



महाराष्ट्र विद्युत नियामक आयोग

Maharashtra Electricity Regulatory Commission

Ref. No. MERC/FAC/20182019/5962

Date: 2 July, 2018

To,
The Gigaplex Estate Private Ltd.,
K Raheja Corp, Level-9, Raheja Tower
Block 'G', Plot No. C-30,
Bandra Kurla Office
Bandra (E), Mumbai – 400 051

Subject: Prior approval of Fuel Adjustment Charges (FAC) submissions of GEPL for the month of April, 2018.

Reference: GEPL's FAC submission for the month of April, 2018 vide letter no. G577 dated 30 May, 2018.

Sir,

Upon vetting the FAC calculations for the months of April, 2018 as mentioned in the above reference, the Commission has accorded prior approval for charging FAC to its consumers as shown in the table below:

Month	FAC Amount (Rs. Crore)
FAC for April, 2018	0.023

GEPL is hereby allowed to recover above FAC to its consumers in the billing month of July, 2018.

Yours faithfully,

(Dr. Rajendra Ambekar)
Executive Director, MERC

Encl: Annexure A: Detailed Vetting Report for the period of April, 2018.

Cc as enclosed:

Names and Addresses of Institutional Consumer Representatives

Prayas Energy Group, Amrita Clinic, Athawale Corner, Lakdipool-Karve Road Junction, Deccan Gymkhana, Karve Road, Pune 411 004.	The President, Mumbai Grahak Panchayat, Grahak Bhavan, Sant Dynyaneshwar Marg, Behind Cooper Hospital, Vile Parle (West), Mumbai 400 056.
The General Secretary, Thane Belapur Industries Association, Plot No.P-14, MIDC, Rabale Village, PO Ghansoli, Navi Mumbai 400 7001	The President, Vidarbha Industries Association, 1st floor, Udyog Bhawan, Civil Lines, Nagpur 440 001.
Maharashtra Chamber of Commerce, Industry & Agriculture, Oricon House, 6th Floor, 12 K. Dubash Marg, Fort, Mumbai- 400 001, (Nashik Branch) E-mail: maccia.nsk@gmail.com	Chamber of Marathwada Industries and Agriculture, Bajaj Bhavan, P-2, MIDC Area, Station Road, Aurangabad - 431 005

PRIOR APPROVAL FOR FAC CHARGES FOR THE MONTHS OF APRIL, 2018

Subject: Prior approval of Fuel Adjustment Charges (FAC) submissions of GEPL for the month of April, 2018.

Reference: GEPL's FAC submission for the month of April, 2018 vide letter no. G577 dated 30 May, 2018.

1. FAC submission by GEPL Undertaking:

1.1 Gigaplex Estate Private Ltd. (GEPL) has submitted FAC submissions for the months of April, 2018 for prior approval as referred above. Upon vetting the FAC calculations, taking cognizance of all the submissions furnished by GEPL, the Commission has accorded prior approval for the FAC amount of April, 2018 to be charged in the billing months of July, 2018.

2. Background

2.1 On 12 March, 2018 the Commission has issued Tariff Order in respect of GEPL, (Case No.149 of 2016) for approval of Aggregate Revenue Requirement and Tariff for FY 2016-17 to FY 2019-20. Revised Tariff has been made applicable from 1 April, 2018. Said Tariff Order has provided for the following:

"Fuel Adjustment Charge (FAC) as may be approved by the Commission from time to time shall be applicable to all categories of consumers, and will be charged over and above the base tariffs on the basis of the FAC formula specified by the Commission and computed on monthly basis."

2.2 Mechanism of computation, levy and approval of FAC is stipulated in Regulation 10 of MERC (Multi Year Tariff) Regulations, 2015. Relevant part of the Regulations is reproduced below:

"10.2 The aggregate gain or loss to a Distribution Licensee on account of variation in cost of fuel and power purchase, covered under Regulation 9.1, shall be passed through under the Fuel Adjustment Charge (FAC) component of the Z-factor Charge (ZFAC), as an adjustment in its Tariff on a monthly basis, as specified in these Regulations and as may be determined in orders of the Commission passed under these Regulations, and shall be subject to ex-post facto approval by the Commission on a quarterly basis:

Provided that the ZFAC for the first month of the first year of the Control Period shall require the prior approval of the Commission, based on prudence check ;"



Thus levy of FAC is subjected to post facto approval of the Commission on quarterly basis except for the first month of Tariff Order which requires prior approval.

- 2.3 Accordingly, vide its letter dated 30 May, 2018, GEPL has filed FAC submission for the month of April, 2018 for prior approval. The Commission has scrutinized the submissions provided by GEPL 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 GEPL in the FAC submission and as approved by the Commission are as shown in the table below.

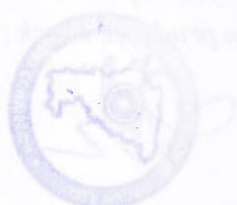
Consumer Category	Approved for FY 2018-19 by the Commission (MU)	Approved (MU)	Actual (Apr- 18) (MU)
	(I)	(II=I/12)	III
HT Category			
HT- I Industrial	43.43	3.62	1.80
HT-II Commercial	1.96	0.16	0.08
LT Category			
LT-I General Purpose	-	-	-
LT-II(A) Commercial (0-20 kW)	0.04	0.00	0.05
LT-II (B) Commercial (above 20 kW)	0.16	0.01	0.01
LT-III (A) Industrial (0-20 kW)	0.31	0.03	0.00
LT-III (B) Industrial (above 20 kW)	5.36	0.45	0.19
Total	51.25	4.27	2.14

- 3.2 It can be observed from the above that actual energy sales for the month, i.e., 2.14 MUs is 50% lesser than the approved energy sales per month, i.e., 4.72 MUs per month.

4. Cost of Power Purchase

- 4.1 GEPL does not own or operative any generating stations. Accordingly, GEPL is required to procure power from outside sources in order to fulfil the demand of its consumers.

- 4.2 The following tables show the variation in average power purchase cost (Rs/kWh) for the months of April, 2018 as compared to average power purchase cost approved in Tariff Order dated 12 March, 2018:



Particulars	As per Tariff Order Dated 12.03.2018 for FY 2018-19			Actual for April, 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	54.08	23.69	4.38	2.21	0.97	4.38
RE Sources		0.74			0.05	1.00
FBSM				_*		
Total	54.08	24.43	4.52	2.25	1.02	4.62

*GEPL has included 0.04 MUs towards Final Balancing Settlement Mechanism (FBSM) in its power purchase cost for the month. However, no documentary evidence or bills has been submitted demonstrating this claim. Hence, the Commission disallows the FBSM units included in the power purchase cost.

- 4.3 The reduction in energy sales has led to corresponding reduction in power purchase, i.e., 2.21 MUs has been purchased against an approved power purchase of 4.50 MUs.
- 4.4 The rate of power purchase (Rs 4.38/kWh) and Renewable Energy Certificate (REC) (Rs 1/kWh) is same as approved in the Tariff Order dated 12 March, 2018. However, the actual average power purchase cost for the month is marginally varying from the approved rate due to change in proportion of REC cost as a percentage of total power purchase cost.
- 4.5 The Commission allows the average power purchase cost of **Rs. 4.62/kWh** for the month of April, 2018.

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 12 March, 2018 and arrived at variation in power purchase cost is to be passed on to the consumers.
- 5.2 The following table shows variation in power purchase cost worked out by the Commission on account of difference in fuel and power purchase cost for the months of April, 2018.

S. No.	Particulars	Units	April, 2018
1	Approved Average power purchase cost	Rs./kWh	4.52
2	Actual average power purchase cost	Rs./kWh	4.62
3	Change in average power purchase cost (=2 -1)	Rs./kWh	0.11
4	Net Power Purchase	MU	2.21
5	Change in fuel and power purchase cost (=3x 4/10)	Rs. Crore	0.023

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

6.1 The Commission is in the process of providing prior approval of FAC for the first month after issuance of Tariff Order and hence there would not be any adjustment factor for previous month that is to be considered while computing the allowable FAC.

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

7.1 As explained in the above paragraph in absence of any adjustment factor for previous month, there is no carrying cost which is to be allowed in FAC for the month of April, 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 for FY 2018-19	Actual up to Apr-18
1	Net Energy input at Distribution Voltages	MU	51.96	2.18
2	Energy sales at Distribution voltages	MU	51.25	2.14
3	Distribution Loss (1 - 2)	MU	0.71	0.04
4	Distribution Loss as % (3/1)	%	1.37%	1.82%
5	Excess Distribution Loss = [Actual Distribution Loss (4) - Distribution	MU		0.010

S. No.	Particulars	Units	Approved in Tariff Order for FY 2018-19	Actual up to Apr-18
	loss approved] x Net Energy Input (1)			
6	Disallowance of FAC due to excess Distribution Loss	Rs. Crore	-	0.0001

8.3 As seen from the above table, cumulative distribution loss for the months of April, 2018 is 1.82% which is higher than the approved distribution loss of 1.37%. Accordingly, deduction has been made of Rs. 1070 on account of excess distribution loss for the month of April, 2018.

9. Summary of Allowable Z_{FAC}

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

S. No.	Particulars	Units	April 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	0.023
1.2	Carrying cost for over-recovery/under-recovery (C)	Rs. Crore	-
1.3	Adjustment factor for over-recovery/under-recovery (B)	Rs. Crore	-
1.4	ZFAC = F+C+B	Rs. Crore	0.023
2.0	Calculation of FAC Charge		
2.1	Energy Sales within the License Area	MU	2.14
2.2	Excess Distribution Loss	MU	0.01
2.3	ZFAC per kWh	Rs./kWh	0.11
2.4	Cap at 20% of variable component of tariff	Rs./kWh	0.82
2.5	FAC Charge allowable (Minimum of 2.3 and 2.4)	Rs./kWh	0.11
3.0	Recovery of FAC		
3.1	Allowable FAC [(2.1 x 2.5)/10]	Rs. Crore	0.023
3.2	FAC disallowed corresponding to excess Distribution Loss [(2.2 x 2.5)/10]	Rs. Crore	0.0001
4.0	Total FAC based on category wise and slab wise allowed to be recovered	Rs. Crore	0.0023
5.0	Carried forward FAC for recovery during future period (3.1-3.2-4.0)	Rs. Crore	-



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: —

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

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 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 April, 2018.

10.3 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.



10.4 The following table shows per unit Z_{FAC} to be charged to the consumers of GEPL for the billing month of July, 2018.

FAC for Billing Month of July, 2018

S. No	Consumer Category	Slabs	ZFAC to be levied in billing month of July, 2018 (Rs./kWh)
	HT Category		
1	HT- I Industrial	all units	0.11
2	HT-II Commercial	all units	0.11
	LT Category		
3	LT-I General Purpose	all units	0.11
4	LT-II(A) Commercial (0-20 kW)	all units	0.11
5	LT-II (B) Commercial (above 20 kW)	all units	0.11
6	LT-III (A) Industrial (0-20 kW)	all units	0.11
7	LT-III (B) Industrial (above 20 kW)	all units	0.11



