

NOTE

Date : October 29th, 2010

Subject : FAC submission of BEST for FY 2008-09 and FY 2009-10

Reference : a) Final submissions made by BEST in October 2010

b) Rounds of discussions and meetings with BEST

The final FAC submission for FY 2008-09 and FY 2009-10, conforming to the Regulations, along with all the back-up information and documents, was submitted by BEST in October 2010. The same was scrutinized and the detailed report is attached herewith for the Commission's approval.

Draft of the letter addressed to the General manger BEST, advising him regarding the scrutiny and to adhere to the schedule of submission stipulated in the Regulations is enclosed for approval.

S R Karkhanis

Director (T)

Registrar

Secretary

Member (VLS)

Chairman

Detailed Vetting Report

Date: October 29, 2010

Subject : **Detailed Vetting Report of BEST's FAC submissions for Q3FY10 and Q4 FY10**

Reference : BEST's corrected FAC submission to the Commission on October 20, 2010, for FY 08-09 and From April 2009 to December 2009

1. Background :

In terms of the MERC's Conditions of Tariff Regulations, 2005, a Distribution Licensee is required to obtain post facto approval of the Commission on quarterly basis for the FAC charges. After due vetting by the submissions, the utility is permitted to bill the FAC charge to its consumer upto a cap of 10% of its average variable component of tariff.

BEST is a Power Distribution Utility based in Mumbai and it does not own or operate any power generating stations. The entire power requirement for distribution to its consumers is procured by BEST through,

- a) Purchases from Tata Power company Ltd. (TPC-G)
- b) Renewable energy procurement
- c) Bilateral contracts mainly through Power Management Group
- d) Unscheduled Interchanges (UI)

BEST had submitted a Petition under affidavit before the Commission on August 12, 2008, under Regulation 82.6 of the MERC (Terms and Conditions of Tariff) Regulations, 2005 in order to allow BEST to recover the "Under recovered FAC" for the period of October 2007 to March 2008 from its consumers and to allow increase in the Cap on FAC Charges from 10% to 20% for FY 2008-09.

In its petition BEST had submitted that the actual FAC was much higher than the maximum permissible FAC that is recoverable from the consumers, on account of the cap equal to 10% of variable charges. BEST submitted that there had been a net under-recovery of Rs 74.80 Crore from the consumers during the period from October 2007 to March 2008, whereas BEST had already paid this amount to TPC-G.

The petition was admitted by the Commission as Case 59 of 2008 and hearing in the matter was held on September 2, 2008.

During the course of the hearing held into the matter, the Commission enquired of BEST as to why the under-recovery of Rs 74.80 Crore for FY 2007-08 was not considered in the provisional truing-up for FY 2007-08 during the APR for FY 2007-08. BEST submitted that the amount of Rs 74.80 Crore was over and above the amount considered for provisional truing-up for FY 2007-08. In response to the Commission's enquiry, BEST further clarified that the amount of Rs 74.80 Crore was the final audited figure, and the details had also been submitted to the Commission.

The Commission had further enquired, as to how this amount of Rs 74.80 Crore got accumulated, despite the FAC mechanism being in place, and whether BEST had filed any Petition before the Commission the previous year for approval of such amount. BEST replied that it could not approach the Commission earlier because of the unavailability of audited figures, BEST added that it waited till a clear trend was visible before approaching the Commission.

After hearing the matter, the Commission ruled as under

21. As regards BEST's request to allow recovery of the under-recovered FAC of Rs. 78.4 Crore for the period from October 2007 to March 2008 from its consumers over the future period, the Commission clarifies that the provisional truing up of power purchase expenses has already been undertaken for FY 2007-08 Since the Commission has already undertaken the provisional truing up for expenses and revenue for FY 2007-08 based on BEST's submissions in the APR Petition, the Commission is of the view that there is no need to pass through the amount of FAC under-recovery of Rs. 78.4 crore for the period from October 2007 to March 2008 at this stage. The Commission hence, rules that any under-recovery on this account would be considered at the time of the final truing up for FY 2007-08, i.e., during APR of FY 2008-09 and Petition for Tariff determination for FY 2009-10, provided the same is incorporated by BEST in its APR Petition for FY 2008-09.

The Commission further directed that

28. However, though the Commission has allowed recovery of under-recovered FAC for the period from April to June 2008 without detailed vetting of FAC computations, any under/over recovery on this account would be adjusted at the time of detailed FAC vetting for subsequent months. The Commission directs BEST to submit the details of FAC Computations for the period from April to September 2008 in the formats prescribed by the Commission at the earliest. For subsequent months, i.e., from October to March 2009, BEST should submit the details of FAC computations for vetting on regular basis.

In partial compliance with the directive as above, BEST made FAC submission for the year FY 2008-09 as follows

- a) Submission for April 2008- June 2008 vide letter Ref No. ESO/Addl GM(ES)/461/2008 of 29 Oct 2008
- b) Submission for July 2008-September 2008 vide letter Ref No ESO/DGMES/RC/14/2008 of 15 January 2009
- c) Submission for October 08 to December 08 vide letter Ref No. ESO/DGM(ES)/259/2009 of 4 June 2009

On preliminary scrutiny of the submissions, errors in methodology and variances between soft copies and hard copies were noticed which were conveyed to the concerned team of officials from BEST in meeting held at the Commission's office.

BEST furnished its clarification vide its letter No. CERC/119/2009 of 10 August 2009. However, the errors were to be rectified.

A series of meetings were held with BEST in the subsequent period to explain to the concerned officials the correct format and methodology for submission of the FAC forms to the Commission for its post facto approval. BEST assured vide its letter CERC/133/2009 dated 14 Dec 2009 that the FAC submission as required would be made shortly.

Some discrepancies were also noticed regarding levying the FAC charge in certain months.

On 28 May 2010, vide its letter No. ESO/DGMES/892/2010, BEST submitted FAC submission for post facto approval, for period April 2009 to December 2009. However, it was found that the basic methodology pertaining to the 4 month cycle (or 5 month cycle as the case may be), as explained in the Regulations was not applied correctly.

Finally after holding series of meetings in August-September-October 2010, the FAC submissions for period FY 08-09 and FY 09-10, based on methodology as outlined in the concerned MERC Regulations, was prepared by BEST and submitted to the Commission on October 20, 2010 for scrutiny and post facto approval.

2. Submissions:

- 2.1 The submissions are made by BEST in accordance with the tariff orders as follows :
- i) FAC submissions for the period FY 2008-09 is in accordance with the BEST's APR orders in the matter of Case 66 of 2006, issued on April 3, 2007 and in accordance with APR order in the matter of case 73 of 2009 issued on June 6, 2008
 - ii) FAC submissions for the months April 2009 to December 2009 is in accordance with the BEST's APR orders in the matter of case 73 of 2009 issued on June 6, 2008 and APR order in the matter of Case 118 of 08 issued on June 15, 2009
- 2.2 BEST has submitted IBSM reports issued by SLDC, (with latest Revisions) for the requisite months as above, in support of its submission.

3. Validation of Fuel Adjustment Cost for FY 08-09 and FY 09-10

The Commission has assessed FAC charge of BEST for the said period based on the FAC formula approved in the Tariff Regulations. The methodology adopted for vetting the FAC computations is as follows:

As explained above, the entire power requirement for supplying to its consumers is procured by BEST through,

- a) Purchases from Tata Power company Ltd. (TPC-G)
- b) Renewable energy procurement

- c) Bilateral contracts mainly through Power Management Group
- d) Unscheduled Interchanges (UI)

The FAC claim made by BEST is for charging difference in averaged out “change in the variable cost of power” every month, arising out of the difference between the “rate approved by the Commission” in the tariff order applicable for the concerned period and the “rate actually paid by the Utility”. The submissions prepared on the above basis have been scrutinized and vetted with due consideration to excessive Distribution loss, if any.

4 Change in variable cost of power purchase:

4.1 In the said petition referred above, heard by the Commission as Case 59 of 2008 on September 2, 2008, BEST submitted that . “FAC under-recovery for the period from April to June 2008 was Rs 91.84 Crore”

After hearing the petitioner, the Commission ruled as follows :

27. Based on the details submitted by BEST, it is observed that if the under-recovered FAC amount for the period from April to June 2008 is to be recovered on the sales of remaining period of FY 2008-09, i.e., in five months from November to March 2009, the per unit rate works out to around 51 paise/kWh. The Commission permits BEST to recover the actual under-recovered FAC of Rs 91.84 Crore for the period from April to June 2008 on the sales of November 2008 to March 2009 at a rate of 51 paise/kWh.

28. However, though the Commission has allowed recovery of under-recovered FAC for the period from April to June 2008 without detailed vetting of FAC computations, any under/over recovery on this account would be adjusted at the time of detailed FAC vetting for subsequent months. The Commission directs BEST to submit the details of FAC Computations for the period from April to September 2008 in the formats prescribed by the Commission at the earliest. For subsequent months, i.e., from October to March 2009, BEST should submit the details of FAC computations for vetting on regular basis.

In addition to the recovery of unrecovered FAC through charging “additional FAC of 51 paise/kWH, the Commission also permitted recovery of unrecovered FAC caused by typographical error in the tariff order as explained below :

25..... .., the Commission clarifies that the cap on FAC charge recovery for FY 2008-09 has been inadvertently mentioned as 53.6 paise/kWh in Para 10 of the Errata and Corrigendum issued to the Order dated June 4, 2008 in the matter of BEST’s Petition for APR of FY 2007-08 and Tariff determination for FY 2008-09, and should be read as 64.3 paise/kWh for FY 2008-09, which is 10% of the average variable component of tariff.

While maintaining the fact that the 10 % Cap on the FAC charge has not been removed, the Commission allowed BEST to recover part of the unrecovered FAC by charging additional FAC charge in the said months November 08 to March 09 on the basis as explained below :

26. Though the Commission does not approve any modification to FAC Cap, at the same time, it may not be appropriate to carry forward the actual under-recovery of FAC to be recovered in next year's tariff as it may lead to tariff shock to consumers at that stage. The Commission is of the view that there is a need to allow recovery of certain proportion of under-recovered FAC to enable BEST to continue power purchase to meet the load requirements of its consumers, while at the same time safeguarding the consumers from a tariff shock.

4.2 Based on the above background, the FAC allowed to be charged by BEST in the year FY 2008-09, is given in Table-1 below. The tabulation also shows FAC actually charged by BEST :

Table-1

1 Month	2 FAC with 10% cap as per relevant orders/Errata paise/kWH	4 Additional FAC To recover difference between actual Cap and error paise/kWH	5 Additional FAC to recover unrecovered FAC paise/kWH	6 Total FAC permitted by Comm. to be charged to the consumers in the month. (rounded) paise/kWH	Total FAC charged to the consumers in the month by BEST paise/kWH
April-08	45	-	-	45	25.7
May-08	45	-	-	45	45
June-08	53.6	11 (not recovered)		53.6	53.6
July-08	53.6	11 (not recovered)		53.6	53.6
August-08	53.6	11 (not recovered)		53.6	53.6
September-08	53.6	11 (not recovered)		53.6	53.6
October-08	64.3			64.3	115.3
November-08	64.3	11	51	126.3	127.3
December-08	64.3	11	51	126.3	127.3
January-09	64.3	11	51	126.3	127.3
February-09	64.3	11	51	126.3	127.3
March-09	64.3		51	115.3	127.3

The detailed monthwise tabulation indicating the energy purchased by BEST, the energy charge incurred by the utility and the FAC levied to the consumers is given in Table-2 below

The FAC charge applicable for April 2008 was 25.7 paise/kWH which was lesser than 10% cap and hence the same was allowed. For all subsequent months the FAC charge as limited by the 10% Cap and further (additional) allowed by the Commission as per the table given above, is applicable.

The average approved energy charge payable by BEST in the Financial year FY 2008-09 was Rs 2.59 /kWH for April and May 2009 and Rs.3.10/kWH for subsequent months. This is shown in column 3 of the Table-2 below

As against the Order value, the energy charge actually paid per month by BEST is shown in Column 4 of the Table-2.

Table-2

1	2	3	4
Month of FY 2008-09	Total Energy purchased MU	Energy charge as per Order Rs/kWH	Energy charge actually paid Rs./kWH
April-08	425.73	2.59	3.71
May-08	458.05	2.59	3.97
June-08	413.10	3.10	4.59
July-08	422.88	3.10	5.47
August-08	399.08	3.10	5.46
September-08	401.58	3.10	5.61
October-08	430.68	3.10	5.10
November-08	406.34	3.10	4.05
December-08	408.19	3.10	3.43
January-09	372.82	3.10	3.22
February-09	331.97	3.10	3.32
March-09	435.62	3.10	3.52

The tabulation below (Table-3) shows the monthwise FAC rate as well as FAC amount permitted to be collected by the Commission, the FAC rate levied by BEST and the FAC charge collected by BEST from its consumers.

Table-3

Month	Energy sale	Total FAC permitted by Comm.to be charged to the consumers in the month. (rounded) paise/kWH	Total FAC charged to the consumers in the month by BEST paise/kWH	FAC Charged by BEST (Item 1.2 of vetted form 6.6) Rs. Lakhs	FAC permitted Rs. Lakhs (Item 3.1 of vetted form 8.1) Rs Lakhs
Apr-08	371.01	45	25.7	1666.15	1670.77
May-08	377.22	45	45	1693.01	1698.74
Jun-08	350.65	53.6	53.6	1901.67	1879.49
Jul-08	361.61	53.6	53.6	1947.87	1938.21
Aug-08	342.8	53.6	53.6	1841.57	1837.42
Sep-08	346.66	53.6	53.6	1864.56	1858.09
Oct-08	360.82	64.3	115.3	1950.29	2320.05
Nov-08	331.74	126.3	127.3	3790.00	4189.83
Dec-08	312.86	126.3	127.3	3988.66	3951.37
Jan-09	305.7	126.3	127.3	3890.51	3861.00
Feb-09	308.97	126.3	127.3	3922.56	3902.34
Mar-09	368.95	115.3	127.3	4696.86	4254.04
Total Rs Lakhs				33153.70	33361.35

Based on the tabulations given above, it is noted that BEST has collected Rs 33153.70 Lakhs FAC in the said FY 08-09 as compared to Rs 33361.35 Lakhs permitted to be collected by the Commission. However, the difference has been trued up at the time of Annual Performance Review and no amount is carried forward to FY 09-10

4.3 Excess Distribution Loss

As per the Tariff Orders applicable, the Commission had considered allowable Distribution loss at 11% for April and May 2008 and 10.5% for the months June 2008 to March 2009. The distribution loss in excess of the above limits specified by the Commission which was incurred in the month December 2008 has been disallowed by the Commission.

Sr. No.	Parameter	Unit	Apr-08	May-08	Jun-08	Jul-08	Aug-08	Sep-08	Oct-08	Nov-08	Dec-08	Jan-09	Feb-09	Mar-09
(A)		(B)	(C)	(D)	(E)	(F)	(G)	(H)	(I)	(J)	(K)	(L)	(M)	(N)
1.0	Calculation of FAC (A)													
1.1	Apportionment of change in variable cost of power purchase to License Area (C)	Rs Lakh	4803.76	6326.16	6170.17	10032.37	9412.01	10077.19	8629.37	3871.51	1350.37	446.31	722.73	1816.15
1.2	Working Capital Interest (I)	Rs Lakh	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
1.3	Adjustment for (Over Recovery)/Under Recovery (B)	Rs Lakh	-1664.09	-224.10	2501.65	6515.22	14466.55	22056.08	30263.10	34619.84	32170.96	27821.73	24674.31	20749.20
1.4	FAC (A) = C + I + B	Rs Lakh	3139.67	6102.06	8671.81	16547.59	23878.56	32133.27	38892.47	38491.35	33521.33	28268.04	25397.03	22565.35
2.0	Calculation of FAC_{kwh}													
2.1	Sale within License Area	MU	371.01	377.22	350.65	361.61	342.80	346.66	360.82	331.74	312.86	305.70	308.97	368.95
2.2	Excess T&D Loss	MU	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	14.08	0.00	0.00	0.00
2.3	FAC Charge (FAC _{kwh}) without considering cap on monthly FAC Charge	Paise/kWh	84.62	161.76	247.31	457.61	696.57	926.94	1077.90	1160.30	1025.33	924.70	821.98	611.60
2.4	Cap on monthly FAC Charge	Paise/kWh	45.0	45.0	53.6	53.6	53.6	53.6	64.3	64.3	64.3	64.3	64.3	64.3
2.5	FAC Charge (FAC_{kwh}) considering cap on monthly FAC Charge	Paise/kWh	45.0	45.0	53.6	53.6	53.6	53.6	64.3	126.3	126.3	126.3	126.3	115.3
3.0	FAC (A)													
3.1	FAC (A) considering cap on Monthly FAC Charge	Rs Lakh	1670.77	1698.74	1879.49	1938.21	1837.42	1858.09	2320.05	4189.83	3951.37	3861.00	3902.34	4254.04
3.2	FAC (A) disallowed corresponding to excess T&D loss	Rs Lakh	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	177.77	0.00	0.00	0.00
3.3	Carried forward FAC (A) for recovery during future period	Rs Lakh	1468.90	4403.31	6792.32	14609.37	22041.14	30275.18	36572.42	34301.53	29392.19	24407.04	21494.69	18311.32

5. Validation of Fuel Adjustment Charge Cost for FY 2009-10

5.1 FAC submissions for the year FY 2009-10 are in accordance with the BEST's APR orders in the matter of case 73 of 2009 issued on June 6, 2008 (for Apr 09 and May 09) and APR order in the matter of Case 118 of 08 issued on June 15, 2009 (for months onwards of June 2009 in the said FY)

The detailed monthwise tabulation indicating the energy purchased by BEST, the energy charge incurred by the utility and the FAC levied to the consumers is given below in Table 5

The FAC charge applicable for April 2009 and May 2009 was at 34.5 paise/kWH and 22 paise/kWH respectively. At 10% cap the same would be 64.3 paise/kWH for these months.. The FAC charge applicable for all subsequent months of FY 09-10, as limited by the 10% Cap was 59.6 paise/kWH.

The average approved energy charge payable by BEST in the Financial year FY 2009-10 was Rs 2.32/kWH. This is shown in column 3 of the Table 5 below. As against the Order value, the energy charge actually paid per month by BEST is shown in Column 4 of the Table 5.

Table-5

. 1	2	3	4
Month of FY 2009-10	Total Energy purchased MU	Energy charge as per Order Rs/kWH	Energy charge actually paid Rs./kWH
April 2009	405.16	2.32	3.15
May 2009	412.54	2.32	3.03
June 2009	418.87	2.32	3.56
July 2009	383.97	2.32	3.11
August 2009	394.41	2.32	2.78
September 2009	390.48	2.32	3.33
October 2009	393.05	2.32	3.11
November 2009	363.32	2.32	2.69
December 2009	353.39	2.32	2.52
January 2010	335.77	2.32	3.29
February 2010	308.42	2.32	2.59
March 2010	386.76	2.32	2.58

The tabulation below (Table 6) shows the monthwise FAC rate as well as FAC amount permitted to be collected by the Commission, the FAC rate levied by BEST and the FAC charge collected by BEST from its consumers.

Table-6

Month	Energy sale MU	Total FAC rate charged to the consumers in the month by BEST paise/kWH	FAC Charged by BEST (Item 1.2 of vetted form 6.6) Rs. Lakhs	FAC charge permitted Rs. Lakhs (Item 3.1 of vetted form 8.1) Rs Lakhs
Apr-09	377.17	34.5	2361.51	1301.442
May-09	372.26	22	2370.908	819.2882
Jun-09	354.96	59.6	40.23204	2115.585
Jul-09	350.3563	59.6	-31.116	2088.124
Aug-09	360.1427	59.6	1740.032	2146.45
Sep-09	372.3451	59.6	1713.638	2219.177
Oct-09	331.7967	59.6	1958.647	1977.508
Nov-09	304.8392	59.6	1815.995	1816.841
Dec-09	311.1408	59.6	1856.063	1854.399
Jan-10	304.1433	59.6	1842.658	1812.694
Feb-10	313.0544	59.6	1834.865	1865.804
Mar-10	368.5874	59.6	2199.227	2196.781
Total Rs Lakhs			19702.66	22214.09

The accumulated FAC amount over and above the cap value, carried forward for charging at future date has been trued up at the end of March 2010 in the APR exercise and no amount is carried forward to FY 2010-11.

5.2 Excess Distribution Loss

As per the prevalent Tariff Orders applicable, the Commission had considered allowable Distribution loss at 10.5% for April and May 2009 and 10% for the months June 2009 to March 2010. The distribution loss in excess of the above limits specified by the Commission which was incurred in the months June 2009, October 2009, November 2009 and December 2009 has been disallowed by the Commission.

Title Summary of FAC

FY 2009-10

Table-7

Sr. No.	Parameter	Unit	Apr-09	May-09	Jun-09	Jul-09	Aug-09	Sep-09	Oct-09	Nov-09	Dec-09	Jan-10	Feb-10	Mar-10
(A)	(B)	(C)	(D)	(E)	(F)	(G)	(H)	(I)	(J)	(K)	(L)	(M)	(N)	(O)
1.0	Calculation of FAC (A)													
1.1	Apportionment of change in variable cost of power purchase to License Area (C)	Rs Lakh	3662.95	3190.20	5481.53	3198.61	1937.11	4167.42	3409.47	1438.73	774.77	10914.35	9958.44	8813.46
1.2	Working Capital Interest (I)	Rs Lakh	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
1.3	Adjustment for (Over Recovery)/Under Recovery (B)	Rs Lakh	-2361.51	-2370.91	-40.23	4527.03	4716.76	4909.37	6987.09	8618.68	8471.66	7485.70	9083.63	7747.81
1.4	FAC (A) = C + I + B	Rs Lakh	1301.44	819.29	5441.30	7725.63	6653.87	9076.79	10396.56	10057.41	9246.43	10914.35	9958.44	8813.46
2.0	Calculation of FAC_{kWh}													
2.1	Sale within License Area	MU	377.17	372.26	354.96	350.36	360.14	372.35	331.80	304.84	311.14	304.14	313.05	368.59
2.2	Excess T&D Loss	MU	0.00	0.00	22.02	0.00	0.00	0.00	21.95	22.15	6.91	0.00	0.00	0.00
2.3	FAC Charge (FAC _{kWh}) without considering cap on monthly FAC Charge	Paise/kWh	34.51	22.01	144.34	220.51	184.76	243.77	293.90	307.57	290.72	358.86	318.11	239.11
2.4	Cap on monthly FAC Charge	Paise/kWh	64.3	64.3	59.6	59.6	59.6	59.6	59.6	59.6	59.6	59.6	59.6	59.6
2.5	FAC Charge (FAC_{kWh}) considering cap on monthly FAC Charge	Paise/kWh	34.5	22.0	59.6	59.6	59.6	59.6	59.6	59.6	59.6	59.6	59.6	59.6
3.0	FAC (A)													
3.1	FAC (A) considering cap on Monthly FAC Charge	Rs Lakh	1301.44	819.29	2115.59	2088.12	2146.45	2219.18	1977.51	1816.84	1854.40	1812.69	1865.80	2196.78
3.2	FAC (A) disallowed corresponding to excess T&D loss	Rs Lakh	0.00	0.00	131.24	0.00	0.00	0.00	130.83	132.02	41.18	0.00	0.00	0.00
3.3	Carried forward FAC (A) for recovery during future period	Rs Lakh	0.00	0.00	3194.47	5637.51	4507.42	6857.61	8288.22	8108.54	7350.85	9101.65	8092.63	6616.68