2 EXECUTIVE SUMMARY

The Tata Power Company Limited ("Tata Power") is a company established in 1919. On April 1, 2000, The Tata Hydro-Electric Power Supply Company Limited (established in 1910) and The Andhra Valley Power Supply Company Limited (established in 1916) were merged into Tata Power, to form one unified entity. Consequent to the merger, the licenses of the above mentioned companies were also merged and Tata Power was granted a license by the Government of Maharashtra (GoM) for the supply of energy to the public in its Mumbai License Area and to supply energy in bulk to Distribution Licensees, vide resolution No: IEA – 2001/ CR-10509/NRG-1, dated July 12, 2001. Thereafter, the Hon'ble Commission on 20th August 2008, issued specific conditions for license to Tata Power – D, which inter-alia specify that the term of the license would be till 15th August, 2014.

2.1 Distribution Business in Mumbai Area

Tata Power's area of supply in Mumbai extends from Colaba in the South to Vasai Creek in the North and Vikhroli on the Central Side. The total spread of the license area is 485 sq. km. and it houses a population of approximately 1.65 Crores. The area covered includes 26 wards of MCGM and the area administered by Mira-Bhayander Municipal Corporation.

Traditionally, Tata Power had been serving bulk consumers like Railways, Refineries, Ports, etc. However, after the Supreme Court Judgment, Tata Power has started giving power supply to consumers in various sectors of industrial, commercial and residential complexes. Post the Supreme Court Judgment, Tata Power also operates in a unique environment in the Mumbai License Area; i.e. they share their distribution license area with two other utilities: BEST and R Infra. In view of this Tata Power has two types of consumers:

i) Consumers who are supplied using Tata Power-D network i.e. Tata Power is both the "Wheeling Licensee" and the "Supply Licensee"

ii) Consumers who are supplied using other licensees network i.e. Tata Power is only the "Supply Licensee

The current consumer base of Tata Power-Distribution is around 3,30,000 of which more than 85 % are supplied using the network of other Distribution Utility.

There are multiple distribution licensees operating in Mumbai with overlapping Distribution License Areas – Tata Power and BEST in South Mumbai and Tata Power and R-Infra in the Mumbai Suburbs.

With reference to the License Area common to Tata Power-D and BEST, based on an appeal filed by BEST before the Hon'ble Supreme Court, the Hon'ble Supreme Court has directed '*status quo*' on all the Distribution related activities of Tata Power-D in the License Area common to Tata Power-D and BEST. In view of this, currently, Tata Power-D is only providing power supply to its existing consumers in this area.

Further, with reference to the License Area common to Tata Power-D and R Infra, the Hon'ble Commission had earlier through their orders dated 15th October, 2009 in Case 50 of 2009 and the Clarificatory Order dated July 22, 2009 in the matter of "Tata Power-D Petition for Truing up for FY 2007-08, APR for FY 2008-09 and Tariff Determination for FY 2009-10", had allowed Tata Power-D the use of the Distribution Network of the other Distribution Licensee (R-Infra) to cater to the applications for electricity supply, instead of resorting to a high capital expenditure for network roll out. These orders had enabled changeover of consumers from R-Infra to Tata Power – D and created a situation where there are two Distribution Licensees in play viz. one "Wheeling Licensee" who provided its wires or network to be used and other "Supply Licensee" who provides the supply to the consumers. This situation was implemented for the first time in India.

However, on a petition filed by R-Infra, the Hon'ble Commission through their Order dated 22nd August, 2012 in Case 151 of 2011 has now restricted the changeover only to Residential Category Consumers with consumption between 0-300 units per month. All other categories of consumers have been stopped from changeover for a period of one year from the date of the Order. Further, the "switchover" (i.e. moving over from R Infra network to Tata Power – D network) of existing changeover consumers has been allowed in selected clusters / wards. The directions as given in the Order are summarised in the Table below:

Table 2-1: Directives as per the Order dated 22nd August, 2012, in Case 151 of 2011.

Area	Consumer Category								
	Changeover			Switchover			Direct		
	Existing (applied till 22.08.2012)	New applications		Existing (applied till 22.08.2012)	New applications		Existing (applied till 22.08.2012)	New applications	
		Residential (0-300)	Others		Residential (0-300)	Others		Residential (0-300)	Others
Entire Mumbai Suburbs Area	√	√	x	x	x	x	√	√	√
Selected Clusters/Wards	NA	NA	NA	√	√	x	NA	NA	NA

However, the Hon'ble Commission has not taken the impact of this Order into consideration while issuing the Order dated 26th August, 2012 in Case 165 of 2011 on the Business Plan of Tata Power-D and directed Tata Power-D to modify the manpower requirement, capex and sales as per the directions in the Business Plan Order and the above mentioned Order dated 22nd August, 2012 in Case 151 of 2011.

In this regards, we wish to submit that, in our opinion there would not be a significant impact on the sales of Tata Power-D on account of this Order for the following reasons:

(i) The restrictions as per the Order are for a limited period of one year.
(ii) There is no restriction on acquiring new consumers.
(iii) Switching over of existing changeover consumers on Tata Power-D network will not impact the sales significantly.

In view of this, Tata Power-D has considered the sales as approved by the Hon'ble Commission in the Business Plan Order.

As directed in the order dated 22nd August 2012, with regards to the capital expenditure, Tata Power-D has submitted to the Hon'ble Commission the additional capital expenditure required for developing the distribution network. However, as per the principles adopted by the Hon'ble Commission such additional capital expenditure has been considered in this petition through a reply to the data gap query asked by the Hon'ble Commission.

We wish to submit that in our opinion that impact of the manpower would be towards the expenditure under the Network roll out which is Capital in nature. Such increase in manpower cost would be captured in the capital cost of the network that is being set up and as such there would not be any impact on the running cost of distribution business.

2.2 Filings under MYT Regulations 2011

The Hon'ble Commission issued the MYT Regulations 2011 on 4th February, 2011. As per paragraph 7.1 of these MYT Regulations, a Distribution Company such as Tata Power –D is required to file a Business Plan for the Control Period of five financial years commencing from 1st April, 2011 to 31st March, 2016. Tata Power has filed such Business Plan separately to the Hon'ble Commission. The Hon'ble Commission has issued an Order for the Business Plan on 26th August, 2012 ("Business Plan Order"), wherein it has directed to Tata Power to submit the MYT Petition for the Control Period FY 2012-13 to FY 2015-16 with the approved Business Plan as the basis. Further, the Hon'ble Commission has directed to file ARR petition for FY 2011-12 as per MERC (Terms and Condition of Tariff) Regulation 2005 ("Tariff Regulations 2005").

2.3 ARR / MYT for the Second Control Period – FY 2011-12 to FY 2015-16

Tata Power in this section has presented the Aggregate Revenue Required for the different years of the Second Control Period. In line with the directive of the Hon'ble Commission the ARR of FY 2011-12 has been arrived at using the old MERC Tariff Regulations, 2005 whereas the ARRs of the balance four years i.e. FY 2012-13 to FY 2015-16 have been arrived at as per the new MYT Regulations, 2011 and on the basis of the Business Plan approved by the Hon'ble Commission in its order dated 26th August, 2012. The ARR for the Wires Business and Supply Business has been carried out separately and details of the same are presented in the Chapter 5 to **8**

Further, the Hon'ble Commission, in their Business Plan approval had considered Capitalisation of only those Schemes which have been given 'In Principle' clearance. We are making this submission considering only the approved Capitalisation in the Business Plan.

As the year FY 2011-12 has concluded, Tata Power – D is filing this Annual Revenue Requirement petition for the Distribution function for the year FY 2011-12 based on the actual performance. Similarly projections for the period FY 2012-13 to FY 2015-16 have been modified (with respect to the amounts give in the Business Plan order) for incorporating the actual performance of FY 2011-12.

Tata Power- D has filed an appeal in the Appellate Tribunal of Electricity against the directive of filing the performance of FY 2011-12 on the basis of MERC Tariff Regulations, 2005. Tata Power – D reserves the right to seek appropriate adjustments in the cost based on the decision of Hon'ble ATE.

Tata Power –D had filed a petition for approval of truing up of Aggregate Revenue Requirement for FY 2009-10 and Annual Performance Review for FY 2010-11. The Hon'ble Commission had issued an order on the same dated 15th February, 2012 in Case 104 of 2011. However, Tata Power has appealed against this Order in the ATE for certain issues. Tata Power – D reserves the right to seek appropriate adjustments in the costs based on the decision of Hon'ble ATE.

The Hon'ble Commission has directed Tata Power-D to present the Annual Revenue Requirement for the Wires and Supply Business separately. Accordingly, Tata Power-D in this petition has presented the ARRs for Wires and Supply separately.

2.4 Projections for Distribution – Wires Business

Tata Power - D caters to its power supply load using about 2100 km HT and LT cable distribution network which connects various Transmission Receiving Stations and sub-stations in its License Area.

Based on the approved Business Plan Tariff Regulations, 2005 and MYT Regulations, 2011, the ARR of the various years are as discussed in the following paragraphs.

2.4.1 Annual Revenue Requirement

Distribution is a regulated business and the tariff is determined by following a cost plus approach. However, before determining tariff, an Annual Revenue Requirement (ARR) is computed for the distribution licensee by considering the estimated cost and the reasonable profit for the distribution licensee. While the cost is allowed in terms of various heads of expenses, profit is allowed in the form of Return on Equity (RoE) permitted to the Distribution Licensee. The Annual Revenue Requirement for FY 2011-12 has been determined in line with MERC (Tariff) Regulations, 2005 and is determined for the MYT Control Period (FY 2012-13 to FY 2015-16) as per the MYT Regulation, 2011. The brief approach for computing Annual Revenue Requirement is presented in the following paragraphs:

2.4.2 Capital Expenditure and Capitalisation - Wires Business

For FY 2011-12, Tata Power – D has considered the actual audited capital expenditure and capitalisation figures. In line with the approved Business Plan, for the period FY 2012-13 to FY 2015-16, the capital expenditure and capitalisation of only those schemes have been considered which have been approved by the Hon'ble Commission as in the Business Plan.

The capital expenditure and capitalisation for the various years of the Control Period are as shown in the Table below:

Table 2-2: Capital Expenditure & Capitalisation – Wires Business

Rs. Crore

Particulars	FY 2011-12	FY 2012-13	FY 2013-14	FY 2014-15	FY 2015-16
Capital Expenditure		737.39	107.02	81.84	-
Capitalisation	172.95	737.39	107.02	81.84	-

The capital expenditure is funded out of two sources, namely Equity and long term loans.

2.4.3 Return on Equity

Tata Power has computed a Return on Equity at 16% for FY 2011-12 and at 15.50% for the MYT Control Period, on the Equity invested in the Wires Business. A detailed working of Return on Equity has been presented on **Page No. 5-88** and **Page No. 7-102,** for FY 2011-12 and the MYT Control Period respectively.

2.4.4 Deprecation

Depreciation has been computed by using a straight line method at the rates specified in the Regulations. However as per MYT Regulations 2011, if the asset has depreciated more than 70%, the remaining depreciable value i.e. 20% has been spread across the useful life of the assets. Depreciation considered from year to year has been presented on **Page No. 5-82** and **Page No. 7-106.**

2.4.5 Operation & Maintenance Expenses

O & M Expenses for FY 2011-12 have been presented at actual on **Page No. 5-78**.

For the MYT Control Period, O & M Expenses are claimed on a normative basis as provided in Paragraph 78.4 of the MYT Regulations. O & M Expenses norms are applied to the energy wheeled on Tata Power-D's wires and opening Gross Fixed Assets (GFA) of Tata Power-D – Wires Business. A detailed working of O & M Expenses has been presented on **Page No. 7-107**.

2.4.6 Interest on Long Term Loans

Interest of Loan for FY 2011-12 has been computed at about **10.78%** The detailed working of interest on loan has been presented on **Page No. 5-82.**

For the MYT Control Period, Interest on Loan has been computed as per Paragraph 33 of the MYT Regulations. The rate of interest on long term loans is projected to be around 11.17% during the MYT Control Period from FY 2012-13 to FY 2015-16. Further, in accordance to the MYT Regulations, the repayment of loans has been considered equal to the depreciation claimed during the year in concern. The details of long term loan are presented on **Page No. 7-103 .**

2.4.7 Finance Charge

Finance Charges for FY 2011-12 have been computed at actual and are presented in detail on **Page No. 5-87.**

2.4.8 Interest on Working Capital

The working Capital requirement for has been computed as per the norms specified in the relevant Tariff Regulations. Further for FY 2011-12, an Interest Rate of 14.39% has been considered based on the State Bank of India PLR applicable during the year. An Interest Rate of 14.73% has been considered for the MYT Control Period, which is equal to the State Bank Advance Rate. A detailed computation of Interest on Working Capital has been presented on **Page No. 5-85** and **Page No. 7-108**, for FY 2011-12 and MYT Control Period respectively.

2.4.9 Provision for Bad and Doubtful Debts

Provision for Bad and Doubtful Debts has been computed at actual for FY 2011-12 and considered to be nil for the MYT Control Period.

2.4.10 Contribution to Contingency Reserve

Contribution to Contingency Reserve is a part of statutory appropriation. Contribution to contingency reserves has been considered at 0.25% of the closing value of gross fixed assets. The detailed computation of Contribution to Contingency Reserve has been presented on **Page No. 5-90** and **Page No. 7-109**, for FY 2011-12 and MYT Control Period respectively.

2.4.11 Non Tariff Income

Non Tariff Income is the income earned by the Distribution Licensee by activities which are ancillary to the activities of Distribution Business. For example, interest earned on investments in Contingency Reserves, income from assets in the regulated business, tax refunds, etc. Non Tariff Income is reduced from the Annual Revenue Requirement to reduce the burden on the consumers. A detailed working of Non Tariff Income has been presented on **Page No. 5-91** and **Page No. 7-111**, for FY 2011-12 and MYT Control Period respectively.

2.4.12 Income Tax

Income Tax for FY 2011-12 has been computed as per the methodology adopted by the Hon'ble Commission in the Order dated 15th February, 2012 in Case No. 104 of 2011. The detailed working of Income Tax for FY 2011-12 has been presented on **Page No. 5-89.**

Income Tax for the MYT Control Period is required to be reimbursed and presented separately. However, the same needs to be computed for working out the Aggregate Revenue Requirement and for working out the proposal of wheeling charges. The Income Tax for the MYT Control Period is computed as per the approach adopted by the Hon'ble Commission in its Business Plan Order dated 26th August, 2012. The detailed working of Income Tax for the MYT Control Period has been presented on **Page No. 7-112.**

2.4.13 Aggregate Revenue Requirement – Wires Business

The Annual Fixed Charges have been arrived at using the principles laid down in Tariff Regulations, 2005 for FY 2011-12 and MYT Regulations, 2011 and the Business Plan Order dated 26th August, 2012 in Case 165 of 2011 and are as shown in the Table below:

Table 2-3: Aggregate Revenue Requirement for the Control Period – Wires Business

Rs. Crore

Particulars	FY 2011-12	FY 2012-13	FY 2013-14	FY 2014-15	FY 2015-16
Return on Equity	39.79	59.68	79.29	83.66	85.54
Depreciation	28.91	56.24	76.41	82.47	85.54
O&M Expenses	44.56	61.73	84.35	95.14	106.09
Interest on Long Term Loans	34.56	65.56	90.40	88.90	82.96
Finance Charges	0.01				
Interest on Working Capital	5.54	8.05	10.48	11.06	11.38
Provision for Bad and Doubtful Debts	0.39	-	-	-	-
Contribution to Contingency Reserve	2.18	4.02	4.29	4.49	4.49
Less: Non Tariff Income	7.70	19.88	21.97	24.27	26.79
Total Aggregate Revenue Requirement before Income Tax	**148.22**	**235.40**	**323.25**	**341.45**	**349.22**
Income Tax	22.89	22.62	22.43	22.31	22.34
Total Aggregate Revenue Requirement	**171.12**	**258.02**	**345.68**	**363.76**	**371.56**

2.5 Projections for Distribution – Supply Business

Similar to the Wires Business, Tata Power – D has considered the actual audited capital expenditure and capitalisation figures for FY 2011-12 and the approved capital expenditure and capitalisation figures as per the Business Plan Order for the period FY 2012-13 to FY 2015-16 for the Retail Supply Business.

2.5.1 Annual Revenue Requirement

The Supply business is also a part of distribution which is a regulated business and the tariff is determined by following a cost plus approach. However, before determining tariff, an Annual Revenue Requirement (ARR) is computed for the distribution licensee by considering the cost and the reasonable profit for the distribution licensee. While the cost is allowed in terms of various heads of expenses, profit is allowed in the form of Return on Equity (RoE) permitted to the Distribution Licensee. The Annual Revenue Requirement for FY 2011-12 has been determined in line with MERC (Tariff) Regulations, 2005 and is determined for the MYT Control Period as per the MYT Regulation, 2011. Power Purchase Cost forms a major component of the Annual Revenue Requirement of Retail Supply Business. The brief approach for computing Annual Revenue Requirement is presented in the following paragraphs:

2.5.2 Power Purchase Cost – Supply Business

Tata Power-D has procured power on long term and short terms from various sources for FY 2011-12. Further, to meet its RPO obligation, Tata Power-D has also sourced renewable power from wind and solar. In addition, Tata Power-D has also received power through Unscheduled Interchange (UI) during FY 2011-12. By procuring power from all the above sources, Tata Power-D has met its energy requirement for the year FY 2011-12.

For the Control Period FY 2012-13 to FY 2015-16, Tata Power has tied up majority of the power purchase through long term power purchase contract with Tata Power-G. However, such long term contracted capacity may not be adequate for the Control Period on account of the increasing sale projected during the Control Period. In view of this, Tata Power-D proposes to procure power through Case 1 Bidding on medium term / long term. Further, Tata Power-D has also tied up with renewable sources which will meet the RPO obligation partly during the Control Period. For the balance requirement, Tata Power-D proposes to procure the renewable energy through REC. In addition, Tata Power-D also proposes to procure power from bilateral sources to meet its short term requirement.

Tata Power-D has contracted power from Tata Power-G, which includes Unit 4 and Unit 6 capacity. However, considering the Energy Charges (Rs/kWh) of these units projected are considerably high and to optimise the cost of power purchase and the resultant tariff, it has not considered any purchase from Unit 6 on Oil and RLNG for the FY 2013-14 and FY 2014-15. Further it has not considered any purchase from Unit No 4 (on oil) for the various years of the Control Period. This is not to suggest that no power purchase would be made from these Units in actual during the control period. The purchases from these units by Tata Power –D may be resorted to in case there is need to do so to overcome the transmission constraints if experienced going forward or if it is found that the variable cost of generation from these units is lower than alternate cost of power that is available. However in the opinion of Tata Power –D, for the purpose of working out the Tariff Proposal and keep the consumer tariffs within reasonable limits, it would not appropriate to "plan" the purchase from these units and hence no variable cost (Energy Charge) has been considered from these Units i.e. (Unit 6 – FY 2013-14 and FY 2014-15 and Unit 4 – for FY 2013-14 to FY 2015-16). However the share of Fixed Charges from these units for Tata Power –D has been factored in the Power Purchase Cost.

The total quantum of energy proposed to be procured along with the cost for the Control Period FY 2012-13 to FY 2015-16 is as shown in the Table below, in addition to the actual power purchase made from various sources for FY 2011-12:

Table 2-4: Power Purchase – Retail Supply Business

Power Purchase Sources		FY 2011-12	FY 2012-13	FY 2013-14	FY 2014-15	FY 2015-16
Requirement of Tata Power-D	**MUs**	**6,124.84**	**6,606.97**	**6,996.92**	**7,402.22**	**7,823.41**
Met Through	MUs					
Tata Power-G	MUs	4,947.41	5,082.61	3,996.99	4,307.80	5,738.05
Renewable Sources	MUs	231.06	528.56	629.72	666.20	704.11
Case-I Bidding	MUs	-	830.38	830.38	830.38	830.38
Pool Purchase	MUs	599.45	-	-	-	-
Bilateral Purchase	MUs	327.62	165.43	1,539.83	1,597.84	550.88
Energy under Standby	MUs	29.67	-	-	-	-
Sale to Outside License Area	MUs	(10.38)	-	-	-	-
Total	**MUs**	**6,124.84**	**6,606.97**	**6,996.92**	**7,402.22**	**7,823.41**
Power Purchase Costs						
Tata Power-G	Rs. Crs	2,413.88	2,979.22	2,022.25	2,168.91	2,819.34
Renewable Sources	Rs. Crs	152.55	243.45	309.40	332.36	357.26
Case-I Bidding	Rs. Crs	-	373.67	373.67	373.67	373.67
Pool Purchase	Rs. Crs	307.88	-	-	-	-
Bilateral Purchase	Rs. Crs	160.32	74.44	692.92	719.03	247.89
Energy under Standby	Rs. Crs	14.12	-	-	-	-
Sale to Outside License Area	Rs. Crs	(3.75)	-	-	-	-
Total	**Rs. Crs**	**3,044.99**	**3,670.78**	**3,398.25**	**3,593.97**	**3,798.16**
Standby Charges Payable	Rs. Crs	84.31	140.50	140.50	140.50	140.50
Transmission & SLDC Charges Payable	Rs. Crs	101.27	233.58	273.17	286.83	301.17
Total Power Purchase Expenses	**Rs. Crs**	**3,230.57**	**4,044.86**	**3,811.92**	**4,021.30**	**4,239.83**
Average Power Purchase Rate	**Rs/kWh**	**4.97**	**5.56**	**4.86**	**4.86**	**4.85**

2.5.3 Capital Expenditure and Capitalisation - Wires Business

The capital expenditure and capitalisation for the various years of the Control Period are as shown in the Table below:

Table 2-5: Capital Expenditure & Capitalisation – Retail Supply Business

Rs. Crore

Particulars	FY 2011-12	FY 2012-13	FY 2013-14	FY 2014-15	FY 2015-16
Capital Expenditure		36.73	27.90	-	-
Capitalisation	15.13	36.73	27.90	-	-

2.5.4 Return on Equity

Tata Power has computed a return on equity at 16% for FY 2011-12 and at 17.50% for the MYT Control Period, on the equity invested in the Retail Supply Business. A detailed working of Return on Equity has been presented on **Page No. 5-88** and **Page No. 8-123,** for FY 2011-12 and the MYT Control Period respectively.

2.5.5 Deprecation

Depreciation has been computed by using a straight line method at the rates specified in the Regulations. However, for the MYT Control Period, if the asset has depreciated more than 70%, the remaining depreciable value i.e. 20%, considering a salvage value of 10%, has been spread across the useful life of the assets. Depreciation considered from year to year has been presented on **Page No. 5-82** and **Page No. 8-124.**

2.5.6 Operation & Maintenance Expenses

O & M Expenses for FY 2011-12 have been presented at actual on **Page No. 5-78**.

For the MYT Control Period, O & M Expenses are claimed on a normative basis as provided in Paragraph 92.7 of the MYT Regulations. O & M Expenses norms are linked to the energy sales of Tata Power-D's and opening Gross Fixed Assets (GFA) of Tata Power-D – Wires Business. A detailed working of O & M Expenses has been presented on **Page No. 8-124**.

2.5.7 Interest on Long Term Loans

Interest of Loan for FY 2011-12 has been computed at about 0.11. The detailed working of interest on loan has been presented on **Page No. 5-82.**

For the MYT Control Period, Interest on Loan has been computed as per Paragraph 33 of the MYT Regulations. The rate of interest on long term loans is projected around 11.17% in the MYT Control Period from FY 2012-13 to FY 2015-16. Further, in accordance to the MYT Regulations, the repayment of loans has been considered equal to the depreciation claimed during the year in concern. The details of long term loan are presented on **Page No. 8-123..**

2.5.8 Interest on Security Deposit

Interest on Security Deposit is computed in the bill of May/June every year and the credit of the same is provided to the consumers in the bill for the month of May/June. As Security Deposit is reduced from the working capital requirement, to compute interest on working capital, this entitlement of interest paid/payable to the consumers is separately claimed.

The Interest on Security Deposit for FY 2011-12 has been considered at actuals. Further, the interest on security deposit for the MYT Control Period has been computed at the current RBI Bank rate of 9.0 %. The detailed computation of interest on security deposit for the MYT Control Period is presented on **Page No. 8-126.**

2.5.9 Provision for Bad and Doubtful Debts

Provision for Bad and Doubtful Debts has been computed at actual for FY 2011-12 and considered to be nil for the MYT Control Period. However, the same shall be presented at actuals at the time of truing up.

2.5.10 Contribution to Contingency Reserve

Contribution to Contingency Reserve is a part of statutory appropriation. As per the Tariff Regulations, a contribution to contingency reserves has been considered at 0.25% of the opening value of gross fixed assets. The detailed computation of Contribution to Contingency Reserve has been presented on **Page No. 5-90** and **Page No. 8-126**, for FY 2011-12 and MYT Control Period respectively.

2.5.11 Interest on FAC

Tata Power-D is charging FAC as per MERC terms and conditions of Tariff Regulations, 2005 and the amendment issued by the Hon'ble Commission subsequently. As the FAC applicable is collected after a lag of 2 months, the interest due to such lag is claimed as interest on FAC. The details of interest on FAC have been presented on **Page No. 5-92**.

2.5.12 Non Tariff Income

Non Tariff Income is the income earned by the Distribution Licensee by activities which are ancillary to the activities of Distribution Business. For example, interest earned on investments in Contingency Reserves, income from assets in the regulated business, tax refunds, etc. Non Tariff Income is reduced from the Annual Revenue Requirement to reduce the burden on the consumers. A detailed working of Non Tariff Income has been presented on **Page No. 5-91** and **Page No. 8-127**, for FY 2011-12 and MYT Control Period respectively.

2.5.13 Income from Sale of Surplus Power

In case there is any surplus power from the contracted capacity, Tata Power-D sells this surplus power and offers the revenue to the consumers as a reduction from Annual Revenue Requirement. This income from sale of surplus power is computed at actuals for FY 2011-12.

2.5.14 Income Tax

Income Tax for FY 2011-12 has been computed as per the methodology adopted by the Hon'ble Commission in the Order dated 15th February, 2012 in Case No. 104 of 2011. The detailed working of Income Tax for FY 2011-12 has been presented on **Page No. 5-89.**

Income Tax for the MYT Control Period is required to be reimbursed and presented separately. However, the same needs to be computed for working out the Aggregate Revenue Requirement and for working out the proposal of wheeling charges. The Income Tax for the MYT Control Period is computed as per the approach adopted by the Hon'ble Commission in its Business Plan Order dated 26th August, 2012.

2.5.15 Other Expenses

Tata Power-D has been taking various demand side management initiatives as approved by the Hon'ble Commission, for energy conservation and load shifting. The expenses towards these initiatives have been claimed as Demand Side Management (DSM) expenses under this head. The details of DSM expenses have been presented on **Page No. 5-91** and **Page No. 8-122**, for FY 2011-12 and MYT Control Period respectively.

2.5.16 Aggregate Revenue Requirement – Retail Supply Business

The Annual Revenue Requirement for the Supply Business is as shown below:

Table 2-6: Aggregate Revenue Requirement – Retail Supply Business

Rs. Crore

Particulars	FY 2011-12	FY 2012-13	FY 2013-14	FY 2014-15	FY 2015-16
Power Purchase Cost	3,234.32	4,044.86	3,811.92	4,021.30	4,239.83
Tata Power -D Supply Costs	**143.73**	**156.39**	**157.48**	**173.30**	**192.70**
RoE	*1.51*	3.01	4.71	5.44	5.44
Depreciation	*2.13*	3.62	5.34	6.11	6.15
O&M	*65.52*	66.66	74.64	83.49	93.15
Interest on Loans	*0.59*	2.41	4.44	4.89	4.21
Interest on Working Capital	*53.94*	67.91	54.17	57.78	67.78
Interest on Security Deposit	*8.79*	14.05	13.59	14.36	15.13
Finance Charges	*0.00*				
Provision for Doubtful Debt	*-1.08*	-	-	-	-
Contingency Reserve	*0.09*	0.19	0.26	0.26	0.26
Interest on FAC	*22.47*				
Non Tariff Income	*7.35*	4.81	5.29	5.81	6.41
Income from Sale of Surplus Power	*3.75*				
Income Tax	*0.87*	1.14	1.33	1.45	1.42
Other Expenses		2.21	4.28	5.33	5.56
Tata Power -D Wheeling Csots	**171.12**	**258.02**	**345.68**	**363.76**	**371.56**
Total ARR for the Retail Supply Business	**3,549.17**	**4,459.28**	**4,315.08**	**4,558.36**	**4,804.09**
Total Sales	5,860.22	6,250.61	6,612.63	6,988.44	7,378.73
Average Cost of Supply	**6.06**	**7.13**	**6.53**	**6.52**	**6.51**

- **Sharing of Gains and Losses for FY 2011-12**

As per the Tariff Regulations, 2005 any approved uncontrollable expenditure has to be passed to the consumer whereas any approved gain or loss in the controllable factors has to be shared with the consumers in the ratio specified in the Regulations.

In this regards, the sharing of gains / loss for the O&M expenditure is as given in the Table below:

Table 2-7: Gain / Loss for O&M Expenditure for FY 2011-12

Sr. No.	Particulars		Units	Tata Power-D
1	Normative Computed Cost of O & M	1	Rs Cr	111.66
2	Actual O & M	2	Rs Cr	110.07
3	**O & M Gain / (Loss)**	**3 = 1-2**	**Rs Cr**	**1.59**
4	**Passed on to the Consumers**	**4 = 3 *1/3**	**Rs Cr**	**0.53**

- **Revenue for FY 2011-12**

Tata Power-D has recovered the revenue for FY 2011-12 based on the Tariff approved for FY 2010-11 by the Hon'ble Commission through their Order dated 12th September, 2010. The Revenue collected for FY 2011-12 is presented in the Table below:

Table 2-8: Revenue from Sale of Power for FY 2011-12

Rs. Crores

Sr. No.	Particulars	FY 2011-12 Actuals
1	Demand Chage	185.18
2	EnergyCharge	2770.82
3	Other Adjustment	-100.38
4	FAC Billed	275.89
5	15 Day provision	2.72
6	Cash Discount	-28.10
7	Load Factor incentive	-5.77
8	Wheeling Charge of Tata Power-D towards Changeover Consumers	-91.25
9	Total Revenue	3009.10
10	OLA Sale	3.75
11	Total Revenue	3012.85

- **Revenue (Gap) / Surplus for FY 2011-12**

Taking into account the Revenue at Existing Tariffs, Non Tariff Income and sharing of gains and loss, the Revenue (Gap) / Surplus for FY 2011-12 works out as given in the Table below:

Table 2-9: Net Entitlement for FY 2011-12

Rs. Crores

Sr. No.	Particulars	Approved	Net Entitlement	Efficiency Gains / (Loss) from Controllable factors shared with consumers	Net Entitlement after impact of Gains / (Losses) from Controllable factors
I	**Revenue**		**3,012.85**	**-**	**3,012.85**
1	Revenue from Sale of Power		3,009.10		3,009.10
2	Income from Sale of Surplus Power		3.75		3.75
II	**Expenditure**				
1	Power Purchase Expenses		3,048.74		**3,048.74**
2	Transmission Charges & SLDC Charges		101.27		**101.27**
3	Standy Charges		84.31		**84.31**
4	Operation and Maintenance Exp incl LCC Charges		111.66	0.53	**111.13**
5	Depreciation, including AAD		31.03		**31.03**
6	Interest on Long-term Loan Capital		35.15		**35.15**
7	Interest on Working Capital		59.48		**59.48**
8	Interest on Security Dep		8.79		**8.79**
9	Other Finance Charges		0.01		**0.01**
10	Bad Debts written off		(0.69)		**(0.69)**
11	Statutory Appropriations / Contingency Reserves		2.27		**2.27**
12	Return on Equity		41.30		**41.30**
13	Income Tax		23.76		**23.76**
14	Interest on working capital - FAC		22.47		**22.47**
III	**Total Expenditure**		**3,569.55**	**0.53**	**3,569.02**
15	**Other Adjustments**		**15.05**		**15.05**
16	Less: Non Tariff Income		15.05		15.05
	(Gap)/ Surplus		**(541.65)**		**(541.12)**

The above gap constitutes the pure gap for the year FY 2011-12 i.e. it does not include the past recoveries. The amount due to Tata Power-D from the various consumers is given in the next section.

2.6 Recoveries of the Past Period

Tata Power in the Table below has presented a summary of the recoveries of the past periods along with the carrying costs on account of gaps in the previous years FY 2009-10, FY 2010-11 and FY 2011-12 and on account of restoration of amount resulting from the judgments of the Hon'ble ATE for the appeals filed by Tata Power against previous Tariff Orders of the Hon'ble Commission. Further the gap also includes the share of Tata Power-D in the gap of Tata Power-G related to the past period.

Table 2-10: Recoveries along with Carrying Cost for the past periods

Rs Crores

Sr No.	Particulars	Total
1	Total Recoveries pertaing to Tata Power-D upto FY 2011-12 including carrying cost upto FY 2012-13 and impact of ATE judgement dated 31st August 2012	1112.82
2	Share of total recoveries pertaing to Tata Power-G upto FY 2011-12 including carrying cost upto FY 2012-13	185.75
3=1+2	Proposed recovery	1298.58

2.7 Recoveries of the Amounts due to Tata Power -D

In addition to the above past recoveries, Tata Power- D is entitled to recover its ARRs for the different years of the Control Period. For the purpose of presenting the position without any tariff revisions, we have computed the Gap/Surplus for the various years at Existing Tariffs. Further the Revenues at existing tariff have been worked out considering the existing (as on 31st March 2012) (1) Demand Charges (2) Energy Charges (3) FAC Charges (4) Wheeling Charge Credit of Tata Power-D applicable for Changeover consumers and (4) Other Charges including ToD Charges and Penalty/(Rebate) for Power Factor. The movement of the gap with the existing tariff is as given in the following table:

Table 2-11: Movement of Gap considering Revenue at existing Tariff

Rs. Crore

Particulars	FY 2012-13	FY 2013-14	FY 2014-15	FY 2015-16
ARR for the Year - a	4,459.28	4,315.08	4,558.36	4,804.09
Past Recoveries - b	1,298.58	-	-	-
Total to be Recovered from Tariff - c = a + b	5,757.85	4,315.08	4,558.36	4,804.09
Revenue at Existing Tariff - d	3,731.75	3,825.99	4,047.09	4,272.86
Gap/ (Surplus) for the Year :- e = c - d	727.53	489.09	511.27	531.23
Opening Gap/ (Surplus) for the Year - f	1,298.58	2,079.71	2,911.27	3,889.18
Gap/ (Surplus) for the Year - e	727.53	489.09	511.27	531.23
Interest Rate for the Year (%) - g	14.73%	14.73%	14.73%	14.73%
Interest on Opening Gap for the Year - 12 months - h = f*g	-	306.44	428.97	573.07
Interest on Gap for the Existing Year - 6 months - I = e*g*6/12	53.60	36.03	37.67	39.14
Closing Gap for the Year - j = f+e+h+i	**2,079.71**	**2,911.27**	**3,889.18**	**5,032.61**
Sales (MU) - k	6,250.61	6,612.63	6,988.44	7,378.73
Average Tariff (Rs/kWh) - l = d*10/k	**5.97**	**5.79**	**5.79**	**5.79**

It can be observed that the present existing tariff is grossly inadequate to meet the requirement of ARR for Tata Power-D in the Control Period and the closing gap at the end of the Control Period stands at **Rs. 5,032.61 Crore.** It is therefore proposed to increase the tariff to bridge this gap.

2.8 Proposed Tariff

Tata Power-D while proposing a tariff has kept in consideration the above revenue gaps at existing tariff as well as the burden that can be passed on to the consumers and has attempted to balance the two. It is further submitted as per our expectation; the new tariff would not be applicable before 1st April 2013. Hence for the purpose of the projections, we have considered the applicability of the Existing Tariff including the existing FAC for the year FY 2012-13 too.

- **Increase in Tariff of Residential Consumers**

It has been noticed the existing Tariff is very low in the categories of Residential in slabs 0-100 Unit and 100-300 Units as compared to the Average Tariff. Such low tariffs result in other subsidizing categories bearing a higher subsidy burden thereby increasing the risk of unviable operations. Further, there has also been a demand to bring about parity in the tariffs in a particular category across various licensees, especially in the residential segment. Such opinion has also been expressed in different fora by various speakers. In this regard while it may be difficult to bring about parity in all categories, it may be useful to bring about the same in category where there are large number of consumers such as the Residential Consumers (0- 300 Units). Such an approach would also provide relief to the State Government also by way of reducing pressure from social activists to maintain uniformity in residential category tariffs. Further as mentioned earlier, the tariffs in these slabs are very low as compared to the average tariff. It will not be out of place to submit that the tariff for such consumers was high in the year FY 2008-09 which was gradually brought down by the Hon'ble Commission over a period of time. The movement of the tariff over the over the years in these categories are as follows:

Table 2-12: Energy Charges (Rs/kWh Trend for Tata Power Residential Consumers

Categories	4/6/2008 Tariff Order	15/6/2009 Tariff Order	12/9/2010 Tariff Order	Proposed for FY 2013-14
Domestic (0-100)	1.71	1.30	1.05	2.60
Domestic (101-300)	3.71	2.70	2.50	4.80
Domestic (301-500)	5.71	4.20	4.40	7.10
Domestic > 500	7.21	4.90	5.30	8.00

In our humble submission the tariff of such categories can be revised upwards to bring in line with other distribution licensees. We have therefore incorporated the same in our Tariff proposal.

- **Average Billing Rate**

The changeover consumers on R Infra network are given a credit for the wheeling charges of Tata Power –D as determined by the Hon'ble Commission. The present wheeling charges as determined by the Hon'ble Commission is **38 paise per kWh** for LT and **19 paise per KWh** for HT consumers. The Changeover consumer of Tata Power –D which uses the wires of R Infra and hence such consumers are required to pay the wheeling charges of R Infra too. We have not considered the R Infra wheeling charge for presenting the Average Billing Rate of such changeover consumers as it is not possible to project the Wheeling Charge of R Infra –D. In any case the wheeling charges of R Infra are not a part of Tata Power –D Tariff.

The proposed tariff is as given in the **Annexure VII– Existing and Proposed Tariffs for MYT Control Period**. Average Billing Rate (ABR) and the cross subsidy in the proposed tariff has been presented in the following table:

Table 2-13: ABR and Cross Subsidy in the Proposed Tariff

Category	Projected ABR (Rs/kWh)					Ratio of ABR to Proposed Tariff-Cross Subsidy (%)				
	FY11-12	FY12-13	FY13-14	FY14-15	FY15-16	FY11-12	FY12-13	FY13-14	FY14-15	FY15-16
HT I - Industry	5.49	6.26	7.02	7.62	8.29	105.59%	104.83%	103.94%	102.98%	102.99%
HT II - Commercial	5.80	6.59	7.37	7.88	8.42	111.50%	110.33%	109.05%	106.60%	104.54%
HT III - Group Housing Society	4.49	5.04	5.07	5.73	6.32	86.44%	84.35%	75.11%	77.49%	78.56%
HT IV - Temporary Supply	9.85	11.09	12.44	13.55	14.66	189.42%	185.78%	184.19%	183.21%	182.09%
HT V - Railways										
- 22/33 kV	5.52	6.19	7.07	7.72	8.34	106.13%	103.73%	104.73%	104.39%	103.56%
- 100kV	5.28	5.99	6.80	7.46	8.07	101.53%	100.39%	100.73%	100.82%	100.25%
LT I - Residential	3.30	4.10	4.91	5.67	6.39	63.54%	68.66%	72.70%	76.61%	79.38%
- S1 (0-100 units)		1.08	1.61	2.11	2.81		18.03%	23.80%	28.52%	34.87%
- S2 (101-300 units)		3.11	4.15	5.13	5.92		52.10%	61.49%	69.42%	73.59%
- S3 (> 301-500 Units)		5.41	6.35	7.21	7.94		90.54%	94.06%	97.51%	98.57%
- S4 (Above 500 units)		6.44	7.16	7.83	8.52		107.90%	106.03%	105.85%	105.78%
LT II - Commercial	5.25	6.13	7.03	7.78	8.54	100.98%	102.72%	104.09%	105.21%	106.13%
- Upto 20 kW	4.45	5.10	6.31	7.15	7.99	85.58%	85.35%	93.42%	96.70%	99.31%
- > 20 kW & < 50kW	5.64	6.38	7.14	7.87	8.62	108.44%	106.89%	105.79%	106.40%	107.13%
- > 50kW	5.71	6.48	7.26	7.96	8.69	109.86%	108.60%	107.45%	107.67%	107.95%
LT III - Industry < 20 kW	4.77	5.42	6.61	7.39	8.05	91.70%	90.78%	97.90%	99.90%	100.02%
LT IV - Industry > 20kW	5.60	6.27	6.80	7.49	8.21	107.77%	105.09%	100.61%	101.21%	101.97%
LT V - Advertisement etc	14.96	17.18	16.28	17.54	18.95	287.86%	287.80%	241.05%	237.19%	235.34%
LT VI – Streetlights	-	-	-	-	-	0.00%	0.00%	0.00%	0.00%	0.00%
LT VII – Temporary Supply										
- Temporary Supply Religious	2.26	2.09	2.83	3.59	4.42	43.43%	35.06%	41.95%	48.60%	54.84%
- Temporary Supply Others	12.23	13.58	15.64	17.06	18.07	235.28%	227.54%	231.55%	230.60%	224.47%
LT VIII – Crematoriums etc	1.84	2.09	2.08	2.55	3.02	35.33%	35.06%	30.85%	34.45%	37.49%
Total Tariff	**5.20**	**5.97**	**6.75**	**7.40**	**8.05**	**100.00%**	**100.00%**	**100.00%**	**100.00%**	**100.00%**

The movement of Gap with proposed tariff is as given in the following tables

Table 2-14: Movement of Gap at proposed tariff

Rs. Crore

Particulars	FY 2012-13	FY 2013-14	FY 2014-15	FY 2015-16
ARR for the Year	4,459.28	4,315.08	4,558.36	4,804.09
Past Recoveries	1,298.58			
Total to be Recovered from Tariff	5,757.85	4,315.08	4,558.36	4,804.09
Revenue at Revised Tariff	3,731.78	4,461.02	5,165.01	5,936.93
Gap / (Surplus) for the Year	727.50	(145.94)	(606.65)	(1,132.84)
Opening Gap/(Surplus) for the Year	1,298.58	2,079.68	2,229.42	1,906.58
Gap / (Surplus) for the Year	727.50	(145.94)	(606.65)	(1,132.84)
Interest Rate for the Year	14.73%	14.73%	14.73%	14.73%
Interest on Opening Gap for the Year - 12 months	-	306.44	328.50	280.93
Interest on Gap for the Existing Year - 6 months	53.60	(10.75)	(44.69)	(83.46)
Closing Gap / (Surplus) for the Year	**2,079.68**	**2,229.42**	**1,906.58**	**971.21**
Sales	6,250.61	6,612.63	6,988.44	7,378.73
Average Tariff	5.97	6.75	7.39	8.05
Y-o-Y Increase in Average Tariff	14.8%	13.0%	9.6%	8.9%

Average Tariff Breakdown				*Rs./kWh*
Proposed Average Tariff	5.97	6.75	7.39	8.05
Contribution towards				
- ARR for the year	5.97	6.53	6.52	6.51
- Reduction/(Addition) to Regulatory Assets	(1.16)	0.22	0.87	1.54

2.9 Justification for Increase in Tariff

As computed above, the average tariff for FY 2012-13 including the FAC works out to about **Rs. 5.97** /kWh. The Base Tariff (i.e. excluding FAC) was last revised in September 2010. Further the tariff in FY 2015-16 is proposed to be increased to **Rs 8.05 /kWh** in FY 2015-16 thereby increasing at a rate of **10.46% per annum** (CAGR) which is higher than the inflation rate of about 8-9 %.. Further, despite this increase there would remain a closing gap/ (surplus) of **Rs. 971.21 Crore**.

In our humble submission, such rise proposed is to meet the rising cost of fuels. We wish to further submit that fuel prices in the last 3 years have risen leaps and bounds thereby necessitating steep revision in the prices.

- **Rise in Fuel Prices**

We have for the purpose of explanation compared the fuels prices that were considered by the Hon'ble Commission in their Tariff Order of September 2010 and the prices that have been proposed by Tata Power –G based on the existing scenario. The comparison is as given below

Table 2-15: Change in Fuel Prices

Fuel	MERC Order in Case 98 of 2009 FY 2010-11	MYT Petition FY 2013-14	Increase (%)
Coal	4,144.00	7,521.77	82%
Gas	11,008.00	15,526.41	41%
RLNG	18,555.00	46,774.54	152%
Oil	28,909.00	52,962.02	83%

As can be seen from the above table, there has been a considerable rise in the fuel prices since the last tariff order and this rise in the fuel price has been factored in the tariff recovery. To understand further the impact of rise of Fuel prices, we carried out the computation of tariffs that would be required to meet our ARR , if the fuel prices had been maintained at the level as considered in the previous tariff order. The same is shown below

Table 2-16: Impact of rise of Fuel prices in the Tariff

Rs. Crore

Particulars	FY 2012-13	FY 2013-14	FY 2014-15	FY 2015-16
ARR for the Year (Old Fuel Prices) - a	3,400.09	4,270.76	4,443.25	3,921.90
Past Recoveries - b	1,298.58	-	-	-
Total to be Recovered from Tariff - c = a + b	4,698.67	4,270.76	4,443.25	3,921.90
Revenue at Existing Tariff - d	3,731.78	4,046.61	4,383.50	4,744.02
Gap/ (Surplus) for the Year :- e = a - d	(331.69)	224.15	59.75	(822.12)
Opening Gap/ (Surplus) for the Year - f	1,298.58	942.45	1,321.99	1,580.94
Gap/ (Surplus) for the Year - e	(331.69)	224.15	59.75	(822.12)
Interest Rate for the Year (%) - g	14.73%	14.73%	14.73%	14.73%
Interest on Opening Gap for the Year - 12 months - h = f*g	-	138.87	194.80	232.95
Interest on Gap for the Existing Year - 6 months - I = e*g*6/12	(24.44)	16.51	4.40	(60.57)
Closing Gap for the Year - j = f+e+h+i	**942.45**	**1,321.99**	**1,580.94**	**931.20**
Sales (MU) - k	6,250.61	6,612.63	6,988.44	7,378.73
Average Tariff (Rs/kWh) - l = d*10/k	**5.97**	**6.12**	**6.27**	**6.43**
Proposed Tariff (Rs./kWh)		**6.75**	**7.39**	**8.05**
Contribution of Fuel Price Hike (Rs./kWh)		**0.63**	**1.12**	**1.62**

It can be seen from the above table that had the fuel prices remained at the same level, the tariff required to meet the ARR would have been in the range of **Rs. 6.12 per kWh to Rs 6.43 per Kwh** i.e. reflecting a negligible rise over the period of time. However such fuel price rise has contributed to tariff increase by about **Rs. 1.62 per KWh.** In order to buttress our arguments further, we carried out further analysis of the fuel prices that were prevailing in the country and have observed that though these prices are “Administered” or “controlled” by the Government, they too have risen considerably over the last 2- 2.5 years. The rise in prices of essential fuels are presented in the table below

Table 2-17: Rise in Fuel Prices in India

Fuel	April, 2010	September, 2012	Increase (%)
Non-Coking Coal	131.20	221.00	68%
LPG	115.80	148.90	29%
Petrol	130.20	188.70	45%
Kerosene	99.90	163.60	64%
Crude Petroleum	207.80	318.00	53%
Aviation Turbine Fuel	152.20	277.50	82%
Furnace Oil	217.50	350.50	61%

Source - Office of Economic Adviser

- http://eaindustry.nic.in/Download_Data_0405.html

We therefore request the Hon'ble Commission to appreciate that such rise is beyond the control of the utility and tariffs to that extent proposed by Tata Power –D are justified.

- **Unrecovered amount of the past**

We have in the **Table 2-14: Movement of Gap at proposed tariff** earlier presented the under recovery upto the end of FY 2012-13 is **Rs 1,298.58 Crores** and this too has contributed significantly to the desired rise in the future. In order to substantiate this view, we have in the table below presented a situation where we have worked out the tariffs that would have been sufficient to meet the expense if the past recoveries had been allowed from time to time i.e. regularly. The impact as mentioned is captured in the table below:

Table 2-18: Impact of the past recoveries

Rs. Crore

Particulars	FY 2012-13	FY 2013-14	FY 2014-15	FY 2015-16
ARR for the Year - a	4,459.28	4,315.08	4,558.36	4,804.09
Past Recoveries - b	-	-	-	-
Total to be Recovered from Tariff - c = a + b	4,459.28	4,315.08	4,558.36	4,804.09
Revenue at Existing Tariff - d	3,731.78	4,155.00	4,621.67	5,135.97
Gap/ (Surplus) for the Year :- e = c - d	727.50	160.08	(63.31)	(331.88)
Opening Gap/ (Surplus) for the Year - f	-	781.10	1,068.07	1,157.48
Gap/ (Surplus) for the Year - e	727.50	160.08	(63.31)	(331.88)
Interest Rate for the Year (%) - g	14.73%	14.73%	14.73%	14.73%
Interest on Opening Gap for the Year - 12 months - h = f*g	-	115.09	157.38	170.55
Interest on Gap for the Existing Year - 6 months - I = e*g*6/12	53.60	11.79	(4.66)	(24.45)
Closing Gap for the Year - j = f+e+h+i	**781.10**	**1,068.07**	**1,157.48**	**971.70**
Sales (MU) - k	6,250.61	6,612.63	6,988.44	7,378.73
Average Tariff (Rs/kWh) - l = d*10/k	**5.97**	**6.28**	**6.61**	**6.96**
Proposed Tariff (Rs./kWh)		**6.75**	**7.39**	**8.05**
Contribution of Regulatory Assets (Rs./kWh)		**0.46**	**0.78**	**1.09**

It is our humble submission if the desired tariff is not allowed, it results in unrecovered gap at the time of truing-up. Such unrecovered gap in turn results in further tariff hike in future. For example, it is observed that Tata Power –D had sought an average Tariff of Rs 6.11 for FY 2009-10. However the Hon'ble Commission permitted an average tariff of Rs 4.41 per KWh. Similarly, Tata Power –D had proposed an average Tariff of Rs 5.86 per KWh for the year FY 2010-11 but the Hon'ble Commission had approved a Tariff of Rs 5.20 per KWh .Such tariff differentials result in under recovery of the ARR and consequently it results in an unrecovered amount which is due for recovery at a later stage but with an interest cost. In our humble submission, such deferred recovery is neither in the interest of the consumer nor in the interest of the utility.

We therefore request the Hon'ble Commission to kindly approve of the above Tariff Proposal.

2.10 Separate Tariff for Mumbai International Airport Ltd

The Hon'ble Commission in its order dated 5th August 2012 in Case No 82 and 101 of 2011 had directed Tata Power to propose a separate category for MIAL in the MYT Petition. The directions of the Hon'ble Commission were are as follows:

Further, TPC is directed to propose an appropriate consumer categorisation for MIAL in its subsequent MYT Petition, keeping in view the ruling of the Commission in this Order regarding applicability of composite tariff for MIAL's consumption.

We have accordingly, proposed a separate category for Airport under this Tariff petition. While proposing a tariff for such category, Tata Power-D has applied the stand of the Hon'ble Commission in the order of Case No 82 and Case No 101 of 2011 above with regards to the mix of consumers i.e. Aero and Non Aero as the same are not possible to be separately monitored by Tata Power –D. Further for Aero related consumption, Tata Power had equated such consumption towards "infrastructure" and has therefore proposed the same tariff as applicable to Railways at 22 KV. However as mentioned, there is no separate measurement for this Aero related consumption at the point of supply, the tariff to MIAL is a weighted average tariff of Railways and LT Commercial (between 20 KW and 50 KW). Based on this, the tariff proposed for MIAL during the control period is as follows:

Table 2-19: Tariff for MIAL

Particulars		FY 2013-14		FY 2014-15		FY 2015-16	
		Aero	Non-Aero	Aero	Non-Aero	Aero	Non-Aero
Share in Consumption	%	82%	18%	82%	18%	82%	18%
Energy Charges							
Energy Charges Proposed	Rs./kWh	6.85	7.20	7.40	7.65	7.90	8.15
Composite Energy Charges	**Rs./kWh**	**6.91**		**7.44**		**7.95**	
Demand Charges							
Demand Charges Proposed	Rs./kWh	210.00	210.00	250.00	250.00	295.00	295.00
Composite Demand Charges	**Rs./kWh**	**210.00**		**250.00**		**295.00**	