MAHARASHTRA ELECTRICITY REGULATORY COMMISSION
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Ref. No. MERC/FAC/2020-21/E-Letter **Date: 23 September, 2020**

To,

The Managing Director
Tata Power Company Ltd.
Dharavi Receiving Station
New Shalimar Industrial Estate
Matunga, Mumbai – 400 019

Subject: Prior Approval of Fuel Adjustment Charges (FAC) submission of TPC-D for the month of July 2020.

Reference: 1. Submission dated 14 August, 2020 for FAC prior approval of July 2020

2. Data gaps communicated to TPC-D vide email dated 15 August, 2020

3.TPC-D's complete response to data gaps by 25 August, 2020

Sir,

Upon vetting the FAC calculations for the month of July, 2020 as mentioned in the above reference, the Commission has accorded approval for charging FAC of Rs. (22.42) Crore to its consumers as shown in the table below:

Month	FAC Amount (Rs. Crore)
July, 2020	**0 (Zero)**

The Commission allows the accumulation of total FAC amount of Rs. 63.45 Crore which shall form part of FAC Fund and shall be carried forward to next FAC billing cycle with holding cost as per the Order dated 30 March, 2020 in Case No 326 of 2019. Further, as directed in the said Order, TPC-D shall maintain the monthly account of FAC Fund and upload it on its website to maintain transparency of FAC Fund and also for information of all the stakeholders.

TPC-D is directed to file their future FAC submissions taking into consideration data gaps raised in previous months to ensure timely prior approval.

Yours faithfully,
Sd/-
(Prafulla Varhade)
Director (EE), MERC

Encl: Annexure A: Detailed Vetting Report for the month of July, 2020.

ANNEXURE A

Detailed Vetting Report
Date: 23 September, 2020

PRIOR APPROVAL FOR FAC CHARGES FOR THE MONTH OF JULY, 2020

Subject: Prior Approval of Fuel Adjustment Charges (FAC) submission of TPC-D for the month of July, 2020.

Reference: TPC-D's FAC submission dated 14 August, 22 August and 25 August, 2020 for prior approval of FAC for the month of July, 2020.

1. FAC submission by TPC-D:

1.1 TPC-D has submitted FAC submissions for the month of July, 2020 as referred above. Upon vetting the FAC calculations, taking cognizance of all the submissions furnished by TPC-D against the data gaps issued, the Commission has accorded prior approval to TPC-D for negative FAC amount of Rs. 22.42 Crore for the month of July 2020. The approved FAC amount shall be added to the existing FAC Fund and shall be carried forward to next FAC billing cycle with holding cost as per the Order dated 30 March, 2020 in Case No 326 of 2019 (herein after referred to as "Tariff Order").

2. Background

2.1 On 30 March, 2020, the Commission has issued Tariff Order for TPC-D, (Case No .326 of 2019) for True-up of FY 2017-18 and FY 2018-19, provisional Truing-up for FY 2019-20, and Aggregate Revenue Requirement and Tariff for FY 2020-21 to FY 2024-25. Revised Tariff has been made applicable from 1 April, 2020.

2.2 In the Tariff Order, the Commission has stipulated methodology of levying FAC as follows:

"6.7.15 Stabilising variation in consumer bill on account of FAC

………………

Therefore, using its powers for Removing Difficulty under Regulation 106 of the MYT Regulations, 2019, the Commission is making following changes in the FAC mechanism specified under Regulation 10 of the MYT Regulations, 2019:

a. Distribution Licensee shall undertake computation of monthly FAC as per Regulation 10 of the MYT Regulations, 2019 except for treatment to be given to negative FAC as follows:

(i) Negative FAC amount shall be carried forward to the next FAC billing cycle with holding cost;

(ii) Such carried forward negative FAC shall be adjusted against FAC amount for the next month and balance negative amount shall be carried forward to subsequent month with holding cost;

(iii) Such carry forward of negative FAC shall be continued till the accumulated negative FAC becomes 20% of monthly tariff revenue approved by the Commission in Tariff Order. In case of TPC-D, such limit shall be Rs. 50 crore. Any accumulated amount above such limit shall be refunded to consumers through FAC mechanism;

(iv) In case such FAC Fund is yet to be generated or such generated fund is not sufficient to adjust against FAC computed for given month, then Distribution Licensee can levy such amount to the consumers through FAC mechanism.

In order to maintain transparency in management and use of such FAC Fund, the Distribution Licensee shall maintain monthly account of such FAC fund and upload it on its website for information of stakeholders. Further, till date, the Distribution Licensees have been levying FAC up to the prescribed limit of 20% of variable component of tariff without prior approval in accordance with the MYT Regulations, 2015, and submitting the FAC computations on a quarterly basis within 60 days of the close of each quarter, for post facto approval. However, as the Commission has created a FAC fund as stated above to address the increase in fuel prices and power purchase costs, the Commission has modified the FAC mechanism such that the Distribution Licensees shall submit the FAC computations on a monthly basis for prior approval, irrespective of whether FAC is chargeable in a month or whether some amount is accruing to the Fund on account of negative FAC. This will ensure that the FAC mechanism is implemented with the changes as desired by the Commission, and the consumers are not levied FAC without prior approval.

The details of the FAC as per the Regulations, shall be submitted by the 15th of the every month prior to the month in which the FAC is proposed to be levied and the Commission will endeavour to decide on the same within 10 days so that the same can be levied from the 1st of the subsequent month. This prior approval will facilitate the addressing of any difficulties that may arise in giving effect to this fund. All the details will be submitted by *the Distribution Licensee as is being done for approval of FAC on post facto basis. Thus, the FAC to the consumers shall now be levied with prior approval of the Commission"*

2.3 Vide its letter dated 20 April, 2020, the Commission communicated the excel formats along with the checklist to file FAC submissions for prior approval to all Distribution Licensees. The Commission also directed all Distribution Licensees to file FAC submissions by 15th of every month prior to the month for which the FAC is proposed to be levied for prior approval.

2.4 Accordingly, TPC-D has filed FAC submissions for the month of July, 2020 for prior approval. The Commission has scrutinized the submissions provided by TPC-D 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 TPC-D in the FAC submission and as approved by the Commission are as shown in the table below:

Consumer Category	Approved by the Commission* (MU)	Monthly Approved* (MU)	Actual Sales* July 2020 (MU)
	(I)	(II=I/12)	(III)
EHV – Industry	214.59	17.88	21.06
HT I - Industry	827.54	68.96	52.26
EHV- Commercial	106.22	8.85	7.41
HT II - Commercial	401.22	33.44	23.43
HT III - Group Housing Society (Residential)	6.77	0.56	1.05
HT IV – Railways/Metro/Monorail			
-22/33 kV	69.06	5.76	3.73
HT V - Public Services			
a) Govt. Edu. Inst. & Hospitals	13.19	1.10	1.96
b) Others	210.87	17.57	12.80
LT I (A)- Residential (BPL)	0.00	0.00	0.00
LT I (B)- Residential	1884.51	157.04	236.59
LT II - LT Commercial			
(A)- upto 20 kW	228.21	19.02	6.55
(B) >20 kW and <50 kW	112.21	9.35	4.16
(C) - 50 kW	345.66	28.81	16.46
LT III (A) - Industry < 20 kW	32.98	2.75	1.28

LT III (B) - Industry > 20 kW	195.88	16.32	11.68
LT IV - Public Services			
a) Govt. Edu. Inst. & Hospitals	23.37	1.95	0.40
b) Others	6.06	0.50	1.28
LT V - EV Charging Stations	0.10	0.01	0.01
Total	**4678.46**	**389.87**	**#402.09**

** - Approved and Actual Sales includes the direct sales and changeover sales of TPC-D*

**- In Case of TPC-D, the sales is approved on annual basis. Monthly approved sales is derived based on approved annual sales for comparison purpose.*

 # The sales for April and May 2020 were ~ 255 Mus and 256 Mus respectively (average billing). The sales have increased in July as some consumers have been issued bills after reading the meters.

3.2 Due to spread of Covid-19 pandemic, the Commission had issued Practice Directions on 26 March, 2020 providing certain relaxations in the Supply Code to all the Distribution Licensees in respect of Meter Reading etc. **It is observed that the total sales for July, 2020 is 402.09 Mus which is higher by 3% as compared to the approved monthly sales of 389.87 Mus..** The major variation was observed across all categories in view of lower demand on account of lockdown due to Covid-19 pandemic except for LT Residential category. In response to data gaps in respect of increase in LT Residential sales, TPC-D submitted that AMR is not in place for most of the LT-Residential consumers and accordingly billing for these consumers was done on estimated basis. **Meter reading activities for some of the consumers have been resumed in the month of June, 2020 and July, 2020 and hence, incremental sales as per actual meter reading for previous period have been billed in the month of July, 2020. Accordingly, there is increase in LT Residential sales as compared to approved for the month of July 2020**. The Commission notes the submission of TPC-D.

3.3 The comparison of estimated sales and sales based on actual meter reading for the month of April 20 to July 20 is as given below:

Particulars	Apr-20	May-20	Jun-20	Jul-20	April-July 20
Actual – MUs	104.80	118.21	255.45	371.38	849.84
Estimated – MUs	150.07	138.31	81.36	30.71	400.45
Total	254.87	256.52	336.81	402.09	1250.29
% sales based on Estimated Reading	59%	54%	24%	8%	32%

It is observed that the assessed sales percentage has been reducing gradually leading upto upto 8% in July 20.

3.4 Further, comparison of sales from April to July 20 as compared to last year are as shown below:

Particulars	LT - Residential (MU)	LT Others (MU)	HT (MU)	Total (MU)
Apr-19	171.03	64.24	143.2	378.47
Apr-20	133.52	36.3	85.05	254.87
May-19	182.62	88.7	169.51	440.83
May-20	139.51	21.32	95.69	256.52
Jun-19	207.00	60.46	167.66	435.12
Jun-20	210.41	24.35	102.05	336.81
Jul-19	175.31	70.57	179.41	425.29
Jul-20	236.58	41.81	123.70	402.09
April – July 19	**735.96**	**283.97**	**659.78**	1679.71
April - July 20	**720.02**	**123.78**	**406.49**	1250.29

The Commission observes that sales for LT Residential were lower in April/May as compared to last year. This was mainly due to lower estimated readings due to pandemic. However, the LT Residential sales have increased in June and July 20, as compared to last year and is due to the fact that estimated units billed in the previous months were on lower side and with actual meter reading, it has resulted in incremental sales of previous period being billed in the month of June/July'2020. It is further observed that sales of LT others and HT Categories is lower as compared to last year.

4. <u>Power Purchase Details</u>

4.1 The Commission has approved following sources in the Tariff Order for power purchase by TPC-D.

a) Tata Power Company Ltd. (TPC-G)
b) Renewable Energy (Solar and Non-Solar)
c) Short Term Sources (Bilateral and Power Exchange).

In addition to the aforesaid, there may be some variation in real time (unscheduled interchange) which will be settled through Balancing and Settlement Mechanism approved by the Commission.

4.2 Summary of Power Purchase for TPC-D is as follows:

<table>
<tr><th>Sr. No.</th><th>Particular</th><th>Compliance</th></tr>
<tr><td>1</td><td>Sources of approved Power Purchase</td><td>TPC-D has purchased power from approved sources.</td></tr>
<tr><td>2</td><td>Merit Order Dispatch</td><td>TPC-D has followed merit order for scheduling of power and preference was given to cheapest power.</td></tr>
<tr><td>3</td><td>Fuel Utilization Plan</td><td>Usage of coal is as per Fuel Utilisation Plan approved in TPC-G Order.</td></tr>
<tr><td>4</td><td>Pool Imbalance</td><td>TPC-D has drawn 87.66 MUs from the imbalance pool to meet the demand.</td></tr>
<tr><td>5</td><td>Sale of Surplus Power</td><td>TPC-D has sold 0.46 MUs at Rs. 5.40/kWh thereby benefitting its consumers as sale rate is higher than APPC.</td></tr>
<tr><td>6</td><td>Power Purchase</td><td>Actual Power Purchase is 419.80 MUs as against approved 405.09 MUs due to higher sales.</td></tr>
<tr><td>7</td><td>Source wise Power Purchase</td><td><table>
<tr><th>Source Name</th><th>Approved (MU)</th><th>Actual (MU)</th><th>Proportion of each Source in Actual Purchase</th></tr>
<tr><td>TPC-G</td><td>316.65</td><td>220.38</td><td>52.50%</td></tr>
<tr><td>RE Sources</td><td>31.15</td><td>35.81</td><td>8.53%</td></tr>
<tr><td>Short Term</td><td>57.28</td><td>76.42</td><td>18.20%</td></tr>
<tr><td>Imbalance Pool & Other</td><td>-</td><td>87.66</td><td>20.77%</td></tr>
<tr><td>Total</td><td>405.08</td><td>419.81</td><td>100%</td></tr>
</table></td></tr>
<tr><td>8</td><td>Power Purchase: Section 62 of Electricity Act, 2003</td><td>As part of verification of fixed cost claimed by TPC-D, the same has been verified from the TPC MYT Order in Case No. 326 of 2019.
As part of verification of energy charges claimed by TPC-D, verification of operational parameters, fuel cost, GCV etc. vis-à-vis the MYT Order/Tariff Regulations is carried out.</td></tr>
<tr><td>9</td><td>RE Purchase</td><td>Solar Cost and Solar MUs verified as per Invoice. Non-Solar MUs considered as submitted by TPC-D based on the meter reading data as the purchase is from approved sources with a direction to submit invoice in next FAC submission.</td></tr>
<tr><td>10</td><td>Short Term Power Purchase</td><td>Short-term power purchase invoices of July, 2020 are submitted by TP-D. All the power purchase quantum and rate are verified from the invoices</td></tr>
</table>

4.3 **TPC-D has purchased power of 419.81 MUs as against approved 405.08 MUs from the sources approved by the Commission.**

4.4 The following table show the variation in average power purchase cost (Rs/kWh) for the month of July, 2020 submitted by TPC-D as compared to average power purchase cost approved in Tariff Order:

Particulars	Tariff Order Dated 30.03.2020 FY 2020-21 Approved			Actual for July, 2020 as submitted by TPC-D		
	Net Purchase – Monthly*	Cost - Monthly	Average Power Purchase Cost	Net Purchase	Cost	Average Power Purchase Cost
	MU	Rs. Crore	Rs/kWh	MU	Rs. Crore	Rs/kWh
TPC-G	316.65	138.03	4.36	220.38	98.39	4.46
RE Sources	31.15	20.54	6.59	35.81	19.51	5.45
Short Term	57.28	20.38	3.56	76.42	20.38	2.67
Unscheduled Interchange	-	-	-	87.66	25.07	2.86
Sale of Power	-	-	-	-0.46	-0.25	5.4
Total	**405.08**	**178.95**	**4.42**	**419.81**	**163.1**	**3.89**

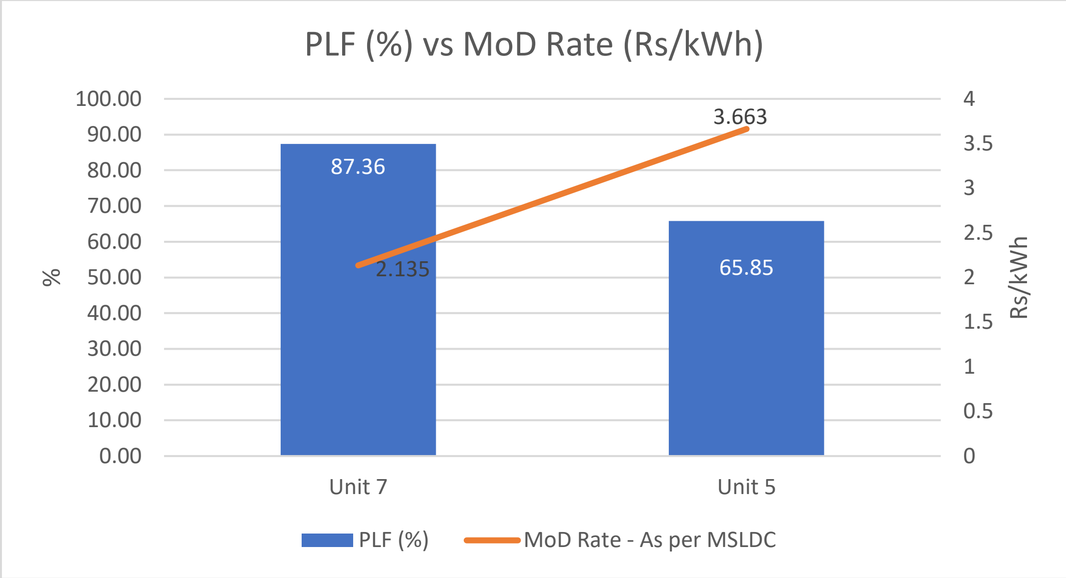
** Although, power purchase quantum is not approved on monthly basis, the monthly quantum is arrived at based on yearly approved quantum and shown for comparison purpose only*

5. Power Purchase Cost

5.1 The Commission has sought detailed bills/invoices for all of the power purchase sources in order to verify the claim of TPC-D with regards to average power purchase cost for the month of July, 2020. The Commission has verified the Net Purchase, Variable Cost, Fixed Charge and the Power Purchase Cost from the relevant bills/invoices received for all purchasing sources. TPC-D has purchased power from approved sources as per the Tariff Order.

TPC-G

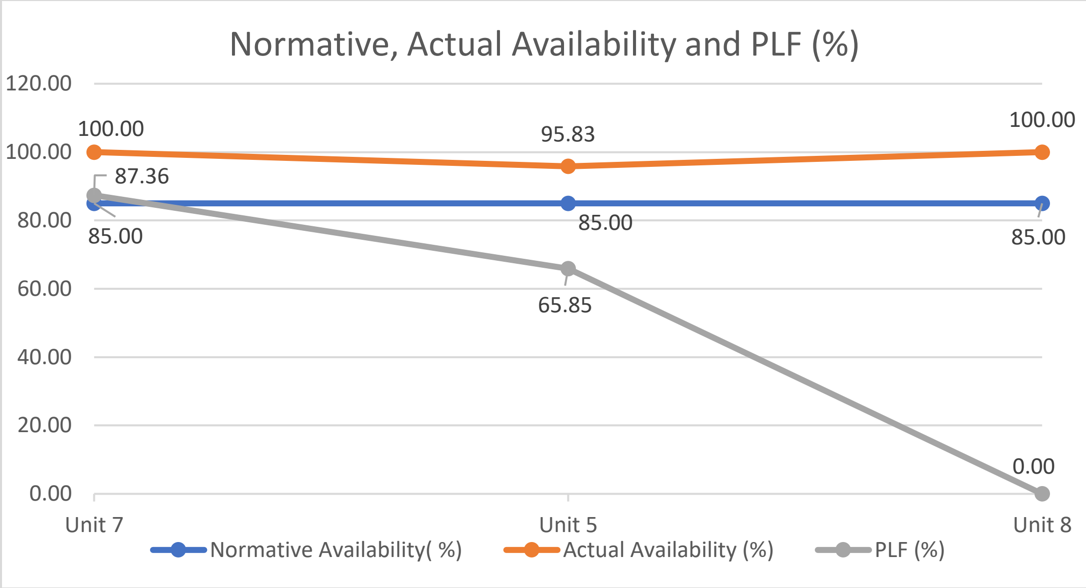
5.2 In view of lower demand due to Covid 19 pandemic, TPC-G Unit-8 having highest rate under MOD was under Zero Schedule, whereas Unit-5 was running at technical minimum. It was observed that Unit-7 having lowest rate in MOD has highest PLF. The graph showing the comparison of Variable Cost in MoD Stack and monthly PLF for TPC-G thermal/gas units is given below:



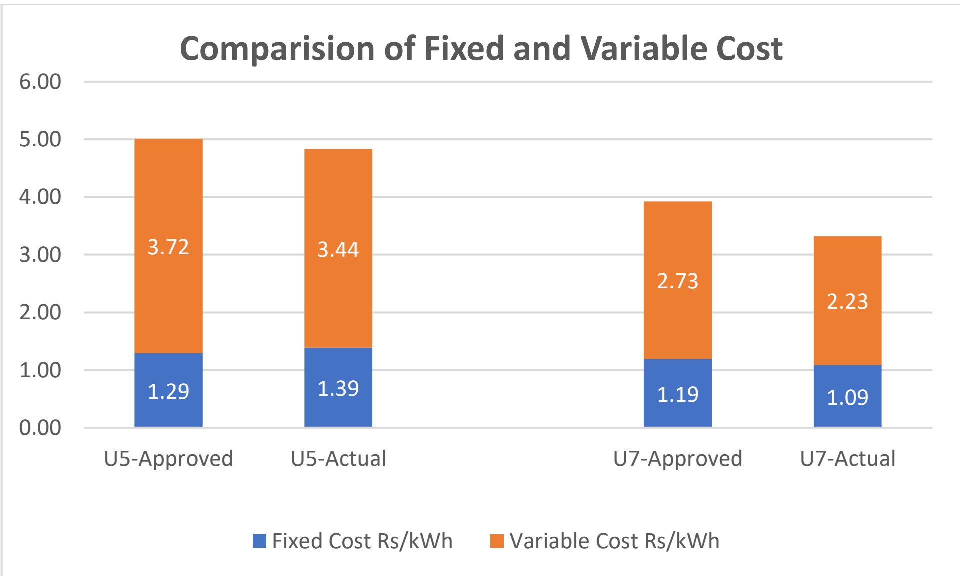
Note: Unit 8 is not considered in aforesaid graph as it was under Zero Schedule for entire month.

5.3 The Commission has observed that **TPC-D has purchased 220.38 MUs from TPC-G as against monthly approved quantum of 316.65 MUs.** The total overall generation was lower during the month leading to low overall PLF mainly due to lower system demand**. It was observed that Unit-7 having lowest rate in MOD has run at PLF of 87.26% thereby benefitting the consumers.**

5.4 All the Units of TPC-G were available during the given period, above normative availability. However, due to lockdown in Mumbai on account of COVID-19 pandemic, demand of TPC-D has reduced drastically in its distribution licence area. **Therefore, to optimize power purchase cost and balance the reduced demand vis-a-vis supply, TPC Unit-8 was kept under "Zero Schedule" from 11 April, 2020 and the same was continued in the month of July 2020**. The graphical comparison of normative availability and actual availability for the month of July 2020 is as given below:



5.5 Even though the PLF for the Unit-5 was lower and Unit-8 was under Zero Schedule for the aforesaid month, the entire monthly fixed cost was payable in line with MYT Regulations, 2019 as the cumulative plant availability was higher than the normative availability of 85%. This has resulted into fixed cost being spread over lower net generation. **However, the impact of increase in fixed cost for Unit-5 is offset by lowering variable cost due to reduced purchases. Further, in view of better PLF for Unit-7, the fixed cost per unit has decreased**. The comparison of Actual and Approved Fixed and Variable Cost of Units 5 and 7 as shown in the graph below shows the impact of fixed cost due to actual generation.



Note: Unit 8 is not considered in aforesaid graph as it was under Zero Schedule for entire month. Fixed Cost payable was Rs.11.74 Crore

5.6 The Availability of TPC-G units as compared to last year is as given below:

TPC-G Units	Availability - July 2020	Availability - July 2019
Unit 5	95.83%	100%
Unit 7	100%	100%
Unit 8	100%	97.78%

5.7 Further, the Commission has verified that the payment of Fixed Charges for all the Thermal/Gas Units as well as Hydro Units have been worked out based on the cumulative availability as per the provisions of MYT Regulations, 2019.

5.8 The Commission in its Order dated 30 March, 2020 in Case No 300 of 2019 in respect of Fuel Utilisation Plan of TPC-G as held as follows:

"7.17.7 Regarding the imported coal, it is submitted that Thermal Generating Station at Trombay needs ultra-low sulphur, low ash and Mid GCV coal to adhere with the stringent environment norms. Since, PPAs were not finalised during the year 2019 and there was uncertainty with respect to future tie-ups, the coal tie-ups were done only for a period of one year. The long term contract with Adaro is valid till 2020. Also, annual contract with Kideco and with Avra are valid upto July 31, 2020.

7.17.8 Regarding further fuel arrangement, the Commission notes the TPC-G's submission that, existing PPAs are valid till March 31, 2024 and hence, it is exploring the options to tie up Coal on annual basis or on term basis, to get competitive prices for the required quantity in the best interest of consumers.

7.17.9 As regards Gas Contract, the Commission notes that existing APM gas Contract with GAIL is valid upto December 31, 2020. TPC-G submitted that it will be approaching GAIL for renewal of the contracts for further period as per usual practice."

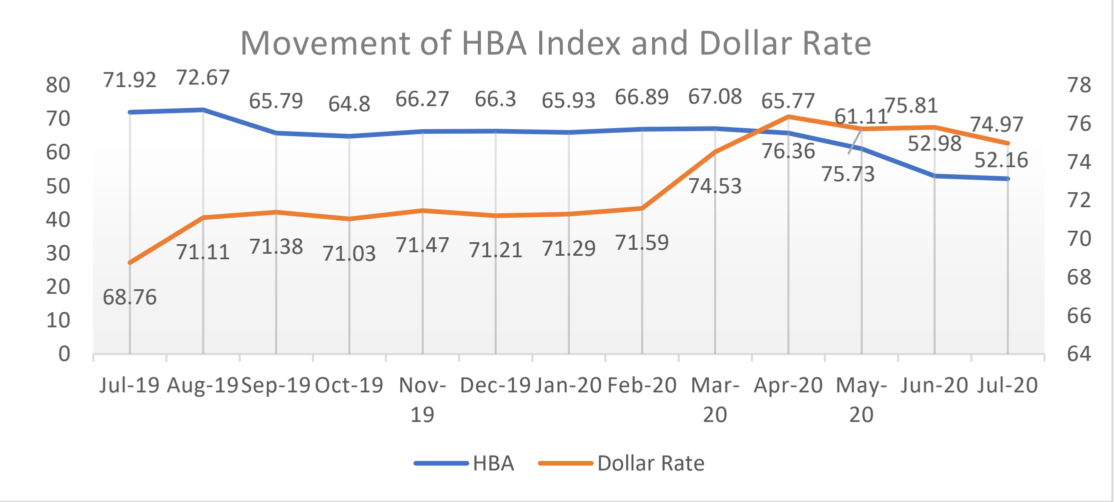
5.9 The Commission notes that from the fuel invoices submitted by TPC-D, coal has been utilised from the contracts approved in the TPC-G's Tariff Order. Further, it has also submitted that they have initiated the competitive bidding process for coal purchase and will conclude the same before expiry of existing contracts.

5.10 The Commission has also verified that the usage of coal is as per Fuel Utilisation Plan approved in the Tariff Order resulting in the economic despatch of generation thereby benefitting the consumers.

5.11 **The APPC for TPC-G, which generates power on Imported Coal, Domestic Natural Gas (under APM mechanism), Oil (LSHS), imported RLNG and hydro has been worked out at Rs. 4.46/ kWh as against the approved rate of Rs. 4.36/kWh.**

5.12 **The variation in APPC is mainly on account of fixed charge payment as explained in paragraph above and also due to lower price of fuel for July 2020. The landed cost of coal for energy charge computation as claimed by TPC-G is Rs. 6075.11/MT as compared to approved rate of Rs. 6705.91/MT.** It can be seen that the actual landed price is lower as compared to approved rate in the Tariff Order and the same is due to decrease in the imported coal price primarily attributed to demand supply position of the global coal market. It is also observed that there is reduction in price of APM Gas to Rs. 14,013.84/SCM as compared to approved rate of Rs.17,139.56/SCM.

5.13 TPC-G mainly procures imported coal from Indonesian market. As per the Contract, the coal reference price is HBA index i.e., Harga Batubara Acuan for Indonesian coal which is set by Ministry of Energy and Mineral Resources (Indonesia). The Commission has sought for prevailing HBA index during the aforesaid period along with the detailed computation of FOB price at which the coal has been procured by TPC-G. The graph below shows the trend of HBA index which is considered by TPC-G for energy charge calculations. It can be observed that the HBA index has witnessed a downward trend from July 2019 to July 2020 and in the range of around 52.16 to 72.67 which has resulted in lower imported coal price procured in June/July 2020. However, the Dollar Exchange rate has witnessed a sharp surge from February 2020.



* - HBA indices at 6,322 kcal/kg GAR coal with 8% total moisture, 15% ash as received and 0.8% sulphur

$ - Dollar Rate source - www.x-rates.com (Average rate for the month for representation purpose and may not be a reference rate at which Coal is procured)

5.14 The Commission has also sought for coal purchase bills considered for July 2020. The Commission has scrutinised the bills submitted and computed the purchase price of coal for the month of July 2020 as shown in Table below:

Date	Invoice QTY	GCV	HBA	Correction as per FSA	Invoice Rate	Coal Cost	Freight Rate	BF Correction	Freight Payable	Total Coal Cost	
	MT	kcal/kg	$/MT	$/MT	$/MT	$	$/MT	$/MT	$	$	$/MT
a	b	c	D	e	f	g	H	I	j	k	l
05-06-2020	51343	4922	52.98	11.84	41.14	2112251	12.07	2.50	491353	2603604	50.71
03-07-2020	51969	4954	52.16	10.85	41.31	2146839	12.07	2.24	510855	2657695	51.14
06-07-2020	51750	4856	52.16	13.03	39.13	2024978	12.07	2.15	513360	2538338	49.05
Total	**155062**	**4911**	**52.43**	**11.91**	**40.53**	**6284068**	**12.07**	**2.30**	**1515568**	**7799636**	**50.30**

5.15 TPC-D has submitted the detailed coal computation for the coal purchased in July 2020 and also the reconciliation of coal cost considered in Form F12 along with each coal invoice. The coal cost is arrived on the basis of Goods Receipt Note (GRN) in the SAP system which is dependent on the rate of coal purchase (in Rs./MT or USD/MT) considered at the time of coal order (PO) booking. However, the coal cost mentioned in the coal invoice is as per the base price of coal purchase (in Rs./MT or USD/MT) arrived on the basis of actual gross calorific value, Moisture content, Ash content, Sulphur content, HBA indices etc. Once the invoice is booked in the SAP system after GRN of full coal quantity of a shipment, the cost as per coal invoice gets booked against each shipment in the SAP system in order to make payment to the supplier. To facilitate this, the difference between coal cost in Goods Receipt Note (GRN) and coal cost in the invoice is booked as adjustment entry in the SAP. Hence, the coal inventory gets valued ultimately at the invoice values and at the coal purchase rate (in Rs./MT or USD/MT) prevailing on the date of billing.

5.16 The Commission while approving the FAC for the month of June, 2020 has directed TPC-D to consider the coal cost (closing inventory for June 2020) as approved by the Commission in the said order. However, TPC-D in response to datagaps raised by the Commission for not considering the coal cost approved by the Commission has submitted that the coal cost details considered in Form-12 of FAC submission are as received from TPC-G which has also been considered in the bill issued by TPC-G to TPC-D for July, 2020. The said directive of the Commission has been communicated to Tata Power-G and necessary changes will be done in the FAC submission after getting concurrence from TPC-G. TPC-D further submitted that while response from TPC-G is awaited, the difference in the coal cost for June 2020 as approved by the Commission and as billed by TPC-G is on account of disallowance of provisional expenses and its subsequent approval by the Commission upon submission of actual invoice in the following month. It further submitted that such difference has arisen due to treatment of expenses in the FAC computation as compared to expenses being booked on accrual basis as per applicable accounting norms and such differences may even out during the financial year. The Commission observes that TPC-D has not complied with the Order of the Commission on the pretext that they are awaiting response from TPC-G**. The Commission is unable to appreciate the submission of TPC-D that any difference in the cost approved by the Commission and expenses booked on accrual basis as per applicable accounting norms by TPC may even out during the financial year as accepting such a submission would render the monthly FAC approval orders of the Commission otiose. The Commission directs TPC-D to comply with the Orders of the Commission and also communicate to TPC-G to consider the coal cost as approved by the Commission and also raise appropriate credit/debit note to the beneficiaries as per prior FAC approvals given by the Commission from April 2020 to June 2020 and report the compliance of the same in the FAC submission for the month of August 2020.**

5.17 The Commission while scrutinising the invoices submitted by TPC-D observed that TPC-D has claimed Dredging Expense of Rs 465.20 Lakh as part of Fuel Handling Expense, whereas the invoice submitted is for Rs 360.53 Lakh. TPC-D submitted that the actual dredging expenses for the month of July, 2020 are Rs. 360.53 lakhs after discount @22.50% as mentioned in the invoice. However, the expenses of Rs. 465.20 Lakh have been booked in the SAP system based on PO values. The differential amount of Rs. 104.67 Lakh will be reversed while making payment to the vendor i.e. in the month of August, 2020. The Commission has already held while approving the FAC for the month of May 2020, that only the actual cost incurred has to be considered while computing FAC. **Accordingly, the Commission has considered the actual cost of Rs 360.53 Lakh towards Dredging Expense as part of Fuel Handling Charge and accordingly computed the coal cost for the purchase during the month of July 2020. The Commission directs TPC-D to consider only actual cost in future so that consumers are not burdened with any provisional cost.**

5.18 The Commission has recomputed the coal cost considering the approval given in the FAC approval for June 2020 (Closing Coal Inventory) and purchase during the month of July 2020 in view of what is mentioned herein above as per table given below:

Fuel	Opening inventory actual			Purchase during the month			Consumption during the month			Closing inventory actual		
	Quantity	Cost	Price	Quantity	Cost	Price	Quantity	Cost	Price	Quantity	Cost	Price
	MT	Rs.	Rs./MT	MT	Rs.	Rs./MT	MT	Rs.	Rs./MT	MT	Rs.	Rs./MT
As Submitted - Coal	1,82,850	1,10,31,00,226	6,033	1,03,442	59,10,74,144	5,714	1,27,689	75,56,20,062	5,918	1,58,602	93,85,54,307	5,918

As Approved-Coal	1,82,850	1,10,95,71,701	6,068	1,03,442	58,06,07,072	5,613	1,27,689	75,38,37,950	5,904	1,58,602	93,63,40,822	5,904

5.19 **TPC is directed to consider the aforesaid approved coal cost while computing the FAC for the month of August 2020.**

5.20 Further, as the coal purchase during a month is generally not utilised in the same month, hence, there is a variation in above computed coal price vis-à-vis coal price as considered by TPC-G for energy charge calculations. The cost of coal for energy charge computation pertains to coal consumed during the respective months which is arrived based on the actual cost of coal inventory as well as the purchased coal cost received in the coal yard.

5.21 Apart from above, the Commission has also sought for third party sampling report for GCV verifications. TPC-G has submitted the third party sampling certificate for the respective period. The Commission has verified the document submitted and found to be in order. TPC-G has also considered the stacking loss as per norms approved by the Commission while computing the Energy Charges.

5.22 From the Table above in Para 5.13, the basic purchase cost of imported coal including freight during the month of July 2020 as per sample bills submitted worked out at USD 50.30/MT. TPC-D has booked Rs. 3,830.34/MT (i.e. Rs. 3053.53/MT for Coal and Rs. 776.81/MT for freight) resulting in conversion rate of Rs. 76.15 per dollar. Also, other coal handling charges such as insurance, handling and wharfage charges, taxes and duties, clean energy cess and other miscellaneous charges considered by TPC-D are in line with the average prices approved in the previous quarters and accordingly, the total landed cost of coal arrived is Rs. 5,714.08/MT. **As mentioned above, the Commission has considered actual Dredging Expenses of Rs 3.605 Crore as per invoice submitted by PC-D. Considering the impact of the said amount, the total landed cost of coal arrived has increased to Rs. 5,612.89/MT.** Accordingly, the break-up of the cost as submitted by TPC-D and as approved by Commission against the procurement of coal for the month of July 2020 is as given below:

Sr. No	Particular	Source / Formula	units	As Submitted – Coal Cost	As Approved – Coal Cost
1	Coal cost including Freight	As computed above	USD $/MT	50.30	50.30
2	Dollar exchange rate	As an average	USD/Rs.	76.15	76.15
3	Basic Coal cost + Freight in Rs.	1 X 2	Rs./MT	3,830.34	3,830.34
4	Excise + Custom Duty + CE Cess+ Insurance	As submitted	Rs./MT	628.27	628.27

Sr. No	Particular	Source / Formula	units	As Submitted – Coal Cost	As Approved – Coal Cost
5	Handling and Wharfage	As submitted	Rs./MT	609.55	609.55
6	Other Fuel Handling Charges	As submitted	Rs./MT	828.49	727.30*
7	Other Adjustment	As submitted	Rs./MT	(182.57)	(182.57)
8	**Total as per Form 12**	**Sum(3:7)**	**Rs./MT**	**5,714.08**	**5,612.89**

* Dredging cost disallowed for the month of July 2020 as per invoice

5.23 It is observed that there is difference in coal cost considered in Form 11 and Form 12. TPC-D submitted that the difference in the cost is due to Foreign exchange variation due to difference in dollar rate at the time of booking of Purchase Order and the actual payment made to vendor and the employee cost. Accordingly, considering the revised coal cost approved by the Commission, the coal consumption cost to be considered as per Form 11 is as given below:

Particulars	Units	TPC Submission	As Approved
Form F12 - Coal Consumption Cost	Rs/MT	5,917.66	5,903.70
Foreign Exchange Rate Variation	Rs/MT	8.36	8.36
Employee Cost	Rs/MT	149.09	149.09
Form F11 - Coal Consumption Cost	Rs/MT	6,075.11	6,061.15

5.24 **In view of the above, the Commission has considered APPC of Rs 4.46/kWh as against approved rate of Rs. 4.36/kWh for power purchased from TPC-G. The APPC is higher mainly due to Fixed Cost being spread over lower generation as Unit 8 is under Zero Schedule for the entire month**.

5.25 Variation in power purchase expenses from TPC-G can be divided on account of change in quantum and per unit rate as follows:

Month	Increase in Expenses for power purchase from TPC-G (Rs. Crore)		
	On Account of change Quantum of Power Purchase	On Account of change in Per Unit rate of Power Purchase	Total
July 2020	(41.97)	2.25	(39.72)

Out of above, variation on account of increased per unit rate is only considered for FAC computation.

Renewable Sources

5.26 TPC-D has tied up non-solar generation (Wind) of 158 MW and 28.06 MW of solar to meet its Renewable Purchase Obligation. The Commission in the Tariff Order has approved the said purchase for non-solar and solar energy at average rate of Rs. 4.98/kWh and Rs. 9.10/kWh respectively. Further, the Commission has also approved non-solar and solar REC's at Floor Price of Rs.1.00/kWh for approximately 391 MUs towards shortfall in meeting RPO.

5.27 TPC-D had purchased non-Solar (32.41 MUs) and Solar RE (3.40 MUs) power as per the long term PPAs with Wind and Solar generators. TPC-D has submitted invoices for solar energy purchase and the solar purchase considered is as per invoice submitted by TPC-D and the same is considered by the Commission in FAC computation. In respect of non-solar, it has submitted that TPC-D is yet to receive credit notes (invoices) for the wind power procured from various generators during July, 2020 and accordingly wind power purchase has been considered based on the monthly meter reading data. In view of the purchase of non-solar energy being from an approved source as per Tariff Order, the Commission has considered the non-solar energy as submitted by TPC-D. However, TPC-D is directed to submit the invoices of non-solar wind energy purchase during the FAC submission of next month for verification.

5.28 The Commission observes that TPC-D has purchased total 35.81 MUs of RE power during the month of July, 2020. This power has been purchased by TPC-D as per Generic Tariff rate approved by the Commission. **The average power purchase cost from RE sources is Rs. 5.45/kWh as compared to approved rate of Rs. 6.59/kWh mainly due to fact that REC's have not been purchased by TPC-D. Accordingly, the Commission has considered RE purchase as submitted by TPC-D**.

5.29 Variation in power purchase expenses from RE Sources can be divided on account of change in quantum and per unit rate as follows:

Month	Increase in Expenses for power purchase from RE Sources (Rs. Crore)		
	On Account of change Quantum of Power Purchase	On Account of change in Per Unit rate of Power Purchase	Total
July 2020	3.07	(4.08)	(1.01)

Out of above, variation on account of increased per unit rate is only considered for FAC computation.

Short Term Purchase

5.30 With regards to short term purchase, **TPC-D has purchased 76.42 MUs at average rate of Rs. 2.67/kWh as compared to approved rate of Rs. 3.56/kWh**. It was observed that in spite of availability of contracted sources, TPC-D purchased power from Power Exchange at lower rate to optimise its overall power purchase cost. Accordingly, the Commission has considered the power purchased from Power Exchange by TPC-D.

5.31 Variation in power purchase expenses from Short Term Sources can be divided on account of change in quantum and per unit rate as follows:

Month	Increase in Expenses for power purchase from Short Term (Rs. Crore)		
	On Account of change Quantum of Power Purchase	On Account of change in Per Unit rate of Power Purchase	Total
July 2020	6.81	(6.80)	0.01

5.32 **To summarise, TPC-D has optimised its overall power purchase cost by taking following actions:**

(a) Zero Schedule to Unit 8 (highest cost in MOD) under Zero Schedule for entire month.

(b) Running Unit 5 at Technical Minimum for entire month (2nd in MOD)

(c) Lowest Cost Generator – Unit 7 is run at highest PLF among all the thermal/gas generators

(d) Purchasing cheaper power from Power Exchange at Rs 2.67/kWh which is lower than Variable Cost of Unit 5 and Unit 8.

Imbalance Pool

5.33 It was observed that TPC-D has drawn 87.66 MUs from the imbalance pool during the month of July 2020. In response to the query raised by the Commission for such high quantum of drawl from the imbalance pool, TPC-D submitted that UI is a balancing figure between the InSTS requirement of TPC-D and Total Power Purchase for a particular month. It further submitted that due to Covid-19 pandemic, meter reading activities were suspended in the month of April, 2020 and May, 2020 and consumers were billed on estimated sales basis. However, meter reading activities have been restored since June, 2020. Hence, TPC-D billed sales for the month of July, 2020 are inclusive of incremental sales as per actual meter reading of previous period for some of the consumers. In effect of this, InSTS requirement of TPC-D for July, 2020 has increased i.e. 419.81 MUs. However, due to estimated billing in the month of April, 2020 and May, 2020, the InSTS requirement was on lower side as compared to power purchase. This had resulted in surplus UI quantum in April, 2020 and May, 2020. Since the billed sales for July, 2020 are higher than actual sales, the UI quantum for the month of July, 2020 appears higher. However, in actual, UI quantum may be lower.

5.34 The power drawn from the imbalance pool is supplied to the consumers and is already billed as per Tariff approved by the Commission. The Energy Charge approved also includes the element of power purchase. It is therefore pertinent that such cost of such power drawn from the pool is considered while computing FAC.

5.35 Due to historical issues of delay in computing imbalance pool quantum and cost of power, for which appropriate orders are already passed by the Commission, the imbalance pool quantum and cost is required to be considered on provisional basis to avoid any adverse impact in future. If the said cost and quantum is not considered, it will not only result in recovering the cost from the consumers as billing has already been done, but also increase the overall power purchase cost for the particular month having positive impact on FAC and burdening the consumers. Also, as and when the final bills are issued by MSDLC, the power purchase cost of the imbalance pool quantum will be levied in future months, thereby burdening the consumers in future in that month when such cost will be levied. Accordingly, to balance the overall interest of consumers and licensee, the Commission has considered imbalance pool quantum as submitted by TPC-D at provisional rate of Rs. 2.86/kWh as considered in the MYT Order. This provisional consideration of cost for FAC computation will get adjusted during truing-up of the respective year.

Sale of Power

5.36 **TPC-D has done sale of surplus power to the extent of 0.46 MUs during the month at Rs. 5.40/kWh. With such a sale of power TPC-D has earned revenue of Rs. 0.25 Crore**. The Commission has compared the rate of sale of surplus power by TPC-D vis-à-vis the Market Clearing Price (MCP) prices of power traded at IEX. The average MCP prices for July 2020 prevailed at Rs. 2.46/kWh at Regional periphery which would be approximately Rs. 2.86/kWh at Maharashtra Periphery. Against the above prices prevailing at IEX, TPC-D has managed to sold the surplus power at a higher rate, thus lowering the APPC and benefitting the consumers. Hence, based on this the Commission has considered the actual quantum and revenue against surplus sale.

Approved Cost of Power Purchase

5.37 In view of the above, the overall cost approved in the Tariff Order and actual for the month of July, 2020 considered by the Commission is as shown below:

Particulars	Source	Power Purchase Quantum (MU)	Fixed Cost (Rs. Crore)	Fixed Cost (Rs./kWh)	Variable Cost (Rs. Crore)	Variable Cost (Rs. /kWh)	Total Cost (Rs. Crore)	APPC (Rs. /kWh)
TPC-G	Approved	316.65	39.26	1.24	98.77	3.12	138.03	4.36
	Actual	220.38	40.08	1.82	58.24	2.64	98.31	4.46
Renewable including REC	Approved	31.15	-	-	20.54	6.59	20.54	6.59
	Actual	35.81		-	19.51	5.45	19.51	5.45
Short Term	Approved	57.28	-	-	20.38	3.56	20.38	3.56
	Actual	76.42		-	20.38	2.67	20.38	2.67
Imbalance Pool	Approved	-	-	-	-	-	-	-
	Actual	87.66			25.07	2.86	25.07	2.86
Sale of Surplus Power	Approved	-	-	-	-	-	-	-
	Actual	(0.46)		-	(0.25)	5.40	(0.25)	5.40
Total	**Approved**	**405.08**	**39.26**	**0.97**	**139.69**	**3.45**	**178.95**	**4.42**
	Actual	**419.81**	**40.08**	**0.95**	**122.95**	**2.93**	**163.02**	**3.88**

5.38 Considering the above, **the Commission allows the average power purchase cost of Rs.3.88/kWh for the month of July, 2020 as shown in Table above. The variation in power purchase cost is mainly on account of lower cost of power purchase in short term market and imbalance pool as already explained in para above. The actual purchase for same month in FY 2019-20 i.e. July 2019 was 438.99 MU and power purchase cost was Rs. 197.48 Cr with APPC of Rs. 4.498/kWh**.

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

6.1 The Commission has worked out the average power purchase cost for the month of July, 2020 as shown in above table. The same has been compared with the average power purchase cost approved by the Commission in Tariff Order dated 30 March, 2020 and accordingly arrived at differential per unit rate at which Z_{FAC} is to be passed on to the consumers.

6.2 The following table shows the Z_{FAC} worked out by the Commission on account of difference in fuel and power purchase cost for the month of July, 2020.

S. No.	Particulars	Units	July 2020
1	Average power purchase cost approved by the Commission	Rs./kWh	4.42

S. No.	Particulars	Units	July 2020
2	Actual average power purchase cost	Rs./kWh	3.88
3	Change in average power purchase cost (=2 -1)	Rs./kWh	(0.53)
4	Net Power Purchase	MU	419.81
5	**Change in fuel and power purchase cost (=3 x 4/10)**	**Rs. Crore**	(22.42)

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

7.1 The adjustment for over recovery/under recovery has to be done for the (n-4) month as per provisions of MYT Regulations, 2019. As the prior approval of FAC has started from April 2020, there would not be any adjustment factor for the month of April 2020 while computing the allowable FAC.

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

8.1 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 July, 2020.

9. Disallowance due to excess Distribution Loss

9.1 Regulation 10.8 of MYT Regulations, 2019 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 Z_{FAC} 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 Z_{FAC} 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 annual sliding distribution losses of the Distribution Licensee exceed the level approved by the Commission, the amount of Z_{FAC} corresponding to the excess distribution losses (in kWh terms) shall be deducted from the total Z_{FAC} recoverable"

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

S. N	Particulars	Units	Approved in Tariff Order	July 2020- Actual	Actual upto July 2020
1	Net Energy Input at Distribution Voltage	MU	3242.49	181.74	669.95
2	TPC-D Retail Sales (excluding sales at 110/132 kV level)	MU	3209.42	186.56	642.11
3	Distribution Loss (1 - 2)	MU	33.07	(4.82)	27.84
4	Distribution Loss as % of net energy input (3/1)	%	1.02%	-2.65%	4.16%
5	Excess Distribution Loss = [Actual Distribution Loss (4) - Distribution loss approved] x Net Energy Input (1)	MU	-	(5.05)	21.01
6	**Disallowance of FAC due to excess Distribution Loss**	**Rs. Crore**	**-**	-	-

9.3 It is seen that standalone distribution loss for the month of July 2020 is negative. In response to query raised by the Commission, TPC-D submitted that the meter reading activities for distribution consumers were restricted in the month of April, 2020 and May, 2020 due to lockdown on account of Covid-19 pandemic. Meter reading activities have been resumed since June, 2020. The difference between estimated consumption and actual consumption for the month of April-2020, May-2020 and June-2020 has been billed for some of the consumers in the month of July, 2020. Hence, the distribution sales for the month of July, 2020 are higher than the input energy at distribution level, resulting in negative distribution loss for the month of July, 2020. The Commission notes the submission of TPC-D.

9.4 TPC-D has submitted the details of energy consumption calculated on actual basis and on estimated basis for each category of consumers as is shown in the table below:

Consumer Category	Units	Sales recorded through AMR	Sales recorded through actual meter reading	Estimated Sales	Total Sales in the month of July-2020
EHV - Industry	MUs	21.06	0.00	0.00	21.06
HT I - Industry	MUs	34.76	17.50	0.00	52.26
EHV- Commercial	MUs	7.41	0.00	0.00	7.41

Consumer Category	**Units**	**Sales recorded through AMR**	**Sales recorded through actual meter reading**	**Estimated Sales**	**Total Sales in the month of July-2020**
HT II - Commercial	MUs	19.20	4.23	0.00	23.43
HT III - Group Housing Society (Residential)	MUs	0.93	0.12	0.00	1.05
HT IV - Railways					
-22/33 kV	MUs	3.31	0.42	0.00	3.73
HT V - Public Services					
a) Govt. Edu. Inst. & Hospitals	MUs	1.77	0.19	0.00	1.96
b) Others	MUs	12.80	0.00	0.00	12.80
LT I (A)- Residential (BPL)	MUs	0.00	0.00	0.00	0.00
LT I (B)- Residential	MUs	4.69	201.82	30.07	236.58
LT II - LT Commercial					
(A)- upto 20 kW	MUs	0.41	5.76	0.38	6.55
(B) >20 kW and <50 kW	MUs	1.68	2.44	0.05	4.17
(C) - 50 kW	MUs	9.17	7.18	0.12	16.47
LT III (A) - Industry < 20 kW	MUs	0.24	0.98	0.06	1.28
LT III (B) - Industry > 20 kW	MUs	8.05	3.61	0.02	11.68
LT IV - Public Services					
a) Govt. Edu. Inst. & Hospitals	MUs	0.18	0.21	0.00	0.39
b) Others	MUs	0.56	0.70	0.01	1.27
LT V - EV Charging Stations	MUs	0.00	0.00	0.00	0.00
Total	**MUs**	**126.22**	**245.16**	**30.71**	**402.09**

As seen from the above table, only 30.71 MUs i.e. 8% of total sales are billed on estimated basis

9.5 The comparison of Distribution Loss for the April to July 20 as compared to last year is as given below:

Particulars	Approved Loss	April	May	June	July	Cumulative upto July
FY 2020-21	1.02%	7.46%	14.85%	-1.86%	-2.65%	**4.16%**
FY 2019-20	1.02%	1.46%	-0.37%	2.12%	5.20%	**2.09%**

9.6 The Commission notes that there has been significant variation in Distribution Loss. It is expected that as actual meter reading gets completed, there would be reduction in loss% and cumulative losses would converge near to approved losses. As mentioned herein above, only 8% sales are still on estimated basis. Therefore, as actual meter reading is done for all the consumers, the actual Distribution Loss figure is likely to reach near approved loss.

9.7 As seen from the above table, cumulative Distribution Loss upto the month of July, 2020 is 4.16% which is higher than the approved Distribution Loss of 1.2% mainly due to estimated sales due to Covid-19 pandemic. **The Commission has not worked out any disallowance on account of excess Distribution Loss since the standalone FAC for the month of July, 2020 is negative.**

10. Summary of Allowable Z_{FAC}

10.1 The summary of the FAC amount as approved by the Commission for the month of July, 2020 is as shown in the Table below.

S. No.	Particulars	Units	July 2020 - As per TPC	July 2020 – As Approved
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	(22.35)	(22.42)
1.2	Carrying cost for over-recovery/under-recovery (C)	Rs. Crore	0.00	0.00
1.3	Adjustment factor for over-recovery/under-recovery (B)	Rs. Crore	0.00	0.00
1.4	**ZFAC = F+C+B**	Rs. Crore	(22.35)	(22.42)
2.0	**Calculation of Per Unit FAC**			
2.1	Energy Sales within the License Area	MU	402.09	402.09
2.2	Excess Distribution Loss	MU	0.00	0.00
2.3	ZFAC per kWh	Rs./kWh	0.00	0.00
3.0	**Allowable FAC**			
3.1	FAC disallowed corresponding to excess Distribution Loss [(2.2 x 2.3)/10]	Rs. Crore	0.00	0.00
3.2	FAC allowable [1.4-3.1]	Rs. Crore	(22.35)	(22.42)
4.0	**Utilization of FAC Fund**			
4.1	Opening Balance of FAC Fund	Rs. Crore	(40.74)	(40.74)
4.2	Holding Cost on FAC Fund	Rs. Crore	0.29	0.29
4.3	ZFAC for the month (Sr. N. 3.2)	Rs. Crore	(22.35)	(22.42)
4.4	Closing Balance of FAC Fund	Rs. Crore	(63.37)	(63.45)
4.5	ZFAC leviable/refundable to consumer	Rs. Crore	(13.37) *	0.00
5.0	**Total FAC based on category wise and slab wise allowed to be recovered in the billing month of Jun-20**	**Rs. Crore**	(13.37)	0.00
6.0	**Carried forward FAC for recovery during future period (4.5-5.0)**	**Rs. Crore**	0.00	0.00

** TPC-D has computed refund of Rs 13.37 Crore considering FAC Stabilisation Fund of Rs 50 Crore*

10.2 **It can be seen from the above table that standalone FAC for the month of July, 2020 is Rs. (22.42) Crore.** As the FAC is negative, the said amount will be accumulated in FAC Fund for stabilisation of FAC rate over the period.

11. Recovery from Consumers:

11.1 Regulation 10.9 of MYT Regulations, 2019 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: —

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

$Z_{FAC\ Cat}$ = Z_{FAC} 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 Z_{FAC} 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 Z_{FAC} 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…."

11.2 The Commission allows the FAC amount of Rs. (22.42) Crore for the month of July, 2020 to be accumulated as FAC Fund and shall be carried forward to the next billing cycle with holding cost.

11.3 The Commission in its approval for the month of June, 2020 has directed TPC-D to carry forward the approved FAC amount of Rs. (40.74) Crore to be accumulated as FAC Fund to be carried forward to the next billing cycle with holding cost. The opening balance of FAC fund along with holding cost is Rs. (41.03) Crore.

11.4 **Accordingly, considering the approved standalone FAC amount of Rs. (22.42) Crore for the month of July, 2020 and opening balance FAC Fund of Rs. (41.03) Crore, the total amount of Rs. (63.45) Crore is accumulated in the FAC Fund.**

11.5 The Commission in the Tariff Order has approved FAC Stabilisation Fund of Rs 50 Crore. The amount of the FAC fund was decided by the Commission considering that normal circumstances would prevail during the year. In view of an extraordinary situation due to Covid-19 pandemic, there has been significant reduction in demand and consequently drop in power prices in the short-term market resulting in substantial reduction in actual power purchase cost leading to negative FAC. This has led to accumulation of the FAC fund not only up to the limit specified in the Tariff Order but exceeded the same in the present month. However, as the Covid-19 situation is beginning to normalise, there is an upward trend in demand which will result in an increase in power prices. This may result in positive FAC going forward. In such a scenario, if the excess amount over and above the FAC Fund is refunded and Zero/Positive FAC is applicable in future months, consumers may face variation in its tariff. This would defeat the entire objective of creating a FAC Fund. It is therefore necessary to monitor the movement of power prices and its impact on FAC going forward as we move towards normalcy to avoid any variation in tariff being levied on consumers.

11.6 The Commission in the FAC Guidelines dated 20 April, 2020 had already indicated that it may increase the limit of the fund to reduce the impact of positive FAC due to unexpected increase in power prices. The relevant extract of the said guidelines is reproduced herein below for ready reference:

> *"12. ....The Commission may at its discretion increase the limit of the fund so as to reduce the impact of positive FAC in case of an unexpected increase in the power purchase cost."*

11.7 **In view of the aforesaid, the Commission has decided to accumulate the FAC fund arising out of negative monthly FAC up to March 2021 along with the holding cost. The Commission will continuously monitor the situation as it unfolds along with its impact on power prices and pass appropriate directions in future regarding utilisation of FAC fund**.

11.8 **Accordingly, the Commission allows the TPC-D to carry forward the accumulated FAC fund of Rs. 63.45 Crore to the next billing cycle with holding cost.**

11.9 **In view of the above, the per unit Z_{FAC} for the month of July, 2020 to be levied on the consumers of TPC-D in the billing month of September 2020 is Nil.**