



महाराष्ट्र विद्युत नियामक आयोग Maharashtra Electricity Regulatory Commission



Ref. No. MERC/FAC/20182019/ 028

Date: 25 January, 2019

To,
The Mindspace Business Parks Pvt. Ltd.,
(Formerly Serene Properties Pvt. Ltd.)
Plot No. C-30, Block 'G',
Opposite SIDBI, Bandra Kurla Complex
Bandra (E), Mumbai – 400 051

Subject: Post facto approval of Fuel Adjustment Charges (FAC) submissions of MBBPL for the month of July, 2018 to September, 2018.

Reference: MBBPL's FAC submission for the month of July, 2018 to September, 2018 vide letter no. MBPPL/Power/ 2018-19/ M664 dated 14 December, 2018.

Sir,

Upon vetting the FAC calculations for the months of July, 2018 to September, 2018 as mentioned in the above reference, the Commission has accorded post facto approval for charging FAC to its consumers as shown in the Table below:

| Month | FAC Amount (Rs. Crore) |
|-----------------|------------------------|
| July, 2018 | (2.64) |
| August, 2018 | (3.33) |
| September, 2018 | (4.52) |

MBPPL is directed to refund Rs. 11.49 Crore along with interest to the consumers in next FAC billing cycle. This is on account of errors done during the month of July, 2018 to September, 2018 as specified in para 4.4, para 4.10, para 5.3, para 6.2, para 9.3 and para 10.2 of this vetting report.

The above approval of FAC is subject to final true up of FY 2018-19 under the MERC (Multi Year Tariff) Regulations, 2015.

Yours faithfully,

(Dr. Rajendra Ambekar)
Executive Director, MERC

Encl: Annexure A: Detailed Vetting Report for the period of July, 2018 to September, 2018.

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ANNEXURE

**Detailed Vetting Report
Date: 25 January, 2019**

**POST FACTO APPROVAL FOR FAC CHARGES FOR THE MONTHS OF JULY, 2018
TO SEPTEMBER, 2018**

Subject: Post facto approval of Fuel Adjustment Charges (FAC) submissions of MBBPL for the month of July, 2018 to September, 2018.

Reference: MBBPL's FAC submission for the month of July, 2018 to September, 2018 vide letter no. MBPPL/Power/ 2018-19/ M664 dated 14 December, 2018.

1. FAC submission by MBBPL Undertaking:

1.1 MBBPL has submitted FAC submissions for the months of July, 2018 to September, 2018 as referred above. Upon vetting the FAC calculations, taking cognizance of all the submissions furnished by MBBPL, the Commission has accorded post facto approval for the FAC amount to be charged in the billing months of August, 2018 to October, 2018.

2. Background

2.1 On 26 October, 2016, the Commission has issued Tariff Order in respect of MBPPL, (Case No.10 of 2016) for provisional Truing-up for FY 2015-16, and Aggregate Revenue Requirement and Tariff for FY 2016-17 to FY 2019-20. Revised Tariff has been made applicable from 1 October, 2016.

2.2 On 12 September, 2018, the Commission has issued Tariff Order in respect of MBPPL, (Case No.194 of 2017) for Truing-up for FY 2015-16 and FY 2016-17, Provisional Truing-up for FY 2017-18 and revised estimates of Aggregate Revenue Requirement for FY 2018-19 to FY 2019-20. Revised Tariff has been made applicable from 1 September, 2018.

2.3 Vide its letter dated 15 November, 2016, the Commission communicated the excel formats for filing of FAC submissions to all Distribution Licensees. The Commission also directed all Distribution Licensees to submit FAC computations, including details pertaining to variation in fuel cost of generators for the approval of the Commission.

2.4 Vide FAC vetting Report dated 6 January, 2017, the Commission accorded prior approval to the FAC for the month of October, 2016.

2.5 In terms of MERC (MYT) Regulations, 2015 a Distribution Licensee is required to obtain post facto approval of the Commission on a quarterly basis for FAC charges. Accordingly,



vide its letter dated MBPPL/Power/ 2018-19/ M664 dated 14 December, 2018. MBPPL has filed FAC submissions for the months of July, 2018 to September, 2018 for post facto approval. The Commission has scrutinized the submissions provided by MBPPL and has also verified the fuel and power purchase bills provided along with its submissions.

3. Energy Sales of the Licensee

3.1 The Net Energy Sales within licence area as submitted by MBPPL in the FAC submission and as approved by the Commission are as shown in the Table below.

| Consumer Category | Approved by the Commission (MU) (I) | Monthly Approved (MU) (II=I/12) | Actual Sales | |
|-------------------------------------|--|------------------------------------|------------------------|-----------------------|
| | | | (Jul-18) (MU) (III) | (Aug-18) (MU) (IV) |
| HT Category | | | | |
| HT- I Industrial | 103.21 | 8.60 | 6.56 | 6.61 |
| HT-II Commercial | 1.96 | 0.16 | - | - |
| LT Category | | | | |
| LT-I General Purpose | - | - | - | - |
| LT-II(A) Commercial (0-20 kW) | 0.12 | 0.01 | 0.06 | 0.06 |
| LT-II (B) Commercial (above 20 kW) | 0.31 | 0.03 | 0.03 | 0.03 |
| LT-III (A) Industrial (0-20 kW) | 0.30 | 0.02 | 0.00 | 0.00 |
| LT-III (B) Industrial (above 20 kW) | 6.47 | 0.54 | 0.62 | 0.67 |
| Total | 112.37 | 9.36 | 7.27 | 7.37 |

| Consumer Category | Approved by the Commission (MU) (I) | Monthly Approved (MU) (II=I/12) | Actual Sales |
|-------------------------------------|--|------------------------------------|-------------------------|
| | | | (Sept-18) (MU) (III) |
| HT Category | | | |
| HT- I Industrial | 79.62 | 6.64 | 6.10 |
| HT-II Commercial | 5.00 | 0.42 | - |
| LT Category | | | |
| LT-I General Purpose | - | - | - |
| LT-II(A) Commercial (0-20 kW) | 0.64 | 0.05 | 0.06 |
| LT-II (B) Commercial (above 20 kW) | 0.38 | 0.03 | 0.03 |
| LT-III (A) Industrial (0-20 kW) | 0.01 | 0.00 | 0.00 |
| LT-III (B) Industrial (above 20 kW) | 7.20 | 0.60 | 0.62 |
| Total | 92.85 | 7.74 | 6.82 |



3.2 The Commission observed that the actual sale for the individual months of July to September, 2018, was lower than that of approved by the Commission. The major variation was observed in the HT-I Industrial and HT-II Commercial categories as shown in the Table above.

4. Cost of Power Purchase

4.1 MBPPL does not own or operate any generating stations. Accordingly, MBPPL is required to procure power from outside sources in order to fulfil the demand of its consumers. MBPPL purchases power as per Medium-Term PPA for 10 MW with M/s. Jindal Power Limited (JPL) for meeting the Base Load demand and for 10 MW with M/s. GMR Energy Trading Limited (GMRETL) to meet the Peak load demand for a period of 5 years from 1 July, 2016 to 30 June, 2021. The Commission has approved both the PPAs and adopted the lowest tariff as a result of the process of competitive bidding followed by MBPPL.

4.2 The following Tables show the variation in Average Power Purchase Cost (APPC) (Rs/kWh) for the months of July, 2018 to September, 2018 as compared to APPC approved in Tariff Order dated 26 October, 2016 and in Tariff Order dated 12 September, 2018:

| Particulars | Tariff Order Dated 26.10.2016 | | | Actual for July, 2018 | | |
|-----------------------------|-------------------------------|--------------|-----------------------------|-----------------------|-------------|-----------------------------|
| | Net Purchase | Cost | Average Power Purchase Cost | Net Purchase | Cost | Average Power Purchase Cost |
| | MU | Rs. Crore | Rs/kWh | MU | Rs. Crore | Rs/kWh |
| Medium Term PPA (Base Load) | 74.46 | 27.70 | 3.72 | 6.67 | 2.31 | 3.47 |
| Medium Term PPA (Peak Load) | 33.66 | 12.52 | 3.72 | 2.49 | 1.00 | 4.01 |
| RE Sources | | 3.07 | | - | - | - |
| Surplus Sale | - | - | - | (1.35) | (0.55) | 4.22 |
| Additional Power | 9.59 | 3.57 | 3.72 | - | - | - |
| FBSM | | | | - | - | - |
| Total | 117.71 | 46.86 | 3.98 | 7.81 | 2.76 | 3.53 |

| Particulars | Tariff Order Dated 26.10.2016 | Actual for Aug, 2018 |
|-------------|-------------------------------|----------------------|
|-------------|-------------------------------|----------------------|



| | Net Purchase | Cost | Average Power Purchase Cost | Net Purchase | Cost | Average Power Purchase Cost |
|-----------------------------|---------------|--------------|-----------------------------|--------------|-------------|-----------------------------|
| | MU | Rs. Crore | Rs/kWh | MU | Rs. Crore | Rs/kWh |
| Medium Term PPA (Base Load) | 74.46 | 27.70 | 3.72 | 6.72 | 2.37 | 3.53 |
| Medium Term PPA (Peak Load) | 33.66 | 12.52 | 3.72 | 1.72 | 0.80 | 4.66 |
| RE Sources | | 3.07 | | - | 0.11 | - |
| Surplus Sale | - | - | - | (0.63) | (0.25) | 4.01 |
| Additional Power | 9.59 | 3.57 | 3.72 | - | - | - |
| FBSM | | | | - | | |
| Total | 117.71 | 46.86 | 3.98 | 7.81 | 3.04 | 3.89 |

| Particulars | Tariff Order Dated 12.09.2018 | | | Actual for Sept, 2018 | | |
|-----------------------------|-------------------------------|--------------|-----------------------------|-----------------------|-------------|-----------------------------|
| | Net Purchase | Cost | Average Power Purchase Cost | Net Purchase | Cost | Average Power Purchase Cost |
| | MU | Rs. Crore | Rs/kWh | MU | Rs. Crore | Rs/kWh |
| Medium Term PPA (Base Load) | 74.46 | 29.24 | 3.93 | 6.41 | 2.26 | 3.52 |
| Medium Term PPA (Peak Load) | 34.30 | 14.01 | 4.08 | 2.26 | 0.88 | 3.87 |
| RE Sources | | 1.34 | | - | 0.02 | - |
| Surplus Sale | (11.87) | (4.72) | 3.98 | (1.32) | (0.75) | 5.84 |
| Additional Power | - | - | - | - | - | - |
| FBSM | | | | - | | |
| Total | 96.89 | 39.87 | 4.11 | 7.35 | 2.41 | 3.28 |



- 4.3 The Commission has scrutinised the detailed bills/invoices submitted for power purchase during the respective months of July to September, 2018, in order to verify the claim of MBPPL regarding Average Power Purchase Cost (APPC). The Commission has verified the Net Purchase (MUs), Variable Cost (Rs./kWh) and Power Purchase Cost. The Commission has also verified the payment of monthly Fixed Charge based on the availability as per the norms specified in the applicable contract.
- 4.4 During the scrutiny it was found that for the month of September, 2018, MBPPL has considered the approved power purchase cost, quantum as well as average power purchase cost as per the corresponding figures approved in the MYT Order dt. 26 October, 2016 (Case No. 10 of 2016). Whereas the Commission in its MTR Order dt. 12 September, 2018 (Case No. 194 of 2017) has revised the power purchase cost, quantum and hence, the average power purchase cost for FY 2018-19. Further, the Commission in its MTR Order has also clearly defined the applicability of the same under section 10 of the Order as from 1 September, 2018. Therefore, the power purchase cost, quantum as well as average power purchase cost for the month of September should correspond to the respective approved figures in the MTR Order.
- 4.5 With regards to JPL, the net purchase considered by MBPPL for the month of July and August, 2018 were not matching with the bills/invoices submitted. The Commission has sought for reconciliation against the same. It was observed that MBPPL has inadvertently grossed up the net quantum of power received at regional periphery from transmission losses during the respective period, whereas the quantum at MBPPL periphery needs to be grossed up as per PPA. The Commission has rectified the above anomaly and accordingly, considered the respective quantum in the FAC computation.
- 4.6 The power purchase price for FY 2018-19 from JPL as per approved PPA after rate escalation is Rs 3.89/kWh at MBPPL periphery which included the transmission charges (STU charges) for State Transmission network. However, STU charges were paid directly by MBPPL to STU in accordance with the InSTS Tariff Order. Therefore, the power purchase bills were raised by JPL after deducting the STU charges from the total power purchase cost as the quoted tariff included the STU charges. Accordingly, the average power purchase cost from JPL as per the bills submitted during the months of July to September, 2018 are Rs. 3.47/kWh, Rs. 3.53/kWh and Rs. 3.52/kWh respectively as shown in Table above. Further, these average power purchase cost were observed lower as compared to MYT approved rate of Rs. 3.72/kWh and MTR approved rate of Rs. 3.93/kWh for the respective months of Q2 of FY 2018-19. The variation is mainly on account of difference in Fixed Cost (Rs. Crore) payable as per availability during the respective months, adjustment for incentives, rebate and Transmission charges and deduction of STU charges as per PPA.
- 4.7 The power purchase price for FY 2018-19 from GMRETL as per approved PPA with rate escalation was Rs. 4.04/kWh at STU periphery. MBPPL has consumed approximately an average of 50% of the energy generated under this contract at a variable price of Rs. 2.42/kWh at STU periphery. The balance surplus power quantum of around 50% of the



energy generated under this contract was sold through power exchange for which MBPPL had paid a variable price of Rs 2.09/kWh (July and August 2018) and Rs 2.11/kWh (June 2018) at Western Region Periphery. This variable price at Western Region Periphery has been arrived after deduction of PoC charges and losses as the same was included in the quoted (PPA approved) price. Accordingly, the average power purchase cost during the month of July and August 2018 is Rs. 4.01/kWh and Rs. 4.66/kWh respectively which is more than the MYT approved rate of Rs. 3.72/kWh. The average power purchase cost during the month of September, 2018 is Rs. 3.87/kWh which is lower than the MTR approved rate of Rs. 4.09/kWh. The variation is mainly on account of escalation in fixed cost and variable cost as per PPA and amount payable for sale of surplus power.

- 4.8 The Commission in the MYT Order had approved the power purchase quantum of 20 MW with an observation that the licensee is allowed to sell any surplus power till it reaches the load requirement of 20 MW, and to the extent required considering demand variations thereafter arising from the nature of operations in its License area. Furthermore, the Commission in its MTR Order has considered the rate for sale of surplus power as Rs. 3.98/kWh for determination of power procurement cost. In line with the above, MBPPL has done surplus power sale through the power exchange to reduce the burden of fixed cost on the consumers. The surplus quantum which was available due to low demand in SEZ area has been sold to third party through power exchange.
- 4.9 Further, as per the PPA, revised Fixed Charges for JPL and GMRETL as already explained in above para are Rs. 1.39/kWh and Rs. 1.62/kWh, respectively, for FY 2018-19. However, the total sale of 3.30 MUs of surplus power during the Q2 was made at average rate of Rs. 4.67/kWh. Thus, the sale of surplus power was not only able to recover the Fixed Charges paid to GMRETL, but also had additional revenue lowering the power purchase cost for the respective months. Hence, the transaction of sale of surplus power was found beneficial. Further, the Commission has compared the rate of sale of surplus power by MBPPL vis-à-vis the Market Clearing Price (MCP) prices of power traded at IEX. The average MCP prices prevailed at Rs. 3.46/kWh, Rs. 3.34/kWh and Rs. 4.69/kWh for the months of July, August and September, 2018 respectively. Against the above prices traded, MBPPL sold the surplus power at a rate of Rs. 4.08/kWh, 3.88/kWh and Rs. 5.65/kWh for the months of July, August and September, 2018 respectively. Considering that the price at which MBPPL sold the surplus power is higher than the MCP price at the IEX, the Commission has considered the actual quantum and revenue against the same.
- 4.10 Also, it was found that MBPPL has made adjustment with regards to FBSM settlement during the months of July to September, 2018. The Commission has sought supporting documents/bills for the same. However, the bills towards the same were not provided by MBPPL. Hence, the Commission has not considered this adjustment in the FAC computation of the respective months.
- 4.11 MBPPL has purchased 217 Solar REC and 847 Non-Solar REC at a clearing price of Rs. 1000/certificate and Rs. 1101/certificate respectively during the August, 2018 and 217 Solar REC at a clearing price of Rs. 1000/certificate during the month of September, 2018.



The Commission has verified the aforesaid purchase from the obligation report and certificate of purchase issued by power exchange which was submitted by MBPPL and found to be in order.

- 4.12 Accordingly, on overall basis the average power purchase price has had a downward variation due to reduced price of power from JPL compared to MYT as well as MTR approved power purchase price and reduction in power purchase cost due to revenue from sale of surplus power through IEX.
- 4.13 After complete scrutiny of relevant documents submitted, the Commission allows the average power purchase cost of **Rs. 3.53/kWh** for the month of July, 2018, **Rs. 3.89/kWh** for the month of August, 2018, **Rs. 3.28/kWh** for the month of September, 2018 which are lower than the MYT approved average power purchase cost of **Rs. 3.98/kWh** applicable for the month of July and August, 2018 and MTR approved rate of **Rs. 4.11/kWh** applicable for the month of September, 2018 as shown in the Tables above.

5. FAC on account of fuel and power purchase cost (F)

- 5.1 The Commission has worked out the Average Power Purchase Costs for the months as shown in above Tables. The same has been compared with the Average Power Purchase Cost approved by the Commission in Tariff Order dated 26 October, 2016 for the months of July and August, 2018 and in Tariff Order dated 12 September, 2018 for the month of September, 2018 and arrived at differential per unit rate at which Z_{FAC} is to be passed on to the consumers.
- 5.2 The following Table shows the Z_{FAC} worked out by the Commission on account of difference in fuel and power purchase cost for the months of July, 2018 to September, 2018.

| S. No. | Particulars | Units | Jul 2018 | Aug 2018 | Sept 2018 |
|--------|---|------------------|---------------|---------------|---------------|
| 1 | Average power purchase cost approved by the Commission | Rs./kWh | 3.98 | 3.98 | 4.11 |
| 2 | Actual average power purchase cost | Rs./kWh | 3.53 | 3.89 | 3.28 |
| 3 | Change in average power purchase cost (=2 -1) | Rs./kWh | (0.45) | (0.09) | (0.84) |
| 4 | Net Power Purchase | MU | 7.81 | 7.81 | 7.35 |
| 5 | Change in fuel and power purchase cost (=3 x 4/10) | Rs. Crore | (0.35) | (0.07) | (0.61) |

- 5.3 Further, due to the disallowance of FBSM on provisional basis and correction in net power purchase quantum mainly in the months of July and August, 2018 and correction in approved average power purchase cost considered by MBPPL for the month of September, 2018, there is an under recovery of Rs. 0.04 Crore as shown in Table below:



| Month | Basis | Jul 2018 | Aug 2018 | Sept 2018 | Total |
|------------------------------|-----------|----------|----------|-----------|--------|
| Change in fuel cost claimed | a | (0.27) | (0.20) | (0.52) | (0.99) |
| Change in fuel cost Approved | b | (0.35) | (0.07) | (0.61) | (1.03) |
| under-recovery (Rs. Crore) | c = (b-a) | (0.08) | 0.14 | (0.10) | (0.04) |

6. Adjustment for over recovery/under recovery (B)

6.1 After adjustment for over-recovery/under recovery (B), the adjustment factor to be added / reduced is as below:

| S. No. | Particulars | Units | Jul 2018 | Aug 2018 | Sept 2018 |
|--------|--|------------------|-------------------|---------------|---------------|
| 1.1 | Incremental cost allowed to be recovered in Month n-2 | Rs. Crore | (1.69)* | (2.64) | (3.33) |
| 1.2 | Incremental cost in Month n-2 actually recovered in month n-1 | Rs. Crore | 0.61 | 0.62 | 0.58 |
| 1.3 | Over-recovery/under-recovery (1.1 - 1.2) | Rs. Crore | (2.31) | (3.26) | (3.90) |
| 2.0 | Carried forward adjustment attributable to application of ceiling limit for previous month | Rs. Crore | 0.02 [#] | (0.00) | (0.00) |
| 3.0 | Net Adjustment factor for over-recovery/under-recovery (1.3+2.0) | Rs. Crore | (2.29) | (3.26) | (3.90) |

* Corrected as per the Commission approved post facto FAC approval of Q1 of FY 2018-19.

Corrected as per the Commission approved post facto FAC approval of Q1 of FY 2018-19.

6.2 The Commission observed that the value of incremental cost allowed to be recovered has been taken as Rs. 0.64 Crore by MBPPL based on their computation of FAC in previous quarter, i.e., Q1 of FY 2018-19. However, the Commission has approved the respective amount as Rs. (1.69) Crore in its FAC approval report dated 19 October, 2018 for Q1 of FY 2018-19. The carried forward adjustment for the month of July, 2018 was considered by MBPPL as Rs. 1.94 Crore, whereas the Commission has considered it as per approved post facto FAC approval of Q1 of FY 2018-19. The Commission has rectified the above anomalies and accordingly computed the Net Adjustment as shown in Table above.

6.3 The Commission has sought for supporting documents related to incremental cost actually recovered in the respective months. In response to this MBPPL has submitted the detailed excel sheet of Bill report for the months of July to September, 2018 showing the date, quantum of units, energy charge, demand charge, FAC recovered etc. The various entries in the Bill report have been generated through SAP billing system. The Commission has verified the amount taken and accordingly has considered the respective amount as submitted by MBPPL.

7. Carrying Cost for over recovery/under recovery (B)

7.1 MBPPL has not levied any carrying cost for the months of July, 2018 to September, 2018.



8. Disallowance due to excess Distribution Loss

8.1 Regulation 10.8 of MYT Regulations, 2015 provides for FAC amount to be reduced in case the actual distribution loss for the month exceeds the approved distribution loss. The relevant extract is reproduced as follows.

“10.8 The total ZFAC recoverable as per the formula specified above shall be recovered from the actual sales in terms of “Rupees per kilowatt-hour”:

Provided that, in case of unmetered consumers, the ZFAC shall be recoverable based on estimated sales to such consumers, computed in accordance with such methodology as may be stipulated by the Commission:

Provided further that, where the actual distribution losses of the Distribution Licensee exceed the level approved by the Commission, the amount of ZFAC corresponding to the excess distribution losses (in kWh terms) shall be deducted from the total ZFAC recoverable”

8.2 The following Table provides the comparison of approved and actual distribution loss and disallowance due to excess distribution loss if any.

| S. No. | Particulars | Units | Approved in Tariff Order | Actual up to | |
|--------|---|------------------|--------------------------|--------------|--------|
| | | | | Jul-18 | Aug-18 |
| 1 | Net Energy input at Distribution Voltages | MU | 113.10 | 30.55 | 38.03 |
| 2 | Energy sales at Distribution voltages | MU | 112.37 | 30.15 | 37.52 |
| 3 | Distribution Loss (1 - 2) | MU | 0.73 | 0.41 | 0.51 |
| 4 | Distribution Loss as % (3/1) | % | 0.65% | 1.33% | 1.34% |
| 5 | Excess Distribution Loss = [Actual Distribution Loss (4) - Distribution loss approved] x Net Energy Input (1) | MU | - | 0.21 | 0.26 |
| 6 | Disallowance of FAC due to excess Distribution Loss | Rs. Crore | - | - | - |

| S. No. | Particulars | Units | Approved in Tariff Order | Actual up to |
|--------|---|-------|--------------------------|--------------|
| | | | | Sept-18 |
| 1 | Net Energy input at Distribution Voltages | MU | 93.69 | 44.94 |



| S. No. | Particulars | Units | Approved in Tariff Order | Actual up to |
|--------|---|----------------------|-----------------------------|-----------------|
| | | | | Sept-18 |
| 2 | Energy sales at Distribution voltages | MU | 92.84 | 44.34 |
| 3 | Distribution Loss (1 - 2) | MU | 0.85 | 0.60 |
| 4 | Distribution Loss as % (3/1) | % | 0.91% | 1.33% |
| 5 | Excess Distribution Loss = [Actual Distribution Loss (4) – Distribution loss approved] x Net Energy Input (1) | MU | - | 0.19 |
| 6 | Disallowance of FAC due to excess Distribution Loss | Rs. Crore | - | - |

8.3 As shown in the Tables above, the cumulative distribution loss for the months of July, 2018 to September, 2018 is higher than the MYT approved distribution loss of 0.65% applicable for the month of July and August, 2018 and the MTR approved distribution loss of 0.91% applicable for the month of September, 2018. In response to clarification sought against the increase in distribution losses MBPPL stated that there are three buildings B#2, B#10 & B#12 in its SEZ area which were supplied at HT point of supply till March, 2018. However, it has now been supplied at LT level, hence, transformer losses have come into picture & thus the losses have increased. Accordingly, the commission has worked out excess distribution loss of **0.21 MU** for the month of July, 2018, **0.26 MU** for the month of August, 2018 and **0.19 MU** for the month of September, 2018. However, the standalone FAC for the months of July to September, 2018 are negative. Hence, disallowance of FAC due to excess distribution loss has not been worked out for the months of July to September, 2018.

9. Summary of Allowable Z_{FAC}

9.1 The summary of the FAC amount as approved by the Commission for the month of July, 2018 to September, 2018 as shown in the Table below.

| S. No. | Particulars | Units | Jul 2018 | Aug 2018 | Sept 2018 |
|------------|---|------------------|---------------|---------------|---------------|
| 1.0 | Calculation of ZFAC | | | | |
| 1.1 | Change in cost of generation and power purchase attributable to Sales within the License Area (F) | Rs. Crore | (0.35) | (0.07) | (0.61) |
| 1.2 | Carrying cost for over-recovery/under-recovery (C) | Rs. Crore | - | - | - |
| 1.3 | Adjustment factor for over-recovery/under-recovery (B) | Rs. Crore | (2.29) | (3.26) | (3.90) |
| 1.4 | ZFAC = F+C+B | Rs. Crore | (2.64) | (3.33) | (4.52) |
| 2.0 | Calculation of FAC Charge | | | | |
| 2.1 | Energy Sales within the License Area | MU | 7.27 | 7.37 | 6.82 |



| S. No. | Particulars | Units | Jul 2018 | Aug 2018 | Sept 2018 |
|------------|---|------------------|---------------|---------------|---------------|
| 2.2 | Excess Distribution Loss | MU | - | - | - |
| 2.3 | ZFAC per kWh | Rs./kWh | (3.63) | (4.51) | (6.63) |
| 2.4 | Cap at 20% of variable component of tariff | Rs./kWh | 0.84 | 0.84 | 0.81 |
| 2.5 | FAC Charge allowable (Minimum of 2.3 and 2.4) | Rs./kWh | (3.63) | (4.51) | (6.63) |
| 3.0 | Recovery of FAC | | | | |
| 3.1 | Allowable FAC [(2.1 x 2.5)/10] | Rs. Crore | (2.64) | (3.33) | (4.52) |
| 3.2 | FAC disallowed corresponding to excess Distribution Loss [(2.2 x 2.5)/10] | Rs. Crore | - | - | - |
| 4.0 | Total FAC based on category wise and slab wise allowed to be recovered | Rs. Crore | (2.64) | (3.33) | (4.52) |
| 5.0 | Carried forward FAC for recovery during future period (3.1-3.2-4.0) | Rs. Crore | (0.001) | (0.000) | 0.005 |

9.2 It can be seen from the above Table that standalone FAC for the months of July to September, 2018 is Rs. (2.64) Crore, Rs. (3.33) Crore and Rs. (4.52) Crore respectively. Based on energy sales and excess distribution loss, FAC per unit has been worked out as Rs. (3.63)/ kWh, Rs. (4.51)/ kWh and Rs. (6.63)/ kWh for the months of July to September, 2018. Further, the Regulation 10.9 of MYT Regulations, 2015 specifies as:

Provided that the monthly ZFAC shall not exceed 20% of the variable component of Tariff or such other ceiling as may be stipulated by the Commission from time to time:

9.3 As the FAC per unit computed is already lower than the 20% cap specified in Regulation as shown in Table above, hence, there is no restriction triggered with regards to such ceiling for all the months in Q2 of FY 2018-19. Further, MBPPL has to refund Rs. 10.49 Crore for the months from July, 2018 to September, 2018 cumulatively against which the MBPPL has recovered Rs. 1.00 Crore due to the error specified in Para 4.4, para 4.5 and 6.2 above and also on account of consideration of FBSM on provisional basis as specified in para 4.10 above. The Commission, hence, directs the MBPPL to refund the differential amount of Rs. 11.49 Crore (i.e., Rs. (10.49) Crore minus Rs. 1.00 Crore) along with interest to consumers in next FAC billing cycle.

9.4 The Commission is of the view that the refund of Rs. 11.49 Crore is substantial with regards to MBPPL and refund of such amount in one month will impact the cash flow of the distribution licensee. Therefore, the Commission allows MBPPL to refund the aforesaid amount in five equal instalments along with associated holding cost. The Commission has computed the holding cost on monthly basis on reducing average balance on such refundable amount. Further, as far as the errors in computing the FAC is concerned, the Commission directs MBPPL to be diligent while computing the FAC as such errors leads to unnecessary burdens on the consumers.



9.5 Accordingly, the monthly instalments to be refunded through FAC mechanism to the consumers including the holding cost as shown in the Table below:

| Particular | Jan-19 | Feb-19 | Mar-19 | Apr-19 | May-19 |
|--------------------------------------|---------|--------|--------|--------|--------|
| Instalments | 1 | 2 | 3 | 4 | 5 |
| Interest rate | 10.05% | 10.05% | 10.05% | 10.05% | 10.05% |
| Opening Balance | (11.49) | (9.19) | (6.90) | (4.60) | (2.30) |
| Refund | (2.30) | (2.30) | (2.30) | (2.30) | (2.30) |
| Closing Balance | (9.19) | (6.90) | (4.60) | (2.30) | - |
| Holding Cost | (0.09) | (0.07) | (0.05) | (0.03) | (0.01) |
| Refund With Holding Cost (Rs. Crore) | (2.39) | (2.37) | (2.35) | (2.33) | (2.31) |

*Applicable interest rate from January, 2019 has been considered based on one year revised SBI MCLR as on 10 December, 2018 i.e., 8.55% plus 150 basis points.

10. Recovery from Consumers:

10.1 Regulation 10.9 of MERC MYT Regulations, 2015 provides for methodology of recovery of FAC charge from each category of consumers. The relevant extract is reproduced as below.

“10.9 The ZFAC per kWh for a particular Tariff category/sub-category/consumption slab shall be computed as per the following formula: —

$$ZFAC \text{ Cat (Rs/kWh)} = [ZFAC / (\text{Metered sales} + \text{Unmetered consumption estimates} + \text{Excess distribution losses})] * k * 10,$$

Where:

ZFAC Cat = ZFAC component for a particular Tariff category/sub-category/consumption slab in ‘Rupees per kWh’ terms;

k = Average Billing Rate / ACOS;

Average Billing Rate = Average Billing Rate for a particular Tariff category/sub-category/consumption slab under consideration in ‘Rupees per kWh’ as approved by the Commission in the Tariff Order;

Provided that the Average Billing Rate for the unmetered consumers shall be based on the estimated sales to such consumers, computed in accordance with such methodology as may be stipulated by the Commission:

ACOS = Average Cost of Supply in ‘Rupees per kWh’ as approved for recovery by the Commission in the Tariff Order:



Provided that the monthly ZFAC shall not exceed 20% of the variable component of Tariff or such other ceiling as may be stipulated by the Commission from time to time:

Provided further that any under-recovery in the ZFAC on account of such ceiling shall be carried forward and shall be recovered by the Distribution Licensee over such future period as may be directed by the Commission....”

- 10.2 While computing the category wise and slab wise FAC, it was observed that during the month of September, 2018 the ABR and ACoS as considered by MBPPL were not corresponding to the respective figure as approved in the MTR Tariff Order. Further, the ACoS considered by the MBPPL for the month of July and August were also not matching with the corresponding approved figure in the MYT Tariff Order. The Commission has rectified the above anomalies and accordingly considered the ABR and ACoS during the respective months of Q2 of FY 2018-19 as approved in the applicable Tariff Order for the respective months.
- 10.3 The Commission has worked out FAC per unit for each category of consumer based on the formula provided in the above Regulations. The Commission observed that there is a variation of Z_{FAC} in absolute terms on considering category wise per unit FAC worked out and category wise actual sales for the months of July, 2018 to September, 2018.
- 10.4 The variation in FAC in absolute terms is due to formula error of Z_{FAC} computed on per unit basis. The variation however is taken care in the adjustment factor of subsequent months.
- 10.5 The following Table shows per unit Z_{FAC} to be charged to the consumers of MBPPL for the billing month of August, 2018 to October, 2018.

FAC for Billing Month of August, 2018 to October, 2018

| S. No | Consumer Category | Slabs | ZFAC to be levied in billing month of | | |
|-------|-------------------------------------|-----------|---------------------------------------|-----------|-----------|
| | | | Aug'18 | Sept'18 | Oct'18 |
| | | | (Rs./kWh) | (Rs./kWh) | (Rs./kWh) |
| | HT Category | | | | |
| 1 | HT- I Industrial | all units | 0.84 | 0.84 | (0.35) |
| 2 | HT-II Commercial | all units | 0.97 | 0.97 | (0.40) |
| | LT Category | | | | |
| 3 | LT-I General Purpose | all units | 0.85 | 0.85 | (0.35) |
| 4 | LT-II(A) Commercial (0-20 kW) | all units | 0.87 | 0.87 | (0.36) |
| 5 | LT-II (B) Commercial (above 20 kW) | all units | 1.11 | 1.11 | (0.46) |
| 6 | LT-III (A) Industrial (0-20 kW) | all units | 0.85 | 0.85 | (0.35) |
| 7 | LT-III (B) Industrial (above 20 kW) | all units | 0.88 | 0.88 | (0.36) |



