computed the power purchase cost for FY 2011-12 considering source-wise RPO. However, if JSPL-D buys any REC and submits it along with the next petition, the same would be considered in next order. The Commission has considered the same rates for various renewable energy sources as considered in MYT tariff order dated March 31st 2011 for state utility CSPDCL. The Commission has considered the 3 Rs/unit rate for purchase of power from conventional sources/JPL in continuance with the past practice.

Disallowance of power purchase cost on account of losses

- 4.35 As explained by the Commission earlier JSPL-D has exceeded the target loss level approved by the Commission in previous tariff order. Commission does not wish to burden the consumers with the inefficiencies of JSPL-D and has therefore decided to approved the distribution loss at the level allowed by it in the previous tariff order i.e. .47%.
- 4.36 The Commission has also decided to disallow the power purchase cost corresponding to the additional energy procured by JSPL-D due to its inability to meet the distribution loss target set by the Commission for FY 2011-12 in order to reduce the burden on the consumer.
- 4.37 Accordingly, considering the average power purchase cost of Rs 3.05 per unit the Commission has disallowed power purchase cost corresponding to 3.86 MUs. The power purchase cost approved by the Commission in previous tariff order and in this order are tabulated below

Table 10: Disallowance of Power Purchase cost for FY 2011-12

Particulars	Energy (MUs)	Rate (Rs/Unit)	Cost (Rs Lakhs)
Power Purchase from conventional sources	615.48	3.00	18464.25
Power From RE Sources			
Solar	1.62	3.49	56.68
Biomass	24.36	4.00	974.37
Other RE	8.12	4.17	338.59
Total Power Purchase Cost	649.58	3.05	19833.89
Power purchase as per 0.47% Losses	645.72		
Power purchase cost disallowed			117.90 Lakhs
Net Power purchase cost approved			Rs 19715.98 Lakhs

Table 11: Power purchase cost for FY 2011-12 Approved by the Commission

Particulars	In Previous Order		Approved Now	
	Energy (MUs)	Cost (Rs Lakhs)	Energy (MUs)	Cost (Rs Lakhs)
Power Purchase from conventional sources	562.87	16885.95	615.48	18464.25
Power From RE Sources	31.19	1252.56	34.10	1369.64
Total Power Purchase Cost	594.05	18138.52	649.58	19715.98*

* After disallowance of Rs 117.90 Lakhs

Operation and Maintenance Expenses

- 4.38 JSPL-D had submitted a certificate from the statutory auditors with regards to the O&M expenses incurred during the FY 2010-11. JSPL-D had also requested the Commission to consider the same O&M expenses for truing up of ARR for FY 2010-11 as submitted by it in its previous petition. JSPL-D also claimed that it had prepared the segregated accounts for FY 2011-12. Therefore, it had considered actual O&M expenses incurred during the year in the ARR.

R&M and A&G Expenses

- 4.39 JSPL-D has submitted revised R&M and A&G expenses as available from the segregated accounts for the licensed business at the end of the Financial Year. JSPL-D requested the Commission to allow actual R&M expenses for FY 2011-12 as it is less than the amount allowed by the Commission in previous tariff order.
- 4.40 Similarly, JSPL-D has submitted revised A&G expenses for FY 2011-12 to actual numbers as available from the segregated accounts for the licensed distribution and retail supply business at the end of the Financial Year.

Employee Expenses

- 4.41 JSPL followed the methodology of hourly work segregation of employees deployed for business operations across the various segments. JSPL-D submitted that at present, there are 41 full-time employees who are deployed dedicatedly for the distribution business and 98 part-time other employees like officers, engineers, accountants and other staff working under the cost centers such as finance & accounts, HR, head office etc., who are supporting the licensed distribution business as the administration and management for the licensed and non-licensed business segments remains the same. JSPL-D has computed the proposed employee expenses on the basis of percentage of time spent by these employees on distribution business for FY 2011-12.

Table 12: Proposed O&M Expenses for FY 2010-11 and FY 2011-12 submitted by JSPL

(All Fig in Rs Crs)

Particulars	FY 2011-12
R&M expenses	0.65
A&G expenses	0.73
Establishment expenses	4.26
O&M expenses	5.63

Commission's View

- 4.42 The Operation and Maintenance Expenses (O&M expenses) of a Licensee covers employee expenses, repair and maintenance (R&M) expenses and administrative and general (A&G). Employee expenses include the wages, pension & terminal benefits and other remunerations apart from salaries and allowances paid to the workforce. Repair and Maintenance expenses (R&M expenses) include all expenditure incurred on the maintenance and upkeep of assets. Administration and General Expenses (A&G expenses) include all expenditure incurred in operating a business such as rent, conveyance, telephone charges, etc.
- 4.43 In previous tariff order, regarding employee expenses and R&M expenses in FY 2010-11 and FY 2011-12, the Commission had considered an escalation factor of 5.72% per annum by taking employee expenses and R&M expenses considered for FY 2009-10 as the base which is the norm for increasing O&M Expense considered by the CERC and CSERC based on increase in inflation indices.

- 4.44 The Commission applied an escalation factor of 5.05% with regard to A&G expenses for computing the A&G expenses for FY 2011-12 as submitted by JSPL.
- 4.45 The Commission is of the view that R&M expenses approved in the last tariff order were based on percentage of fixed assets. However, the actual R&M expense for FY 2011-12 is lower than the approved R&M expense. The reduction in the R&M expenses may also have resulted from the segregation of accounts which has been done for FY 2011-12. However, the same would have become clear only if JSPL-D had got the account segregation conducted for the previous year as well.
- 4.46 In response to the justification for 17% increase in A&G expenses in FY 2011-12 from FY 2010-11, JSPL-D has replied that considering an average inflation rate of 8.79% for FY 2011-12 (based on y-o-y change in WPI) JSPL-D's real increase in A&G expenses is only 8.39%. JSPL-D claimed that this is a very nominal increase and is primarily on account of professional fees payable for various activities related to the licensed distribution business such as certification of segregated expenses and bid process for purchase of power through competitive bidding for the licensed distribution business etc. The Commission is of the view that the proposed increase of 17% even if adjusted for inflation is very high and cannot be approved unless there is an underlying reason demonstrating increase in the volume of business/ networks.
- 4.47 The Commission therefore does not approve the proposed expenses submitted by JSPL for FY 2011-12. The Commission has computed O&M Expenses as mentioned in CSERC Regulations 2006 whereas O&M expenses shall be escalated on the basis of predetermined indices such as consumer price index, wholesale price index and other cost drivers.
- 4.48 For arriving at base level of expenses for FY 2010-11 the Commission has escalated the O&M expenses approved by it for FY 2009-10 by the inflation rate of the year. The average increase in Wholesale Price Index (WPI) during FY 2010-11 was 9.45 %, while the average increase in Consumer Price Index (CPI) during the year was 10.54 %. The weighted average inflation rate considering increase in Wholesale Price Index (WPI) and Consumer Price Index (CPI) in the ratio 80:20 in FY 2010-11 is equal to 9.67 %. Hence, Commission escalated the O&M expenses approved for FY 2009-10 by 9.67% to reach the base level of O&M expenses for FY 2010-11.
- 4.49 The average increase in WPI during FY 2011-12 was 8.87 %, while the average increase in CPI during the year was 8.38%. The weighted average inflation rate considering increase in Wholesale Price Index (WPI) and Consumer Price Index (CPI) in the ratio 80:20 in FY 2011-12 is equal to 8.77%. Accordingly, the Commission escalated the base O&M expenses of FY 2010-11 computed in above mentioned point by 8.77% to compute the expenses for FY 2011-12.
- 4.50 The Commission, therefore, approves the O&M expenses collectively for all the three heads of O&M expenses as per methodology specified in CSERC 2006 regulations.

Table 13: O&M Expenses for FY 2011-12 approved by Commission

(All Fig in Rs Lakhs)

Particulars	In Previous Tariff Order	Approved Now
O&M expenses	501.63	538.43

Capital Expenditure and Capitalization

Fixed Assets

- 4.51 JSPL-D claimed that it has now segregated its accounts for distribution business and based on that fixed assets of Rs 32.87 Cr which has been submitted in its petition be consideration for approval of ARR for FY 2011-12.
- 4.52 However, JSPL-D has continued to submit the fixed assets at Rs 45.59 Cr for FY 2010-11 as submitted by it in previous tariff petition. JSPL-D also submitted that it has not capitalized any asset during FY 2010-11.

Table 14: Proposed Gross Fixed assets submitted by JSPL for FY 2011-12

(All fig in Rs Crs)

Particulars	FY 2011-12
Land – leasehold	0.32
Control room	0.87
Office building	0.22
Roads and drains	2.51
Staff residential quarters	0.31
Sub Station	4.73
Distribution Lines	1.94
Power Transformers	14.02
Switch Yard	5.34
Office Equipment	0.02
Air conditioning plants	0.08
Furniture & Fixtures	0.03
Vehicles	0.0047
Total GFA	32.87

Commission's View

- 4.53 The Commission notes that JSPL –D has proposed Rs. 32.87 Cr as Gross Fixed Assets (GFA) for FY 2011-12 and Rs. 45.59 Cr as GFA for FY 2010-11 , which shows a reduction of Rs. 12.72 Cr in the GFA during FY 2011-12. While at the same time JSPL has claimed that it has neither added nor deleted any assets from its distribution system since FY 2010-11. During the TVS, the Commission raised the query about these contradictory statements and validity of auditor's certificate in this regard. JSPL replied that it would make a resubmission in this regard.

4.54 Thereafter, JSPL-D made additional submission on in which it stated that it has now adjusted the GFA in line with the observations of the Commission and submitted change in GFA as shown in the table below:

Table 15: Additional submission made by JSPL

Particulars	Value(Rs Lakhs)
Closing Balance for FY 2010-11	4558.83
Less: Transformer 3(220/33 kV)	(613.72)
Less: Substation	(660.28)
Add: Staff Quarters	2.59
Closing balance for GFA for FY 2011-12	3287.41

4.55 JSPL-D has not submitted audited segregated accounts for FY 2010-11. In the absence of any additional information submitted by JSPL-D for substantiating its claims toward fixed assets for FY 2010-11, the Commission finds no reason for deviating from fixed assets approved by it in its previous tariff order.

4.56 However, JSPL-D has submitted the segregated accounts for FY 2011-12 for its distribution business. As pointed earlier that Commission rejects these accounts as these accounts seems to be just an extraction from mail JSPL accounts. The Note 2 concerning Fixed assets in the notes to the accounts supplied by the JSPL reads as under:-

“Fixed assets are segregated on the basis of their booking in the company’s internal financial reporting system identifiable with the business area fully dedicated to the business unit.”

4.57 The Commission notes that it is clear from reading that fixed assets are reported based on internal company MIS & assumptions and auditor has not reviewed those assumptions and MIS from the point of view of fairness, appropriateness and adequacy. The assets are reported as provided to the auditors by the company management. Moreover, The Commission is of the opinion that the segregation carried out from the accounts of JSPL parent company into JSPL-D is from financial perspective only and based on the information verified by the financial auditors in this regard only. The letter of representation or the letter of engagement with the auditors in respect of the auditors’ certificate talks about the role and responsibility of the auditors. Auditors usually finalize the accounts based on the information provided by the management representation on the matter whereas adequacy and propriety of the assets are based on the management prerogative and the auditors do not verify the propriety of the assets allocation between different business segments or the adequacy of such assets. Thus Commission feels that the adequacy or the appropriateness of the assets in terms of their capacity adequacy from the technical perspective for its licensed distribution business has been ignored in the audit process.

4.58 In the Tariff Order for FY 2011-12, the Commission had approved the gross fixed assets of Rs. 22.36 Cr after prudence check. In that Order, the Commission had undertaken a

detailed review of the assets of the JSPL distribution business and had ascertained that the 2 nos. of transformers and supporting infrastructure was adequate for meeting the demand in the distribution area of the petitioner. In absence of appropriate audited accounts for FY 2011-12 and lack of details/ substantiation provided by the petitioner, the Commission finds no reason to differ from the amount of fixed assets approved in the previous tariff order.

- 4.59 For the purpose of true up of determination of ARR for FY 2011-12 the Commissions approved the fixed assets of Rs 2235.83 Lakhs for FY 2011-12.

Table 16: Gross Fixed assets Approved by the Commission for FY 2011-12

(All Fig in Rs lakhs)

Particulars	In previous order	Approved Now
Gross Fixed assets	2235.83	2235.83

Depreciation

- 4.60 JSPL-D has proposed the depreciation on the fixed assets base of Rs 32.87 Cr for FY 2011-12. JSPL-D has claimed to have computed depreciation for FY 2010-11 and FY 2011-12 based on the depreciation rates given under the CSERC (Terms and Conditions of determination of Tariff) Regulations, 2006. The Commission had directed JSPL-D, vide its tariff order dated February 8, 2012, to reduce the fixed assets by the amount of the consumer contribution while calculating depreciation. JSPL-D, thereafter, deducted the amount of consumer contribution from the fixed assets for the purpose of calculation of depreciation for FY 2011-12.

- 4.61 Depreciation claimed in the petition by JSPL-D for FY 2011-12 is as under

Table 17: Proposed Depreciation submitted by JSPL for FY 2011-12

(all fig in Cr)

Particulars	FY 2011-12
Opening GFA	32.87
Consumer contribution	5.15
Depreciation on existing assets during FY	1.17
Addition to GFA	-
Depreciation on new assets added during FY	-
Total depreciation	1.17
Less: Depreciation on account of consumer contribution	0.18
Net depreciation	0.98
Accumulated depreciation – Opening	7.11
Adjustment on account of asset adjustments	(2.27)
Accumulated depreciation – Closing	5.83

Commission's View

- 4.62 The Commission has calculated the depreciation on the fixed asset base approved in the previous section.

- 4.63 The Commission notes that JSPL-D had calculated the depreciation for FY 2010-11 and 2011-12 based on the deprecation rates specified in CERC (Terms and Conditions of Tariff) Regulations, 2009 and CSERC MYT regulations 2010. During the TVS, the Commission had asked JSPL-D regarding the discrepancies due to different depreciation schedule considered for FY 2010-11 and FY 2011-12 as the ARR petition for FY 2010-11 and FY 2011-12 is filed under CSERC (Terms & Conditions for determination of Tariff) Regulations, 2006 (CSERC 2006 Regulations). In its reply JSPL-D has stated that it has considered CSERC MYT regulations 2010 for calculating depreciation.
- 4.64 The Commission clarifies that the CSERC (Terms and Conditions of determination of Tariff according to Multi-Year Tariff Principles) Regulations, 2010 have been framed for the purpose of determination of ARR based on Multi-Year Tariff Principles. However, these Regulations do not supersede the CSERC (Terms and Conditions of determination of Tariff) Regulations, 2006 which continues to remain in force for the purpose of filing of single year ARR and Tariff petition by the applicants. Since JSPL's current petition is for a single year, CSERC Regulation, 2006 will be applicable for determination of ARR and Tariff for JSPL distribution business.
- 4.65 For FY 2011-12, the Commission has recalculated the depreciation as per the rates prescribed under CSERC Tariff Regulations, 2006 which states that the Commission shall be guided by CERC Tariff Regulations, 2004. Depreciation approved by the Commission for FY 2011-12 is as provided in the table below:

Table 18: Depreciation Approved by the Commission for FY 2011-12

(all fig in Rs lakhs)

Particulars	In previous Order	Approved Now
Opening GFA	2235.83	2235.83
Consumer contribution	514.50	514.50
Depreciation on existing assets during FY	77.44	75.16
Addition to GFA	-	-
Depreciation on new assets added during FY	-	-
Total depreciation	77.44	75.16
Average Depreciation Rate	3.46%	3.36%
Less: Depreciation on account of consumer contribution	17.82	17.30
Net depreciation	59.62	57.86

Interest on loan

Interest on normative loans

- 4.66 JSPL-D has claimed to have an outstanding loan of Rs. 6.56 Crore at the beginning of FY 2010-11 which JSPL-D has repaid during the Financial Year. JSPL-D has paid an interest of Rs. 0.04 Crores on this outstanding balance during FY 2010-11. JSPL-D does not have any outstanding balance of loan from commercial banks in FY 2011-12.
- 4.67 JSPL-D submitted that it had not raised any share capital for the licensed distribution and retail supply business. A part of the total fixed assets for the licensed distribution and

retail supply business was funded by the term loan (fully repaid in FY 2010-11) and the remaining funds invested in the fixed assets of distribution & retail supply business have been funded by JSPLs other business segments. JSPL-D submitted that for the purpose of determination of ARR, the interest on such funds (funded by other business segment) has been computed on the balance of net fixed assets after deducting the 30% of gross fixed assets (considered as equity for the purpose) and consumer contribution. JSPL-D has proposed interest on normative loan at the rate of 11.5%, the rate at which JSPL-D is claimed to have procured long term loans from banks and financial institutions.

Table 19: Proposed Interest on normative loan for FY 2011-12 submitted by JSPL

(all fig in Rs. Crs)

Particulars	FY 2011-12
Opening balance of GFA	32.87
Consumer contribution	5.15
Opening GFA net of consumer contribution	27.73
Accumulated depreciation till previous FY	7.11
Adjustment to accumulated depreciation on account of adjustment in assets	(2.27)
Loans from commercial banks	-
Opening balance of normative loan	13.02
Depreciation for FY	0.98
Addition on account of repayment of loans from commercial banks	-
Closing balance of normative loan	12.04
Average Normative loan	15.85
Interest rate on normative loan	11.5%
Interest on normative loan	1.82

4.68 The Commission notes that JSPL-D has made inadvertent errors in the calculation of average normative loan for FY 2011-12 and calculation of interest for FY 2010-11. The Commission drew JSPL-D's attention toward this error during TVS, JSPL has made fresh submission in its reply and resubmitted format F10 for calculation of loans for approval of the Commission. The proposed interest for FY 2010-11 and FY 2011-12 are as provided in the table below:

Table 20: Proposed Additional Submission made by JSPL

(all fig in Crs)

Particulars	FY 2010-11	FY 2011-12
Average Normative loan	17.08	12.53
Interest rate on normative loan	11.5%	11.5%
Interest on normative loan	1.96	1.44

Commission's View

- 4.69 The Commission found various financial fallacies in the approach adopted for calculation of normative loans and interest rate applied on the calculated normative loans.
- 4.70 Commission had approved the Opening balance of loan of Rs 1520.73 lakhs on 1st April 2008 as identified by the JSPL as directly attributable to its distribution business assets. The depreciation as approved by the Commission for respective years was reduced as

repayment of loans during the years to deduce the opening balance of loan for previous years. In the tariff petition JSPL submitted that it had repaid the ICICI loan mentioned above, directly attributable to distribution business assets creation. Now JSPL has considered deemed normative loan after subtracting 30% equity portion from capital assets. In this way JSPL-D has considered Debt and Equity ratio of 70 : 30 for creation of capital assets.

4.71 JSPL-D in reply to the query of the Commission during previous tariff petition proceedings replied that it had identified a single loan (foreign currency loan) from ICICI bank equivalent to Rs 1501.28 Lakhs, sanctioned during 2004-05 as directly attributable to the distribution and retail supply business. JSPL further submitted that an amount of 656.02 Lakhs of the aforesaid mentioned loan was outstanding on March 31 2010 and was repaid completely during FY 2010-11. This amount was repaid through funds sourced from other business segments (non-licensed) of JSPL. Commission clarifies that JSPL were asked for the documentary proof of retiring the Loans. JSPL-D had also not submitted cash flow statement for FY 2010-11 or FY 2011-12 for substantiating the claim of repayment of the entire loan amount. The officials of JSPL-D informed the Commission that there is no actual segregation of JSPL-D from JSPL and the segregated accounts of JSPL-D are prepared just for regulatory accounting. Hence, physically there were no loans which were taken by JSPL-D and no loans are paid back in actual. Hence the Commission negates the Debt , equity ratio of 70:30 assumed by the JSPL-D on the following grounds

- a) There were no proofs submitted by JSPL as to substantiate the claim of repayment of above mentioned loan and cash flow from parent company to repay the loan
- b) Even if loan is considered to be repaid, the JSPL has practically refinanced the ICICI loan mentioned above from its parent company infusing part equity (to make equity portion 30% from earlier claimed 7%) and part loan. CSERC Tariff Regulations 2006 under paragraph 13.6 and 13.7 clearly mentions that

“Swapping of equity and loans shall be permitted, provided it does not affect the tariff adversely”

“Restructuring of capital cost, in terms of relative share of equity and loan, shall be permitted provided it does not affect the tariff adversely”

JSPL-D could repay the loan by increasing equity or by refinancing the existing loans only in case it reduces the overall cost of the financing. In the present case JSPL-D has figuratively re-paid the existing loans by infusing equity into the project which has in turn increased the financing cost of the project hence the refinancing which exchanges cheaper loan into expensive equity cannot be allowed. Hence the debt and equity ratio as approved by the Commission for previous years would be taken as debt equity ratio for the control period as well.

4.72 The Commission noted that during previous order according to the repayment schedule of actual loan, depreciation was not enough to source the repayment of the actual loan mentioned by JSPL in previous paragraph. Hence, the Commission had considered the

funds from other business segment during FY 2009-10 to FY 2011-12 equal to the difference between the amount of repayment and depreciation during FY 2009-10 to FY 2011-12. As explained above Commission approved the normative loan based on the opening loan as on 1st April 2012 and repayment is considered as depreciation allowed for each year.

Table 21: Loan for FY 2011-12 approved by the Commission

(all Fig in Rs Lakhs)	
Particulars	FY 2011-12
Opening Balance of Loan	1341.87
Depreciation During the year	57.86
Closing Balance of Loan	1284.01

- 4.73 JSPL-D has proposed interest on normative loan at the rate of 11.5%, the rate at which JSPL-D is claimed to have procured long term loans from banks and financial institutions. Commission asked JSPL-D to furnish actual interest paid on the loans used for the distribution project. JSPL-D didn't submit information for actual interest paid on the loans regarding the present project. In one of the submission JSPL-D submitted that interest rate petitioned is justified on the basis of interest rate offered by PFC and REC to the AAA credit rating companies. The Commission wants to mention here that the interest rates at which financial closure of projects are achieved depends upon negotiations between the firm procuring loans and the financial institutions and the project risk and hence project rating instead of company rating. Project ratings could be higher and lower than the company ratings.
- 4.74 Again, as mentioned above, replacing the ICICI loan which was directly attributable to distribution business with loan procured from parent company is refinancing of loans and as per CSERC regulation 2006 the refinancing by the way of loan swapping should be undertaken only if it is beneficial to the consumers. Such refinancing undertaken by the JSPL-D, which replaces the loan with lower interest rate (ICICI loan with approx. 4% interest rate) with higher interest rate (Deemed loan from parent company with 11.5%) cannot be allowed as per the provisions of the CSERC Tariff Regulations, 2006.
- 4.75 Hence for the purpose of the provisional true-up of interest expense for FY 2011-12, the Commission approves an interest rate of 11% for the loan balance similar to that approved in the previous year Tariff Order i.e. FY 2011-12.

Table 22: Interest on loan approved by the Commission for FY 2011-12

(All Fig in Rs Lakhs)		
Particulars	Approved in Previous Order	Approved Now
Average Balance of Normative Loan		1312.94
Interest Rate on Loan		11%
Interest on normative loans approved by the Commission	134.49	144.42

Interest on Consumer Security Deposit

4.76 The Commission had directed JSPL-D to pay interest on consumer deposit to its consumers with effect from November 29, 2005 which is the date of issuance of license to JSPL. In compliance to the direction of the Commission, JSPL-D paid the interest payable to consumers with effect from November 29, 2005 to March 31, 2010 and from April 1, 2011 to March 31, 2012 in FY 2011-12 amounting Rs 4.12 Crs in FY 2011-12.

Table 23: Interest on consumer security deposit submitted by JSPL

(All fig in Rs Crs)

Particulars	FY 2011-12
Interest on security deposit	4.12

Commission's View

4.77 In response to the one of the queries of the Commission, JSPL-D has submitted the details of consumer-wise Security Deposit received during FY 2011-12. The Commission observes that the details submitted by JSPL-D for the Consumer Security Deposit was matching with that submitted in additional submission. Therefore the Commission approves the Interest on CSD for FY 2011-12 as submitted by JSPL-D in its submission.

Table 24: Approved Interest on consumer security deposit

(all Fig in Rs Lakhs)

Particulars	In Previous Order	Approved Now
Interest on security deposit	138.69	411.83

Interest on Working Capital

4.78 JSPL-D has submitted in its petition that the tariff allowed for FY 2010-11 and FY 2011-12 was not sufficient to recover the cost of supply for the licensed distribution and retail supply business of electricity. JSPL-D had to fund financial losses through working capital loans and has requested the Hon'ble Commission to allow interest expenses on such working capital loans for FY 2011-12.

4.79 JSPL-D also claimed that it is not claiming the losses accrued due to short recovery of cost of supply. The losses have been absorbed into the other business segments of JSPL.

4.80 JSPL-D has proposed interest on the deficit funding made by the other segments (non-licensed) of JSPL at the rate of average SBI PLR of 14.40% for FY 2011-12

Table 25: Proposed Interest on working capital submitted by JSPL

(All Fig in Rs Crs)

Particulars	FY 2011-12
Opening balance of Working capital loans (from non-licensed businesses)	71.15
Closing balance of Working capital loans (from non-licensed businesses)	112.63
Average balance of Working capital loans (from non-licensed businesses)	91.89
Interest rate	14.4%

Interest on working capital	13.23
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Commission's View

- 4.81 As already elaborated that this Petition by JSPL-D is disposed-off in accordance with CSERC Tariff Regulations, 2006 which states that the Commission shall be guided by CERC Tariff Regulations, 2004 while determining Tariff. Accordingly, the Commission has calculated Working Capital in accordance with the norms specified in CERC Tariff Regulations, 2004
- 4.82 For the purpose of calculation of Working Capital, the Commission has considered the following:
- 1/12 of O & M expenses considered by the Commission for FY2011-12
 - Receivables equivalent to 2 months average billing (For this purpose the Commission has considered 2 months of Revenue considered in this Order)
 - Maintenance spares by calculating 1% of Opening GFA for the year
- 4.83 Further as per CERC Tariff Regulations 2004 the rate of interest to be considered should be as per the stated provision "Rate of interest on working capital shall be on normative basis and shall be equal to the short-term Prime Lending Rate of State Bank of India as on 1.4.2004 or on 1st April of the year in which the project or part thereof (as the case may be) is declared under commercial operation, whichever is later. The interest on working capital shall be payable on normative basis notwithstanding that the Distribution licensee has not taken working capital loan from any outside agency."
- 4.84 In the tariff order for FY 2011-12 for JSPL-D, the Commission had made an inadvertent error and had considered the SBI PLR as on 1st April 2011. However, it is clear from the applicable CERC Regulations that the SBI PLR as on 1st April 2004 has to be considered for distribution project. Therefore, for the purpose of provisional true-up of FY 2011-12, the Commission has considered an interest rate of 10.25% for FY 2011-12 in accordance with the CSERC Tariff Regulations 2006, which specifies that CERC Regulations, 2004 in this regard would be applicable

Table 26: Approved Interest on working capital

Particulars	(all Fig in Rs Lakhs)	
	In previous Order	Approved Now
O & M Expenses for one month	41.80	44.87
Maintenance spares for 2 months based on 1% of Opening GFA	3.73	3.73
Receivables-2 Months	3259.34	3076.23
Total Working Capital Required	3304.87	3124.83
Interest rate	11.75%	10.25%
Interest on working capital	388.32	320.29

Return on Equity

- 4.85 JSPL-D has submitted that it has not undertaken segregation of the equity share capital for the licensed distribution and retail supply business. Rather than segregating the existing equity share capital in the ratio of fixed assets, complying with the provisions under regulation 12 (1) of the CSERC 2006 Regulations, JSPL has considered an amount equivalent to 30% of the gross fixed assets as the share capital for the purpose of charging return on equity in the ARR.
- 4.86 JSPL has considered reasonable return on normative equity at a pre-tax rate of 15.5% as allowed in CERC (Terms and Conditions of Tariff) Regulations, 2009. It further claimed that as JSPL's licensed distribution and retail supply business of electricity is incurring financial losses in FY 2011-12, it is not liable to pay any income tax for the licensed distribution and retail supply business of electricity. Therefore, JSPL has not grossed up the rate of reasonable return while calculating the RoE for FY 2011-12.

Table 27: Proposed Return on equity submitted by JSPL for FY 2010-11 and FY 2011-12

(All fig in Rs Crs)

Particulars	FY 2011-12
Opening GFA	45.59
Opening equity qualified for RoE calculations	13.68
Closing GFA	32.87
Closing equity qualified for RoE calculations	9.86
Average equity for the FY	11.77
Rate of return on equity	15.5%
Return on equity	1.82

Commission's View

- 4.87 The petition by JSPL for FY 2011-12 is filed under CSERC (terms and conditions for determination of tariff) regulations 2006 which is guided by CERC (terms and conditions of tariff) regulations 2004. CSERC (terms and conditions for determination of tariff) regulations 2006 allows a licensee to recover reasonable return as specified in CERC (terms and conditions of tariff) regulations 2004.
- 4.88 In previous tariff order the Commission considered actual loan of Rs 1520.73 Lakhs as loan component and rest Rs 200.60 Lakhs as opening equity base qualified for RoE calculations. JSPL-D has submitted that it has paid-off the debt in FY 2010-11. JSPL-D has taken opening equity base as 30% of gross fixed assets without removing assets created out of consumer contribution from equity base. In one of the queries raised by the Commission, JSPL-D has replied that it has taken into account consumer contribution while calculating the normative debt and has therefore not adjusted it in RoE calculation to avoid double counting the effect of consumer contributions. Commission notes that the RoE claimed by any licensee is return on equity on the assets created by its infused equity and has therefore reduced the Gross fixed assets by the consumer contribution.

4.89 The Commission had considered equity share of Rs 200.60 Lakhs after reducing loan portion from the assets financed from loan and equity for FY 2008-09. The Commission has considered the same equity as approved by it in previous tariff order.

4.90 CSERC Regulations 2006 states that the Commission shall be guided by CERC Tariff Regulations, 2004 while determining Tariff. The Commission has therefore considered a rate of 14% as specified in CERC regulations 2004 to allow reasonable return on equity.

Table 28: Return on Equity Approved by the Commission for FY 2011-12

(all Fig in Rs Lakhs)

Particulars	In previous Order	Approved Now
Opening GFA	2,235.83	2,235.83
Less: Consumer contribution	514.5	514.5
Net opening GFA	1,721.33	1,721.33
Opening equity qualified for RoE calculations (30%*3)	200.6	200.6
Closing GFA	2,235.83	2,235.83
Less: Consumer contribution	514.5	514.5
Net closing GFA	1,721.33	1,721.33
Closing equity qualified for RoE calculations (30%*7)	200.6	200.6
Average equity for the FY	200.6	200.6
Rate of return on equity	14.00%	14.00%
Return on equity	28.08	28.08

Transmission Charges

4.91 JSPL-D supplied power to the licensed distribution and retail supply business through the licensed transmission lines (23.7 km line from JSPL to Punjipathra and 19.5 km line from JPL to Punjipathra). JSPL-D has considered the transmission charges for FY 2010-11 and FY 2011-12 based on the ARR allowed by the Commission to the licensed transmission business in the Order dated December 30, 2011.

4.92 JSPL-T, the licensed transmission business of JSPL has filed a review petition on the previous order issued by the Commission. The Commission has admitted the petition vide letter no. 253 dated May 31, 2012. JSPL-D has requested the Commission to revise the transmission charges based on the outcome of the petition.

Table 29: Transmission charges for FY 2011-12 submitted by JSPL

(all fig in Rs Crs)

Particulars	FY 2011-12
Transmission Charges	1.77

Commission's View

4.93 Based on the energy transmitted by JSPL through its transmission lines and ARR approved by the Commission for FY 2011-12 for JSPL-T , the Commission approves the transmission charges as given below :-

Table 30: Transmission charges Approved by the Commission for FY 2011-12

(All fig in Rs Lakhs)

Particulars	In previous Order	Approved Now
Transmission Charges	177.46	186.47

Non-Tariff Income

4.94 JSPL-D has submitted that it is currently charging monthly meter rent at the rate of 1.5% of the actual installation cost of the meter from its consumers.

4.95 The Commission in the previous tariff order had directed JSPL-D to include income from sources such as delayed payment surcharge in the non-tariff income. In compliance JSPL-D has included delayed payment surcharge for FY 2011-12 in the non-tariff income.

Table 31:Proposed Non-Tariff Income for FY 2011-12 submitted by JSPL

(all Fig in Rs Crs)

Particulars	FY 2011-12
Meter rent	0.11
Surcharge	0.51
Non-tariff income	0.62

Commission's View

4.96 The Commission approves the proposed Non-Tariff income by JSPL-D for FY 2011-12.

Table 32:Non-Tariff Income for FY 2011-12 approved by Commission

(All fig in Rs Lakhs)

Particulars	In previous Order	Approved Now
Meter rent		10.83
Surcharge		51.04
Non-tariff income	10.74	61.87

Revenue at Existing Tariff

4.97 The Commission observes that there are several errors in JSPL-D revenue submission for FY 2011-12. The Commission is of the opinion that the revenue calculated by JSPL is not reflective of the equivalent revenues at the approved tariff rate for some categories. The issue was raised with JSPL-D during TVS. In response to the queries JSPL-D has submitted revenues and consumption for individual consumer for FY 2011-12.

4.98 In the revenue computed for FY 2011-12, JSPL has shown one domestic consumer named "Colony". In its response during the TVS, JSPL submitted that consumer name "colony"

consists of various flats of JSPL employees. JSPL-D submitted that supply to these flats is through single distribution transformers and billing is done individually for all consumers and consumption shown is sum of consumption for all consumers. The Commission feels this is a contravention to supply code. Either each consumer should be treated as single consumer and supplied and charged for fixed or energy charges individually or be treated as a single bulk consumer at 11 kV level. During the TVS, JSPL-D submitted that it would make a fresh submission regarding this. JSPL-D made two different submissions later in which it has mentioned that power to the colony is received through one LT line and is then supplied to all apartments in the colony. JSPL-D has installed one LT meter at the colony end of the line and billing was done at LT domestic tariff during FY 2011-12 and was paid by JSPL steel plant on self-consumption basis. JSPL-D mentioned that it has proposed a new category of bulk domestic LT consumer in its submissions. However, JSPL did not submit reading of such single meter at colony end and submitted the sum of readings of all individual meters.

4.99 The Commission for the purpose of calculating the revenue for domestic consumers considered the connection as bulk supply consumer and recalculated the consumption at 11 kV level by adjusting for transformation losses. Revenue for such consumption is calculated based on the tariff approved for CSPDCL Bulk supply consumer for FY 2011-12. However, the Commission directs JSPL-D to compute revenue judiciously henceforth.

4.100 In the Non-domestic consumer category, the Commission observes that revenue from Fixed and energy charges are not in line with tariff rates. The Commission has raised the query during the TVS. JSPL in one of the submissions replied that it has carried out the billing for the consumers based on the tariff slabs depending upon their energy consumption the same has not been segregated across different slabs in the formats and petition submitted to the Commission and the same has been collectively submitted under 0-above 500 units category for the sake of representation. The Commission is of the view that the discrepancy persists even after considering the different slabs for the consumers as revenue shown is lesser even if all the consumers are considered in lowest tariff category slab. For the sake of this order, the Commission approves the revenue as submitted by JSPL-D for FY 2011-12 for Non-domestic category. At the same time the Commission cautions JSPL-D to compute revenue for different categories judiciously. We would revisit the revenues for the non-domestic category at the time of final true up.

4.101 The Commission also takes into cognizance the same discrepancy for 11 kV general purpose non-industrial consumers. In its formats/submission JSPL-D did not mention the tariff rate under which this category of consumers is billed. JSPL-D has submitted that it has billed every consumer for whom the tariff category is not mentioned under the same tariff rate as applied to CSPDCL consumers. The Commission has calculated the revenue based on tariff rate applied to CSPDCL 11 kV general purpose non-industrial consumers and adjusted the revenue for this category accordingly. At the same time Commission cautions JSPL to compute revenue for different categories judiciously.

Table 33: Revenue from sale of power as approved by the Commission

(All fig in Rs Lakhs)

Particulars	In previous Order	Approved Now
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Revenue from Sale of Power	17998.15	18457.39
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Annual Revenue Requirement

4.102 Based on the item wise detailing provided earlier, the approved ARR for FY 2010-11 and FY 2011-12 is as provided below:

Table 34: Approved ARR for FY 2011-12 (in Rs. Lakhs)

Sl.	Particulars	FY 2011-12		
		In Previous T.O	Proposed by JSPL	Approved Now
1	Purchase of Power	18138.52	19487.4	19,716
2	Intra-State Transmission Charges	177.46	177.00	186
3	R&M Expense	97.05	64.62	538.43
4	Employee Expenses	339.34	425.58	
5	A&G Expense	65.25	72.78	
6	Depreciation	59.62	98	57.86
7	Interest & Finance Charges		1917.275	876.54
A	Interest on Long Term Loan	134.49	182.28	144.42
B	Interest on W.C.	388.32	1323.00	320.29
C	Interest on CSD	138.69	412.00	411.83
8	Total	19539	22,243	21,375
9	Reasonable Return	28.08	182	28.08
10	Other Income	10.74	62	61.87
11	Annual Revenue Requirement 11=8+9-10	19556	22,363	21,342

Revenue Gap/Surplus and treatment of Revenue Gap

4.103 JSPL-D has not proposed any revenue gap for FY 2010-11 and FY 2011-12. During the processing of previous ARR/ tariff petitions, JSPL-D has submitted an undertaking to the Commission that it would meet any payments due towards interest, repayment of debt, employee expenses, power purchase expenses, other expenses and cash deficits from its other business segments, in case the licensed distribution & retail supply business is unable to meet these from its own revenues and cash flows.

4.104 During various meetings JSPL-D reconfirmed that it would meet any payments due towards interest, repayment of debt, employee expenses, power purchase expenses, other expenses and cash deficits from its other business segments, in case the licensed distribution & retail supply business is unable to meet these from its own revenues and cash flows on account of maintain the Tariffs at the existing/ proposed level. Any loss/ deficit incurred by the licensed business of JSPL will not be carried forward to subsequent financial years for the purpose of determination of Tariff.

4.105 The Commission also notes that since, the revenue gap determination for FY 2011-12, will not have any financial implication with the above mentioned submission of JSPL-D. Hence, the determination of ARR and Revenue gap for FY 2011-12 is solely for the purpose of records.

5. Determination of Annual Revenue Requirement for FY 2012-13

- 5.1 JSPL has filed Tariff petition for FY 2012-13 according to CSERC (Terms & Conditions of Determination of Tariff according to Multi-Year tariff principles) Regulations 2010. As mentioned in the earlier Chapter, it is reiterated that CSERC MYT Regulations, 2010 do not supersede the CSERC (Terms and Conditions for Determination of Tariff) Regulations, 2006 and are applicable for utilities filing multi-year tariff petition. The CSERC Tariff Regulations, 2006 remain effective for utilities filing single year ARR & Tariff petition. Therefore, the Commission has processed the ARR & Tariff Petition of JSPL-D for FY 2012-13 based on the CSERC (Terms and Conditions for Determination of Tariff) Regulations, 2006.

Energy Sales

- 5.2 JSPL-D submitted that as most of its consumers are steel based industries therefore the projection of sales of power would be subject to the economic trends for steel and alloy business. It further submitted that Macro-economic projections would not be the most suitable manner to predict demand growth or power requirement in a situation where the consumer base is quite small and the addition/ removal of even a single large consumer would have a significant impact on power requirement. Further, there is no established trend in the consumption of energy.
- 5.3 Based on the sales recorded by JSPL-D in the past three years, no trend for future financial years can be projected with certainty. JSPL-D has not received any communication from any of the consumers with regards to increase in connected load. JSPL-D has projected units to be sold during FY 2012-13 assuming a growth rate of 1% for each of the categories.

Table 35: Proposed Energy Sales submitted by JSPL for FY 2012-13

(All fig in MUs)

S. No	Consumer category	No of consumers	Connected Load	Energy Sales
1	LT non-domestic	11	76.5 kW	0.21
2	LT domestic	1	6 kW	0.08
3	LT Street lighting	2	2 kW	0.03
4	33 kV Steel industries	26	1,12,150 kVA	615.34
5	33 kV Other industries	1	340 kVA	29.82
6	11 kV Steel industries	3	92,000 kVA	1.26
7	11 kV Other industries	-	-	-
8	11 kV Gen. purpose non industrial	1	2,000 kVA	1.39
	HT Total	45		648.13

Commission's View

- 5.4 The Commission had instructed JSPL-D to submit the actual consumption of all the consumer categories for 5 months for FY 2012-13. JSPL-D submitted the same during its

additional submissions. The Commission finds the growth of 1% in sales to be reasonable and approves the sales as projected by JSPL for FY 2012-13.

Table 36: Approved Energy sales for FY 2012-13

(All fig in MUs)

S. No	Consumer category	FY 2012-13
1	LT non-domestic	0.21
2	LT domestic	0.08
3	LT Street lighting	0.03
	LT Total	0.33
4	33 kV Steel industries	609.67
5	33 kV Other industries	1.26
6	11 kV Steel industries	35.48
7	11 kV Other industries	
8	11 kV Gen. purpose non-industrial	1.39
	HT Total	647.81
9	Total (LT + HT)	648.13

Distribution Loss

5.5 JSPL-D has proposed a projected 1.19% T&D loss for FY 2012-13. JSPL-D further submitted that owing to the small size of the distribution network and nature of consumers of the licensee, the loss levels in the distribution area are quite low.

Commission's View

5.6 The Commission notes that JSPL has proposed 1.07% distribution losses for FY 2011-12. JSPL-D assured the Commission that it is committed to keeping a check on the system losses and would ensure that there is no major change in T&D losses in the future years as the network increases. The Commission also noted that JSPL-D has not projected any load increase in FY 2012-13.

5.7 The Commission is of the view that JSPL-D should strive to keep the distribution losses within limit. The increase in distribution losses is not justified when total load is not anticipated to increase. The Commission approves the same distribution losses of 0.47% for FY 2012-13 which was approved for FY 2011-12.

5.8 The Commission also notes that JSPL-D has not submitted complete actual SCADA extracted/MRI meter readings at the transmission and distribution boundaries which are necessary for computation of actual T&D losses into the system. To compute the actual transmission and distribution losses of the system the Commission directs JSPL-D to submit detailed meter reading data for the metering done at different voltage levels, the total energy injected in transmission system (both circuits separately) by agency(s) from which the power is sourced (source-wise), and energy injected at distribution periphery and total energy sold to the consumers. Commission also directs JSPL to submit actual meter readings (MRI downloaded data or SCADA extracted readings) for the meters installed at the transmission and distribution periphery at all the circuits and all the meters installed at interface points for 1st April 2012 (00:00 Hrs) and 1st April 2013

(00:00Hrs) in next tariff petition. The details must be accompanied with the closing and opening meter reading in case there is any change/ replacement of meter at any of the points along with such change/ replacement of meter.

Table 37: Approved Distribution losses for FY 2012-13

Particulars	FY 2012-13
Distribution Losses	0.47%

Energy Balance

5.9 Proposed Energy Balance for FY 2012-13 as submitted in the petition is as under

Table 38: Proposed Energy balance for FY 2012-13 as submitted by JSPL

Particulars	FY2012-13
Energy sold (MUs)	648.13
Distribution Losses (%)	1.04%
Transmission Losses (%)	0.15%
Energy purchased (MUs)	655.94

Commission's View

5.10 Based on the approved sales and loss levels, energy balance for FY 2012-13 is approved by the Commission as provided in the table below:

Particulars	FY2012-13
Energy sold (MUs)	648.13
Distribution Losses approved (%)	0.47%
Distribution Losses (MUs)	3.06
Energy requirement at distribution periphery	651.20
Transmission Losses (%)	0.15%
Energy required at transmission periphery(MUs)	652.17

Power Purchase Cost

5.11 JSPL-D has submitted in its petition that it had filed a petition on April 4, 2011 with the Commission to approve long-term power procurement of power through tariff based competitive bidding process under Case 1 bidding framework. In the petition filed by JSPL-D, it had sought approval from the Commission on deviations from the Standard Bidding Documents (RFP and PPA) for carrying out the aforesaid bidding process. The Commission in the Order dated December 31, 2011 disposed of the petition as far as it related to the approval sought for deviation from the standard bidding documents and issued certain directives with regards to the bidding process. Further, in the above

mentioned order, the Commission had raised certain queries. JSPL-D had submitted its response to the queries vide letter dated March 1, 2012.

- 5.12 JSPL-D has planned to source power, over and above its RPO, on short term basis from JPL. For FY 2012-13, JSPL proposed to purchase power from JPL at Rs. 3.13 per kWh, which is the average rate allowed to Chhattisgarh State Power Distribution Company Limited (CSPDCL) by the Commission for procuring short term power for FY 2012-13 through order dated May 5, 2012 passed on the Suo-Moto Petition no 07 of 2012(M).
- 5.13 JSPL-D intends to meet its renewable purchase obligations (RPO) of 5.75% of total energy requirement as stipulated for FY 2012-13 under the CSERC (Renewable Purchase Obligation and REC framework Implementation) Regulations, 2011 through purchase of REC. JSPL-D had carried forward its RPO for FY 2011-12 to FY 2012-13 in accordance with regulation 9.1 of the CSERC (Renewable Purchase Obligation and REC framework Implementation) Regulations, 2011. JSPL-D submitted that it would meet this RPO through purchase of REC in FY 2012-13. JSPL-D proposed to purchase RECs to meet 4.90 MUs of solar RPO and 66.92 MUs of non-solar RPO. Each REC traded on the exchange is equivalent to 1000 mWh. Therefore, JSPL-D proposed to purchase 4904 solar RECs and 66,916 non solar RECs in FY 2012-13.

Table 39: Proposed Power purchase quantum and cost for FY 2012-13 submitted by JSPL

Particulars	FY 2012-13
Energy sold (MUs)	648.13
Total T&D losses (%)	1.19%
Energy purchased (MUs)	655.94
Tariff Proposed (Rs/kWh)	3.13
Power Purchase cost from JPL(Rs Crs)	205.39
Total cost of RECs (Rs Crs)	22.22
Total Power purchase cost (Rs Crs)	227.61

Commission's View

- 5.14 Based on the approved sales and losses for FY 2012-13, the Commission has computed the power purchase cost for FY 2012-13 from all the sources including energy from conventional and renewable sources. JSPL-D has proposed the total power purchase cost for FY 2012-13 considering total quantum of power to be procured from JPL at the rate of Rs. 3.13 per unit as allowed by the Commission to the CSPDCL as maximum ceiling for short-term power purchase.
- 5.15 The Commission has issued the Order on the petition no 26/2011(M) filed by the JSPL-D for seeking long-term power procurement through competitive bidding under Case 1 bidding framework. The petition was disposed-off partially with regard to the approval sought by JSPL-D for deviation in the Standard Bidding document. The Commission also directed to submit certain justifications for quantum of power purchase, delivery point and other details. The details were finally submitted by the JSPL-D on 11th September 2012.
- 5.16 Subsequently, the Commission issued the final Order on the subject matter on 1st January, 2013, where JSPL-D was directed to invite bids for procurement of power to the

tune of maximum demand met by the JSPL in last five years (plus minus 20%) i.e. 87 MW (Plus minus 20%). Further, JSPL was also directed to invite bids for power procurement for balance period of the distribution license. Since the bidding process for long-term procurement of power may take some time to complete, the Commission has approved the same rate as approved in the previous order for FY 2011-12 for procurement of short-term power.

- 5.17 JSPL-D is also obligated to purchase power from renewable energy sources as per the CSERC (Renewable Purchase Obligation and REC Framework Implementation) Regulations, 2011. These Regulations specify the minimum quantum of energy that a distribution utility must buy from renewable sources as shown in the Table below:

Table 40: Minimum Power to be Procured by a Distribution Licensee as Percentage of Total Consumption

Year	Solar	Biomass	Other RE	Total
2012-13	0.50%	3.75%	1.50%	5.75%

- 5.18 During the Technical Validation Session, the Commission enquired JSPL-D regarding purchase of REC for FY 2012-13. In response JSPL-D submitted that it is yet to purchase REC certificate against its renewable obligation. The Commission notes that the licensee has not complied with the RPO Regulations and the issue of non-compliance would be dealt as per the provisions in the RPO Regulations and proceedings toward RPO compliance for FY 2012-13 separately. Meanwhile, the Commission has computed the power purchase cost for FY 2012-13 considering the RPO specified in the Regulations.

- 5.19 Based on the information submitted by JSPL-D, the Commission has deduced that JSPL-D has not made any firm arrangements for purchase of renewable power and therefore would be required to purchase Renewable Energy Certificates (RECs) for meeting the RPO. Accordingly, the Commission has approved the cost of RECs as per CSERC (Renewable Purchase Obligation and REC Framework Implementation) Regulations, 2011 at the floor price of RECs approved by CERC for solar and non-solar sources.

- 5.20 As per the discussion above, the Commission approves power purchase cost for FY 2012-13 as provided in table below:

Table 41: Approved Power purchase cost for FY 2012-13

Particulars	Energy (MUs)	Rate (Rs/Unit)	Cost (Rs Lakhs)
Power Purchase from conventional sources	652.17	3	19565.21
Power From RE Sources			
Solar	3.26	9.30	303.26
Biomass	24.46	1.5	366.85
Other RE	9.78	1.5	146.74
Total Power Purchase approved	652.17		20382.05

Operation and Maintenance Expenses

- 5.21 JSPL-D has submitted that it has applied an escalation factor of 5.72% on the actual R&M expenditure and A&G expenses of FY 2011-12 to estimate the corresponding expenses for FY 2012-13.
- 5.22 The employee expenses have been escalated by 15% in line with the average increment given to all JSPL employees.

Table 42: O&M Expenses for FY 2012-13 submitted by JSPL

(All Fig in Crs)

Particulars	FY 2012-13
R&M expenses	.68
A&G expenses	.77
Employees expenses	4.89
O&M expenses	6.35

Commission's View

- 5.23 The Commission has computed O&M Expenses in accordance with the provisions of the CSERC Tariff Regulation 2006 wherein O&M expenses shall be escalated on the basis of predetermined indices such as consumer price index, wholesale price index and other cost drivers.
- 5.24 The total O&M expenses including employee expenses, A&G Expenses and R&M expenses is to be escalated on the escalation rate of 5.72% in line with the practice followed by the Commission in other cases with respect to projections used for approving ensuing years according to CERC Tariff regulations. Since the FY 2012-13 has already completed the actual inflation indices for CPI and WPI are available. Therefore, the Commission has used the actual inflation rate for FY 2012-13 as escalation rate used for approving O&M expenses.
- 5.25 The average increase in Wholesale Price Index (WPI) during FY 2012-13 was 7.33 %, while the average increase in Consumer Price Index (CPI) during the year was 10.40 %. The weighted average inflation rate considering increase in Wholesale Price Index (WPI) and Consumer Price Index (CPI) in the ratio 80:20 in FY 2012-13 is equal to 7.95 %. Hence, Commission approved the O&M expenses by escalating O&M expenses of FY 2011-12 at the rate of 7.95%

Table 43: Approved O&M Expenses for FY 2012-13

(All Fig in Lakhs)

Particulars	FY 2012-13
O&M expenses	581.21

Capital Expenditure and Capitalization

Fixed Assets

5.26 JSPL-D has claimed that it has now segregated its accounts for distribution business and based on that fixed assets of Rs 32.87 Cr has been submitted for consideration of ARR consideration for FY 2012-13. JSPL-D also submitted that it is not envisaging any addition in fixed assets during FY 12-13.

Table 44: Proposed Gross Fixed assets submitted by JSPL for FY 2012-13

(all fig in Crs)

Particulars	FY 2012-13
Land – leasehold	0.32
Control room	0.87
Office building	0.22
Roads and drains	2.51
Staff residential quarters	0.31
Sub Station	4.73
Distribution Lines	1.94
Power Transformers	14.02
Switch Yard	5.34
Office Equipment	0.02
Air conditioning plants	0.08
Furniture & Fixtures	0.03
Vehicles	0.0047
Total GFA	32.87

Commission's View

5.27 As explained in previous chapter for Provisional true-up for FY 2011-12, the Commission does not consider the GFA of Rs. 32.87 Cr. proposed by the petitioner and has considered the same assets as approved in the Tariff order for FY 2011-12 for the determination of ARR for FY 2012-13.

5.28 Hence, the Commission provisionally approves the gross fixed assets of Rs 2235.83 Lakhs for the FY 2012-13.

Table 45: Gross Fixed assets Approved by the Commission

(All Fig in Rs lakhs)

Particulars	FY 2012-13
Gross Fixed assets	2235.83

Depreciation

5.29 JSPL-D has proposed depreciation on the fixed assets based Rs 32.87 Cr for FY 2012-13. JSPL-D has claimed that depreciation has been considered on the basis of the above mentioned segregated fixed assets and rates for depreciation prescribed by CSERC under the CSERC MYT Regulations.

Table 46: Proposed Depreciation submitted by JSPL for FY 2012-13

(all fig in Cr)

Particulars	FY 2012-13
Opening GFA	32.87
Consumer contribution	5.15
Depreciation on existing assets during FY	1.66
Addition to GFA	-
Depreciation on new assets added during FY	-
Total depreciation	1.66
Less: Depreciation on account of consumer contribution	0.26
Net depreciation	1.40
Accumulated depreciation – Opening	5.83
Accumulated depreciation – Closing	7.23

Commission’s View

5.30 The Commission observed that JSPL-D has applied the depreciation rates as per CSERC MYT Regulations, 2010 for projecting depreciation for FY 2012-13. Since, the petition filed by JSPL-D is for a single year, CSERC Tariff Regulations, 2006 are applicable. Therefore, the Commission has applied the depreciation rate on each class of asset in accordance with CERC Tariff Regulations, 2004 for approval of depreciation for FY 2012-13.

5.31 Depreciation approved by the Commission for FY 2012-13 based on the assets approved by it is as under:

Table 47: Approved Depreciation for FY 2012-13

(all fig in lakhs)

Particulars	FY 2012-13
Opening GFA	2235.83
Consumer contribution	514.50
Depreciation on existing assets during FY	75.16
Addition to GFA	-
Depreciation on new assets added during FY	-
Total depreciation	75.16
Average Depreciation Rate	3.36%
Less: Depreciation on account of consumer contribution	17.30
Net depreciation	57.86

Interest on loan

Interest on normative loans

5.32 JSPL-D submitted that it had no borrowings from commercial banks/ lending institutions and therefore no interest is due on any borrowings from commercial banks/ lending institutions during FY 2012-13.

- 5.33 For calculation of normative loan, JSPL-D has followed the same methodology as adopted by it in true up for FY 2011-12. A part of the total fixed assets for the licensed distribution and retail supply business was funded by the term loan (fully repaid in FY 10-11) and the remaining funds invested in the fixed assets of distribution & retail supply business have been funded by JSPLs other business segments. JSPL-D submitted that for the purpose of determination of ARR, the interest on such fund (funded by other business segment) has been computed on the balance of net fixed assets after deducting the 30% of gross fixed assets (considered as equity for the purpose) and consumer contribution.
- 5.34 JSPL-D has claimed to have calculated interest on the aforesaid normative loan at the rate of 11.5%, the rate at which JSPL is able to procure long term loans from the bank and financial institutes.

Table 48: Proposed Interest on normative loan for FY 2012-13 submitted by JSPL

Particulars	(all fig in Crs)	
	FY 2012-13	
Opening balance of normative loan	12.04	
Depreciation for FY	1.40	
Closing balance of normative loan	10.64	
Average normative loan for FY	11.34	
Interest rate on normative loan	11.5%	
Interest on normative loan	1.30	

Commission's View

- 5.35 For the purpose of projection of interest on normative loans for FY 2012-13, the Commission considered actual interest on the loan portfolio of the JSPL parent company.
- 5.36 Opening balance of loan of Rs 1520.73 lakhs on 1st April 2008 is considered as actual loan as submitted by JSPL-D during previous tariff order process. The depreciation as approved by the Commission for respective years is reduced as repayment of loans during the years to deduce the opening balance of loan for FY 2012-13.
- 5.37 The Commission asked JSPL to submit the interest cost on the loan portfolio on which distribution project was commissioned. JSPL in response to the query of the Commission replied that it had identified a single loan (foreign currency loan) from ICICI bank equivalent to Rs 1501.28 Lakhs, sanctioned during 2004-05 as directly attributable to the distribution and retail supply business. This loan was part of total loan of USD 25 Million sanctioned by ICICI bank. The remaining part of the loan was utilized for the other business segment of the JSPL. JSPL further submitted that an amount of 656.02 Lakhs of the aforesaid mentioned loan was outstanding on March 31 2010 and was repaid completely during FY 2010-11. This amount was repaid through funds sourced from other business segments (non-licensed) of JSPL. JSPL submitted that no new loan was taken to repay the aforesaid amount and that there is no external loan outstanding on the part of JSPL's distribution business as on date.

- 5.38 As explained in the true up section of the FY 2011-12, the Commissions finds that substituting the loan with equity is equivalent to refinancing of funds and can be permitted only if it benefits consumers as per CSERC Tariff Regulations, 2006. Hence the Commission has approved the same debt and equity ratio for the FY 2012-13 as approved by the Commission in the previous years.
- 5.39 The Commission noted that during previous order according to the repayment schedule of actual loan, depreciation was not enough to source the repayment of the actual loan mentioned by JSPL in previous paragraph. Hence, the Commission had considered the funds from other business segment during FY 2009-10 to FY 2011-12 equal to the difference between the amount of repayment and depreciation during FY 2009-10 to FY 2011-12.
- 5.40 The Commission had considered the interest rate of 11% from FY 2009-10 to FY 2011-12 on the funds borrowed from other business segments based on the information available with the Commission about the prevailing interest rates of respective years. However, Commission feels that as the difference of repayment was treated as fresh loan from other business segments from JSPL , the interest cost must have been the interest cost on total portfolio of the JSPL as a group company.
- 5.41 During the TVS and in numerous communications, the Commission asked JSPL-D to submit loan details along with interest paid for each loan for calculation of weighted average interest rate for loans availed by JSPL. JSPL provided part information regarding the loan portfolio of the JSPL parent company. The Long term portfolio as submitted by the JSPL as on 31st Dec 2012 is as given below:

Table 49: Information regarding Loan portfolio of the parent company JSPL as on 31st December 2012

Long term borrowings	Amount(Rs. Crs)
Debentures	1662
Secured Long term borrowings	9238.88
<i>Term loan from Banks</i>	9156.32
<i>Other loan from Banks</i>	82.56
Unsecured Long term borrowings	
<i>Unsecured term loan from Banks</i>	572.98
<i>Fixed deposits from public</i>	9.51
External commercial borrowings	1333.89
Total	12817.26

- 5.42 JSPL also submitted that several of these loans are dedicated to setting up specific assets at JSPL's plants and can only be utilized for purchase of equipment at these specific plants. These dedicated borrowings include "other loans from banks" and the "Unsecured long term borrowings" JSPL also submitted the details of debenture and the secured term loans from banks.
- 5.43 The normative loan provided to the JSPL(D) at the time of swapping of the loan by taking loan from company to repay ICICI loan may be cash flow from either a specific loan or

the cash available with the parent company from any of the sources like retained earnings, fresh equity or any other source. In the absence of exact information for calculation of interest rates to be applied to normative loan and allocation of normative loan to a particular loan of JSPL Parent Company it would be justified to consider total portfolio of the JSPL parent company loan and provide the interest rate as applicable on the total loan portfolio. As the loan is deemed to be taken from parent company and not an actual loan, it would not be justified to leave the loans taken for creating specific purposes from loan portfolio unless JSPL(D) provides exact information regarding allocation of each loan of parent company.

- 5.44 Commission also noted that JSPL has foreign loans in its loan portfolio. The interest rate submitted by the JSPL-D is by the Indian financial and lending institutions and does not mention financing cost by foreign financial and lending institutions. Generally Interest rate offered by the foreign institutions of most western countries from where JSPL loan is procured is lesser than that offered by Indian institutions. Commission procured the annual reports of Jindal Steel and Power Company Limited which is parent company of JSPL-D, petitioner in the present petition, from its official site www.jindalsteelpower.com. Commission noted that as per annual accounts of 2011-12 the loan portfolio as on 31st March 2012 of JSPL is as given in the table below.

Table 50: Information regarding Loan portfolio as per the Audited Accounts of the parent company JSPL as on 31st March 2012

Long term borrowings	Amount(RS Crs)
Debentures	1662
Secured Long term borrowings	
<i>Term loan from Banks</i>	4696.69
<i>Other loan from Banks</i>	41.77
Unsecured Long term borrowings	
<i>Unsecured term loan from Banks</i>	920.46
<i>Fixed deposits from public</i>	6.08
External commercial borrowings	1662.92
Total	8493.92

- 5.45 The Commission further asked JSPL to provide the individual loans of JSPL parent company for FY 2011-12 and FY 2012-13 and interest paid on these loans. JSPL was asked to submit the detailed effect of hedging and foreign currency fluctuations on each loan of the JSPL parent company. In reply to the query JSPL submitted the partial information on certain loans and interest paid on these loans. The Commission observed several discrepancies in the both the submissions of the JSPL regarding the loan portfolio of the parent company. The sum of closing balance of the loan portfolio as on 31st March 2012 submitted by the JSPL is Rs 5013.65 Crs while the secured long term borrowings given in JSPL's annual reports are Rs 6400.46 Cr for FY 2011-12. Also JSPL didn't provide the details of foreign loans or external commercial borrowings, effects of foreign currency fluctuations on the individual loans and cost of hedging instruments as desired by the commission in its query to the JSPL(D). In the absence of the requisite information the

Commission had no option but to calculate actual interest rate of JSPL's loan portfolio based on the information contained in its Annual reports for FY 2011-12.

- 5.46 As per the annual accounts of the parent company for FY 2011-12, the interest on total loan portfolio of JSPL is estimated at approximately 8%. It is important to note that the Commission has calculated the interest cost on total portfolio, including short term loans, as per annual accounts. However, the other cost with respect to foreign loans i.e. hedging costs, loan swaps, other derivatives and currency fluctuations allocated to interest costs could not be identified with certainty. In one of the queries, JSPL was asked to submit these costs separately for each loan which was not submitted by JSPL. Further, this interest cost includes short term borrowing cost also which is generally much higher than long term borrowing costs.
- 5.47 The interest rates prevailing for the short-term loans at the time when JSPL-D assets were commissioned can be best analyzed from SBI PLR rates prevailing at during that period. Based on the review of the SBI PLR during the period, it is noted that the SBI PLR at the time of commissioning of the both the transmission lines were 10.25% & 10.75% respectively. The long-term loans are generally sanctioned at 250-300 basis points discounts on the SBI PLR. Based on the evaluation, it is likely that the applicable interest rates on the loans undertake for the distribution project by JSPL would not have been higher than 8%.
- 5.48 Therefore, the Commission is of the view that the actual interest cost for JSPL-D would be much lower than 11%. In the previous year Tariff Order, the Commission had considered an interest rate of 11% from FY 2009-10 to FY 2011-12 on the funds borrowed from other business segments based on the information available with the Commission about the prevailing interest rates of respective years. The Commission feels that the allowed interest rate should have remained constant at 11% as it is a long-term loan and approves the same for computation of interest expense on normative loans for FY 2012-13.
- 5.49 Therefore, the amount of normative loan and interest cost approved for FY 2012-13 by the Commission is tabulated below:

Table 51: Interest on Normative Loans for FY 2012-13 approved by the Commission

Particulars	(all Fig in Rs Lakhs)	
	FY 2012-13	
Opening Balance of Loan	1284.01	
Depreciation During the year	57.86	
Closing Balance of Loan	1226.14	
Average Balance of Normative Loan	1255.07	
Interest Rate on Loan	11%	
Interest on normative loans approved by the Commission	138.06	

Interest on Consumer Security Deposit

5.50 JSPL-D has submitted that it has a closing balance of Rs. 20.78 Crore as security deposits from its consumers at the end of FY 2011-12. JSPL-D considered a marginal increase in its energy sales and envisages no increase in connected load hence it does not expect any addition in security deposit during FY 2012-13. JSPL-D has calculated the interest at a rate of 6% on the outstanding security deposits in accordance with the prevailing bank rate of Reserve Bank of India.

Table 52: Proposed Interest on consumer security deposit submitted by JSPL

(All fig in Crs)

Particulars	FY 2012-13
Interest on security deposit	1.25

Commission's View

5.51 In the response to one of the queries, JSPL-D submitted the detailed calculation of interest on consumer security deposit. The Commission notes that the closing balance for FY 2011-12 submitted by JSPL is Rs 2078.43 Lakhs. As there is no addition projected in consumer security deposit for FY 2012-13, the Commission has computed the interest on this balance of consumer security deposit for FY 2012-13 at the interest rate of 6%. However, if JSPL-D has remitted any interest to the consumer on different interest rate, the same would be not be reverted and would be allowed at the time of true up.

Table 53: Approved Interest on consumer security deposit

(all Fig in Rs Lakhs)

Particulars	FY 2012-13
Interest on security deposit	124.71

Interest on Working Capital

5.52 JSPL-D has submitted in its petition that the tariff allowed for FY 2010-11 and 2011-12 was not sufficient to recover the cost of supply for the licensed distribution and retail supply business of electricity. JSPL-D had to fund financial losses through working capital loans. JSPL-D has applied an interest rate of 14.75 % on this working capital loan while calculating interest on working capital for FY 2012-13 based on the average SBI PLR for the Financial Year.

Table 54: Proposed Interest on working capital submitted by JSPL

(All Fig in Crs)

Particulars	FY 2012-13
Opening balance of Working capital loans (from non-licensed businesses)	112.63
Closing balance of Working capital loans (from non-licensed businesses)	139.83
Average balance of Working capital loans (from non-licensed businesses)	126.23
Interest rate	14.75%
Interest on working capital	18.62

Commission's View

- 5.53 As already mentioned by the Commission that this Petition by JSPL-D is disposed of in accordance with CSERC Tariff Regulations, 2006. Accordingly, the working capital requirement has been calculated in accordance with the norms specified in CSERC Tariff Regulations, 2006 which states that the Commission shall be guided by CSERC Tariff Regulations, 2004 for the purpose of determination of tariff.
- 5.54 For the purpose of calculation of Working Capital, the Commission has considered the following:
- 1/12 of O & M expenses considered by the Commission for FY 2012-13
 - Receivables equivalent to 2 months average billing
 - Maintenance spares by calculating 1% of Opening GFA for the year
- 5.55 The Commission has calculated the Interest on Working Capital on normative basis in accordance with CSERC Tariff Regulations, 2006 which specifies that CERC Regulations, 2004 in this regard would be applicable. CERC Regulations, 2004 states "Rate of interest on working capital shall be on normative basis and shall be equal to the short-term Prime Lending Rate of State Bank of India as on 1.4.2004 or on 1st April of the year in which the project or part thereof (as the case may be) is declared under commercial operation, whichever is later."
- 5.56 Hence, the Commission has used short-term Prime Lending Rate of State Bank of India of 10.25% as on 1st April 2004 for computing the interest on working capital for FY 2012-13

Table 55: Approved Interest on working capital

(all Fig in Rs Lakhs)	
Particulars	FY 2012-13
O & M Expenses for one month	48.43
Maintenance spares for 2 months based on 1% of Opening GFA	3.73
Receivables-2 Months	3427.70
Total working capital Approved	3479.86
Interest rate	10.25%
Interest on working capital	356.69

Return on Equity

- 5.57 JSPL-D has submitted that it has not undertaken segregation of the equity share capital for the licensed distribution and retail supply business. Rather than segregating the existing equity share capital in the ratio of fixed assets JSPL-D has considered an amount equivalent to 30% of the gross fixed assets as the share capital for the purpose of charging return on equity in the annual revenue requirement.
- 5.58 JSPL-D considered reasonable return on normative equity at a pre-tax rate of 15.5% to be grossed up by the applied tax rate for the FY 2012-13. JSPL has considered 23.5% reasonable rate on return on equity.

Table 56: Proposed Return on equity submitted by JSPL for FY 2012-13

(all fig in Rs Crs)	
Particulars	FY 2012-13
Opening GFA	32.87
Opening equity qualified for RoE calculations	9.86
Closing GFA	32.87
Closing equity qualified for RoE calculations	9.86
Average equity for the FY	9.86
Rate of return on equity	23.5%
Return on equity	2.32

Commission's View

- 5.59 As described in true up section, in previous tariff order the Commission considered actual loan of Rs 1520.73 Lakhs as loan component and rest Rs 200.60 Lakhs as opening equity base qualified for RoE calculations. JSPL-D has submitted that it has paid-off the debt in FY 2010-11. The Commission had considered equity share of Rs 200.60 Lakhs after reducing loan portion from the assets financed from loan and equity for FY 2008-09. The Commission has considered the same equity as approved by it in previous tariff order.
- 5.60 The Commission is of the view that the rate of return as claimed by the Petitioner under CSERC MYT Regulations 2010 is not correct as the petition is for single year and is therefore being processed as per the provisions contained in the CSERC Tariff Regulations, 2006.
- 5.61 As regards the rate of return, Clause-29 (1) of CSERC Tariff Regulations, 2006 states as under:

“29. Return on Equity

1. The rate of return notified by Central Commission for transmission may be adopted for distribution with appropriate modifications taking into account the higher risks involved as decided by the Commission, on the paid up equity capital determined in accordance with clause 12.

...”

5.62 The Commission has considered rate of 14% for calculating the Return on Equity as considered for FY 2011-12 in the previous Tariff Order.

Table 57: Approved Return on Equity for FY 2012-13

Particulars	(all Fig in Rs Lakhs)
	FY 2012-13
Opening GFA	2,235.83
Less: Consumer contribution	514.5
Net opening GFA	1,721.33
Opening equity qualified for RoE calculations	200.60
Closing GFA	2,235.83
Less: Consumer contribution	514.5
Net closing GFA	1,721.33
Closing equity qualified for RoE calculations	200.60
Average equity for the FY 2012-13	200.60
Rate of return on equity	14.00%
Return on equity	28.08

Transmission Charges

5.63 JSPL-D has submitted that based on the petition submitted for its licensed transmission business, the transmission charges for FY 2012-13 attributable to the licensed distribution and retail supply business of electricity are expected to be Rs. 4.66 Crores.

Table 58: Proposed Transmission charges for FY 2012-13 submitted by JSPL

Particulars	(all fig in Rs Crs)
	FY 2012-13
Transmission Charges	4.66

Commission’s View

5.64 Based on the approved ARR of the JSPL-T for FY 2012-13, the transmission charges attributed to the capacity being utilized by JSPL-D has been considered for approval of the transmission charges for FY 2012-13 as provided in table below:

Table 59: Approved Transmission charges for FY 2012-13

(all fig in Rs Lakhs)

Particulars	FY 2012-13
Transmission Charges	191.01

Non-Tariff Income

5.65 JSPL-D has submitted that it is currently charging monthly meter rent at the rate of 1.5% of the actual installation cost of the meter from its consumers. JSPL-D has projected the non-tariff income for FY 2012-13 on the basis of the receipts during the previous financial years. JSPL-D has also submitted that income from surcharge on delayed payment is uncertain and cannot be estimated/ projected in advance hence it has estimated the non-tariff income for FY 2012-13 only on the basis of income from meter rent for previous financial years.

Table 60: Proposed Non-Tariff Income for FY 2012-13 submitted by JSPL

(all Fig in Rs Crs)

Particulars	FY 2012-13
Meter rent	0.11
Surcharge	
Non-tariff income	0.11

Commission's View

5.66 The Commission approves the non-tariff income for FY 2012-13 as proposed by JSPL-D..

Table 61: Approved Non-Tariff Income for FY 2012-13

(All fig in Rs Lakhs)

Particulars	FY 2012-13
Meter rent	10.72
Non-tariff income	10.72

Annual Revenue Requirement

5.67 Proposed ARR submitted by JSPL-D for FY 2012-13 is as provided in the table below:

Table 62: Proposed ARR for FY 2012-13 submitted by JSPL

(all fig in Rs Crs)

Sl. No	Particulars	FY 2012-13
1	Purchase of Power	227.61
2	Intra-State Transmission Charges	4.66
3	R&M Expense	0.68
4	Employee Expenses	4.89
5	A&G Expense	0.77

6	Depreciation	1.40
7	Interest & Finance Charges	21.17
A	Interest on Long Term Loan	1.30
B	Interest on W.C.	18.62
C	Interest on CSD	1.25
8	Total	261.18
9	Reasonable Return	2.32
10	Other Income	0.11
11	Annual Revenue Requirement (11=8+9-10)	263.39

5.68 In accordance with the item wise approvals detailed earlier, the ARR as approved by the Commission for FY 2012-13 is as provided in the table below:

Table 63: Approved ARR for FY 2012-13

(all fig in Rs Lakhs)

Sl. No	Particulars	FY 2012-13
1	Purchase of Power	20382
2	Intra-State Transmission Charges	191
3	R&M Expense	581
4	Employee Expenses	
5	A&G Expense	
6	Depreciation	58
7	Interest & Finance Charges	619
A	- Interest on Long Term Loan	138
B	- Interest on W.C.	357
C	- Interest on CSD	125
8	Total	21831
9	Reasonable Return	28
10	Other Income	11
11	Annual Revenue Requirement (11=8+9-10)	21849

Revenue on Existing Tariff

5.69 Based on the existing tariff rate for various categories of consumers (i.e. approved by the Commission in the Tariff Order for FY 2011-12) and sales approved for FY 2012-13 in this tariff order for different consumer categories, the revenue for FY 2012-13 has been estimated. Further, the Commission provisionally projected the same load factor incentive and PF incentive for FY 2012-13 as proposed by JSPL-D in FY 2011-12.

5.70 The revenue estimated by the Commission for FY 2012-13 is as given in the table below:-

Table 64: Revenue on existing tariff projected by the Commission for FY 2012-13

(all fig in Rs Lakhs)

Sl. No	Particulars	FY 2012-13
--------	-------------	------------

1	LT	12.80
2	HT	21522.90
3	Load factor and PF incentive	(-)970
3	Total	20566.22

Treatment of Revenue Gap

5.71 Based on the ARR and estimated revenue for FY 2012-13, the revenue gap approved by the Commission is Rs 12.83 Cr. which is also provided in the table below:

Table 65: Approved Revenue Gap by the Commission for FY 2012-13

(all fig in Rs Lakhs)

Sl. No	Particulars	FY 2012-13
1	ARR approved for FY 2012-13	21849
2	Estimated Revenue at existing Tariff	20566
3	Revenue Gap for FY 2012-13	1283

5.72 The Commission notes that the delay in submission of petition and audited accounts for FY 2011-2 caused considerable delay in processing of tariff order for FY 2012-13. Again FY 2012-13 is already complete at the time of issuance of this Order. Moreover, JSPL has subsequently submitted another tariff petition for approval and determination of ARR for the Control Period of FY 2013-14 to 2015-16 under MYT Regulations. The Commission has decided to carry forward the approved gap for FY 2012-13 to the control period, with reasonable carrying cost. The Commission noted that as the JSPL –D had filed its accounts for FY 2011-12 only on 15th October, the carrying cost for the period of 120 days after this cannot be administered as the Commission needed this much period to process the petition. Hence, the Commission has decided to allow the carrying cost on the approved gap of FY 2012-13 for the period of 38 days which is not attributed to the delay in filing of petition and accounts by the JSPL-D.

6. Directives

Directive Compliance by JSPL-D

7.1 In the previous tariff order issued by the Commission, the Commission has issued various Directives to JSPL-D. The compliance report and status of the directives is discussed in this section

A) Employees Expenses

7.2 As regards Employee Expenses, the Commission had directed JSPL-D to revisit the employee expenses for the Distribution Business and should endeavor to make it reasonable

JSPL-D's Submission

7.3 JSPL submitted that in FY 2010-11, there were 59 full time and 151 part time employees dedicated to the licensed distribution and retail business. However, in compliance with the Commission's directive to make the establishment expenses reasonable, JSPL had reorganized the set-up of the licensed distribution and retail supply business segment. Based on the detailed exercise, JSPL had arrived at a new organization structure for the licensed business and identified 39 full time and 99 part time employees dedicated to the licensed distribution and retail supply business of electricity for FY 2011-12

JSPL stated that given the integrated nature of the business of JSPL, the employees within JSPL are responsible for business operations across several segments. At present, only 39 employees (for FY 2011-12) are considered full time for the distribution & retail supply business. On the other hand, there are several other officers, engineers, accountants and other staff working under the cost centers such as finance & accounts, HR, head office, etc. also supporting the distribution business as the management for the licensed and non-licensed business segments of JSPL is common. These employees are also responsible for the proper functioning of the licensed distribution business but the time spent by such employees on the licensed distribution business activities is less than 50% of the total time. JSPL had divided the number of employees into two parts, viz. dedicated employees (spending time more than 50%) and other employees (spending time less than 50%). Further, JSPL had allocated the dedicated employees into 2 categories, namely (a) those spending 75% or more of their time and (b) those spending 50%-75% of their time on the licensed distribution & retail supply business

JSPL further submitted that all establishment expenses for FY 2011-12 were duly booked under the relevant cost center and were reflected in the accounts for the licensed distribution and retail supply business of electricity. By streamlining the organizational structure for the licensed business segment, JSPL had been able to bring down the expenses by around 20% in FY 2011-12 as compared to those recorded in FY 2010-11.

Commission View

- 7.4 The Commission noted the submission of the JSPL-D. However, in the current high paced technology driven environment employee cost rationalization should be an ongoing endeavor and the utility should not consider it as one time step only. At the same i.e. utility should also keep in mind that consumer services should not be a casualty in the process.

B) Load Factor Incentive/Demand Charges/ Additional Charge for exceeding Contract Demand

- 7.5 With regards Load factor incentive and demand charges, the Commission had directed JSPL-D in the Previous Order to revisit the bills from the date of applicability of CSPDCL Tariff Order FY 2009-10 for JSPL-D's consumers by applying all the Terms and Conditions of CSPDCL Tariff Order FY 2009-10 in respect of Retail Supply Tariff Schedule and adjust such amount if any within 3 months from the date of issuance of this Tariff Order.

JSPL-D's Submission

- 7.6 JSPL submitted that it had revisited the bills from the date of applicability of CSPDCL Tariff Order FY 2009-10 and settled all such amounts due towards adjustments on account of load factor incentives, demand charges, additional charges for exceeding contract demand, etc. in accordance with the terms and conditions of CSPDCL Tariff Order 2009-10

Commission View

- 7.7 The Commission notes that at later date above issue became subject matter of a different petition which has been adjudicate by the Commission separately. The Commission has taken a cogent and reasoned view after due deliberation. It is a settle principle that an issue dealt in one petition is, normally, not deliberated in another judicial proceeding. As such, we refrain from offering separate views on the issue.

C) Consumer Grievances

- 7.8 With regards to consumer grievances, the Commission had directed JSPL-D to ensure that consumer grievances are attended timely.

JSPL-D's Submission

- 7.9 JSPL submitted that that it is committed to serve its consumers and that all consumer grievances would be attended in a timely manner in compliance to relevant rules and regulations made by the Commission

Commission View

- 7.10 The Commission has already echoed its views in the para 2.28 of this order.

D) Load Shedding

- 7.11 With regards to load shedding the Commission had directed JSPL-D to ensure that no load shedding is done by JSPL-D without prior permission of the Commission

JSPL-D's Submission

- 7.12 JSPL assured that would not undertake any load shedding in the designated licensed area without prior permission of the Commission

Commission View

- 7.13 The Commission takes on record the commitment made by the JSPL-D.

E) Treatment of energy for street lighting

- 7.14 With regards to the treatment of energy for Street Lighting the Commission had directed JSPL-D to properly account the sales and revenue received on account of street lighting in total energy sales within its area of Distribution Licensee.

JSPL-D's Submission

- 7.15 JSPL submitted that it had initiated to include the consumption of electricity by the units/facilities/premises owned by JSPL situated in the licensed area into the unit sold in addition to the electricity consumed on account of street lighting.

JSPL also submitted to the Commission to regularize the consumption of electricity by the units/facilities/premises owned by JSPL in the area. JSPL had commenced the issuance of bill in respect of the energy consumption by these units to the non-licensed business of JSPL. Further submitting that the sales made to these units/facilities/ premises owned by JSPL and the street lights in the licensed area had been accounted for in the actual energy sales for FY 2011-12 and were reflected in the books of segregated accounts for the licensed area

Commission View

- 7.16 The Commission has noted the submission of JSPL-D.

F) Short Term Power Purchase

- 7.17 With regards to short term power purchase the Commission directed JSPL-D that it may purchase the Short Term Power during FY 2012-13 till the Tariff decided through bidding process is adopted by the Commission under Section-63 of the Act. However JSPL-D should submit the Petition before the Commission for approval of Ceiling rate and terms and conditions for Short Term Power Purchase during FY 2012-13 within 15 days from the date of issuance of this Order.”

JSPL-D's Submission

- 7.18 JSPL submitted that JSPL had requested the Commission to approve the short term power purchase rates allowed to CSPDCL in order dated May 5, 2012 passed on the Suo-Moto Petition no 07 of 2012(M)

Commission View

- 7.19 In view of the separate proceedings in the present matter, the Commission's view expressed in para 7.7 is also applicable in this matter.

G) Metering data

- 7.20 With regards to metering data the Commission directed JSPL-D to submit detailed metered data from FY 2011-12 onwards for the metering done at, the total energy injected in transmission system by agency(s) from which the power is sourced (source-wise), energy injected at distribution periphery and total energy sold to the consumers for proper evaluation of transmission and distribution losses.

JSPL-D's Submission

- 7.21 JSPL stated that it had submitted detailed data on energy purchased and sold under Section 5 on Performance Parameters

Commission View

- 7.22 The Commission had asked for specific and categorical information. JSPL-D is under an unfettered obligation to provide the data as directed by the commission and its compliance on regular basis has to be ensured by the utility. The data submitted by the JSPL-D do not meet the four corners of the requirement. The licensee should note that compliance of direction in totality doesn't depend on the sweet will of the licensee rather it is a statutory requirement which has to be met religiously and timely.

New Directives

Audited Accounts

- 8.1 Licensee is directed to commence separate account keeping for the regulated business and prepare proper segregated accounts and get the same audited.