RInfra-Distribution (RInfra-D) – Wire and Retail

Annual Performance Review towards: Truing up of ARR of FY09, APR of FY10 and Determination of ARR and Tariff for FY11

Executive Summary

Filed with Maharashtra Electricity Regulatory Commission

TABLE OF CONTENTS

LIST OF TABLE

A.1. INTRODUCTION

A.1.1 ABOUT RINFRA-D

Reliance Infrastructure Limited (hereafter referred to as RInfra) is an integrated Utility engaged in Generation, Transmission and Distribution of electricity in suburban areas of Mumbai. Under the provisions of the Electricity Act, 2003 (hereinafter referred to as The Act) and in terms of MERC (General Conditions of Distribution License) Regulations 2006 and MERC (Specific Conditions of Distribution License) Regulations 2008, RInfra is a Distribution Licensee (hereinafter referred to as RInfra-D).

RInfra-D sources its requirements of energy for supply to its consumers, from its Dahanu Thermal Power Station (RInfra-G), allocation in The Tata Power Company–Generation (TPC-G), other sources through Bilateral Contracts and power exchanges. For receiving the energy, the distribution system of RInfra-D is connected to the transmission system of RInfra-Transmission (RInfra-T) and TPC-Transmission (TPC-T), which is connected to the transmission system of MSETCL. RInfra-T system is also connected to MSETCL system at Poisar.

RInfra-D is currently catering to electricity needs of around 2.7 million consumers in its licensed area (in and around suburbs of Mumbai) spread over 384 Sq. Kms with annual energy input requirement of about 9 billion units and coincident Max. Demand of above 1500 MVA. As on 31st March 2009, the distribution system of RInfra-D includes 2752 MVA of Power Transformer capacity, 5384 Nos of 11kV Substations (with capacity of 4155 MVA) HT cable length of 4186 Kms & LT Cable length of 3830 Kms, etc.

A.1.2 DEMERGER

RInfra had by a Scheme envisaging demerger of its various businesses filed proceedings before the Hon’ble Bombay High Court under Sections391 to Section

394 of the Companies Act, 1956. Under the said Scheme, the whole of the undertaking and properties of the Power Distribution Division would stand transferred to and vested in andor be deemed to be transferred to and vested in to Reliance Energy Limited (REL), so as to vest in REL all rights, title and interest pertaining to the Power Distribution Division. . The said Scheme was sanctioned by the Hon'ble Bombay High Court but was to become effective after obtaining the approval of this Hon'ble Commission and upon the Board of Directors of RInfra and the Resulting Companies (in the present case REL) resolving that the Scheme has become effective.

Thereafter Case No.40 of 2009 was filed before this Hon'ble Commission, inter alia, by RInfra and REL, on 17th July 2009 praying inter alia that this Hon'ble Commission take note that on the Hon'ble Bombay High Court sanctioning the said Scheme and on its becoming effective, the Distribution Licence granted to RInfra and the rights and obligations thereunder would be vested in REL and accordingly approve transfer of Distribution Licence of RInfra to REL and to direct mutation of the Distribution Licence in the name of REL.

This Hon'ble Commission had by its Order dated 15th March 2010 in Case No.40 of 2009 approved the assignment of the Distribution Licence and Transfer of Assets in the Distribution System in favour of REL, provided REL retains the ownership and operational control over the assets in the Distribution System and hence REL is joined as a Petitioner in the present petition. Maharashtra Electricity Regulatory Commission (Specific Conditions of Distribution Licence Applicable to Reliance Energy Limited) Regulations, 2008 were also stated by the Commission to be required to be amended for which the Commission will separately initiate the process of carrying out the amendment to RInfra License.However, this can be done once RInfra informs this Hon'ble Commission about the Scheme being made effective.

RInfra submits that pursuant to the order passed by this Hon'ble Commission in Case No.40 of 2009, the Scheme will be effective only on receipt of remaining requisite approvals which are awaited. RInfra further submits that upon receipt of requisite approvals, the Board of Directors of RInfra and REL will record receipt of such approvals and pass the resolution for making the Scheme operative and effective. As on date, the distribution licence, rights and obligations thereunder and assets in distribution system continues to remain l vested with RInfra . Consequently, this petition has been filed by RInfra-Distribution Business (RInfra-D) as the petitioner.

A.2. Objective of the petition

RInfra-D is submitting the current petition in accordance with the Regulation 17 (Annual Performance Review) of MERC (Terms and Condition of Tariff) Regulations, 2005 (hereafter referred to as MERC Tariff Regulation), consisting of:

1. Impact of ATE Judgment on FY 07 and FY 08
2. "Truing up" of Revenue Gap of FY 09
3. Annual Performance Review of FY 10
4. Projected Retail Supply and wheeling ARR and tariff proposal for wheeling and retail customers for FY 11 and
5. Proposal of cross-subsidy surcharge for changeover consumers.

A.3. Impact of Judgment on RInfra-D Tariff Orders

A.3.1 IMPACT OF ATE JUDGMENT

Hon'ble MERC in the Tariff Order dated June 4, 2008 had determined the revenue requirement of RInfra-D for FY 09 and the truing up of costs and revenues for FY 07. RInfra had filed a statutory appeal against this Order before the Hon'ble Appellate Tribunal for Electricity (ATE) on various issues (Appeal No. 117 of 2008). Hon'ble ATE issued judgment dated August 28, 2009. In addition, there has been a judgment of the Hon'ble ATE in TPC's Appeal Nos. 137, 138 and 139 of 2008 regarding incremental depreciation on assets added during the year.

In this petition, RInfra-D has assessed the impact of the said judgments on the truing-up of FY 06-07 and accordingly for FY 07-08 separately. The principles issues set forth by the Hon'ble ATE have also been used to determine the ARR for FY 08-09 and onwards in this petition.

MERC, in the Tariff Order dated June 15, 2009, determined the revenue requirement of RInfra-D for FY 2009-10 and the truing up of costs and revenues for FY 08. RInfra-D has filed a statutory appeal against this Order in the ATE on certain issues. The petition has been admitted. As the ATE has not passed any judgment thereon at the time of filing this petition, the additonal impact of the same is not included in this petition.

A.3.1.1 Non-deduction of one month equivalent cost of power purchase in computation of Working Capital for distribution business.

The judgement of Hon'ble ATE on the above mentioned issue clearly infers that one month equivalent power purchase cost from DTPS should be added to the Hon'ble Commission's approved working capital computation for FY06-07 and FY07-08 respectively.

A.3.1.2 Interest on Working Capital met through Internal Accruals

The Hon'ble ATE has acknowledged in their order that all capital invested in the business has attached cost, which reflects the legitimate expectation of the Company's shareholders, as the capital not used for working capital funding could have been deployed elsewhere to earn market based return. Since, the working capital funding through internal accruals is a result of foregoing the earning on that amount if invested elsewhere, the funding through internal accruals also deserve to receive certain interest. Hence, the Hon'ble Commission needs to re-compute the actual interest on working capital by considering SBI PLR existing in the said period.

A.3.1.3 Efficiency gains due to lower distribution losses for FY 2007

The Hon'ble Commission had set the distribution loss target of 11.52% for RInfra-D for FY 2006-07, while as per the aforesaid judgment, the target distribution losses should be considered as 12.1%. Since, RInfra-D had achieved a reduction in distribution loss level upto 11.25%, in view of the judgment, the efficiency gains of RInfra-D for FY 06-07 on account of reduction of distribution losses ought to be measured on the difference between 12.1% and 11.25%.

Similarly, in view of the judgment dated December 11, 2007, the target level of distribution losses for FY 07-08 for the purpose of working out efficiency gains are retained as 12.10%.

The actual distribution losses during FY 07 and FY 08 have been 11.25% and 11.04% respectively when compared with the target losses of 12.10%.

For the purpose of FY 09, RInfra-D has assumed the same loss reduction trajectory of 0.25% as considered by the Hon'ble Commission in Tariff Order of June 4, 2008 and thereafter. Accordingly, RInfra-D submits that the target level of distribution losses for FY 08-09 be considered as 11.85% for the purpose of computing efficiency gains. Using this target losses for FY 09, RInfra-D has computed efficiency gains, which are included in the section on truing-up of FY 08-09, later in this petition.

A.3.1.4 Rate of Interest in respect of Deferred Recovery

The arrangement of funds for sustaining the cash flow equivalent to deferred recovery also attract certain cost. As explained in case of funding of working capital requirements through internal accrual, the same principle needs to be applied for computation of interest on deferred recovery as well. Thus SBI short term PLR has been applied on deferred recovery (regulatory assets).

Furthermore, RInfra-D has worked out carrying cost interest on the past revenue gaps (FY 08-09 truing-up amount and regulatory assets created in the past at the rate of

SBI PLR of the intervening financial years in question) and reflected the same separately in this petition.

A.3.1.5 Incremental Depreciation for assets commissioned during the year

This issue is arising out of a judgment of the Hon'ble ATE on TPC's Appeal Nos. 137 of 2008, 138 of 2008 and 139 of 2008 respectively. The judgment states that depreciation is required to be permitted for assets added during the year as well, in addition to opening balance of GFA.

The incremental depreciation for FY 08, however, is a very small amount as majority of capitalization in FY 08 was towards the end of the financial year. However, additional depreciation is woked out for assets commissioned during FY 09 based on actual capitalization during FY 09, in accordance with the dates on which the particular assets were added. Similarly, for FY 10 as well, actual date of capitalization of assets is considered. For FY 11, however, as the asset addition is, at this stage, only estimated / projected, the estimated / projected capitalization in FY 11 is assumed at the mid of the year and depreciation is computed accordingly.

A.3.2 IMPACT OF ADDITIONAL CAPITALISATION FOR FY 08

In the Tariff Order dated June 15, 2009 the Hon'ble Commission allowed a capitalization of only Rs. 120.90 crore for FY 07-08, as against actual of Rs. 285.29 crore for want of benefits accrued from capex schemes. The compliance report containing the benefits of all capex schemes since FY 04-05 onwards has since been submitted by RInfra-D vide letter dated Nov 24, 2009. Accordingly, RInfra-D has considered the total actual capitalization of Rs. 285.29 crore and computed additional depreciation, interest in normative debt, return on equity and income tax due to the same.

A.3.3 ISSUE OF CONSUMER CONTRIBUTIONS FUNDING OF CAPITAL ASSETS

In the Tariff Order dated June 15, 2009, the Hon'ble Commission, adjusted the entire consumer contribution amount from the regulated equity, consequently reducing regulatory equity and RoE. RInfra-D wishes to point out the Regulation 72.11 of Tariff Regulations, which states that consumer contribution has to be deducted from the original cost ofr the purpose of calculating the amount of loan capital and equity capital.

RInfra-D wishes to point out to the Hon'ble Commission, its own Tariff Order for FY 04-05 and 05-06 for BEST, in Case No. 4 of 2004, dated 9th March 2006, treated consumer contributions in accordance with the aforesaid Regulation.

Further, in the recently issued Tariff Orders for TPC-D and BEST for FY 10-11 also, the Hon'ble Commission has deducted consumer contributions from total capitalization and then applied 70:30 to determine allowable capital for interest and RoE computation.

Accordingly, RInfra-D humbly submits that the Hon'ble Commission's approach in the Tariff Order of June 15, 2009 of first determining regulatory equity by applying 30% on incremental capitalization and then reducing the entire consumer contributions from such equity, was not in accordance with the Regulations and Hon'ble Commission's own approach adopted in different Tariff Orders.

Therefore, RInfra-D has, in this petition, re-determined the allowable regulatory debt and equity from FY 2006-07 and recomputed the Interest and RoE, as against what has been approved by the Hon'ble Commission. The difference till end of FY 07-08 is reflected as additional expense in this petition.

The cumulative impact for FY 07 and FY 08 on interest and return, as against what has been permitted by the Hon'ble Commission has been included in FY 10-11 as past period cost.

Further, the Interest and RoE of FY 08-09 and beyond have been computed using the revised opening balances of regulatory debt and equity and applying these principles for adjustment of yearly consumer contributions.

For the purpose of above, actual capitalization of FY 07-08 is considered as against Commission approved amount as the report on benefits of capex scheme has been submitted to the Commission.

As the truing-up of FY 08 is already done by the Hon'ble Commission, these incremental expenses, can now only be permitted by the Hon'ble Commission through a separate revenue expense allowance in the ARR for FY 10-11.

A.3.4 SUMMARY OF PAST PERIOD EXPENSES

The table below summarizes the total impact on account of the Orders of Hon'ble ATE, as detailed above and the additional capex related expenditure permissible in view of the actual capitalization and submission of report by RInfra-D on benefits achieved from the same.

Table ES 3.1: Additional impact from FY 07 and FY 08

S.No.	Particulars	UoM	Approved By MERC	Revised as per ATE Order	Difference
A	Interest on working Capital	Rs. Crore	23.96	51.90	27.94
B	Efficieny gains -D Loss FY 06-07 and FY 07-08	Rs. Crore	4.57	51.49	46.93
C	Carrying Cost	Rs. Crore	84.95	160.03	75.08
D	**Total Impact of ATE Order**	**Rs. Crore**	**113.48**	**263.43**	**149.95**
E	**Impact of Additional Capitalisation**	**Rs Crore**			**23.49**
F	**Grand Total (F+G)**	**Rs Crore**			**173.44**

A.4. TRUING-UP OF FY 09

A.4.1 SALES AND REVENUES

In the Order, the Hon'ble Commission approved the sale of 8230 MU for FY 08-09. As against this, RInfra-D's actual sales for the period is 8270 MU.

The Hon'ble Commission estimated revenue of Rs. 5309.15 Crore for FY 08-09 for RInfra-D. Against this, the actual revenue for distribution business amounts to Rs 5344 Crore.

Table ES 4.1: Sales Revenue (in Rs. Crore)

Particulars	**Tariff Order June 15, 2009**	**Actuals**		
		April –May 2008	**June 2008-March, 2009**	**Total**
Revenue (in Rs Crore)	5309	856	4488	5344

A.4.2 DISTRIBUTION LOSSES

With continuous efforts in improving operational efficiency in distribution system, RInfra-D has been able to contain the distribution losses for FY 09 at 10.16%.

RInfra-D wishes to point out that the target loss level for FY 08-09 for the purpose of computing efficiency gains should be considered as 11.85% based on 0.25% reduction from FY 08 target loss of 12.10% as ruled by Hon'ble ATE in its Order dated Dec. 11, 2007. In view, the efficiency gains for FY 08-09 has been computed as per the Tariff Regulation and the share of incentive attributed to RInfra-D consumers has been passed on to them.

A.4.3 TRANSMISSION LOSSES

RInfra-D has considered the Intra State Transmission Losses (InSTS) for FY 09 at 4.86% as per the IBSM statements for FY 08-09.

A.4.4 ENERGY BALANCE

Based on the loss levels as given above and the actual sales made by RInfra-D during FY 09, the energy balance for the year is provided below:

Table ES 4.2: Energy Balance for FY 09

Particulars	UoM	FY 09
Total Sales	MU	8270
Distribution Loss	%	10.16%
Energy Input to the Distribution System	MU	9206
Intra State Transmission System Losses	%	4.86%
Energy Input	MU	9676

A.4.5 POWER PURCHASE

During FY 08-09, RInfra-D has met its power requirement from the following sources:

RInfra-G:

The entire power generated by RInfra-G during FY 09 has been procured by RInfra-D.

TPC-G:

In accordance with the Hon'ble Commission's Tariff Order dated June 4, 2008, energy was procured by RInfra-D corresponding to the share of 500 MW in TPC Generation capacity.

Renewable Sources:

RInfra, during FY09, has procured 22.28 MU of renewable energy compared to RPS target of 483.809 MU. Hon'ble Commission vide its Order dated August 07, 2009 in case no. 122 of 2008 acknowledged the existence of supply-side constraints and other uncontrollable factors as being the reasons for shortfall in RE procurement by RInfra-D and modified the target of RE procurement to lower of actual and target procurement (target as specified under RPS Order dated August 16, 2006).

Bilateral Contracts:

The demand of consumers in the area of RInfra-D is greater than the availability of power from RInfra-G (DTPS) and TPC-G. This shortage of power in FY 08-09 has been met through purchase of power under bilateral contracts with external sources.

Imbalance Pool:

As per the Interim Balancing and Settlement Mechanism (IBSM) approved by the Hon'ble Commission, the monthly energy balancing and accounting is undertaken by the MSLDC in the State of Maharashtra, wherein all surplus power available in the Imbalance Pool is set off against the deficits of individual pool participants. Through this mechanism, RInfra-D has absorbed 1075 MU of power from the state pool during the period FY 08-09, and has paid for the same based on the monthly System Marginal Price worked out by the MSLDC, in accordance with the method specified by the Hon'ble Commission.

The power purchase cost for FY 09 is after considering all the above sources is depicted below:

Table ES 4.3: Power Purchase

Source of Power	FY 09				
	MERC		Actual		
	Quantum	Total Cost	Quantum	Total Cost	Average Rate
	(MU)	(Rs. Crore)	(MU)	(Rs. Crore)	(Rs./kWh)

	FY 09				
DTPS	3943	967.69	4025	999.89	2.48
TPC-G	2845	1373.46	2836	1356.95	4.79
Bilateral	1920	1683.44	1718	1502.78	8.75
RPO	64	22.32	22	7.80	3.50
Imbalance Pool	742	701.41	1075	960.33	8.93
Total	**9514**	**4748.31**	**9,676**	**4827.75**	**4.99**

A.4.5.1 Past period adjustments / payments attributable to power purchase

RInfra-D has made a payment of Rs. 4.80 crore to BEST towards bilateral purchase of power via MPMG, pertaining to March 08. As the debit note was raised a bit late by BEST, the payment was made only in April 08 and hence accounted for in FY 08-09. In addition, payment of Rs. 3.25 crore was made to TPC on account of Hon'ble ATE's Order in the matter on reverse flow of energy and reactive drawl of energy at the 220 kV interconnection. Further, an accounting adjustment of Rs. 0.02 crore was made on account of power purchase from TPC in FY 08-09.

Thus, a total of Rs. 8.05 crore is included over and above stand-alone costs of power purchase in FY 08-09.

A.4.6 TRANSMISSION CHARGES

The actual transmission charges paid during FY 09 works out to be Rs. 216.28 Crore.

A.4.7 STANDBY CHARGES

RInfra-D made a payment of Rs 220.40 Crore to MSEDCL during FY 09 towards standby charges.

The actual stand-by charges for FY 08-09 works out to Rs 222.40 Cr, as approved by MERC in the RInfra – D Tariff Order dated June 15 2009. Hence, an additional amount of Rs 2 Cr was paid to MSEDCL in FY 11 towards FY 08-09 cost, pursuant to a demand of the same by MSEDCL. This additional amount is added to the stand-by charges for FY 11.

A.4.8 SLDC CHARGES

RInfra-D has paid Rs. 1.52 crore towards SLDC charges during FY 09, as determined by MERC.

A.4.9 DEMAND SIDE MANAGEMENT

The Hon'ble Commission through its Tariff Determination order for FY 2008-09 had given a target to Reliance Energy for reduction of 1% of costly power purchase requirement, translated to 0.10% of total power purchase, amounting to Rs. 16.01 Cr.

As against this, RInfra-D has achieved total savings of 12.87 MU through various DSM measures.

The average rate of costly power purchased by RInfra in 2008-09 is Rs. 8.7 per unit. Hence, the abovementioned savings of 12.87 MU translate to Rs. 11.12 Cr. The aforesaid results are on account of those schemes only whose benefits are measurable.

A.4.10 CAPITAL EXPENDITURE

During FY09, RInfra-D has incurred capital expenditure of Rs. 448.11 Crore and Rs. 456.69 Crore has been Capitalized vis-à-vis Rs. 192.86 Crore capitalization as approved by MERC. The Hon'ble Commission had considered lower capitalization pending submission of report on benefits achieved from the schemes. RInfra-D has since submitted the benefits report to the Hon'ble Commission vide its letter dated Nov. 24, 2009 and has accordingly considered all actual capitalization during FY 09 for the purpose of truing-up in this petition. Brief summary of total capitalization is given below.

Table ES 4.4: Capex schemes executed in FY 08-09

DPR schemes			Non-DPR schemes	Total capitalisation
Approved	Submitted, approval not received	Not submitted*		
350.35	49.08	18.21	39.06	456.69

**Not submitted only refers to non-submission of Street Lights scheme during FY 08-09. However, the same has been submitted subsequently*

A.4.11 LOAN REPAYMENT SCHEDULE

A normative loan repayment tenure of 10 years has been considered for loans drawn during FY 05 and FY06 and 20 years for loans drawn during FY 07 and afterwards.

A.4.12 OPERATIONS AND MAINTENANCE EXPENDITURE

Operating expenditure includes the expenses incurred on salaries and wages of the employees of the organization, the expenses incurred on repairs and maintenance of various network equipments of the company used for supply of electricity to consumers and administrative and general expenses incurred in day-to-day operations of RInfra-D.

A.4.12.1 Employee Expenses

RInfra-D has incurred an amount of Rs. 298.81 Crore towards Employee expenses for FY 09. Its actual expenses for FY 07-08 (allowed by the Commission in Order dated June 15, 2009) was Rs. 266.27 crore. Thus, between FY 07-08 and FY 08-09, RInfra-D’s employee expenses have increased by about Rs. 32.54 crore, or about 12%.

The increase in employee costs is attributable primarily to the reasons of change in salary structure on account of movement of employees from GPA structure to CTC structure and consequently increase in salaries as well as allocation of higher proportion of CTC towards allowances such as conveyance, HRA, etc. Further, the Dearness Allowance (DA) Index for FY 08-09 of Officers and Staff cadre of employees has shown significant increase in the period in question and it forms an important component in the realignment of wages of employees in addition to increase on account of performance and to retain employees.

A.4.12.2 Administrative and General Expenditure

RInfra-D has incurred an amount of Rs. 112.88 Crore towards A&G expenses for FY 09. Its actual expenses in FY 07-08 were Rs. 107.43 crore.

Considering the actual expenses of RInfra-D in FY 07-08, the increase in these expenses in FY 08-09 are only to the tune of Rs. 5.44 crore, or about 5%. The primary reasons for increase in expenses between FY 08 and FY 09 are explained below:

- There has been an increase in rents and taxes of Rs. 4.17 crore on account of new premises undertaken for godown purposes, with a view to centralize O&M and capex stores, increase in property taxes on existing premises, increase in lease rental for Aarey substation, etc.

- Increase in expenses towards license and other legal fee paid to MERC of Rs. 0.59 crore, due to higher revenue in FY 09, as license fee is linked to revenue

- Increase in postage related expenses on account of new customer mailers to explain increase in tariffs, increase in disconnection notices, customer awareness mailers, etc. to the extent of Rs. 1.20 crore.

- Increase in Security Charges by Rs. 1.81 Crore on account of deployment of greater security, addition of newer installations and consequent security arrangements.

The Hon'ble Commission would appreciate that even though expenses have increased due to various uncontrollable reasons explained above, the increase is limited to only about 5% due to reduction in expenses on various other heads.

A.4.12.3 Repairs and Maintenance Expenditure

RInfra-D has incurred an amount of Rs. 136.47 Crore towards R&M expenses for FY 09. Its actual expenses in FY 07-08 on R&M were Rs. 135.19 crore. Thus, there has been a less than 1% increase in expenses between FY 08 and FY 09.

A.4.13 DEPRECIATION AND ADVANCE AGAINST DEPRECIATION

MERC has specified the Depreciation Schedule in its Tariff Regulation. Depreciation is calculated as per the rates specified in the Tariff Regulations. No asset has been depreciated beyond 90% of its book value. No advance against depreciation has been claimed. The depreciation expenses, for FY 09 works out to Rs. 109.6 crore.

A.4.14 INTEREST ON LONG TERM LOAN CAPITAL

As explained in the section on ATE judgment, from the total capitalization (works capitalized + interest capitalized + expenses capitalized), consumer contribution is subtracted first to arrive at net capitalization, which is funded by normative debt and equity. Then, 70% of the total net capitalization as worked out from above is considered as normative debt (loan) for calculating interest on Loan Capital. The interest on loan capital is computed based on the following:

A normative interest rate of 10% p.a. has been considered towards interest expense for projects initiated during FY 05 and FY 06. A normative interest rate of 8% p.a. has been considered towards the interest expense for projects initiated during FY 07 and FY 08. For FY 09, RInfra-D has considered a normative interest rate of 9%. The interest expenditure towards long–term loan works out to Rs. 65.90 crore for Wire Business and Rs. 13 crore for Retail Business.

A.4.15 RETURN ON EQUITY

As per Tariff Regulation, Return on Equity (RoE) is computed @ 16% on the regulatory equity at the beginning of the year and on 50% of equity capitalization during the year. Consumer contributions have been adjusted while considering capitalization for the purpose of determining normative equity.

RInfra-D claims Rs. 189.7 crore towards Return on Equity as per the method above.

A.4.16 INTEREST ON WORKING CAPITAL

In the Tariff Regulations, MERC has specified the methodology to compute working capital requirement, which has been adopted by RInfra-D. Further, in the regulations, MERC has also specified the rate of interest on working capital as being equal to Short-Term SBI PLR as on the date on which application for determination of tariff is made.

As discussed earlier in this petition, in line with the ruling of the Hon'ble ATE, RInfra-D has not considered any payables to RInfra-G towards the power procured from it, while computing the working capital requirement for the Distribution Business.

As per above, the interest on working capital for FY 08-09 works out to Rs. 50.85 crore.

A.4.17 INTEREST ON SECURITY DEPOSITS

Vide Tariff Regulation 76.8.3, Interest on Consumer Security Deposit has been considered at 6% amounting to Rs. 15.11 crore for Retail Business.

A.4.18 PROVISION FOR BAD DEBTS

Based on the position of receivables and days of receivables, the actual provision of bad debts during FY 09 is Rs. 2.50 crore.

A.4.19 INCOME TAX

The Income Tax payable is at prevalent Corporate Tax Rate of 33.99% (i.e. 30 % tax, 10% surcharge on tax and 3% education cess on tax & Surcharge). Income Tax is calculated as per the provisions of the Income Tax Act.

In its Order of June 15, 2009, the Hon'ble Commission did not gross up RoE by tax rate to compute Income Tax. RInfra-D has appealed against this approach of the Hon'ble Commission in its Appeal against the said Order filed with the Hon'ble ATE (Appeal No. 150 of 2009). Pending the outcome of the said appeal, RInfra-D has computed Income Tax for all three financial years in this petition after grossing up regulated RoE by Income Tax Rate (i.e. considering RoE as Profit After Tax).

RInfra-D would also like to bring to the notice of the Hon'ble Commission that the Income Tax is a component of allowed revenue, and that being so, it will also attract tax. Hence, unless tax is also permitted on such component of revenue, there will be under-recovery of Regulated Return.

By the above methodology, the Income Tax allowance for FY 08-09 works out to Rs. 121.0 Crore.

A.4.20 CONTRIBUTION TO CONTINGENCY RESERVE

As per the Tariff Regulations, contribution to contingency reserve is computed at 0.25% of Opening Gross Fixed Assets as on FY 09. Contibution to contingency reserve, thus for FY 09, work out to Rs.6.5 crore.

A.4.21 NON TARIFF INCOME

The actual Non-Tariff Income for FY 09 amounts to Rs. 141.6 crore.

A.4.22 TAX ON SALE OF ELECTRICITY AND ELECTRICITY DUTY

Tax on Sale of Electricity (TOSE) and Electricity Duty are not considered as part of ARR nor Revenue as it will be a pass through at actuals, as per the prevailing practice.

A.4.23 SUMMARY OF THE ANNUAL REVENUE REQUIREMENT FOR FY 09

The ARR and revenue gap for FY 09 is summarized below:

Table ES 4.5: Summary-ARR FY09

S.N	Particulars	RInfra-D MYT Petition	Approved in tariff order	Approved after provisional truing up	Audited	final truing up sought	Reason/Justification in brief
				(15th June 09)			
1	Power Purchase Expenses	2,981.95	3,838.23	4,956.22	5,057.72	101.50	Increase in Power Purchase Cost
2	Operation & Maintenance Expenses	497.49	517.35	532.24	548.15	15.91	Various reasons as explained in text
2.1	Employee Expenses	236.79	265.51	285.73	298.81	13.07	
2.2	Administration & General Expenses	96.76	106.84	105.36	112.88	7.51	
2.3	Repair & Maintenance Expenses	163.94	145.00	141.14	136.47	-4.67	
3	Depreciation, including advance against depreciation	106.43	72.31	72.12	109.64	37.52	Higher capitalization than earlier allowed by MERC
4	Interest on Long-term Loan Capital	111.96	77.74	62.69	79.14	16.45	Higher capitalization than earlier allowed by MERC
5	Interest on Working Capital and on consumer security deposits	19.81	37.85	47.69	65.96	18.26	Due to increase in the sub-components
6	Bad Debts Written off	6.04	7.17	5.00	2.50	-2.50	
7	Other Expenses						
8	Income Tax	91.09	98.73	46.32	121.04	74.72	Difference of methodology between MERC and RInfra-D (grossing-up of RoE not considered by MERC, which is considered by RInfra-D)
9	Transmission Charges paid to Transmission Licensee	212.87	221.63	221.63	216.28	-5.35	

S.N	Particulars	RInfra-D MYT Petition	Approved in tariff order	Approved after provisional truing up	Audited	final truing up sought	Reason/Justification in brief
10	Contribution to contingency reserves	14.16	6.47	6.07	6.49	0.42	Higher capitalization than earlier allowed by MERC
A	Total Expenditure	4,041.80	4,877.48	5,949.99	6,206.62	256.63	
B	Returns and Incentives						
1	Return on Equity	199.33	189.84	168.49	189.68	21.19	Higher capitalization than earlier allowed by MERC
2	Efficiency gains distribution loss reduction				67.02	67.02	Loss level reduction
C	Revenue						
1	Revenue from sale of electricity		4,932.15	5,309.15	5,344.08	34.93	Actual revenue depending on actual sales and customer mix
2	Other Income	50.82	59.05	129.22	141.59	12.37	
D	Revenue Gap / (Surplus) (A + B - C)					297.54	

As shown above, the incremental revenue gap, over and above MERC approved amount, is about Rs. 297.54 crore. The proposal for treatment of the same is proposed in the relevant section menetioned herein in the summary.

A.5. ANNUAL PERFORMANCE REVIEW (APR) FOR FY 10 & ARR FOR FY 11

In a normal annual tariff process, Performance Review or partial truing-up of on-going financial year ("current year") is also carried out by the Hon'ble Commission, in addition to truing-up of "previous year" and ARR and tariff determination for "ensuing year". For the purposes of partial truing-up, actual data for the first half of the current year and estimates for the second half are provided by the distribution licensee.

However, in the instant case, the ARR and tariff filing of RInfra-D has been delayed (due to investigation by ASCI) so much that even FY 09-10 is now over and actual data is available. In view, there is no point in carrying out a provisional truing-up for FY 09-10. Accordingly, RInfra-D presents in this petition all actual data for FY 09-10. Due to certain pending operational issues, the statutory audit of FY 09-10 numbers is not over yet. However, as all other processes are complete, the financials will not undergo any change at the time of statutory audit. Consequently, RInfra-D requests the Hon'ble Commission to carry out the final truing-up of FY 09-10 while determining the tariff of FY 10-11.

A.5.1 SALES

Pursuant to the Supreme Court judgment dated July 8, 2008, Tata Power Company is entitled to provide supply to retail consumers in Mumbai. On October 15, 2009, the Hon'ble Commission set out an interim operating procedure to enable the migration of consumers from RInfra-D to Tata Power in case no. 50 of 2009. Therefore, the impact of migration of consumers and energy sales is visible in the H2 of FY10 and further in FY 11.

A.5.1.1FY 09 – 10 Energy Sales

The actual energy sold to each category of consumer for FY 09-10 is available and the same is presented hereunder. Also, presented is the energy as sold by TPC-D to consumers who have migrated to TPC-D during FY 09-10. The same is as accounted by MSLDC in its IBSM statements.

Table ES 5.1:– FY 09-10 Energy Sales of Own and Migrated Consumers

Consumer Category	Own Sales	Migrated sales	Total Sales
LT Category			
Below Poverty Line (BPL)	0		0
LT I (Residential)	4,439	13	4,452
LT Commercial	2,173	49	2,222
LT III (below 20 kW load)	160	3	163
LT IV (above 20 kW load)	491	30	521
LT V (Agriculture)	0		0
LT VI (Street Light)	55		55
LT VII (Temporary) Others	95	0	95
LT VII (Temporary) Religious	1	0	1
LT VIII (Advt & Hoardings)	3		3
LT IX (Crematorium)	1		1
LT Total	**7,419**	**96**	**7,514**
HT Category			
HT I (Industrial)	313	23	337
HT II (Commercial)	544	86	631
HT III (Housing)	34	2	36
HT Temporary	10	0	10
HT Total	**901**	**112**	**1,014**
Total Sales	**8,320**	**208**	**8,528**

A.5.1.2Sales Forecast for FY 10-11

RInfra-D in the past has forecasted sales for ensuing year by extrapolating historical trends. This method provided forecast with reasonable accuracy in the monopolistic supply situation prevalent in the past. However, post MERC Order on change-over, a large number of existing consumers of RInfra-D have migrated to TPC-D for supply, hence an appropriate correction is required to be applied to the forecast to factor in the effect of migration.

Therefore, RInfra-D has adopted the approach of first developing a Base Case sales forecast for FY 11 (i.e. what the sale would be in FY 10-11 if there was no change-over) as follows:

- The actual sales for the period from FY 04-05 to FY 2008-09 are considered (FY 10 is affected by migration, hence not considered) and natural growth rates are worked out. These 5 yr. CAGR / 3 yr. CAGR or annual growth rate whichever is more reflective for the category sales in question is applied to the actual sales of FY 08-09 to reach Base Case sales of FY 11.

- Subsequently, the Base Case forecast is moderated to include the effect of consumer change-over to arrive at net sales of FY 11. Change-over sales in FY 10-11 has been considered same as that approved by the Hon'ble Commission in its Tariff Order for TPC-D in Case No. 98 of 2009.

The impact of on-going and proposed Demand Side Management measures has been considered while developing the Base Case Sales Forecast, and energy proposed to be saved across each consumer category to which the programs are targeted are reduced from the category's projected base case consumption. Wherever all categories are targeted, savings are reduced across all categories in proportion of existing sales.

The change-over sales in FY 10-11 of 1278 MU is subtracted category-wise from the category-wise Base Case Sales of FY 10-11 (as arrived at in the previous section) to determine projected sales by RInfra-D in FY 10-11, which is 7,874.68 MU.

Table ES 5.2: Category wise sales forecast for FY 11

Category	FY 11 base Case sales	Approved Change over sales in FY 11	FY 11 projected sales to Rinfra-D consumers
	A	B	A-B

Category	FY 11 base Case sales	Approved Change over sales in FY 11	FY 11 projected sales to Rinfra-D consumers
BPL + Residential	4,818	159.25	4,659
Commercial	2,388	359.45	2,029
LT III	172	24.57	148
LT IV	567	209.30	358
LT VII – Temporary	104	0.91	103
LT Others	65	0.00	65
HT Housing	44	9.85	34
HT Commercial	646	394.00	252
HT Industrial	339	120.17	219
HT Temporary	9	0.99	8
Total	9,153	1,278.49	7,874.68

A.5.1.3 Billing Demand for FY 10-11

The actual data available for FY 09 has been taken as the base for determining load factors. The Load Factor has then been applied to the net sales of FY 11 to arrive at the Average Demand. This principle has been followed for all categories with present demand based tariffs.

A.5.1.4 Demand Side Management (DSM) measures:

RInfra-D has continued its efforts to reduce the system demand and energy consumption through DSM initiatives. RInfra has carried out a detailed Load Research and has utilized the findings of the same to design various DSM programs for different consumer classes. These programs have been submitted for MERC approval and so far only the programs approved by MERC have been implemented / being implemented.

For FY 11, RInfra-D has considered an impact of reduction of about 4.43 MU in consumption (and consequently power purchase at margin) on account of planned

DSM activities, that would likely commence in FY 10-11, subject to MERC according approval to the schemes. The savings projected during FY 11 are proportionate savings for half of the year. The programs will result in the entire annual savings for consecutive years for life of the program.

A.5.1.5 Consumer Forecast for FY 10-11

The rate of growth for number of consumers has been worked out for the period FY 06 to FY 09. Using these growth rate, the Base Case consumer forecast has been worked out for FY 11. The actual specific consumption (consumption per consumer) and these ratios have been used to reduce the Base Case consumer numbers of FY 11 to arrive at net consumer numbers.

A.5.1.6 Fuel Adjustment Charges (FAC)

Clause 82 of MERC (Terms and Conditions of Tariff) Regulations, 2005 sets out the methodology and the rules for applicability of FAC Charge.

FAC calculation undertaken by RInfra-D is based on the methodology specified in the said Regulation. The FAC incurred and chargeable/refundable from/to all consumers for each Quarter (Month wise) is regularly submitted to MERC for its Post Facto approval.

In FY 10, revenue collected through FAC is separately shown. In FY 11, revenue from tariffs is as actually billed upto August 2010 and hence includes actual FAC debited/credited. No FAC is separately estimated in revenue from Sept 2010 upto March 2011.

A.5.2 REVENUE AT EXISTING TARIFFS

The Hon'ble Commission had, vide its Order dated July 15, 2009 applied a partial stay on RInfra-D tariffs approved vide Tariff Order dated June 15, 2009. The Hon'ble Commission further ordered an investigation under Section 128 of the Act into the affairs of RInfra-D and appointed M/s ASCI as the Investigating Authority for the purpose. The Investigation Authority submitted its Report to the Commission on 9th July 2010, which contained no adverse findings, nor any discrepancy in the affairs of RInfra-D. Pursuant to the report, the Hon'ble Commission, vide its Order dated 9th Sept, 2010 passed an Order vacating the partial stay on RInfra-D's retail tariffs. The said Order vacated the stay on tariffs with immediate effect and from Sept 2010 onwards RInfra-D has started billing its consumers at the tariff rates determined by the Hon'ble Commission vide its Tariff Order dated June 15, 2009.

As the retail tariffs approved vide Tariff Order dated June 15, 2009 remained partially stayed throughout FY 09-10, the revenues in FY 10 are much less as compared to what the Hon'ble Commission approved. Another factor negatively impacting revenues in FY 09-10 is the change-over of consumers to TPC-D since November 2009 and on-going.

The revenue of FY 10-11 for the period April 2010 to Sept 2010 is the actual billed amount (for April to Aug 10 @ tariff rates vide stay Order of July 15, 2009and for Sept 10 @ tariff rates vide Tariff Order of June 15, 2009). The revenues for the period Oct 2010 to March 2011 are estimated using projected sales and tariff rates as per the Order of June 15, 2009. For the purpose of working out sales for the period Oct 10 to March 11, the actual sales as billed during the first six months are subtracted from the total projected RInfra-D sales of FY 10-11.

Table ES 5.3: Sales Revenue in Rs Cr

	MERC approved	FY 10	FY 11* (Actual for Apr 2010 to Sept 2010 and estimated for Oct 2010 to Mar 2011)
	Full Year (FY 10)	Actual	(Apr 10 to Aug 10 at July 15 tariff rates and Sept 10 to March 11 at June 15 tariff rates)
Total Revenue	6,122.00	5,086.41	4832.60

The revenue from wheeling charges for FY 11 at existing Tariffs works out to Rs. 97 Crores, as shown in the Table below:

Table ES 5.4: Wheeling Revenue in Rs Cr

Voltage Level	Wheeling Tariff	Wheeling Sales (At T-D)	Revenue
HT wheeling	0.46	533	24.52
LT wheeling	0.88	828	72.86
Total		1361	97.38

Hence, the total revenue for FY 11 at existing Tariffs work out to Rs. 4929.99 Cr.

A.5.3 TRANSMISSION & DISTRIBUTION LOSSES

As per the actual energy input and output details available for FY 09-10, the actual distribution losses have been around 10.08%. The actual transmission losses from MSLDC monthly IBSM statements of FY 10 have been 4.56%.

RInfra-D estimates that in FY 10-11, the total distribution system losses would remain about 10.25% and transmission losses are assumed at 4.85%.

A.5.4 ENERGY BALANCE

The summary energy balance for RInfra-D system as a whole is as given below, considering all input and all output:

Table ES 5.5: Summary of Energy Balance for RInfra distribution system

Particulars	**FY 09-10**
Energy sold (MU) (RInfra-D)	8320.10
Energy sold (MU) – Change-over	207.80
Distribution loss %	10.08%
T-D Energy input (MU)	9484

The energy input is the total energy input at T-D that RInfra-D's system would witness in the year in question. From this total energy input, energy supplied by TPC-D to change-over consumers will have to be removed to determine the power purchase quantum and cost of RInfra-D for FY 09-10 and FY 10-11.

As FY 09-10 is already over, the actual power purchase by RInfra-D is known, which is 9,708 MU, the balance for which is shown in the following Table ES:

Table ES 5.6: Summary of Sale – Purchase balance for RInfra-D

Particulars	**Notation**	**FY 09-10**
Energy sold by RInfra-D (MU)	A	8320.10
T-D Energy attributable to RInfra-D as per SLDC statements	B	9265
Losses %	C = A - B	10.20%
InSTS losses %	D	4.56%*
Power Purchase by RInfra-D (MU)	**E = B / (1-D)**	**9707.80**

The losses in RInfra-D system as measured through sale-purchase method are 10.20%, when measured through input-output method are 10.08%. The Hon'ble Commission is requested to consider 10.08% as distribution system losses for the purpose of comparing the same with target losses and determining efficiency gains. The difference w.r.t to sale-purchase method is arising purely because change-over consumers are only applied wheeling losses of 9% (at LT) and 1.5% (at HT) – the difference being unjustly borne by RInfra-D consumers.

Given below is the Power to be purchased by RInfra-D during FY 10-11, based on approved change-over sales and projected own sales of RInfra-D:

Table ES 5.7: Projected energy recorded at RInfra-D T-D Interface Points in FY 10-11

Particulars	Notation	FY 10-11
Projected Energy Sales (MU) – RInfra-D	A	7875
Projected Change-over sales (MU)	B	1278
Total Projected Distribution System Losses %	C	10.25%
Total Energy projected to be recorded at T-D Interface Points (MU)	**D = (A+B)/(1-C)**	10199

Table ES 5.8: Power Purchase by RInfra-D during FY 10-11

Particulars	Notation	FY 10-11
Migrated HT sale (MU)	A	525
HT Wheeling Losses %	B	1.5%
HT grossed up energy at T-D boundary (MU)	C = A/(1-B)	533
Migrated LT sale (MU)	D	753
LT loss %	E	9%
LT grossed up energy at T-D boundary (MU)	F = D/(1-E)	828
Total T-D energy for change-over consumers (MU)	G = C+F	1,361
Total projected Energy recorded at T-D Interface (MU)	H (From Table ES above)	10199
Net Energy attribuTable ES to RInfra-D at T-D interface points (MU)	J = H – G	8,838

Particulars	Notation	FY 10-11
Projected InSTS losses %	K	4.85%
Total power purchase requirement of RInfra-D (MU)	**L = K / (1-J)**	9,288

A.5.5 ISSUES WITH WHEELING LOSSES

RInfra-D has challenged the Hon'ble Commission's prescription of wheeling losses of 9% at LT level before the Hon'ble ATE in Appeal No. 150 of 2009. Without prejudice to the contentions of RInfra-D expressed therein, in this petition the computations of power purchase requirement are done at 9% LT wheeling loss as shown in above.

RInfra-D would like to stress upon the Hon'ble Commission that the approach of permitting change-over (open access) consumers to bear only technical losses (9% or 1.5%, as the case may be) is against the principle of non-discriminatory open access as envisaged in the Act. All consumers – whether self supplied or on open access - use the same services and infrastructure of the wheeling licensee (except for certain consumers opting for change of meters during change-over) and hence the incidence of system losses should be identical for all consumers using network services – whether self supplied or supplied by other licensee.

RInfra-D estimates that the losses in HT system would not be more than 1.5% as the system is expected to have negligible commercial losses. However, having considered HT losses at 1.5%, the losses of LT system should be prescribed at a higher level than 9%, so that the total system losses are as per the overall energy balance, and thus equitably applicable to all users of the system.

Another important conclusion that can be drawn is that as the volume of migration increases, larger amount of energy is pumped by RInfra-D in the system to make good the differential losses and all this energy is purchased at marginal price by RInfra-D, causing a completely avoidable increase in power purchase costs of RInfra-D. Further, any increase in commercial losses on account of change-over consumers will be fed by extra energy injection to RInfra-D's account, increasing the power purchase cost for RInfra-D's own consumers.

RInfra-D would also like to bring to the attention of the Hon'ble Commission that even if system losses are considered as a whole (i.e. with input-output method), the control on the metering accuracy and efficiency of SDL would impact the total system losses and WDL would be held accountable as per the present practice, even though he is not responsible for the same.

Hence, RInfra-D requests the Hon'ble Commission to consider this issue if in future RInfra-D system losses are found to be more than the target.

A.5.5.1 Efficiency Gains on Distribution Losses

In the section on implications of Hon'ble ATE's Order regarding re-setting the base level of losses at 12.10% for FY 07-08, RInfra-D has computed efficiency gains considering a trajectory of 0.25% reduction thereon, which is the same as applied by the Hon'ble Commission. Progressing the trajectory to FY 09-10, the target level of distribution losses would work out to 11.60%. As against the same, the actual losses of RInfra-D system have been 10.08%. The balance, translated to excess revenue (from additional sales) is efficiency gains, whose amount and its sharing is done as provided for in the Tariff Regulation.

A.5.6 POWER PURCHASE

A.5.6.1 Power Procurement for FY 09-10 and FY 10-11:

A.5.6.1.1 Procurement from RInfra-G:

RInfra-D has entered into a 10-year power purchase arrangement with its own generating station at Dahanu (DTPS or RInfra-G). The Arrangement has been approved by the Hon'ble Commission vide its Order dated 12 Feb 2009 in Case No. 8 of 2008. This is a firm long-term contract for delivery of all generated energy to

RInfra-D from 2 X 250 MW units at the tariff to be determined under a separate regulatory determination for RInfra-G.

Actuals for FY 10:

RInfra-D has procured the entire generation from RInfra-G in FY 09-10. The Fixed Charges are considered as per the Tariff Order of the Hon'ble Commission for RInfra-G for FY 09-10. The Energy Charges, including generation FAC, as accounted are Rs. per unit respectively. The average rate of power works out to 2.42 Rs./unit.

Projections for FY 11:

RInfra-D would procure the entire generation from RInfra-G in FY 10-11. The Hon'ble Commission, vide its Tariff Order dated Sept 8th, 2010 issued the Fixed Charges and Energy Charges for purchase of power from RInfra-G as Rs. 216.61 crore and Rs. 2.12 per unit respectively.

RInfra-D, in this petition, has considered the fixed charges for the period April 2010 to August 2010 based on the Hon'ble Commission's Tariff Order dated 28th May 2009 and energy charges based on actual Rate of Energy Charges (REC) worked out for individual months from April to August 2010 and used in FAC computations.

For the period Sept 2010 to March 2011, the fixed charges and energy charges are taken as per the Sept 8th 2010 Order of RInfra-G. The energy available is considered as 3786 MU in accordance with the aforesaid Order of the Commission.

While computing avoided cost of power for the purpose of cross-subsidy surcharge, RInfra-D has shown that about 24 MU of power from RInfra-G will be avoided. The aforesaid generation thus considered is expected to be net of avoidance due to migration.

A.5.6.1.2 Procurement from TPC Generation

Actuals for FY 10:

In FY 09-10, the Hon'ble Commission, in its Tariff Order, had considered 500 MW of availability for RInfra-D. Actual energy received and as billed by TPC-G, is considered for FY 09-10. Fixed Charges and Energy Charges are also considered as billed by TPC-G.

Projections for FY 11:

RInfra-D's efforts to enter into a Power Purchase Agreement with TPC-G for 500 MW met with a unfavourable response from TPC-G and TPC-G decided to withdraw this 500MW capacity allocated to RInfra-D from April 1, 2010 onwards. In the interests of its consumers, RInfra-D made a representation against TPC-G's action before the Government of Maharashtra, which resulted in the GoM forming a five member committee to look into the issues and implications of withdrawl of capacity by TPC-G and other matters. Based on the recommendations of the Committee in larger public interest and to prevent public unrest, the GoM, in its Memorandum dated 7th May 2010 advised TPC-G to continue to supply power to RInfra-D at the level of 358 MW till June 2010 and 198 MW thereafter at regulated rates and directed the MSLDC to schedule power in accordance with this advice. During FY 10-11, power is being scheduled and accounted by MSLDC to RInfra-D in accordance with the abovesaid advice of the GoM.

The Govt. further directed MERC to, inter alia, look into the issues of dominance in supply of power by TPC-G while being in competition with RInfra-D in retail supply. The MERC has conducted hearings on these issues and the Order is awaited.

TPC-G has also challenged the Report of the GoM in the Bombay High Court, where the hearings have not yet culminated, nor any interim orders issued.

If the issues aforesaid is decided in RInfra-D's favor, the outcome could be allocation of higher capacity from TPC-G to RInfra-D for some defined period. The capacity allocation and power availability from TPC-G to RInfra-D may also be affected by the pending petitions in the Hon'ble Bombay High Court and Hon'ble Commission.

Without prejudice to its arguments in the aforementioned proceedings, RInfra-D has, for the purposes of this petition, considered capacity allocation from TPC-G in accordance with the GoM Memorandum.

The total energy available (net of auxiliary) from TPC-G is taken as per the Tariff Order for TPC-G for FY 10-11 dated Sept 8th 2010 (Case No. 96 of 2009) as 9494 MU on capacity of 1777 MW. As per the allocation of capacity contained in the GoM Memorandum referred above, this translates to 1,496 MU for RInfra-D in FY 10-11. The same has been considered in this petition.

As regards Fixed and Variable charges for FY 10-11 from TPC-G, RInfra-D has taken actual blling of these charges for TPC-G for the period Apri 2010 to Sept 2010 and thereafter for the period Oct 2010 to March 2011, the Fixed Charges and Variable Charges are taken as per the aforesaid Tariff Order of TPC-G.

RInfra-D, while computing cross-subsidy surcharge has shown about 640 MU of avoidance of purchase from TPC-G during FY 10-11 on account of consumer migration. In case, consumers had not changed-over, RInfra-D would have had to procure additional energy to the extent avoided and the same would have come from these TPC-G units via the Imbalance Pool, which would have applied the regulated rate of generation from these units on such energy. Hence, the energy of 1496 MU shown above could be considered as that will be procured for RInfra-D's own consumers' consumption during FY 10-11.

A.5.6.1.3 Renewable Sources

There has not been a substantial increase in the availability of renewable sources in Maharashtra. However, there has been increase in availability of RE with the erection of EHV S/S for evacuation of 45MW wind project contracted by RInfra-D, which was commissioned during March 2009. All wind energy from this 45MW project is being evacuated into InSTS.

RInfra-D has also entered into 2 more long term contracts (18 MW with JSPL and 3.375 MW from AAA & Sons) for purchase of RE from wind energy projects, which has added to RE procurement from FY 10 onwards.

To further increase the RE procurement, RInfra-D entered into short term contracts with Group-2 wind projects.

Similarly, RInfra-D has entered into a short term contract with a biomass based RE project to meet its RPS as well as short term power requirement.

Similarly, RInfra-D contracted RE power with few biomass, bagasse based cogeneneration and small hydro projects with the intention of meeting both short term power requirements as well as RPO targets.

A.5.6.1.4 Short Term bilateral Power and Imbalance Pool Settlement

As per the energy requirement arrived at using the sales forecast in the previous section, all energy required after exhausting availability from firm sources (including RE sources) shall be procured on Short-Term basis from the external market and absorbed from the State Imbalance Pool. The power procured from short-term sources will be through the MPM Group as well as through independent contracting by RInfra-D from traders, Energy Exchanges, merchant power plants, CPPs, etc.

For FY 09-10, the rate of procurement from bilateral sources has been Rs. 6.90 per unit, with the quantum being 2,051.97 MU and that from State Imbalance Pool has been 712.39 MU at Rs. 6.52 unit. The weighted average rate from both these sources is about Rs. 6.80 per unit.

For FY 11, the balance requirement of power, after exhausting availability from DTPS, TPC-G and RE (long-term and Short-term), will be procured by RInfra-D through short-term contracting and through the Mumbai Power Management Group. As regards price of power from these sources in FY 10-11, RInfra-D has considered the rate of short-term procurement approved by the Hon’ble Commission in its Tariff

Orders for TPC-D and BEST (Case Nos. 98 and 95 of 2009 rspectively) for FY 10-11 as Rs. 4.71 per unit.

Based on the above discussion, the overall power procurement forecast for FY11 for RInfra-D is as follows:

Table ES 5.9: Power Purchase quantum for FY 10 & FY 11

Particulars	**UoM**	**FY 10**	**FY 11**
Energy Input requirement as per Energy Balance	MU	9708	9288
DTPS	MU	4085	3786
TPC – G	MU	2712	1496
RE sources	MU	146	144
Bilateral (including firm short-term contracts of FY 11)	MU	2052	3862
Imbalance Pool	MU	712	
Total power purchase	**MU**	9708	9288

Table ES 5.10: Power Purchase cost for FY 10 & FY 11

Particulars	**UoM**	**FY 10**	**FY 11**
DTPS	Rs. Cr.	988.94	997.47
TPC – G	Rs. Cr.	1019.09	524.81
RPO	Rs. Cr.	54.80	53.32
Bilateral (including firm short-term contracts of FY 11)	Rs. Cr.	1416.36	2,023.32
Imbalance Pool	Rs. Cr.	464.68	
Total power purchase	**Rs. Cr.**	**3943.87**	**3,598.92**

A.5.6.1.5 Past period adjustments / payments attributable to power purchase

In addition to stand-alone costs of FY 09-10 power purchase, payment of Rs. 8.50 crore to TPC was made on account of MERC Order dated 10th Sept 2009, in Case No. 46 of 2009 and same has accordingly been included in the ARR of FY 09-10, as part of power purchase cost.

In addition, the Hon'ble Commission, vide its Tariff Order for TPC-G in Case No. 96 of 2009, approved an amount of Rs. 5.49 crore for recovery by TPC-G from RInfra-D spread equally over the 7 month period starting Sept 2010. Accordingly, this amount has been added to the ARR of FY 10-11 of RInfra-D.

A.5.7 TRANSMISSION CHARGES

A.5.7.1 Transmission Charges for FY 09-10

For the financial year 2009-10, RInfra-D has considered the transmission charges of Rs. 183.72 Crore as approved by the Hon'ble Commission in its Tariff Order dated June 15, 2009 in Case No. 121 of 2008.

A.5.7.2 Transmission Charges for FY 10-11

The Hon'ble Commisision has approved InSTS charges and each TSU's share vide its Order in Case No. 120 of 2009, dated 10th Sept, 2009.

The abovesaid Order on InSTS charges is effective from Sept 2010 i.e. for five months charges as per Order dated 28th May 2009 will be effective and for the balance seven months of FY 11, charges as per the new InSTS Order will be effective. Using this method, the transmission charges for FY 10-11 for RInfra-D work out as Rs. 214.1 crore.

A.5.8 STAND-BY CHARGES

A.5.8.1 Standby Charges for FY 09-10

For the financial year 2009-10, RInfra-D has considered the stand-by charges of Rs. 224.50 Crore as approved by the Hon'ble Commission in its Tariff Order dated June 15, 2009 in Case No. 121 of 2008.

A.5.8.2 Standby Charges for FY 10-11

In the Tariff Orders of FY 10-11 for TPC-D and BEST, the Hon'ble Commission approved Stand-by Charges of distribution licensees. On the basis of these Orders, the balance Stand-by charges, after reducing the shares of TPC-D and BEST from total charges of Rs. 396 crore works out to Rs. 203.84 crore for RInfra-D. Monthly charge corresponding to this would be applicable for a period of seven months from Sept 2010 onwards. For the previous five months of FY 11, Stand-by charges as approved in the Tariff Order of RInfra-D for FY 09-10 would be applicable.

An amount of Rs 2 Cr towards stand-by charges of FY 08-09, was paid to MSEDCL during FY 10-11. The same has been included in the total stand-by charges for FY 11.

The Stand-by charges computed on the above basis for RInfra-D for FY 10-11 work out to Rs. 214.45 crore.

A.5.9 SLDC CHARGES

MERC had approved SLDC Budget for FY 10 vide Case No. 117 of 2008 dated April 29, 2009. RInfra-D share is Rs. 79.02 Lakhs for Annual SLDC Operating Charges and Rs. 24.26 Lakhs for Annual SLDC Fees, which has been paid by RInfra-D.

The Hon'ble Commission have approved SLDC charges vide Order in Case No. 94 of 2009 for FY 10-11. Consequently, the same have been considered in this petition.

A.5.10 SUPREME COURT JUDGMENT ON ADDITIONAL ENERGY CHARGES MATTER

In a hearing on an ongoing dispute between RInfra and TPC on the issue of Additional Energy Charges, related to Take or Pay matter, in Supreme Court – being Civil Appeal No. 4161 of 2009, the Hon'ble Supreme Court has recently directed RInfra to pay Rs. 25 crore to TPC and give a Bank Guarantee to TPC for the balance Rs. 9 crore (totaling to Rs. 34 crore). The amount of Rs. 34 crore is as per the Hon'ble ATE judgment in this matter, which had ealier directed RInfra to pay 32 paise per unit Additional Energy Charges to TPC for the period 1st April 1998 to 31st April 2000. In accordance with the judgment, RInfra-D has included this additional amount of Rs. 25 crore, being actual deposit with the Hon'ble Supreme Court of India, in the FY 09-10 truing-up.

A.5.11 CAPITAL EXPENDITURE

A.5.11.1 FY 2009-10

During FY10, RInfra-D has incurred capital expenditure of Rs. 434.32 Crore. Total capitalization has been Rs. 426.29 crore as against Rs. 195.96 crore approved by the Hon'ble Commission. Out of this, works amounting to Rs. 392.34 Crore is related to DPR schemes submitted to MERC and works amounting to Rs. 33.95 Crore is on non-DPR schemes. A summary of capex schemes executed in FY 09-10 is as below:

Table ES 5.11: Capitalisation on schemes executed in FY 09-10

DPR schemes		**Non-DPR schemes**	**Total capitalization**
Approved	Submitted, approval not received		
307.72	84.62	33.95	426.29

A.5.11.2 Proposed Capital Expenditure for FY11

During FY 11, RInfra-D proposes to carry out the capital works of Rs. 420.31 Crore, which includes Rs. 382.69 crore towards DPR schemes and Rs. 37.62 crore towards non-DPR schemes. RInfra-D has prepared DPRs for schemes commencing in FY 10-11 and submitted the same for the approval of the Hon'ble Commission vide its Letter dated Sept 30, 2010.

Table ES 5.12: Proposed Capital Expenditure for FY 11

S.No.	Description	Proposed Capex for FY11 (Rs Crores)
1.	Receiving Station	86.27
2.	11kV Network strengthening	141.48
3.	LT Mains	55.57
4.	Services	46.68
5.	Metering	26.01
6.	Street Lighting	16.85
7.	Disaster Management System	1.25
8.	Land	8.29
9.	Distributed Generation Project	0.20
Total		**420.31**

Table ES 5.13: Proposed Capitalisation in FY 11

DPR schemes			**Non-DPR schemes**	**Total capitalization**
Approved	Submitted, approval not received	Not submitted		
171.52	195.41	0.00	28.94	395.87

A.5.11.3 Capital investment in parallel licensee scenario

The Hon'ble Commission has stated that the parallel licensee should incur capital expenditure for the purpose of network expansion / augmentation only when there is no better optimal solution. The intent of the Hon'ble Commission is to avoid duplication of distribution infrastructure. This will ensure that costs already incurred by the wheeling distribution licensee in creation of distribution infrastructure are not stranded, consequently resulting into remaining consumers of the licensee paying for such stranded costs.

While competition in electricity distribution is likely to bring in lesser tariffs, better services to consumers, improved quality, etc. one has to examine whether duplication of distribution wires would compromise the advantages of economies of scale and lower interconnection costs of single wires and reduce the overall technical efficiency of network. RInfra submits that the intended benefits from competition in erecting infrastructure – i.e. reduction in price and improvement in quality of electricity can very well be achieved even with single wires service provider whose wires tariffs are determined through cost-plus regulations.

It must be borne in mind that the final price that the end customer pays is mainly constituted of power purchase costs (upto 80% in most cases). Bringing competition in retail supply activity will lead to greater efficiency in procurement, thus optimizing a major component of final tariff (power cost). This does not require bringing competition in wires activity as well. The benefits likely to be achieved by bringing competition in wires activity are equally well achieved (and have been so, as international examples prove) even in single wires service, through better forms of Regulation.

Accordingly, RInfra-D requests the Hon'ble Commission to prevent duplication of distribution wires and bring in competition in retail supply activity only.

A.5.12 LOAN REPAYMENT SCHEDULE

A normative loan repayment tenure of 10 years has been considered for loans drawn during FY 05 and FY06 and 20 years for loans drawn during FY 07 and afterwards.

A.5.13 OPERATIONS AND MAINTENANCE EXPENDITURE

RInfra continues its efforts for improvements in various functional areas viz. customer education, customer awareness & service, managerial, technical, commercial and financial capabilities etc. for the improvement of quality and reliability of power supply. This is in line with RInfra's vision to provide quality of customer service as one of the finest among distribution utilities in the country.

The details on the individual components under operations and maintenance expenses are as follow:

A.5.13.1 Financial Year 2009-10:

A.5.13.1.1 Employee Expenses:

In FY 10, RInfra-D's actual employee expenses have been to the tune of Rs. 344.4 crore, which are about 15% higher than actual expenses of FY 09.

The power sector is facing challenges from the existing and new players in the business, which has resulted in increased compensation packages. Further, due to huge demand for power sector professionals within the country and overseas, RInfra-D has been grappling with the issue of increasing attrition. In order to maintain smooth operations and retain skilled personnel, RInfra-D has to fulfill the need for correcting the compensation to the employees. There has also been an increase in DA Index to the extent of 28%, between FY 09 and FY 10, which caused an increase of about 12% in the salaries of Unionised Employees and above 10% in the salaries of Officers.

A.5.13.1.2 Administrative and General Expenditure

RInfra-D has incurred total A&G expenses of Rs. 124.98 crore, which are about 11% higher than the expenses of FY 09.

A.5.13.1.3 Repairs and Maintenance Expenditure

RInfra-D has incurred total R&M expenses of Rs. 157.84 crore, which are about 16% higher than the expenses of FY 09.

A.5.13.2 Financial Year 2010-11:

The average inflation rate for five year period from FY 06 to FY 10 has been considered for the purpose of forecasting expenses for FY 2010-11, as available from the Hon'ble Commission's Order for RInfra-T in Case No. 100 of 2009 i.e. 8.49% for Employee Expenses, 7.02% for A&G expenses and 6.05% for R&M expenses.

RInfra-D has escalated the three components of O&M costs at the abovementioned rates over FY 09-10 actuals to arrive at FY 10-11 projections, under normal business circumstances.

As at present, under an Agreement dated 01.04.10 with the Representative & Approved Union under B.I.R Act 1946, RInfra-D has to fill up a large number of vacant posts in the Mazdoor, Jr. Helper, Linesman, Jr. Assistant and Sub-engineer categories, which have had been lying vacant for long. Many of these positions will be filled through Seniroty List / Regularisation of employees already on Contract with the Company. In the current financial year (FY 10-11), total number of employees to be recruited / regularized under this process will be about 1285. This process will be spread over three phases commencing October 2010 upto March 2011. The financial impact in FY 10-11 in terms of salaries and wages will be about Rs. 8.77 crore, which is worked out after appropriately pro-rating the annual financial burden.

There has been an increase in Reinstatement (RI) charges since March 2010, as communicated by MCGM. As majority of R&M works carried out by RInfra-D involve road digging and re-instatement thereon, the increase in RI charges has an impact on R&M forecast for FY 11 as well. While it is difficult to separately estimate the additional charges on this account, RInfra-D has considered a nominal increase of 5% in RI charges component worked out above in order to account for increased expenses on guarantee period roads.

Thus, increase of RI charges will cause an increase of Rs. 26.10 crore in R&M expenses in FY 11 over and above the normal inflationary increase of 6.05%.

The forecast of expenses in FY 10-11 on individual components of O&M, as considered in this petition, are as below:

Table ES 5.14: O&M Forecast for FY11

Component	FY 10-11 forecast expenditure (Rs. Crore)		
	Wires	**Retail**	**Total**
Employee expenses	228.61	153.83	382.44
A&G expenses	86.44	47.32	133.75
R&M expenses, including impact of increased RI charges	186.87	6.62	193.49
Total O&M expenses	**501.91**	**207.77**	**709.68**

A.5.14 DEPRECIATION AND ADVANCE AGAINST DEPRECIATION

MERC has specified the Depreciation Schedule in its Tariff Regulations. Depreciation is determined as per the Tariff Regulations. No asset has been depreciated beyond 90% of its historical value. Depreciation is calculated separately for Wire and Retail Business.

Depreciation for FY 10 has been claimed on opening balance of GFA as well as capitalization during FY 10, based on actual dates. For FY 11, as assets would be added throughout the year, half year's depreciation is computed on assets projected to be added.

For Wires business, Depreciation for FY 10 works out to Rs. 100.90 crore and that for FY 11 works out to Rs. 108 crore.

For Retail business, Depreciation for FY 10 works out to Rs. 27crore and that for FY 11 works out to Rs. 28 crore.

A.5.15 INTEREST ON LONG TERM LOAN CAPITAL

The interest on long term loan has been calculated based on the principle outlined in the relevant section of truing up for FY 09 (A.4.14).

For FY 10, the interest expenditure towards long–term loan works out to Rs. 83.86 crore for Wire Business and Rs. 15 crore for Retail Business.

For FY 11, the interest expenditure towards long–term loan works out to Rs. 99 crore for Wire Business and Rs. 17 crore for Retail Business.

A.5.16 RETURN ON EQUITY

As per Tariff Regulation, Return on Equity (RoE) is computed @ 16% on the regulatory equity at the beginning of the year and on 50% of equity capitalization during the year. Consumer contributions have been adjusted while considering capitalization for the purpose of determining normative equity.

For Wires business and Retail business, RInfra-D claims Rs. 204 crore and Rs. 24 crore towards RoE.

A.5.17 INTEREST ON WORKING CAPITAL

The interest on working capital has been calculated based on the principle outlined in the relevant section of truing up for FY 09 (A.4.16).

RInfra-D has considered 13.00% as the interest rate for our calculation of working capital for FY 09-10.

For FY 11, the short term SBI PLR is considered as 11.75% based on the Tariff Orders recently issued by the Hon’ble Commission in the case of RInfra-G and RInfra-T.

For Wires business, the Interest on Working Capital for FY 10 works out to Rs. 15.73 crore and that for FY 11 works out to Rs. 17.03 crore.

For Retail Business, the Interest on Working Capital for FY 10 works out to Rs. 40.20 crore and that for FY 11 works out to Rs. 35.45 crore.

A.5.18 INTEREST ON SECURITY DEPOSITS

Interest on Consumer Security Deposit has been considered for FY 09-10 (same average balance has been considered for FY 10-11 as well). All interest on CSD is included in Retail supply business only.

A.5.19 PROVISION FOR BAD DEBTS

For FY 10, RInfra-D has provision for Bad Debts write-off to the tune of Rs. 13.56 crore. For FY 11, RInfra-D has considered Provision for Bad Debts at Rs. 5.00 crore, which is same as what was considered by the Commission in the Tariff Order of June 15, 2009. All write-off / provision for bad debts is included in Retail business only.

A.5.20 INCOME TAX

The Income Tax payable is at prevalent Corporate Tax Rate of 33.99% (i.e. 30 % tax, 10% surcharge on tax and 3% education cess on tax & Surcharge) for FY 09-10. For FY 10-11, the Corporate Tax Rate has been taken as 33.22% (30% Tax + 7.5% Surcharge on tax + 3% Education Cess on tax and surcharge). Income Tax is calculated as per the provisions of the Income Tax Act.

As has been stated in the section on truing-up and for reasons given therein, RInfra-D has computed Income Tax for FY 10 and FY 11 after grossing up RoE by Income Tax rate.

The Income Tax allowance for FY 09-10 and FY 10-11 works out to Rs. 107.18 crore and Rs. 118 crore respectively for wires business.

The Income Tax allowance for FY 09-10 and FY 10-11 works out to Rs. 35 crore and Rs. 34 crore respectively for retail business.

A.5.21 CONTRIBUTION TO CONTINGENCY RESERVE

As per the Tariff Regulations, contribution to contingency reserve is computed at 0.25% of Opening Gross Fixed Assets for each Financial Year.

Accordingly, based on opening GFA levels for FY 10 and FY 11, the contribution to contingency reserve for FY 10 and FY 11 works out to Rs. 6.45 crore and Rs. 7 crore respectively for wires business and Rs. 1 crore and Rs. 1 crore for retail business respectively.

A.5.22 NON TARIFF INCOME

It is difficult to predict the movement of the items under Non-Tariff Income as no specific growth pattern is associated with it.

For wires business, the Non Tariff Income for FY 10 is estimated at Rs.14.37 crore and Rs. 15.23 crore for FY 11.

For retail business, the Non Tariff Income for FY 10 is estimated at Rs. 97 crore and Rs. 103 crore for FY 11.

A.5.23 INCOME FROM OTHER BUSINESS

RInfra-D has leased out portions of 20 of its substation premises to Reliance Communications Ltd. for the purpose of installation of RCOM's Cellular Radio Base Station Antenna (BTS Tower). The lease rent is Rs.3,52,344 / - per tower per annum, billing if which is effective from July 2010. Accordingly, it is estimated that about Rs. 50,00,000 (fifty lacs) would be the income from this lease rent during FY 2010-11. As this activity classifies as "Other Business" of a Distribution Licensee, in accordance with the Tariff Regulations (Regulation 79.1), one-third of this income i.e. about Rs. 17 lacs is shown as "Income from Other Business" for FY 10-11 and deducted from the ARR of FY 10-11.

A.5.24 TAX ON SALE OF ELECTRICITY AND ELECTRICITY DUTY

Tax on Sale of Electricity (TOSE) and Electricity Duty are not considered as part of ARR nor Revenue as it will be a pass through at actuals, as per the prevailing practice.

A.5.25 SUMMARY OF TRUING-UP FOR FY 09-10

Based on the discussion above, the stand-alone truing-up for FY 10 is summarized below:

Table ES 5.15: Summary of APR for FY 10

S. No.	Particulars	Tariff Order – 15.06.2009	RInfra-D	Deviation
1	Power Purchase Expenses*	4,418.45	4,211.90	(206.55)
2	Additional Energy Charges payment to TPC	0.00	25.00	25.00
3	Transmission Charges	183.7	183.73	0.01
4	O&M Expenses	566.82	627.25	60.43
5	Employee Expenses	306.62	344.43	37.81
6	A&G Expenses	111.73	124.98	13.25
7	R&M Expenses	148.47	157.84	9.37
8	Depreciation	76.16	127.80	51.64
9	Interest on Long-term Loan Capital	67.41	99.36	31.95
10	Interest on Working Capital	68.14	73.08	4.94
11	Provisioning for Bad Debts	5.50	13.56	8.06
12	Income Tax	34.65	141.78	107.13
13	Contribution to Contingency Reserves	6.52	7.42	0.9
14	Total Revenue Expenditure	5,427.37	5,510.88	83.51
15	Return on Equity Capital	176.69	210.05	33.36
16	Less: Non Tariff Income	88.41	111.52	23.11
17	Add: Efficiency Gains for FY 10		58.75	58.75
18	Aggregate Revenue Requirement	5,515.65	5,668.15	152.5
19	Revenue from Retail Tariff	6,122.30	5,086.41	(1,035.89)

S. No.	Particulars	Tariff Order – 15.06.2009	RInfra-D	Deviation
20	Revenue from wheeling charges	0.00	15.26	15.26
21	Total Revenue	6,122.30	5,101.67	(1,020.63)
22	Stand-alone Revenue Gap / (Surplus)	(606.65)	566.48	1,173.14
23	Total Revenue Gap / (Surplus) over MERC approved amount	0.00	1,173.14	1,173.14

**Expenses of Rs. 25.00 crore included – payment to TPC-G on account of ATE Order, considered by the Commission in Tariff Order of June 15, 2009*

It is pertinent to note that majority of revenue gap shown above is arising due to stay on retail tariffs and loss of cross-subsidy due to migration of subsidizing consumers to TPC-D in the later half of FY 10. The absence of a mechanism of cross-subsidy surcharge has only widened the revenue gap.

A.5.26 SUMMARY OF THE ANNUAL REVENUE REQUIREMENT FOR FY 10-11:

A.5.26.1 ARR for FY 10-11

Based on the discussion above, the Annual Revenue Requirement (ARR) for FY 10-11 (stand-alone) is as below:

Table ES 5.16: Summary of ARR for FY 11

S. No.	Particulars	RInfra-D Wires	RInfra-D Retail	RInfra-D Total
1	Power Purchase Expenses*		3,820.16	3,820.16
2	Transmission Charges		214.13	214.13
3	O&M Expenses	501.91	207.77	709.68
4	Employee Expenses	228.61	153.83	382.44
5	A&G Expenses	86.44	47.32	133.75

S. No.	Particulars	**RInfra-D Wires**	**RInfra-D Retail**	**RInfra-D Total**
6	R&M Expenses	186.87	6.62	193.49
7	Depreciation	107.72	28.48	136.20
8	Interest on Long-term Loan Capital	99.34	16.89	116.24
9	Interest on Working Capital	17.03	35.45	52.49
10	Interest on CSD		17.15	17.15
11	Provisioning for Bad Debts		5.00	5.00
12	Income Tax	117.68	33.86	151.54
13	Contribution to Contingency Reserves	7.37	1.10	8.46
14	Total Revenue Expenditure	851.06	4,379.99	5,231.05
15	Return on Equity Capital	204.36	24.46	228.82
16	Less: Non Tariff Income	15.23	102.98	118.21
17	**Aggregate Revenue Requirement**	**1,040.19**	**4,301.47**	**5,341.66**

** Revenue from wheeling charges not included*

A.6. Revenue Gap and Tariff Proposal

The following section contains the summary of projected costs of RInfra-D, past revenue gap, issues arising out of loss of cross-subsidy due to migration of consumers to TPC and the consequent impact on balance consumers, and the mechanisms proposed for recovery of these various amounts, including tariffs proposed for FY 10-11.

A.6.1 REVENUE GAP

A.6.1.1 Past Revenue Gaps / Regulatory Assets

Earlier sections contain discussion on revenue gaps for FY 09 and FY 10.

In addition to the revenue gap of these years, there are approved Regulatory Assets worth Rs. 178 crore (half of Rs. 356 crore approved in FY 08-09 Tariff Order) and Rs. 554 crore (approved in FY 09-10 Tariff Order).

Further, vide its Order dated 15th July 2009, the Hon'ble Commission stayed the tariff increase for certain consumer categories and to such categories, the tariff rates that were charged by RInfra-D during the validity of the stay are as specified in the Tariff Order of June 4, 2008. Revenue gap of FY 09-10 of Rs. 1,173.14 crore is mainly on account of the stay on retail tariffs. It needs to be noted that tariff stay has continued for five months of FY 10-11 as well and under-recovery due to that is reflected in computations of revenues at existing tariff shown in the earlier section.

Additionally, in the section on impact on FY 07 and FY 08 due to ATE judgments, additional capitalization in FY 08 and the additional impact of consumer contribution adjustment, RInfra-D has determined the net additional impact from FY 06-07 and FY 07-08 onwards and is as such related to past periods.

In addition, RInfra-D has determined the Carrying Cost for these past revenue gaps, regulatory assets and ATE Order impact at the rate of short-term SBI PLR, as per the Hon'ble ATE's judgment, discussed earlier.

The summary of past period (upto FY 09-10) revenue gaps / under-recoveries is shown below:

Table ES 6.1: Cumulative Revenue Gap

Particulars	**Amount (Rs. Crore)**
Incremental Revenue Gap of FY 08-09	297.54
Incremental Revenue Gap of FY 09-10	1173.14
Regulatory Assets	732.00
Impact of ATE Order	149.95
Impact of Adjustment of Consumer Contribution and Additional Capitalisation	23.49
Total Revenue Gap upto FY 09-10, without carrying cost	2376.12

The revenue gap / regulatory assets shown above do not include carrying cost, as RInfra-D is not proposing to recover these costs in FY 10-11. However, these costs would attract cost of carriage as well when allowed for recovery from tariffs, depending upon the year of accrual and upto year of recovery.

A.6.1.2 FY 10-11 Stand-alone costs (ARR)

As discussed in previous sections, the Wires and Retail ARR of FY 10-11 are Rs. 1,040.19 crore and Rs. 4,301.47 crore respectively.

A.6.2 PROPOSAL OF WHEELING CHARGES

In line with the Hon'ble Commission's philosophy, the stand-alone total ARR (net of Non-Tariff Income) for FY 10-11 proposed above for wires business of RInfra-D has been distributed between HT and LT voltage levels on the basis of the GFA ratio at HT/LT.

The expenses so identified as associated with HT are further shared between HT and LT on the basis of estimated energy sales at these levels. The estimated energy sales is the sum of energy sales of change-over consumers and own consumers.

The wheeling charges determined using above method will be as below:

Table ES 6.2: Wheeling Charges Determination

Particulars	HT	LT
Allocated wires cost (Rs. Crore)	65.02	975.17
Energy sales (MU) – own	513.92	7360.76
Energy billed (MU) – changeover	533.00	828.00
Total Energy - billed to change-over and sales to own consumers (MU)	1046.92	8188.76
Wheeling charges for use of Rinfra-D Sytem for FY 11	0.62	1.19

A.6.3 RECOVERY OF REGULATORY ASSETS AND PAST REVENUE GAPS

In view of the fact that a large number of consumers are expected to migrate to TPC-D within the current financial year itself, RInfra-D would be left with a much smaller consumer base to recover the regulatory assets shown above and un-recovered power purchase cost of the past. Further, as more and more consumers migrate, the impact of these regulatory assets and past revenue gaps in Rs. per unit terms would go on leapfrogging. RInfra-D submits to the Hon'ble Commission that these regulatory assets (revenue shortfall) are created mainly on account of power purchased to meet the demand of its customers, including all those customers who have and would migrate to TPC-D. Also, due to stay on tariffs, RInfra-D could not recover the cost which ought to have been recovered from the consumers. Thus, unless the Hon'ble Commission appropriately allocates the cost on existing and migrated consumers, migrating consumers will not see the impact of these regulatory assets, even though these costs have been incurred to provide supply to such customers also. Furthermore, recovering these costs from a smaller set of consumers would increase the tariff impact of the remaining consumers. The Hon'ble Commission is thus requested to prescribe a charge leviable on all consumers connected to RInfra-D system – whether own or migrated - so that migrating consumers bear their fair share of past costs of RInfra-D.

In this petition, RInfra-D proposes recovery of this cost spread over a period of 3 to 5 years starting FY 11-12. RInfra-D shall propose recovery of these past costs/regulatory assets in the subsequent MYT petition.

A.6.4 LOSS OF CROSS-SUBSIDY AND PROPOSAL OF CROSS-SUBSIDY SURCHARGE

In the previous sections, we have already seen that in FY 09-10 there has been about 208 MU of reduction in sales due to consumer change-over to TPC-D. This number will swell to 1278 MU in FY 10-11, which is also an estimate as already approved by the Hon'ble Commission and the actual number is expected to be larger. We have also seen that majority of this migrated sales comes from subsidising industrial and commercial consumers, with sales to subsidized domestic category forming only about 13% of total change-over (175 MU out of 1361 MU as approved by the Hon'ble Commission in Order in Case No. 98 of 2009).

The actual migration till date as well as that approved and recognized by the Commission makes it apparent that the consumer base of RInfra-D will constitute increasingly of low-end subsidized consumers. This class of consumers forms the most price sensitive category with the lowest paying capacity and these consumers will bear the burden of loss of cross-subsidy by reason of migration of subsidizing consumers of RInfra-D. Such an eventuality can, however, be averted if the Hon'ble Commission prescribes a Cross-Subsidy Surcharge to recover loss of cross-subsidy from migrating consumers.

Concerned with the loss of cross-subsidy due to shifting of high end consumers from its system and its resultant impact of low paying capacity consumers, RInfra-D had filed a petition (Case No. 7 of 2010) before the Hon'ble MERC to prescribe a Cross-Subsidy Surcharge to recoup the loss of cross-subsidy from migrating consumers. RInfra-D had requested for an in-principal approval of the Surcharge, with actual numbers being decided after submission of ARR petition. The Hon'ble Commission, while disposing off the petition, stated in its Order that it shall consider the issue of cross-subsidy loss at the time of filing of ARR petition by the RInfra-D.

Hence, now that RInfra-D is filing this petition, RInfra-D requests the Hon'ble Commission that, in view of the numbers of ARR and Revenue getting crystallized now, the Hon'ble Commission may kindly prescribe a Cross-Subsidy Surcharge on migrating consumers.

A.6.4.1 Proposed Cross-subsidy Surcharge

In this petition, RInfra-D is proposing recovery of loss of cross-subsidy from subsidizing change-over consumers by way of application of a Cross-Subsidy Surcharge (CSS). The CSS is proposed based on the lines of the formula specified in the Tariff Policy 2006, with certain modifications to better account of avoided cost of power purchase, as explained below. RInfra-D proposes that this surcharge be applied on all migrated consumption during FY 10-11. In this petition, RInfra-D has considered recovery from the CSS during FY 10-11, for about 3 months starting January 2011 (assumed that Commission's Order will be issued w.e.f. from 1st Jan 2011). For this purpose, estimated migrated volume of 1278 MU is pro-rated to 3 month equivalent volume.

A.6.4.1.1 Proposed Methodology for Determination of CSS

Our proposal is based on avoidance of power purchase cost as advocated in the Tariff Policy 2006. The Policy advocates considering variable cost of top 5% power from a distribution licensee's portfolio, but RInfra-D is of the opinion that avoided cost should be as close to actual avoidance as possible as the fundamental principle of surcharge is to compensate the distribution licensees for loss of current level of cross-subsidy.

In order to arrive at a representative avoidance cost, RInfra-D has segregated the change-over quantum into consumption during peak and off-peak hours of RInfra-D system. This is done based on each consumer catgeory's consumption percentage during RInfra-D system peak hours. The peak hours considered by us for this purpose are 1800 to 2200 hours and each category's consumption percentage during peaking hours is determined using sample load profiles (load curves) of each category.

Using the above, RInfra-D has determined power purchase quantum that will be avoided during peak hours and that avoided during off-peak hours, out of the total estimated change-over of 1278 MU. RInfra-D has then applied merit order to determine the cost of purchase avoided during peak hours and during off-peak hours and weighted the two to determine rate of avoided power purchase i.e. element 'C' in the Tariff Policy formula. Another modification RInfra-D proposes to the Tariff Policy formula is to use 1/(1-L) rather than 1*(1+L) as the factor for grossing up to determine avoided quantum of power purchase.

Table ES 6.3: Avoided Cost of Power

Source	**Peak hours**		**Off-Peak hours**		**Total**	
	Quantum (MU)	Rate (p.u.)	Quantum (MU)	Rate (p.u.)	Quantum (MU)	Rate (p.u.)
DTPS	5	2.13	10	2.13	15	2.13
TPC-G Unit 5	138	2.32	64	2.32	202	2.32
TPC-G Unit 6	228	5.79	210	5.79	438	5.79
RETL_135 MW	100	5.79	109	5.79	208	5.79
JPL_250 MW	190	6.10	69	6.10	259	6.10
Balance Bilateral	214	4.14	94	4.14	307	4.14
Total	875	4.89	556	5.08	1430	4.96

Table ES 6.4: Cross-subsidy Surcharge (in Rs /unit) for FY 10-11

Consumer Category	ABR (T)	Avoided Power Cost (C)	C/(1-L%)	Wheeling Charges (D)	CSS (Rs/unit)
LT I - Below Poverty Line	0.50	4.96	5.73	1.19	-
LT -I Residential (Single Phase)					
0-100	3.12	4.96	5.73	1.19	-
101-300	6.08	4.96	5.73	1.19	-
301-500	9.61	4.96	5.73	1.19	2.68
500and above	11.26	4.96	5.73	1.19	4.34
LT -I Residential Three phase					
0-100	3.16	4.96	5.73	1.19	-
101-300	5.84	4.96	5.73	1.19	-
301-500	9.53	4.96	5.73	1.19	2.61
500and above	10.84	4.96	5.73	1.19	3.92

Consumer Category	ABR (T)	Avoided Power Cost (C)	C/(1-L%)	Wheeling Charges (D)	CSS (Rs/unit)
LT II : LT - Non - Residential or Commercial					
LT II (a) - 0-20 kW	8.58	4.96	5.73	1.19	1.66
LT II (a) TOD Option					
LT II (b) - 20-50 kW	10.90	4.96	5.73	1.19	3.97
LT II (c) - above 50 kW	11.47	4.96	5.73	1.19	4.54
LT III - LT Industrial upto 20 kW	8.00	4.96	5.73	1.19	1.08
LT IV - LT Industrial above 20 kW	7.91	4.96	5.73	1.19	0.99
LT-V : LT- Advertisements and Hoardings	17.96	4.96	5.73	1.19	11.04
LT VI: LT -Street Lights	8.77	4.96	5.73	1.19	1.85
LT-VII (A): LT -Temporary Supply Religious	4.42	4.96	5.73	1.19	-
LT-VII (B): LT -Temporary Supply Others	15.89	4.96	5.73	1.19	8.97
LT VIII: LT - Crematorium & Burial Grounds	3.82	4.96	5.73	1.19	-
LT IX: LT -Agriculture		4.96	5.73	1.19	-

Consumer Category	ABR (T)	Avoided Power Cost (C)	C/(1-L%)	Wheeling Charges (D)	CSS (Rs/unit)
	0.82				
HT					
HT I: HT-Industry	7.99	4.96	5.29	0.62	2.07
HTII : HT- Commercial	9.18	4.96	5.29	0.62	3.26
HT III: HT-Group Housing Society	5.61	4.96	5.29	0.62	-
HTIV : HT - Temporary Supply	11.00	4.96	5.29	0.62	5.09

Consumer categories returning a negative value of surcharge is not shown in the Table above as it is proposed that in such cases the CSS should be set at zero.

The Table above demonstrate the CSS, which is actually nothing but a representation of loss of cross-subsidy in per unit terms from different consumer categories. Applying these per unit values on the estimated migration from each category (at doorstep level i.e. 1278 MU), the loss of cross-subsidy in Rs. crore will be as depicted in the following Table ES:

Table ES 6.5: Loss of Cross-subsidy (in Rs. Crore) in FY 10-11

Category	Change-over (MU) at doorstep level	Loss of Cross-subsidy (or proposed Surcharge) – Rs./unit	Loss of Cross-subsidy (Rs. cr.)
LT-I 301- 500 units	35.57	2.61	9.28
LT-I > 500 units	89.08	3.92	34.92
LT-II (a)	119.05	1.66	19.70
LT-II (b)	48.52	3.97	19.28
LT-II (c)	191.88	4.54	87.21
LT (III)	24.57	1.08	2.64
LT (IV)	209.30	0.99	20.69
LT-V	0.00	11.04	-
LT-VII (B)	0.91	8.97	0.82
HT-Commercial	394.00	3.26	128.53
HT - Industry	120.17	2.07	24.91
HT- Temporary	0.99	5.09	0.50
Total	**1,234.03**		**348.50**

A.6.4.1.2 De-merits of proposed method for determination of CSS

The method to determine CSS based on avoided cost of power purchase proposed above is the one that correctly represents the loss of cross-subsidy by accounting for loss of revenue on the one hand and on the other, gain through reduction in power purchase and receipt of wheeling charges. Even while being conceptually and principally appropriate, it suffers from certain implementational difficulties, which are highlighted below:

- The method requires licensees to forecast the volume and mix of consumer migration at the start of the year as the computation of surcharge is dependent upon both. Hence, obviously, if the actual volume and/or mix is different from what was forecast, the surcharge applied would not reflect loss of cross-subsidy. Further, in case of open access, the licensees will be in no position to estimate the incremental consumers opting for open access during the year; therefore, forecast of how much power will be avoided and at what cost will become very difficult.

- As the reduction in purchase cost due to less purchase will automatically get passed on to balance consumers in the form of FAC credit, nullifying the revenue receipts from surcharge. Thus, the licensee's financial position will remain unchanged, with or without CSS. Hence, to insulate the licensee, it will be necessary that he retains the FAC credit (accrued on account of less purchase due to consumer migration) rather than passing it on to his balance consumers. This would, therefore, require changes in the method of computing FAC by providing that reduction in power purchase cost due to reduced purchase (to the extent of reduced sales due to migration) will not form part of FAC.

In view of the above difficulties, RInfra-D proposes herein an alteranative method for determination of CSS, which is based on the cross-subsidy component of each consumer category in the tariff and which is de-linked from avoided cost of power. The method is explained in detail in the subsequent section:

A.6.4.1.3 Alternative method of determination of CSS

In this method, RInfra-D proposes that CSS could be determined using the traditional method of tariff minus cost of supply. However, the cost of supply adopted would not be simple average cost of supply, but it will be the allocated cost of power purchase plus the cost of distribution wires (as per voltage level HT and LT), plus the other costs pertaining to retail supply (including InSTS cost, Stand-by charges, SLDC cost and distribution retail costs).

Allocated cost of power purchase will be determined on the basis of consumer catgeory's hourly contribution to system load and the hourly cost of source-wise power purchase of licensee. Hourly source-wise power purchase will be determined using demand pattern of the licensee (determine quantum to be purchased from each source each hour) and the rate of power purchase from available sources. Hourly contribution of each consumer category to total consumption in such hour will be determined using sample load curves of each category and using representative load factors as determined from sample load curves. The representative LFs will be used to convert hourly demand profile to hourly energy (MU) profile of different consumer categories.

Weighted average per unit power purchase cost will be determined for each consumer category based on allocated cost of power in Rs. crore (using above method) and forecast sales of each category. To this, per unit cost of distribution wires will be added depending upon voltage level – HT or LT (which is same as wheeling charges at these levels). Further, other cost elements of ARR (representing retail cost) will also be added.

Total per unit allocated cost as determined from above is then subtracted from the average tariff (ABR) of each consumer category to determine the Cross-Subsidy Surcharge (or per cross-subsidy built in the tariff).

RInfra-D has worked out the Cross-Subsidy Surcharge following the above method, which is presented in the tables below:

Table ES 6.6: Cross-subsidy Surchar

	Sales (MU)	Allocated PP cost	Standby and SLDC cost	InSTS cost	Dist. Wires cost	Dist. Retail costs	Total Allocated cost	ABR (T)	CSS
LT I - Below Poverty Line	0.49	4.45	0.27	0.27	1.19	0.61	6.80	0.50	-
LT -I Residential (Single Phase)									
0-100	2,020.68	4.45	0.27	0.27	1.19	0.61	6.80	3.12	-
101-300	1,291.68	4.45	0.27	0.27	1.19	0.61	6.80	6.08	-
301-500	189.60	4.45	0.27	0.27	1.19	0.61	6.80	9.61	2.81
500and above	72.55	4.45	0.27	0.27	1.19	0.61	6.80	11.26	4.46
LT -I Residential Three phase									
0-100	237.07	4.45	0.27	0.27	1.19	0.61	6.80	3.16	-
101-300	361.10	4.45	0.27	0.27	1.19	0.61	6.80	5.84	-
301-500	181.83	4.45	0.27	0.27	1.19	0.61	6.80	9.53	2.73
500and above									4.04

	Sales (MU)	Allocated PP cost	Standby and SLDC cost	InSTS cost	Dist. Wires cost	Dist. Retail costs	Total Allocated cost	ABR (T)	CSS
	303.96	4.45	0.27	0.27	1.19	0.61	6.80	10.84	
LT II : LT - Non - Residential or Commercial									
LT II (a) - 0-20 kW	1,407.20	4.76	0.27	0.27	1.19	0.61	7.11	8.58	1.47
LT II (a) TOD Option	0.03								
LT II (b) - 20-50 kW	207.50	4.76	0.27	0.27	1.19	0.61	7.11	10.90	3.79
LT II (c) - above 50 kW	414.17	4.67	0.27	0.27	1.19	0.61	7.02	11.47	4.45
LT III - LT Industrial upto 20 kW	147.60	4.87	0.27	0.27	1.19	0.61	7.22	8.00	0.78
LT IV - LT Industrial above 20 kW	357.57	4.87	0.27	0.27	1.19	0.61	7.22	7.91	0.69
LT-V : LT- Advertisements and Hoardings	4.10	4.29	0.27	0.27	1.19	0.61	6.63	17.96	11.33
LT VI: LT -Street Lights	57.08	4.29	0.27	0.27	1.19	0.61	6.63	8.77	2.14
LT-VII (A): LT -Temporary Supply Religious	2.93	4.67	0.27	0.27	1.19	0.61	7.02	4.42	-
LT-VII (B): LT -Temporary Supply Others	102.70	4.67	0.27	0.27	1.19	0.61	7.02	15.89	8.87

	Sales (MU)	Allocated PP cost	Standby and SLDC cost	InSTS cost	Dist. Wires cost	Dist. Retail costs	Total Allocated cost	ABR (T)	CSS
LT VIII: LT - Crematorium & Burial Grounds	0.90	4.67	0.27	0.27	1.19	0.61	7.02	3.82	-
LT IX: LT -Agriculture	0.05	4.45	0.27	0.27	1.19	0.61	6.80	0.82	-
HT									
HT I: HT-Industry	219.05	4.66	0.27	0.27	0.62	0.61	6.43	7.99	1.56
HTII : HT- Commercial	252.29	4.69	0.27	0.27	0.62	0.61	6.46	9.18	2.72
HT III: HT-Group Housing Society	34.48	4.48	0.27	0.27	0.62	0.61	6.26	5.61	-
HTIV : HT - Temporary Supply	8.10	4.69	0.27	0.27	0.62	0.61	6.46	11.00	4.54
Total	7,874.72								

The above method is operationally advantageous to the extent it does not require projections of consumer migration for the ensuing year and how much power may be avoided. The consumers know the CSS upfront at the time of determination of tariff and there is no uncertainty in the magnitude of surcharge. Further, the migrating consumer would simply pay its contribution of cross-subsidy built in the tariff, without worrying about avoidance of power purchase. The avoided cost of power purchase, consequently would be spread over as FAC credit over the balance consumers of the licensee, as at present and would not be required to be retained.

A.6.5 RETAIL TARIFF PROPOSAL FOR FY 10-11:

The Hon'ble commission have vacated the partial stay on retail tariff rates of RInfra-D and restored the rates as approved in the Tariff Order of June 15, 2009. RInfra-D is already billing consumers with the revised rates from Sept 2010 billing cycle onwards. RInfra-D proposes that the same tariff rates and structure be continued for the balance months of FY 10-11 for the following reasons:

- The total loss of cross-subsidy during FY 10-11 is worked out as Rs. 327.59 crore. Out of this, Rs. 87.12 crore is proposed to be recovered during FY 10-11 itself by way of the proposed CSS. The balance Rs. 240.46 crore is reflected in the Revenue Gap at proposed tariffs. Thus majority of the aforesaid gap of FY 11 at existing tariffs is made up of loss of cross-subsidy, which RInfra-D submits should be covered by way of cross-subsidy surcharge, rather than an increase in retail tariffs;

- In view of lifting of stay on tariffs, the tariffs payable by certain categories of consumers is already changed once in FY 10-11. Hence, RInfra-D does not propose to increase the tariffs again in such a short period of time.

- The revised wheeling charges and the proposed Cross-subsidy Surcharge are assumed to be applied and recovered for a period of three months in FY 10-11.

Based on the discussion above, the following is the summary of costs and recovery from various charges in FY 10-11 as proposed in this petition:

Table ES 6.7: Revenue Gap and Regulatory Assets summary

Particulars	Amount
Total ARR of FY 10-11(Net of Non-Tariff Income)	5,341.66
Recovery from own consumers through retail tariffs (5 months @ July 15, '09 tariff order rates, plus 7 months @ June 15, '09 tariff order rates)	4,832.60
Recovery from change-over consumers through wheeling charges (9 months @ existing rates, plus 3 months @ proposed revised rates)	105.96
Proposed recovery from change-over consumers through CSS (3 months only at proposed rates from subsidising categories)	87.12
Total Revenues	5,025.69
Revenue Gap / (Surplus)	315.97
Regulatory Assets upto FY 09-10 deferred for recovery from FY 11-12 onwards through an Additional Charge	2,376.12

Table ES 6.8: Tariff Proposed (Retained at the rates approved in Tariff Order of June 15, 2009)

Consumer Category	**Existing Tariffs**			**Proposed Tariffs**			**Proposed Tariff Hike**
	Energy Charge (Rs/kWh)	Fixed Charge (Rs / Consumer /month)	Demand Charge (Rs/KVA/month)	Energy Charge (Rs/kWh)	Fixed Charge (Rs / Consumer /month)	Demand Charge (Rs/KVA/month)	
Low Tension - LT							
LT I : LT -Residential							
LT I - Below Poverty Line	0.40	3		0.40	3		0%
LT -I Residential							
0-100	2.96	30		2.96	30		0%
101-300	5.56	50		5.56	50		0%
301-500	9.16	50		9.16	50		0%
500and above	10.61	100		10.61	100		0%
LT II : LT -Commercial							
LT II (a) - 0-20 kW	7.95	200		7.95	200		0%
LT II (b) - 20-50 kW	10.26		150	10.26		150	0%
LT II (c) – above 50 kW	10.91		150	10.91		150	0%

	Existing Tariffs			Proposed Tariffs			
LT III - LT Industrial upto 20 kW	7.76	200		7.76	200		0%
LT IV - LT Industrial above 20 kW	7.41		150	7.41		150	0%
LT-V : LT- Advertisements and Hoardings	17.66	200		17.66	200		0%
LT VI: LT -Street Lights	8.31		150	8.31		150	0%
LT-VII (A): LT -Temporary Supply Religious	3.81	200		3.81	200		0%
LT-VII (B): LT -Temporary Supply Others	15.81	200		15.81	200		0%
LT VIII: LT - Crematorium & Burial Grounds	3.81	200		3.81	200		0%
LT IX: LT -Agriculture	0.80		15	0.80		15	0%
High Tension -HT							
HT I: HT-Industry	7.56		150	7.56		150	0%
HTII : HT- Commercial	8.41		150	8.41		150	0%
HT III: HT-Group Housing	5.16		150	5.16		150	0%
HTIV : HT - Temporary	11.00	200		11.00	200		0%

Table ES 6.9: Percentage incease in tariff

Category	Average cost of supply	Average Billing Rate			Ratio of average billing rate to ACOS(%)			Proposed % increase in Tariff
		Existing Tariff	Tariff Proposed by RInfra-D	Revised Tariff	APR Order of FY 09	Existing Tariff to present ACOS	Proposed Tariff to Present ACOS	
	Rs/KWh	Rs/KWh	Rs/KWh	Rs/KWh	%	%	%	%
LT I – Residential	6.62	5.14	5.14		74%	78%	78%	0%
LT II A - Commercial upto 20 KW	6.62	8.57	8.57		121%	130%	130%	0%
LT II B - Commercial > 20 KW & <=50 KW	6.62	10.76	10.76		153%	165%	165%	0%
LT II C - Commercial above 50 KW	6.62	11.33	11.33		162%	173%	173%	0%
LT III - LT Industrial upto 20 KW	6.62	8.00	8.00		113%	121%	121%	0%
LT IV - LT Industrial > 20 KW	6.62	7.82	7.82		111%	120%	120%	0%
LT V - Advertisement & Hoardings	6.62	17.98	17.98		256%	272%	272%	0%
LT VI – Street Lighting	6.62	8.78	8.78		125%	133%	133%	0%
LT VII (B) - Temporary – others	6.62	15.89	15.89		225%	240%	240%	0%
HT I – Industrial	6.62	7.94	7.94		112%	118%	118%	0%
HT II – Commercial	6.62	9.05	9.05		127%	134%	134%	0%
HT III- Group Housing Society	6.62	5.64	5.64		77%	84%	84%	0%
HT IV – Temporary Supply	6.62	11.00	11.00			163%	163%	0%

A.6.5.1 Alternative Tariff Proposal

During the Technical Validation Session, conducted by the Hon'ble Commission on 16th November 2010, Honb'le Commission has suggested that RInfra-D should submit its proposal, if any to mitigated the impact of high Tariffs for Residential Consumers consuming upto 300 units a month.

It has been shown above that as per the current cost and revenue, RInfra-D has a revenue deficit in FY 11, even after applying the Tariff rates as approved in the Tariff Order dated June 15, 2009. Hence, while RInfra-D does wish to bring about a reduction in Tariffs, the same can be made possible if the Hon'ble Commission allocated additional capacity from TPC-G to RInfra-D under its decision in Case No. 13 of 2010. Accordingly, for the purpose of proposing a reduction in Tariffs RInfra-D has assumed that the Hon'ble Commission Hon'ble Commission would continue to adopt the philosophy of allocation of capacity as was last followed by the Hon'ble Commission in FY 07-08, which for FY 10-11 would work out to be about 725 MW of TPC-G capacity allocated for RInfra-D consumers. This is being proposed for FY 10-11, without prejudice to our contention that the reallocation of capacity be applicable from the year capacity allocation impacted, which is FY 08-09.

Considering allocation of 725MW of Capacity, the additional energy from TPC-D would displace higher cost bilateral power to the extent of 2378 MU, which would consequenty result in reduction of power purchase cost to the extent of Rs 295 Cr for FY11.

If this entire reduction in cost is passed on to the residential consumers upto 300 units a month, it would result in reduction in tariff of Rs. 0.65 per unit and Rs 1.27 per unit for 0-100 and 100-300 respectively. This has been worked out after allocating the reduction in cost on the two slabs based on their revenue contribution at existing tariffs (June 15, 2009 tariff rates). Other category tariffs remain as shown in Table ES 6.8: Tariff Proposed (Retained at the rates approved in Tariff Order of June 15, 2009) hereinabove.

A.7. Prayers

In view of the above facts and circumstances, RInfra-D prays that it may be pleased to:

A. Admit the Application/Petition as submitted herewith;

B. Approve past period expenses pertaining to FY 07 and FY 08 arisen on account of Hon'ble ATE judgment and other reasons explained in the petition;

C. Approve the Annual Revenue Requirement for FY 09 as submitted, for truing up purpose;

D. Approve the ARR for FY 10 based on actuals;

E. Approve the ARR and Tariff proposal for FY 10-11;

F. Approve a mechanism for recovery of loss of cross-subsidy as is also recommended by the Govt. of Maharashtra;

G. Allow additions/alterations/changes/modifications to the application at a future date;

H. Allow any Other Relief, order or direction, which the Honorable Commission deems fit to be issued;

I. Condone any inadvertent Omissions / errors / rounding off differences / shortcomings.