MULTI YEAR TARIFF (MYT) – MID-TERM REVIEW (MTR) PETITION

FY 2012-13 to FY 2015-16

RELIANCE INFRASTRUCTURE LTD. - DISTRIBUTION

EXECUTIVE SUMMARY

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1 INTRODUCTION

1.1 About RInfra Distribution

Reliance Infrastructure Ltd. (hereinafter RInfra), an electricity Distribution Licensee in the Suburbs of Mumbai and for areas under the Mira Bhayender Municipal Corporation, is granted a licence to distribute electricity by the Hon'ble MERC for a period of 25 years with effect from 16th August, 2011. Prior to this, RInfra was a deemed distribution licensee having a license to distribute electricity in the suburbs of Mumbai, under the terms of the Electricity Act 2003. The distribution business of RInfra is hereinafter referred to as RInfra-D.

1.2 Objective of Mid Term Review Petition

Regulation 11 of Maharashtra Electricity Regulatory Commission (Multi Year Tariff) Regulations, 2011 (MYT Regulations) specify that the Distribution Licensee covered under the Multi Year Tariff Framework is subjected to a Mid Term Performance Review during the Control Period. Further, the Hon'ble Commission in RInfra-D's MYT Order dated 22nd August 2013 (Case No. 9 of 2013) had directed RInfra-D to submit its Petition for Mid Term Review with detailed reasons for deviations in performance by 30th November 2014. In accordance with the above provisions of the MYT Regulations and the aforesaid direction of the Hon'ble Commission, the present Mid-Term Review Petition is filed by RInfra-D. The actuals for the past period i.e. FY 2012-13 and FY 2013-14 and the revised estimates for the balance period of the Control Period i.e. FY 2014-15 and FY 2015-16 are being submitted herewith for the approval of the Hon'ble Commission. RInfra-D is also submitting the impact of various ATE Judgments and seeks restoration of the amounts disallowed by the Hon'ble Commission with regard to the certain expenses in the past. For recovery of all these cost, RInfra-D has proposed revised retail tariffs for own consumers, wheeling charges for own as well as changeover consumers and Cross Subsidy Surcharge for changeover consumers.

2 Analysis of Average Cost of Supply for FY 2015-16

In order to objectively analyse the tariff proposal of RInfra-D as contained in this petition, it is important to break-up the proposed Average Cost of Supply for FY 2015-16 and analyse its individual components vis-à-vis the prevailing costs in FY 2014-15. The analysis and the inferences that can be drawn from the same are as follows:

Table 1: Change in ACoS between FY 2014-15 and FY 2015-16 (only stand-alone costs)

Particulars	FY 14-15		FY 15-16		Change (Rs./ kWh)	% Change
	Rs. Crore	Rs./kWh	Rs. Crore	Rs./kWh		
PP Expense (Without DTPS Past Gap)	5,124.37	6.73	4,737.10	5.91	(0.82)	
O&M Expense	1,023.29	1.34	1,112.29	1.39	0.04	
Depreciation	202.64	0.27	213.34	0.27	0.00	
Interest on Loans	123.61	0.16	135.60	0.17	0.01	
Interest on Working Capital	103.76	0.14	125.72	0.16	0.02	
Provision for Bad Debts	13.96	0.02	13.96	0.02	(0.00)	
Income Tax	-	-	-	-	-	
Contribution to CR	11.48	0.02	12.26	0.02	0.00	
Return on Equity	271.72	0.36	289.22	0.36	0.00	
Less: Non Tariff Income	188.21	0.25	198.69	0.25	0.00	
Less: Income From Other Business	0.44	0.00	0.44	0.00	(0.00)	
Interest on FAC	3.14	0.00	-	-	(0.00)	
Total - Current	**6,689.31**	**8.78**	**6,440.36**	**8.04**	**(0.75)**	**-8.50%**
Less: Revenue from Wheeling from Changeover Consumers	(265.41)	(0.35)	(513.09)	(0.64)	(0.29)	
Less: Revenue from CSS	(222.04)	(0.29)	(269.50)	(0.34)	(0.04)	
Net Current ARR	**6,201.86**	**8.14**	**5,657.77**	**7.06**	**(1.08)**	
Sales (MU)	7,616.39		8,014.16			

Table 2: Impact of Past Revenue Gaps on FY 2015-16 ARR

Particulars	FY 14-15		FY 15-16		Change
	Rs. Crore	Rs./kWh	Rs. Crore	Rs./kWh	
Impact due to ATE Judgment					
Impact of ATE judgment on Income Tax allowance	---*	---	117.52	0.15	0.15
Impact of ATE judgment on allowance of Interest on Long Term Loans	---	---	29.47	0.04	0.04
Past Gap (Including DTPS Past Gap) – arising due to ATE judgment and other uncontrollable reasons	--	--	1,736.80	2.17	2.17
Total Impact of past events and ATE judgment			**1,883.80**	**2.35**	**2.35**
Sales (MU)			8,014.16		

**Impact of ATE judgment on allowance of Income Tax and Interest expenditure for FY 2014-15 is part of the past revenue gap of Rs. 1990.63 crore and hence not shown separately*

Table 3: Total ARR (Including Past Revenue Gaps)

Particulars	FY 14-15		FY 15-16		Change
	Rs. Crore	Rs./kWh	Rs. Crore	Rs./kWh	
Total ARR (stand-alone) – before netting off recovery from proposed wheeling and CSS	6,689.31	8.78	6,440.35	8.04	(0.75)
Total Impact of past events and ATE judgment	--	--	1,883.80	2.35	2.35
Total Recoverable ARR (from wheeling charges, CSS and retail tariffs)	6,689.31	8.78	8,324.16	10.39	1.60
Sales (MU)	**7616.39**		**8,014.16**		

<u>Ref: Table 1:</u> Demonstrates that the expenses projected for FY 2015-16 are actually reducing as compared to the prevailing level of expenditure in FY 2014-15. The reduction is both in absolute terms as well as Rs. per unit terms. There is a net reduction of more than 8% in the average cost of supply between FY 2014-15 and FY 2015-16.

Ref: Table 2: The Revenue Gap of previous years, including FY 2014-15 is impacted significantly by the judgment of the Hon'ble ATE on allowance of Income Tax and Interest on Long Term Loans. Further, reduction in revenue from wheeling charges and CSS in the previous years due to over-estimate of sales volume and delayed applicability of these charges in FY 2013-14 (from Sept 2013 instead of April 2013 as assumed in the MYT Order) has contributed significantly to the revenue gap of previous years. These revenue gaps, proposed to be recovered in entirely in FY 2015-16 add to the Average Cost of Supply.

Ref: Table 3: On a stand-alone basis, the ARR of FY 2015-16 could almost be recovered through the presently prevailing tariffs and no tariff increase would actually be required on a stand-alone basis. The tariff increase is therefore necessitated only to recover the cost disallowances of the past, which have now been allowed in view of the judgment of the Hon'ble ATE and the uncontrollable factors that have contributed to increase in cost and reduction in revenue in the period FY 2012-13 to FY 2014-15. In fact, the reduction in projected stand-alone cost of FY 2015-16 actually bridges the impact of past costs to some extent and subdues the tariff increase required, as visible from the referred table.

With this background, the summary of individual elements constituting the revenue gap of previous years and the projections for the ensuing year are discussed in the sections below:

3 IMPACT OF HON'BLE ATE JUDGMENTS

3.1 Income Tax for FY 2009-10, FY 2010-11 and FY 2011-12

The Hon'ble Commission had approved the income tax for FY 2009-10, FY 2010-11 and FY 2011-12 for RInfra-D in its previous Orders based on segmental allocation of revenue and expenses and allocating the total tax paid by RInfra as a whole over the different segments in proportion of taxable income so arrived at through segmental allocation. RInfra-D has preferred Appeals before the Hon'ble ATE against these Order of the Hon'ble Commission which is pending. However, RInfra-G and RInfra-T had preferred Appeals on the same issue before the Hon'ble ATE (Appeal No. 138 & 139 of 2012), the Judgment of which has been issued by the Hon'ble ATE on 2nd December 2013. The Judgment holds that the income tax should be allowed by considering the Profit Before Tax of each stand alone regulated business by considering revenues and allowable expenses. Accordingly, RInfra-D has claimed the difference in income tax allowable if computed on standalone basis and income tax allowed by the Commission in previous Orders for FY 2009-10, FY 2010-11 and FY 2011-12, as additional allowance to be recovered along with ARR of FY 15-16. The amount on account of differential of income tax from FY 2009-10 to FY 2011-12 is Rs. 100 Crore.

3.2 Interest on Long Term Loans for FY 2011-12

The Hon'ble Commission while approving the ARR for FY 2011-12 for RInfra-D, had allowed the market reflective debt of 11.50% for new loans taken during FY 2011-12. However, the Hon'ble Commission did not allow resetting of interest rate for opening balance of loans as on 1st April 2011 to take into account market reflective debt for loans as on 1st April 2011. RInfra-D has raised this issues in its Appeal before the Hon'ble ATE, which is pending. However, similar issue of not allowing interest expenses on existing normative loans by considering prevailing cost of debt was raised by RInfra-G and RInfra-T (in Appeal No. 138 & 139 of 2012), the Judgment of which has been issued by the Hon'ble ATE on 2nd December 2013. The Judgment holds that the interest allowable on normative loans should be in line with the interest rates of loans available in the market. Accordingly RInfra-D has recomputed the interest expenses allowable to RInfra-D in FY 2011-12 by considering the interest rate for normative portion of its loans as equal to the weighted average rate of interest of actual loans pertaining to distribution business of RInfra. The amount on account of differential of interest expenses for FY 2011-12 is Rs. 27.99 Crore.

3.3 Interest on Delayed Payment in FY 2008-09

The Hon'ble Commission, while truing up the accounts of RInfra-D for FY 2008-09 in Case No. 72 of 2010, had double counted interest on delayed payment in Non-tariff Income for FY 2008-09. RInfra-D had raised this issue before the Hon'ble ATE, the Judgment of which is issued on 14th November 2013 and the Hon'ble ATE has allowed this issue in favour of RInfra-D. The amount of interest on delayed payment, which was double counted was Rs. 6.68 Crore.

3.4 Impact with Carrying Cost

RInfra-D has calculated the impact of these ATE Judgments with carrying cost in accordance with the ATE Judgment dated 13th September 2012 (Case No. 202 & 203 of 2010). As regards interest on delayed payment, RInfra-D has calculated the impact with carrying cost up to FY 2013-14, which works out to be Rs. 12.67 Crore. As regards, income tax up to FY 2011-12 and interest expense for FY 2011-12, RInfra-D has calculated the impact with carrying cost up to FY 2015-16 which works out to be Rs. 282.77 Crore. Therefore, the total impact of ATE Judgments with carrying cost is Rs. 295.44 Crore.

4 TRUING UP OF FY 2012-13 AND FY 2013-14, ANNUAL PERFORMANCE REVIEW (APR) OF FY 2014-15 AND ARR FOR FY 2015-16

4.1 Sales

The Hon'ble Commission, in the MYT Order of RInfra-D, had approved own sales from FY 2013-14 to FY 2015-16 based on the projections made by RInfra-D in its MYT Petition. As regards the changeover sales from FY 2012-13, the Hon'ble Commission has considered the sales approved in TPC-D's MYT Order dated 28th June 2013 (Case No. 179 of 2011). The actual sales to own consumers of RInfra-D in FY 2012-13 and FY 2013-14 are presented in the table below. For FY 2014-15 and FY 2015-16, RInfra-D has made sales forecasts considering all the factors affecting sales such as ongoing changeover of residential consumers consuming up to 300 units per month, shifting back of changeover consumers in other categories to RInfra-D to take advantage of tariff differentials and Judgments of the Hon'ble ATE against the Orders of the Hon'ble Commission (in Case No. 151 of 2011, Case No. 85 of 2013 and Case No. 3 of 2013). The steps considered for forecasting sales in second half of FY 2014-15 and in FY 2015-16 are briefly stated below:

Step 1: Consider actual sales for first half of FY 2014-15

Step 2: Estimation of total sales (own sales as well as changeover sales) in H2 of FY 2014-15 and in FY 2015-16, i.e. estimation of total sales from October 2014 to

March 2015 and from April 2015 to March 2016 by using correlation factors for different months with respect to the month of September and by using historical growth factors to account for increase in specific consumption and through addition of new consumers.

Step 3: Estimation of base changeover sales in H2 of FY 2014-15 and in FY 2015-16, by using correlation factors for different months with respect to the month of September and by using nominal growth rates to account for increase in specific consumption of these changeover consumers.

Step 4: Estimation of sales (category wise monthly sales) contribution of change-over consumers shifting back to RInfra-D supply by considering the trend of reverse migration from April 2014 to September 2014.

Step 5: Estimation of incremental depletion of sales (category wise monthly sales) of 0-300 units consumers by considering the trend of migration of 0-300 units consumers from April 2014 to September 2014.

Step 6: Subtraction of sales of consumers shifting back to RInfra-D and addition of sales of migrating 0-300 units consumers to base changeover sales arrived at in Step 3 above, to arrive at projected changeover sales in H2 of FY 2014-15 and in FY 2015-16.

Step 7: Deduction of projected changeover sales arrived at in Step 6 above from the projected total sales arrived at in Step 2 above to arrive at projected own sales in H2 of FY 2014-15 and in FY 2015-16.

The actual sales in FY 2012-13 and in FY 2013-14 along with forecasted sales in FY 2014-15 and in FY 2015-16 are shown below:

Table 4: Summary of RInfra-D Own Sales and Changeover Sales (MU)

Particulars	**FY 2012-13**	**FY 2013-14**	**FY 2014-15**	**FY 2015-16**
	Actuals	**Actuals**	**Estimates**	**Projections**
RInfra-D Own Sales	6,207.18	6,467.96	7,616.39	8,014.16
Changeover Sales	3,114.37	2,843.37	1,962.95	1,881.77
Total Sales	9,321.55	9,311.33	9,579.34	9,895.93

RInfra-D submits that the actual sales of FY 2012-13 and FY 2013-14 along with the estimated sales of FY 2014-15 and FY 2015-16 are significantly less than the sales approved by the Hon'ble Commission in RInfra-D's MYT Order dated 22nd August 2013 (Case No. 9 of 2013). The explanation for such variance is given in the detailed Petition. There has been an impact on the revenue due to the over projection of sales in the MYT Order.

4.2 Distribution Loss & Energy Balance

The actual distribution loss for FY 2012-13 was 9.49% while that for FY 2013-14 was 9.50%. RInfra-D has projected the energy balance for FY 2014-15 and FY 2015-16 by considering distribution loss of 9.41% and 9.36% respectively, which was approved by the Hon'ble Commission in RInfra-D's MYT Order (Case No. 9 of 2013). For the purpose of truing up, RInfra-D has considered actual energy billed to it by the generators and the pool increments/ decrements are considered as per the FBSM provisional bills. This is because the revenue received from State Imbalance Pool or paid to the Pool are due to energy increment / decrement as per the State Imbalance Pool. Therefore, the transmission loss for FY 2012-13, FY 2013-14 and for H1 of FY 2014-15 works out to be different from the Hon'ble Commission approved transmission loss in RInfra-D's MYT Order (Case No. 9 of 2013). When FBSM statements will get finalized by MSLDC, all source wise differences between actual energy billed to RInfra-D and energy as per FBSM statements will be reconciled. For FY 2015-16, RInfra-D has considered a transmission loss of 4.08% as per the Hon'ble Commission's Order dated 14th August 2014 in Case No. 123 of 2014.

Table 5: Energy Balance from FY 2012-13 to FY 2015-16

(MU)

Particulars	FY 2012-13	FY 2013-14	FY 2014-15	FY 2015-16
	Actuals	Actuals	Estimates	Projections
Total Sales (Including Changeover & OA Sales)	9,335.13	9,321.25	9,590.98	9,907.58
Distribution Loss (%)	9.49%	9.50%	9.41%	9.36%
Energy Input at T<>D	10,313.36	10,299.44	10,587.24	10,930.69

Particulars	FY 2012-13	FY 2013-14	FY 2014-15	FY 2015-16
	Actuals	**Actuals**	**Estimates**	**Projections**
Input attributable to Changeover & OA Consumers	3,367.20	3,089.21	2,165.73	2,098.30
Input attributable to RInfra-D Consumers	6,946.15	7,210.22	8,421.51	8,832.39
Transmission Loss (%)	5.18%	4.09%	3.94%	4.08%
Energy Input at G<>T	7,325.95	7,517.52	8,767.22	9,208.08

The actual distribution loss of FY 2012-13 and FY 2013-14 are more than the approved losses in the MYT Order. RInfra-D submits that RInfra-D's distribution system consists of retail consumers who are supplied by RInfra-D as well as by TPC-D. Almost one third of the sales to retail consumers on RInfra-D's network are by TPC-D. Thus, RInfra-D does not have the ownership of energy to that extent and hence cannot be made accountable for much of the commercial losses in such energy supply. If RInfra-D was the sole wires and supply company, RInfra-D could be made accountable for all losses in the system, irrespective of whether they are technical or commercial. However, in case a significant portion of energy is supplied by another Company, which largely uses its own energy meters for such supply, the accountability for variation in losses cannot rest solely with RInfra-D.

4.3 Power Procurement

In order to meet the base load in its license area, RInfra-D procures power from Dahanu Thermal Power Station (RInfra-G) and Vidarbha Industries Power Ltd (VIPL). RInfra-D has entered into a 10 year Power Purchase Agreement (PPA) with RInfra-G, which has been approved by the Hon'ble Commission. Also RInfra-D has entered into a long term Power Purchase Agreement (PPA) with VIPL, for supply of 600 MW power starting 1st April 2014. Accordingly VIPL has been supplying power to RInfra-D under the long term PPA. Further, in FY 2012-13 and in FY 2013-14, RInfra-D has procured power from Wardha Power Corporation Ltd. (WPCL), Abhijeet MADC Ltd. and VIPL under Medium Term PPAs. For the fixed charges payable to RInfra-G in the second half of FY 2014-15, RInfra-D has considered the fixed charges approved by the Hon'ble Commission in RInfra-G's MYT Order (Case No. 1 of 2013). For the variable charges payable to RInfra-G in the second half of FY 2014-15, RInfra-D has considered the variable charge approved by the Hon'ble Commission in RInfra-G's MYT Order dated 13th June 2013 (Case No. 1 of 2013). For the fixed and variable charges payable to RInfra-G in FY 2015-16, RInfra-D has considered the projections made by RInfra-G in its Mid Term Review Petition. As regards the fixed cost payable to VIPL in the second half of FY 2014-15 and in FY 2015-16, RInfra-D has considered the fixed cost approved by the Hon'ble Commission in VIPL's provisional tariff Order dated 17th January 2014. For the variable cost payable to VIPL in the second half of FY 2014-15 and in FY 2015-16, RInfra-D had sought information from VIPL about the likely energy availability and the variable charges for the balance part of the year 2014-15 and thereafter for FY 2015-16. VIPL in its letter dated 10th November 2014 had communicated the likely energy availability and the variable cost of power from November 2014 onwards. Hence, in order to estimate the energy charges from VIPL for H2 of FY 2014-15, RInfra-D has considered the actual for the month of October 2014 and thereafter, considered the projections made by VIPL.

To meet its solar Renewable Purchase Obligation (RPO), RInfra-D procures solar power from Dhusar Solar Power Pvt. Ltd., at the generic tariff determined by the Hon'ble Commission. For meeting part of its non solar RPO, RInfra-D procures power from non solar renewable sources at the rates as per the PPAs. Any shortfall in meeting the non solar RPO after considering power purchase from non solar sources is met through purchase of Renewable Energy Certificates (RECs). The Hon'ble Commission in RInfra-D's MYT Order dated 22nd August 2013 (Case No. 9 of 2013) had ruled that the additional purchase from Dhursar Solar over the solar RPO target will be allowed at the highest rate in the merit order stack of short term power purchase. However, RInfra-D has already entered into a contract with Dhursar Solar for the entire capacity of 40 MW and therefore the cost has to be accounted in the ARR Petition. Therefore, RInfra-D has shown a portion of power purchase from Dhursar Solar towards solar RPO and the additional purchase from Dhursar Solar is shown as normal power purchase.

Futher, RInfra-D has procured power from TPC Unit 6 from April 2014 onwards, upon direction of MSLDC (dated 26th March 2014). RInfra-D has included the actual power purchase cost for procurement of power from TPC Unit 6 up to November 2014.

In order to meet its peak load requirements and to manage the variations in load, RInfra-D procures power from short term sources through bilateral contracts and through purchase from power exchanges. Further, the surplus power during off peak periods is sold through power exchange. The energy increment and decrement to State Imbalance Pool at different times of day are accounted for as per the provisional FBSM statements issued by MSLDC. RInfra-D has estimated the short term purchase requirement quantum and the surplus sale quantum in the second half of FY 2014-15 and in FY 2015-16 after considering the energy availability from RInfra-G, VIPL and renewable sources. For estimating the purchase cost of short term power requirement and revenue from sale of surplus power RInfra-D has considered rates as per prevailing bilateral and exchange rates.

RInfra-D has estimated the transmission charges, SLDC charges and standby charges payable in the second half of FY 2014-15 and in FY 2015-16 as per the relevant Orders of the Hon'ble Commission. The actual power purchase from different sources in FY 2012-13 and in FY 2013-14 and the estimated power purchase in FY 2014-15 and in FY 2015-16 are shown in table below:

Table 6: Power Procurement from FY 2012-13 to FY 2015-16

(MU)

Particulars	**FY 2012-13**	**FY 2013-14**	**FY 2014-15**	**FY 2015-16**
	Actuals	**Actuals**	**Estimates**	**Projections**
DTPS	3,994.95	3,738.81	4,032.51	3,802.80
Medium Term PPAs				
WPCL	2,039.49	1,489.99		
Abhijeet	441.97	420.91		
VIPL	1,001.05	994.82		
VIPL - Long Term PPA			3,445.69	4,070.83
TPC Unit 6			188.41	
Renewable	196.22	288.89	285.85	285.85
Short Term Purchase	503.24	883.82	1,271.01	1,527.52
Surplus Sale	(850.97)	(299.72)	(456.25)	(478.94)

Particulars	FY 2012-13	FY 2013-14	FY 2014-15	FY 2015-16
	Actuals	**Actuals**	**Estimates**	**Projections**
Total	**7,325.95**	**7,517.52**	**8,767.22**	**9,208.08**

The actual power purchase cost in FY 2012-13 and in FY 2013-14 and the estimated power purchase cost in FY 2014-15 and in FY 2015-16 are shown in table below:

Table 7: Power Purchase Cost from FY 2012-13 to FY 2015-16

(Rs. Crore)

Particulars	FY 2012-13	FY 2013-14	FY 2014-15	FY 2015-16
	Actuals	**Actuals**	**Estimates**	**Projections**
DTPS	1,361.66	1,325.41	1,464.87	1,626.02
Medium Term PPAs				
WPCL	1,000.36	508.65	95.00	
Abhijeet	204.25	180.41		
VIPL	510.05	506.71		
VIPL - Long Term PPA			2,048.06	1,793.33
TPC Unit 6			252.18	
Renewable	163.46	227.41	230.12	231.94
RECs	90.81	63.66	80.40	86.10
Short Term Purchase	194.91	289.29	483.13	611.01
Surplus Sale	(183.69)	(73.44)	(99.50)	(106.02)
Transmission Charges	261.37	428.16	431.07	505.53
SLDC Charges	1.05	1.64	2.04	2.24
Standby Charges	221.06	59.64	137.00	141.48
Total	**3,825.29**	**3,517.53**	**5,124.37**	**4,891.63**

4.4 Interest on FAC

The Hon'ble Commission, in RInfra-D's MYT Order dated 22nd August 2013 (Case No. 9 of 2013) had approved Rs. 2.96 Crore interest on FAC (pertaining to the period FY 2008-09 to FY 2012-13) in the ARR of FY 2013-14. In addition, RInfra-D has charged FAC for the months of April 2013 to July 2013 needs to be included in the ARR for FY 2013-14, which was 0.84 Crore.

Therefore the total claim on account of interest on FAC for FY 2013-14 now stands revised to Rs. 3.81 Crore. Similarly the interest on FAC charged in H1 of FY 2014-15 has been included in the ARR of FY 2014-15, which was Rs. 3.14 Crore.

4.5 Operation and Maintenance (O&M) Expenses

The Hon'ble Commission, while approving the O&M Expenses in RInfra-D's MYT Order from FY 2012-13 to FY 2015-16, had allowed the actual O&M Expenses for FY 2012-13, except for the wage revision impact of Rs. 27.63 Crore in R&M Expenses in FY 2012-13. The Hon'ble Commission had directed RInfra-D to submit proper justification in the next tariff determination process for claiming the amount. RInfra-D has now submitted the detailed justification (as explained in the detailed Petition) along with the Wage Revision Agreement for consideration of the Hon'ble Commission. RInfra-D has claimed the actual O&M Expenses for FY 2012-13 and FY 2013-14. As regards FY 2014-15 and FY 2015-16, RInfra-D has estimated the Employee Expenses by using the 5 year average point to point inflation in CPI. RInfra-D has estimated the A&G Expenses by using an escalation factor which has been derived with 60% weight of 5 year average of point to point inflation in CPI and 40% weight of 5 year average of point to point inflation in WPI.

Further, the Hon'ble Commission had considered the actual audited O&M expense of FY 2012-13, as provided by RInfra-D vide its letter dated 15th June 2013 and further deducted SCADA charges allocable to RInfra-T to approve the O&M Expenses. RInfra-D submits that the actual O&M Expense for FY 2012-13 provided was net of adjustments due to SCADA charges allocable to RInfra-T and Land Usage Chagres payable to RInfra-T. Therefore SCADA charges allocable to RInfra-T was double counted for deduction. RInfra-D has submitted the actual O&M Expenses for FY 2012-13 and FY 2013-14, net of SCADA charges and Land Usage Charges. Further, the actual O&M Expenses of FY 2013-14 were escalated to estimate the O&M Expenses for FY 2014-15 and FY 2015-16.

A major portion of R&M Expense consists of Road Reinstatement (RI) Expenses which is paid to MCGM for the filling up the trenches dug up for repairing work of cables or for clearing faults in cables. MCGM has revised the RI rates, which was made effective from April 2014 onwards, by which the rates have been increased by more than 30%. Hence, to estimate R&M expenses, RInfra-D has estimated the other R&M Expenses (without RI charges) by using the 5 year average point to point inflation in WPI. Thereafter, RInfra-D has estimated the RI charges payable to MCGM in FY 2014-15 at the revised rates. The estimated R&M charges for FY 2014-15 is the sum of estimated RI charges payable at revised rates and the estimated other R&M expenses for FY 2014-15. The estimated RI charges payable in FY 2014-15 are escalated by 5 year average point to point inflation in WPI to estimate the RI charges payable in FY 2015-16.

The actual O&M Expenses in FY 2012-13 and FY 2013-14 and the estimated O&M Expenses in FY 2014-15 and FY 2015-16 are shown in table below:

Table 8: O&M Expenses from FY 2012-13 to FY 2015-16

(Rs. Crore)

Particulars	**FY 2012-13**	**FY 2013-14**	**FY 2014-15**	**FY 2015-16**
	Actuals	**Actuals**	**Estimates**	**Projections**
Employee Expenses	592.49	554.50	610.06	671.19
A&G Expenses	153.93	166.94	180.69	195.58
R&M Expenses	225.07	203.66	232.54	245.52
Total	**971.50**	**925.09**	**1,023.29**	**1,112.29**

4.6 Capital Expenditure and Capitalization

RInfra-D carries out the capital expenditure in those schemes for which In-principle clearance has been obtained from the Hon'ble Commission. There had been under spend in capital expenditure in FY 2012-13 and in FY 2013-14 as compared to the capital expenditure approved by the Hon'ble Commission due to the reasons explained in the detailed Petition. As a result spillover of some of the projects of FY 2012-13 and FY 2013-14 is expected in FY2014-15 and FY 2015-16. Therefore RInfra-D has revised the DPR wise capital expenditure and capitalization expected in FY 2014-15 and FY 2015-16. The actual capital expenditure in FY 2012-13 and in FY 2013-14 and estimated capital expenditure in FY 2014-15 and in FY 2015-16 are shown in table below:

Table 9: Capital Expenditure from FY 2012-13 to FY 2015-16

(Rs. Crore)

Particulars	FY 2012-13	FY 2013-14	FY 2014-15	FY 2015-16
	Actuals	Actuals	Estimates	Projections
Capital Expenditure – Wires	174.40	242.34	256.19	369.60
Capital Expenditure – Retail	9.35	10.58	36.00	35.52
Total	**183.76**	**252.92**	**292.19**	**405.12**

The actual capitalization in FY 2012-13 and in FY 2013-14 and estimated capitalization in FY 2014-15 and in FY 2015-16 are shown in table below:

Table 10: Capitalization from FY 2012-13 to FY 2015-16

(Rs. Crore)

Particulars	FY 2012-13	FY 2013-14	FY 2014-15	FY 2015-16
	Actuals	Actuals	Estimates	Projections
Capitalization - Wires	190.12	292.87	286.95	373.60
Capitalization - Retail	9.35	10.58	36.00	35.52
Total	**199.47**	**303.45**	**322.95**	**409.12**

4.7 Depreciation

Depreciation on assets has been calculated in accordance with MYT Regulations, 2011. The summary of depreciation in Wires and Retail Business are shown in table below:

Table 11: Depreciation from FY 2012-13 to FY 2015-16

(Rs. Crore)

Particulars	FY 2012-13	FY 2013-14	FY 2014-15	FY 2015-16
	Actuals	Actuals	Estimates	Projections
Depreciation - Wires	156.75	167.38	183.06	191.87
Depreciation - Retail	20.85	18.63	19.58	21.47
Total	**177.60**	**186.01**	**202.64**	**213.34**

4.8 Interest on Loans

During FY 2011-12, RInfra-D had raised Rs. 1000 Crore by way of Non-Convertible Debentures (NCD) and had taken a loan of Rs. 350 Crore from Central Bank of India, for which RInfra-D had offered for security the assets created and capitalized before the disbursement of loans. RInfra-D had considered these NCDs and loans while calculating interest expenses for FY 2012-13 onwards. Further, during FY 2013-14, RInfra-D has raised Rs. 500 Crore (from IDBI Bank) and Rs. 650 Crore (from Axis Bank) by way of Non-Convertible Debentures for various purposes. The entire NCD of Rs. 650 Crore has been secured by creating a pari-passu charge on assets of RInfra spread across different businesses. Certain fixed assets of Mumbai distribution business are also securitized against this NCD. Based on the book value of assets of Mumbai distribution business (RInfra-D) securitized, the part of NCD attributable to RInfra-D is Rs. 250 Crore. Further, Rs. 500 Crore NCD has been secured by creating a pari-passu charge on assets of Mumbai distribution business as well as the wind mills located outside Mumbai business area. Based on the book value of assets of Mumbai distribution business (RInfra-D) securitized, the part of NCD attributable to RInfra-D is Rs. 450 Crore. RInfra-D has considered these NCDs while calculating interest expenses from FY 2013-14 onwards. As regards the interest rate, RInfra-D has considered the weighted average rate of interest of all the NCDs and loans pertaining to distribution business, which is in accordance with MYT Regulations, 2011 and also in accordance with the Judgment of the Hon'ble ATE in Appeal No. 138 & 139 of 2012. The summary of interest on loans for Wires and Retail Business are shown in table below:

Table 12: Interest on Loans from FY 2012-13 to FY 2015-16

(Rs. Crore)

Particulars	**FY 2012-13**	**FY 2013-14**	**FY 2014-15**	**FY 2015-16**
	Actuals	**Actuals**	**Estimates**	**Projections**
Interest on Loans - Wires	136.29	133.79	137.09	150.04
Interest on Loans - Retail	15.29	13.68	13.53	15.03
Total	**151.58**	**147.47**	**150.62**	**165.08**

4.9 Return on Equity

Return on Equity has been calculated in accordance with the MYT Regulations, 2011. The summary of Return on Equity for Wires and Retail Business are shown in table below:

Table 13: Return on Equity from FY 2012-13 to FY 2015-16

(Rs. Crore)

Particulars	**FY 2012-13**	**FY 2013-14**	**FY 2014-15**	**FY 2015-16**
	Actuals	**Actuals**	**Estimates**	**Projections**
Return on Equity - Wires	223.54	233.56	244.35	259.68
Return on Equity - Retail	27.06	26.75	27.37	29.54
Total	**250.60**	**260.31**	**271.72**	**289.22**

4.10 Interest on Working Capital and Interest on Consumer Security Deposit

Interest on Working Capital and interest on consumer security deposit from FY 2012-13 to FY 2015-16 has been calculated in accordance with Regulation 35.3 and 35.4 of the MYT Regulations, 2011.

4.11 Provision for Bad and Doubtful Debts

The actual provision for bad debts for distribution business was Rs. 12.13 Crore for FY 2012-13 and Rs. 14.42 Crore for FY 2013-14. However, since MYT Regulations, 2011 allow provision for debts of 1.5% of receivables (as shown in audited accounts duly allocated to Wires Business and Supply Business), RInfra-D has calculated the provision for bad debts accordingly for FY 2012-13 and FY 2013-14. For FY 2014-15 and FY 2015-16, RInfra-D has estimated the amount of provision for bad debts based on actual provision in first half of FY 2014-15 and has included these amounts in the ARR of respective years.

4.12 Contribution to Contingency Reserve

Contribution to Contingency Reserve from FY 2012-13 to FY 2014-15 has been calculated in accordance with Regulation 36.1 of the MYT Regulations, 2011.

4.13 Income Tax

For FY 2012-13 and FY 2013-14, RInfra-D has computed income tax on standalone basis for the distribution business, as per the methodology laid down by the Hon’ble ATE in the Judgments dated 14th and 15th February 2011 (Appeal No. 173 of 2009 and 174 of 2009). In other words, RInfra-D has adopted the methodology of income minus expenses for calculation of Profit

Before Tax and Income Tax thereon. As per this methodology, there is a net loss for FY 2012-13 and hence there is no income tax claimed for FY 2012-13. This net loss for FY 2012-13 is carried forward and adjusted against the profit for FY 2013-14 and then income tax is computed at the applicable rate on the differential profit. Income Tax for FY 2013-14 so computed has been apportioned between Retail Business and Wires Business on the basis of revenue of Wires Business and Retail Business. For FY 2014-15 and FY 2015-16, RInfra-D has considered Income Tax at the same level as that of FY 2013-14, as per MYT Regulations, 2011. Income Tax claimed for each year of the Control Period is as shown below:

Table 14: Income Tax from FY 2012-13 to FY 2015-16

(Rs. Crore)

Particulars	**FY 2012-13**	**FY 2013-14**	**FY 2014-15**	**FY 2015-16**
	Actuals	**Actuals**	**Estimates**	**Projections**
Income Tax - Wires	-	29.39	29.39	29.39
Income Tax - Retail	-	88.14	88.14	88.14
Total	**-**	**117.52**	**117.52**	**117.52**

4.14 Non Tariff Income

The actual Non Tariff Income for FY 2012-13 and FY 2013-14 has been considered as deductible items in ARRs of FY 2012-13 and FY 2013-14. RInfra-D has included the rebate on power purchase in Non Tariff Income as per the Hon'ble Commission's direction in its Order dated 15th June 2012 (Case No. 180 of 2011). Also interest on contingency reserve investments have been calculated by considering the average interest rate of contingency reserve investments as per Annual Accounts. The Hon'ble Commission, in RInfra-D's MYT Order dated 22nd August 2013 (Case No. 9 of 2013), had approved the Non Tariff Income for RInfra-D after considering land usage charges receivable for RInfra-T and rent income from Devidas Lane office as Non Tariff Income. While Land Usage Charges receivable from RInfra-T can be considered as Non Tariff Income, rent from Devidas Lane office should not be considered as Non Tariff Income. RInfra-D has raised this issue in its Appeal before the Hon'ble ATE (Appeal No. 274 of 2013). Without prejudice to its contentions in the Appeal, RInfra-D has included both Land Usage Charges and rent from Devidas Lane office as Non Tariff Income. The actual Non Tariff Income for FY 2012-13 and FY 2013-14 along with the estimated Non Tariff Income for FY 2014-15 and FY 2015-16 are shown in table below:

Table 15: Non Tariff Income from FY 2012-13 to FY 2015-16

(Rs. Crore)

Particulars	FY 2012-13	FY 2013-14	FY 2014-15	FY 2015-16
	Actuals	Actuals	Estimates	Projections
Non Tariff Income – Wires	34.77	21.67	49.10	52.56
Non Tariff Income – Retail	137.35	154.29	139.11	146.13
Total	**172.12**	**175.96**	**188.21**	**198.69**

4.15 Income from Other Business

The utilization of receiving station rooftops for BTS Towers of RCOM and the pole monetization by using advertisement kiosks in Mira Bhayander area are the other two businesses which can be considered as Other Businesses of RInfra-D. RInfra-D has considered the income from these two businesses net of tax and one third of these amounts were considered as deductible from ARR. The income from other business from FY 2012-13 to FY 2015-16 are shown in table below:

Table 16: Income from Other Business from FY 2012-13 to FY 2015-16

(Rs. Crore)

Particulars	FY 2012-13	FY 2013-14	FY 2014-15	FY 2015-16
	Actuals	Actuals	Estimates	Projections
Income from Other Business	0.17	0.49	0.44	0.44

4.16 Efficiency Gain / Loss for FY 2012-13 and FY 2013-14

4.16.1 Deviation in Distribution Losses

Earlier in this petition, RInfra-D has stated that in the presence of two retailers supplying power over the same network, RInfra-D alone cannot be held accountable towards the commercial losses related to metering, delayed billing, meter errors, theft and pilferage, etc. particularly when most of the consumers taking power from the other licensee are supplied power using the other licensee's meter and not that of RInfra-D. Accordingly RInfra-D has not worked out efficiency gain / loss with respect to distribution losses. RInfra-D understands that this would be in deviation to the MYT Regulations, 2011 and accordingly would request the Hon'ble Commission to invoke its powers under Regulation 100 "Power to remove difficulties" to waive the efficiency loss penalty in this regard.

4.16.2 Deviation in Operation and Maintenance (O&M) Expenses

For FY 2012-13, the entire deviation in O&M Expenses is arising only on account of wage revision arrears in R&M expenses and land usage charges. While wage revision arrears were only withheld by the Hon'ble Commission for want of justification, which is provided in detail in this petition, the deviation due to land usage charges cannot be considered a deviation at all in view of submissions made earlier in this petition. In view of the above, no efficiency gains or losses accrue on account of O&M expenses in FY 2012-13. For FY 2013-14, the Hon'ble Commission had approved the O&M expenses after escalating the Employee Expenses for FY 2012-13 by 6.15% and the R&M Expenses for FY 2012-13 by 6.83%. For A&G Expenses, the Hon'ble Commission had used a factor which was computed by applying 60% weightage to 6.15% and 40% weightage to 6.83%. However, the actual O&M Expenses for FY 2013-14 was higher because of higher inflation as compared to the escalation factors used by the Hon'ble Commission. RInfra-D submits that even though the actual O&M expenses for FY 2013-14 are higher than the approved O&M Expenses for FY 2012-13, actual O&M Expenses for FY 2013-14 are within the allowable limit if escalation factors based on CPI and WPI are applied to the actual O&M Expenses for FY 2012-13. Since inflation is an uncontrollable item, RInfra-D has not worked out efficiency gain / loss with respect to O&M Expenses.

4.17 Additional Returns due to Wires & Supply Availability

The Wires Availability and Supply Availability for FY 2012-13 and FY 2013-14, calculated as per MYT Regulations, 2011, achieved by RInfra-D are as follows:

Table 17: Wires Availability and Supply Availability for FY 2012-13 and FY 2013-14

Particulars	FY 2012-13	FY 2013-14
Wires Availability	99.98%	99.97%
Supply Availability	111%	109%

As per MYT Regulations, 2011 the target Wires Availability for full recovery of RoE in town and city areas is 95% and the target Supply Availability for full recovery of RoE is in the range of 85% to 95%. Accordingly the Hon'ble Commission in the Business Plan Order of RInfra-D dated 23rd November 2012 (Case No. 158 of 2011), had approved Wires Availability target of 95% and Supply Availability target of 95% for RInfra-D for each year of the Control Period. However, in the MYT Order dated 22nd August 2013 (Case No. 9 of 2013), the Hon'ble Commission had stipulated a target of 99.98% for Wires Availability and 100% for Supply Availability. RInfra-D submits that achieving Wires Availability close to 100% requires effective operation and maintenance of the distribution network and prompt fault detection and clearing. It is this efficient operation of network that results in near 24X7 power supply to the consumers. Similarly in order to ensure 24X7 power supply, RInfra-D has to contract adequate power from different sources efficiently. Hence RInfra-D should be entitled to additional returns due to over achievement of Wires Availability and Supply Availability in FY 2012-13 and FY 2013-14 as compared to the target availability specified in the MYT Regulations, 2011 and approved in the Business Plan Order. Accordingly, RInfra-D has worked out additional returns for Wires Business and Retail Business, as shown in table below:

Table 18: Additional Returns due to over achievement of Wires Availability and Supply Availability

(Rs. Crore)

Particulars	FY 2012-13	FY 2013-14
Additional Returns for Wires Business	7.18	7.49
Additional Returns for Retail Business	2.49	2.13
Total	**9.67**	**9.62**

4.18 Payment to TPC-G

The Hon'ble Commission approved Rs. 165.68 Crore as payment to TPC-G by RInfra-D in its Order dated 5th June 2013 (Case No. 177 of 2011) and had considered the same while approving the Revenue Requirement for FY 2013-14 in RInfra-D's MYT Order (Case No. 9 of 2013). RInfra-D has made the payment in FY 2013-14 in accordance with the Order dated 5th June 2013 (Case No. 177 of 2011). This cost is included in the ARR of FY 2013-14.

4.19 Summary of Aggregate Revenue Requirement

The ARR for Wires Business from FY 2012-13 to FY 2015-16 are shown in table below:

Table 19: ARR for Wires Business from FY 2012-13 to FY 2015-16

(Rs. Crore)

Particulars	FY 2012-13	FY 2013-14	FY 2014-15	FY 2015-16
	Actuals	Actuals	Estimates	Projections
Operation & Maintenance Expenses	663.15	617.38	686.59	743.81
Depreciation	156.75	167.38	183.06	191.87
Interest on Long-term Loan Capital	136.29	133.79	137.09	150.04
Interest on Working Capital and on consumer security deposits	35.58	39.95	45.86	47.53
Provisioning for Bad & Doubtful Debts	1.55	2.37	2.65	2.65
Other Expenses	-	-	-	-
Income Tax	-	29.39	29.39	29.39
Contribution to contingency reserves	9.09	9.53	10.24	10.93
Total Revenue Expenditure	**1,002.42**	**999.78**	**1,094.87**	**1,176.22**
Return on Equity Capital	223.54	233.56	244.35	259.68
Aggregate Revenue Requirement	**1,225.96**	**1,233.34**	**1,339.22**	**1,435.90**
Less: Non Tariff Income	34.77	21.67	49.10	52.56
Less: Income from Other Business	0.17	0.49	0.44	0.44
Additional Returns due to Wires Availability	7.18	7.49	-	-
Net Aggregate Revenue Requirement	**1,198.19**	**1,218.68**	**1,289.68**	**1,382.90**

The ARR for Retail Business from FY 2012-13 to FY 2013-14 are shown in table below:

Table 20: ARR for Retail Business from FY 2012-13 to FY 2015-16

(Rs. Crore)

Particulars	FY 2012-13	FY 2013-14	FY 2014-15	FY 2015-16
	Actuals	Actuals	Estimates	Projections
Power Purchase Expenses	3,563.92	3,089.37	4,693.30	4,386.10

Particulars	FY 2012-13	FY 2013-14	FY 2014-15	FY 2015-16
Operation & Maintenance Expenses	308.35	307.71	336.71	368.48
Depreciation	20.85	18.63	19.58	21.47
Interest on Long-term Loan Capital	15.29	13.68	13.53	15.03
Interest on Working Capital and on consumer security deposits	49.49	54.94	57.90	78.19
Provisioning for Bad & Doubtful Debts	7.78	10.09	11.31	11.31
Other Expenses	-	-	-	-
Income Tax	-	88.14	88.14	88.14
Transmission Charges - intra-State	261.37	428.16	431.07	505.53
Contribution to contingency reserves	1.27	1.24	1.24	1.33
Total Revenue Expenditure	**4,228.32**	**4,011.95**	**5,652.77**	**5,475.57**
Return on Equity Capital	27.06	26.75	27.37	29.54
Aggregate Revenue Requirement	**4,255.38**	**4,038.70**	**5,680.13**	**5,505.12**
Less: Non Tariff Income	137.35	154.29	139.11	146.13
TPC-G Charge	-	165.68	-	-
Interest on FAC	-	3.81	3.14	-
Additional Returns due to Supply Availability	2.49	2.13	-	-
Net Aggregate Revenue Requirement	**4,120.52**	**4,056.03**	**5,544.16**	**5,358.99**

The ARR of both Wires and Retail Business from FY 2012-13 to FY 2015-16 are shown in table below:

Table 21: ARR for Wires and Retail Business from FY 2012-13 to FY 2015-16

(Rs. Crore)

Particulars	FY 2012-13	FY 2013-14	FY 2014-15	FY 2015-16
	Actuals	**Actuals**	**Estimates**	**Projections**
Power Purchase Expenses	3,563.92	3,089.37	4,693.30	4,386.10
Operation & Maintenance Expenses	971.50	925.09	1,023.29	1,112.29
Depreciation	177.60	186.01	202.64	213.34

Particulars	FY 2012-13	FY 2013-14	FY 2014-15	FY 2015-16
Interest on Long-term Loan Capital	151.58	147.47	150.62	165.08
Interest on Working Capital and on consumer security deposits	85.08	94.89	103.76	125.72
Provisioning for Bad & Doubtful Debts	9.33	12.45	13.96	13.96
Other Expenses	-	-	-	-
Income Tax	-	117.52	117.52	117.52
Transmission Charges - intra-State	261.37	428.16	431.07	505.53
Contribution to contingency reserves	10.36	10.77	11.48	12.26
Total Revenue Expenditure	**5,230.74**	**5,011.74**	**6,747.64**	**6,651.80**
Return on Equity Capital	250.60	260.31	271.72	289.22
Aggregate Revenue Requirement	**5,481.34**	**5,272.04**	**7,019.36**	**6,941.01**
Less: Non Tariff Income	172.12	175.96	188.21	198.69
Less: Income from Other Business	0.17	0.49	0.44	0.44
TPC-G Charge	-	165.68	-	-
Interest on FAC	-	3.81	3.14	-
Additional Returns due to Wires/Supply Availability	9.67	9.62	-	-
Net Aggregate Revenue Requirement	**5,318.72**	**5,274.71**	**6,833.84**	**6,741.89**

The item wise variation between actual ARR for FY 2012-13 and approved ARR for FY 2012-13 along with the reasons for major deviations is shown in table below:

Table 22: Comparison of Actual ARR and Approved ARR for FY 2012-13

(Rs. Crore)

Particulars	Actuals	Order	Difference	Reasons for Deviation
Power Purchase Expenses	3,563.92	3,559.57	4.35	
Operation & Maintenance Expenses	971.50	942.63	28.87	The Hon'ble Commission had withheld Rs. 27.63 Crore arrears in R&M Expenses of FY 2012-13 for want of justification in the MYT Order
Depreciation	177.60	182.41	(4.81)	Decrease in depreciation due to

Particulars	Actuals	Order	Difference	Reasons for Deviation
				lower capitalization
Interest on Long-term Loan Capital	151.58	127.89	23.69	RInfra-D has considered the actual loans pertaining to distribution business for calculation of interest expenses, whereas the Hon'ble Commission had considered loans for RInfra company as a whole for allowing interest expenses in the MYT Order
Interest on Working Capital and on consumer security deposits	85.08	91.80	(6.72)	
Provisioning for Bad & Doubtful Debts	9.33	-	9.33	No provision for bad debts allowed in MYT order
Other Expenses	-	-	-	
Income Tax	-	-	-	
Transmission Charges - intra-State	261.37	265.39	(4.02)	
Contribution to contingency reserves	10.36	10.36	-	
Total Revenue Expenditure	**5,230.74**	**5,180.05**	**50.69**	
Return on Equity Capital	250.60	254.99	(4.39)	Decrease in RoE due to lower capitalization
Aggregate Revenue Requirement	**5,481.34**	**5,435.04**	**46.30**	
Less: Non Tariff Income	172.12	183.17	(11.05)	Decrease in Non Tariff Income due to actual Non Tariff Income being lower
Less: Income from Other Business	0.17	0.25	(0.08)	
Additional Returns due to Wires/Supply Availability	9.67	-	9.67	Additional returns being allowable at the time of truing up
Net Aggregate Revenue	**5,318.72**	**5,251.62**	**67.10**	

Particulars	Actuals	Order	Difference	Reasons for Deviation
Requirement				

The item wise variation between actual ARR for FY 2013-14 and approved ARR for FY 2013-14 along with the reasons for major deviations is shown in table below:

Table 23: Comparison of Actual ARR and Approved ARR for FY 2013-14

(Rs. Crore)

Particulars	Actuals	Order	Difference	Reasons for Deviation
Power Purchase Expenses	3,089.37	3,262.37	(173.00)	Reduction in power purchase cost mainly due to reduction in power purchase cost from WPCL
Operation & Maintenance Expenses	925.09	913.18	11.91	Increase in O&M Expenses due to higher inflation
Depreciation	186.01	199.70	(13.69)	Decrease in depreciation due to lower capitalization
Interest on Long-term Loan Capital	147.47	133.38	14.09	RInfra-D has considered the actual loans pertaining to distribution business for calculation of interest expenses, whereas the Hon'ble Commission had considered loans for RInfra company as a whole for allowing interest expenses in the MYT Order
Interest on Working Capital and on consumer security deposits	94.89	97.54	(2.65)	
Provisioning for Bad & Doubtful Debts	12.45	-	12.45	No provision for bad debts allowed in MYT order
Other Expenses	-	-	-	
Income Tax	117.52	-	117.52	Income tax for distribution business calculated on stand alone basis as per MYT Regulations, 2011
Transmission Charges - intra-State	428.16	428.11	0.05	
Contribution to contingency reserves	10.77	11.23	(0.46)	
Total Revenue Expenditure	**5,011.74**	**5,045.51**	**(33.77)**	
Return on Equity Capital	260.31	270.49	(10.18)	Decrease in RoE due to lower capitalization

Particulars	Actuals	Order	Difference	Reasons for Deviation
Aggregate Revenue Requirement	**5,272.04**	**5,316.00**	**(43.96)**	
Less: Non Tariff Income	175.96	195.00	(19.04)	Decrease in Non Tariff Income due to actual Non Tariff Income being lower
Less: Income from Other Business	0.49	0.25	0.24	
TPC-G Charge	165.68	165.68	-	
Interest on FAC	3.81	2.96	0.85	
Additional Returns due to Wires/Supply Availability	9.62	-	9.62	Additional returns being allowable at the time of truing up
Net Aggregate Revenue Requirement	**5,274.71**	**5,289.39**	**(14.68)**	

The item wise variation between estimated ARR for FY 2014-15 and approved ARR for FY 2014-15 along with the reasons for major deviations is shown in table below:

Table 24: Comparison of Actual ARR and Approved ARR for FY 2014-15

(Rs. Crore)

Particulars	Actuals	Order	Difference	Reasons for Deviation
Power Purchase Expenses	4,693.30	3,197.69	1,495.61	Increase in power purchase cost mainly due to increase in purchase cost from VIPL, power procurement from TPC Unit 6, payment to WPCL and increase in short term purchase due to reverse migration
Operation & Maintenance Expenses	1,023.29	971.17	52.12	Increase in O&M Expenses due to consideration of higher escalation factors and over 30% increase in Road Reinstatement charges by MCGM
Depreciation	202.64	219.14	(16.50)	Decrease in depreciation due to lower capitalization
Interest on Long-term Loan Capital	150.62	138.91	11.71	RInfra-D has considered the actual loans pertaining to distribution business for calculation of interest expenses, whereas the Hon'ble Commission had considered loans for RInfra company as a whole for allowing interest expenses in the

Particulars	Actuals	Order	Difference	Reasons for Deviation
				MYT Order
Interest on Working Capital and on consumer security deposits	103.76	90.91	12.85	
Provisioning for Bad & Doubtful Debts	13.96	-	13.96	No provision for bad debts allowed in MYT order
Other Expenses	-	-	-	
Income Tax	117.52	-	117.52	Income tax for distribution business calculated on standalone basis as per MYT Regulations, 2011
Transmission Charges - intra-State	431.07	390.27	40.80	
Contribution to contingency reserves	11.48	12.10	(0.62)	
Total Revenue Expenditure	**6,747.64**	**5,020.19**	**1,727.45**	
Return on Equity Capital	271.72	287.19	(15.47)	Decrease in RoE due to lower capitalization
Aggregate Revenue Requirement	**7,019.36**	**5,307.38**	**1,711.98**	
Less: Non Tariff Income	188.21	207.64	(19.43)	Decrease in Non Tariff Income due to estimated Non Tariff Income being lower
Less: Income from Other Business	0.44	0.42	0.02	
Interest on FAC	3.14	-	3.14	
Net Aggregate Revenue Requirement	**6,833.84**	**5,099.32**	**1,734.52**	

The item wise variation between projected ARR for FY 2015-16 and approved ARR for FY 2015-16 along with the reasons for major deviations is shown in table below:

Table 25: Comparison of Actual ARR and Approved ARR for FY 2015-16

(Rs. Crore)

Particulars	Actuals	Order	Difference	Reasons for Deviation
Power Purchase Expenses	4,386.10	3,349.77	1,036.33	Increase in power purchase cost mainly due to higher fixed cost of DTPS (on account of Hon'ble ATE Judgments in Appeal No. 138 & 139 of 2012 and previous year revenue gaps), increase in purchase cost from VIPL and increase in short term purchase due to reverse migration
Operation & Maintenance Expenses	1,112.29	1,032.86	79.43	Increase in O&M Expenses due to consideration of higher escalation factors and over 30% increase in Road Reinstatement charges by MCGM
Depreciation	213.34	240.99	(27.65)	Decrease in depreciation due to lower capitalization
Interest on Long-term Loan Capital	165.08	146.59	18.49	RInfra-D has considered the actual loans pertaining to distribution business for calculation of interest expenses, whereas the Hon'ble Commission had considered loans for RInfra company as a whole for allowing interest expenses in the MYT Order
Interest on Working Capital and on consumer security deposits	125.72	82.12	43.60	
Provisioning for Bad & Doubtful Debts	13.96	-	13.96	No provision for bad debts allowed in MYT order
Other Expenses	-	-	-	
Income Tax	117.52	-	117.52	Income tax for distribution business calculated on standalone basis as per MYT Regulations, 2011
Transmission Charges - intra-State	505.53	453.23	52.30	
Contribution to contingency reserves	12.26	13.11	(0.85)	

Particulars	Actuals	Order	Difference	Reasons for Deviation
Total Revenue Expenditure	**6,651.80**	**5,318.68**	**1,333.13**	
Return on Equity Capital	289.22	306.78	(17.56)	Decrease in RoE due to lower capitalization
Aggregate Revenue Requirement	**6,941.01**	**5,625.46**	**1,315.56**	
Less: Non Tariff Income	198.69	224.52	(25.83)	Decrease in Non Tariff Income due to projected Non Tariff Income being lower
Less: Income from Other Business	0.44	0.56	(0.12)	
Net Aggregate Revenue Requirement	**6,741.89**	**5,400.38**	**1,341.52**	

4.20 Revenue from Sale of Power

The actual revenue from sale of power in FY 2012-13 and FY 2013-14 and the estimated revenue from sale of power in FY 2014-15 (excluding the recovery from Regulatory Asset Charges) are shown in table below:

Table 26: Revenue from FY 2012-13 to FY 2014-15

(Rs. Crore)

Particulars	**FY 2012-13**	**FY 2013-14**	**FY 2014-15**
	Actuals	**Actuals**	**Estimates**
Revenue	4,421.69	4,747.59	5,799.41
Approved in MYT Order	4,441.62	4,663.85	4,191.32

The Hon'ble Commission had approved Rs. 4441.62 Crore as revenue from sales for FY 2012-13 in RInfra-D's MYT Order (Case No. 9 of 2013), which included the revenue from theft of power, as RInfra-D, while making its submission of actual revenue during MYT proceedings, inadvertently did not subtract this amount from revenue from sales. Thus, the MYT submissions of RInfra-D and the Order thereon actually counted revenue from theft of power twice – both in revenue from sales as well as Non-Tariff Income. In FY 2013-14 and FY 2014-15, revenue from sale of power is more than the revenue approved by the Hon'ble Commission in the MYT Order, because of reverse migration of consumers and also because of FAC being charged to consumers, in accordance with the MYT Regulations, 2011.

4.21 Revenue from Wheeling Charges from Changeover and Open Access (OA) Consumers

The actual revenue from wheeling charges from changeover and OA consumers in FY 2012-13 and in FY 2013-14 along with the estimated revenue from wheeling charges from such consumers in FY 2014-15 are shown in table below:

Table 27: Revenue from Wheeling Charges from FY 2012-13 to FY 2014-15

(Rs. Crore)

Particulars	FY 2012-13	FY 2013-14	FY 2014-15
	Actuals	Actuals	Estimates
Revenue from Wheeling Chagres	258.79	296.15	265.41
Approved in MYT Order	256.00	377.90	421.30

The actual revenue from wheeling charges in FY 2012-13 is slightly higher than the revenue from wheeling charges for FY 2012-13 approved by the Hon'ble Commission in the MYT Order. For FY 2013-14 the actual revenue from wheeling charges is significantly less than the revenue from wheeling charges for FY 2013-14 approved in MYT Order because of the following reasons.

1. First the changeover sales projection done by the Hon'ble Commission in TPC-D's MYT Order dated 28th June 2013 (Case 179 of 2011), were on the higher side.

2. Second the Hon'ble Commission had computed revenue from wheeling charges by applying the approved wheeling charges for FY 2013-14 to the changeover sales for the entire period of FY 2013-14, while actually the approved wheeling charges for FY 2013-14 became applicable from September 2013 onwards. Changeover consumers were paying the old wheeling charges in the first five months of FY 2013-14.

3. Third, after the issuance of RInfra-D's MYT Order on 22nd August 2013, some of the changeover consumers have shifted back to TPC-D in order to take advantage of the tariff

differentials between RInfra-D own tariff and changeover tariff. Ideally, the reduction in wheeling charges from change-over consumers due to shifting back of consumers should get compensated by wheeling charge recovery through own retail tariffs, after shifting back. However, there would still be under-recovery because as per the present methodology, the wheeling charges are recovered on grossed-up energy (i.e. metered energy grossed up for approved wheeling losses), whereas, the wheeling charges in RInfra-D retail tariffs are recovered on metered energy only.

The estimated revenue from wheeling charges in FY 2014-15 is also significantly less than the revenue from wheeling charges approved for FY 2014-15 in the MYT Order, because of the first and third reason provided above.

4.22 Revenue from Cross Subsidy Surcharge (CSS)

The actual revenue from CSS in FY 2012-13 and in FY 2013-14 and the estimated revenue from CSS in FY 2014-15 are shown in table below:

Table 28: Revenue from CSS from FY 2012-13 to FY 2014-15

(Rs. Crore)

Particulars	**FY 2012-13**	**FY 2013-14**	**FY 2014-15**
	Actuals	**Actuals**	**Estimates**
Revenue from CSS	99.20	288.74	222.04
Approved in MYT Order	98.70	818.80	895.90

The actual revenue from CSS in FY 2012-13 is slightly more than the revenue from CSS approved for FY 2012-13 in the MYT Order. The actual revenue from CSS in FY 2013-14 is significantly less than the revenue from CSS approved for FY 2013-14 in the MYT Order because of the following reasons:

1. First the changeover sales projection done by the Hon'ble Commission in TPC-D's MYT Order dated 28th June 2013 (Case 179 of 2011), were on the higher side.

2. Second the Hon'ble Commission had computed revenue from CSS by applying the approved CSS for FY 2013-14 to the changeover sales for the entire period of FY 2013-

14, while actually the approved CSS for FY 2013-14 became applicable from September 2013 onwards. Changeover consumers were paying the old CSS in the first five months of FY 2013-14.

3. Third, after the issuance of RInfra-D's MYT Order on 22nd August 2013, some of the changeover consumers have shifted back to TPC-D in order to take advantage of the tariff differentials between RInfra-D own tariff and changeover tariff.

4. Fourth, the Hon'ble Commission, in its workings in the MYT Order, considered CSS rates to be applied on grossed-up change-over sales and not metered sales, whereas, in actual practice, TPC-D has applied CSS to metered sales of change-over consumers accordingly remitted the same.

The estimated revenue from CSS in FY 2014-15 is also significantly less than the revenue from CSS approved for FY 2014-15 in the MYT Order because of the first, third and fourth reason provided above.

4.23 Revenue Gap from FY 2012-13 to FY 2014-15

The stand alone revenue gaps from FY 2012-13 to FY 2014-15 are shown in table below:

Table 29: Standalone Revenue Gap from FY 2012-13 to FY 2014-15

(Rs. Crore)

Particulars	**FY 2012-13**	**FY 2013-14**	**FY 2014-15**
	Actuals	**Actuals**	**Estimates**
ARR for Wires & Retail Business	**5,318.72**	**5,274.71**	**6,833.84**
Less: Revenue from Wheeling Charges from Changeover Consumers	258.79	296.15	265.41
Less: Revenue from CSS	99.20	288.74	222.04
Net ARR for Wires & Retail Business	**4,960.72**	**4,689.82**	**6,346.39**
Revenue from Sale of Power	4,421.69	4,747.59	5,799.41
Revenue Gap	**539.04**	**(57.77)**	**546.98**

4.24 Separate Truing up of Wires Business and Retail Business

RInfra-D proposes separate truing up of Wires Business and Retail Business from FY 2012-13 onwards. It has been submitted by RInfra-D in its earlier petitions as well that it is necessary to determine revenue gap / surplus for wires and retail business separately, so that all wires consumers of RInfra-D (including change-over consumers) proportionately share in the revenue gap of wires business. If the same is not done, retail consumers alone would be burdened with the entire revenue gap, which is neither fair nor justified.

The standalone revenue gaps of Wires Business from FY 2012-13 to FY 2014-15 are shown in table below:

Table 30: Standalone Wires Revenue Gap from FY 2012-13 to FY 2014-15

(Rs. Crore)

Particulars	FY 2012-13	FY 2013-14	FY 2014-15
	Actuals	Actuals	Estimates
ARR for Wires Business	**1,198.19**	**1,218.68**	**1,289.68**
Less: Revenue from Wheeling Charges from Changeover Consumers	258.79	296.15	265.41
Net ARR for Wires Business	**939.40**	**922.52**	**1,024.27**
Revenue from Wheeling Charges from Own Consumers	535.85	663.98	879.69
Revenue Gap	**403.55**	**258.54**	**144.59**

The standalone revenue gaps for Retail Business from FY 2012-13 to FY 2014-15 are shown in table below:

Table 31: Standalone Retail Revenue Gap from FY 2012-13 to FY 2014-15

(Rs. Crore)

Particulars	FY 2012-13	FY 2013-14	FY 2014-15
	Actuals	Actuals	Estimates
ARR for Retail Business	**4,120.52**	**4,056.03**	**5,544.16**
Less: Revenue from CSS	99.20	288.74	222.04
Net ARR for Retail Business	**4,021.32**	**3,767.30**	**5,322.12**

Particulars	FY 2012-13	FY 2013-14	FY 2014-15
	Actuals	**Actuals**	**Estimates**
Retail Revenue from Sale of Power	3,885.83	4,083.61	4,919.72
Revenue Gap	**135.49**	**(316.31)**	**402.39**

5 CUMULATIVE REVENUE GAP ALONG WITH CARRYING COST AND TARIFF PROPOSAL

5.1 Cumulative Revenue Gap

RInfra-D has calculated carrying cost on the impact of Hon'ble ATE Judgments and the standalone revenue gaps of FY 2012-13 and FY 2013-14 (for Retail Business and Wires Business separately) in accordance with the Hon'ble ATE Judgment dated 13th September 2012 in Appeal No. 202 and 203 of 2010. Carrying cost has been calculated from the year of incurrence to the year of recovery i.e. FY 2015-16. The cumulative revenue gap along with the provisional revenue gap of FY 2014-15 is shown in table below:

Table 32: Cumulative Revenue Gap

(Rs. Crore)

Particulars	Retail Business	Wires Business	Total
Impact of ATE Judgments with carrying cost	219.76	75.66	295.42
Revenue Gap of FY 2012-13 and FY 2013-14 with carrying cost	(212.74)	952.61	739.87
Provisional Revenue Gap of FY 2014-15 (without carrying cost)	402.39	144.59	546.98
Total	**469.41**	**1,172.86**	**1,582.27**

5.2 Tariff Proposal for FY 2015-16

An analysis of the revenue gap individual years would reveal that the cost performance of RInfra-D during the Control Period would have been within the MYT estimates had it not been for the impact on account of uncontrollable factors such as RI charges, Inflation or the impact arising from the rulings of the Hon'ble ATE against previous Orders of the Hon'ble

Commission. Yet, as the analysis would reveal that there would exist a significant revenue gap at the close of FY 2014-15 and the major factor contributing to this revenue gap is the under-recovery of revenue itself – from wheeling charges, cross-subsidy surcharge and even own sales revenue because of the forecasting assumptions made at the time of MYT Order as well as the revenue forecast for FY 2013-14 which was prepared considering applicability of tariffs for the full year, instead of only seven (7) months.

5.2.1 Wheeling Charges

RInfra-D proposes to recover the cumulative revenue gap of the Wires Business upto the close of FY 2014-15 by way of increase of wheeling charges in FY 2015-16. RInfra-D realizes that there would be significant increase in the wheeling charges for FY 2015-16, however it has its own advantage that the increase lasts only for a period of one year and thereafter the wheeling charges would not only drop but also show nominal changes due to year on year cost variations only. The proposal is also in the interest of the wires users because if the cumulative revenue gap is deferred for recovery over a longer future period, it will accumulate interest cost (carrying cost) overtime, while also burdening future consumers with past costs. RInfra-D submits that it is already recovering Regulatory Assets as approved by the Hon'ble Commission over a six year commencing FY 2013-14 and lasting upto FY 2018-19. Hence, deferment of further revenue gap over future years would only amount to creating more Regulatory Assets, which is undesirable.

The following table provides the break-up of Wires ARR between past gap (including carrying cost upto FY 2015-16) and the present ARR of FY 2015-16:

Table 33: Recoverable Wires ARR in FY 2015-16

(Rs. Crore)

Particulars	Wires Business
Impact of ATE Judgments with carrying cost	75.66
Revenue Gap of FY 2012-13 and FY 2013-14 with carrying cost	952.61
Provisional Revenue Gap of FY 2014-15	144.59
Wires ARR for FY 2015-16	1,382.90
Total	**2,555.75**

RInfra-D proposes to determine wheeling charges for FY 2015-16 at the metered level (for both own and changeover consumers), the reason for which has been given in the detailed Petition. The revised wheeling charges for HT and LT consumers in FY 2015-16, as per the method followed by the Hon'ble Commission in the past are shown in table below:

Table 34: Wheeling Charges

(Rs./kWh)

Wheeling Charges	Existing	Revised
HT Consumers	0.64	1.42
LT Consumers	1.24	2.73

Based on the wheeling charges determined above, the revenue recoverable from changeover consumers in FY 2015-16 and the net Wires ARR recoverable from own consumers in FY 2015-16 are shown in table below:

Table 35: Revenue from Wheeling Charges in FY 2015-16

Particulars	FY 2015-16
HT - Wheeling Sales (MU)	34.83
LT - Wheeling Sales (MU)	1,858.58
Revenue from wheeling Charges from Changeover Consumers (Rs Crore)	513.09
Net Wires ARR passed for recovery from Retail consumers (Rs Crore)	2,042.66

5.2.2 Cross Subsidy Surcharge (CSS)

RInfra-D proposes to determine CSS for changeover consumers at the metered level, the reason of which is given in the detailed Petition. RInfra-D has used the formula prescribed by National Tariff Policy for determination of category wise CSS. The various elements used in the formula are as shown below:

Table 36: Elements used in CSS Formula

Particulars	FY 2015-16
Marginal Cost of Power Purchase (Rs./kWh)	4.41
Transmission Loss (%)	4.08%
HT Wheeling Loss (%)	1.88%
LT Wheeling Loss (%)	9.90%

Particulars	FY 2015-16
Wheeling Charges (HT) - Rs./kWh	1.42
Wheeling Charges (LT) - Rs./kWh	2.73

Based on the above factors, the revised category wise CSS are shown in table below:

Table 37: Cross Subsidy Surcharge for FY 2015-16

(Rs./kWh)

Particulars	Existing (Approved CSS for FY 2014-15)	Revised CSS for FY 2015-16
LT		
LT I - Below Poverty Line	-	-
LT -I Residential (Single Phase)		
0-100	-	-
101-300	0.09	-
301-500	0.60	3.16
500and above	2.40	5.54
LT -I Residential Three phase		
0-100	-	-
101-300	0.09	-
301-500	0.60	2.96
500and above	2.40	5.30
LT II (a) - 0-20 kW	2.02	3.72
LT II (b) - 20-50 kW	3.92	4.62
LT II (c) - above 50 kW	4.34	5.21
LT III - LT Industrial upto 20 kW	1.54	2.50
LT IV - LT Industrial above 20 kW	1.66	2.38
LT-V : LT- Advertisements and Hoardings	11.07	14.44
LT VI: LT -Street Lights	2.18	3.77
LT-VII (A): LT -Temporary Supply Religious	2.41	1.98
LT-VII (B): LT -Temporary Supply Others	10.56	5.24

Particulars	Existing (Approved CSS for FY 2014-15)	Revised CSS for FY 2015-16
LT VIII: LT - Crematorium & Burial Grounds	-	0.46
LT IX: LT –Agriculture	-	-
LT X: LT – Public Service	-	2.57
HT		
HT I: HT-Industry	2.49	3.68
HTII : HT- Commercial	4.04	5.52
HT III: HT-Group Housing Society	1.68	3.54
HTIV : HT - Temporary Supply	6.35	5.11
HT V - Railway	3.19	4.06
HT VI – HT Public Service	-	3.89

Based on the above CSS, the recovery of revenue from CSS from changeover consumers is as below:

Table 38: Revenue from CSS for FY 2015-16

Particulars	FY 2015-16
Cross Subsidy Surcharge (Rs. Crore)	269.50

5.2.3 Retail Tariffs

Based on the above, RInfra-D has netted off the recovery from CSS and wheeling charges from the ARR of FY 2015-16 and added the revenue gap of the past to arrive at the recoverable ARR for FY 2015-16, which is to be recovered through revision in retail tariffs. The average cost of supply for FY 2015-16 is as under:

Table 39: Average Cost of Supply for FY 2015-16

Particulars	FY 15-16
Wires Business ARR FY 15-16 (Rs. Crore)	1,382.90
Wires Revenue Gap (Rs. Crore)	1,172.86
Total Wires Revenue Requirement (Rs. Crore)	2,555.75
Less: Recovery from Changeover Consumers (Rs. Crore)	513.09

Particulars	**FY 15-16**
Net Wires ARR allocable to Own Consumers (Rs. Crore)	2,042.66
Add: Retail ARR FY 15-16 (Rs. Crore)	5,358.99
Add: Retail Revenue Gap (Rs. Crore)	409.41
Less: Income from revised CSS (Rs. Crore)	269.50
Net ARR (Allocated Wires+ Retail ARR) - Rs. Crore	**7,541.56**
Projected retail Sales (MU)	8,014.16
Average Cost of Supply (Rs./kWh)	**9.41**

RInfra-D's proposal for retail tariffs for FY 2015-16 includes recovery of all past revenue gap, (including the provisional revenue gap of FY 2014-15) and the projected ARR of FY 2015-16. RInfra-D understands that proposing recovery of large revenue gap in one year would cause significant rise in tariffs during FY 2015-16 and hence RInfra-D has attempted to soften the impact of tariff on small and marginal consumers of LT Residential category i.e. consumers consuming up to 300 units /month.

It has been submitted before that deferment of revenue gaps only builds up of interest cost, which is loaded on the consumers. Hence, deferment of revenue gap is actually undesirable, unless unavoidable. Since RInfra-D is already recovering regulatory assets as a separate charge, it does not wish to create any further regulatory assets by deferment of the revenue gaps arising during the MYT Control Period. The Average Cost of Supply and its increase, therefore, is only a reflection of passing through the revenue gap in one year itself. It could just as well have been kept lower, though artificially, by passing on a portion of revenue gap only and deferring the balance for later years. It can be seen, therefore, that while the present increase in Average Cost of Supply appears large, it holds the promise that there shall only be nominal increases, if at all, in the subsequent years, since estimated revenue gap up to FY 2014-15 gets taken care of by the proposed increase itself.

The Hon'ble Commission would appreciate that the tariffs for FY 2015-16 originally approved in the MYT Order are no longer valid, as MYT Order assumed that there shall be revenue surpluses in the years FY 2013-14 and FY 2014-15 and such revenue surplus and the then projected revenue deficit for FY 2015-16 was normalized so as to produce a fairly similar tariff decline over the three year period from FY 2013-14 to FY 2015-16. RInfra-D submits that the entire premise that there would be revenue surplus in FY 2013-14 and FY 2014-15 hinged on the recovery from CSS and wheeling charges, which could not materialize due to lower sales volume and the period of applicability of revised CSS i.e. from Sept 2013 instead of April 2013. As per the MYT Order (table 143, page 188 of 302), the tariffs of FY 2015-16 would have otherwise shown a tariff increase of 1.04%, but the same were reduced due to normalization of assumed revenue surplus of previous years. The Hon'ble Commission would appreciate that if revenue surplus so assumed turned to revenue deficit instead, instead of the 12% decline in tariffs as approved in the MYT Order, there would actually be an increase in tariff to recover such revenue gaps. RInfra-D submits that this is exactly what is happening in the instant case. Hence, the tariffs of FY 2015-16 cannot be considered as base anymore to analyze the tariff increase being proposed in this petition. Instead, we have considered the presently applicable tariffs (i.e. tariffs of FY 2014-15, plus the presently applicable FAC) for the purpose. Thus, going forward, the terms "present tariff" "existing ABR" reflect the tariffs approved for FY 2014-15, plus the presently applicable FAC.

The presently applicable tariffs to all consumer categories, including the presently applicable FAC is as under:

Table 40: Existing Tariff (Approved for FY 2014-15)

Particulars	Fixed Charge (Rs./Consumer/Month)	Demand Charge (Rs./kVA/ Month)	Energy Charges (Rs. Per kWh)	Wheeling Charges (Rs. Per kWh)	Existing FAC (Rs. Per kWh)	Total Variable Charges (Rs. Per kWh)
LT I - Below Poverty Line	5.00		0.20	1.24	0.33	1.77
LT -I Residential (Single Phase)	-		-	-	-	
0-100	40.00		2.11	1.24	0.75	4.10
101-300	75.00		3.58	1.24	1.11	5.93
301-500	75.00		4.36	1.24	1.29	6.89
500and above	100.00		6.36	1.24	1.68	9.28
LT -I Residential Three phase	-		-	-	-	-
0-100	40.00		2.11	1.24	0.76	4.11

Particulars	Fixed Charge (Rs./Consumer/Month)	Demand Charge (Rs./kVA/ Month)	Energy Charges (Rs. Per kWh)	Wheeling Charges (Rs. Per kWh)	Existing FAC (Rs. Per kWh)	Total Variable Charges (Rs. Per kWh)
101-300	75.00		3.58	1.24	1.08	5.90
301-500	75.00		4.36	1.24	1.26	6.86
500and above	100.00		6.36	1.24	1.66	9.26
LT II (a) - 0-20 kW	250.00		5.47	1.24	1.55	8.26
LT II (b) - 20-50 kW	-	200.00	7.26	1.24	1.96	10.46
LT II (c) - above 50 kW	-	200.00	7.76	1.24	2.08	11.08
LT III - LT Industrial upto 20 kW	250.00	-	5.51	1.24	1.50	8.25
LT IV - LT Industrial above 20 kW	-	200.00	5.26	1.24	1.50	8.00
LT-V : LT-Advertisements and Hoardings	400.00	-	13.76	1.24	3.46	18.46
LT VI: LT -Street Lights	-	200.00	5.76	1.24	1.62	8.62
LT-VII (A): LT -Temporary Supply Religious	200.00	-	4.26	1.24	1.27	6.77
LT-VII (B): LT -Temporary Supply Others	200.00	-	14.76	1.24	3.44	19.44
LT VIII: LT -Crematorium & Burial Grounds	200.00	-	3.76	1.24	1.08	6.08
LT IX: LT -Agriculture	20.00	-	0.61	1.24	0.39	2.24
LT X: LT -Public Service	250.00	-	5.49	1.24	1.55	8.28
Total- LT Sales			-	-	-	-
			-	-	-	-
HT I: HT-Industry	-	200.00	5.86	0.64	1.50	8.00
HTII : HT-Commercial	-	200.00	7.36	0.64	1.84	9.84
HT III: HT-Group Housing Society	-	200.00	5.26	0.64	1.34	7.24
HTIV : HT -Temporary Supply	200.00	-	10.36	0.64	2.35	13.35
HT V - Railway	-	200.00	6.61	0.64	1.66	8.91
HT VI - Public Service	-	200.00	6.61	0.64	1.66	8.91

With this background, RInfra-D proposes the following principles of design of the revised tariffs for FY 2015-16:

1. Retail Tariff of 0-100 units and 101-300 units residential consumers is increased at a lower rate as compared to the other categories. This results in an increase of cross-subsidy for these two slabs (i.e. new ABR/ACoS % < existing ABR/ACoS %). However, this distortion has been made up by increasing the tariffs of higher slabs of residential category (i.e. >300 units), so that the cross-subsidy for the LT Residential category as a whole is maintained at almost the same level as existing. RInfra-D submits that the increase in tariffs of consumers consuming more than 300 units would not be as much due to the telescopic benefit available from lower slabs.
2. It is ensured in tariff design that the cross-subsidy measured as % of ABR/ACoS reduces from existing levels for categories having the present ratio more than 100% and increases for categories, where present ratio is less than 100%.
3. No change is proposed in the fixed charges or demand charges of any category and the increase required is adjusted through changes in Energy Charges
4. In view of the drop expected in the marginal cost of power purchase in FY 2015-16 than that prevalent in FY 2014-15, tariffs of LT Temporary Supply (Other than Religious) and HT Temporary supply have been reduced from the present levels.
5. Tariff of HT Public Service category have been kept lower than the LT Public Service category, based on the philosophy that tariffs for consumers availing supply at higher voltage level should be lower than that for consumers availing supply at lower voltage levels.

Based on the above, RInfra-D proposes the following category-wise retail tariffs in FY 2015-16:

Table 41: Proposed Retail Tariffs for FY 2015-16

Consumer category	Fixed charges (Rs /consumer /month)	Demand charges (Rs per kVA/ month)	Energy Charges (Rs per kWh)	Wheeling Charges (Rs per kWh)	Total Variable Charges (Rs per kWh)	% Change over existing
LT I – Below Poverty Line	5.00		0.30	2.73	3.03	71%

Consumer category	Fixed charges (Rs /consumer /month)	Demand charges (Rs per kVA/ month)	Energy Charges (Rs per kWh)	Wheeling Charges (Rs per kWh)	Total Variable Charges (Rs per kWh)	% Change over existing
LT -I Residential (Single Phase)			-	-		
0-100	40.00		1.85	2.73	4.58	12%
101-300	75.00		4.25	2.73	6.98	18%
301-500	75.00		7.65	2.73	10.38	51%
500and above	100.00		10.17	2.73	12.90	39%
LT -I Residential Three phase			-	-	-	
0-100	40.00		1.85	2.73	4.58	12%
101-300	75.00		4.25	2.73	6.98	18%
301-500	75.00		7.65	2.73	10.38	51%
500and above	100.00		10.17	2.73	12.90	39%
LT II (a) - 0-20 kW	250.00		8.00	2.73	10.73	30%
LT II (b) - 20-50 kW		200.00	9.00	2.73	11.73	12%
LT II (c) - above 50 kW		200.00	9.80	2.73	12.53	13%
LT III - LT Industrial upto 20 kW	250.00		7.25	2.73	9.98	21%
LT IV - LT Industrial above 20 kW		200.00	7.15	2.73	9.88	24%
LT-V : LT-Advertisements and Hoardings	400.00		17.85	2.73	20.58	11%
LT VI: LT -Street Lights		200.00	8.00	2.73	10.73	25%
LT-VII (A): LT -Temporary Supply Religious	200.00		6.00	2.73	8.73	29%
LT-VII (B): LT -	200.00		10.20	2.73	12.93	-33%

Consumer category	Fixed charges (Rs /consumer /month)	Demand charges (Rs per kVA/ month)	Energy Charges (Rs per kWh)	Wheeling Charges (Rs per kWh)	Total Variable Charges (Rs per kWh)	% Change over existing
Temporary Supply Others						
LT VIII: LT - Crematorium & Burial Grounds	200.00		5.40	2.73	8.13	34%
LT IX: LT –Agriculture	20.00		1.00	2.73	3.73	66%
LT X: LT Public Service	250.00		7.50	2.73	10.23	24%
HT						
HT I: HT-Industry		200.00	8.35	1.42	9.77	22%
HTII : HT-Commercial		200.00	10.10	1.42	11.52	17%
HT III: HT-Group Housing Society		200.00	7.80	1.42	9.22	27%
HTIV : HT - Temporary Supply	200.00		10.10	1.42	11.52	-14%
HT V - Railways		200.00	8.80	1.42	10.22	15%
HT VI – HT Public Service		200.00	8.30	1.42	9.72	9%

5.2.4 Regulatory Asset Recovery and Charges

In the MYT Order in Case No. 9 of 2013, the Hon’ble Commission approved Regulatory Asset charges for RInfra-D for the period FY 2013-14 to FY 2018-19 so as to recover its past accumulated losses (upto FY 2011-12), which had arisen mainly due to non-revision in tariffs since FY 2009-10 and the loss of cross-subsidy due to lack of CSS. The Hon’ble Commission approved the recovery of Regulatory Assets of RInfra-D both from its own supply consumers as well as the change-over consumers (taking supply from TPC) in accordance with its Orders in the past. RInfra-D has accordingly been recovering the Regulatoary Assets from its own consumers in its billing to own consumers. As regards change-over consumers, the Regulatory Asset charge is billed by TPC-D and remitted to RInfra-D.

RInfra-D proposes to continue with the Regulatory Asset Charge (RAC) approved by the Hon'ble Commission for FY 2015-16 in RInfra-D's MYT Order, which shall be in addition to the retail tariffs proposed above. The category wise RAC approved (and proposed to be continued) for FY 2015-16 are shown in table below:

Table 42: Regulatory Asset Charges approved for FY 2015-16

Particulars	RAC (Rs./kWh)
LT	
LT I - Below Poverty Line	0.27
LT -I Residential (Single Phase)	
0-100	0.56
101-300	0.75
301-500	0.89
500and above	1.07
LT -I Residential Three phase	
0-100	0.56
101-300	0.75
301-500	0.89
500and above	1.07
LT II (a) - 0-20 kW	0.84
LT II (a) TOD Option	
LT II (b) - 20-50 kW	1.01
LT II (c) - above 50 kW	1.22
LT III - LT Industrial upto 20 kW	0.97
LT IV - LT Industrial above 20 kW	0.93
LT-V : LT- Advertisements and Hoardings	2.19
LT VI: LT -Street Lights	0.93
LT-VII (A): LT -Temporary Supply Religious	0.84
LT-VII (B): LT -Temporary Supply Others	2.36
LT VIII: LT - Crematorium & Burial Grounds	0.86
LT IX: LT -Agriculture	0.34
LT X: LT -Public Service	0.92
HT	
HT I: HT-Industry	1.04
HTII : HT- Commercial	1.17

Particulars	RAC (Rs./kWh)
HT III: HT-Group Housing Society	0.98
HTIV : HT - Temporary Supply	1.52
HT V - Railway	1.01
HT VI - Public Service	1.01

The following table shows the approved and actual recovery of RAC for RInfra-D in each year from FY 2013-14 onwards till what is now anticipated in FY 2015-16:

Table 43: Regulatory Asset Recovery from FY 2013-14 to FY 2015-16

Particulars	FY 2013-14	FY 2014-15	FY 2015-16
Regulatory Asset Charge (overall) approved (Rs./unit)	0.91	0.87	0.82
Regulatory Asset recovery as approved (Rs. Crore)	924.82	924.82	924.82
Regulatory Asset Charge (overall) actual (Rs./unit)	0.95	0.92	0.85
Regulatory Asset recovery actual (Rs. Crore)	497.73	877.87	842.12
Under-recovery (Rs. Crore)	**427.09**	**46.95**	**82.70**

The significant under recovery in Regulatory Asset vis a vis the approved Regulatory Asset recovery for FY 2013-14 in the MYT Order, was because the Hon'ble Commission had considered Regulatory Asset recovery for the entire period of FY 2013-14, while actually Regulatory Asset Charges were made applicable from September 2013 onwards. The under-recovery of Regulatory Asset charges during the present MYT Period is not proposed to be addressed in the Mid Term Review Petition. However RInfra-D requests the Hon'ble Commission to consider to make up for the the under recovery of Regultory Assets in the next MYT Period. Thus, RInfra-D, in the present petition, does not propose any change in the approved Regulatory Asset Charges from own and change-over consumers.

The comparison between the existing total variable charges (including the approved RAC for FY 2014-15) and the revised total variable charges (including the approved RAC for FY 2015-16) is shown in table below:

Table 44: Comparison between Existing Total Variable Charge and Revised Total Variable Charge

(Rs./kWh)

Particulars	Total Variable Charge (Existing) - including RAC approved for FY 2014-15	Total Variable Charge (Revised) - including RAC approved for FY 2015-16	% Change
LT I - Below Poverty Line	1.99	3.30	66%
LT -I Residential (Single Phase)			
0-100	4.67	5.14	10%
101-300	6.67	7.73	16%
301-500	7.75	11.27	45%
500and above	10.45	13.97	34%
LT -I Residential Three phase			
0-100	4.68	5.14	10%
101-300	6.64	7.73	16%
301-500	7.72	11.27	46%
500and above	10.43	13.97	34%
LT II (a) - 0-20 kW	9.29	11.57	25%
LT II (b) - 20-50 kW	11.77	12.74	8%
LT II (c) - above 50 kW	12.47	13.75	10%
LT III - LT Industrial upto 20 kW	9.29	10.95	18%
LT IV - LT Industrial above 20 kW	9.00	10.81	20%
LT-V : LT- Advertisements and Hoardings	20.77	22.77	10%
LT VI: LT -Street Lights	9.70	11.66	20%
LT-VII (A): LT -Temporary Supply Religious	7.62	9.57	26%
LT-VII (B): LT -Temporary Supply Others	21.90	15.29	-30%
LT VIII: LT - Crematorium & Burial Grounds	6.85	8.99	31%
LT IX: LT -Agriculture	2.52	4.07	61%
LT X: LT -Public Service	9.32	11.15	20%
Total- LT Sales			
HT I: HT-Industry	9.00	10.81	20%
HTII : HT- Commercial	11.07	12.69	15%
HT III: HT-Group Housing Society	8.15	10.20	25%

Particulars	Total Variable Charge (Existing) - including RAC approved for FY 2014-15	Total Variable Charge (Revised) - including RAC approved for FY 2015-16	% Change
HTIV : HT - Temporary Supply	15.04	13.04	-13%
HT V - Railway	10.03	11.23	12%
HT VI - Public Service	10.03	10.73	7%

The Average Billing Rate (ABR) for each consumer category at proposed tariffs for FY 2015-16 and the percentage increase over the existing tariff works out to as shown in the table below:

Table 45: Average Billing Rate at proposed tariff and % Increase over existing tariff

Consumer Category	Existing (after merging presently levied FAC)*	FY 2015-16 (Proposed Tariff)*	% Change
LT I - Below Poverty Line	3.15	4.41	40%
LT -I Residential (Single Phase)		-	
0-100	4.88	5.37	10%
101-300	7.45	8.50	14%
301-500	8.33	11.82	42%
500and above	10.77	14.39	34%
LT -I Residential Three phase		-	
0-100	4.87	5.35	10%
101-300	6.94	8.02	16%
301-500	8.10	11.63	43%
500and above	10.50	14.15	35%
LT II (a) - 0-20 kW	9.86	12.34	25%
LT II (b) - 20-50 kW	12.13	13.40	10%

Consumer Category	Existing (after merging presently levied FAC)*	FY 2015-16 (Proposed Tariff)*	% Change
LT II (c) - above 50 kW	12.75	14.20	11%
LT III - LT Industrial upto 20 kW	9.51	11.24	18%
LT IV - LT Industrial above 20 kW	9.19	11.08	20%
LT-V : LT- Advertisements and Hoardings	22.28	24.40	10%
LT VI: LT -Street Lights	10.35	12.47	20%
LT-VII (A): LT -Temporary Supply Religious	8.62	10.59	23%
LT-VII (B): LT -Temporary Supply Others	21.88	15.38	-30%
LT VIII: LT - Crematorium & Burial Grounds	7.04	9.10	29%
LT IX: LT –Agriculture	2.62	4.11	57%
LT X: LT Public Service	9.31	11.26	21%
Total - LT	**8.49**	**10.01**	**18%**
HT			
HT I: HT-Industry	9.05	10.81	20%
HTII : HT- Commercial	11.10	12.78	15%
HT III: HT-Group Housing Society	8.63	10.61	23%
HTIV : HT - Temporary Supply	14.55	12.72	-13%
HT V - Railways	9.85	11.16	13%
HT VI – HT Public Service	10.18	10.99	8%
Total - HT	**10.33**	**11.94**	**16%**
Total	**8.75**	**10.28**	**18%**

**Including the approved RAC for FY 2015-16 in the MYT Order*

The table given below provides a comparison of the proposed Average Billing Rate (ABR) as a percentage of the Average Cost of Supply (ACoS) FY 2015-16. As previously highlighted, the change in energy charges is considered such that the ABR/ACOS ratio which is an indicator of cross subsidy across consumer categories is reduced for majority of categories presently above 100%. As discussed earlier, the present applicable tariffs are considered as those approved for FY 2014-15 plus the current FAC. As will be seen from the table below, there is reduction in cross subsidy levels across most of the consumer categories due to the proposed Tariffs:

Table 46: Cross Subsidy Levels in FY 2015-16

Consumer Categories	**ABR/ACoS – Approved (FY 2014-15)***	**ABR/ACos at proposed tariffs for FY 15-16***
LT I – Below Poverty Line	35%	43%
LT I - Residential (Overall)	77%	76%
LT II (a) – 0-20 kW	122%	120%
LT II (b) - 20-50 kW	153%	130%
LT II (c) - above 50 kW	160%	138%
LT III - LT Industrial upto 20 kW	115%	109%
LT IV - LT Industrial above 20 kW	116%	108%
LT-V : LT- Advertisements and Hoardings	269%	237%
LT VI: LT -Street Lights	125%	121%
LT-VII (A): LT -Temporary Supply Religious	125%	103%
LT-VII (B): LT -Temporary Supply Others	264%	150%
LT VIII: LT - Crematorium & Burial Grounds	83%	88%
LT IX: LT –Agriculture	30%	40%
LT X: LT Public Service		110%
Total - LT	**98%**	**97%**

Consumer Categories	ABR/ACoS – Approved (FY 2014-15)*	ABR/ACos at proposed tariffs for FY 15-16*
HT I: HT-Industry	116%	105%
HTII : HT- Commercial	141%	124%
HT III: HT-Group Housing Society	103%	103%
HTIV : HT - Temporary Supply	180%	124%
HT V - Railways	127%	109%
HT VI – HT Public Service		107%
Total - HT	**133%**	**116%**
Total	**100%**	**100%**

**Existing and proposed tariffs include approved RAC for FY 2015-16 in the MYT Order*