

Before the

MAHARASHTRA ELECTRICITY REGULATORY COMMISSION

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CASE No. 220 of 2022

In the matter of

Petition of Laxmipati Balaji Supply Chain Management Limited for approval of Truing-up of FY 2020-21 and FY 2021-22, Provisional Truing-up of FY 2022-23, and Aggregate Revenue Requirement (ARR) and Tariff for FY 2023-24 and FY 2024-25

Coram

Sanjay Kumar, Chairperson

I. M. Bohari, Member

Mukesh Khullar, Member

ORDER

Date: 31 March, 2023

M/s Laxmipati Balaji Supply Chain Management Limited ('LBSCML' or 'Petitioner') has filed its Petition on 1 December, 2022 for Truing-up of FY 2020-21 and FY 2021-22, Provisional Truing-up of FY 2022-23 and Aggregate Revenue Requirement (ARR) and Tariff for FY 2023-24 and FY 2024-25, for its Electricity Distribution Business. The said Petition has been submitted as per Regulation 5 of the Maharashtra Electricity Regulatory Commission (Multi Year Tariff) Regulations, 2019 ('MYT Regulations, 2019').

The Commission, in exercise of its powers under Sections 61, 62 and 86 of the Electricity Act (EA), 2003 and all other powers enabling it in this behalf, and after taking into consideration the submissions made by LBSCML and in the public consultation process, and after consideration of all other relevant material, the Commission issues the following Order:

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LIST OF ABBREVIATIONS

Abbreviation	Expansion
ABR	Average Billing Rate
ABT	Availability Based Tariff
ACoS	Average Cost of Supply
ARR	Aggregate Revenue Requirement
ATE/APTEL	Appellate Tribunal for Electricity
Capex	Capital Expenditure
CERC	Central Electricity Regulatory Commission
CPI	Consumer Price Index
CSD	Consumer Security Deposit
CSS	Cross-Subsidy Surcharge
DPR	Detailed Project Report
DSM	Deviation Settlement Mechanism
EA, 2003/Act	Electricity Act, 2003
FAC	Fuel Adjustment Charge
FY	Financial Year
GFA	Gross Fixed Assets
HT	High Tension
IDC	Interest During Construction
IEEE	The Institute of Electrical and Electronics Engineers
InSTS	Intra-State Transmission System
IoWC	Interest on Working Capital
IT & ITeS	Information Technology & Information Technology-enabled Services
LBSCML	Laxmipati Balaji Supply Chain Management Limited.
LT	Low Tension
MAT	Minimum Alternate Tax
MSLDC	Maharashtra State Load Despatch Centre
MTR	Mid Term Review
O&M	Operation & Maintenance
MYT	Multi Year Tariff
PBT	Profit Before Tax
PPA	Power Purchase Agreement
R&M	Repair and Maintenance
RE	Renewable Energy
REC	Renewable Energy Certificate
RPO	Renewable Purchase Obligation
RTC	Round the Clock
SBI	State Bank of India
SCADA	Supervisory Control and Data Acquisition
SEZ	Special Economic Zone
SOP	Standards of Performance
STOA	Short-Term Open Access
STU	State Transmission Utility
TOD	Time-of-Day
ToSE	Tax on Sale of Electricity

Abbreviation	Expansion
TSU	Transmission System User
TTSC	Total Transmission System Cost
TVS	Technical Validation Session
UI	Unscheduled Interchange
VCoS	Voltage-wise Cost of Supply
Wef	With effect from
WPI	Wholesale Price Index

1 BACKGROUND AND SALIENT FEATURES OF ORDER

1.1 Background

- 1.1.1 Arshiya International Ltd. is a company registered under the Companies Act, 1956 having its registered office at 205 and 206 (part), Level 2, Ceejay House, Shivsagar Estate, Dr. Annie Besant Road, Worli, Mumbai 400018. Subsequently name of Arshiya International Ltd. has been changed to Arshiya Limited and fresh certificate of incorporation has been issued by the Registrar of Companies consequent upon change of name.
- 1.1.2 Arshiya Limited had applied to the Department of Commerce, Ministry of Commerce and Industries, Government of India for setting up a Sector Specific Special Economic Zone at Village Sai, Taluka Panvel, District Raigad, Maharashtra. The Ministry accorded its in-principle approval vide its letter dated 27 February, 2009. The SEZ area was approved under sub-section (8) of Section 3 of the SEZ Act, 2005 for 45.76 Hectares vide Gazette Notification No. G.S.R. S.O.1158 (E) dated 4 May 2009 issued by Government of India.
- 1.1.3 Further, Arshiya Limited, proposed to include an additional area of 6.985 Hectares, 0.890 Hectares, 3.410 Hectares, and 0.853 Hectares in the above sector specific SEZ, which were approved by the Ministry vide its gazette notification no. GSR SO 757(E) 05/04/2010, GSR SO 1800 22/07/2010, GSR SO 2439 27/10/2011 and GSR SO 1337 07/03/2019, respectively, totaling to 57.898 hectares.
- 1.1.4 The Ministry of Commerce and Industry, Government of India vide its letter of approval dated 17 July 2018 and Development Commissioner, SEEPZ SEZ vide its letter dated 17th August 2018, informed Arshiya Limited about the approval for additional sector, i.e., electronic hardware and software (including information technology enabled services) within the notified area of Sector Specific SEZ (“IT SEZ”). Accordingly, Arshiya Ltd. has been approved to develop 10.27 hectares of land as IT SEZ out of total notified land of 57.898 hectares.
- 1.1.5 LBSCML, is a Company incorporated under the provisions of the Companies Act, 2013, having its registered office at 302, Level 3, Ceejay House, Shivsagar Estate, Dr. Annie Besant Road, Worli, Mumbai 400018, has executed a Co-Developer agreement with Arshiya Limited on 31 August 2018.
- 1.1.6 LBSCML has been notified as the ‘Co-Developer’ of the Special Economic Zone (SEZ) by the Ministry of Commerce & Industry (Department of Commerce), Government of India (GoI) under the SEZ Act, 2005 for its Information Technology and Information Technology Enabled Services (IT & ITeS) SEZ located at Village Sai, Taluka Panvel, and Dist. Raigad., Maharashtra.
- 1.1.7 The Ministry of Commerce & Industry (Department of Commerce), Government of India, vide its Notification under clause (b) of sub-section (1) of Section 49 of the Special Economic Zones Act, 2005 dated 3 March 2010, specified that the Developer or Co-Developer of the SEZ is deemed to be a Distribution Licensee under the provisions of the Electricity Act, 2003 (EA 2003).

- 1.1.8 The Commission vide Order dated 17 December, 2018 in Case No 275 of 2018, has taken on record the deemed Distribution Licensee status of LBSCML and subsequently notified the Specific Conditions of Distribution Licence for LBSCML on 27 February, 2019.
- 1.1.9 Multi Year Tariff Regulations, 2019: On 1 August, 2019, the Commission notified the MYT Regulations, 2019, applicable for determination of ARR and Tariff for the 4th Control Period from FY 2020-21 to FY 2024-25.
- 1.1.10 Petition for Truing-up for FY 2020-21 and 2021-22, provisional Truing-up for FY 2022-23 and determination of ARR and Tariff for FY 2023-24 and FY 2024-25: LBSCML submitted that its operation as a Distribution Licensee commenced from 16 February, 2021, i.e., in FY 2021-22. In line with Regulation 5 of the MYT Regulations, 2019, it has filed its Tariff Petition on 1 December, 2022.
- 1.1.11 LBSCML's prayers are as under:
- *To admit the MYT Petition as per the Regulation 5.1 of MERC (MYT) Regulations 2019, and consider for further proceedings before the Hon'ble Commission;*
 - *To approve the truing up and Revenue Gap/(Surplus) for FY 2020-21 and FY 2021-22 and recovery of the same through tariff, as proposed by the Petitioner;*
 - *To approve the provisional truing up and Revenue Gap/(Surplus) for FY 2022-23 and recovery of the same through tariff, as proposed by the Petitioner;*
 - *To allow recovery of past Revenue Gaps/(Surplus) along with the carrying/(holding) cost as proposed by the Petitioner;*
 - *To approve the Capex and Capitalization proposed in this Petition;*
 - *To approve the ARR for FY 2023-24 and FY 2024-25 and its recovery through tariff as proposed by the Petitioner;*
 - *To determine the Petitioner's share of the Transmission Charges and MSLDC Charges, and consider the same while approving the ARR for the Petitioner for FY 2023-24 and FY 2024-25;*
 - *To approve Retail Supply Tariff for FY 2023-24 and FY 2024-25 and the Tariff schedule, as proposed by the Petitioner;*
 - *Condone any inadvertent omissions, errors, short comings and permit the Petitioner to add/change/modify/alter this filing and make further submissions as may be required at a future date; and*
 - *Pass such other and further Orders as deemed fit and proper in the facts and circumstances of the case.*

1.2 Technical Validation Session

- 1.2.1 On 06 December, 2022, the Commission raised preliminary data gaps and sought certain information. LBSCML submitted its reply on 21 December, 2022.
- 1.2.2 The Commission held a Technical Validation Session (TVS) on 22 December, 2022. The list of persons at the TVS is at **Appendix-I**.
- 1.2.3 Thereafter, the Commission raised further data gaps on 22 December, 2022 and 30 January, 2023. LBSCML submitted its replies on 10 January, 2023 and 01 February, 2023. LBSCML made an additional submission on 16 February, 2023.

1.3 Admission of Petition and Public Hearing Process

- 1.3.1 The Commission admitted the Petition on 11 January, 2023 and directed LBSCML to publish its Public Notice in accordance with Section 64 of the EA, 2003, in the prescribed abridged form and manner. The Commission also directed LBSCML to reply expeditiously to any suggestions and comments received.
- 1.3.2 LBSCML published a Public Notice inviting comments/suggestions/objections on its Petition. The Public Notice was published in English in The Free Press Journal and States, and in Marathi in Navashakti and Lokmat, daily newspapers, on 14 January, 2023. The Petition and its Summary were made available for inspection/purchase at LBSCML's offices and website (www.arshiyalimited.com). The Public Notice and Executive Summary of the Petition were also made available on the website of the Commission (www.merc.gov.in) in a downloadable format.
- 1.3.3 The Commission did not receive any written or oral suggestions or objections on the Petition during the public consultation process in response to the Public Notice. An e-Public Hearing was held on 9 February, 2023. The list of persons who participated in the e-Public Hearing is at **Appendix-II**.
- 1.3.4 The Commission has ensured that the due process contemplated under law to ensure transparency and public participation was followed at every stage and an adequate opportunity was given to all concerned to express their views. No written suggestion or objections were received by LBSCML nor were any raised during the Public Hearing. Therefore, the Commission has not recorded suggestions and objections as separate chapter in the Order.

1.4 Organisation of the Order

- 1.4.1 This Order is organised in the following Sections:
 - **Section 1:** Provides a brief background of the quasi-judicial regulatory process undertaken by the Commission;
 - **Section 2:** Discusses the components of ARR for Truing-up of FY 2020-21 and 2021-22;

- **Section 3:** Discusses the components of ARR for provisional Truing-up of FY 2022-23 and details the Commission's analysis and approval of the various components;
- **Section 4:** Discusses the components of ARR for FY 2023-24 and FY 2024-25, and details the Commission's analysis and approval of the various components;
- **Section 5:** Details the Commission's Tariff Philosophy and the category-wise tariffs applicable for FY 2023-24 and FY 2024-25, including determination of Wheeling Charges and Cross-Subsidy Surcharge and Schedule of Charges;
- **Section 6:** Summarises the Directives of the Commission, followed by the approved Tariff Schedule at Annexure-III;
- **Section 7:** Sets out the Applicability of this Order.

2 TRUING-UP OF ARR FOR FY 2020-21 AND 2021-22

2.1 Background

- 2.1.1 Presently, out of 57 hectares, Arshiya Limited (Developer) has developed 55% of the total area which includes warehouses along with required infrastructure for the entire project . In the balance area, it will be developing Warehouses and IT Data Centre.
- 2.1.2 LBSCML has stated that, since its operation as a Distribution Licensee commenced from 16 February, 2021, i.e., FY 2020-21, it has sought Truing-up of the ARR for FY 2020-21 to FY 2021-22 in accordance with the MYT Regulations, 2019, as specified in Regulation 5.1 (b)(ii) of the MYT Regulations, 2019, based on the actual expenditure and revenue as per the audited Annual Accounts. LBSCML has submitted the Audited Accounts of its Electricity Distribution business for FY 2020-21 and FY 2021-22, duly certified by the Statutory Auditor.
- 2.1.3 The Commission vide its Order dated 17 December, 2018 in Case No. 275 of 2018 allowed LBSCML to charge consumers in its license area, the tariff that is applicable to the respective category of consumers in the MSEDCL area of supply, as an interim arrangement till the time the ARR and Tariff of LBSCML is approved. Accordingly, from 16 February, 2021, LBSCML charged MSEDCL tariff as applicable to respective categories of MSEDCL's consumers for retail sale of electricity in its license area. However, it did not levy FAC to its consumers.
- 2.1.4 LBSCML has submitted that the category-wise tariff of MSEDCL was made applicable for LBSCML 's area of supply, which comprises of separate Wheeling Charges for the Wires Business. The ARR is estimated separately for the Wires Business and Supply Business, and accordingly LBSCML requested for separate provisional Truing-up for the Wires Business and Supply Business for FY 2020-21 and FY 2021-22, in accordance with the MYT Regulations, 2019.
- 2.1.5 In the present Petition, LBSCML has sought for Truing-up of FY 2020-21 and FY 2021-22 and provisional Truing-up for FY 2022-23. Under the MYT Regulations, 2019, Truing-up is to be done against the forecast approved in the Commission's previous Order. As LBSCML is filing its first Tariff Petition after starting operations, no approved past data is available in this case for reference purpose. . Therefore the question of comparison between the actual and the approved performance does not arise. Hence, LBSCML has sought true-up based on audited/actual values and normative values, wherever appropriate, in accordance with the MYT Regulations, 2019.

2.2 Energy Sales

LBSCML's Submission

- 2.2.1 LBSCML has submitted actual month-wise and category-wise energy sales for FY 2020-21 and FY 2021-22. LBSCML has submitted the month-wise and category-wise energy sales for each year in kWh and kVAh terms, as the category-wise tariffs have been levied in kVAh terms for HT category and in kWh terms for the LT category, as approved by the Commission

for MSEDCL, but the energy balance and power purchase are considered in kWh terms.

- 2.2.2 LBSCML has commenced its operations as a Distribution Licensee on 16 February, 2021, i.e., during the COVID-19 pandemic period, in which several restrictions were imposed by the Central and State Governments and IT & ITeS were operating under Work-from-Home/Hybrid mode. However, because the operations themselves commenced during COVID-19, the sales have grown over the period, though not at the rate that they would have increased had COVID-19 not impacted the operations and consequential sales.
- 2.2.3 The present consumer categories and number of consumers along with Contract Demand in each category are shown in the table below:

Table 1 : Number of Consumer and Contract Demand (kVA)

Consumer Category	Number of Consumer	Contract Demand (kVA)
HT Category		
HT II	2	560
Sub-total HT	2	560
LT Category		
LT II (A)	14	58
LT II (B)	6	359
LT II (C)	3	415
LT V (Industry)	1	10
Sub-total LT	24	842
Total	26	1402

- 2.2.4 LBSCML has considered the actual sales for the purpose of Truing-up for FY 2020-21 and FY 2021-22. Accordingly, the energy sales for FY 2020-21 and FY 2021-22 are shown in the following table:

Table 2 : Energy Sales for FY 2020-21 and FY 2021-22, as submitted by LBSCML (in MU)

Consumer Category	FY 2020-21	FY 2021-22
HT Category		
HT II	0.20	1.68
Sub-total HT	0.20	1.68
LT Category		
LT II (A)	0.01	0.09
LT II (B)	0.06	0.54
LT II (C)	0.07	0.59
LT V (Industry)	0.00	0.03
Sub-total LT	0.15	1.24
Total	0.35	2.93

Commission's Analysis and Ruling

- 2.2.5 The Commission observes that, as per its order in Case No. 275 of 2018 dated 17 December,

2018, as an interim arrangement, LBSCML was allowed to charge consumers in its Licence area, the Tariff applicable to the respective categories of MSEDCL's consumers, as provisional tariff and same has been charged by LBSCML to its consumers.

- 2.2.6 The Commission notes that LBSCML commenced its operations on 16 February, 2021 and hence the sales for FY 2020-21 correspond to only 43 days of operations.
- 2.2.7 Being the first ARR, Base-line data is not available. The Commission accepts category-wise sales for FY 2020-21 and FY 2021-22 as submitted by LBSCML. The category-wise sales as actuals approved by the Commission are given in the table below:

Table 3 : Category-wise Energy Sales for FY 2020-21 and FY 2021-22, approved by the Commission (MU)

Consumer Category	Petition		Approved in this Order	
	FY 2020-21	FY 2021-22	FY 2020-21	FY 2021-22
HT Category				
HT I Industry	0.00	0.00	0.00	0.00
HT II Commercial	0.20	1.68	0.20	1.68
Sub-total	0.20	1.68	0.20	1.68
LT Category				
LT II A Commercial	0.01	0.09	0.01	0.09
LT II B Commercial	0.06	0.54	0.06	0.54
LT II C Commercial	0.07	0.59	0.07	0.59
LT V Industry	0.00	0.03	0.00	0.03
Sub-total	0.15	1.24	0.15	1.24
Total	0.35	2.93	0.35	2.93

2.3 Distribution Loss

LBSCML's Submission

- 2.3.1 LBSCML stated that, after considering the actual energy sales and the actual energy drawl at the interface point (T<>D Interface), the actual distribution loss for FY 2020-21 and FY 2021-22 works out to -0.98% and -0.26%, respectively. The same has been claimed for truing up for FY 2020-21 and FY 2021-22, respectively. Energy input data has been considered as per the Deviation Settlement Mechanism (DSM) metering, as provided by MSLDC, for the period from October 2021 to March 2022, while the energy input data for the period from November 2020 to September 2021 is based on Availability Based Metering (ABT) data, as per the interface meter reading.
- 2.3.2 LBSCML was a HT consumer of MSEDCL before start of Distribution Licensee operations. Hence, the connection points are scattered and spread over a large geographical area. During operationalizing of Distribution Licensee, the consumers have been metered individually. The common services such as STP, streetlight, GSR, water supply, reefer supply, etc., are scattered

and were difficult to meter individually. The supply to these common services are extended from one point of supply to another. Hence, the HT metering of MSEDCL was retained for recording the common area consumption by subtracting the consumption of all consumers. Thus, the technical loss of distribution transformers and the internal network is accounted in the common area consumption. The source to LBSCML is 100/22 kV Jite substation from where 10 km overhead line feeds the licence area. The T<>D interface meter is at 100/22 kV Jite Substation. While doing the energy accounting, the energy sent out at grid interface meter is taken as input and the billed units are the same as recorded by the common area consumption meter. The 22 kV line is overhead line and does not contribute any significant loss. Hence, the distribution loss is working out to be slightly negative depending on the errors of meter and metering equipment.

2.3.3 The Distribution Loss for FY 2020-21 and FY 2021-22 is shown in the following table:

Table 4 : Distribution Loss for FY 2020-21 and FY 2021-22, as submitted by LBSCML

Particulars	FY 2020-21	FY 2021-22
Distribution Loss (%)	(0.98%)	(0.26%)

Commission's Analysis and Ruling

- 2.3.4 The Commission sought justification for negative distribution loss for FY 2020-21 and FY 2021-22. LBSCML in its reply has submitted, as mentioned above, that negative distribution loss is mainly due to absence of individual metering of common services such as STP, streetlight, GSR, water supply, reefer supply, etc., and that HT metering of MSEDCL was retained for recording the common area consumption by subtracting the consumption of all consumers. It further submitted that the technical loss of distribution transformers and the internal network is accounted in the common area consumption and is being billed to the Developer. The Commission notes that in such a scenario, the Distribution loss has to be 'Zero'. However, as submitted by LBSCML, the distribution loss is working out to be slightly negative depending on the errors of meter and metering equipment.
- 2.3.5 The Commission is of the view that it was responsibility of licensee to immediately install the meters to all consumers including the common area connections. As mentioned above, there cannot be negative distribution loss unless there is overbilling by the licensee. However, in the present case, there is negative distribution loss due to specific circumstances such as absence of metering for common loads and reliance by LBSCML on main HT meter recording consumption for entire area of supply even after more than 2 years of operations. In fact, LBSCML should have installed the meters as soon as Deemed Distribution License was taken on record by the Commission and the energy balance on a monthly / yearly basis should have been carried out. However, LBSCML chose not to do the same even after 2 years of operations. Furthermore, LBSCML in the present Petition had also projected negative Distribution Loss for FY 2022-23 to FY 2024-25. It was after data gaps were raised by the Commission and clarification sought during TVS, LBSCML has computed the estimated positive distribution loss for the said period. This clearly shows the lackadaisical approach of the licensee in running its operation.

- 2.3.6 The Commission sought implementation plan including timelines for installation of individual meters to all consumption points, so as to correct the metering errors. LBSCML submitted that it is planning to install individual energy meters at all consumption points in the DL area, which pertains to common area supply. There are 11 nos. of such identified feeders, which are planned to be metered. There are network changes with laying of cable and installation of suitable panel for providing such metering. The work of providing metering to all consumption points is targeted to be complete in six months. The Commission notes the submission of LBSCML and directs LBSCML to complete the metering as early as possible but not later than 3 months from the date of this Order and submit compliance report to the Commission.
- 2.3.7 Further, in response to query on segregation of distribution loss between HT and LT Levels, it is submitted by LBSCML that it does not have any LT networks in its Distribution Licence area. Hence, the entire Distribution losses reported by LBSCML are HT level losses.
- 2.3.8 The Commission has considered drawal at T<>D interface as submitted by MSLDC and accordingly recomputed the distribution losses for FY 2020-21 and FY 2021-22. However, in absence of any past trend, as FY 2020-21 being the first year of operations, the Commission is approving the negative Distribution Loss of 1.01% and 0.27% for FY 2020-21 and FY 2021-22.
- 2.3.9 The Commission reiterates that negative loss phenomenon is not an acceptable feature in the electrical network. LBSCML has used common meter (which was billing meter when LBSCML was HT consumer of MSEDCL) for billing of common services spread across its license area by subtracting consumption of other individual consumers from common meter. This led to billing of internal distribution loss to common services. LBSCML was aware that it was not correct metering practice but still continued with the same for 2 years. This approach of the Distribution Licensee is not justified, but as it is for truing up year and such excess billing was done to common facilities of developer and not impacted other consumers, the Commission has considered the same for truing up with the direction to install correct meter to all consumers within 3 months from date of this Order

Table 5 : Distribution Loss for FY 2020-21 and FY 2021-22, approved by the Commission

Particulars	Petition		Approved in this Order	
	FY 2020-21	FY 2021-22	FY 2020-21	FY 2021-22
Distribution Loss (%)	(0.98%)	(0.26%)	(1.01%)	(0.27%)

2.4 Energy Balance

LBSCML's Submission

- 2.4.1 LBSCML has considered the Energy Balance for FY 2020-21 and FY 2021-22 after considering the actual energy sales, actual Distribution Loss and actual energy purchased. Further, in case of LBSCML, there is no impact of the InSTS loss for FY 2020-21 and FY 2021-22, as the Commission is yet to approve the share of Transmission Charges and SLDC Charges for LBSCML, and hence, all power purchase transactions are based on delivery at the Distribution Licensee's periphery.

2.4.2 The Energy Balance for FY 2020-21 and FY 2021-22 is shown in the following table:

Table 6 : Energy Balance for FY 2020-21 and FY 2021-22, as submitted by LBSCML (MU)

Particulars	FY 2020-21	FY 2021-22
Energy Sales	0.350	2.926
Distribution loss (%)	(0.98)%	(0.26)%
Energy Requirement at T<>D	0.347	2.918
Intra-State Transmission Loss (%)	-	-
Energy Requirement at G<>T	0.347	2.918
Total Purchase at State Periphery	0.441	3.209
Less: Surplus Energy Traded	-	-
Imbalance Pool	(0.094)	(0.291)
Total Energy Purchased	0.347	2.918

Commission's Analysis and Ruling

- 2.4.3 The Commission observes that around 21% and 10% of the energy schedule in FY 2020-21 and FY 2021-22 respectively has been injected in the imbalance pool. In response to the justification sought for higher quantum of injection in Imbalance Pool, LBSCML submitted that higher quantum of injection in imbalance pool is due to the fact that the operation of LBSCML started in 16 February, 2021. Due to this, the Imbalance Pool has higher quantum of injection for 1.5 months of February 2021 and March 2021, as the operations were being stabilized. Since then, the schedule is being fine-tuned which is observed by the lower imbalance pool quantum in FY 2021-22. Further, efforts are on going to further reduce the Imbalance Pool Quantum. The Commission notes the downward trend of injection in the quantum (%) of imbalance pool. However, it would be prudent for a distribution licensee to forecast the demand accurately and accordingly plan its power purchase to reduce the imbalance pool quantum. LBSCML should take appropriate steps towards accurate forecasting to minimize the deviation from the schedule.
- 2.4.4 The Commission notes that purpose of scrutinizing Energy Balance is to establish quantum of energy for which expenses are to be allowed. The Commission has scrutinized the invoices of power purchase for FY 2020-21 and FY 2021-22 and accordingly considered the power purchase quantum as per invoice. This clearly shows that InSTS loss was not applicable for the said period and power was delivered at LBSCML periphery as per the contract. In view of the same, the Commission has not considered any InSTS loss for energy balance for Truing-up of FY 2020-21 and FY 2021-22. The Commission has observed variance between energy requirement at T<>D interface as submitted by LBSCML and MSLDC for FY 2020-21 and FY 2021-22. The Commission in this Order has accordingly considered energy requirement at T<>D interface as submitted by MSLDC. .
- 2.4.5 Accordingly, the total energy requirement approved for FY 2020-21 and FY 2021-22 is as shown in the table below:

Table 7 : Energy Balance for FY 2020-21 and FY 2021-22, approved by the Commission (MU)

Particulars	Petition		Approved in this Order	
	FY 2020-21	FY 2021-22	FY 2020-21	FY 2021-22
Energy Sales	0.350	2.926	0.350	2.926
Distribution loss (%)	(0.98)%	(0.26)%	(1.01)%	(0.27)%
Energy Requirement at T<>D	0.347	2.918	0.346	2.918
Intra-State Transmission Loss (%)	-	-	-	-
Energy Requirement at G<>T	0.347	2.918	0.346	2.918
Total Purchase at State Periphery	0.441	3.209	0.441	3.209
Less: Surplus Energy Traded	-	-	-	-
Imbalance Pool	(0.094)	(0.291)	(0.094)	(0.291)
Total Energy Purchased	0.347	2.918	0.346	2.918

2.5 Power Procurement

LBSCML's Submission

2.5.1 The power purchase quantum and cost of LBSCML includes the purchase from conventional sources for meeting its Base Load and Peak Load requirement, Renewable Purchase Obligation (RPO), net purchase from Imbalance Pool, and sale of surplus power, if any, during the year.

Power Purchase for Base Load and Peak Load

2.5.2 The Commission vide its Order dated 23 November, 2020 approved the PPA purchase of short-term power for a period of 1 year from 1 December, 2020 to 30 November, 2021 at Rs 4.47/kWh discovered through Competitive Bidding Process. As LBSCML commenced its operations as a Distribution Licensee from 16 February, 2021, LBSCML and Manikaran Power Limited (MPL) mutually agreed to commence the period of 1 year from 16 February, 2021 to 31 January, 2022. LBSCML and MPL signed an Amendment to the PPA on 22 October, 2021, whereby the Parties agreed to extend the Contract Period till 31 January, 2022 thereby modifying the Contract Period of the PPA as 1-year from 16 February, 2021 to 31 January, 2022 having no liability on either side.

2.5.3 On account of the expiry of the PPA on 31 January, 2022, LBSCML undertook the short-term power procurement process through competitive bidding in accordance with the Guidelines notified by the Ministry of Power, Government of India, to procure short-term Base Load of 1 MW. After completion of the competitive bidding process including the e-Reverse Auction (e-RA) process, MPL, a Trading Licensee, emerged as the lowest bidder, with a rate of Rs. 4.65/kWh. Based on the Petition filed by LBSCML, the Commission adopted the above-discovered tariff and approved the PPA between LBSCML and MPL, vide its Order dated 4 February, 2022 in Case No. 6 of 2022. The PPA between LBSCML and MPL was valid for a period of 1 year, from 1 February, 2022 to 31 January, 2023.

2.5.4 For the purpose of Truing up for FY 2020-21 and FY 2021-22, LBSCML has considered the

actual power purchase quantum and cost from MPL and small quantum of power purchased from IEX through GMRETL.

Renewable Purchase Obligation

- 2.5.5 LBSCML has considered the RPO targets for FY 2020-21 and FY 2021-22 as specified in the MERC RPO Regulations, 2019. The RPO targets are 4.50% for Solar and 11.50% for Non-Solar for FY 2020-21, and 6% for Solar and 11.50% for Non-Solar for FY 2021-22.
- 2.5.6 For meeting the RPO target for FY 2020-21 and FY 2021-22, LBSCML has purchased 386 Solar RECs and 101 Non-Solar RECs. Total Cost incurred to procure REC Certificate is Rs. 12.64 lakh for 587 RECs.

Imbalance Pool

- 2.5.7 LBSCML has considered the actual cost of net (increment)/decrement from Imbalance Pool/DSM for FY 2020-21 and FY 2021-22 based on the difference between the energy input as per MSLDC and the actual source-wise purchase by LBSCML, and FBSM/DSM bills received from MSLDC.

Sale of Surplus Power

- 2.5.8 For FY 2020-21 and FY 2021-22, LBSCML has not sold any surplus power.
- 2.5.9 The effective average power purchase rate works out to Rs. 5.69/kWh in FY 2020-21, primarily because of the negative entry of DSM/Imbalance pool. The rate of power purchase from MPL is Rs. 4.47/kWh as approved by the Commission. The source-wise actual power purchase quantum and cost for FY 2020-21 is shown in the following table:

Table 8 : Power Purchase Cost for FY 2020-21, as submitted by LBSCML

Source of Power	Quantum (MU)	Cost (Rs. Crore)	Per unit cost (Rs. /kWh)
Manikaran Power Limited	0.44	0.20	4.47
Imbalance Pool	(0.09)	-	-
Total	0.35	0.20	5.69

- 2.5.10 The effective average power purchase rate works out to Rs. 4.64/kWh in FY 2021-22. The source-wise actual power purchase quantum and cost for FY 2021-22 is shown in the following table:

Table 9 : Power Purchase Cost for FY 2021-22, as submitted by LBSCML

Source of Power	Quantum (MU)	Cost (Rs. Crore)	Per unit cost (Rs. /kWh)
Manikaran Power Limited/GMRETL	3.21	1.44	4.50
Imbalance Pool	(0.29)	(0.16)	
Solar REC		0.04	
Non-Solar REC		0.03	
Total	2.92	1.35	4.64

Commission's Analysis and Ruling

Power Purchase for Base Load and Peak Load

- 2.5.11 The Commission observes that the short-term power procured by LBSCML is from the sources/contracts entered into by LBSCML through Competitive Bidding route and also as adopted by the Commission in its Order dated 23 November, 2020 in Case No 211 of 2020 at Rs 4.47/kWh and Order dated 4 February, 2022 in Case No. 6 of 2022 at Rs 4.65/kWh for FY 2020-21 and FY 2021-22 respectively. The Commission notes that rate discovered by LBSCML was at Distribution Periphery and included Transmission losses and charges and MSLDC Charges.
- 2.5.12 The Commission in its data gaps sought clarification in respect of yearly utilization of Power Quantum tied up along with details of relevant clause in PPA which highlights the element like minimum load guarantee and implication of the same with respect to fixed charges or any other charges. LBSCML submitted that it has purchased short term power to fulfil its energy requirement demands. Hence the minimum load guarantee and implication of the same with respect to fixed charges or any charges is not applicable in case of LBSCML.
- 2.5.13 The Commission found that power purchase expense claimed in Petition was higher than the amount mentioned in the supporting documents submitted with the Petition and hence sought reconciliation of the same. In reply, LBSCML submitted that rebate on power purchase was inadvertently considered and same can be reduced from the power purchase cost. The Commission has verified the power purchase for FY 2020-21 and FY 2021-22 from the invoices submitted by LBSCML and the Audited accounts and accordingly considered the power purchase from the said contracts at the tariff adopted by the Commission in its Orders mentioned above. The Commission further notes that LBSCML has purchased 0.11 MU in FY 2021-22 from IEX through Trader (GMRETL). The Commission has verified the same from Obligation Report from IEX submitted by LBSCML and accordingly considered the said purchase for FY 2021-22. Thus, the Commission approves Rs 0.19 Crore and Rs 1.49 Crore for FY 2020-21 and FY 2021-22 respectively for purchased from MPL and IEX through GMRETL.
- 2.5.14 To meet RPO for FY 2020-21 and FY 2021-22, LBSCML has submitted that it has purchased 156 Solar REC equivalent to 0.15 MU and 301 Non-Solar REC equivalent to 0.30 MU in FY 2021-22 at Rs. 0.04 Crore and Rs. 0.03 Crore, respectively. The Commission has verified the said purchase from REC Certificate issued by Power Exchange.
- 2.5.15 The Commission notes that as per quantum of power approved at G<>T periphery, there is cumulative shortfall of 0.03 MU for Solar RPO Compliance and 0.07 MU for non-Solar RPO Compliance for FY 2020-21 and FY 2021-22. LBSCML should have purchased REC in the said years itself and complied with RPO. LBSCML has also not submitted any reason for such shortfall in the said years. The Commission is of the view that Regulation 12.3 of RPO Regulation, 2019, permits obligated entity to carry forward the said shortfall and meet the same on cumulative basis by 31 March 2023. However, considering the quantum of the RPO, the current volatility in the global market scenario, Petition being filed for the first time by the

Licensee, the Commission hereby provides the relaxation in fulfilling the shortfall in RPO and allows it to carry forward the cumulative RPO till FY 2024-25. The Commission will undertake the prudence check and apply penalty in case of the RPO is not fulfilled in the next tariff Petition during the Truing-up of the relevant Financial year.

2.5.16 The Commission notes that LBSCML has considered actual deviation quantum of 0.09 MU and 0.29 MU for FY 2020-21 and FY 2021-22 respectively. The Commission while approving the energy balance has made certain observations in respect of quantum of imbalance pool and advised LBSCML to take appropriate steps towards accurate forecasting to minimize the deviation from the schedule. The Commission further notes that LBSCML has not considered any amount towards imbalance pool quantum and has also verified the same from the Audited Accounts. As submitted by LBSCML, the amount towards the same is considered in FY 2021-22 as the same was received during the said financial year. The Commission has verified the Audited Accounts and accordingly considered the power purchase for FY 2020-21 and FY 2021-22.

2.5.17 In view of the above, the Commission approves the power purchase cost of Rs 0.19 Crore and 1.41 Crore for FY 2020-21 and FY 2021-22, respectively.

Table 10 : Power Purchase Cost for FY 2020-21, approved by the Commission

Source of Power	Petition			Approved in this Order		
	Quantum (MU)	Cost (Rs. Crore)	Cost (Rs. /kWh)	Quantum (MU)	Cost (Rs. Crore)	Cost (Rs. /kWh)
Manikaran Power Limited	0.44	0.19	4.38	0.44	0.19	4.38
Imbalance Pool	(0.09)	-	-	(0.09)	-	-
Total	0.35	0.19	5.58	0.35	0.19	5.58

Table 11 : Power Purchase Cost for FY 2021-22, approved by the Commission

Source of Power	Petition			Approved in this Order		
	Quantum (MU)	Cost (Rs. Crore)	Cost (Rs. /kWh)	Quantum (MU)	Cost (Rs. Crore)	Cost (Rs. /kWh)
Manikaran Power Limited and GMRETL	3.21	1.44	4.50	3.21	1.49	4.69
Imbalance Pool	(0.29)	(0.16)	-	(0.29)	(0.15)	-
Solar REC	-	0.04	-	-	0.04	-
Non-Solar REC	-	0.03	-	-	0.03	-
Total	2.92	1.35	4.64	2.92	1.41	4.82

2.6 Transmission Charges and MSLDC Charges

LBSCML's Submission

2.6.1 LBSCML submitted that the Commission is yet to approve the share in the Intra-State Transmission Charges and MSLDC Charges. Hence, there is no incidence of InSTS

Transmission Charges for LBSCML during FY 2020-21 and FY 2021-22. No MSLDC Charges have also been incurred, hence, none has been considered in the true-up for FY 2020-21 and FY 2021-22.

Commission's Analysis and Ruling

- 2.6.2 It is observed that in FY 2020-21 and FY 2021-22, LBSCML has not paid any Transmission Charges (including MSLDC charges) for FY 2020-21 and FY 2021-22. The Commission notes that power purchase rate discovered by LBSCML was at Distribution Periphery and included Transmission and MSLDC Charges. As mentioned herein above, the said rates were also adopted by the Commission in its Orders in Case No 211 of 2020 and Case No 6 of 2022 and since these charges are included in the power purchase cost payable as per the PPA, the Commission has not considered any Transmission and MSLDC Charges separately for FY 2020-21 and FY 2021-22 as submitted by LBSCML.
- 2.6.3 Accordingly, the Commission approves nil Intra-State Transmission charges and MSLDC charges on Trueing-up of FY 2020-21 and FY 2021-22.

Table 12 : Transmission Charges and MSLDC Charges for FY 2020-21 and FY 2021-22, approved by the Commission (Rs. Crore)

Particulars	Petition		Approved in this Order	
	FY 2020-21	FY 2021-22	FY 2020-21	FY 2021-22
Intra-State Transmission Charges	-	-	-	-
MSLDC Charges	-	-	-	-

2.7 Operation and Maintenance Expenses

LBSCML's Submission

- 2.7.1 The O&M expenses, A&G expenses, and R&M expenses have been allocated between the Wires Business and Supply Business in accordance with the Allocation Matrix specified by the Commission in the MYT Regulations, 2019. Further, LBSCML submitted that the O&M expenses of FY 2020-21 are for operations of 2 months, whereas the O&M expenses of FY 2021-22 are for operation of 12 months.
- 2.7.2 LBSCML has claimed the actual O&M expenses as reported in the Audited Accounts. In view of the above, actual O&M expenses have been claimed in the true-up for FY 2020-21 and FY 2021-22 as shown in the following Table:

Table 13 : O & M Expenses for FY 2020-21 and FY 2021-22, as submitted by LBSCML (Rs. Crore)

Particulars	FY 2020-21	FY 2021-22
Distribution Wires Business		
O&M/Employee Expenses	0.00	0.09
A&G Expenses	0.25	0.53

Particulars	FY 2020-21	FY 2021-22
R&M Expenses	0.01	0.15
Total O&M Expenses	0.26	0.77
Retail Supply Business		
O&M/Employee Expenses	0.00	0.05
A&G Expenses	0.09	0.19
R&M Expenses	0.01	0.05
Total O&M Expenses	0.09	0.29

2.7.3 It may be noted that the O&M expenses of FY 2020-21 are for operations of 2 months, whereas the O&M expenses of FY 2021-22 are for 12-month operations.

Commission's Analysis and Ruling

- 2.7.4 The Commission notes that LBSCML has claimed actual O&M expenses in ARR of FY 2020-21 and FY 2021-22. Also, in absence of any normative O&M expenses, LBSCML has not claimed any sharing of Gains/(Losses) stating that there is no Order for approved ARR expenses.
- 2.7.5 The Commission has observed from the Audited Accounts that part of O&M Expenses incurred are with related parties against which certain disclosure has been made. In response to query by the Commission on the cost incurred with the related parties along with justification of such cost, nature of cost, whether the least cost approach method was adopted before incurring such cost, LBSCML clarified that the amount transferred from the Parent Company to the books of LBSCML is Rs. 0.84 Crore, which is equivalent to 15% of expenses of the Parent Company. However, these expenses have not been claimed for pass through in the ARR.
- 2.7.6 With respect to Employee expenses, LBSCML submitted that it does not have any employee on its payroll and employee services has been provided by Arshiya Limited, the parent company of LBSCML. Also, no employee cost was booked for FY 2020-21 and the Employee Expenses of Rs. 0.14 Crore are actual Employee Expenses incurred by LBSCML for period from April 2021 to December 2021. However, since January 2022, no employees are on the rolls of LBSCML and all employee related services are being provided by Arshiya Limited and its 2 Group Companies (i.e., Arshiya Lifestyle Limited and Arshiya Logistics Services Limited). Although the MoU provides that such costs shall be charged on the actual basis to LBSCML, no employee costs have been booked under LBSCML and it has not claimed such Employee Expenses in Truing-up Petition for the period from January 2022.
- 2.7.7 With respect to A&G expenses, the Commission sought rationale on the basis on which the cost has been determined and benchmarking of the same. LBSCML submitted that there is a Memorandum of Understanding (MoU) between LBSCML and Arshiya Limited and Group Companies of Arshiya Limited (Arshiya Lifestyle Limited and Arshiya Logistics Services Limited) for providing facilities like infrastructure, security, manpower conveyance, office space, printing and stationary and other related facilities required by LBSCML. As regards to

the basis for considering 15% of the expenses, LBSCML submitted that the MoU clearly stipulated that A&G charges equivalent to 15% of the total actual cost incurred by Arshiya Lifestyle Limited and Arshiya Logistics Services Limited shall be charged to LBSCML.

2.7.8 Further, LBSCML post public hearing, has stated that Arshiya Limited is providing through its Group Companies / Subsidiaries / associates, i.e. Arshiya Lifestyle Limited and Arshiya Logistics Services Limited, the following activities:

- Infrastructure;
- Manpower – Industry and labour contractors, for security services, security guards, drivers, operators, office boys, supervision, housekeeping, pantry boy, technical personnel like carpenter, Electrician, Plumber, Welder, R&M Staff, IT Personnel, Gardener, Surveyor, Nursing Staff, Fire & safety personnel. Fireman, Helper, Assistance, Canteen stand, console officer, Trainee. Office assistant, etc
- Provided training to security personnel and guards,
- Conveyance,
- Office Space, table, chairs, cabin, Printing & Stationery, internet services, laptop, printers and related amenities,
- Other related facilities required by LBSCML for the day to day operations.

Therefore, considering the monthly business of LBSCML overall revenue over the year and further increase in business in the coming years, 15% of total expenses of Arshiya Group companies have been allocated to LBSCML.

2.7.9 The Commission has also gone through the documents submitted by LBSCML in respect of service provider for R&M activity. Further, in response to query raised by the Commission on appointment of service provider, LBSCML submitted that it has followed competitive bidding process for appointment of R&M agency to carry out AMC for which 4 parties had shown interest viz., V-Tech, Prayank Electrical and Consultants, Gopal Enterprises and M/s. Parthavi Enterprises. However, based on the received quotes, M/s. Parthavi Enterprises was L1 and the contract was awarded for carrying out the following scope of work:

- Deploying two technician with qualification – ITI Wireman and having wireman license in general shift,
- Patrolling of 22kv JITE to Arshiya Line 3 time in a week
- Tree cutting and removal of creepages on the 22 kv line.
- Maintaining proper jumper on the cut point to avoid flash cover and bird fault
- Pre monsoon and post monsoon scheduled maintenance
- Attending breakdown and fault on 22 kv line in minimum time
- Material cost reimbursement for any emergency work on actual basis
- Preventive measures to avoid faults
- VA cable fault finding
- Safety procedure as per IE rules

- Person deployed to be equipped with safety equipment
- All tools, equipment, instrument to be provided by vendor

2.7.10 Also, the Commission observed inconsistency in the numbers presented in the petition and the Audited Accounts for which the reconciliation was sought from LBSCML. As per reply of LBSCML, the O&M expenses were revised and reconciled with audited accounts and the same is outlined below:

Table 14: Reconciliation of O&M expenses with Audited Accounts

Particulars	Balance Sheet		Petition	
	FY 2020-21	FY2021-22	FY2020-21	FY2021-22
Advertisement and business promotion expenses	0.01	0.00	0.01	0.00
Annual maintenance charges	0.00	0.00	0.00	0.00
Administrative & General Expenses	-	0.10	-	0.05
Auditor's fees (refer note (a) below)	0.03	0.02	0.03	0.02
Bank charges	0.00	0.00	0.00	0.00
Cost sharing *	0.01	-	0.01	-
Legal and professional fees	0.05	0.43	0.05	0.43
Employee Cost	-	0.14	-	0.09
Membership fees	0.00	0.01	0.00	0.01
Petition fees	0.06	0.05	0.06	0.01
Repair & maintenance on transmission line	0.01	0.17	0.01	0.15
Rates and taxes	0.04	0.00	0.04	0.00
Security Charges	-	0.48	-	
Travelling Expenses	-	0.12	-	
Grid meters connectivity charges	0.02	-	0.02	
Miscellaneous expenses	0.01	0.18	0.01	-
Total	0.26	1.70	0.26	0.77

2.7.11 LBSCML submitted that the operation and maintenance expenses incurred for FY 2020-21 and FY 2021-22 have been taken in the balance sheet based on actuals and certain allocation of expenses from Corporate head. However in the Petition, the allocated expenses have not been claimed, and only eligible O&M expense have been claimed under the ARR as mentioned in the Petition column.

2.7.12 Post public hearing, LBSCML has submitted that it has claimed employee expenses of Rs. 0.14 Crores for FY 2021-22 against the proposed figure of Rs. 0.09 Lacs and the same has been considered while computing the O&M expenses resulting in revision in O&M figures from Rs. 0.77 Crore as submitted in data gaps to Rs. 0.82 Crore.

2.7.13 The submission made by LBSCML has been noted by the Commission and it is observed that LBSCML has failed to provide any specific rationale for considering the 15% of total expenses and only have defined the nature of expenses to be incurred under the said MoU. Also, the

revision in their stand in consideration of the employee expenses is not appreciable as the validity of the expenses remain questionable and therefore, the Commission expresses its displeasure in approach adopted by the licensee to determine the O&M expenses.

- 2.7.14 The Commission opines that the grant of Deemed Distribution Licensee status to SEZs under the EA, 2003 does not mean that their costs, operations and performance are passthrough without any prudence check. The deemed Licensee have to demonstrate that the most efficient, competitive, optimal and transparent procedures have been adopted while incurring any expenditure, and to follow the statutory rules and regulations.
- 2.7.15 Also, Regulation 75.8 of MYT Regulations 2019 allows Commission to determine the Operation and Maintenance expenses on a case to case basis for Deemed Distribution Licensee whose tariff is yet to be determined by the Commission till the coming into force of these Regulations. Accordingly, the Commission is determining the O&M expenses of LBSCML based on the data as provided by LBSCML and based on the comparative study with other SEZ.
- 2.7.16 LBSCML has started its commercial operation being a Deemed Distribution Licensee from 16 February 2021 i.e. 43 days in FY 2020-21 and in the absence of historical or current information, it is difficult to derive norms for O&M expenses in case of LBSCML, based on its own performance. However, comparison attempt has been undertaken for evaluating the O&M norms by comparing the O&M expenses with that of other SEZs in the State. During the operational period of LBSCML, other SEZs were also operational which may be considered to determine the O&M norms.
- 2.7.17 However, some of the SEZs are on IT & ITeS SEZ model and some are Multi-product SEZ whereas LBSCML is an electronic hardware and software (including information technology enabled services) SEZ model which includes warehousing facilities also. Therefore, sales or network specifications of other SEZ though are not directly comparable with LBSCML, the comparison of O&M expense has been undertaken as outlined below:.

Table 15: O&M Comparison of other SEZ in the State

Licensee	FY 2016-17	FY 2017-18	FY 2018-19	FY 2019-20
	O&M Cost - Rs. Crs			
GEPL	1.25	1.72	2.06	
KRC				1.04
MBPPL		5.05	4.9	
Total	1.25	6.77	6.96	1.04
	16.02			
	Sales - MUs			
GEPL	11.62	20.51	27.41	
KRC				3.17
MBPPL		83.41	83.06	
Total	11.62	103.92	110.47	3.17
	229.18			
	O&M Cost - Rs./kWh			
GEPL	1.08	0.84	0.75	-

Licensee	FY 2016-17	FY 2017-18	FY 2018-19	FY 2019-20
KRC	-	-	-	3.28
MBPPL	-	0.61	0.59	-
Total	1.08	0.65	0.63	3.28
	0.70			

- 2.7.18 It has been observed that during the first year of operation, the O&M expenses are on a higher side due to Cost incurred which are semi-fixed in nature spread on the quantum of lower sales and some of the cost such as license fees / grid connection charges are paid for the whole year as such. However, on an average, considering 4 year period, the average O&M expenses is around 70 paise per unit.
- 2.7.19 The O&M expenses as proposed by LBSCML and its impact on O&M cost per unit is also calculated for comparison purpose and is outlined as below:

Table 16: Revised O&M expenses per unit of LBSCML

Operation and Maintenance Cost	Units	FY 2020-21	FY 2021-22
Employee Cost	Rs. Crs	0.000	0.140
Administration & General Expenses	Rs. Crs	0.245	0.528
Repair & Maintenance Expenses	Rs. Crs	0.015	0.147
Total O&M Cost	Rs. Crs	0.260	0.816
	MUs	0.35	2.92
	Rs./kWh	7.42	2.79

- 2.7.20 It is observed that in FY 2020-21, the O&M expenses per unit is Rs. 7.42/kWh which is on the higher side due to lower sales accounted for 43 days whereas the licence fees and grid connection charges are paid for whole year. However, in FY 2021-22, the O&M expenses has been reduced to 2.79/kWh but still on a higher side as compared to other SEZ in the States which on an average arrives at 70 paise per unit. Further, it can be outlined from the above table, the sales within LBSCML is too low as compared to the sales quantum of other SEZ. Hence the Commission thinks it fit that it would not be prudent to compare the O&M cost with those of other SEZ due to various factors as outlined above. Therefore, it is difficult to derive the O&M norms for LBSCML based on its own performance. Hence, the Commission has dealt with only actual O&M expenses of LBSCML.
- 2.7.21 The Commission, for the reasons mentioned above and LBSCML submitting the ARR for the first time, approves the O&M cost as submitted by LBSCML and accordingly will decide and rationalize the normative O&M expenses for future years. However, the Commission would not allow sharing of Losses during the true-up of FY 2022-23 to FY 2024-25 in case the expenses are higher than the normative expenses. In case there will be any efficiency gain, the Commission will undertake the exercise of sharing of gains for those respective years.
- 2.7.22 Accordingly, the Commission has considered actual O&M expenses for FY 2020-21 and FY 2021-22. The Commission is approving actual O&M expenses of Rs. 0.26 Crore and Rs. 0.82 Crore for FY 2020-21 and FY 2021-22, respectively. The details are as under:

Table 17 : O & M Expenses for FY 2020-21 and FY 2021-22, approved by the Commission (Rs. Crore)

Particulars	Petition		Approved in this Order	
	FY 2020-21	FY 2021-22	FY 2020-21	FY 2021-22
Distribution Wires Business				
Employee Expenses	0.00	0.09	0.00	0.09
A&G Expenses	0.25	0.53	0.16	0.34
R&M Expenses	0.01	0.15	0.01	0.10
Total O&M Expenses	0.26	0.77	0.17	0.53
Retail Supply Business				
Employee Expenses	0.00	0.05	0.00	0.05
A&G Expenses	0.09	0.19	0.09	0.18
R&M Expenses	0.01	0.05	0.01	0.05
Total O&M Expenses	0.09	0.29	0.09	0.29
Distribution Wires & Retail Supply Business				
Employee Expenses	0.00	0.14	0.00	0.14
A&G Expenses	0.33	0.72	0.25	0.53
R&M Expenses	0.01	0.20	0.01	0.15
Total Distribution Wires & Retail Supply Business	0.35	1.06	0.26*	0.82*

*based on the revised numbers submitted by LBSCML as per their audited accounts

2.8 Capital Expenditure and Capitalisation

LBSCML's Submission

- 2.8.1 The Commission has granted its approval for the capital expenditure proposed by LBSCML, vide its Approval Letter Ref: MERC/CAPEX/2022-23/0639 dated 16 December, 2022. The Commission has approved Capitalisation of Rs. 3.784 Crore.
- 2.8.2 The assets put to use for the Distribution Business in February 2021 were actually installed in earlier years. In accordance with regulatory principles and the provisions of the MYT Regulations, 2019, LBSCML has claimed the depreciated value (Net Fixed Assets) of such assets as on February 2021, and this has been considered as the Gross Fixed Assets (GFA) of LBSCML moving forward.
- 2.8.3 There was Nil capital expenditure and Capitalisation in the Wires Business for FY 2020-21. However, on account of the commencement of the Distribution Business in February 2021, the depreciated value of addition to GFA has been considered as addition to the GFA in FY 2020-21 under the Wires Business. For the Supply Business, there was Nil capital expenditure and Capitalisation in FY 2021-22.
- 2.8.4 The Capital Expenditure and Capitalisation claimed for FY 2020-21 and FY 2021-22 are summarised in the following table:

Table 18 : Capital Expenditure & Capitalisation for FY 2020-21 and FY 2021-22, as submitted by LBSCML (Rs. Crore)

Particulars	FY 2020-21	FY 2021-22
Distribution Wires Business		
Capital Expenditure	0.00	0.16
Capitalisation	3.78*	0.16
Retail Supply Business		
Capital Expenditure	0.04	0.00
Capitalisation	0.04	0.00

** the amount considered in Accounts is Rs. 3.98 Crore, but LBSCML has restricted the claim to the amount approved by the Commission*

Commission's Analysis and Ruling

- 2.8.5 The Commission has observed that, LBSCML has capitalised Rs. 3.784 Crore as on February 2021 as approved by the Commission vide its approval letter dated 16 December, 2022. In addition, metering equipment of Rs. 0.04 Crore is capitalised in FY 2020-21. LBSCML has also incurred Rs 0.16 Crore towards grid interface meters in FY 2021-22. Accordingly, the additional capitalization has been claimed by LBSCML.
- 2.8.6 The Commission has verified the Capitalisation of assets with the Audited Accounts and accordingly approves the Capitalisation for FY 2020-21 and FY 2021-22 as shown in the table below:

Table 19 : Capital Expenditure & Capitalisation for FY 2020-21 and FY 2021-22, approved by the Commission (Rs. Crore)

Particulars	Petition		Approved in this Order	
	FY 2020-21	FY 2021-22	FY 2020-21	FY 2021-22
Distribution Wires Business				
Capital Expenditure	0.00	0.16	0.00	0.16
Capitalisation	3.78	0.16	3.78	0.16
Retail Supply Business				
Capital Expenditure	0.00	0.00	0.00	0.00
Capitalisation	0.04	0.00	0.04	0.00

2.9 Depreciation

LBSCML's Submission

- 2.9.1 LBSCML has computed the depreciation for FY 2020-21 and FY 2021-22 in accordance with Regulation 28 of the MYT Regulations, 2019, by applying the asset class-wise depreciation rate specified in the MYT Regulations, 2019 on the average asset class-wise GFA during the respective year.
- 2.9.2 The addition to GFA in the Wires and Supply Business in the respective years has been

considered as discussed above.

- 2.9.3 The Commission has granted its approval for the capital expenditure proposed by LBSCML, vide its Approval Letter Ref: MERC/CAPEX/2022-23/0639 dated 16 December 2022. The Commission has approved Capitalisation of Rs. 3.784 Crore for LBSCML.
- 2.9.4 The asset-class wise depreciation in prescribed format. The depreciation claimed by the LBSMCL for FY 2020-21 and FY 2021-22 is shown in the following table:

Table 20 : Depreciation for FY 2020-21 and FY 2021-22, as submitted by LBSCML (Rs. Crore)

Particulars	FY 2020-21	FY 2021-22
Distribution Wires Business		
Opening GFA	0.00	3.78
Additions during the Year	3.78	0.16
Retirement during the year	0.00	0.00
Closing GFA	3.78	3.94
Depreciation	0.09	0.18
Retail Supply Business		
Opening GFA	0.00	0.04
Additions during the Year	0.04	0.00
Retirement during the year	0.00	0.00
Closing GFA	0.04	0.04
Depreciation	0.002	0.004

*Note: * the amount considered in Accounts is Rs. 3.98 Crore, but LBSMCL has restricted the claim to the amount approved by the Commission*

Commission's Analysis and Ruling

- 2.9.5 The Commission notes that against the Capital Expense proposal of LBSCML for Rs 3.34 Cr against transfer of assets from Arshiya Ltd at depreciated value and Rs 0.436 Cr for SCADA , ABT Metering and consumers metering being total of Rs 3.78 Cr the Commission has approved the same amount of capitalization of Rs 3.78 Cr as submitted by LBSCML and further considering the depreciated cost based on the original Commissioning of the assets.
- 2.9.6 The Commission observes that LBSCML has commenced Distribution Licensee operation from 16 February, 2021 but has claimed Depreciation for entire financial year. In response to query raised by the Commission, LBSCML submitted that it has relied upon Regulation 28.4 of the MYT Regulation, 2019 and computed the Depreciation based on the average of opening and closing GFA, with opening GFA being considered as zero. Further, LBSCML has submitted that the Commission computes depreciation for other Distribution Licensees in similar manner. The Commission notes that the approach adopted by LBSCML is contrary to Regulation 28.5 of MYT Regulations 2019, which clearly states that depreciation has to be allowed proportionately from the date of capitalisation. The relevant extract of the MYT Regulation, 2019 is as given below:

“28.5 Depreciation shall be re-computed for assets capitalised at the time of Truing-up

along with the Mid-term Review or at the end of the Control Period, based on documentary evidence of assets capitalised by the Petitioner, subject to the prudence check of the Commission, such that the depreciation is allowed proportionately from the date of capitalisation.” (Emphasis Added)

- 2.9.7 Since, LBSCML started its operation from 16 February, 2021, the said date is required to be considered as date of Capitalisation and proportionate depreciation linked to actual date of Capitalisation, as specified in Regulation 28.5 of MYT Regulations, 2019 for FY 2020-21 needs to be computed. However, for FY 2021-22, average asset class-wise GFA during the year as submitted by LBSCML for computing the Depreciation is the correct approach as per provision of MYT Regulations, 2019.
- 2.9.8 The Commission has computed the Depreciation for FY 2020-21 and FY 2021-22 in accordance with Regulation 28 of MYT Regulations, 2019. It has taken the approved Capitalisation for FY 2020-21 and FY 2021-22 for addition of assets during the year. The Commission has calculated the Depreciation by applying the asset class-wise Depreciation rate as specified in the MYT Regulations, 2019 on the average asset class-wise GFA during the year and depreciation is allowed proportionately from the date of Capitalisation of the assets as per Regulation 28.5 and Regulation 28.4 of MYT Regulations, 2019 for FY 2020-21 and FY 2021-22 respectively.
- 2.9.9 In view of the above, the Commission approves Depreciation for FY 2020-21 and FY 2021-22 as shown in the table below:

Table 21 : Depreciation for FY 2020-21 and FY 2021-22, approved by the Commission (Rs. Crore)

Particulars	Petition		Approved	
	FY 2020-21	FY 2021-22	FY 2020-21	FY 2021-22
Distribution Wires Business				
Opening GFA	0.00	3.78	0.00	3.78
Additions during the Year	3.78	0.16	3.78	0.16
Retirement during the year	0.00	0.00	0.00	0.00
Closing GFA	3.78	3.94	3.78	3.94
Depreciation	0.09	0.18	0.02	0.18
Retail Supply Business				
Opening GFA	0.00	0.04	0.00	0.04
Additions during the Year	0.04	0.00	0.04	0.00
Retirement during the year	0.00	0.00	0.00	0.00
Closing GFA	0.04	0.04	0.04	0.04
Depreciation	0.002	0.004	0.0005	0.004

2.10 Interest on Loan

LBSCML's Submission

- 2.10.1 LBSCML has computed the Interest on Long-Term Loan Capital in accordance with Regulation 30 of the MYT Regulations, 2019 for FY 2020-21 and FY 2021-22. The normative

loan has been considered as 70% of the addition to GFA during the year. The depreciation has been considered as normative repayment of loan during the year. The interest on loan had been calculated on the average normative loan for the year by applying the actual weighted average rate of interest for FY 2020-21 and FY 2021-22, in accordance with Regulation 30.5 of the MYT Regulations, 2019.

- 2.10.2 LBSCML does not have any actual loans on its books, and neither does the Parent Company, Arshiya Limited. Hence, the normative interest rate in accordance with the 5th proviso to Regulation 30.5 of the MYT Regulations, 2019 has been considered. The relevant extract is as reproduced below:

“30.5

Provided also that if the entity as a whole does not have actual long-term loan, then the Base Rate at the beginning of the respective year shall be considered as the rate of interest for the purpose of allowing the interest on the normative loan”

- 2.10.3 Accordingly, the rate of interest for FY 2020-21 and FY 2021-22 has been considered equal to the SBI MCLR at the beginning of the respective year, which works out to 7.75% and 7%, respectively. The Interest on Long Term Loan Capital claimed by LBSCML for FY 2020-21 and FY 2021-22 is shown in the following tables:

Table 22 : Interest on Long Term Loan Capital for Wires Business for FY 2020-21 and FY 2021-22, as submitted by LBSCML (Rs. Crore)

Particulars	FY 2020-21	FY 2021-22
Opening Balance of Net Normative Loan	0.00	2.56
Addition of Normative Loan during the year	2.65	0.11
Repayment of Normative loan during the year	0.09	0.18
Closing Balance of Net Normative Loan	2.56	2.49
Average Balance of Net Normative Loan	1.28	2.53
Weighted average Rate of Interest on actual Loans (%)	7.75%	7.00%
Interest Charges	0.10	0.18

Table 23 : Interest on Long Term Loan Capital for Retail Supply Business for FY 2020-21 and FY 2021-22, as submitted by LBSCML (Rs. Crore)

Particulars	FY 2020-21	FY 2021-22
Opening Balance of Net Normative Loan	0.00	0.03
Addition of Normative Loan during the year	0.03	0.03
Repayment of Normative loan during the year	0.00	0.00
Closing Balance of Net Normative Loan	0.03	0.06
Average Balance of Net Normative Loan	0.03	0.04
Weighted average Rate of Interest on actual Loans (%)	7.75%	7.00%
Interest Charges	0.001	0.003

Commission’s Analysis and Ruling

- 2.10.4 The Commission notes that neither LBSCML as Distribution entity on its own has any loans nor its Parent Company, Arshiya Limited has availed any loans. Hence, the normative rate of interest in accordance with the 5th proviso to Regulation 30.5 of the MYT Regulations, 2019 is required to be considered by the Commission.
- 2.10.5 For arriving at the debt component, the normative debt: equity ratio of 70:30 as submitted by LBSCML is applied to the Capitalization approved for FY 2020-21 and FY 2021-22. The normative interest rate for FY 2020-21 and FY 2021-22 has been considered equal to the Base Rate (SBI MCLR) at the beginning of the respective year, which works out to 7.75% and 7% is considered by the Commission for 70% of the normative loan.
- 2.10.6 Since, LBSCML started its operation from 16 February, 2021, the said date is required to be considered as date of Capitalisation and proportionate interest linked to actual date of Capitalisation is considered for the first year of operation.
- 2.10.7 The repayment of loan is considered equal to the depreciation allowed during the year in accordance with Regulation 30.3 of MYT Regulations, 2019.
- 2.10.8 The Interest on Loan approved by the Commission for FY 2020-21 and FY 2021-22 is summarized in the table below:

Table 24 : Interest on Long Term Loan Capital for Wires Business for FY 2020-21 and FY 2021-22, approved by the Commission (Rs. Crore)

Particulars	Petition		Approved in this Order	
	FY 2020-21	FY 2021-22	FY 2020-21	FY 2021-22
Opening Balance of Net Normative Loan	0.00	2.56	0.00	2.63
Addition of Normative Loan during the year	2.65	0.11	2.65	0.11
Repayment of Normative loan during the year	0.09	0.18	0.02	0.18
Closing Balance of Net Normative Loan	2.56	2.49	2.63	2.56
Average Balance of Net Normative Loan	1.28	2.53	1.31	2.59
Weighted average Rate of Interest on actual Loans (%)	7.75%	7.00%	7.75%	7.00%
Interest Charges	0.10	0.18	0.02	0.18

Table 25 : Interest on Long Term Loan Capital for Retail Supply Business for FY 2020-21 and FY 2021-22, as approved by the Commission (Rs. Crore)

Particulars	Petition		Approved in this Order	
	FY 2020-21	FY 2021-22	FY 2020-21	FY 2021-22
Opening Balance of Net Normative Loan	0.000	0.029	0.000	0.031
Addition of Normative Loan during the year	0.031	0.031	0.031	0.031
Repayment of Normative loan during the year	0.002	0.004	0.0005	0.004
Closing Balance of Net Normative Loan	0.029	0.056	0.031	0.058
Average Balance of Net Normative Loan	0.015	0.043	0.015	0.044
Weighted average Rate of Interest on actual Loans (%)	7.75%	7.00%	7.75%	7.00%
Interest Charges	0.0011	0.003	0.0003	0.003

2.11 Interest on Working Capital and Consumer Security Deposit

LBSCML's Submission

- 2.11.1 LBSCML has computed the normative working capital requirement for FY 2020-21 and FY 2021-22 in accordance with the MYT Regulations, 2019.
- 2.11.2 For computation of Interest on Working Capital (IoWC), LBSCML has considered the rate of interest equal to the weighted average one-year MCLR during the year plus 150 basis points. The rate of IoWC has been worked out as 8.57% and 8.50% for FY 2020-21 and 2021-22, respectively.
- 2.11.3 LBSCML has not collected any Consumer Security Deposit (CSD) from the consumers, and hence, there is no interest on CSD.
- 2.11.4 The computation of IoWC for FY 2020-21 and FY 2021-22 is shown in the following table:

Table 26 : IoWC and Interest on CSD for Wires Business for FY 2020-21 and FY 2021-22, as submitted by LBSCML (Rs. Crore)

Particulars	FY 2020-21	FY 2021-22
O&M expenses for one month	0.17	0.06
Maintenance Spares at 1% of Opening GFA	0.00	0.04
One and half months' equivalent of revenue from Wheeling Charges	0.03	0.03
Less: Amount held as Security Deposit from Distribution System Users	0.00	0.00
Total Working Capital Requirement	0.21	0.13
Computation of Working Capital Interest		
Interest Rate (%) - SBI Base Rate +150 basis points	8.57%	8.50%
Interest on Working Capital	0.02	0.01
Interest on Consumers' Security Deposit	0.00	0.00

- 2.11.5 The computation of IoWC and interest on CSD for Retail Supply Business for FY 2020-21 and FY 2021-22 is shown in the following table:

Table 27 : IoWC and Interest on CSD for Retail Supply Business for FY 2020-21 and FY 2021-22, as submitted by LBSCML (Rs. Crore)

Particulars	FY 2020-21	FY 2021-22
O&M expenses for one month	0.06	0.02
Maintenance Spares at 1% of Opening GFA	0.00	0.00
One and half months' equivalent of revenue from Wheeling Charges	0.42	0.44
Less: Amount held as Security Deposit from Distribution System Users	0.00	0.00
Less: One month of power purchase cost	0.02	0.11
Total Working Capital Requirement	0.47	0.35
Computation of Working Capital Interest		
Interest Rate (%) - SBI Base Rate +150 basis points	8.57%	8.50%

Particulars	FY 2020-21	FY 2021-22
Interest on Working Capital	0.04	0.03
Interest on Consumers' Security Deposit	0.00	0.00

Commission's Analysis and Ruling

- 2.11.6 The Commission has computed total working capital requirement and IoWC in accordance with the Regulations 32.3 and 32.4 of MYT Regulations, 2019.
- 2.11.7 The Commission notes that LBSCML has not collected any security deposit from the Consumers. This is in complete violation of provisions of Electricity Act as well as MERC (Electricity Supply Code and Standard of Performance of Distribution Licensees including Power Quality), 2021. The said provisions are included so that Distribution Licensee are adequately protected from any bad debts. Further, the said amount is considered by the Commission while computing working capital requirement. The Commission has however notionally considered the said amount as per the provisions of MERC (Electricity Supply Code and Standard of Performance of Distribution Licensees including Power Quality), 2021 considering the revenue approved for the year in this Order for FY 2020-21 and FY 2021-22. However, since interest is not paid by LBSCML on the security deposit, same is not considered by the Commission for FY2020-21 and FY 2021-22.
- 2.11.8 The rate of IoWC has been worked out as 8.57% and 8.50% (Base Rate as on the date on which the Petition for determination of Tariff is filed, plus 150 basis points) for FY 2020-21 and 2021-22, respectively as per MYT Regulations, 2019.
- 2.11.9 Since, LBSCML started its operation from 16 February, 2021, the said date is required to be considered as date of Capitalisation and proportionate interest on working capital is calculated considering the number of days of operation. Also, the Commission has rationalized the O&M cost of LBSCML being incurred for 43 days of the operation period of FY 2020-21. so as to arrive at the O&M expenses for a month for calculation of Interest on Working Capital.
- 2.11.10 Accordingly, IoWC approved by the Commission is as shown in the table below:

Table 28 : IoWC and Interest on CSD for Wires Business for FY 2020-21 and FY 2021-22, as approved by the Commission (Rs. Crore)

Particulars	Petition		Approved in this Order	
	FY 2020-21	FY 2021-22	FY 2020-21	FY 2021-22
O&M expenses for one month	0.17	0.06	0.07	0.04
Maintenance Spares at 1% of Opening GFA	0.00	0.04	-	0.04
One and half months' equivalent of revenue from Wheeling Charges	0.03	0.03	0.03	0.03
Less: Amount held as Security Deposit from Distribution System Users (Normative Basis)	0.00	0.00	0.03	0.06
Total Working Capital Requirement	0.21	0.13	0.07	0.05
Computation of Working Capital Interest				
Interest Rate (%) - SBI Base Rate +150 basis points	8.57%	8.50%	8.57%	8.50%

Particulars	Petition		Approved in this Order	
	FY 2020-21	FY 2021-22	FY 2020-21	FY 2021-22
Interest on Working Capital	0.02	0.01	0.0007	0.0043
Interest on Consumers' Security Deposit	-	-	-	-

Table 29 : IoWC and Interest on CSD for Retail Supply Business for FY 2021-22 and FY 2021-22, as approved by the Commission (Rs. Crore)

Particulars	Petition		Approved in this Order	
	FY 2020-21	FY 2021-22	FY 2020-21	FY 2021-22
O&M expenses for one month	0.06	0.02	0.04	0.02
Maintenance Spares at 1% of Opening GFA	-	0.00	-	0.00
One and half months' equivalent of revenue from Wheeling Charges	0.42	0.44	0.45	0.44
Less: Amount held as Security Deposit from Distribution System Users (normative basis)	0.00	0.00	0.29	0.57
Less: One month of power purchase cost	0.02	0.11	0.14	0.12
Total Working Capital Requirement	0.47	0.35	0.06	(0.22)
Computation of Working Capital Interest				
Interest Rate (%) - SBI Base Rate +150 basis points	8.57%	8.50%	8.57%	8.50%
Interest on Working Capital	0.04	0.03	0.001	-
Interest on Consumers' Security Deposit	-	-	-	-

2.12 Return on Equity

LBSCML's Submission

- 2.12.1 LBSCML has computed the Return on Equity (RoE) for FY 2020-21 and FY 2021-22, in accordance with Regulation 29 of the MYT Regulations, 2019. The equity contribution has been considered normatively as 30% of the addition to assets during each year.
- 2.12.2 For FY 2020-21 and FY 2021-22, LBSCML has computed the RoE in two components, viz., base return and additional return on equity linked to actual performance as per Regulation 29 of the MYT Regulations, 2019.
- 2.12.3 For FY 2020-21 and FY 2021-22, LBSCML has computed the Base RoE for the Wires Business at 14% and Additional RoE at 1.5% as the Wires Availability was 100% during the period. For FY 2020-21, LBSCML has computed the Base RoE for the Retail Supply Business at 15.5% and Additional RoE at 1% on account of actual zero percent of assessed bills with respect to total bills issued during the year. For FY 2021-22, the additional RoE has been considered at 2%, with 1% eligible on account of actual zero percent of assessed bills with respect to total bills issued during the year and another 1% for achieving improvement in collection efficiency in that year. LBSCML has not paid any Income Tax in FY 2020-21 and FY 2021-22, the RoE rate has not been grossed up with the Tax rate.
- 2.12.4 The RoE claimed by LBSCML for FY 2020-21 and FY 2021-22 for the Wires Business and

Retail Supply Business is shown in the following tables:

Base Return on Equity for FY 2020-21 and FY 2021-22

2.12.5 The Base RoE claimed by LBSCML for FY 2020-21 and FY 2021-22 for the Wires Business and Retail Supply Business is shown in the following tables:

Table 30 : Base Return on Equity for Distribution Wires Business for FY 2020-21 and FY 2021-22, as submitted by LBSCML (Rs. Crore)

Particulars	FY 2020-21	FY 2021-22
Regulatory Equity at the beginning of the year	0.00	1.14
Equity portion of Capitalisation during the year	1.14	0.05
Regulatory Equity at the end of the year	1.14	1.18
Return on Equity Computation		
Base Rate of Return on Equity	14%	14%
Pre-tax Return on Equity after considering effective Tax rate	14%	14%
Return on Regulatory Equity at the beginning of the year	0.00	0.16
Return on Regulatory Equity addition during the year	0.08	0.00
Total Return on Equity	0.08	0.16

Table 31 : Base Return on Equity for Retail Supply Business for FY 2020-21 and FY 2021-22, as submitted by LBSCML (Rs. Crore)

Particulars	FY 2020-21	FY 2021-22
Regulatory Equity at the beginning of the year	0.00	0.01
Equity portion of capitalisation during the year	0.01	0.00
Regulatory Equity at the end of the year	0.01	0.01
Return on Equity Computation		
Base Rate of Return on Equity	15.50%	15.50%
Pre-tax Return on Equity after considering effective Tax rate	15.50%	15.50%
Return on Regulatory Equity at the beginning of the year	0.00	0.00
Return on Regulatory Equity addition during the year	0.00	0.002
Total Return on Equity	0.001	0.002

Additional Return on Equity for FY 2020-21 and FY 2021-22

2.12.6 The Additional RoE claimed by LBSCML for FY 2020-21 and FY 2021-22 for the Wires Business and Retail Supply Business is shown in the following tables:

Table 32 : Additional Return on Equity for Distribution Wires Business for FY 2020-21 and FY 2021-22, as submitted by LBSCML (Rs. Crore)

Particulars	Unit	FY 2020-21	FY 2021-22
Wires Availability above 98%	%	100%	100%
Additional Rate of Return on Equity for Wire availability	%	1.50%	1.50%
Additional Return on Equity Computation			

Particulars	Unit	FY 2020-21	FY 2021-22
Return on Regulatory Equity at the beginning of the year	Rs. Crore	0.00	0.02
Return on Regulatory Equity addition during the year	Rs. Crore	0.01	0.00
Total Additional Return on Equity	Rs. Crore	0.01	0.02

Table 33 : Additional Return on Equity for Retail Supply Business for FY 2020-21 and FY 2021-22, as submitted by LBSCML (Rs. Crore)

Particulars	Unit	FY 2020-21	FY 2021-22
% of Assessed bills with respect to total bills issued during the year	%	0%	0%
Additional Rate of Return on Equity for assessment of bills	%	1%	1%
Collection Efficiency for the year	%	42.29%	91.40%
Additional Rate of Return for collection efficiency	%	0.00%	1.00%
Total Additional Return on Equity	%	1.00%	2.00%
Additional Return on Equity Computation			
Return on Regulatory Equity at the beginning of the year	Rs. Crore	0.00	0.00
Return on Regulatory Equity addition during the year	Rs. Crore	0.0001	0.0003
Total Additional Return on Equity	Rs. Crore	0.0001	0.0003

Commission's Analysis and Ruling

- 2.12.7 The Commission has computed Base RoE at 14% and 15.5% for the Distribution Wires and Retail Supply Business, respectively, in accordance with the Regulations, on the opening equity of FY 2020-21 and FY 2021-22 taking the approved Capitalisation and on 50% of the approved asset Capitalisation during the year, at the debt: equity ratio of 70:30.
- 2.12.8 Since the operation commenced from 16 February, 2021, the Commission has proportionately allowed Base RoE for the FY 2020-21 from the date of commencement of operation similar to the treatment followed for allowing depreciation.
- 2.12.9 The Commission notes that LBSCML has not paid any Income Tax in FY 2020-21 and FY 2021-22. Accordingly, the RoE rate has not been grossed up with the Tax rate.
- 2.12.10 The Base RoE approved by the Commission for FY 2020-21 and FY 2021-22 is summarized in table below:

Table 34 : Base Return on Equity for Distribution Wires Business for FY 2020-21 and FY 2021-22, approved by the Commission (Rs. Crore)

Particulars	Petition		Approved in this Order	
	FY 2020-21	FY 2021-22	FY 2020-21	FY 2021-22
Regulatory Equity at the beginning of the year	0.00	1.14	0.00	1.14

Particulars	Petition		Approved in this Order	
	FY 2020-21	FY 2021-22	FY 2020-21	FY 2021-22
Equity portion of capitalisation during the year	1.14	0.05	1.14	0.05
Regulatory Equity at the end of the year	1.14	1.18	1.14	1.18
Return on Equity Computation				
Base Rate of Return on Equity	14%	14%	14%	14%
Pre-tax RoE after effective Tax rate	14%	14%	14%	14%
Return on Regulatory Equity at the beginning of the year	0.00	0.16	0.00	0.16
Return on Regulatory Equity addition during the year	0.08	0.00	0.02*	0.00
Total Return on Equity	0.08	0.16	0.02	0.16

*- RoE for FY 2020-21 has been proportionately allocated for the number of days of operation in first year.

Table 35 : Base Return on Equity for Retail Supply Business for FY 2020-21 and FY 2021-22, approved by the Commission (Rs. Crore)

Particulars	Petition		Approved in this Order	
	FY 2020-21	FY 2021-22	FY 2020-21	FY 2021-22
Regulatory Equity at the beginning of the year	0.00	0.01	0.00	0.01
Equity portion of capitalisation during the year	0.01	0.00	0.01	0.00
Regulatory Equity at the end of the year	0.01	0.01	0.01	0.01
Return on Equity Computation				
Base Rate of Return on Equity	15.50%	15.50%	15.50%	15.50%
Pre-tax Return on Equity after considering effective Tax rate	15.50%	15.50%	15.50%	15.50%
Return on Regulatory Equity at the beginning of the year	0.00	0.00	0.00	0.00
Return on Regulatory Equity addition during the year	0.001	0.002	0.0002*	0.002
Total Return on Equity	0.001	0.002	0.0002	0.002

*- RoE for FY 2020-21 has been proportionately allocated for the number of days of operation in first year.

2.12.11 LBSCML has also claimed additional RoE of 1.5% for Distribution Wires Business based on 100% Wires Availability as per Regulation 29.8 of MYT Regulations, 2019. In response to query raised by the Commission in relation to the Wires Availability of 100%, LBSCML has submitted quarterly SOP reports providing details of Reliability Indices. The Commission has scrutinized the said reports and found reliability of 100% for FY 2021-22 and FY 2021-22. Accordingly, the Commission is allowing additional RoE of 1.5% for Distribution Wires Business for the said years.

2.12.12 In respect of additional RoE for Retail Supply Business, the Commission notes that assessed bills are 0% in FY 2020-21 and FY 2021-22, thereby entitling LBSCML for additional RoE of 1% for both the years. Further, it is observed that collection efficiency for FY 2020-21 is only 41% much below 99% and since FY 2020-21 is 1st year of operation there is no base for comparing the improvement over the previous year. Hence LBSCML is not entitled for additional RoE for FY 2020-21. For FY 2021-22, the collection efficiency has increased to 91.40%, which is substantial improvement over FY 2020-21. However, the Commission notes

that the energy accounting of LBSCML is based on common HT meter in absence of metering for common area connections. This has led to negative distribution losses being recorded for these Truing-up years. Further, LBSCML was not diligent to install meters even in FY 2021-22 even after being aware of the negative distribution loss recorded in 1st year of operation i.e., FY 2020-21. This shows the inefficient working on part of a Distribution Licensee and in normal course additional RoE which is allowed only if Distribution Licensee achieve performance parameters could have been rejected. However, as the MYT Regulations, 2019 do not provide for any disallowance of additional RoE for lack of efficiency in any other parameter than prescribed in the said Regulations, the Commission cannot deviate from such provisions of Regulations. As per 29.9 (d) of MYT Regulations, 2019, for every 0.5% improvement in overall collection efficiency, rate of return shall be increased by 0.25%, subject of ceiling of additional RoE of 1%. Accordingly, as per the said Regulations, LBSCML is entitled to additional RoE of 1% for FY 2021-22 and the same is allowed by the Commission for FY 2021-22.

2.12.13 The additional RoE approved by the Commission for FY 2020-21 and FY 2021-22 is summarized in table below:

Table 36 : Additional Return on Equity for Distribution Wires Business for FY 2020-21 and FY 2021-22, approved by the Commission (Rs. Crore)

Particulars	Unit	Petition		Approved in this Order	
		FY 2020-21	FY 2021-22	FY 2020-21	FY 2021-22
Wires Availability above 98%	%	100%	100%	100%	100%
Additional Rate of Return on Equity for Wire availability	%	1.5%	1.5%	1.5%	1.5%
Additional Return on Equity Computation					
Return on Regulatory Equity at the beginning of the year	Rs. Crore	0.00	0.02	0.00	0.02
Return on Regulatory Equity addition during the year	Rs. Crore	0.01	0.00	0.00*	0.00
Total Additional Return on Equity	Rs. Crore	0.01	0.02	0.002	0.02

*- RoE for FY 2020-21 has been proportionately allocated for the number of days of operation in first year.

Table 37 : Additional Return on Equity for Retail Supply Business for FY 2020-21 and FY 2021-22, approved by the Commission (Rs. Crore)

Particulars	Unit	Petition		Approved in this Order	
		FY 2020-21	FY 2021-22	FY 2020-21	FY 2021-22
% of Assessed bills with respect to total bills issued during the year	%	0%	0%	0%	0%
Additional Rate of Return on Equity for assessment of bills	%	1%	1%	1%	1%
Collection Efficiency for the year	%	42.29%	91.40%	42.29%	91.40%
Additional Rate of Return for collection efficiency	%	0.00%	1.00%	0.00%	1.00%

Particulars	Unit	Petition		Approved in this Order	
		FY 2020-21	FY 2021-22	FY 2020-21	FY 2021-22
Total Additional Return on Equity	%	1.00%	2.00%	1.00%	2.00%
Additional Return on Equity Computation					
Return on Regulatory Equity at the beginning of the year	Rs. Crore	0.00	0.0003	0.00	0.0003
Return on Regulatory Equity addition during the year	Rs. Crore	0.0001	0.0000	0.00002	0.0000
Total Additional Return on Equity	Rs. Crore	0.0001	0.0003	0.00002	0.0003

*- RoE for FY 2020-21 has been proportionately allocated for the number of days of operation in first year.

2.13 Provisioning for Bad Debts

LBSCML's Submission

2.13.1 LBSCML has not claimed any provision for Bad and doubtful debts for FY 2020-21 and FY 2021-22, as no such provisioning has been done in its audited accounts of the respective years.

Commission's Analysis and Ruling

2.13.2 The Commission notes the submission of LBSCML and as LBSCML has not envisaged any provisioning for bad debts, the Commission has not considered any amount for FY 2020-21 and FY 2021-22.

2.14 Contribution to Contingency Reserves

LBSCML's Submission

2.14.1 In accordance with the Regulation 35 of MYT Regulations, 2019, LBSCML is entitled to invest up to 0.5% of its Opening GFA for each year as Contribution to Contingency Reserves. However, as the Commission is yet to issue its first Tariff Order for LBSCML, no such investment towards Contribution to Contingency Reserves has been done by LBSCML.

2.14.2 LBSCML has submitted that if the Commission approves the amount towards Contribution to Contingency Reserves in the true-up for FY 2020-21 and FY 2021-22, the same will be invested along with Contribution to Contingency Reserves for future years.

Commission's Analysis and Ruling

2.14.3 Regulations 35 of MYT Regulations, 2019 provide for Contribution to Contingency Reserves from 0.25% to 0.5% of the opening GFA. However, the Regulation provides for appropriated amount only if it has been invested in securities authorised under the Indian Trusts Act, 1882 within a period of six months of the close of the financial year.

2.14.4 As is evident from the submission of LBSCML, that it has not invested the amount towards Contingency Reserves for FY 2020-21 and FY 2021-22. Accordingly, the Commission has not

considered any amount towards Contribution to Contingency Reserve for FY 2020-21 and FY 2021-22. However, the Commission in the subsequent chapter has issued direction to make Contribution towards Contingency Reserves as per MYT Regulations, 2019 for balance period of the Control Period.

2.15 Non-Tariff Income

LBSCML's Submission

2.15.1 LBSCML has considered Non-Tariff Income for FY 2020-21 and FY 2021-22, in accordance with the Audited Accounts of the respective year.

2.15.2 LBSCML has not received any Non-Tariff Income for FY 2020-21 and FY 2021-22 and as shown in the following table:

Table 38 : Non-Tariff Income for FY 2020-21 and FY 2021-22, as submitted by LBSCML (Rs. Crore)

Particulars	FY 2020-21	FY 2021-22
Distribution Wires Business	0.00	0.00
Retail Supply Business	0.00	0.00

Commission's Analysis and Ruling

2.15.3 The Commission had raised query in relation to Nil Non-Tariff Income considered by LBSCML. In response to the said query, LBSCML submitted that no connection charges/application charges or any other charges are being recovered from the consumers.

2.15.4 The Commission has also verified the Audited Accounts and notes that there is no Non-Tariff Income for FY 2020-21 and FY 2021-22. Accordingly, the Commission has approved Nil Non-Tariff income for FY 2020-21 and FY 2021-22.

Table 39 : Non-Tariff Income for FY 2020-21 and FY 2021-22, approved by the Commission (Rs. Crore)

Particulars	Petition		Approved in this Order	
	FY 2020-21	FY 2021-22	FY 2020-21	FY 2021-22
Distribution Wires Business	-	-	-	-
Retail Supply Business	-	-	-	-

2.16 Sharing of Gains/(Losses)

LBSCML's Submission

2.16.1 No sharing of gains/(losses) have been computed on controllable factors as per the provisions of MYT Regulations, 2019 as no Tariff Order is issued for LBSCML.

Commission's Analysis and Ruling

- 2.16.2 The Commission notes that submission made by LBSCML. Since, this is the first tariff order of LBSCML, there is no normative O&M expenses and hence no sharing has been considered in relation to any gains or loss related to O&M expenses.
- 2.16.3 Regarding the IoWC, as per Regulations 11 of MYT Regulations 2019, the interest on working capital being considered as controllable factor for which the sharing mechanism in case of gain or loss is provided. Also, Regulations 32 of MYT Regulations 2019 provides the detail calculation to derive the normative interest on working capital which has been computed in para 2.11 of this order. Also, LBSCML has not provided any details towards actual interest paid on working capital in the Petition and claimed the normative amount. Accordingly, for the present proceedings, the actual IoWC shall be considered as zero and the difference between the normative and the actual IoWC shall be subject to sharing of efficiency gains / losses on account of IoWC.

Table 40: Sharing of efficiency gains/ (losses) of Interest on Working Capital for FY 2020-21 to FY 2021-22 approved by Commission (Rs. Crore)

Particulars	FY 2020-21			FY 2021-22		
	Wire	Supply	Total	Wire	Supply	Total
Normative IoWC	0.0007	0.0006	0.0013	0.0043	-	0.0043
Actual IoWC	-	-	-	-	-	-
Efficiency Gains/(Losses)	0.0007	0.0006	0.0013	0.0043	-	0.0043
Efficiency Gains/(losses) to be passed on to the consumers	0.0005	0.0004	0.0009	0.0029	-	0.0029
Efficiency Gains/(losses) to be retained	0.0002	0.0002	0.0004	0.0014	-	0.0014
Net Entitlement of IoWC	0.0002	0.0002	0.0004	0.0014	-	0.0014

2.17 Revenue from Sale of Electricity

LBSCML's Submission

- 2.17.1 As stated earlier, LBSCML has been levying the category-wise tariffs as approved by the Commission for MSEDCL for the respective years.
- 2.17.2 LBSCML has considered the actual revenue from sale of electricity for FY 2020-21 and FY 2021-22 as per the Audited Accounts. The category-wise break-up of revenue from Fixed Charges, Demand Charges, Energy Charges, etc., for FY 2020-21 and FY 2021-22 in the format as specified by the Commission.
- 2.17.3 The summary of revenue from sale of electricity for FY 2020-21 and FY 2021-22 submitted by LBSCML is shown in the following table:

Table 41 : Revenue from Sale of electricity for FY 2020-21 and FY 2021-22, as submitted by LBSCML (Rs. Crore)

Particulars	FY 2020-21	FY 2021-22
Revenue from Sale of Electricity	0.45	3.81

2.17.4 LBSCML requested the Commission to approve the Revenue from sale of electricity for FY 2020-21 and FY 2021-22.

Commission's Analysis and Ruling

2.17.5 The Commission has verified revenue considered by LBSCML with the Audited Accounts.

2.17.6 The Commission, therefore, approves the actual revenue from sale of electricity for FY 2020-21 and FY 2021-22 as per table given below:

Table 42 : Revenue from Sale of electricity for FY 2020-21 and FY 2021-22, approved by the Commission (Rs. Crore)

Particulars	Petition		Approved in this Order	
	FY 2020-21	FY 2021-22	FY 2020-21	FY 2021-22
Revenue from Sale of Electricity	0.45	3.81	0.45	3.81

2.18 Summary of Aggregate Revenue requirement for FY 2020-21 and FY 2021-22

LBSCML's Submission

2.18.1 The summary of the ARR claimed by LBSCML in the true-up for the Distribution Wires Business for FY 2020-21 and FY 2021-22, is as shown in the table below:

Table 43 : ARR Summary for Wires Business for FY 2020-21 and FY 2021-22, as submitted by LBSCML (Rs. Crore)

Particulars	FY 2020-21	FY 2021-22
O&M Expenses	0.26	0.77
Depreciation	0.09	0.18
Interest on Loan Capital	0.10	0.18
Interest on Working Capital	0.02	0.01
Interest on CSD	0.00	0.00
Provision for bad and doubtful debts	0.00	0.00
Contribution to Contingency Reserves	0.00	0.00
Total Revenue Expenditure	0.47	1.14
Add: Return on Equity Capital	0.09	0.18
Aggregate Revenue Requirement	0.55	1.32
Less: Non-Tariff Income	0.00	0.00
Aggregate Revenue Requirement from Wires	0.55	1.32

2.18.2 The summary of the ARR claimed by LBSCML in the true-up for the Retail Supply Business for FY 2020-21 and FY 2021-22, is as shown in the table below:

Table 44 : ARR Summary for Retail Supply Business for FY 2020-21 and FY 2021-22, as submitted by LBSCML

Particulars	FY 2020-21	FY 2021-22
Power Purchase Expenses	0.20	1.35
O&M Expenses	0.09	0.29

Particulars	FY 2020-21	FY 2021-22
Depreciation	0.00	0.00
Interest on Loan Capital	0.00	0.00
Interest on Working Capital	0.04	0.03
Interest on CSD	0.00	0.00
Provision for bad and doubtful debts	0.00	0.00
Contribution to Contingency Reserves	0.00	0.00
Intra-State Transmission Charges	0.00	0.00
MSLDC Fees & Charges	0.00	0.00
Total Revenue Expenditure	0.33	1.68
Add: Return on Equity Capital	0.00	0.00
Aggregate Revenue Requirement	0.33	1.68
Less: Non-Tariff Income	0.00	0.00
Aggregate Revenue Requirement from Supply	0.33	1.68

Commission's Analysis and Ruling

2.18.3 Based on the analysis in previous paragraphs, the Commission has approved the ARR for FY 2020-21 and FY 2021-22 as summarized in tables below:

Table 45 : ARR Summary for Wires Business for FY 2020-21 and FY 2021-22, approved by the Commission (Rs. Crore)

Particulars	Petition		Approved in this Order	
	FY 2020-21	FY 2021-22	FY 2020-21	FY 2021-22
O&M Expenses	0.2599	0.7665	0.1689	0.5301
Depreciation	0.0889	0.1812	0.0209	0.1812
Interest on Loan Capital	0.0992	0.1768	0.0242	0.1815
Interest on Working Capital	0.0176	0.0114	0.0002	0.0014
Interest on CSD	-	-	-	-
Provision for bad and doubtful debts	-	-	-	-
Contribution to Contingency Reserves	-	-	-	-
Total Revenue Expenditure	0.4655	1.1359	0.2143	0.8943
Add: Return on Equity Capital	0.0880	0.1797	0.0207	0.1797
Aggregate Revenue Requirement	0.5535	1.3156	0.2350	1.0740
Less: Non-Tariff Income	-	-	-	-
Aggregate Revenue Requirement from Wires	0.5535	1.3156	0.2350	1.0740

Table 46 : ARR Summary for Retail Supply Business for FY 2020-21 and FY 2021-22, approved by the Commission (Rs. Crore)

Particulars	Petition		Approved in this Order	
	FY 2020-21	FY 2021-22	FY 2020-21	FY 2021-22
Power Purchase Expenses	0.1970	1.3536	0.1933	1.4045
O&M Expenses	0.0910	0.2854	0.0910	0.2854
Depreciation	0.0020	0.0040	0.0005	0.0040
Interest on Loan Capital	0.0011	0.0030	0.0003	0.0031

Particulars	Petition		Approved in this Order	
	FY 2020-21	FY 2021-22	FY 2020-21	FY 2021-22
Interest on Working Capital	0.0399	0.0302	0.0002	-
Interest on CSD	-	-	-	-
Provision for bad and doubtful debts	-	-	-	-
Contribution to Contingency Reserves	-	-	-	-
Intra-State Transmission Charges	-	-	-	-
MSLDC Fees & Charges	-	-	-	-
Total Revenue Expenditure	0.3310	1.6762	0.2852	1.6970
Add: Return on Equity Capital	0.0011	0.0023	0.0003	0.0023
Aggregate Revenue Requirement	0.3321	1.6765	0.2855	1.6993
Less: Non-Tariff Income	-	-	-	-
Aggregate Revenue Requirement from Supply	0.3321	1.6765	0.2855	1.6993

Table 47 : Combined ARR for Retail Supply Business for FY 2020-21 and FY 2021-22, approved by the Commission (Rs. Crore)

Particulars	Petition		Approved in this Order	
	FY 2020-21	FY 2021-22	FY 2020-21	FY 2021-22
Power Purchase Expenses	0.1970	1.3536	0.1933	1.4045
O&M Expenses	0.3508	1.0520	0.2599	0.8155
Depreciation	0.0909	0.1852	0.0214	0.1852
Interest on Loan Capital	0.1003	0.1797	0.0245	0.1846
Interest on Working Capital	0.0575	0.0416	0.0004	0.0014
Interest on CSD	-	-	-	-
Provision for bad and doubtful debts	-	-	-	-
Contribution to Contingency Reserves	-	-	-	-
Intra-State Transmission Charges	-	-	-	-
MSLDC Fees & Charges	-	-	-	-
Total Revenue Expenditure	0.7565	2.8121	0.4995	2.5913
Add: Return on Equity Capital	0.0891	0.1820	0.0210	0.1820
Aggregate Revenue Requirement	0.8856	2.9941	0.5205	2.7733
Less: Non-Tariff Income	-	-	-	-
Aggregate Revenue Requirement	0.8856	2.9941	0.5205	2.7733

2.19 Revenue Gap/(Surplus) for FY 2020-21 and FY 2021-22

LBSCML's Submission

2.19.1 LBSCML has computed the combined Revenue Gap/(Surplus) for the Wires Business and Retail Supply Business for FY 2020-21 and FY 2021-22, as shown in the following table:

Table 48 : Combined Revenue Gap/(Surplus) for FY 2020-21 and FY 2021-22, as submitted by LBSCML (Rs. Crore)

Particulars	FY 2020-21	FY 2021-22
ARR for Distribution Wires Business	0.55	1.32
ARR for Retail Supply Business	0.33	1.68
Combined ARR for Wires and Retail Supply Business	0.89	2.99
Revenue from Wheeling Charges	0.03	0.26
Revenue from sale of electricity	0.42	3.55
Total Revenue	0.45	3.81
Gap/ (Surplus) of Wires Business	0.52	1.05
Gap/ (Surplus) of Supply Business	(0.09)	(1.87)
Combined Revenue Gap/(Surplus)	0.43	(0.81)

2.19.2 Considering the peculiar circumstances under which the Revenue Gap has been generated, viz., combination of lower sales due to COVID-19 impact, recovery of fixed Wires ARR through variable sales units, which have declined sharply, etc., LBSCML requested the Commission to consider the combined Revenue Gap of the Wires Business and Supply Business, rather than separately.

Commission's Analysis and Ruling

2.19.3 On detailed analysis of all the ARR components, and after arriving at the ARR approved in this Order for Distribution Wires Business and Retail Supply Business, the Commission has arrived at the standalone Revenue Gap/(Surplus) values by adjusting the ARR with the Revenue from Sale of Power approved by the Commission. The Commission has dealt with adjustment of the said Revenue Gap/Surplus in the subsequent chapter of this Order.

2.19.4 The resulting Revenue Gap/ (Surplus) approved by the Commission for FY 2020-21 to FY 2021-22 is as follows:

Table 49 : Combined Revenue Gap/(Surplus) for FY 2020-21 and FY 2021-22, approved by the Commission (Rs. Crore)

Particulars	Petition		Approved in this Order	
	FY 2020-21	FY 2021-22	FY 2020-21	FY 2021-22
ARR for Distribution Wires Business	0.554	1.316	0.235	1.074
ARR for Retail Supply Business	0.332	1.679	0.285	1.699
Combined ARR for Wires and Retail Supply Business	0.886	2.994	0.520	2.773
Revenue from Wheeling Charges	0.032	0.261	0.032	0.261
Revenue from Sale of Electricity	0.421	3.548	0.421	3.548
Total Revenue	0.453	3.808	0.453	3.808
Gap/ (Surplus) of Wires Business	0.520	1.050	0.203	0.813
Gap/(Surplus) of Supply Business	(0.090)	(1.870)	(0.135)	(1.848)
Combined Revenue Gap/(Surplus)	0.430	(0.810)	0.068	(1.035)

3 PROVISIONAL TRUING-UP OF ARR FOR FY 2022-23

3.1 Background

- 3.1.1 LBSCML has sought Provisional Truing-up for FY 2022-23 in accordance with the MYT Regulations, 2019, as specified in Regulation 5.1 (b) (iii) of the MYT Regulations, 2019.
- 3.1.2 Since, FY 2022-23 is not over, the provisional Truing up for FY 2022-23 has been prepared based on actual values of energy sales and power purchase from 1 April 2022 to 30 September 2022, and estimated values of energy sales and power purchase from 1 October 2022 to 31 March 2023, in accordance with the provisions of MYT Regulations, 2019. The other heads of expenditure have been considered on normative basis for the whole year.

3.2 Energy Sales

LBSCML's Submission

- 3.2.1 The actual sales in H1 of FY 2022-23 were 1.87 MU. For estimating the energy sales for the six-month period from October 2022 to March 2023, LBSCML has projected monthly sales on the basis of past trend in sales during this period, as compared to overall sales during the year, i.e., proportional contribution of each category to the overall sales for each month of the year.
- 3.2.2 The summary of Energy Sales (actual and estimated) for FY 2022-23 is shown in the table below:

Table 50 : Energy Sales for FY 2022-23, as submitted by LBSCML (MU)

Consumer Category	FY 2022-23		
	April – September (Actual)	October – March (Estimated)	April – March (Estimated)
HT Category			
HT II Commercial	1.02	1.07	2.08
Sub-total HT	1.02	1.07	2.08
LT Category			
LT II A Commercial	0.05	0.07	0.12
LT II B Commercial	0.33	0.33	0.66
LT II C Commercial	0.46	0.37	0.83
LT V Industry	0.01	0.01	0.02
Sub-total LT	0.85	0.78	1.63
Total	1.87	1.84	3.71

Commission's Analysis and Ruling

- 3.2.3 The Commission is of the view that LBSCML, being a Distribution Licensee, is aware of the ground realities and is hence in a better position to assess its impact on the estimated sales. Further, sales being an uncontrollable factor as per Regulations 9 of MYT Regulations, 2019, the energy sales as submitted by LBSCML are provisionally approved by the Commission. for

FY 2022 -23.

Table 51 : Energy Sales for FY 2022-23, as approved by the Commission (MU)

Consumer Category	Petition	Approved in this Order
HT Category		
HT II Commercial	2.08	2.08
Sub-total HT	2.08	2.08
LT Category		
LT II A Commercial	0.12	0.12
LT II B Commercial	0.66	0.66
LT II C Commercial	0.83	0.83
LT V Industry	0.02	0.02
Sub-total LT	1.63	1.63
Total	3.71	3.71

3.3 Distribution Loss

LBSCML's Submission

3.3.1 After considering the actual energy sales and the actual energy drawal at the interface point (T<>D Interface) for the first half of FY 2022-23 works out to -0.53%, considering the T<> D Interface consumption as per the DSM meters. The estimated losses in second half of FY 2022-23 is estimated as 2.26%, based on normative no-load losses computations. Hence, for the provisional true-up of FY 2022-23, LBSCML has considered the annual estimated distribution loss of 0.88% for the provisional true-up of FY 22-23.

3.3.2 The Distribution Loss for FY 2022-23 is shown in the following table:

Table 52 : Distribution Loss for FY 2022-23, as submitted by LBSCML (MU)

Particulars	Petition
Distribution Loss (%)	0.88%

Commission's Analysis and Ruling

3.3.3 The Commission in the Truing-up section of the Order for FY 2021-22 and FY 2021-22 has already dealt with the issue of negative Distribution Loss and directed LBSCML to install meters for common load within 3 months of this Order.

3.3.4 In response to query raised by the Commission in respect of estimated loss of 2.26% for H2 of FY 2022-23, LBSCML submitted that no load losses for transformers is ~0.26% where network loss is estimated at 2%. Accordingly, the average Distribution Loss for FY 2022-23 considering the actual loss of -0.53% for H1 and 2.26% for H2 is estimated at 0.88%.

3.3.5 The Commission is of the view that since there is no base line available for fixing the trajectory of Distribution Loss, the Commission is provisionally approving the Distribution Loss of

0.88% for FY 2022-23. Further, the Commission is also of the view that since approved loss is on estimated basis in absence of complete metering, it will not consider any sharing of gains during the final Truing-up whereas in the event of actual loss being higher than approved by the Commission in this Order, the Commission may take appropriate decision based on the justification given by LBSCML.

Table 53 : Distribution Loss for FY 2022-23, approved by the Commission

Particulars	Petition	Approved in this Order
Distribution Loss (%)	0.88%	0.88%

3.4 Energy Balance

LBSCML's Submission

3.4.1 LBSCML has considered the Energy Balance for FY 2022-23 after considering the estimated energy sales, Distribution Loss and energy purchase. Further, LBSCML is not subjected to any InSTS loss in FY 2022-23 as stated earlier. The estimated Energy Balance for FY 2022-23 is shown in the following table:

Table 54 : Energy Balance for FY 2022-23, as submitted by LBSCML

Particulars	FY 2022-23
Energy Sales (MU)	3.70
Distribution loss (%)	0.88%
Energy Requirement at T<>D (MU)	3.74
Intra-State Transmission Loss (%)	-
Energy Requirement at G<>T (MU)	3.74
Total Power Purchase at State Periphery (MU)	3.72
Imbalance Pool (MU)	0.02
Total Power Available at G<>T (MU)	3.74

Commission's Analysis and Ruling

3.4.2 The Commission notes that Power Purchase contracts entered into by LBSCML are at Distribution Periphery for FY 2022-23 and as submitted by LBSCML also, are not subjected to any InSTS loss. Accordingly, for projecting the energy requirement, the Commission has taken the approved energy sales and Distribution Loss for FY 2022-23.

3.4.3 The total energy requirement provisionally approved for FY 2022-23 is as shown in the table below:

Table 55 : Energy Balance for FY 2022-23, approved by the Commission

Particulars	Petition	Approved in this Order
Energy Sales (MU)	3.7	3.70

Particulars	Petition	Approved in this Order
Distribution loss (%)	0.88%	0.88%
Energy Requirement at T<>D (MU)	3.74	3.74
Intra-State Transmission Loss (%)	-	-
Energy Requirement at G<>T (MU)	3.74	3.74
Total Power Purchase at State Periphery (MU)	3.72	3.72
Imbalance Pool (MU)	0.02	0.02
Total Power Available at G<>T (MU)	3.74	3.74

3.5 Power Purchase Cost

LBSCML's Submission

3.5.1 The power purchase quantum and cost of LBSCML includes the purchase from conventional sources for meeting its Base Load and Peak Load requirement, RE power purchase and net purchase from Imbalance Pool.

Power Purchase for Base Load and Peak Load

3.5.2 As stated in the previous Chapter, LBSCML undertook the short-term power procurement process through competitive bidding in accordance with the Guidelines notified by the Ministry of Power, Government of India, to procure short-term Base Load of 1 MW. After completion of the competitive bidding process including the e-Reverse Auction (e-RA) process, M/s Manikaran Power Limited (MPL), a Trading Licensee, emerged as the lowest bidder, with a rate of Rs. 4.65/kWh. Based on the Petition filed by LBSCML, the Commission adopted the above-discovered tariff and approved the PPA between LBSCML and MPL, vide its Order dated 4 February, 2022 in Case No. 6 of 2022. The PPA between LBSCML and MPL was valid for a period of 1 year, from 1 February, 2022 to 31 January, 2023.

3.5.3 After the expiry of the above mentioned PPA, LBSCML has entered in to PPA with MPL for further period of 1 year starting from 1 February, 2023 to 31 January, 2024 at Rs 5.20/kWh through competitive bidding process. The Commission has adopted the above discovered tariff and approved the PPA vide its Order dated 6 February 2023 in Case No 8 of 2023.

Renewable Purchase Obligation

3.5.4 LBSCML has considered the RPO targets for FY 2022-23 as specified in the MERC RPO Regulations, 2019. The RPO targets are 8% for Solar and 11.50% for Non-Solar for FY 2022-23.

3.5.5 LBSCML has purchased Non-Solar RE power as well as Solar and Non-Solar RECs during this period to fulfil its RPO target.

3.5.6 The details of month-wise and source-wise power purchase quantum and cost estimated for FY 2022-23 is submitted by LBSCML.

Imbalance Pool

- 3.5.7 LBSCML has considered the actual quantum and cost of purchase from Imbalance Pool for first half of FY 2022-23. As purchase from Imbalance Pool cannot be projected as a source of supply, the same has not been estimated for the second half of FY 2022-23.
- 3.5.8 The estimated power purchase quantum and cost for FY 2022-23 is shown in the following table:

Table 56 : Power Purchase Cost for FY 2022-23, as submitted by LBSCML

Source of Power (Station wise)	Quantum (MU)	Cost (Rs. Crore)	Per unit cost (Rs./kWh)
Manikaran Power Limited	3.04	1.41	4.65
	0.68	0.35	5.20
DSM	0.02	(0.03)	
Solar REC	-	0.02	
Non-Solar REC	-	0.02	
Total	3.74	1.77	4.74

Commission's Analysis and Ruling

- 3.5.9 The Commission observes that the short term power procured by LBSCML is from the sources/contracts entered into by LBSCML through Competitive Bidding route and also as adopted by the Commission in its order dated Order dated 4 February, 2022 in Case No. 6 of 2022 for the period 1 February, 2022 to 31 January, 2023 at Rs 4.65/kWh and Order dated 6 February 2023 in Case No 8 of 2023 for the period 1 February, 2023 to 31 January, 2024 at Rs 5.20/kWh. Accordingly, the Commission has considered the power purchase from the said contracts as the tariff adopted by the Commission in the Order mentioned herein above.
- 3.5.10 To meet RPO, LBSCML has submitted that it has purchased 122 Solar REC equivalent to 0.12 MU and 196 Non-Solar REC equivalent to 0.196 MU in FY 2022-23 as on date of filing the Petition. The Commission notes that considering the cumulative RPO obligation for FY 2020-21 to FY 2022-23, there is shortfall of 0.21 MU and 0.31 MU of solar and non-solar obligation. As per Regulation 12.3 of RPO Regulations, 2019, the obligated entity has to meet such obligation cumulatively by 31 March, 2023. Accordingly, the Commission has considered REC purchase at Rs 1/kWh to meet the said shortfall in FY 2022-23.
- 3.5.11 The Commission notes that LBSCML has considered actual deviation quantum of 0.02 MU and the same has been provisionally considered the quantum and cost as submitted by LBSCML. LBSCML should submit details of the said cost at the time of true-up for FY 2022-23.
- 3.5.12 The power purchase quantum and cost for FY 2022-23 as approved by the Commission is shown in the following table:

Table 57 : Power Purchase Cost for FY 2022-23, approved by the Commission

Source of Power	Petition			Approved in this Order		
	Quantum (MU)	Cost (Rs. Crore)	Per unit cost (Rs./kWh)	Quantum (MU)	Cost (Rs. Crore)	Per unit cost (Rs./kWh)
Manikaran Power Limited (April to January and February to March)	3.04	1.41	4.65	3.04	1.41	4.65
				0.68	0.35	5.20
New Short – Term Source	0.68	0.35	5.20			
DSM	0.02	(0.03)	-	0.02	(0.04)	-
Solar REC	-	0.02	-	-	0.04	-
Non-Solar REC	-	0.02	-	-	0.05	-
Total	3.74	1.77	4.74	3.74	1.82	4.87

3.6 Transmission Charges and SLDC Charges

LBSCML's Submission

3.6.1 There is no incidence of Intra-State Transmission Charges and MSLDC Charges for LBSCML for FY 2022-23.

3.6.2 The Intra-State Transmission Charges and MSLDC Charges considered by LBSCML for FY 2022-23 are shown in the table below:

Table 58 : InSTS Charges and MSLDC Charges for FY 2022-23, as submitted by LBSCML (Rs. Crore)

Particulars	Petition
Intra-State Transmission Charges	-
MSLDC Charges	-

Commission's Analysis and Ruling

3.6.3 The Commission notes that the PPA entered into by LBSCML is at Distribution Periphery and also as submitted by LBSCML includes InSTS and MSLDC charges. Accordingly, the Commission has approved Nil charges for FY 2022-23. In case of any actual incurrence of said charges, the same may be submitted at the time of final Truing-up and same will be considered by the Commission subject to prudence check.

Table 59 : InSTS Charges and MSLDC Charges for FY 2022-23, approved by the Commission (Rs. Crore)

Particulars	Petition	Approved in this Order
Intra-State Transmission Charges	0.00	0.00
MSLDC Charges	0.00	0.00

3.7 Operation and Maintenance Expenses

LBSCML's Submission

3.7.1 Regulation 75.3 of the MERC MYT Regulations, 2019 specifies that the O&M expenses are to be computed on the basis of normative O&M expenses escalated by WPI and CPI indices of the last 5 years in the ratio 70:30 respectively, including the year of Truing-up. Similar provisions are applicable for Retail Supply Business also. The relevant extract is as follows:

“75.3 The Operation and Maintenance expenses for each subsequent year shall be determined by escalating these Base Year expenses of FY 2019-20 by an inflation factor with 30% weightage to the average yearly inflation derived based on the monthly Wholesale Price Index of the respective past five financial years as per the Office of Economic Advisor of Government of India and 70% weightage to the average yearly inflation derived based on the monthly Consumer Price Index for Industrial Workers (all-India) of the past five financial years as per the Labour Bureau, Government of India, as reduced by an efficiency factor of 1% or as may be stipulated by the Commission from time to time, to arrive at the permissible Operation and Maintenance expenses for each year of the Control Period:

Provided that, in the Truing-up of the O&M expenses for any particular year of the Control Period, an inflation factor with 30% weightage to the average yearly inflation derived based on the monthly Wholesale Price Index of the respective past five financial years (including the year of Truing-up) and 70% weightage to the average yearly inflation derived based on the monthly Consumer Price Index for Industrial Workers (all-India) of the respective past five financial years (including the year of Truing-up), as reduced by an efficiency factor of 1% or as may be stipulated by the Commission from time to time, shall be applied to arrive at the permissible Operation and Maintenance Expenses for that year.”

3.7.2 In line with the above provisions, LBSCML has worked out the normative O&M expenses for FY 2022-23. LBSCML has considered the normative O&M expenses of FY 2019-20 and escalated the same with WPI and CPI indices of last 5 years in the ratio 70:30.

3.7.3 The escalation factor as considered by LBSCML is outlined in the following table:

Table 60 : Escalation rate for O&M Expenses

Particulars	FY 2020-21	FY 2021-22	FY 2022-23
CPI (%)	5.04%	5.24%	5.24%
WPI (%)	2.38%	4.63%	4.63%
CPI: WPI: 70:30	4.24%	5.06%	5.06%
<i>Less: Efficiency Factor</i>	-	-	-
Escalation factor	4.24%	5.06%	5.06%

3.7.4 In this regard, the MYT Regulations, 2019 specify that the escalation factor has to be reduced by an efficiency factor of 1%, unless there is an increase in the number of consumers including Open Access consumers connected to the Distribution Wires of at least 2 percent annually over the last 3 years. In case of LBSCML, the number of consumers has reduced over the last 3

years. LBSCML submitted that the reduction in number of consumers is due to the Force Majeure situation prevalent on account of COVID-19 pandemic.

3.7.5 Hence, LBSCML has submitted that the escalation factor should not be reduced by the efficiency factor of 1% and requested the Commission to consider the escalation factor based on the composite WPI:CPI index. The Commission is requested to exercise its powers to relax under the MYT Regulations, 2019 and not consider the efficiency factor, while computing the escalation factor, in view of the extra-ordinary circumstances. For the purpose of estimation of normative O&M expenses for FY 2022-23, LBSCML has not considered the efficiency factor of 1%.

3.7.6 The computation of normative O&M expenses for FY 2022-23 in accordance with the MYT Regulations, 2019 is provided in the Table below:

Table 61 : Normative O&M Expenses for FY 2022-23, as submitted by LBSCML (Rs. Crore)

Particulars	Petition
O&M Expenses for Wires Business	0.81
O&M Expenses for Retail Supply Business	0.30
Total O&M Expenses	1.11

Commission's Analysis and Ruling

3.7.7 As per the MYT Regulations, 2019, the normative O&M charges for FY 2022-23 would be determined by escalating the base expenses determined for FY 2021-22 at the inflation factor reduced by an efficiency factor of 1%

3.7.8 The Commission in earlier section of this Order, has already computed and approved the O&M expenses for FY 2021-22 which is considered as the base expenses for calculation of normative expenses for FY 2022-23. This consideration for reference as normative numbers will be reviewed for the next MYT control period and the consideration in this Order is limited only for this control period.

3.7.9 As per MYT Regulations, the escalating factor is required to be computed by considering 30% weightage to the average yearly inflation derived based on the monthly Wholesale Price Index of the respective past five financial years as per the Office of Economic Advisor of Government of India and 70% weightage to the average yearly inflation derived based on the monthly Consumer Price Index for Industrial Workers (all-India) of the respective past five financial years as per the Labour Bureau, Government of India. However, the Labour Bureau had been issuing the CPI with 2011 series which has been shifted to 2016 series from September 2020 onwards. In order to derive the CPI inflation for FY 2020-21, monthly CPIs from September 2020 have been suitably converted from 2016 series to 2011 series by the Commission and accordingly, the following escalation factor has been considered:

Table 62 : Escalation rate for O&M Expenses

Particulars	FY 2020-21	FY 2021-22	FY 2022-23
CPI (%)	5.04%	5.24%	5.24%
WPI (%)	2.38%	4.63%	4.63%
CPI: WPI: 70:30	4.24%	5.06%	5.06%

Particulars	FY 2020-21	FY 2021-22	FY 2022-23
<i>Less: Efficiency Factor</i>	1%	1%	1%
Escalation factor	3.24%	4.06%	4.06%

- 3.7.10 With reference to consideration of the efficiency factor, as per MYT Regulations 2019, the same can be considered Zero only if there is an increase in the number of consumers including Open Access consumers connected to the Distribution Wires and supply business of at least 2 percent annually over the last 3 years. However, LBSCML has requested the Commission to exercise its powers to relax under the MYT Regulations, 2019 and not consider the efficiency factor, while computing the escalation factor, in view of the Force Majeure situation prevalent on account of COVID-19 pandemic. . It has been observed by the Commission that the number of consumers has actually reduced over the last 2 years..
- 3.7.11 As per MYT Regulations 2019, the efficiency factor is not reduced only in case where the number of consumers increased as the impact of the same is also on the O&M expenses which increases to serve such increase in consumers and related demand. However, it is noticed that the number of consumers in case of LBSCML has decreased and therefore not considering such efficiency factor may not be prudent considering that O&M cost to that extent might have also reduced with decrease in number of consumers. Hence the Commission is not inclined to provide any relaxation for not considering the efficiency factor, while computing the escalation factor. Hence, the O&M escalation factor has been considered post considering the 1% efficiency factor as provided in Regulations 75.3 and 84.3 of MYT Regulations 2019.
- 3.7.12 Accordingly, the Commission approves the normative O&M expenses of FY 2022-23 by considering the escalation factor of 5.06% and reducing the same by efficiency factor of 1% to derived at the O&M escalation factor of 4.06% on the base O&M expenses of FY 2021-22 as approved in this order.

Table 63 : Normative O&M Expenses for FY 2022-23, approved by the Commission (Rs. Crore)

Particulars	Petition	Approved in this Order
O&M Expenses for Wires Business	0.81	0.55
O&M Expenses for Retail Supply Business	0.3	0.30
Total O&M Expenses	1.11	0.8

3.8 Capital Expenditure and Capitalisation

LBSCML's Submission

- 3.8.1 LBSCML has not projected any Capitalisation for FY 2022-23.

Commission's Analysis and Ruling

- 3.8.2 The Commission notes the submission of LBSCML and has accordingly not considered any Capitalisation for FY 2022-23.

3.9 Depreciation

LBSCML's Submission

3.9.1 LBSCML has computed the Depreciation for FY 2022-23 in accordance with Regulation 28 of the MYT Regulations, 2019, by applying the asset class-wise depreciation rate specified in the MYT Regulations, 2019 on the average asset class-wise GFA during the year. The closing GFA for FY 2021-22 considered in the Truing-up of FY 2021-22 has been considered as the Opening GFA for FY 2022-23. As stated earlier, no addition to the GFA has been envisaged in the Wire Business and Supply Business for FY 2022-23.

3.9.2 The Depreciation claimed by LBSCML for FY 2022-23 is as shown in the following table:

Table 64 : Depreciation for FY 2022-23, as submitted by LBSCML (Rs. Crore)

Particulars	Petition
Distribution Wires Business	
Opening GFA	3.94
Additions during the Year	0.00
Retirement during the year	0.00
Closing GFA	3.94
Depreciation	0.18
Retail Supply Business	
Opening GFA	0.04
Additions during the Year	0.00
Retirement during the year	0.00
Closing GFA	0.04
Depreciation	0.004

Commission's Analysis and Ruling

3.9.3 The closing GFA for FY 2021-22 approved in this Order is considered as the opening GFA for FY 2022-23. The Commission has not considered any capitalization for FY 2022-23, as submitted by LBSCML.

3.9.4 The Commission has computed the depreciation for FY 2022-23 in accordance with the MYT Regulations, 2019 as shown in the following table:

Table 65 : Depreciation for FY 2022-23, approved by the Commission (Rs. Crore)

Particulars	Petition	Approved in this Order
Distribution Wires Business		
Opening GFA	3.94	3.94
Additions during the Year	0.00	0.00
Retirement during the year	0.00	0.00
Closing GFA	3.94	3.94
Depreciation	0.18	0.18
Retail Supply Business		
Opening GFA	0.04	0.04

Particulars	Petition	Approved in this Order
Additions during the Year	0.00	0.00
Retirement during the year	0.00	0.00
Closing GFA	0.04	0.04
Depreciation	0.004	0.004

3.10 Interest on Loan

LBSCML's Submission

3.10.1 LBSCML has computed the Interest on Long-Term Loan Capital in accordance with Regulation 30 of the MYT Regulations, 2019. The Closing Balance of net normative loan considered in the Truing-up for FY 2021-22 has been considered as the Opening Balance of net normative loan for FY 2022-23. For arriving at the addition of debt component during the year, LBSCML has considered normative debt: equity ratio of 70:30 on the addition to GFA as discussed in the earlier section. The Depreciation has been considered as normative repayment of loan during the year. The Interest on Loan had been calculated on the average normative loan for the year by applying the interest rate applicable for FY 2021-22. At the time of true-up for FY 2022-23, the weighted average rate of interest during the year shall be considered, in accordance with the MYT Regulations, 2019.

3.10.2 The Interest on Long Term Loan Capital claimed by LBSCML for FY 2022-23 is shown in the following tables:

Table 66 : Interest on Long-Term Loan Capital for Wires Business for FY 2022-23, as submitted by LBSCML (Rs. Crore)

Particulars	Petition
Opening Balance of Net Normative Loan	2.49
Addition of Normative Loan due to capitalisation during the year	0.00
Repayment of Normative loan during the year	0.18
Closing Balance of Net Normative Loan	2.31
Average Balance of Net Normative Loan	2.40
Weighted average Rate of Interest on actual Loans	7.00%
Interest Expenses	0.17

Table 67 : Interest on Long-Term Loan Capital for Retail Supply Business for FY 2022-23, as submitted by LBSCML (Rs. Crore)

Particulars	Petition
Opening Balance of Net Normative Loan	0.06
Addition of Normative Loan due to capitalisation during the year	0.00
Repayment of Normative loan during the year	0.00
Closing Balance of Net Normative Loan	0.05
Average Balance of Net Normative Loan	0.05
Weighted average Rate of Interest on actual Loans	7.00%
Interest Expenses	0.004

Commission's Analysis and Ruling

- 3.10.3 The Commission notes that neither LBSCML as Distribution entity on its own have any loans nor its Parent Company, Arshiya Limited has availed any loans. Hence, the normative rate of interest in accordance with the 5th proviso to Regulation 30.5 of the MYT Regulations, 2019 is required to be considered by the Commission.
- 3.10.4 The closing balance of loan approved for FY 2021-22 in this Order is considered as the opening loan for FY 2022-23. There is no capitalization during FY 2022-23 and hence addition to loan has not been considered.
- 3.10.5 The Interest on Loan had been calculated on the average normative loan for the year by applying the interest rate applicable for FY 2021-22 i.e., 7% as approved in this Order.
- 3.10.6 The repayment of loan is considered equal to the depreciation allowed during the year in accordance with Regulation 30.3 of MYT Regulations, 2019.
- 3.10.7 The Interest on Loan approved by the Commission for FY 2022-23 is summarised in the table below:

Table 68 : Interest on Long-Term Loan Capital for Wires Business for FY 2022-23, approved by the Commission (Rs. Crore)

Particulars	Petition	Approved in this Order
Opening Balance of Net Normative Loan	2.49	2.56
Addition of Normative Loan due to capitalisation during the year	0.00	0.00
Repayment of Normative loan during the year	0.18	0.18
Closing Balance of Net Normative Loan	2.31	2.37
Average Balance of Net Normative Loan	2.4	2.47
Weighted average Rate of Interest on actual Loans	7.00%	7.00%
Interest Expenses	0.17	0.17

Table 69 : Interest on Long-Term Loan Capital for Retail Supply Business for FY 2022-23, approved by the Commission (Rs. Crore)

Particulars	Petition	Approved in this Order
Opening Balance of Net Normative Loan	0.06	0.06
Addition of Normative Loan due to capitalisation during the year	0.00	0.00
Repayment of Normative loan during the year	0.00	0.00
Closing Balance of Net Normative Loan	0.05	0.05
Average Balance of Net Normative Loan	0.05	0.06
Weighted average Rate of Interest on actual Loans	7.00%	7.00%
Interest Expenses	0.004	0.004

3.11 Interest on Working Capital (IoWC) and Consumer Security Deposit (CSD)

LBSCML's Submission

3.11.1 LBSCML has computed the normative working capital requirement in accordance with the MYT Regulations, 2019. The one-year SBI MCLR as on 30th November 2022, i.e., date of filing the Petition, was 8.05%. Accordingly, for computation of IoWC, LBSCML has considered the rate of interest of 9.55% for FY 2022-23, in accordance with the MYT Regulations, 2019

3.11.2 LBSCML has not collected any CSD from the consumers, hence, there is no incidence of interest on CSD.

3.11.3 The computation of IoWC and interest on CSD for FY 2022-23 is shown in the following table:

Table 70 : IoWC and Interest on CSD for Wires Business for FY 2022-23, as submitted by LBSCML (Rs. Crore)

Particulars	Petition
O&M expenses for one month	0.07
Maintenance Spares at 1% of Opening GFA	0.04
One and half months' equivalent of the expected revenue from charges for use of Distribution Wires	0.04
Less: Amount held as Security Deposit from consumers	-
Total Working Capital Requirement	0.15
Computation of Working Capital Interest	
Interest Rate (%) – SBI MCLR +150 basis points	9.55%
Interest on Working Capital	0.01
Interest on Consumers' Security Deposit	0.00

Table 71 : IoWC and Interest on CSD for Retail Supply Business for FY 2022-23, as submitted by LBSCML (Rs. Crore)

Particulars	Petition
O&M expenses for one month	0.02
Maintenance Spares at 1% of Opening GFA	0.00
One and half months equivalent of the expected revenue from sale of electricity including revenue from CSS and Additional Surcharge	0.55
Less: Amount held as Security Deposit from consumers	-
Less: One-month equivalent of cost of power purchase, transmission charges and MSLDC Charges	0.15
Total Working Capital Requirement	0.43
Computation of Working Capital Interest	
Interest Rate (%) – SBI MCLR +150 basis points	9.55%
Interest on Working Capital	0.04
Interest on Consumers' Security Deposit	0.00

Commission's Analysis and Ruling

- 3.11.4 The Commission in the Truing-up section herein above, has already held that the LBSCML is in violation of extant provisions of Electricity Act, 2003 and MERC Regulations by not collecting Security Deposit from the Consumers and has notionally considered the Security Deposit for computation of Working Capital Requirement. In line with the said ruling, the Commission has also considered notional Security Deposit for FY 2022-23 for computing the Working Capital requirement.
- 3.11.5 The Commission has not considered any interest towards Security Deposit as LBSCML is not likely to pay any interest on CSD in FY 2022-23 and accordingly has not been considered by the Commission.
- 3.11.6 The Commission has computed the normative IoWC in accordance with the MYT Regulations, 2019. The rate of IoWC is the SBI MCLR Rate as on the date of the Petition (8.05%) plus 150 basis points.
- 3.11.7 The computation of IoWC for FY 2022-23 is shown in the following table:

Table 72 : IoWC and Interest on CSD for Wires Business for FY 2022-23, approved by the Commission

Particulars	Petition	Approved in this Order
O&M expenses for one month	0.07	0.05
Maintenance Spares at 1% of Opening GFA	0.04	0.04
One and half months' equivalent of the expected revenue from charges for use of Distribution Wires	0.04	0.04
Less: Amount held as Security Deposit from consumers	-	0.08
Total Working Capital Requirement	0.15	0.05
Computation of Working Capital Interest		
Interest Rate (%) – SBI MCLR +150 basis points	9.55%	9.55%
Interest on Working Capital	0.010	0.004
Interest on Consumers' Security Deposit	-	-

Table 73 : IoWC and Interest on CSD for Retail Supply Business for FY 2022-23, approved by the Commission

Particulars	Petition	Approved in this Order
O&M expenses for one month	0.02	0.02
Maintenance Spares at 1% of Opening GFA	0.00	0.00
One and half months equivalent of the expected revenue from sale of electricity including revenue from CSS and Additional Surcharge	0.55	0.56
Less: Amount held as Security Deposit from consumers	-	0.72
Less: One-month equivalent of cost of power purchase, transmission charges and MSLDC Charges	0.15	0.15

Particulars	Petition	Approved in this Order
Total Working Capital Requirement	0.43	(0.29)
Computation of Working Capital Interest		
Interest Rate (%) – SBI MCLR +150 basis points	9.55%	9.55%
Interest on Working Capital	0.040	-
Interest on Consumers' Security Deposit	-	-

3.12 Return on Equity

LBSCML's Submission

- 3.12.1 LBSCML has computed the RoE for FY 2022-23 in accordance with Regulation 29 of the MYT Regulations, 2019. LBSCML has considered the Closing Equity as considered in the Truing-up of FY 2021-22, as the Opening Equity for FY 2022-23. RoE has been computed on the Opening Equity for FY 2022-23 and 50% of the equity component of asset addition during the year. LBSCML has considered zero equity addition during FY 2022-23 for both Wires Business and Retail supply Business.
- 3.12.2 As per Regulation 29 of the MYT Regulations, 2019, RoE is computed in two components, first as per base return and second as additional return on equity linked to actual performance. The additional Return on Equity shall be allowed at the time of truing up for respective year based on actual performance, after prudence check of the Commission. Hence, as FY 2022-23 is not fully completed, LBSCML has computed only Base RoE and the additional return part will be calculated and claimed at the time of True-up.
- 3.12.3 For FY 2022-23, LBSCML has computed the Base RoE for the Wires Business at 14%.. Similarly for Retail supply Business, LBSCML has computed the Base RoE at 15.50% for FY 2022-23.
- 3.12.4 The RoE claimed by LBSCML for FY 2022-23 for the Wires Business and Retail Supply Business is shown in the following tables:

Table 74 : Return on Equity for Distribution Wires Business FY 2022-23, as submitted by LBSCML (Rs. Crore)

Particulars	Petition
Regulatory Equity at the beginning of the year	1.18
Equity portion of capitalisation during the year	0.00
Regulatory Equity at the end of the year	1.18
Return on Equity Computation	
Return on Regulatory Equity at the beginning of the year	0.17
Return on Regulatory Equity addition during the year	0.00
Total Return on Equity	0.17

**Table 75 : Return on Equity for Retail Supply Business FY 2022-23, as submitted by LBSCML
(Rs. Crore)**

Particulars	Petition
Regulatory Equity at the beginning of the year	0.01
Equity portion of capitalisation during the year	0.00
Regulatory Equity at the end of the year	0.01
Return on Equity Computation	
Return on Regulatory Equity at the beginning of the year	0.002
Return on Regulatory Equity addition during the year	0.00
Total Return on Equity	0.002

Commission's Analysis and Ruling

- 3.12.5 In absence of any Income Tax payment, the Commission has computed RoE at 14% and 15.5% of the equity for Wires Business and Supply Businesses, respectively, in accordance with the MYT Regulations, 2019 on the opening equity of the year and on 50% of the projected asset capitalisation during each year and considering 70:30 Debt:Equity ratio.
- 3.12.6 For arriving at the regulatory equity at the beginning of the year for FY 2022-23, the closing equity at the end of FY 2021-22 as approved in this Order has been considered. Further, there is no additional capitalization and hence addition to equity has not been considered during the year.
- 3.12.7 The RoE approved by the Commission for the Wires Business and Supply Business is summarised in the following table:

Table 76 : Return on Equity for Distribution Wires Business FY 2022-23, approved by the Commission (Rs. Crore)

Particulars	Petition	Approved in this Order
Regulatory Equity at the beginning of the year	1.18	1.18
Equity portion of capitalisation during the year	0.00	0.00
Regulatory Equity at the end of the year	1.18	1.18
Return on Equity Computation		
Return on Regulatory Equity at the beginning of the year	0.17	0.17
Return on Regulatory Equity addition during the year	0.00	0.00
Total Return on Equity	0.17	0.17

Table 77 : Return on Equity for Retail Supply Business FY 2022-23, approved by the Commission (Rs. Crore)

Particulars	Petition	Approved in this Order
Regulatory Equity at the beginning of the year	0.01	0.01
Equity portion of capitalisation during the year	0.00	0.00
Regulatory Equity at the end of the year	0.01	0.01

Particulars	Petition	Approved in this Order
Return on Equity Computation		
Return on Regulatory Equity at the beginning of the year	0.002	0.002
Return on Regulatory Equity addition during the year	0.00	0.00
Total Return on Equity	0.002	0.002

3.13 Provisioning for Bad Debts

LBSCML's Submission

3.13.1 LBSCML has not estimated any provision for bad debts. In case any such provisioning is done, the same shall be claimed at the time of truing up based on actuals and in accordance with the MYT Regulations, 2019.

Commission's Analysis and Ruling

3.13.2 The Commission notes the submission of LBSCML and has accordingly not considered any amount towards Bad Debts.

3.14 Contribution to Contingency Reserves

LBSCML's Submission

3.14.1 As the Commission is yet to issue any Tariff Order for LBSCML, no contribution to contingency reserve has been considered by LBSCML for FY 2022-23.

Commission's Analysis and Ruling

3.14.2 The Commission notes the submission of LBSCML and accordingly has not considered any Contribution to Contingency Reserves for FY 2022-23. However, the Commission directs LBSCML to make appropriate contribution as per MYT Regulations, 2019 and submit the claim with documentary evidence at the time of Truing-up.

3.15 Non-Tariff Income

LBSCML's Submission

3.15.1 LBSCML has considered Non-Tariff income for the Wires Business and the Retail Supply Business for FY 2022-23, at the same level as the actuals of FY 2021-22, i.e., Nil.

Commission's Analysis and Ruling

3.15.2 The Commission notes the submission of LBSCML and has accordingly not considered any amount towards Non-Tariff Income.

3.16 Revenue from Sale of Electricity

LBSCML's Submission

- 3.16.1 LBSCML is presently levying the category-wise tariffs approved in the MYT Order for MSEDCL for FY 2022-23, in accordance with the Commission's directions in this regard.
- 3.16.2 For the purpose of estimation of revenue, LBSCML has considered the tariff approved by the Commission for MSEDCL for FY 2022-23 on the estimated sales for FY 2022-23.
- 3.16.3 The category-wise break-up of revenue from Fixed Charges, Demand Charges, Energy Charges, etc., for FY 2022-23 is submitted along with the Petition.
- 3.16.4 Estimated revenue from sale of electricity for FY 2022-23 submitted by LBSCML is shown in the following table:

Table 78 : Estimated Revenue from Sale of electricity for FY 2022-23, as submitted by LBSCML (Rs. Crore)

Particulars	Petition
Revenue from Sale of Electricity	4.81

Commission's Analysis and Ruling

- 3.16.5 The Commission has examined the computation of the estimated revenue for FY 2022-23 as submitted by LBSCML and the same is allowed on provisional basis, subject to Truing-up in the future. Also, as per the data provided by LBSCML for H1 of FY 2022-23, the impact of ToD Charges, PF Penalty and bill adjustment has also been considered while computing the revenue for FY 2023-23.

Table 79 : Revenue from Sale of electricity for FY 2022-23, approved by the Commission (Rs. Crore)

Consumer Category	Petition		Approved in this Order	
	FY2022-23		FY2022-23	
	Sales (MU)	Revenue (Rs. Cr)	Sales (MU)	Revenue (Rs. Cr)
HT II Commercial	2.08	2.54	2.08	2.53
LT Category				
LT II A Commercial	0.12	0.10	0.12	0.10
LT II B Commercial	0.66	0.90	0.66	0.90
LT II C Commercial	0.83	1.26	0.83	1.26
LT V Industry	0.02	0.01	0.02	0.02
Total	3.71	4.81	3.71	4.80

3.17 Summary of Aggregate Revenue Requirement for FY 2022-23

LBSCML's Submission

3.17.1 The summary of the ARR claimed by LBSCML in the provisional true-up for the Distribution Wires Business for FY 2022-23, is as shown in the table below:

Table 80 : ARR Summary for Wires Business for FY 2022-23, as submitted by LBSCML (Rs. Crore)

Particulars	Petition
Operation & Maintenance Expenses	0.81
Depreciation	0.18
Interest on Loan Capital	0.17
Interest on Working Capital	0.01
Interest on deposit from Distribution System Users	0.00
Provision for bad and doubtful debts	0.00
Contribution to Contingency Reserves	0.00
Total Revenue Expenditure	1.17
Add: Return on Equity Capital	0.17
Aggregate Revenue Requirement	1.34
Less: Non-Tariff Income	0.00
Net ARR of Wires Business	1.34

3.17.2 The summary of the ARR claimed by LBSCML in the provisional true-up for the Retail Supply Business for FY 2022-23 is shown in the following table:

Table 81 : ARR Summary for Retail Supply Business for FY 2022-23, as submitted by LBSCML (Rs. Crore)

Particulars	Petition
Power Purchase Expenses	1.77
Operation & Maintenance Expenses	0.30
Depreciation	0.00
Interest on Loan Capital	0.004
Interest on Working Capital	0.04
Interest on Consumer Security Deposit	0.00
Provision for bad and doubtful debts	0.00
Contribution to Contingency Reserves	0.00
Intra-State Transmission Charges	-
MSLDC Fees & Charges	-
Total Revenue Expenditure	2.12
Add: Return on Equity Capital	0.00
Aggregate Revenue Requirement	2.12
Less: Non-Tariff Income	0.00
Aggregate Revenue Requirement from Retail Supply	2.12

Commission's Analysis and Ruling

3.17.3 Based on the analysis in the previous paragraphs, the Commission has provisionally approved

the ARR for FY 2022-23, as summarised in the table below:

Table 82 : ARR Summary for Wires Business for FY 2022-23, approved by the Commission (Rs. Crore)

Particulars	Petition	Approved in this Order
Operation & Maintenance Expenses	0.805	0.552
Depreciation	0.185	0.185
Interest on Loan Capital	0.168	0.173
Interest on Working Capital	0.014	0.004
Interest on deposit from Distribution System Users	-	-
Provision for bad and doubtful debts	-	-
Contribution to Contingency Reserves	-	-
Total Revenue Expenditure	1.170	0.913
Add: Return on Equity Capital	0.166	0.166
Aggregate Revenue Requirement	1.340	1.079
Less: Non-Tariff Income	-	-
Net ARR of Wires Business	1.340	1.079

Table 83 : ARR Summary for Retail Supply Business for FY 2022-23, approved by the Commission (Rs. Crore)

Particulars	Petition	Approved in this Order
Power Purchase Expenses	1.770	1.817
Operation & Maintenance Expenses	0.300	0.297
Depreciation	0.004	0.004
Interest on Loan Capital	0.004	0.004
Interest on Working Capital	0.042	-
Interest on Consumer Security Deposit	-	-
Provision for bad and doubtful debts	-	-
Contribution to Contingency Reserves	-	0.0002
Intra-State Transmission Charges	-	-
MSLDC Fees & Charges	-	-
Total Revenue Expenditure	2.120	2.122
Add: Return on Equity Capital	0.002	0.002
Aggregate Revenue Requirement	2.120	2.124
Less: Non-Tariff Income	-	-
Aggregate Revenue Requirement from Retail Supply	2.120	2.124

Table 84 : Combined ARR for Distribution Wires and Retail Supply Business for FY 2020-21 and FY 2021-22, approved by the Commission (Rs. Crore)

Particulars	Petition	Approved in this Order
Power Purchase Expenses	1.770	1.817
O&M Expenses	1.105	0.849
Depreciation	0.189	0.189
Interest on Loan Capital	0.172	0.177

Particulars	Petition	Approved in this Order
Interest on Working Capital	0.056	0.004
Interest on CSD	-	-
Provision for bad and doubtful debts	-	-
Contribution to Contingency Reserves	-	-
Intra-State Transmission Charges	-	-
MSLDC Fees & Charges	-	-
Total Revenue Expenditure	3.292	3.035
Add: Return on Equity Capital	0.168	0.168
Aggregate Revenue Requirement	3.459	3.203
Less: Non-Tariff Income	-	-
Aggregate Revenue Requirement	3.459	3.203

3.18 Revenue Gap/(Surplus) for FY 2022-23

LBSCML's Submission

3.18.1 LBSCML has computed the combined Revenue Gap/(Surplus) for the Wires Business and Retail Supply Business for FY 2022-23, as shown in the following table:

Table 85 : Revenue Gap/(Surplus) for FY 2022-23, as submitted by LBSCML (Rs. Crore)

Particulars	Petition
ARR for Distribution Wires Business	1.34
ARR for Retail Supply Business	2.12
Combined ARR for Wires and Retail Supply Business	3.46
Revenue from sale of electricity	4.81
Revenue Gap/(Surplus)	(1.35)

Commission's Analysis and Ruling

3.18.2 The Commission carried out computation of the provisional Revenue Gap/ (Surplus) for FY 2022-23 which is as shown in the table below:

Table 86 : Revenue Gap/(Surplus) for FY 2022-23, approved by the Commission (Rs. Crore)

Particulars	Petition	Approved in this Order
ARR for Distribution Wires Business	1.340	1.079
ARR for Retail Supply Business	2.120	2.124
Combined ARR for Wires and Retail Supply Business	3.459	3.203
Revenue from sale of electricity	4.808	4.800
Revenue Gap/(Surplus)	(1.350)	(1.597)

3.18.3 Accordingly, the Commission provisionally approves the Revenue Surplus of Rs. 1.597 Crore for FY 2022-23. This has been considered for adjustment against the ARR of remaining period of 4th Control Period for the purpose of tariff determination.

4 APPROVAL OF ARR FOR FY 2023-24 AND FY 2024-25

4.1 Background

- 4.1.1 LBSCML has projected the ARR for the remaining years of the fourth Control Period, viz., FY 2023-24 and FY 2024-25, based on the actuals and estimates for previous years as claimed in the previous Chapters and the provisions of the MYT Regulations, 2019.
- 4.1.2 LBSCML has also considered the impact of Truing-up for FY 2020-21 and FY 2021-22, and the provisional Truing-up for FY 2022-23.

4.2 Energy Sales

LBSCML's Submission

- 4.2.1 COVID-19 pandemic and the associated practice of Work From Home, especially in the IT & ITeS sector, has resulted in suppressing the sales of LBSCML for the period from FY 2020-21 to FY 2022-23. As was observed in the provisional Truing-up for FY 2022-23, with the COVID-19 pandemic now being considered to be almost over with almost all restrictions having been lifted, the sales in FY 2022-23 are estimated to be higher by around 21% over the levels in FY 2021-22. Considering that 21% growth in consumption is likely to be achieved in FY 2022-23 over FY 2021-22 levels, despite several consumers operating under Work-from-Home model, LBSCML has submitted that it would be reasonable to assume a 30% annual increase in sales in FY 2023-24 and FY 2024-25, with more and more consumers opting for work from office and hybrid approach, as compared to work-from-home approach.
- 4.2.2 The month-wise sales have been projected based on the contribution of each category in the overall sales and the sales pattern in each month of the year. Based on the above approach, the month-wise and category-wise sales have been projected for FY 2023-24 and FY 2024-25.
- 4.2.3 The projected category-wise Energy Sales for FY 2023-24 and FY 2024-25 is as under:

Table 87 : Category-wise Energy Sales for FY 2023-24 and FY 2024-25, as submitted by LBSCML (MU)

Consumer Category	FY 2023-24	FY 2024-25
HT Category		
HT II	2.79	3.63
Sub-total HT	2.79	3.63
LT Category		
LT II (A)	0.17	0.22
LT II (B)	0.87	1.13
LT II (C)	0.97	1.26
LT V (Industry)	0.02	0.03
Sub-total LT	2.03	2.64
Total	4.82	6.27

- 4.2.4 Further, LBSCML has proposed kVAh tariff for all categories in accordance with the

Commission's stated approach in this regard, as LBSCML has all the necessary metering arrangements in place for implementing kVAh tariff for all categories. The projected category-wise sales in Million kVAh (MkVAh) for FY 2023-24 and FY 2024-25 is presented in the table below:

Table 88 : Category-wise Energy Sales for FY 2023-24 and FY 2024-25, as submitted by LBSCML (MkVAh)

Consumer Category	FY 2023-24	FY 2024-25
HT Category		
HT II	2.65	3.45
Sub-total HT	2.65	3.45
LT Category		
LT II (A)	0.15	0.20
LT II (B)	0.78	1.02
LT II (C)	1.10	1.43
LT V (Industry)	0.03	0.03
Sub-total LT	2.07	2.69
Total	4.72	6.13

Commission's Analysis and Ruling

- 4.2.5 The Commission notes that with ebbing of Covid 19 pandemic, there has been growth of 21% in sales of FY 2022-23 over FY 2021-22 and the same has been approved by the Commission in this Order.
- 4.2.6 The Commission is of the view that LBSCML, being a Distribution Licensee, is aware of the ground realities and is hence in a better position to assess its impact on the estimated sales. Further, sales being an uncontrollable factor as per Regulations 9 of MYT Regulations, 2019, the energy sales as submitted by LBSCML are provisionally approved by the Commission.
- 4.2.7 Accordingly, the Commission accepts the methodology followed by LBSCML for projecting the energy sales for the FY 2023-24 and FY 2024-25, and accordingly approves the sales as submitted by LBSCML.

Table 89 : Category-wise Energy Sales for FY 2023-24 and FY 2024-25, as approved by the Commission

Consumer Category	FY 2023-24	FY 2024-25	FY 2023-24	FY 2024-25
	MU		MkVAh	
HT Category				
HT II Commercial	2.79	3.63	2.65	3.45
Sub-total HT	2.79	3.63	2.65	3.45
LT Category				
LT II A Commercial	0.17	0.22	0.15	0.20
LT II B Commercial	0.87	1.13	0.78	1.02

Consumer Category	FY 2023-24	FY 2024-25	FY 2023-24	FY 2024-25
	MU		MkVAh	
LT II C Commercial	0.97	1.26	0.97	1.26
LT V Industry	0.02	0.03	0.02	0.03
Sub-total LT	2.03	2.64	1.93	2.51
Total	4.82	6.27	4.58	5.95

4.3 Distribution Loss

LBSCML's Submission

- 4.3.1 LBSCML has projected Distribution Loss for FY 2023-24 and FY 2024-25 based on the normative distribution losses considering no load losses. Once all the metering arrangements are in place, the actual losses will be known, and LBSCML will submit the same at the time of true-up for the respective years.
- 4.3.2 The projected Distribution Losses for FY 2023-24 and FY 2024-25 are as under:

Table 90 : Distribution Loss for FY 2023-24 and FY 2024-25, as submitted by LBSCML

Particulars	FY 2023-24	FY 2024-25
Distribution Loss (%)	2.26%	2.26%

Commission's Analysis and Ruling

- 4.3.3 The Commission observes that LBSCML has maintained the same loss levels as H2 of FY 2022-23 i.e., 2.26% for the FY 2023-24 and FY 2024-25 based on the losses of transformers of 0.26% and assumption of network related loss of 2%.
- 4.3.4 The Commission has already given directions in relation to installing meters for common load services, which will give correct picture of actual Distribution Loss. In absence of actual Distribution Loss for the past years, the Commission has considered 2.26% as Distribution Loss for FY 2022-23 and FY 2023-24. The actual Distribution loss for each year of the Control Period shall be considered at the time of Truing-up subject to necessary prudence check. The Commission has already held herein above that it will not consider any sharing of gains during the final Truing-up whereas in the event of actual loss being higher than approved by the Commission in this Order, the Commission may take appropriate decision based on the justification given by LBSCML.
- 4.3.5 However, the Commission directs LBSCML to ensure metering of all points. It should provide a single-line diagram with marked up interface meter (T\leftrightarrowD periphery) and details of consumer metering points at Point of Supply along with of Truing-up Petition for FY 2022-23 and FY 2023-24.
- 4.3.6 The Distribution Loss approved by the Commission for FY 2022-23 and FY 2023-24 is shown in the following table:

Table 91 : Distribution Loss for FY 2023-24 and FY 2024-25, approved by the Commission

Particulars	Petition		Approved in this Order	
	FY 2023-24	FY 2024-25	FY 2023-24	FY 2024-25
Distribution Loss (%)	2.26%	2.26%	2.26%	2.26%

4.4 Energy Balance

LBSCML's Submission

- 4.4.1 LBSCML has projected the Energy Balance for FY 2023-24 and FY 2024-25 based on the projected sales, Distribution Losses, and intra-State Transmission Loss approved by the Commission in the InSTS MYT Order dated 30 March, 2020.
- 4.4.2 Accordingly, LBSCML has projected the energy requirement for FY 2023-24 and FY 2024-25, as under:

Table 92 : Energy Balance for FY 2023-24 and FY 2024-25, as submitted by LBSCML

Particulars	FY 2023-24	FY 2024-25
Energy Sales	4.82	6.27
Distribution Loss (%)	2.26%	2.26%
Energy Requirement at T<>D	4.94	6.42
Intra-State Transmission Loss (%)	3.18%	3.18%
Energy Requirement at G<>T (MU)		
Total Power Purchase at Maharashtra State Periphery	5.10	6.63
Total Energy Required	5.10	6.63

Commission's Analysis and Ruling

- 4.4.3 For projecting the energy requirement, the Commission has taken the approved energy sales and Distribution Loss for FY 2023-24 and FY 2024-25. It has considered InSTS Loss of 3.18% for each year as approved in its InSTS Tariff Order dated 31 March, 2023 in Case No. 239 of 2022.
- 4.4.4 Accordingly, the total energy requirement approved by the Commission for FY 2023-24 and FY 2024-25 is as shown in the table below

Table 93 : Energy Balance for FY 2023-24 and FY 2024-25, approved by the Commission

Particulars	Petition		Approved in this Order	
	FY 2023-24	FY 2024-25	FY 2023-24	FY 2024-25
Energy Sales	4.82	6.27	4.82	6.27
Distribution Loss (%)	2.26%	2.26%	2.26%	2.26%
Energy Requirement at T<>D	4.94	6.42	4.94	6.42
Intra-State Transmission Loss (%)	3.18%	3.18%	3.18%	3.18%
Energy Requirement at G<>T (MU)				

Particulars	Petition		Approved in this Order	
	FY 2023-24	FY 2024-25	FY 2023-24	FY 2024-25
Total Power Purchase at Maharashtra State Periphery	5.10	6.63	5.10	6.63
Total Energy Required	5.10	6.63	5.10	6.63

4.5 Power Purchase Expenses

LBSCML's Submission

4.5.1 LBSCML intends to tie-up with a new short-term source of power for FY 2023-24 and FY 2024-25. LBSCML hopes to procure short-term power for FY 2023-24 and entire FY 2024-25 through new short-term sources at a rate of Rs. 5 per kWh, considering that the present inflated rates are not sustainable in the long-term. Any variation in rates shall be recovered/adjusted through the FAC mechanism. LBSCML shall also purchase additional power requirement through the Power Exchanges through available market products, as per requirement.

4.5.2 The details of month-wise and source-wise power purchase quantum and cost estimated for FY 2023-24 and FY 2024-25 in specified formats prescribed by the Commission.

Renewable Purchase Obligation

4.5.3 For FY 2023-24 and FY 2024-25, LBSCML has considered the RPO targets specified in the Maharashtra Electricity Regulatory Commission (Renewable Purchase Obligation, its Compliance and Implementation of Renewable Energy Certificate Framework) Regulations, 2019, as shown in the table below:

Table 94 : RPO Target for FY 2023-24 and FY 2024-25

Year	Solar	Non-Solar	Total
2023-24	10.50%	11.50%	22.00%
2024-25	13.50%	11.50%	25.00%

4.5.4 LBSCML has considered purchase of RECs for meeting its RPO targets, given the very small quantum of RE power requirement.

4.5.5 LBSCML has projected the source-wise power purchase quantum and cost from FY 2023-24 and FY 2024-25 as under:

Table 95 : Power Purchase for FY 2023-24 and FY 2024-25, as submitted by LBSCML (Rs. Crore)

Particulars	Source	FY 2023-24	FY 2024-25
Power Purchase Quantum (MU)	Manikaran Power Limited/ Short-term Source	5.10	6.63
	Solar Purchase	0.00	0.00
	Non-Solar Purchase	0.00	0.00
	Total	5.10	6.63

Particulars	Source	FY 2023-24	FY 2024-25
Power Purchase Cost (Rs. Crore)	New Short-term Source	2.55	3.31
	Solar Purchase	0.00	0.00
	Non-Solar Purchase	0.00	0.00
	Solar RECs	0.05	0.09
	Non-Solar RECs	0.06	0.08
	Total	2.66	3.48
Power Purchase Rate (Rs/kWh)	New Short-term Source	5.00	5.00
	Solar Purchase	-	-
	Non-Solar Purchase	-	-
	Solar RECs	1.00	1.00
	Non-Solar RECs	1.00	1.00
	Total	5.22	5.25

Commission's Analysis and Ruling

- 4.5.6 The Commission in its Order dated 6 February 2023 in Case No 8 of 2023 has adopted the tariff discovered through Competitive Bidding route and approve the PPA for the period 1 February, 2023 to 31 January, 2024 at Rs 5.20/kWh. The Commission has accordingly considered the said rate recently discovered through competitive bidding route for short term power purchase for FY 2023-24 and FY 2024-25.
- 4.5.7 The Commission notes that inspite of having various options for meeting the RPO obligations including procuring RECs, LBSCML has proposed to meet RPO by purchasing RECs and meet the demand through short term purchase. The Commission is of the view that it could be beneficial to purchase the renewable power to meet the RPO which will not only offset power purchase but also avoid REC purchase thereby reducing the overall power purchase cost. However, the Commission is aware of the fact that even if LBSCML initiates the purchase of renewable power, it will take at-least 18 to 24 months for the availability of power due to time required to complete the entire process involving Bidding Process and commissioning timelines required as per Standard Bidding Guidelines for procurement of Wind and Solar power. Also, considering the small quantum of RPO Obligation, presently it would be prudent to purchase REC's and accordingly, the Commission has considered REC purchase at Rs 1/kWh to meet the RPO Obligation for FY 2023-24 and FY 2024-25. However, the Commission advises LBSCML to explore the option of purchasing renewable power on long term basis for meeting its renewable obligations so that the benefit is passed on to the consumers.
- 4.5.8 The power purchase quantum and cost for FY 2023-24 and FY 2024-25 as approved by the Commission is shown in the following table:

Table 96 : Power Purchase for FY 2023-24 and FY 2024-25, approved by the Commission (Rs. Crore)

Particulars	Source	Petition		Approved in this Order	
		FY 2023-24	FY 2024-25	FY 2023-24	FY 2024-25
Power Purchase Quantum (MU)	Manikaran Power Limited/ New Short-term Source	5.10	6.63	5.10	6.63
	Solar Purchase	0.00	0.00	0.00	0.00
	Non-Solar Purchase	0.00	0.00	0.00	0.00
	Total	5.10	6.63	5.10	6.63
Power Purchase Cost (Rs. Crore)	New Short-term Source	2.55	3.31	2.65	3.45
	Solar Purchase	0.00	0.00	0.00	0.00
	Non-Solar Purchase	0.00	0.00	0.00	0.00
	Solar RECs	0.05	0.09	0.05	0.09
	Non-Solar RECs	0.06	0.08	0.06	0.08
	Total	2.66	3.48	2.76	3.61
Power Purchase Rate (Rs/kWh)	New Short-term Source	5.00	5.00	5.20	5.20
	Solar Purchase	-	-	-	-
	Non-Solar Purchase	-	-	-	-
	Solar RECs	1.00	1.00	1.00	1.00
	Non-Solar RECs	1.00	1.00	1.00	1.00
	Total	5.22	5.25	5.42	5.45

4.6 Transmission Charges and MSLDC Charges

LBSCML's Submission

- 4.6.1 In accordance with Regulation 2 (87) of the MYT Regulations, 2019, LBSCML being a Distribution Licensee, is a Transmission System User (TSU) for the purpose of transmission tariff determination. Further, Regulations 64 and 65 of the MYT Regulations, 2019 specify the mechanism for sharing of Total Transmission System Cost (TTSC) amongst the Transmission System Users. In a similar manner, Regulation 99 of the MYT Regulations, 2019 also specifies the mechanism for sharing of MSLDC charges amongst Transmission System Users.
- 4.6.2 Being a Distribution Licensee, LBSCML is entitled to share the TTSC and MSLDC Charges in accordance with the MYT Regulations, 2019. At present, there is no approved share of Intra-State Transmission Charges and MSLDC charges for FY 2023-24 and FY 2024-25. However, in order to ensure that the ARR is not under-stated by not considering these costs, which are bound to be recoverable, LBSCML has estimated these costs based on the projected load and per kW/MW rate approved by the Commission for InSTS Charges and MSLDC Charges for FY 2023-24 and FY 2024-25, in the respective MYT Orders for InSTS and MSLDC, as shown in the table below:

Table 97 : Transmission Charges and MSLDC Charges for FY 2023-24 and FY 2024-25, as submitted by LBSCML (Rs. Crore)

Particulars	FY 2023-24			FY 2024-25		
	Load (MW)	Approved Charges	Estimated Charges	Load (MW)	Approved Charges	Estimated Charges
Transmission Charges	1.18	Rs. 256/kW/month	0.36	1.54	Rs. 250/kW/month	0.46
MSLDC Charges	1.18	Rs. 1354.36/MW/month	0.002	1.54	Rs. 1355.30/MW/month	0.003

Commission's Analysis and Ruling

4.6.3 The Commission notes the submission made by LBSCML. The Commission has notified Intra-state Transmission Charges through its InSTS Order dated 31 March, 2023 in Case No. 239 of 2020 and the MSLDC Charges through Order in Case No. 233 of 2022 dated 31 March, 2023 which have been considered by Commission for FY 2023-24 and FY 2024-25 as shown in the table below:

Table 98 : Transmission Charges and MSLDC Charges for FY 2023-24 and FY 2024-25, approved by the Commission (Rs. Crore)

Particulars	Petition		Approved in this Order	
	FY 2023-24	FY 2024-25	FY 2023-24	FY 2024-25
Transmission Charges	0.36	0.46	0.30	0.35
MSLDC Charges	0.002	0.003	0.001	0.001

4.7 Operation & Maintenance Expenses**LBSCML's Submission**

4.7.1 Regulations 75 and 84 of the MYT Regulations, 2019 specify the methodology for determination of O&M expenses for FY 2023-24 and FY 2024-25 for the Wires Business and Supply Business, respectively.

4.7.2 LBSCML has considered the escalation rate for O&M expenses as outlined below:

Table 99 : Escalation rate for O&M Expenses

Particulars	FY 2020-21	FY 2021-22	FY 2022-23	FY 2023-24	FY 2024-25
CPI (%)	5.04%	5.24%	5.24%	5.24%	5.24%
WPI (%)	2.38%	4.63%	4.63%	4.63%	4.63%
CPI:WPI::70:30	4.24%	5.06%	5.06%	5.06%	5.06%
Escalation factor	4.24%	5.06%	5.06%	5.06%	5.06%

Non-Consideration of Efficiency Factor

4.7.3 Clause 75.3 of the MYT Regulations, 2019 (for Wires Business; similar provisions are there for Supply Business also) specifies as under:

“Provided further that the efficiency factor shall be considered as zero, in case there is an increase in the number of consumers including Open Access consumers connected to the Distribution Wires of at least 2 percent annually over the last 3 years:

Provided also that in case such increase in the number of consumers is lower than 2 percent annually over the last 3 years, then the reduction in efficiency factor shall be considered in proportion to the percentage growth in the number of consumers”

4.7.4 As elaborated in the true-up for FY 2020-21 and FY 2021-22, there has been a reduction in the number of consumers of LBSCML on account of the Force Majeure reason of COVID-19. Hence, LBSCML has requested that the escalation rate should not be reduced on account of the efficiency factor. LBSCML requested the Commission to approve the normative O&M expenses for FY 2023-24 and FY 2024-25 proposed by LBSCML:

Table 100 : Normative O&M Expenses for FY 2023-24 and FY 2024-25, as submitted by LBSCML (Rs. Crore)

Particulars	FY 2023-24	FY 2024-25
O&M Expenses for Wires Business	0.85	0.89
O&M Expenses for Supply Business	0.32	0.33
Total O&M Expenses	1.16	1.22
Escalation Rate (WPI: CPI) (70:30)	5.06%	5.06%

Commission’s Analysis and Ruling

4.7.5 Regulations 75 and 84 of the MYT Regulations, 2019 specify the methodology for determination of O&M expenses for the Control Period from FY 2020-21 to FY 2024-25 for the Wires Business and Supply Business, respectively.

4.7.6 Based on the above referred Regulations, the Commission has determined the normative O&M expenses for wire and Supply Business separately for the 4th Control Period as explained in the following paras:

Base O&M

4.7.7 For Computation of normative O&M expenses, the Commission has considered the O&M expenses for FY 2022-23 as approved in this Order. As held in this order, considering the first tariff order of LBSCML, sharing of efficiency of losses of O&M expenses would not be considered at the time of Truing- up of the expenses for FY 2023-24 and FY 2024-25 considering the opacity in the actual O&M expenses submitted by LBSCML for FY 2020-21 and FY 2021-22. However, in case of any efficiency gain, the same would be considered at the time of truing up of the respective years.

Escalation Factor

4.7.8 Accordingly, the Commission has estimated normative O&M expenses for FY 2023-24 and

FY 2024-25 considering the base expenses of FY 2022-23 and escalating with the weighted average inflation rate of WPI:CPI in the ratio 70:30 as specified in the Regulations 75.3 and 84.3 of the MYT Regulations, 2019.

- 4.7.9 While calculating the escalation factor, the Commission has considered 2011-12 data series of WPI to work out escalation rate for O&M expenses. However, it was noticed that the base of CPI series for Industrial workers (CPI_{IW}) has been changed by the Labour Bureau, from 2001 to 2016 resulting in change in number from September 2020 onwards. Therefore, from September 2020, Labour of Bureau has discontinued publication of CPI based on 2011 series and instead of the same, CPI based on 2016 series has been published. Since, the old base has been discontinued from September 2020, the Commission has considered the new base from September 2020 onwards and modified the same on pro-rata basis to appropriately reflect CPI based on 2011 series so as to maintain consistency and accordingly has calculated the escalation number for FY 2020-21.
- 4.7.10 Efficiency factor as specified in Regulation 75.3 and 84.3 of the MYT Regulations, 2019 (for Wires Business; similar provisions are there for Supply Business also), provided Zero % efficiency factor only if there is an increase in the number of consumers including Open Access consumers connected to the Distribution Wires and supply business of at least 2 percent annually over the last 3 years. However, as analyzed in the previous section of this order, there is no proper yardstick to calculate the growth of consumers in case of LBSCML and not considering such efficiency factor may not be prudent considering that no growth in the number of consumers has been projected by LBSCML which might not have the resultant impact on the O&M cost to that extent. Hence the Commission is not inclined to provide any relaxation for not considering the efficiency factor, while computing the escalation factor. Hence, the O&M escalation factor has been calculated post considering the 1% efficiency factor as provided in Regulations 75.3 and 84.3 of MYT Regulations 2019. Accordingly, the Commission approves the normative O&M expenses of FY 2023-24 and FY 2024-25 by considering the escalation factor of 5.06% and reducing the same by efficiency factor of 1% to derived at the O&M escalation factor of 4.06% on the base O&M expenses of FY 2021-22 as approved in this order. The Commission may revisit the same at the time of Truing-up based on the actual number of consumers available, sales growth and performance of LBSCML.
- 4.7.11 Based on the above analysis, the Commission has considered the escalation rate for O&M expenses as outlined below:

Table 101 : Escalation rate for O&M Expenses

Particulars	FY 2021-22	FY 2022-23	FY 2023-24	FY 2024-25
CPI (%)	5.24%	5.24%	5.24%	5.24%
WPI (%)	4.63%	4.63%	4.63%	4.63%
CPI:WPI::70:30	5.06%	5.06%	5.06%	5.06%
Escalation factor	5.06%	5.06%	5.06%	5.06%
Less: Efficiency Factor	1%	1%	1%	1%
O&M escalation factor	4.06%	4.06%	4.06%	4.06%

4.7.12 Accordingly, the Commission approves the normative O&M Expenses for FY 2022-23 and FY 2024-25, considering the escalation factor as specified above.

Table 102 : Normative O&M Expenses for FY 2023-24 and FY 2024-25, approved by the Commission (Rs. Crore)

Particulars	Petition		Approved in this Order	
	FY 2023-24	FY 2024-25	FY 2023-24	FY 2024-25
O&M Expenses for Wires Business	0.85	0.89	0.57	0.60
O&M Expenses for Supply Business	0.32	0.33	0.31	0.32
Total O&M Expenses	1.16	1.22	0.88	0.92

4.8 Capital Expenditure and Capitalisation

LBSCML's Submission

4.8.1 LBSCML has projected Nil Capex and Capitalisation for the Wires Business and Supply Business for FY 2023-24 and FY 2024-25.

Commission's Analysis and Ruling

4.8.2 The Commission has noted the submission of LBSCML and has not considered any additional Capitalisation for FY 2023-24 and FY 2024-25.

4.9 Depreciation

LBSCML's Submission

4.9.1 LBSCML has calculated Depreciation in accordance with Regulation 28 of the MYT Regulations, 2019 for the Distribution Wires and Retail Supply Business, separately. LBSCML has computed asset-wise depreciation on each asset class based on the Depreciation rates as specified in Annexure I of the MYT Regulations, 2019.

4.9.2 The Closing GFA of FY 2022-23 considered in Provisional Truing-up is taken as Opening GFA for FY 2023-24 and onwards.

4.9.3 The following table shows the Depreciation computed for FY 2023-24 and FY 2024-25, based on Opening GFA and addition to GFA during the respective years:

Table 103 : Depreciation for FY 2023-24 and FY 2024-25, as submitted by LBSCML (Rs. Crore)

Particulars	FY 2023-24	FY 2024-25
Distribution Wires Business		
Opening GFA	3.94	3.94
Additions during the Year	0.00	0.00
Closing GFA	3.94	3.94

Particulars	FY 2023-24	FY 2024-25
Depreciation	0.18	0.18
Retail Supply Business		
Opening GFA	0.04	0.04
Additions during the Year	0.00	0.00
Closing GFA	0.04	0.04
Depreciation	0.004	0.004

Commission's Analysis and Ruling

- 4.9.4 The Commission has computed the Depreciation in accordance with Regulation 28 of MYT Regulations, 2019 for the Distribution Wires and Retail Supply Businesses separately
- 4.9.5 For the computation of Depreciation for each year, the closing GFA for FY 2022-23 as approved in the Order has been considered as the opening GFA for FY 2023-24 and the approved Capitalisation for FY 2023-24 and FY 2024-25 has been considered for addition of assets during the year. The Commission has calculated the Depreciation by applying the asset class-wise depreciation rate as specified in the MYT Regulations, 2019 on the average asset class-wise GFA during the year.
- 4.9.6 The Depreciation approved for FY 2023-24 and FY 2024-25 for the Distribution Wires and Retail Supply Businesses is as shown in the table below:

Table 104 : Depreciation for FY 2023-24 and FY 2024-25, approved by the Commission (Rs. Crore)

Particulars	Petition		Approved in this Order	
	FY 2023-24	FY 2024-25	FY 2023-24	FY 2024-25
Distribution Wires Business				
Opening GFA	3.94	3.94	3.94	3.94
Additions during the Year	0.00	0.00	0.00	0.00
Closing GFA	3.94	3.94	3.94	3.94
Depreciation	0.18	0.18	0.18	0.18
Retail Supply Business				
Opening GFA	0.04	0.04	0.04	0.04
Additions during the Year	0.00	0.00	0.00	0.00
Closing GFA	0.04	0.04	0.04	0.04
Depreciation	0.004	0.004	0.004	0.004

4.10 Interest on Loan

LBSCML's Submission

- 4.10.1 LBSCML has computed the Interest on Long-term Loan as per Regulation 30 of the MYT Regulations, 2019. The Closing net normative loan of FY 2022-23 considered in Provisional

Truing-up is taken as Opening net normative loan for FY 2023-24 and onwards. The computation of interest on Long-term loan capital has done on the basis of opening normative loan in a year. The normative repayment of loan has been considered equal to the projected Depreciation for the respective year, in accordance with the Regulations. For arriving at the debt component, the debt: equity ratio of 70:30 has been considered on the proposed Capitalisation for respective year. The interest rate has been considered as weighted average rate of interest of the actual loan basket of LBSCML for FY 2021-22.

4.10.2 Interest on Long-term Loan Capital projected for FY 2023-24 and FY 2024-25 is shown in the following table:

Table 105 : Interest on Loan for Wires Business for FY 2023-24 and FY 2024-25, as submitted by LBSCML (Rs. Crore)

Particulars	FY 2023-24	FY 2024-25
Opening Balance of Net Normative Loan	2.31	2.12
Addition of Normative Loan due to capitalisation during the year	0.00	0.00
Repayment of Normative loan during the year	0.18	0.18
Closing Balance of Net Normative Loan	2.12	1.94
Average Balance of Net Normative Loan	2.21	2.03
Weighted average Rate of Interest on actual Loans (%)	7.00%	7.00%
Interest Expenses	0.15	0.14

Table 106 : Interest on Loan for Retail Supply Business for FY 2023-24 and FY 2024-25, as submitted by LBSCML (Rs. Crore)

Particulars	FY 2023-24	FY 2024-25
Opening Balance of Net Normative Loan	0.05	0.05
Addition of Normative Loan due to capitalisation during the year	0.00	0.00
Repayment of Normative loan during the year	0.00	0.00
Closing Balance of Net Normative Loan	0.05	0.04
Average Balance of Net Normative Loan	0.05	0.05
Weighted average Rate of Interest on actual Loans (%)	7.00%	7.00%
Interest Expenses	0.004	0.003

Commission's Analysis and Ruling

4.10.3 The Commission notes that neither LBSCML as Distribution entity on its own have any loans nor its Parent Company, Arshiya Limited has availed any loans. Hence, the normative rate of interest in accordance with the 5th proviso to Regulation 30.5 of the MYT Regulations, 2019 is required to be considered by the Commission.

4.10.4 The closing balance of loan approved for FY 2022-23 in this Order is considered as the opening loan for FY 2023-24 and closing loan for FY 2023-24 is considered as opening loan for FY

2024-25. There is no capitalization during the said years and hence addition to loan has not been considered.

4.10.5 The Interest on Loan had been calculated on the average normative loan for the year by applying the interest rate applicable for FY 2021-22 i.e., 7% as approved in this Order.

4.10.6 The repayment of loan is considered equal to the depreciation allowed during the year in accordance with Regulation 30.3 of MYT Regulations, 2019.

4.10.7 The Interest on Loan approved by the Commission for FY 2023-24 and FY 2024-25 is summarised in the table below:

Table 107 : Interest on Loan for Wires Business for FY 2023-24 for FY 2023-24 and FY 2024-25, approved by the Commission (Rs. Crore)

Particulars	Petition		Approved in this Order	
	FY 2023-24	FY 2024-25	FY 2023-24	FY 2024-25
Opening Balance of Net Normative Loan	2.31	2.12	2.37	2.19
Addition of Normative Loan due to capitalisation during the year	0.00	0.00	0.00	0.00
Repayment of Normative loan during the year	0.18	0.18	0.18	0.18
Closing Balance of Net Normative Loan	2.12	1.94	2.19	2.00
Average Balance of Net Normative Loan	2.21	2.03	2.28	2.10
Weighted average Rate of Interest on actual Loans (%)	7.00%	7.00%	7.00%	7.00%
Interest Expenses	0.15	0.14	0.16	0.15

Table 108 : Interest on Loan for Retail Supply Business for FY 2023-24 for FY 2023-24 and FY 2024-25, approved by the Commission (Rs. Crore)

Particulars	Petition		Approved in this Order	
	FY 2023-24	FY 2024-25	FY 2023-24	FY 2024-25
Opening Balance of Net Normative Loan	0.05	0.05	0.05	0.05
Addition of Normative Loan due to capitalisation during the year	0.00	0.00	0.00	0.00
Repayment of Normative loan during the year	0.00	0.00	0.00	0.00
Closing Balance of Net Normative Loan	0.05	0.04	0.05	0.05
Average Balance of Net Normative Loan	0.05	0.05	0.05	0.05
Weighted average Rate of Interest on actual Loans (%)	7.00%	7.00%	7.00%	7.00%
Interest Expenses	0.004	0.003	0.004	0.003

4.11 Interest on Working Capital and Consumers' Security Deposit

LBSCML's Submission

4.11.1 LBSCML has computed the normative Interest on Working Capital as per Regulation 32 of the MYT Regulations, 2019. No CSD has been considered as LBSCML has not collected any CSD from the consumers. Regulation 32.3 (b) and 34.3 (b) provides for rate of Interest to be taken for computing Interest on Working Capital. The relevant extract is as follows

“(b) Rate of interest on working capital shall be on normative basis and shall be equal to the Base Rate as on the date on which the Petition for determination of Tariff is filed, plus 150 basis points:”

4.11.2 The one-year SBI MCLR prevalent as on 30th November 2022 was 8.05%. Accordingly, for computation of IoWC, LBSCML has considered the rate of interest of 9.55% for FY 2023-24 and FY 2024-25, in accordance with the MYT Regulations, 2019.

4.11.3 As no CSD has been considered by LBSCML, hence, no interest on CSD has been projected by LBSCML.

4.11.4 The projected IoWC and interest on CSD for the Control Period is shown in the tables below:

Table 109 : IoWC and interest on CSD for Wires Business for FY 2023-24 and FY 2024-25, as submitted by LBSCML (Rs. Crore)

Particulars	FY 2023-24	FY 2024-25
O&M expenses for a month	0.07	0.07
Maintenance Spares at 1% of Opening GFA	0.04	0.04
One and half months' equivalent of the expected revenue from Wheeling Charges	0.05	0.07
Less: Amount held as Security Deposit from Distribution System Users	0.00	0.00
Total Working Capital Requirement	0.16	0.18
Computation of Working Capital Interest		
Interest Rate (%) – SBI MCLR +150 basis points	9.55%	9.55%
Interest on Working Capital	0.02	0.02
Interest on CSD	0.00	0.00

Table 110 : IoWC and interest on CSD for Retail Supply Business for FY 2023-24 and FY 2024-25, as submitted by LBSCML (Rs. Crore)

Particulars	FY 2023-24	FY 2024-25
O&M expenses for a month	0.03	0.03
Maintenance Spares at 1% of Opening GFA	0.00	0.00
One and half months equivalent of the expected revenue from sale of electricity including revenue from CSS and Additional Surcharge	0.70	0.89
Less: Amount held as security deposit	0.00	0.00
Less: One month equivalent of cost of power purchase, transmission charges and MSLDC Charges	0.25	0.33
Total Working Capital Requirement	0.47	0.59
Computation of Working Capital Interest		
Interest Rate (%) – SBI MCLR +150 basis points	9.55%	9.55%
Interest on Working Capital	0.04	0.06
Interest on CSD	0.00	0.00

Commission's Analysis and Ruling

4.11.5 The Commission has computed the normative IoWC in accordance with the MYT Regulations, 2019. The rate of IoWC is the SBI MCLR Rate as on the date of the Petition (8.05%) plus 150 basis points.

4.11.6 Further, the Commission in this order has considered the CSD based on the revenue projections for FY 2023-24 and FY 2024-25 which is correct reflection of CSD likely to be collected by LBSCML based on sales approved by the Commission.

4.11.7 The Commission has considered interest rate on CSD equal to the prevailing Bank Rate of Reserve Bank of India (RBI), in accordance with the MYT Regulations, 2019

4.11.8 The Interest on Working Capital and Consumer's Security Deposit as approved by the Commission for the Wires Business and the Supply Business is as shown in the table below:

Table 111 : IoWC and interest on CSD for Wires Business for FY 2023-24 and FY 2024-25, approved by the Commission (Rs. Crore)

Particulars	Petition		Approved in this Order	
	FY 2023-24	FY 2024-25	FY 2023-24	FY 2024-25
O&M expenses for a month	0.07	0.07	0.05	0.05
Maintenance Spares at 1% of Opening GFA	0.04	0.04	0.04	0.04
One and half months equivalent of the expected revenue from use of Distribution Wires	0.05	0.07	0.05	0.07
Less: Amount held as Security Deposit from Distribution System Users (Normative Basis)	0.00	0.00	0.06	0.07
Total Working Capital Requirement	0.16	0.18	0.08	0.09
Computation of Working Capital Interest				
Interest Rate (%) – SBI MCLR +150 basis points	9.55%	9.55%	9.55%	9.55%
Interest on Working Capital	0.02	0.02	0.01	0.01
Interest Rate (%) - Bank Rate	6.15%	6.15%	6.15%	6.15%
Interest on CSD	0.000	0.000	0.003	0.004

Table 112 : IoWC and interest on CSD for Retail Supply Business for FY 2023-24 and FY 2024-25, approved by the Commission (Rs. Crore)

Particulars	Petition		Approved in this Order	
	FY 2023-24	FY 2024-25	FY 2023-24	FY 2024-25
O&M expenses for a month	0.03	0.03	0.03	0.03
Maintenance Spares at 1% of Opening GFA	0.00	0.00	0.00	0.00
One and half months equivalent of the expected revenue from sale of electricity including revenue from CSS and Additional Surcharge	0.70	0.89	0.30	0.37
Less: Amount held as security deposit	0.00	0.00	0.51	0.64
Less: One month equivalent of cost of power purchase, transmission charges and MSLDC Charges	0.25	0.33	0.26	0.33
Total Working Capital Requirement	0.47	0.59	(0.44)	(0.57)
Computation of Working Capital Interest				
Interest Rate (%) – SBI MCLR +150 basis points	9.55%	9.55%	9.55%	9.55%

Particulars	Petition		Approved in this Order	
	FY 2023-24	FY 2024-25	FY 2023-24	FY 2024-25
Interest on Working Capital	-	-	-	-
Interest Rate (%) - Bank Rate	6.15%	6.15%	6.15%	6.15%
Interest on CSD	0.04	0.06	0.03	0.04

4.12 Return on Equity

LBSCML's Submission

4.12.1 LBSCML has computed the Return on Equity Capital for FY 2023-24 and FY 2024-25 in accordance with Regulation 29 of the MYT Regulations, 2019 for Distribution Wires and Retail Supply Business, separately.

4.12.2 LBSCML has considered Closing Equity of FY 2022-23 as Opening Equity of FY 2023-24 and onwards. Addition to equity is considered equal to 30% of the capitalization proposed for respective year of the Control Period as specified in the MYT Regulations, 2019. Further, MYT Regulations, 2019 provides for pre-tax RoE to be computed for the Control Period. In line with Regulation 34 of MYT Regulations, 2019, LBSCML has claimed pre-tax RoE for FY 2023-24 and FY 2024-25. The calculation of pre-tax RoE rate is based on the Tax liability computed by LBSCML for FY 2021-22.

4.12.3 The following table shows the RoE computed for Wires and Retail Supply Business as per the Regulations.

Table 113 : Return on Equity Capital for Wires Business for FY 2023-24 and FY 2024-25, as submitted by LBSCML (Rs. Crore)

Particulars	FY 2023-24	FY 2024-25
Regulatory Equity at the beginning of the year	1.18	1.18
Equity portion of capitalisation during the year	0.00	0.00
Regulatory Equity at the end of the year	1.18	1.18
Return on Equity Computation		
Base Rate of Return on Equity	14.00%	14.00%
Pre-tax Return on Equity after considering effective Tax rate	14.00%	14.00%
Return on Regulatory Equity at the beginning of the year	0.17	0.17
Return on Regulatory Equity addition during the year	0.00	0.00
Total Return on Equity	0.17	0.17

Table 114 : Return on Equity Capital for Retail Supply Business for FY 2023-24 and FY 2024-25, as submitted by LBSCML (Rs. Crore)

Particulars	FY 2023-24	FY 2024-25
Regulatory Equity at the beginning of the year	0.01	0.01
Equity portion of capitalisation during the year	0.00	0.00
Regulatory Equity at the end of the year	0.01	0.01

Particulars	FY 2023-24	FY 2024-25
Return on Equity Computation		
Base Rate of Return on Equity	15.50%	15.50%
Pre-tax Return on Equity after considering effective Tax rate	15.50%	15.50%
Return on Regulatory Equity at the beginning of the year	0.002	0.002
Return on Regulatory Equity addition during the year	0.000	0.000
Total Return on Equity	0.002	0.002

Commission's Analysis and Ruling

- 4.12.4 In absence of any Income Tax payment, the Commission has computed RoE at 14% and 15.5% of the equity for Wires Business and Supply Businesses, respectively, in accordance with the MYT Regulations, 2019 on the opening equity of the year and on 50% of the projected asset Capitalisation during each year and considering 70:30 Debt:Equity ratio.
- 4.12.5 For arriving at the regulatory equity at the beginning of the year for FY 2023-24, the closing equity at the end of FY 2023-24 as approved in this Order has been considered. Further, there is no additional capitalization and hence addition to equity has not been considered during the year.
- 4.12.6 The RoE approved by the Commission for the Wires Business and Supply Business is summarised in the following table:

Table 115 : Return on Equity Capital for Wires Business for FY 2023-24 and FY 2024-25, approved by the Commission (Rs. Crore)

Particulars	Petition		Approved in this Order	
	FY 2023-24	FY 2024-25	FY 2023-24	FY 2024-25
Regulatory Equity at the beginning of the year	1.18	1.18	1.18	1.18
Equity portion of capitalisation during the year	0.00	0.00	0.00	0.00
Regulatory Equity at the end of the year	1.18	1.18	1.18	1.18
Return on Equity Computation				
Base Rate of Return on Equity	14.00%	14.00%	14.00%	14.00%
Pre-tax Return on Equity after considering effective Tax rate	14.00%	14.00%	14.00%	14.00%
Return on Regulatory Equity at the beginning of year	0.17	0.17	0.17	0.17
Return on Regulatory Equity addition during the year	0.00	0.00	0.00	0.00
Total Return on Equity	0.17	0.17	0.17	0.17

Table 116 : Return on Equity Capital for Retail Supply Business for FY 2023-24 and FY 2024-25, approved by the Commission (Rs. Crore)

Particulars	Petition		Approved in this Order	
	FY 2023-24	FY 2024-25	FY 2023-24	FY 2024-25
Regulatory Equity at the beginning of the year	0.01	0.01	0.01	0.01
Equity portion of capitalisation during the year	0.00	0.00	0.00	0.00
Regulatory Equity at the end of the year	0.01	0.01	0.01	0.01

Particulars	Petition		Approved in this Order	
	FY 2023-24	FY 2024-25	FY 2023-24	FY 2024-25
Return on Equity Computation				
Base Rate of Return on Equity	15.50%	15.50%	15.50%	15.50%
Pre-tax Return on Equity after considering effective Tax rate	15.50%	15.50%	15.50%	15.50%
Return on Regulatory Equity at the beginning of year	0.002	0.002	0.002	0.002
Return on Regulatory Equity addition during the year	0.00	0.00	0.00	0.00
Total Return on Equity	0.002	0.002	0.002	0.002

4.13 Provisioning for Bad Debts

LBSCML's Submission

4.13.1 LBSCML has not considered provisioning for bad debts as it has not envisaged any outstanding receivables during FY 2023-24 and FY 2024-25.

Commission's Analysis and Ruling

4.13.2 Considering LBSCML's submissions, the Commission has not considered any amount towards provisioning for bad debts.

4.14 Contribution to Contingency Reserves

LBSCML's Submission

4.14.1 LBSCML has considered the Contribution to Contingency Reserves in accordance with Regulation 35 of the MYT Regulations, 2019 at 0.5% of original cost of fixed assets as shown in the table below:

Table 117 : Contribution to Contingency Reserves for FY 2023-24 and FY 2024-25, as submitted by LBSCML (Rs. Crore)

Particulars	FY 2023-24	FY 2024-25
Opening GFA of Wire Business	3.94	3.94
Contribution to Contingency Reserves for Wires Business	0.02	0.02
Opening GFA of Retail Supply Business	0.00	0.00
Contribution to Contingency Reserves for Retail Supply Business	0.00	0.00

Commission's Analysis and Ruling

4.14.2 The Commission approves the Contribution to Contingency Reserves for each year of the Control Period as 0.5% of the original cost of fixed assets approved for the respective years. The Commission directs LBSCML to invest such contribution as per Regulation 35.1 of MYT Regulations, 2019.

4.14.3 The Contribution to Contingency Reserves approved by the Commission is as summarised below:

Table 118 : Contribution to Contingency Reserves for FY 2023-24 and FY 2024-25, approved by the Commission (Rs. Crore)

Particulars	Petition		Approved in this Order	
	FY 2023-24	FY 2024-25	FY 2023-24	FY 2024-25
Opening GFA of Wire Business	3.94	3.94	3.94	3.94
Contribution to Contingency Reserves for Wires Business	0.02	0.02	0.02	0.02
Opening GFA of Retail Supply Business	0.00	0.00	0.04	0.04
Contribution to Contingency Reserves for Retail Supply Business	0.00	0.00	0.0002	0.0002

4.15 Non-Tariff Income

LBSCML's Submission

4.15.1 LBSCML has projected Nil Non-Tariff Income projected for FY 2023-24 in accordance with the past trend. However, the Contingency Reserve amount for FY 2023-24 will be invested in FY 2024-25, hence, LBSCML has projected interest income on such investment for FY 2024-25.

Table 119 : Non-Tariff Income for FY 2023-24 and FY 2024-25, as submitted by LBSCML (Rs. Crore)

Particulars	FY 2023-24	FY 2024-25
Wires Business	0.00	0.001
Supply Business	0.00	0.00
Total	0.00	0.001

Commission's Analysis and Ruling

4.15.2 The Commission notes there is Nil Non-Tariff income approved in the previous years. However, the Commission in this Order has directed LBSCML to invest the amount towards Contingency Reserves. Accordingly, the Commission has considered 10 Year G-Sec rate of 7.37% as on 17 February, 2023 issued by Reserve Bank of India for calculation of interest from Contingency Reserves Fund and included the same in Non-Tariff Income.

4.15.3 The Non-Tariff Income approved by the Commission for FY 2023-24 and FY 2024-25 is as summarised below:

Table 120 : Non-Tariff Income for FY 2023-24 and FY 2024-25, approved by the Commission (Rs. Crore)

Particulars	Petition		Approved in this Order	
	FY 2023-24	FY 2024-25	FY 2023-24	FY 2024-25
Wires Business	0.00	0.001	0.00	0.001
Supply Business	0.00	0.00	0.00	0.000
Total	0.00	0.001	0.00	0.001

4.16 Summary of Aggregate Revenue Requirement

LBSCML's Submission

4.16.1 The projected ARR for the Distribution Wires Business for FY 2023-24 and FY 2024-25 is summarised in the table below:

Table 121 : ARR for Distribution Wires Business for FY 2023-24 and FY 2024-25, as submitted by LBSCML (Rs. Crore)

Particulars	FY 2023-24	FY 2024-25
Operation & Maintenance Expenses	0.850	0.890
Depreciation	0.180	0.180
Interest on Loan Capital	0.150	0.140
Interest on Working Capital	0.020	0.020
Interest on Security Deposit	-	-
Contribution to contingency reserves	0.020	0.020
Total Revenue Expenditure	1.220	1.250
Add: Return on Equity Capital	0.170	0.170
Aggregate Revenue Requirement	1.390	1.420
Less: Non-Tariff Income	-	-
Aggregate Revenue Requirement from Distribution Wires	1.390	1.420

4.16.2 The projected ARR for the Retail Supply Business for the Control Period is summarised in the table below:

Table 122 : ARR for Retail Supply Business for FY 2023-24 and FY 2024-25, as submitted by LBSCML (Rs. Crore)

Particulars	FY 2023-24	FY 2024-25
Power Purchase Expenses	2.660	3.480
Operation & Maintenance Expenses	0.320	0.330
Depreciation	-	-
Interest on Loan Capital	0.004	0.003
Interest on Working Capital	0.046	0.060
Interest on Consumer Security Deposit	-	-
Write-off of bad and doubtful debts	-	-

Particulars	FY 2023-24	FY 2024-25
Contribution to contingency reserves	-	-
Intra-State Transmission Charges	0.360	0.460
MSLDC Fees & Charges	0.002	0.003
Total Revenue Expenditure	3.390	4.340
Add: Return on Equity Capital	0.002	0.002
Aggregate Revenue Requirement	3.400	4.340
Less: Non-Tariff Income	-	-
Less: Income from other business	-	-
Aggregate Revenue Requirement from Retail Supply	3.400	4.340

Commission's Analysis and Ruling

4.16.3 Based on the analysis in the previous paragraphs, the Commission has approved the ARR for the Distribution Wires Business and Supply Business for FY 2023-24 and FY 2024-25 as summarised in the tables below:

Table 123 : ARR for Distribution Wires Business for FY 2023-24 and FY 2024-25, approved by the Commission (Rs. Crore)

Particulars	Petition		Approved in this Order	
	FY 2023-24	FY 2024-25	FY 2023-24	FY 2024-25
Operation & Maintenance Expenses	0.846	0.889	0.574	0.597
Depreciation	0.185	0.185	0.185	0.185
Interest on Loan Capital	0.155	0.142	0.160	0.147
Interest on Working Capital	0.016	0.017	0.008	0.008
Interest on Security Deposit	-	-	0.003	0.004
Contribution to contingency reserves	0.020	0.020	0.020	0.020
Total Revenue Expenditure	1.221	1.253	0.950	0.961
Add: Return on Equity Capital	0.166	0.166	0.166	0.166
Aggregate Revenue Requirement	1.387	1.418	1.115	1.127
Less: Non-Tariff Income	-	0.001	-	0.001
Aggregate Revenue Requirement from Distribution Wires	1.387	1.417	1.115	1.126

Table 124 : ARR for Retail Supply Business for FY 2023-24 and FY 2024-25, approved by the Commission (Rs. Crore)

Particulars	Petition		Approved in this Order	
	FY 2023-24	FY 2024-25	FY 2023-24	FY 2024-25
Power Purchase Expenses	2.661	3.480	2.763	3.612
Operation & Maintenance Expenses	0.315	0.331	0.309	0.322
Depreciation	0.004	0.004	0.004	0.004
Interest on Loan Capital	0.004	0.003	0.004	0.003

Particulars	Petition		Approved in this Order	
	FY 2023-24	FY 2024-25	FY 2023-24	FY 2024-25
Interest on Working Capital	0.046	0.058	-	-
Interest on Consumer Security Deposit	-	-	0.031	0.039
Write-off of bad and doubtful debts	-	-	-	-
Contribution to contingency reserves	-	-	-	-
Intra-State Transmission Charges	0.363	0.461	0.300	0.350
MSLDC Fees & Charges	0.002	0.003	0.001	0.001
Total Revenue Expenditure	3.395	4.339	3.412	4.331
Add: Return on Equity Capital	0.002	0.002	0.002	0.002
Aggregate Revenue Requirement	3.397	4.341	3.414	4.333
Less: Non-Tariff Income	-	-	-	0.000
Aggregate Revenue Requirement from Retail Supply	3.397	4.341	3.414	4.333

Table 125 : Combined ARR for Distribution Wires and Retail Supply Business for FY 2023-24 and FY 2024-25, approved by the Commission (Rs. Crore)

Particulars	Petition		Approved in this Order	
	FY 2023-24	FY 2024-25	FY 2023-24	FY 2024-25
Power Purchase Expenses (including Inter-State Transmission Charges)	2.661	3.480	2.763	3.612
Operation & Maintenance Expenses	1.161	1.220	0.883	0.919
Depreciation	0.189	0.189	0.189	0.189
Interest on Loan Capital	0.158	0.145	0.163	0.150
Interest on Working Capital	0.062	0.075	0.008	0.008
Interest on Consumer Security Deposit	-	-	0.035	0.043
Write-off of Provision for bad and doubtful debts	-	-	-	-
Contribution to contingency reserves	0.020	0.020	0.020	0.020
Intra-State Transmission Charges	0.363	0.461	0.300	0.350
MSLDC Fees & Charges	0.002	0.003	0.001	0.001
Total Revenue Expenditure	4.616	5.592	4.362	5.292
Add: Return on Equity Capital	0.168	0.168	0.168	0.168
Aggregate Revenue Requirement	4.784	5.760	4.529	5.460
Less: Non-Tariff Income	-	-	-	0.001
Aggregate Revenue Requirement from Distribution Business	4.784	5.760	4.529	5.4591

5 TARIFF PHILOSOPHY AND TARIFF DESIGN AND PROPOSED CATEGORY WISE TARIFF FOR FY 2023-24 AND FY 2024-25

5.1 Approach to Tariff Design

- 5.1.1 LBSCML has proposed the Retail Supply Tariff and Wheeling Charges for FY 2023-24 and FY 2024-25, keeping in view the principles of tariff determination set out in Sections 61 and 62 of the EA, 2003, the Tariff Policy, relevant provisions of the MYT Regulations, 2019
- 5.1.2 The Commission has kept in view the main objects of the EA, 2003, as set out in its Preamble, including the protection of the interest of consumers, the supply of electricity to all areas and rationalisation of tariffs. The Commission has also kept in view the principles of tariff determination set out in Sections 61 and Section 62 of the EA, 2003, the Tariff Policy, 2016 and the MYT Regulations, 2019, and also taken into consideration LBSCML's submissions.
- 5.1.3 Considering the above, the Commission has determined the ARR as well as the category wise tariff, Wheeling Charges and Cross-Subsidy Surcharge (CSS) for FY 2023-24 and FY 2024-25.

5.2 Computations of Carrying Cost on Past Gaps

LBSCML's Submission

- 5.2.1 LBSCML has computed Carrying/(Holding) cost on Revenue Gap/(Surplus) of FY 2020-21 and FY 2021-22 to be passed on in the tariff of FY 2023-24 and FY 2024-25. The interest rate considered for computation of Carrying/(Holding) cost is same as the rate of Interest on Working Capital for the respective year.
- 5.2.2 The following table shows the computation of carrying/(holding) cost on the Revenue Gap/(Surplus) of FY 2020-21 and FY 2021-22:

Table 126 : Carrying/(Holding) Cost for Past Gaps/(Surplus), as submitted by LBSCML (Rs. Crore)

Particulars	FY 2020-21	FY 2021-22	FY 2022-23	FY 2023-24	Total
Opening Gap/(Surplus)	0.00	0.43	(0.38)	(0.38)	
Gap/(Surplus) during the year	0.43	(0.81)	-	0.38	
Closing Gap/(Surplus)	0.43	(0.38)	(0.38)	-	
Average Gap/(Surplus)	0.22	0.03	(0.38)	(0.19)	
Interest Rate for Carrying/(Holding) Cost	8.57%	8.50%	9.55%	9.55%	
Carrying/(Holding) Cost for the Year	0.02	0.00	(0.04)	(0.02)	(0.03)

- 5.2.3 As seen from the above table, LBSCML has arrived at total holding cost of Rs. (0.03) Crore to be adjusted in the ARR of FY 2023-24 and FY 2024-25.

Commission's Analysis and Ruling

- 5.2.4 The Commission has computed Carrying/(Holding) Cost on Revenue Gap/(Surplus) of FY

2021-22 and FY 2022-23 by applying prevalent interest rate as per MYT Regulations, 2019 and the said amount so computed is adjusted in ARR of FY 2023-24 and FY 2024-25.

Table 127 : Carrying Cost for Revenue Gap/(Surplus) of FY 2020-21 to FY 2021-22, approved by the Commission (Rs. Crore)

Particulars	Approved in this Order				
	FY 2020-21	FY 2021-22	FY 2022-23	FY 2023-24	Total
Opening Gap/(Surplus)	-	0.07	(0.97)	(0.97)	-
Gap/(Surplus) during the year	0.07	(1.04)	-	0.97	
Closing Gap/(Surplus)	0.07	(0.97)	(0.97)	-	
Average Gap/(Surplus)	0.03	(0.45)	(0.97)	(0.48)	
Interest Rate for Carrying/(Holding) Cost	8.57%	8.50%	9.55%	9.55%	
Carrying/(Holding) Cost for the Year	0.00	(0.04)	(0.09)	(0.05)	(0.18)

5.3 Revenue Gap/(Surplus) at existing tariff

5.3.1 LBSCML has computed the Revenue Gap/(Surplus) at the existing tariff based on the projected ARR of the Distribution Wires and Retail Supply Business, and the revenue based on the projected category-wise sales and tariff presently being charged to the consumers, i.e., Tariff for FY 2022-23, as approved by the Commission in the MYT Order for MSEDCL.

5.3.2 The Revenue Gap/(Surplus) after true-up for FY 2020-21 and FY 2021-22, along with associated Carrying/(Holding) cost have been considered for recovery in FY 2023-24.

5.3.3 LBSCML has also considered the Revenue Gap/(Surplus) after Provisional Trueing-up of FY 2022-23, without Carrying/(Holding) cost, for recovery in FY 2023-24.

Overall Revenue Gap/(Surplus) projected for FY 2023-24 and FY 2024-25

5.3.4 The details of projected revenue from existing tariff for FY 2023-24 and FY 2024-25 are provided in specified formats submitted along with Petition.

5.3.5 The overall projected Revenue Gap/(Surplus) based on projected ARR and Revenue from existing tariff for FY 2023-24 and FY 2024-25 is summarised in the table below:

Table 128 : Revenue Gap/(Surplus) at existing Tariff for FY 2023-24 and FY 2024-25, as submitted by LBSCML (Rs. Crore)

Particulars	FY 2023-24	FY 2024-25
ARR for Distribution Wires Business	1.39	1.42
ARR for Retail Supply Business	3.40	4.34

Particulars	FY 2023-24	FY 2024-25
ARR for Combined Wires Business & Retail Supply Business	4.78	5.76
Add: Revenue Gap/(Surplus) for FY 2020-21	0.43	
Add: Revenue Gap/(Surplus) for FY 2021-22	(0.81)	
Add: Carrying/(Holding) Cost for Revenue Gap/(Surplus) of FY 2020-21 and FY 2021-22	(0.03)	
Add: Revenue Gap/(Surplus) for FY 2022-23	(1.35)	
Total Revenue Requirement	3.02	5.76
Revenue from existing tariff	6.08	7.78
Revenue Gap of Licensed Business	(3.06)	(2.02)

5.3.6 From the above table, it is observed that there is a Revenue Surplus for FY 2023-24 and FY 2024-25, as the revenue at the existing tariff is higher than the ARR of the Wires Business and Supply Business, after adjustment of the Revenue Gap/(Surplus) of previous years. Hence, the tariff is required to be reduced in order to recover the ARR of the Wires Business and Supply Business. LBSCML has accordingly proposed category-wise tariffs for FY 2023-24 and FY 2024-25, to realise the Net ARR computed in the table above.

5.3.7 The following table shows the Projected Revenue Requirement considered for recovery and Average Cost of Supply for FY 2023-24 and FY 2024-25:

Table 129 : Revenue Requirement and ACoS for FY 2023-24 and FY 2024-25, as submitted by LBSCML (Rs. Crore)

Particulars	FY 2023-24	FY 2024-25
Net ARR of Licensed Business	3.02	5.76
Energy Sales (MkWh)	4.82	6.27
Energy Sales (MkVAh)	4.72	6.13
Average Cost of Supply (Rs. /kWh)	6.26	9.18
Average Cost of Supply (Rs. /kVAh)	6.40	9.39

Commission's Analysis and Ruling

5.3.8 For estimating the revenue from sale of electricity at the existing tariff, the Commission has taken the approved sales for the Control Period and the MSEDCL tariff approved vide Order dated 30 March, 2020 in Case No. 322 of 2019.

5.3.9 The Commission has computed the Revenue Gap/(Surplus) at the existing Tariff based on the approved ARR of the Distribution Wires and Retail Supply Business, and the revenue estimated by it from sale of electricity at the existing tariff. The Commission in this Order has approved Revenue Gap of Rs. 0.07 Crore and Revenue Surplus of Rs. 1.04 Crore for FY 2020-

21 and FY 2021-22, respectively. Further, the provisionally approved Revenue Surplus of Rs. 1.60 Crore for FY 2022-23 along with associated Holding Cost of Rs. 0.18 Crore is adjusted in FY 2023-24 to arrive at the Revenue Gap/(Surplus) for each year.

5.3.10 In order to have consistent tariff over FY 2023-24 and FY 2024-25, the Commission has deferred the recovery of Rs 1.44 Crore in FY 2023-24 and considered the same in FY 2024-25. The Revenue Gap/(Surplus) at existing tariff approved for FY 2023-24 and FY 2024-25 is as shown below:

Table 130 : Revenue Gap/(Surplus) at existing Tariff for FY 2023-24 and FY 2024-25, approved by the Commission (Rs. Crore)

Particulars	Petition		Approved in this Order	
	FY 2023-24	FY 2024-25	FY 2023-24	FY 2024-25
ARR for Distribution Wires Business	1.39	1.42	1.12	1.13
ARR for Retail Supply Business	3.4	4.34	3.41	4.33
ARR for Combined Wires Business & Retail Supply Business	4.78	5.76	4.53	5.46
Add: Revenue Gap/(Surplus) for FY 2020-21	0.43		0.07	-
Add: Revenue Gap/(Surplus) for FY 2021-22	(0.81)		(1.04)	-
Add: Revenue Gap/(Surplus) for FY 2022-23	(0.03)		(1.60)	-
Add: Carrying/(Holding) Cost for Revenue Gap/(Surplus) of FY22	(1.35)		(0.18)	-
Revenue Requirement deferred to future years – Retail			1.44	(1.44)
Holding Cost due to Revenue Deferment			(0.07)	(0.07)
Total Revenue Requirement	3.02	5.76	3.16	3.95
Revenue from existing tariff	6.08	7.78	6.08	7.77
Revenue Gap of Licensed Business	(3.06)	(2.02)	(2.92)	(3.82)

5.3.11 It is seen that there is a Revenue Surplus in FY 2023-24 and FY 2024-25. Therefore, the tariff has to be reduced in order to adjust such surplus in a way that there is no tariff hike in FY 2024-25. Accordingly, the revenue requirement to be recovered from the tariff for FY 2023-24 and FY 2024-25 is determined as under:

Table 131 : Revenue Requirement and ACoS for FY 2023-24 and FY 2024-25, approved by the Commission (Rs. Crore)

Particulars	Petition		Approved in this Order	
	FY 2023-24	FY 2024-25	FY 2023-24	FY 2024-25
Net ARR of Licensed Business	3.02	5.76	3.16	3.95
Energy Sales (MkWh)	4.82	6.27	4.82	6.27
Energy Sales (MkVAh)	4.72	6.13	4.58	5.95
Average Cost of Supply (Rs. /kWh)	6.26	9.18	6.55	6.30
Average Cost of Supply (Rs. /kVAh)	6.40	9.39	6.90	6.63
Effective Tariff Variation – YoY (%)	-53.33%	47.04%	-48.30%	-4.13%

5.3.12 The Commission notes that there is substantial reduction in tariff as compared to existing tariff in view of the fact that LBSCML was levying existing MSEDCL tariff to its consumers as per the directions of the Commission. The Commission in this Order has considered power

purchase rate of Rs 5.20/kWh based on last discovered tariff adopted by the Commission. The Commission is aware of the fact that the power is being purchased from single source and in case of any planned/forced outage of the generator, LBSCML has to rely on alternate sources to meet the demand and the cost for such power is likely to be higher considering the present global market circumstances and price volatility in the market. This may have significant impact on tariff of consumers considering the sales projected by LBSCML. Further, any adverse impact on sales, may also impact the recovery of wheeling charges which will also be required to be absorbed at the time of next tariff determination. Any revenue gap in view of such circumstances, may severely impact the licensee and any under-recovery will be claimed by LBSCML at the time of Truing-up of the said years and may lead to tariff shock in coming years. Considering the aforesaid factors, the Commission is of the view that the tariff to be reduced to certain extent against 47.45% as seen from the above table and allow the additional recovery of Rs. 0.50/kVAh which will be subsumed in the Energy Charge. This additional recovery of Rs. 0.50/kVAh allowed by the Commission will be kept in a separate FAC fund and will be utilized to offset any additional power purchase cost so as to avoid tariff shock to consumers in future. In the event the said fund is not utilized during FY 2023-24 and FY 2024-25, the Commission will consider the same as revenue at the time of Truing-up of said years along with carrying cost.

5.3.13 Accordingly, the revised tariff hike considering the impact of additional Rs. 0.5/kVAh considered to meet any exigencies in the power purchase cost is outlined as below:

Table 132: Revised Tariff hike approved by the Commission (%)

Particulars	Petition		Approved in this Order	
	FY 2023-24	FY 2024-25	FY 2023-24	FY 2024-25
Effective Tariff Variation (%) (without additional FAC fund)	-53.33%	47.04%	-48.30%	-4.13%
Effective Tariff Variation (%) (with additional FAC fund)	-53.33%	47.04%	-44.56%	-3.85%

5.4 Determination of Wheeling Charges

LBSCML's Submission

- 5.4.1 The Wheeling Charges have been proposed in accordance with the approach followed by the Commission in the MYT Order, such that the entire Wires ARR is recovered from the Wheeling Charges. The Retail Supply Tariff, i.e., Fixed/Demand Charges and Energy Charges, have been proposed accordingly, to recover the balance part of the composite ARR projected for the Control Period.
- 5.4.2 LBSCML has computed the Wheeling Charges separately for HT and LT voltage, as shown in the table below:

Table 133 : Proposed Wheeling Charges for FY 2023-24 and FY 2024-25, as submitted by LBSCML (Rs. Crore)

Particulars	FY 2023-24	FY 2024-25
Wires ARR (Rs. Crore)	1.39	1.42
GFA attributable to HT Network (%)	84.91%	84.91%
GFA attributable to LT Network (%)	15.09%	15.09%
Charge recoverable from HT consumers (Rs. Crore)	1.18	1.20
Charge recoverable from LT consumers (Rs. Crore)	0.21	0.21
Total HT Sales (MkVAh)	2.65	3.45
Total LT Sales (MkVAh)	2.07	2.69
Charge recoverable from HT consumers (Rs. Crore)	0.66	0.68
qCharge recoverable from LT consumers (Rs. Crore)	0.72	0.74
HT Wheeling Charge (Rs./kVAh)	2.49	1.96
LT Wheeling Charge (Rs./kVAh)	3.51	2.76
Composite Wheeling Charges (Rs/kVAh)	2.94	2.31

5.4.3 As can be seen from the above computation, the LT Wheeling Charges, if computed separately, are working out to be very high. Hence, LBSCML requested the Commission to consider the composite (HT and LT combined) Wheeling Charges in case of LBSCML.

Commission's Analysis and Ruling

5.4.4 The Commission has approved the Distribution Loss levels for FY 2023-24 and FY 2024-24 as elaborated herein above in this Order. LBSCML has not submitted the break-up in the petition with regards to HT and LT Loss level. Given the low loss level, for the time being the Commission has not considered apportionment of the Distribution Loss between HT and LT levels. However, LBSCML is directed to segregate the Distribution Loss between the HT and LT levels and submit the break-up at the time of the next Tariff Petition.

5.4.5 Since the wheeling charges are determined for the first time, no past gap related to wire business has been considered and hence only standalone ARR of Distribution wire business is considered for recovery of Wheeling Charges.

5.4.6 The Commission has computed wheeling charges as well as bifurcated the same at HT & LT Level based on the GFA ratio, in line with the Regulation 73.2 of the MYT Regulations, 2019. However, considering the substantial sales in HT Category, the computed wheeling charges for LT category seems to be very high due to very low LT sales. Further, the Commission has also issued Guidelines for Voltage-wise classification of distribution Assets to determine HT and LT wheeling charges based on such classification and the same is proposed to be applicable from 1 April, 2025 i.e., next Control Period. Therefore, the Commission deems it fit to approve the common Wheeling Charges for HT and LT categories based on the ARR approved for Wire business and approved energy sales as outlined in the table below. The

similar approach has also been adopted by the Commission for other SEZ Area also. However, the Commission is of the view the separate Wheeling Charges may be computed in the next Control Period starting from 1 April, 2025 based on the segregation of loss levels between HT and LT and also classification of assets as per Guidelines issues by the Commission.

Table 134 : Wheeling Charges for FY 2023-24 and FY 2024-25, approved by the Commission (Rs. Crore)

Particulars	FY 2023-24	FY 2024-25
Wires ARR (Rs. Crore)	0.99	1.27
Total HT Sales (MkVAh)	2.65	3.45
Total LT Sales (MkVAh)	1.93	2.51
Total Sales (MkVAh)	4.58	5.95
Composite Wheeling Charges (Rs/kVAh)	2.16	2.13

5.5 Tariff Philosophy

Background

- 5.5.1 As discussed earlier, the Commission is guided by the provisions of the EA 2003, the draft National Tariff Policy and other Orders by APTEL in the matter of Tariff design. The Commission has considered the main objectives of the Electricity Act, 2003 (“EA, 2003”) including the protection of the interest of consumers, the supply of electricity to all areas and rationalisation of tariffs. Apart from the above, the Commission has also taken into consideration LBSCML’s submissions.
- 5.5.2 Apart from tariff levels, the complexity of the tariff structure plays an important role in building transparency and limiting the discretionary power of Distribution Licensees (Discoms). A simpler tariff structure helps easy understanding by consumers and on the other hand, creation of many different categories gives discretionary power to Discoms while charging tariffs.
- 5.5.3 In case of LBSCML, considering that it is an SEZ, the number of consumer categories is already limited considering the type of consumers operating in the SEZ premises
- 5.5.4 Further, the Commission is well within its power to make required changes in the tariff structure even if the Licensee has not proposed such changes or no indication has been given to the public regarding the intended changes. In this context, the Hon’ble Appellate Tribunal of Electricity (APTEL), vide its Order in Appeal No. 106 of 2008, has ruled that the Commission has the power to design the tariff as per its own wisdom. It also mentions that the Commission does not need to seek public comments before announcement of the tariff. The relevant part of the APTEL Order in Appeal No. 106 of 2008 is reproduced below:

“ ...
 14) *It is not the case of the appellant that the Commission had no power to create a tariff design different from the one proposed by the licensee. The Commission has the*

power to design the tariff as per its own wisdom. The Commission need not, before issuing the actual order, publicly announce the tariff it proposed and call for public comments. In fact this is not even the appellant's contention.

15) The rule of natural justice requires the Commission to issue a public notice about the ARR and Tariff petition of the licensee and to allow the public to make its submissions on the ARR and Tariff proposals. The Commission has, thereafter, to design the scheme for recovery of the ARR keeping in view various relevant factors. If the classification of the consumers can be supported on any of the grounds mentioned in section 62(3) it would not be proper to say that the tariff fixing was violative of principles of natural justice because the Commission did not issue a public notice of the tariff categories which the Commission had intended to create.”

- 5.5.5 Considering the above judgement, the Commission is proceeding with its analysis of the existing tariff structure and considering changes as deemed appropriate including those pertaining to change in definition of billing demand, changes in the methodology for computation of load factor incentives and creation of stabilising mechanism for the variation on account of FAC in consumer bills.
- 5.5.6 More importantly, in line with the proposal of LBSCML, the Commission is going ahead with implementation of the kVAh based billing for all the Consumers of LBSCML.
- 5.5.7 The subsequent paragraphs deal with the submissions of LBSCML regarding the Tariff Philosophy and the changes approved by the Commission in the existing tariff structure

LBSCML's Submission

a) Fixed/Demand Charges

- 5.5.8 LBSCML has proposed to levy Fixed/Demand Charges for each of the consumer categories to be in line with the Fixed/Demand charges approved by the Commission for MSEDCL. The recovery of Fixed Costs through existing and proposed Fixed/Demand Charges is shown in the table below:

Table 135 : Recovery of Fixed Costs through Fixed/Demand Charges for FY 2023-24 and FY 2024-25, as submitted by LBSCML (Rs. Crore)

Particulars	Units	FY 2023-24	FY 2024-25
Fixed Costs	Rs. Crore	2.12	2.28
Revenue from Fixed/Demand Charges - Existing Tariff	Rs. Crore	0.45	0.46
Revenue from Fixed/Demand Charges - Proposed Tariff	Rs. Crore	0.45	0.45
Recovery of Fixed Costs through Existing Tariff	%	21%	21%
Recovery of Fixed Costs through Proposed Tariff	%	21%	21%

b) Cross Subsidy

- 5.5.9 In this Petition, LBSCML has proposed the category-wise tariffs in such a manner that there is no cross-subsidy between the consumer categories.

c) Time-of-the-Day (ToD) Tariff

- 5.5.10 The ToD tariffs are not relevant for LBSCML as there is no great swing in consumption between different hours of the day. In terms of revenue, there is a net loss to LBSCML on account of ToD tariffs.
- 5.5.11 Further, LBSCML has contracted for the power in accordance with its load curve, and hence, there was no benefit of continuing with the ToD tariffs, with the intention of shifting the load. Hence, ToD tariffs have not been proposed.

d) kVAh Billing

- 5.5.12 LBSCML has proposed kVAh billing for all categories, in line with the approach adopted by the Commission in the MYT Order for other Distribution Licensees.

e) Discount for Digital Payment

- 5.5.13 MYT Regulations, 2019 provides for discount to be given to LT category of consumers for payment of electricity bills through various modes of digital payment. The relevant extract is as follows.

“36.3 A discount on the monthly bill (excluding taxes and duties) shall be provided to Low Tension category consumers for payment of electricity bills through various modes of digital payment such as credit cards, debit cards, UPI, BHIM, internet banking, mobile banking, mobile wallets, etc.:

Provided that the rate of such discount shall be stipulated by the Commission in the relevant Tariff Order”

- 5.5.14 LBSCML has therefore proposed to retain the existing discount of 0.25% of the monthly bill (excluding taxes and duties), subject to a cap of Rs. 500/- per month per bill, for all LT category consumers.

Commission’s Analysis and Ruling**a) Fixed/Demand Charges**

- 5.5.15 The Commission observes that LBSCML has proposed to continue the Fixed/Demand Charges at the existing level. Further, it has proposed Fixed and Demand Charges keeping in view the consumption pattern of its consumers, such that there is no cross-subsidy and the ABR for all categories is equal to the ACoS.
- 5.5.16 The Commission has approved Fixed Charges/Demand Charges for FY 2023-24 and FY 2024-25 to enable recovery of around 23% / 24% of its fixed expenses/cost from Fixed/Demand Charges from the Consumers.
- 5.5.17 The category wise Fixed/Demand Charges approved for FY 2023-24 and FY 2024-25 have

been mentioned in the Tariff Schedule in the following sections of this Order.

Table 136 : Recovery of Fixed Costs through Fixed/Demand Charges for FY 2023-24 and FY 2024-25, approved by the Commission (Rs. Crore)

Particulars	Units	Approved in this Order	
		FY 2023-24	FY 2024-25
Fixed Costs*	Rs. Crore	0.65	0.72
Revenue from Fixed/Demand Charges - Existing Tariff	Rs. Crore	0.45	0.45
Revenue from Fixed/Demand Charges - Proposed Tariff	Rs. Crore	0.45	0.45
Recovery of Fixed Costs through Existing Tariff	%	69%	62%
Recovery of Fixed Costs through Proposed Tariff	%	69%	62%

*- Fixed cost of Retail supply business excluding Power Purchase cost

5.5.18 As can be observed from the above table, at the given fixed charges as proposed by LBSCML, there has not been any substantial increase in the recovery of fixed cost through Fixed / Demand Charges in FY 2023-24 and FY 2024-25. As a licensee, it is necessary to have the distribution capacity and contracted power to the extent of the contract demand so as to meet any surge in demand in future. This necessitates the recovery of the fixed charges to enable proper maintenance of the infrastructure so as to provide the quality supply of power. However, at this point, when the operation of the LBSCML distribution business has completed just one year as on FY 2021-22 (Year of truing up) and the sales demand is yet to achieve the required operational level, the Commission feels that the current Fixed Charges as proposed by LBSCML be continued for FY 2023-24 and FY 2024-25. However, during the next tariff proceedings, more rational view may be considered for recovery of fixed cost from Fixed / Demand Charges.

b) Reduction in Cross Subsidy

5.5.19 The category-wise tariffs approved by the Commission are in such a manner that there is no cross-subsidy between the consumer categories. However, while determining the tariff, the Commission has also considered the load factor of the respective category of consumers and accordingly the recovery of the same by way of demand charges and accordingly, the energy charges has been adjusted so as to determine the tariff with no cross subsidy between the consumer categories.

5.5.20 Further, the Commission has undertaken the determination of tariff on the basis of ACoS as per the provisions of the MYT Regulations, 2019 for the 4th MYT Control Period.

c) Time-of-the-Day (ToD) Tariff

5.5.21 ToD tariffs were introduced as a DSM measure to mitigate diurnal variation in the load curve which would help the Distribution Licensee to reduce its peak period power procurement at

relatively higher rate. However, as submitted by LBSCML, its load remains constant throughout the day. Further, LBSCML has also submitted that it shall be contracting for the power in accordance with its load curve, and hence, there is no benefit of ToD tariff. In view of the same, the Commission is inclined to accept the submission of LBSCML and is not considering ToD tariff for LBSCML.

d) kVAh Billing

5.5.22 LBSCML in the submissions has expressed its readiness for implementation and also has the required infrastructure/metering/ software in place for measuring data/information on kVAh basis. The Commission observes that sales projected by LBSCML for FY 2023-24 and FY 2024-25 are mainly in HT and high end LT category, there would be no difficulty to implement the kVAh billing. Accordingly, the Commission allows implementation of kVAh billing for all categories of Consumers of LBSCML.

5.5.23 The Commission has approved the detailed Tariff as set out in Tariff Schedule.

5.5.24 While determining per unit charges in kVAh, the Commission has used category wise PF which could be lower than unity. This makes per unit tariff lower than the tariff which would have been determined in kWh term.

e) Discount for Digital Payment

5.5.25 The Government of India has been encouraging digitization across various areas including monetary transactions. To support the initiatives of the Government, a discount of 0.25% of the monthly bill (excluding taxes and duties), subject to a cap of Rs. 500/- per month per bill, shall be provided to LT category consumers for payment of electricity bills through various modes of digital payment such as credit cards, debit cards, UPI, BHIM, internet banking, mobile banking, mobile wallets, etc.

f) Advance Payment

5.5.26 Regulation 16 of the MERC (Electricity Supply Code and Standards of Performance of Distribution Licensees including Power Quality) Regulations, 2021 allows the consumer to make the advance payment of charges for electricity supplied. The Commission notes that interest is payable at Bank Rate for such advance payment and such rate being lower than prevailing market rate, there is not much response from the Consumer to avail this facility.

5.5.27 The Commission is of the view that there is need to encourage the consumers to make advance payment, which will not only increase the collection of Distribution Licensee but also reduce the working capital requirement. Thus, the Commission, hereby deems it fit to invoke its Power to Relax under Regulation 30 of MERC (Electricity Supply Code and Standards of Performance of Distribution Licensees including Power Quality) Regulations, 2021 to allow higher interest rate based on the amount of advance payment.

5.5.28 Thus, the Commission hereby allows the advance payment/pre-payment of the bills for

consumers for amount not exceeding 12 times average monthly bill for the past twelve months. Such facility shall be available for eligible consumers only for non-defaulting consumers on record for at least past 12 months. Such consumers shall be eligible to avail discount in graded manner on their monthly bills, so long as they maintain advance payment amount in following manner:

Advance Payment Amount maintained with Utility as on date of monthly bill	Discount in monthly bill applicable at the rate of	Illustration discount* (%)
Advance Amount = Equiv. of (Avg. Monthly Bill for past 12 months) x [No. of months, 9 to 12 months]	Percent Discount in monthly Bill Amount = $1/12 \times (\text{SBI 1-yr MCLR as on 1st Apr}) + \mathbf{150 \text{ basis points}}$	$(1/12) \times 8.5\% = 0.708\%$ (monthly bill discount)
Advance Amount = Equiv. of (Avg. Monthly Bill for past 12 months) x [No. of months, 6 to 9 months]	Percent Discount in monthly Bill Amount = $1/12 \times (\text{SBI 1-yr MCLR as on 1st Apr}) + \mathbf{120 \text{ basis points}}$	$(1/12) \times 8.2\% = 0.683\%$ (monthly bill discount)
Advance Amount = Equiv. of (Avg. Monthly Bill for past 12 months) x [No. of months, 3 to 6 months]	Percent Discount in monthly Bill Amount = $1/12 \times (\text{SBI 1-yr MCLR as on 1st Apr}) + \mathbf{90 \text{ basis points}}$	$(1/12) \times 7.9\% = 0.658\%$ (monthly bill discount)
Advance Amount = Equiv. of (Avg. Monthly Bill for past 12 months) x [No. of months, upto 3 months]	Percent Discount in monthly Bill Amount = $1/12 \times (\text{SBI 1-yr MCLR as on 1st Apr}) + \mathbf{60 \text{ basis points}}$	$(1/12) \times 7.6\% = 0.633\%$ (monthly bill discount)

**Note: Assume SBI 1-year MCLR of 7% p.a.*

g) New Tariff Category

5.5.29 In order to promote Electric Vehicles, the Commission has already created separate tariff category for EV Charging Stations for other Distribution Licensees and proposed to do the same for LBSCML. As a promotional measure, the Commission has fixed slightly lower Fixed Cost for this category and ensured that resultant tariff is close to ACoS. Detail of applicability of tariff for this Category is given in Tariff Schedule. It is further clarified that consumers are also allowed to charge their own Electric Vehicle (without taking a separate electricity connection) at their premises with tariff as may be applicable to such premises.

h) Green Power Tariff

5.5.30 The Commission determined Green Power Tariff for the consumers opting for meeting its 100% of power requirement through RE sources in the Case No. 134 of 2020 dated 22 March, 2021, which is stipulated as Rs 0.66 per kWh as per the conditions and methodology specified under said Order.

5.5.31 On 6 June, 2022, Ministry of Power, GoI has notified Electricity (Promoting Renewable Energy Through Green Energy Open Access) Rules, 2022. The said rules mandate the State

Commission to determine Green Power Tariff. The Commission has already determined the same vide its Order dated 22 March, 2021 as mentioned above.

5.5.32 Such Green Power Tariff would be in addition to regular tariff approved in MYT Order. The Commission observes that the concept of Green Tariff has been well appreciated by many stakeholders across state as it provides opportunity for consumers willing to meet their power requirement through green energy sources, however, the concept is still at nascent stage with limited participation.

5.5.33 Besides, there have been several developments since introduction of concept including COVID pandemic situation, which also has bearing on renewable energy development in the country. Other market related developments such as introduction of GDAM/GTAM and REC multiplier etc. are still evolving. Under the circumstance, the Commission is of the considered view that any change in mechanism of Green Tariff is not desirable at this stage and the same should continue for remaining period of the 4th Control Period. Thus, the Commission hereby approves the Green Tariff of Rs 0.66/kWh to be applicable during remaining period of 4th Control Period (i.e. FY 2023-24 and FY 2024-25).

5.5.34 However for ease of implementation and to comply with provisions of MoP Rules, the Commission stipulates following terms and conditions for levy of Green Power Tariff.

- All consumers (Extra High Voltage, High Voltage and Low Voltage) shall be eligible for opting RE power on payment of Green Power Tariff.
- The consumers who have opted for Open Access can also requisition for RE Power on payment of Green Power Tariff for balance power supplied by Distribution Licensee.
- If the Obligated Entity wants to meet its RPO by requisitioning RE Power from the Distribution Licensee, then such entity shall pay additional Rs 0.50 /kWh for the Green Power Tariff i.e., the Obligated entity shall pay total Green Power Tariff of Rs 1.16/kWh. Since the obligated entity also has the option to meet RPO by purchasing REC and is currently being traded at Rs 1/kWh, the green tariff is proposed with slight premium to REC Price.
- Revenue earned through Green Power Tariff shall be treated as tariff income of Supply Business and thereby be fully accounted for reduction in ARR of supply business.
- If the consumer is not an obligated entity under RPO Regulations, then that energy shall be counted towards RPO fulfilment of Distribution Licensee.
- The Consumer will have option to select the quantum of green power to be purchased in steps of 25% and going up to 100% of the consumption.
- Such an option will also be available for Open Access consumer for its balance consumption from the Distribution Licensee.
- The Distribution Licensee will levy Green Power Tariff only for percentage of consumption opted by the Consumer.
- Distribution Licensee shall issue Annual certificate to consumers stating percentage of

power requirement of such consumer has been sourced through RE sources

- Any requisition for green energy from a distribution licensee shall be for a minimum period of one year.
- Distribution Licensee shall process the request of Consumer for Green Power Tariff not later than 30 days from the receipt of the request or next billing cycle, whichever is earlier. Distribution Licensee shall provide the facility of requesting for Green Power Tariff through its Web Portal, Mobile App or any other digital mode for convenience of consumers.
- Temporary Consumers can also opt of Green Tariff as per methodology specified above and Distribution Licensee shall issue certificate specifying that power requirement has been sourced through RE sources after receipt of payment.
- The Rules notified by MoP, GOI also specify that rating of the consumer based on the percent of green energy purchased by such consumer. The Commission notes that RPO specified for FY 2023-24 and FY 2024-25 is 22% and 25% respectively and is likely to be revised upwards going forward in next Control Period. As Distribution Licensee will already be meeting such consumption, it would not be correct to issue any certificate to individual consumer for RPO to be met by Distribution Licensee as a whole. The Commission has allowed the consumer the choice to opt for RE purchase in the steps of 25%. Accordingly, the Commission introduces the rating to be given by Distribution Licensee at the end of the financial year along with the electricity bill for the month of March specifying the percentage of power purchased from RE sources from his total consumption and rating as given below:

% of RE Purchase Opted	Rating
>50% to 75%	Semi-Green
>75% to 100%	Green

5.6 Cross Subsidy

5.6.1 Based on the approved ARR for FY 2023-24 and FY 2024-25 and the approach for tariff design stated earlier, the revised ABR (considering the impact of 50 paise per kVAh) and the category-wise tariff increase or reduction approved by the Commission are given in the Table below:

Table 137: Category-wise ABR and Tariff increase/decrease approved by the Commission for the period FY 2023-24 and FY 2024-25

Consumer Category	Average Billing Rate (Rs./kWh)			Tariff Increase (%)	
	Existing	Approved		Approved	
	FY 2022-23	FY 2023-24	FY 2024-25	FY 2023-24	FY 2024-25
HT II Commercial	12.76	7.41	7.13	-41.94%	-3.83%
LT Category					
LT II A Commercial	8.57	7.40	7.13	-13.63%	-3.74%
LT II B Commercial	13.55	7.40	7.11	-45.38%	-3.92%

Consumer Category	Average Billing Rate (Rs./kWh)			Tariff Increase (%)	
	Existing	Approved		Approved	
	FY 2022-23	FY 2023-24	FY 2024-25	FY 2023-24	FY 2024-25
LT II C Commercial	15.21	7.40	7.11	-51.35%	-3.87%
LT V Industry	7.57	7.42	7.14	-1.88%	-3.76%

5.6.2 The category wise Cross-Subsidy Trajectory for FY 2023-24 and FY 2024-25 approved by the Commission is shown in the table below:

Table 138: Cross Subsidy Trajectory approved by Commission for 4th Control Period

Consumer Category	Existing	Approved without FAC Fund		Approved with FAC Fund	
	FY 2022-23	FY 2023-24	FY 2024-25	FY 2023-24	FY 2024-25
HT II Commercial	178%	100%	100%	107%	107%
LT Category					
LT II A Commercial	123%	100%	100%	107%	107%
LT II B Commercial	189%	100%	100%	107%	107%
LT II C Commercial	214%	100%	100%	107%	107%
LT V Industry	108%	100%	100%	108%	108%

5.7 Tariff Proposal for FY 2023-24 and FY 2024-25

LBSCML's Submission

5.7.1 Based on the tariff philosophy as discussed in the earlier paragraphs, LBSCML has proposed the following Tariff for its area of supply for FY 2023-24 and FY 2024-25:

Table 139 : Proposed Tariff Schedule for FY 2023-24, as submitted by LBSCML

Sr. No.	Consumer Category	Fixed/ Demand Charge per month	Wheeling Charges (Rs. /kVAh)	Energy Charges (Rs/kVAh)
HIGH TENSION CATEGORIES				
1	HT II: HT- Industry	Rs. 454 per kVA	2.94	2.75
LOW TENSION CATEGORIES				
2	LT II: LT Commercial			
	(A) 0-20 kW	Rs. 427	2.94	4.25
	(B) Above 20 kW	Rs. 427 per kVA	2.94	3.20
	(C) Above 50 kW	Rs. 427 per kVA	2.94	2.50
3	LT V: LT Industrial			
	(A) Above 20 kW	Rs. 427 per kVA	2.94	3.45

Table 140 : Proposed Tariff Schedule for FY 2024-25, as submitted by LBSCML

Sr. No	Consumer Category	Fixed/ Demand Charge per month	Wheeling Charges (Rs. /kVAh)	Energy Charges (Rs/kVAh)
HIGH TENSION CATEGORIES				
1	HT II: HT- Industry	Rs. 454 per kVA	2.31	6.45
LOW TENSION CATEGORIES				
2	LT II: LT Commercial			
	(A) 0-20 kW	Rs. 427	2.31	8.10
	(B) Above 20 kW	Rs. 427 per kVA	2.31	7.15
	(C) Above 50 kW	Rs. 427 per kVA	2.31	5.30
3	LT V: LT Industrial			
(A)	Above 20 kW	Rs. 427 per kVA	2.31	6.30

Commission's Analysis and Ruling

5.7.2 In the light of the above discussions, the approved Tariff for each year of FY 2023-24 and FY 2024-25 are as set out in the tables below:

Table 141 : Tariff Schedule for FY 2023-24 (effective from 1 April, 2023)

Sr. No	Consumer Category	Fixed/ Demand Charge per month	Wheeling Charges (Rs. /kVAh)	Energy Charges (Rs/kVAh)
HIGH TENSION CATEGORIES				
1	HT I: HT- Industrial	Rs. 454 per kVA	2.16	4.28
2	HT II: HT- Commercial	Rs. 454 per kVA	2.16	4.28
3	HT Electric Vehicle Charging Station	Rs 70 per KVA	2.16	4.34
LOW TENSION CATEGORIES				
4	LT II: LT Commercial			
	(A) 0-20 kW	Rs. 427	2.16	5.04
	(B) Above 20 kW	Rs. 427 per kVA	2.16	4.03
	(C) Above 50 kW	Rs. 427 per kVA	2.16	4.30
5	LT V: LT Industry			
(A)	Below 20 kW	Rs. 427	2.16	5.05
(B)	Above 20 kW	Rs. 427 per kVA	2.16	4.03
6	LT Electric Vehicle Charging Station	Rs 70 per KVA	2.16	4.34

Note:

Fuel Adjustment Charge (FAC) computed as per provisions of MYT Regulations, 2019 from time to time shall be applicable to all categories of consumers, and will be charged over and above the base tariffs.

The detailed computation of category-wise revenue with tariffs for FY 2023-24 is set out at Annexure I of this Order.

Table 142 : Tariff Schedule for FY 2024-25 (effective from 1 April, 2024)

Sr. No.	Consumer Category	Fixed/ Demand Charge per month	Wheeling Charges (Rs. /kVAh)	Energy Charges (Rs/kVAh)
HIGH TENSION CATEGORIES				
1	HT I: HT- Industrial	Rs. 454 per kVA	2.13	4.25
2	HT II: HT- Commercial	Rs. 454 per kVA	2.13	4.25
3	HT Electric Vehicle Charging Station	Rs 80 per KVA	2.13	4.37
LOW TENSION CATEGORIES				
4	LT II: LT Commercial			
	(A) 0-20 kW	Rs. 427	2.13	4.84
	(B) Above 20 kW	Rs. 427 per kVA	2.13	4.05
	(C) Above 50 kW	Rs. 427 per kVA	2.13	4.26
5	LT V: LT Industrial			
	(A) Below 20 kW	Rs. 427	2.13	4.85
	(B) Above 20 kW	Rs. 427 per kVA	2.13	4.05
6	LT Electric Vehicle Charging Station	Rs 80 per KVA	2.13	4.37

Note:

Fuel Adjustment Charge (FAC) computed as per provisions of MYT Regulations, 2019 from time to time shall be applicable to all categories of consumers, and will be charged over and above the base tariffs.

The detailed computation of category-wise revenue with tariffs for FY 2024-25 is set out at Annexure II of this Order.

5.8 Determination of Cross-Subsidy Surcharge

LBSCML's Submission

- 5.8.1 Section 2(47) of the Electricity Act, 2003 defines 'Open Access', while Section 42 of the Act inter-alia mandates the Distribution Licensee to provide Open Access to eligible consumers, subject to payment of Cross-Subsidy Surcharge, Additional Surcharge and other applicable charges.
- 5.8.2 Section 86(1) of the Act inter-alia mandates the Commission to determine Cross-Subsidy Surcharge (CSS), Additional Surcharge and other applicable charges payable by the consumers opting for Open Access.
- 5.8.3 Further, the Commission in the MYT Order for other Distribution Licensees has determined the CSS based on the Formula stipulated in the revised Tariff Policy notified by Ministry of Power on January 28, 2016, as reproduced below:

“SERCs may calculate the cost of supply of electricity by the distribution licensee to consumers of the applicable class as aggregate of (a) per unit weighted average cost of power purchase including meeting the Renewable Purchase Obligation; (b) transmission and distribution losses applicable to the relevant voltage level and commercial losses

allowed by the SERC; (c) transmission, distribution and wheeling charges up to the relevant voltage level; and (d) per unit cost of carrying regulatory assets, if applicable.

Surcharge formula:

$$S = T - [C/(1-L/100) + D + R]$$

Where,

S is the surcharge

T is the tariff payable by the relevant category of consumers, including reflecting the Renewable Purchase Obligation

C is the per unit weighted average cost of power purchase by the Licensee, including meeting the Renewable Purchase Obligation

D is the aggregate of transmission, distribution and wheeling charge applicable to the relevant voltage level

L is the aggregate of transmission, distribution and commercial losses, expressed as a percentage applicable to the relevant voltage level

R is the per unit cost of carrying regulatory assets.

Above formula may not work for all distribution licensees, particularly for those having power deficit, the State Regulatory Commissions, while keeping the overall objectives of the Electricity Act in view, may review and vary the same taking into consideration the different circumstances prevailing in the area of distribution licensee

Provided that the surcharge shall not exceed 20% of the tariff applicable to the category of consumers seeking open access.”

- 5.8.4 Accordingly, LBSCML has computed the category-wise CSS for HT II Category, i.e., the category eligible for Open Access in accordance with the above formula, for FY 2023-24 and FY 2024-25, as shown in the following table.

Table 143 : Proposed Cross-Subsidy Surcharge computation for HT-I category for FY 2023-24 and FY 2024-25, as submitted by LBSCML

Year	T (ABR)	C	WL	TL	L	C/(1-L%)	D	CSS	CSS
	Rs./kWh	Rs./kWh	%	%	%	Rs./kWh	Rs./kWh	Rs./kWh	Rs./kVAh
FY 2023-24	6.46	5.22	2.26%	3.18%	5.44%	5.52	3.09	-	-
FY 2024-25	9.51	5.25	2.26%	3.18%	5.44%	5.55	2.43	1.52	1.45

Commission’s Analysis and Ruling

- 5.8.5 As submitted by LBSCML, Section 42 of the Electricity Act 2003, inter-alia mandates the Distribution Licensee to provide option of Open Access to eligible consumers, subject to payment of Cross-Subsidy Surcharge. However, the proviso of Section 42 of the Electricity Act 2003 clearly states that such surcharge shall be utilised to meet the requirements of current level of cross subsidy within the area of supply of the distribution licensee.

“Provided further that such surcharge shall be utilised to meet the requirements of current level of cross subsidy within the area of supply of the distribution licensee: Provided also that such surcharge and cross subsidies shall be progressively reduced in the manner as may be specified by the State Commission:”

- 5.8.6 The basic intent of the levy of Cross Subsidy Surcharge as per the Electricity Act, 2003, is to compensate the Distribution Licensee (DL) for the loss of cross subsidy due to migration of its (cross subsidizing) consumers to open access. Further the Act also mandates that such Surcharge and cross subsidy is required to be progressively reduced by the State Commission.
- 5.8.7 Being a first tariff order of LBSCML, the Commission has determined the tariff of the consumers in such a manner that there is no cross-subsidy between the consumer categories. As the Cross subsidy between the consumer categories does not prevail and the consumers are paying the tariff equivalent to Average Cost of supply, hence the question of loss of cross subsidy does not arise. Therefore, as the tariff being determined is at 100% of the average cost of supply, the Commission is of the view that there is no need to determine the Cross Subsidy Surcharge, as there will be no loss of cross subsidy in case of any migration of consumers to open access.
- 5.8.8 However, while determining the tariff, the Commission has also considered the load factor of the respective category of consumers and accordingly the recovery of the same by way of demand charges and accordingly, the energy charges has been adjusted so as to determine the tariff with no cross subsidy within the consumer categories. Therefore, although ABR of all categories is equal, its energy charge may be different depending upon load factor considered for that category.

5.9 Stabilising Variation in Consumer Bill on account of FAC

- 5.9.1 As per MYT Regulations, 2019, the aggregate gain or loss to a Distribution Licensee on account of variation in cost of fuel, power purchase, and inter-State Transmission Charges 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. Relevant part of the MYT Regulation is reproduced below:

*“10.2 The aggregate gain or loss to a Distribution Licensee on account of variation in cost of fuel, power purchase, and inter-State Transmission Charges, 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:
.....”*

- 5.9.2 Similar arrangement for passing on the variation in fuel and power purchase cost existed in all previous Tariff Regulations of the Commission. Such mechanism is in line with the provision of the EA, 2003 which mandates recovery of the fuel cost in timely manner so that the Distribution Licensees are able to recover their legitimate power purchase cost variation. This has helped regular recovery of power purchase variations without accumulating it till next tariff revision. This provision also addresses the financial/cash flow issue of Distribution Licensee wherein the payment for power purchase is required to be made in timely manner at prevailing cost. At the same time it also helps in reducing carrying cost burden on consumer

which otherwise would have to be borne if such monthly levy accumulates and the gap is recovered through tariff revision in MYT or MTR as the case may be. Although, consumers are now well aware of this mechanism, there is general and reasonable expectation that once the tariff is approved by the Commission, to the extent possible, it should remain constant during the year and there should not be large variations due to FAC. The unknown variation in the tariff on account of FAC has adverse financial implications on all the categories especially Industrial and Commercial categories where the impact of FAC is generally higher. Variation in tariff is magnified when there is negative FAC leading to reduction in tariff during a particular month and positive FAC in the immediate next month thereby increasing the tariff.

5.9.3 Variation in FAC is either on account of change in fuel related costs or mix of power procurement. During the Public hearings in case of other Distribution Licensees, many suggestions were received on this issue and the consumers requested that an appropriate revised mechanism should be put in place wherein there is a minimum impact of FAC felt by the consumers. The Commission opines that this is a very reasonable expectation of the Consumers. The Commission is fully aware that inspite of approving this tariff, the possibility of FAC cannot be ruled out due to uncontrollable event occurring globally or within the country affecting the power purchase cost of the licensee. To ensure stabilisation of tariffs to the extent possible, and to minimise the variation in FAC, the Commission thinks it fit to approve constitution of a FAC Fund with Distribution Licensee which can be built up over a period of time to be used for payment of FAC bills of Generating companies without immediately loading it on consumers.

5.9.4 Therefore, using its powers for Removing Difficulty under Regulations 106 of MYT Regulations, 2019, the Commission is making following changes in FAC mechanism stipulated under Regulation 10 of 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 next tariff determination process.
 - 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.

5.9.5 In order to maintain transparency in management and use of such FAC Fund, Distribution Licensee shall maintain monthly account of such FAC fund and upload it on its website for information of stakeholders. Such details shall also be submitted to the Commission on

quarterly basis along with proposal for post facto vetting of FAC.

5.10 Schedule of Charges

LBSCML's Submission

5.10.1 LBSCML has not proposed any Schedule of Charges for FY 2023-24 and FY 2024-25.

Commission's Analysis and Ruling

5.10.2 In accordance with the provisions of EA 2003, the Commission has notified MERC (Electricity Supply Code and Standards Of Performance for Distribution Licensees, including Power Quality) Regulations, 2021. As per Regulation 19 of MERC (Electricity Supply Code and Standards Of Performance for Distribution Licensees, including Power Quality) Regulations, 2021, Distribution Licensees are required to submit the proposal before the Commission for approval of Schedule of Charges (SoC) for such matters required by the Distribution Licensee to fulfil its obligation to supply electricity to consumers under the Electricity Act, 2003 and other relevant Regulations

5.10.3 In response to the query raised by the Commission, for not proposing any Schedule of Charges, LBSCML submitted that it provides plug and play facility to consumers and thus there is no separate expenditure on service connection charges etc. The Commission notes the submission of LBSCML and has accordingly not approved any Schedule of Charges for LBSCML except for Administrative Charges for cheque bouncing.

5.10.4 The Commission would like to state that when a cheque is dishonoured, it is considered to be a serious offence under Section 138 of the Negotiable Instruments Act. Therefore, the Commission approves charges of Rs. 500/- per instance towards compensation for Administrative Charges (Bank Charges and other costs) for dishonouring of cheques, applicable to all consumer categories.

5.11 Applicability of Tariff

5.11.1 The Tariffs determined in this Order shall be applicable from 1 April, 2023. Where the billing cycle of a consumer is different with respect to the date of applicability of the revised tariffs, they should be made applicable for the consumption on a pro rata basis. The bills for the respective periods as per the existing and revised tariffs shall be calculated based on the pro-rata consumption (units consumed during the respective periods, arrived at on the basis of average unit consumption per day multiplied by the number of days in the respective periods covered in the billing cycle).

5.11.2 The Commission has determined the revenue from the revised tariffs as if they were applicable for the entire year. Any shortfall or surplus in the actual revenue against the approved ARR will be trued-up at the end of the Control Period, as specified in the MYT Regulations 2019.

6 SUMMARY OF DIRECTIVES

- 6.1.1 LBSCML to complete the metering for common load within 3 months from the date of this Order and submit compliance report to the Commission.
- 6.1.2 LBSCML to invest Contribution to Contingency Reserve for FY 2022-23 to FY 2024-25 as per Regulation 35.1 of MYT Regulations, 2019.
- 6.1.3 LBSCML is directed to segregate the Distribution Loss between the HT and LT levels and submit the break-up at the time of the next Tariff Petition.
- 6.1.4 LBSCML is directed to park the additional recovery Rs. 0.50/kVAh allowed by the Commission and subsumed in the energy charges, to be parked in the separate FAC fund and to be utilized to offset any additional power purchase cost over and above allowed to be recovered as part of FAC mechanism so as to avoid tariff shock to consumers in future.
- 6.1.5 As per Proviso 23.4 of MYT Regulations 2019, LBSCML has to submit the Cost Audit Report along with the true-up Petition to justify the revenue expenses incurred as well as inventory management policies. However, LBSCML while filing the current tariff petition has not submitted the Cost Audit Report resulting into non-compliance the proviso of the MYT Regulations 2019. However, being the first tariff petition filed by LBSCML, the Commission is considering a lenient view and has allowed the proceedings of the tariff petition. However, it is directed to LBSCML to submit the Cost audit report alongwith the next true-up tariff petitions so as to comply with the provisions of MYT Regulations 2019.
- 6.1.6 In case of any default on part of LBSCML in complying the above directives , the Commission may take necessary action as per the provisions of the Electricity Act, 2003 and the Regulations/Rules made there under.

7 APPLICABILITY OF ORDER

This Tariff Order for LBSCML for FY 2023-24 and FY 2024-25 shall come into force from 1 April, 2023.

The Petition of M/s Laxmipati Balaji Supply Chain Management Limited in Case No. 220 of 2022 stands disposed of accordingly.

**Sd/-
(Mukesh Khullar)
Member**

**Sd/-
(I. M. Bohari)
Member**

**Sd/-
(Sanjay Kumar)
Chairperson**



Annexure I: Category-wise Revenue with Tariffs for FY 2023-24

Consumer Category	No. of consumers	Components of tariff				Relevant sales & load/demand data			Full year revenue excluding Government subsidy (Rs. Crore)					Full year revenue (including subsidy) (Rs. Crore)	Average Billing Rate (Rs/kVAh)
		Fixed Charges (Rs/conn./month)	Demand Charges (Rs/kVA/month)	Energy Charges (Rs/kVAh)	Wheeling Charges (Rs/kVAh)	Billing Demand in kVA	Sales in Mn. kWh	Sales in Mn. kVAh	Revenue from Fixed Charges	Revenue from Demand Charges	Revenue from Energy Charges	Revenue from Wheeling Charges	Total		
HT Category	3					472	2.79	2.65	0.00	0.26	1.14	0.57	1.97	1.97	7.41
HT I Industry	0														
HT II Commercial	3		454	4.28	2.16	472	2.79	2.65		0.26	1.14	0.57	1.97	1.97	7.41
LT Category	18					363	2.03	1.93	0.00	0.19	0.82	0.42	1.43	1.43	7.40
LT II (A) Commercial upto 20 kW	6	427		5.04	2.16		0.17	0.15	0.003		0.08	0.03	0.11	0.11	7.40
LT II (B) Commercial above 20 kW	7		427	4.03	2.16	186	0.87	0.78		0.10	0.32	0.17	0.58	0.58	7.40
LT II (C) Commercial above 50 kW	4		427	4.30	2.16	177	0.97	0.97		0.09	0.42	0.21	0.72	0.72	7.40
LT V Industry	1	427		5.05	2.16		0.02	0.02	0.001		0.01	0.01	0.02	0.02	7.42
Total	21					835	4.82	4.58	0.004	0.44	1.96	0.99	3.39	3.39	7.41

Annexure II: Category-wise Revenue with Tariffs for FY 2024-25

Consumer Category	No. of consumers	Components of tariff					Relevant sales & load/demand data			Full year revenue excluding Government subsidy (Rs. Crore)					Full year revenue (including subsidy) (Rs. Crore)	Average Billing Rate (Rs/kVAh)
		Fixed Charges (Rs/conn./month)	Demand Charges (Rs/kVA/mt h)	Energy Charges (Rs/kVAh)	Wheeling Charges (Rs/kVAh)	Billing Demand in kVA	Sales in Mn. kWh	Sales in Mn. kVAh	Revenue from Fixed Charges	Revenue from Demand Charges	Revenue from Energy Charges	Revenue from Wheeling Charges	Total			
HT Category	3					472	3.63	3.45	0.00	0.26	1.47	0.73	2.46	2.46	7.13	
HT II Commercial	3		454	4.25	2.13	472	3.63	3.45		0.26	1.47	0.73	2.46	2.46	7.13	
LT Category	18					363	2.64	2.51	0.00	0.19	1.06	0.53	1.78	1.78	7.11	
LT II (A) Commercial upto 20 kW	6	427		4.84	2.13		0.22	0.20	0.003		0.10	0.04	0.14	0.14	7.13	
LT II (B) Commercial above 20 kW	7		427	4.05	2.13	186	1.13	1.02		0.10	0.41	0.22	0.73	0.73	7.11	
LT II (C) Commercial above 50 kW	4		427	4.26	2.13	177	1.26	1.26		0.09	0.54	0.27	0.89	0.89	7.11	
LT V Industry	1	427		4.85	2.13		0.03	0.03	0.001	0.00	0.02	0.01	0.02	0.02	7.14	
Total	21					835	6.27	5.95	0.004	0.44	2.53	1.27	4.24	4.24	7.12	

Annexure III: Tariff Schedule

LAXMIPATI BALAJI SUPPLY CHAIN MANAGEMENT LIMITED

SCHEDULE OF ELECTRICITY TARIFFS

(Effective from 1 April, 2023)

The Maharashtra Electricity Regulatory Commission, in exercise of the powers vested in it under Sections 61 and 62 of the Electricity Act, 2003 and all other powers enabling it in this behalf, has determined, by its Multi Year Tariff Order dated 31 March, 2023 in **Case No.220 of 2022**, the tariffs for supply of electricity by the Distribution Licensee, Laxmipati Balaji Supply Chain Management Limited (LBSCML), to various categories of consumers as applicable from **1 April, 2023 to 31 March 2025**.

GENERAL:

1. These tariffs supersede all tariffs so far in force.
2. The tariffs are subject to revision and/or surcharge that may be levied by the Distribution Licensee from time to time as per the directives of the Commission.
3. The tariffs are exclusive of the separate Electricity Duty, Tax on Sale of Electricity and other levies by the Government or other competent authorities, which will be payable by consumers over and above the tariffs.
4. The tariffs are applicable for supply at one point only.
5. The Distribution Licensee may measure the Maximum Demand for any period shorter than 30 minutes / 15 minutes of maximum use, subject to conformity with the Commission's Electricity Supply Code Regulations, where it considers that there are considerable load fluctuations in operation.
6. The tariffs are subject to the provisions of the applicable Regulations and any directions that may be issued by the Commission from time to time.
7. Unless specifically stated to the contrary, the figures of Energy Charge and Wheeling Charge are denominated in Rupees per unit (kVAh) for the energy consumed during the month.
8. Fuel Adjustment Charge (FAC) computed in accordance with provisions of MYT Regulations, 2019 and Commission's directions in this regard from time to time shall be applicable to all categories of consumers and will be charged over and above the base tariff.

HIGH TENSION (HT) - TARIFF

HT I : HT Industry

Applicability:

This tariff category is applicable for electricity for Industrial use at High Voltage for purposes of manufacturing and processing, including electricity used within such premises for general lighting, heating/cooling, etc.

It is also applicable for use of electricity/power supply for Administrative Offices/Canteen, Recreation Hall/Sports Club or facilities/Health Club or facilities/Gymnasium/Swimming Pool exclusively meant for employees of the industry; water pumps, fire-fighting pumps and equipment, street and common area lighting; Research and Development units, Telecom Tower etc.

Provided that all such facilities are situated within the same industrial premises and supplied power from the same point of supply.

This tariff category shall be applicable for use of electricity/power supply by an Information Technology (IT) or IT-enabled Services (ITeS) Unit as defined in the applicable IT/ITes Policy of Government of Maharashtra.

It is also applicable for use of electricity / power supply for common facilities in the IT Park/SEZ (such as lobbies, central air conditioning, lifts, escalators, Effluent Treatment Plant/Sewage Treatment Plant, wash rooms etc.) which are used by the Units, excluding support services areas, after the registration is granted to the IT Park by the Directorate of Industries and Development Commissioner of the SEZ for an IT SEZ, as per the IT and ITeS Policy of the Government of Maharashtra as applicable from time to time.

Tariff Schedule for HT Industrial Category

Period	Demand Charges	Wheeling Charges	Energy Charges
	Rs.kVA/Month	(Rs./kVAh)	(Rs./kVAh)
01.04.2023 to 31.03.2024	454	2.16	4.28
01.04.2024 to 31.03.2025	454	2.13	4.25

HT-II – HT Commercial**Applicability:**

This tariff category is applicable for electricity used at High Voltage in non-residential, non-industrial and/or commercial premises for commercial consumption meant for operating various appliances used for purposes such as lighting, heating, cooling, cooking, and washing/cleaning, entertainment/ leisure and water pumping in, but not limited to, the following premises:

- a) Non-Residential, Commercial and Business premises;
- b) Combined lighting and power services for facilities relating to Entertainment;
- c) Offices, including Commercial Establishments;
- d) Hotels / Restaurants, Ice-cream parlours, Coffee Shops, Guest Houses, Internet / Cyber Cafes, Telephone Booths and Fax / Photocopy shops;
- e) Automobile and all other types of repairs, servicing and maintenance centres (unless specifically covered under another tariff category); Retail Gas Filling Stations, Petrol Pumps & Service Stations, including Garages;
- f) Banks and ATM centres, Telephone Exchanges, TV Stations, Radio Stations;
- g) Sewage Treatment Plant/ Effluent Treatment Plant and common facilities like Water Pumping / Lifts / Fire-Fighting Pumps and other equipment / Street and other common area Lighting for Commercial Complexes, and not covered under the HT I – Industry category;
- h) Construction of all types of structures/ infrastructure for any purposes;
- i) Stand-alone Research and Development units not covered under any other category;
- j) Any other class of consumers not defined under HT I and HT III consumer category of this tariff order.

Tariff Schedule for HT Commercial Category

Period	Demand Charges	Wheeling Charges	Energy Charges
	Rs.kVA/Month	(Rs./kVAh)	(Rs./kVAh)
01.04.2023 to 31.03.2024	454	2.16	4.28
01.04.2024 to 31.03.2025	454	2.13	4.25

HT III: HT Electric Vehicle Charging Stations

Applicability

This Tariff category is applicable for Electric Vehicle Charging Station including battery swapping stations for Electric Vehicle.

In case the consumer uses the electricity supply for charging his own electric vehicle at his premises, the tariff applicable shall be as per the category of such premises.

Electricity consumption for other facilities at Charging Station such as restaurant, rest rooms, convenience stores, etc., shall be charged at tariff applicable to Commercial Category.

Tariff Schedule for HT Electric Vehicle Charging Station

Period	Demand Charges	Wheeling Charges	Energy Charges
	Rs.kVA/Month	(Rs./kVAh)	(Rs./kVAh)
01.04.2023 to 31.03.2024	70	2.16	4.34
01.04.2024 to 31.03.2025	80	2.13	4.37

LOW TENSION (LT) TARIFF

LT II – LT Commercial

LT II (A) – LT Commercial up to 20 kW Load

LT II (B) – LT Commercial above 20 kW Load

LT II (C) - LT Commercial above 50 kW Load

Applicability

This tariff category is applicable for electricity used at Low/Medium Voltage in non-residential, non- industrial and/or commercial premises for commercial consumption meant for operating various appliances used for purposes such as lighting, heating, cooling, cooking, and washing/cleaning, entertainment/ leisure and water pumping in, but not limited to, the following premises:

- a) Non-Residential, Commercial and Business premises;
- b) Combined lighting and power supply for facilities relating to Entertainment;
- c) Offices, including Commercial Establishments;
- d) Hotels / Restaurants, Ice-cream parlours, Coffee Shops, Guest Houses, Internet / Cyber Cafes, Telephone Booths, and Fax / Photocopy shops;
- e) Automobile and all other types of repairs, servicing and maintenance centres (unless specifically covered under another tariff category); Retail Gas Filling Stations, Petrol Pumps and Service Stations, including Garages;
- f) Banks and ATM centres, Telephone Exchanges, TV Stations, Radio Stations, Telecommunications Towers;
- g) Construction of all types of structures/ infrastructure for any purposes;
- h) Sewage Treatment Plant/ Effluent Treatment Plant and common facilities like Water Pumping / Lifts / Fire-Fighting Pumps and other equipment / Street and other common area Lighting for Commercial Complexes and not covered under the LT III – Industry category;
- i) Stand-alone Research and Development Units not covered under any other category.
- j) Any other class of consumers not defined under any other consumer category of this tariff order.

Tariff Schedule for LT Commercial Category (FY 2023-24)

Tariff w.e.f April 1, 2023

Consumption Slab	Fixed/ Demand Charge	Wheeling Charge (Rs/kVAh)	Energy Charge (Rs./kVAh)
LT II (A)	Rs. 427 per month	2.16	5.04
LT II (B)	Rs. 427 per kVA per month	2.16	4.03

Consumption Slab	Fixed/ Demand Charge	Wheeling Charge (Rs/kVAh)	Energy Charge (Rs./kVAh)
LT II (C)	Rs. 427 per kVA per month	2.16	4.30

Tariff Schedule for LT Commercial Category (FY 2023-24)

Tariff w.e.f April 1, 2024

Consumption Slab	Fixed/ Demand Charge	Wheeling Charge (Rs/kWh)	Energy Charge (Rs./kVAh)
LT II (A)	Rs. 427 per month	2.13	4.84
LT II (B)	Rs. 427 per kVA per month	2.13	4.05
LT II (C)	Rs. 427 per kVA per month	2.13	4.26

LT V – LT Industrial**LT V (A) – LT Industrial up to 20 kW Load****LT V (B) – LT Industrial above 20 kW Load****Applicability**

This tariff category is applicable for electricity for Industrial use, at Low/Medium Voltage, for purposes of manufacturing and processing, including electricity used within such premises for general lighting, heating/cooling, etc.

It is also applicable for use of electricity / power supply for Administrative Offices / Canteens, Recreation Hall / Sports Club or facilities / Health Club or facilities/ Gymnasium / SwimmingPool exclusively meant for employees of the industry; Research and Development units, Telecommunications Tower etc. –

Provided that all such facilities are situated within the same industrial premises and supplied power from the same point of supply;

This tariff category shall also be applicable for use of electricity / power supply by an Information Technology (IT) or IT-enabled Services (ITeS) Unit as defined in the applicable IT and ITeS Policy of Government of Maharashtra.

It is also applicable for use of electricity / power supply for common facilities in the IT Park/SEZ (such as lobbies, central air conditioning, lifts, escalators, Effluent Treatment Plant/Sewage Treatment Plant, wash rooms etc.) which are used by the Units, excluding support services areas, after the registration is granted to the IT Park by the Directorate of Industries and Development Commissioner of the SEZ for an IT SEZ, as per the IT and ITeS Policy of the Government of Maharashtra as applicable from time to time.

Tariff Schedule for LT Industrial Category (FY 2023-24)**Tariff w.e.f April 1, 2023**

Consumption Slab	Fixed/ Demand Charge	Wheeling Charge (Rs/kVAh)	Energy Charge (Rs./kVAh)
Below 20 kW	Rs. 427 per month	2.16	5.05
Above 20 kW	Rs. 427 per kVA per month	2.16	4.03

Tariff w.e.f April 1, 2024

Consumption Slab	Fixed/ Demand Charge	Wheeling Charge (Rs/kVAh)	Energy Charge (Rs./kVAh)
Below 20 kW	Rs. 427 per month	2.13	4.85
Above 20 kW	Rs. 427 per kVA per month	2.13	4.05

LT VI - LT Electric Vehicle Charging Stations

Applicability

This tariff category is applicable for electricity used at Low/Medium Voltage for supplying to Electric Vehicle Charging Stations including battery swapping stations for electric vehicle.

In case the consumer uses the electricity supply for charging his own electric vehicle at his premises, the tariff applicable shall be as per the category of such premises.

Electricity consumption for other facilities at Charging Station such as restaurant, rest rooms, convenience stores, etc., shall be charged at tariff applicable to Commercial Category.

Tariff Schedule for LT Electrical Vehicle Charging Station

Period	Demand Charges	Wheeling Charges	Energy Charges
	Rs.kVA/Month	(Rs./kVAh)	(Rs./kVAh)
01.04.2023 to 31.03.2024	70	2.16	4.34
01.04.2024 to 31.03.2025	80	2.13	4.37

MISCELLANEOUS AND GENERAL CHARGES

Fuel Adjustment Cost (FAC) Component of Z factor Charge

The FAC Component of Z factor charge will be determined based on the formula specified in the MYT Regulations, 2019 and approved by the Commission and directions as may be given by the Commission from time to time and will be applicable to all consumer categories for their entire consumption.

In case of any variation in the fuel prices and power purchase prices, the Distribution Licensee shall pass on the adjustments through the FAC component of the Z-factor Charge accordingly.

The details of applicable ZFAC for each month shall be available on the website of the Licensee.

Electricity Duty and Tax on Sale of Electricity

The Electricity Duty and Tax on Sale of Electricity, as applicable, will be levied in addition to the tariffs approved by the Commission as per the Government of Maharashtra guidelines from time to time. However, the rate and the reference number of the Government Resolution/Order vide which the Electricity Duty and Tax on Sale of Electricity are made effective shall be stated in the bill. A copy of such Resolution / Order shall be made available on the website of the Licensee.

Prompt Payment Discount

A prompt payment discount of 1% on the monthly bill (excluding Taxes and Duties) shall be available to the consumers if the bills are paid within a period of 7 working days from the date of issue of the bill.

Delayed Payment Charges

In case the electricity bill is not paid within the due date mentioned on the bill, a Delayed Payment Charge of 1.25 percent shall be levied on the total amount of the electricity bill (including Taxes and Duties) for the first month of delay.

Delayed Payment Charges shall be applicable as specified in Regulation 37.2 of MYT Regulations, 2019 for further delays.

Rate of Interest on Arrears

The rate of interest chargeable on arrears will be as given below for payment of arrears-

Sr. No.	Delay in Payment (months)	Interest Rate (%)
1	Payment after 60 days and up to 90 days from date of billing	12%
2	Payment beyond 90 days and up to 180 days from date of billing	15%

Digital Payment Discount

Digital payment discount of 0.25% of the monthly bill (excluding Taxes and Duties), subject to a cap of Rs. 500/- shall be provided to LT category consumers for payment of electricity bills through various modes of digital payment such as credit cards, debit cards, UPI, BHIM, internet banking, mobile banking, mobile wallets, etc.

Load Factor Incentive

Consumers having Load Factor above 75% up to 85% will be entitled to a rebate of 0.75% on the Wheeling Charges and Energy Charges, only, for every percentage point increase in Load Factor from 75% to 85%. Consumers having a Load Factor over 85 % will be entitled to rebate of 1% on the Wheeling Charges and Energy Charges, only, for every percentage point increase in Load Factor from 85%. The total rebate under this head will be subject to a ceiling of 15% of the Wheeling Charges and Energy Charges, only for that consumer. This incentive is applicable only to consumers in the tariff category HT I: Industrial and HT II: Commercial.

Additionally, the Load Factor Incentive shall not be applicable for the month if the consumer exceeds its Contract Demand in that month. Consumers exceeding Contract demand during the off-peak hours (2200 hrs to 0600 hrs) would also not be eligible for Load factor Incentive for that month.

Further, the Load Factor rebate will be available only if the consumer has no arrears with LBSCML, and payment is made within seven days from the date of the bill. However, this incentive will be applicable to consumers where payment of arrears in instalments has been granted by LBSCML, and the same is being made as scheduled. LBSCML has to take a commercial decision on the issue of how to determine the time frame for which the payments should have been made as scheduled, in order to be eligible for the Load Factor Incentive.

The Load Factor has been defined below:

$$\text{Load Factor} = \frac{\text{Consumption during the month in MU}}{\text{Maximum Consumption Possible during the month in MU}}$$

Maximum consumption possible = Contract Demand (kVA) x Actual Power Factor x (Total no. of hrs during the month less actual interruption hours recorded in the meter for billing period)

In case the billing demand exceeds the Contract Demand in any particular month, then the Load Factor Incentive will not be payable in that month.

Penalty for exceeding Contract Demand

In case, a consumer (availing Demand based Tariff) exceeds his Contract Demand, he will be billed at the appropriate Demand Charge rate for the Demand actually recorded and will be additionally

charged at the rate of 150% of the applicable Demand Charges (only for the excess Demand over the Contract Demand).

Under these circumstances, the consumer shall not be liable for any other action under Section 126 of the EA, 2003, since the penal additional Demand Charge provides for the penalty that the consumer is liable to pay for exceeding his Contract Demand. In case a consumer exceeds his Contract Demand on more than three occasions in a calendar year, the action to be taken would be governed by the provisions of the Supply Code Regulations.

In case any consumer exceeds the Contract Demand on more than three occasions in a calendar year, the action taken in such cases would be governed by the Supply Code.

Consumer Security Deposit

As specified under Regulations 13 of the MERC (Supply Code Electricity Supply Code and Standards of Performance of Distribution Licensees including Power Quality) Regulations, 2021, Consumer shall pay Security Deposit and will be entitle for interest on such Security Deposit.

Definitions:

Maximum Demand

Maximum Demand in Kilowatts or Kilo-Volt-Amperes, in relation to any period shall, unless otherwise provided in any general or specific Order of the Commission, means twice the highest number of kilowatt-hours or kilo-Volt-Ampere-hours supplied and taken during any consecutive thirty-minute blocks in that period.

Contract Demand

Contract Demand means demand in Kilowatt (kW) / Kilo –Volt Ampere (kVA), mutually agreed between LBSCML and the consumer as entered into in the agreement or agreed through other written communication (For conversion of kW into kVA, Power Factor of 0.80 shall be considered).

Sanctioned Load

Sanctioned Load means load in Kilowatt (kW) mutually agreed between LBSCML and the consumer. In case the meter is installed on the LV (Low voltage)/MV (Medium Voltage) side, the methodology to be followed for billing purpose is as follows:

2% to be added to MV demand reading, to determine the kW or kVA billing demand, and

‘X’ units to the MVA reading to determine the total energy compensation to compensate the transformation losses, which is calculated as follows

‘X’ = $(730 * \text{kVA rating of transformer})/500$ Units/month, to compensate for the iron losses, plus one percent of units registered on the LT side for copper losses.

Billing Demand (for LT categories):

Monthly Billing Demand will be the higher of the following:

- (a) 65% of the actual Maximum Demand recorded in the month.
- (b) 40% of the Contract Demand.

Note:

- (a) Only the Demand registered during the period 0600 to 2200 Hrs. will be considered for determination of the Billing Demand.
- (b) In case of change in Contract Demand, the period specified in Clause (a) above will be reckoned from the month following the month in which the change of Contract Demand takes place.

Billing Demand (for HT categories):

Monthly Billing Demand will be the higher of the following:

- (a) Actual Maximum Demand recorded in the month
- (b) 75% of the highest billing demand recorded during preceding eleven months subject to limit of Contract Demand.
- (c) 70% of the Contract Demand*.

* For FY 2024-25: 75%

Note:

- (a) *Only the Demand registered during the period 0600 to 2200 Hrs. will be considered for determination of the Billing Demand.*
- (b) *In case of change in Contract Demand, the period specified in Clause above will be reckoned from the month following the month in which the change of Contract Demand takes place.*

Appendix – I**List of persons who attended the TVS on 22 December, 2022**

Sr. No.	Name of the Participant	Institution
1	Suhas Ambade	LBSCML's Representative
2	M Palaniappan	LBSCML's Representative
3	Sarvothama Shetty	LBSCML
4	Vikas Patil	LBSCML

Appendix – II**List of persons who attended the e-Public Hearing on 9 February, 2023**

Sr. No.	Name of the Participant	Institution
1	Suhas Ambade	LBSCML's Representative
2	M Palaniappan	LBSCML's Representative