annual revenue requirements and tariff are conducted on year to year basis as per the time schedule specified in the Tariff Regulations and that in the event of delay, in filing the application for the approval of ARR, for the truing up of accounts and for the review of annual performance, of one month beyond the scheduled date of submission of the application, the State Commission must initiate suo-moto proceedings for tariff determination in accordance with Section 64 of the Act read with clause 8.1 (7) of the National Tariff Policy 2006. Accordingly, the Commission issued a show cause notice stating why Suo-moto proceedings for tariff determination should not be initiated against the Petitioners and directed the Petitioners to submit its response within 7 days in this regard.

2.3.5. Further, UPPCL, vide its letter No. 57 / RAU/ ARR 2020-21 dated January 25, 2020 and letter No. 70 / RAU / ARR 2020-21 dated January 30th, 2020, made some queries with regards to issue in uploading and filing of Petitions, to which the Commission issued clarification vide letter No. UPERC / Secy / D (Tariff) / 20-1962 dated January 27th, 2020 and letter No. UPERC / Secy / D(Tariff) / 20-1962 dated February 12th, 2020. Despite all issues being clarified many times, Petitioners did not file the Petition within the time granted to them.

2.3.6. The Commission after considering the submissions made by the Petitioners, did not find any merit in the submission of the Petitioners and observed that it was a sad state of affair that the Petitions for True Up of FY 2018-19, Annual Performance Review (APR) for FY 2019-20, Business Plan for MYT Period FY 2020-25 and ARR / Tariff for FY 2020-21 were not filed on time in accordance with the extent Regulations before the Commission, therefore decided to initiate Suo-moto proceedings on 27 February, 2020, for Truing Up of FY 2018-19, Annual Performance Review (APR) for FY 2019-20, Business Plan for the MYT Period FY 2020-25 and ARR/Tariff for FY 2020-21 for the State DISCOMs (DVVNL, MVVNL, PVVNL, PuVVNL, KESCO) and UPPTCL immediately. However, in order to carry out the exercise transparently and prudently, the Commission required necessary data to assess the expenditure, revenue requirement for determination of ARR and Tariff. Hence, the Commission vide its Order dated February 27, 2020 directed the Petitioners to submit the required data pertaining to the Truing Up of ARR for FY 2018-19, Annual Performance Review (APR) of ARR for FY 2019-20, Business Plan Order for the MYT Period FY 2020-25 and determination of ARR/Tariff for FY 2020-21, as per the provisions of the relevant Regulations with the prescribed formats, templates along with supporting documents, in the form of a Petition within 10 days, failing which the Commission shall be constrained to initiate proceedings under Section 142 of the Electricity Act, 2003 simultaneously, without prejudice to any other action for such serious lapse, as contemplated under the Electricity Act 2003.

2.3.7. The Petitioners thereafter submitted their Petitions in the matter of Determination of Tariff for FY 2020-21, Annual Performance Review (APR) FY 2019-20 and Truing Up for FY 2018-19 for the State Discoms (DVVNL, MVVNL ,PVVNL, PuVVNL and KESCO) before the Commission, after a delay of more than 6 months, on the following dates:

S. No.	Distribution Licensee	Date of Filing	Petition No.
1	DVVNL	30.06.2020	1595
2	MVVNL	30.06.2020	1597
3	PVVNL	01.07.2020	1598
4	PuVVNL	30.06.2020	1596
5	KESCO	29.06.2020	1594

2.3.8. The Petitions should have been filed latest by November 30, 2019 and submitted that the process of filing of the Business Plan and the ARR & Tariff Petition for FY 2020-21 was slightly delayed on account of delay in preparation of data as per the new tariff formats prescribed in the MYT Regulations 2019. The Petitioners assured that in future they will submit the Petitions as per the prescribed time lines.

2.3.9. The Commission would like to caution the Petitioners that such delays in future in filing of True-Up, APR and ARR Petitions during this control period would be dealt strictly considering the directions contained under Hon'ble APTEL's Judgement dated 11.11.2011 in OP No. 1/2011 referred above. Additionally, this would be treated as non-compliance of relevant provisions of various Regulations and appropriate punitive action against the Petitioners may be taken by the Commission.

2.4. PRELIMINARY SCRUTINY OF THE FILINGS

2.4.1. A preliminary analysis was conducted of the Petitions, wherein various deficiencies were observed in Petitions and the deficiencies were communicated vide letters dated July 14, 2020. In that the Commission enquired the Petitioners about the claims regarding impact of GST on O&M expenses, O&M expenses claimed for UPPCL, Smart Meter opex and cost benefit analysis of the same, O&M expenses related to employee cost, A&G cost and R&M cost, claims towards Non-Tariff income excluding cost of borrowing of DPS and Interest on Working Capital in which petitioner has computed revenue including the subsidy. The State-owned Distribution Licensees submitted their response to the deficiencies in respect to ARR FY 2020-21, APR FY 2019-20 & True-Up of FY 2018-19 on July 24, 2020.

2.4.2. The Technical Validation Sessions covering all the Petitions was conducted on July 27, 2020 which was attended by the senior officials of the State-owned Distribution Licensees and during the Technical Validation Session, the State-owned Distribution Licensees explained various issues raised in the deficiencies.

2.4.3. However, some of the data was not submitted such as Audited Accounts of UPPCL for FY 2018-19, other details related to Power Purchase and Transmission Charges, achievement of RPO targets, metering status and billing determinants of Departmental Employees and Pensioners, CAPEX approvals as per Regulations, category/sub-category wise details of billing determinants, details of voltage-wise distribution losses, details of Revenue Subsidy claimed, etc.

2.4.4. Further, the Commission in its data deficiencies related to Tariff proposal for FY 2020-21 to meet the revenue gap as per Regulations, which was not submitted with the filings. The State-owned Distribution Licensees sought some further time to submit their response on few pending issues. Therefore, it is pertinent to mention here that Tariff proposal is still not filed before the Commission.

2.4.5. Although no Tariff proposal has been filed by the State-owned Distribution Licensees, however, as the determination of ARR / Tariffs has already been significantly delayed due to the various factors including outbreak of COVID-19 pandemic, the Commission admitted the Petitions for further processing.

2.4.6. Licensees informed that they had submitted the replies of most of the deficiencies to the satisfaction of the Commission and they will submit the remaining replies as soon as possible to the Commission.

2.4.7. Further, the Commission vide letter dated July 31, 2020, August 05, 2020, sent the queries to the Petitioner related to Interest on Security deposit and finance charges, extra power purchase of PVVNL and PuVVNL.

2.4.8. Subsequently, Petitioner submitted the reply to most of the deficiencies vide letter dated August 10, 2020, September 08, 2020.

2.5. ADMITTANCE OF THE TRUE-UP, APR AND ARR / TARIFF FILINGS

2.5.1. The Commission, vide its Admittance Order dated July 28, 2020, directed the Petitioner to publish a Public Notice consisting of the summary and highlights of the proposed Aggregate Revenue Requirement and Tariff for FY 2020-21, Annual Performance Review for FY 2019-20 and True-Up for FY 2018-19 in at least two (2) English and two (2) Hindi daily newspapers having wide circulation in its licence area, inviting suggestions and objections within 15 days from the date of publication of the Public Notice(s) from the stakeholders and public at large. The Petitioner shall also upload on its website the Public Notice, Petitions filed before the Commission along with all regulatory filings, information, particulars and related documents.

2.5.2. The Commission also directed that the Public Notice(s) should also contain the details of the cumulative revenue gap and its treatment, Distribution & Transmission losses, average power purchase cost, Bulk Supply Tariff, average cost of supply, average retail Tariff realised from each category / sub-category of consumers, wheeling charges, transmission charges, open access related charges etc.

2.6. PUBLICITY OF THE LICENSEES FILINGS

2.6.1. The Public Notice detailing the salient features of the Filings were published by the Licensees in daily newspapers as detailed below, inviting objections from the public at large and all stakeholders. This information appeared in daily newspapers as detailed below, inviting objections from the public at large and all stakeholders:

- Hindi Newspaper: dated 31-07-2020
  i. Hindustan Times
  ii. Amar Ujala
  iii. Dainik Jagran
  iv. iNext
- English Newspaper: dated 31-07-2020
  i. Times of India
  ii. Hindustan Times
  iii. The Pioneer

3. PUBLIC HEARING PROCESS

3.1. PUBLIC HEARING

3.1.1. To provide an opportunity to all sections of the population in the State to express their views and to also obtain feedback from them, virtual public hearings through Video Conference were held by the Commission. The public hearings were conducted on September 24, 2020 & September 28, 2020.

S. No	Date	Hearing in the matter of
1	24.09.2020	DVVNL, PVVNL, KESCo
2	28.09.2020	MVVNL, PuVVNL

3.1.2. Consumer representatives, industry associations as well as several individual consumers participated actively in the public hearing process.

3.1.3. The State Advisory Committee meeting was held on November 06, 2020 in which Tariff related issues were discussed. The same have also been taken into consideration while finalising and determining the tariff.

3.1.4. The views / suggestions / comments / objections / representations on the True-up / APR/ ARR / Tariff submissions received from the public were forwarded to the Licensees for their comments / response. The Commission considers these submissions of the consumers and the response of the Licensees before it embarks upon the exercise of determining the final True-up / APR / ARR / Tariff.

3.1.5. Besides this, the Commission, while disposing the True-up / APR / ARR / Tariff Petition filed by the State Discoms, has also taken into consideration the oral and written views / comments / suggestions / objections / representations received from various stakeholders during the public hearings or through post or by e-mail.

3.1.6. The Commission has taken note of the views and suggestions submitted by the various stakeholders who provided useful feedback on various issues and the Commission appreciates their participation in the entire process.

3.2. VIEWS / COMMENTS / SUGGESTIONS / OBJECTIONS / REPRESENTATIONS ON TRUE-UP, APR AND ARR / TARIFF FILINGS

3.2.1. The Commission has taken note of the various views/ comments / suggestions / objections / representations made by the stakeholders.

3.2.2. The objection/ comments/suggestions received from the stakeholder after October 02, 2020 have not been taken into consideration. Further, the replies submitted by the Licensees after November 05, 2020 have not been considered.

3.2.3. The Commission has attempted to capture the summary of comments / suggestions / observations in this section. However, in case any comment / suggestion / observation is not specifically elaborated, it does not mean that the same has not been considered. The Commission has considered all the issues raised by the stakeholders and Licensees response on these issues while carrying out the detailed analysis of the True Up for FY 2018-19, APR for FY 2019-20 and Tariff for FY 2020-21.

3.2.4. The list of the consumers, who have submitted their views / comments / suggestions / objections / representations, is appended to this Order. The major issues raised therein, the replies given by the Licensees and the views of the Commission have been summarised as detailed below:

TARIFF

A. Comments/ Suggestions of the Public

3.2.5. Shri Avadhesh Kumar Verma, Chairman, UP Rajya Vidyut Upbhokta Parishad stated that many states in country such as Uttarakhand, Haryana, Maharashtra, Punjab, Bihar Gujarat & Delhi have either low tariff or they have reduced the same due to COVID-19 pandemic giving big relief to the electricity consumers. Further, he submitted that over past 8 years, tariff hike for rural, residential and agriculture are exorbitantly high. He also submitted that fixed charges for Residential consumers (LMV-1) and minimum charges for Commercial consumers (LMV-2) shall be waived off. He submitted that for unmetered Agriculture consumers (LMV-5) charges shall be reduced from Rs. 170/BHP to Rs. 150/BHP.

3.2.6. He further submitted that in FY 2017-18 rural unmetered tariff increased from 300-400/kW and were promised 24 hours of supply. In 2019-20, tariff was increased from 400-500/kW and still the 24 hours supply is not being delivered.

3.2.7. He also added that the consumers who received connection under SAUBHAGYA scheme should have a separate category and should be charged a tariff of Rs. 1- 1.5 per unit.

3.2.8. He submitted that Licensees have not submitted any tariff hike but in order to recover their revenue gap, the Licensee have started to increase the price of electricity.

3.2.9. Shri Satish Goel, Association of Steel Rolling Mills & Furnaces submitted that the power rates are still high in Uttar Pradesh when compared to the neighbouring states like

Uttaranchal, Madhya Pradesh and Chhattisgarh etc, by about Rs. 1.30 to Rs. 3.00 per unit. He submitted that not only four units of Muzaffarnagar have closed down their production due to heavy losses but also no new units have been started. He also added that the units had closed down their production continuously in the July and August 2019 also. Further, he has submitted the power bills of plants of U.P, Uttaranchal, Chhattisgarh and Madhya Pradesh for the comparative study and also states that steel plants in UP has to pay 50 Lacs more in comparison to the plant in other states due to power rates on a sanctioned power load of 3000 kVA. He further added that a unit with latest technology require a power load of 8500 kVA to operate and this difference in the costing shall increase over Rs. 1.20 Cr for any unit. Therefore, he requested not to make any increase in the present power rates as it will make the situation of steel industry worst in the State.

3.2.10. Shri Tabrez Malawat, Advocate, Mankameshwar Steel Units 2 Pvt. Ltd, Aligarh, Shreemahakaal Concast Pvt. Ltd, Hathras, Sarvottam Rolling Mills Pvt Ltd, Muzzaffarnagar, Shamli Steels Pvt. Ltd, Shamli submitted that with increase in cost of electricity charged by Distribution Licensee (DVVNL & PVVNL), the cost of products manufactured/ sold by the stakeholders has significantly increased leading to extremely uncompetitive to sell its products in the market. He also submitted that the cost of electricity is much higher in comparison to other neighbouring States like Uttarakhand, Himachal and Punjab. Therefore, he requested the Commission to reduce the industrial tariff in order to make industries of Uttar Pradesh more competitive.

3.2.11. Shri Ramavadhar Yadav, Line Par Kshetra Welfare Association Ghaziabad, submitted that consumer tariff should come down as power purchase cost is going down as stated by NTPC.

3.2.12. Shri Sandeep Dadhwal, Reliance Jio Infocomm Limited, requested for a reduction in electricity tariff. He also requested for a reduction in overall bill amount.

3.2.13. Shri Nihar Varshney, Rimjhim Ispat Limited submitted that the tariff in the State of Uttar Pradesh is already on the higher side and an increase in tariff will put the industries into a standstill position. He has submitted that a hike in tariff or any other charges such as Cross Subsidy Surcharge or Open Access Charges will result in fully closure of operation of the Industries in the State as the industries are already running at 25% capacity. Therefore, he submitted that an increase in the Tariff for FY 2020-21 will make it very difficult for the Steel Company to operate.

3.2.14. Shri Mangu Singh, Managing Director, Delhi Metro Rail Corporation submitted that the Tariff for DMRC may be fixed/determined taking into account the agreement entered between DMRC & Ghaziabad Development Authority (GDA) as well as with DMRC & NOIDA Authority. He submitted that the agreement of DMRC with GDA & Noida Authority is the guiding principle at which tariff for DMRC shall be fixed. Hence, the Tariff to DMRC should be fixed on no profit and no loss basis. Also, it is submitted that since DMRC system is uniquely designed to fulfill the requirements of Electricity Act, 2003, it becomes entitled to be treated as a separate category for fixing of tariff.

3.2.15. Further, it is submitted that DMRC is paying highest cost to the purchase of electricity in UP as compared to electricity cost in Haryana and Delhi. He submitted that even after maintaining unity power factor, high load factor, absorption of all the losses & maintenance costs in DMRC's network/system and Provision existing in the Agreement with GDA for supplying electricity to DMRC at no profit, no loss basis, the tariff for DMRC is being fixed much higher than the power procurement cost of PVVNL from 2015-16 to 2019-20, cost price for DISCOM has been increased by only 9.60 % but average price been increased to DMRC has by 48.19 % for the same period. Further, he submitted that it is evident that the increase in cost price is very low but percentage increase in average price to DMRC is substantially high. Hence, it is submitted that DMRC's electricity tariff is on much higher side and need to be determined / fixed taking into account the power purchase cost.

3.2.16. It is submitted that in order to provide commuters of Delhi & NCR, an environment friendly and comfortable facility, Delhi metro is expanding its operation in UP and providing world class facility at very low price. In order to make the operation of Metro sustainable in UP, the Tariff in UP may be fixed accordingly. However, tariff of DMRC in UP is being hiked every year, and it is highest as compared to Delhi and Haryana for DMRC. Therefore, it is mentioned that the DMRC's tariff needs to be fixed keeping in view the power purchase cost to PVVNL, and also taking into account the public utility objective, which is sought to be achieved by DMRC, in the Public Transport Sector

3.2.17. Council on Energy, Environment & Water submitted that with increased electrification under the Saubhagya Scheme in the State, it is important to ensure affordability of supply for low income consumers. Also, it is added that even though the low consumption households (lifeline and rural domestic) receive electricity on subsidised rates, many rural consumers cited the inability to pay bills due to inadequate or irregular incomes. Thus, it is pertinent to investigate whether the tariff structures in the state align with the consumption trends. Further, it is submitted that based on the inference of the survey conducted, roughly half of the domestic consumers in UP receive similar subsidy support at equal rates, even though it is the lower-income households that may need higher support.

3.2.18. Further, the tariff structure discriminates between the low-consumption poor consumers categorised under the lifeline, rural and urban domestic categories. The tariffs for urban consumers are nearly 50 per cent higher than their rural counterparts belonging to the same socio-economic class. Most states in India have standard tariffs for low consumption consumers and do not discriminate between urban and rural consumers.

3.2.19. Therefore, it is submitted that the Commission shall consider devising a higher lifeline tariff support for all consumers with less than 50 units/month and increase the tariffs above this limit for a revenue-neutral adjustment. Lower tariffs would improve the affordability of electricity for poorer consumers and reduce the revenue loss for Discoms on non-payments by consumers. The above shall be prioritised over OTS announcements that result in high-interest cost burden for the Discom.

3.2.20. Shri Sandeep Bansal, Akhil Bharatiya Udyog Vyapar Mandal, Rajiv Arora, Industrial Area Manufacture's Association submitted that electricity rates are increased and is affecting the industry & trade and needs to be reduced.

3.2.21. Shri Mangeram Arya, Arya Samaj submitted that tariff of domestic consumers is high and needs to be reduced.

3.2.22. Shri Vishnu Bhagwan Agarwal, Chairman, Associated Chambers of Commerce & Industries of UP submitted that the rate of electricity comes around Rs. 8. 00 when it reaches the consumer end whereas the electricity rates at IEX and government generating companies are Rs. 2.47 and Re. 1 respectively and is significantly affecting the industrial trade. He also enquired why "One Nation One Electricity price" is not yet implemented. He further submitted that the tariff shall not be more than Rs. 4/unit. Further, he submitted that Tariff should be reduced for industries in line with the other States. He added that the Tariff needs a reconsideration and shall be reduced to give a boost to manufacturing activities.

3.2.23. Shri Sanjay Sharma, Secretary, Uttar Pradesh Congress Committee, submitted that the Discoms owe Rs. 13337 Cr to the consumers and electricity tariff shall be reduced in ratio to this amount so as to give relief to the consumers during COVID-19 Pandemic. He also suggested to adjust Regulatory Surplus amounting to Rs. 13,337 Crore so as to reduce retail tariff.

3.2.24. Further, he submitted that Central Govt. has announced Rs 90,000 crore loan package to Power Companies under Atmanirbhar Bharat Scheme. Power companies will get benefit of this low interest rate loan. Therefore, this benefit shall be provided to consumers by reducing their retail tariff.

3.2.25. Shri Sayed Anwar, Communist Party of India, submitted that already in the last year, 12% tariff hike was given to the State Discom, now again the State Discoms have asked for a hike which is unacceptable.

3.2.26. Shri Vipin Kumar Malhan, President, Noida Entrepreneurs Association submitted that it is observed that UPPCL has proposed a tariff hike. He submitted due to lockdown huge losses were incurred by the Industrial and Commercial Institutions and therefore, proposed tariff hike is strongly opposed.

3.2.27. Civil Society of Agra submitted that it strongly objects to any change in electricity rates and other proposed changes as the citizens of Agra are passing through difficult times due to COVID-19 Pandemic.

3.2.28. Shri Shivakant Tripathi, Uttar Pradesh Jan Kalyan Samiti, Lucknow submitted that LMV-1 tariff shall be reduced as it is exorbitantly high.

3.2.29. Shri Ajay Singh Lallu, Uttar Pradesh Congress Committee submitted that in past 8 years the tariff of rural domestic, urban domestic, & agriculture has increased by 500%, 84% and 126% respectively. Therefore, the proposed tariff hike should be rejected.

B. Licensees' response

3.2.30. As regards to the objection of Shri Avadhesh Kumar Verma, the Licensee submitted that it has submitted the ARR Petition as per the provisions of UPERC MYT Regulations, 2019 and the directions of Commission to consider the impact of COVID-19 Pandemic. The Licensees have further replied to Commission as below regarding Tariff Proposal: -

- Commission was requested in Business Plan Petition to approve the Business Plan data. However, in compliance to Commission directions the Licensee has submitted the ARR prior to approval of Business Plan data. But in the absence of approved Business Plan data, the Licensee is finding it difficult to submit the category/ sub-category wise Tariff. Specially in the present Pandemic scenario where sensitivities of various consumer categories are also to be taken care of and any Tariff proposal based on un-approved data shall be avoided. Under the circumstances the Licensee will like to submit the tariff proposal on the approved Business Plan data as per the Regulation requirement, otherwise the approved revenue gap of true up and ARR shall be converted into Tariff so as to ascertain required cash flow to the Licensees in the current Pandemic situation.
- The transfer of subsidy to consumers is under consideration through DBT mechanism. It is also under consideration to prepare the consumer electricity bill on full tariff without subsidy and mention the amount of subsidy separately in the bill. Accordingly, for this purpose tariff without and with subsidy will be required

and the required submission shall be submitted separately. With regard to tariff without subsidy the Licensee will like the adoption of tariff policy, 2016 cross subsidy clause 8.3

- The component of fixed charge and variable charge are 61% and 39% respectively as per ARR of FY 2020-21. The recovery of fixed cost based on existing tariff of FY 2019-20 is only 25%. Under the prevailing Pandemic situation, the month wise sales of various consumer categories cannot be properly ascertained and have much variations. Such tariff mismatch in the cost structure lead to a mismatch in cash flow of the Licensee, as they have a fixed charge obligation to generating and transmission companies irrespective of quantum procured. Hence, the recovery of fixed cost may be linked with the fixed charges components of ARR.

3.2.31. Further, it is submitted that the Licensees have published the tariff rationalisation proposal in the newspapers as per the directions of the Commission.

3.2.32. The Licensee submits that the cost coverage for rural unmetered category for FY 2018-19 and FY 2019-20 as approved by the Commission are 54% and 47% respectively. It can be perceived from the cost coverage of the category that the consumer of this sub-category has been given advantage in Tariff determination.

3.2.33. The Licensee submits that presently the tariff for the Lifeline consumer category is already very low and covers only approx. 46% of the ACoS. It is also important to note that the Tariff Policy issued by MoP, GoI provides that the tariff of the BPL/Lifeline consumers should be at least 50% of the ACoS. Further, it is also important to note that the State of Uttar Pradesh has the highest limit for the BPL/Lifeline consumers with 1 kW connected load and 100 units per month consumption, whereas in most of the other States, the limit is 0.30 – 0.50 kW and 30 – 50 units per month.

3.2.34. As regards to the objection of Satish Goel, it is submitted that this representation is not related to True Up FY 2018-19, APR FY 2019-20 & ARR FY 2020-21.

3.2.35. As regards to the objection of Shri Ramavadhar Yahav, the Licensee submitted that this representation is not related to True Up FY 2018-19, APR FY 2019-20 & ARR FY 2020-21.

3.2.36. As regards to the objection of Shri Mangu Singh, the Licensee submits that fixation of tariff is the prerogative of the Commission, therefore, Commission may take the appropriate view.

3.2.37. As regards to the objection of Shri Nihar Varshney, Vishnu Bhagwan Aggarwal the Licensee submitted that its submission with respect to the tariff proposal has already been submitted to Commission in the replies of Commission queries. Further, the Licensee has not submitted tariff proposal in the absence of approved data of Business

Plan Petition as per Regulation. Also, the Licensee submitted that the Commission was requested in Business Plan Petition to approve the Business Plan data. However, in compliance to Commission directions the Licensee has submitted the ARR prior to approval of Business Plan data. But in the absence of approved Business Plan data, the Licensee is finding it difficult to submit the category/ sub-category wise Tariff. Specially in the present Pandemic scenario where sensitivities of various consumer categories are also to be taken care of and any Tariff proposal based on un-approved data shall be avoided. Under the circumstances, the Licensee will like to submit the tariff proposal on the approved Business Plan data as per the Regulation requirement, otherwise the approved revenue gap of true up and ARR shall be converted into Tariff so as to ascertain required cash flow to the Licensees in the current Pandemic situation.

3.2.38. As regards to Vishnu Bhagwan Aggarwal objection, it is further submitted that the Licensee submits that the tariff determination is based on Average Cost of Supply, which further depends on various factors including cost of Power Purchase. Power Purchase cost varies state to state depending upon source of supply, conditions of PPA and provisions of Regulations of various states.

3.2.39. As regards to the tariff (Rs. 4/unit), it is further submitted that the Commission allows the ARR and Retail Tariff to Licensee after prudence check of data.

3.2.40. As regards to objection of Shri Sandeep Dadhwal, the Licensee submitted that fixation of tariff is the prerogative of the Commission, therefore, Commission may take the appropriate view. It is also submitted that the billing is done as per the Tariff Order dated 03.09.2019 issued by the Commission, taking into consideration the benefits/relaxations, if any, provided by the Government of Uttar Pradesh or the Commission.

3.2.41. As regards to the objection of Shri Mangeram Arya & Shri Rajiv Arora, the Licensee submits that this representation is not related to True Up FY 2018-19, APR FY 2019-20 & ARR FY 2020-21.

3.2.42. As regards to the objection of Shri Sanjay Sharma & Shri Ajay Singh Lallu, the Licensee submitted that the ARR Petition as per the provisions of UPERC MYT Regulations, 2019 and the directions of Commission to consider the impact of COVID-19 Pandemic. The Licensees have published following points in the tariff rationalisation proposal published in newspapers: -

- Rationalization proposal is based on the billing determinants as submitted in the ARR Petitions for FY 2020-21 to the Commission and the existing tariff schedule as approved by the Commission in its Tariff Order dated 03.09.2019 for the five State Distribution Licensees.

- Tariff category rationalization proposal is based on overall revenue neutralization for FY 2020-21 at existing tariff as approved by the Commission on consolidated basis for all five Distribution Licensees and does not cover the Gap as proposed in the ARR Petitions for FY 2020-21 by the Distribution Licensees.
- Tariff category rationalization proposal is not a tariff revision proposal for FY 2020-21, and the modifications proposed in some of the categories/sub-categories/slabs are only for the limited purpose of achieving revenue neutralization for FY 2020-21 on consolidated basis. Regarding the tariff revision proposal, the Commission may kindly consider the replies submitted in this regard by the Distribution Licensees.

3.2.43. Further, the Licensee submitted that the referred point of the objector is covered in the Licensees appeal in APTEL and has been referred in ARR Petition at clause No. 9.1.1 as below:

> *"9.1.1. It is submitted that some of the claim in the Petition for FY 2019-20 admitted by the Hon'ble Commission dated 1 July 2019, was disallowed by the Hon'ble Commission in Order dated 03.09.2019. UPPCL has filed an Appeal bearing Appeal No. 389 of 2019 before the Hon'ble Appellate Tribunal for Electricity challenging the disallowance by the Hon'ble Commission. The said Appeal has been admitted by the Hon'ble Tribunal and is pending adjudication and will have a bearing in this Petition. In view thereof, it is submitted that UPPCL's claim in the present Petition is without prejudice to UPPCL's contentions in Appeal No. 389 of 2019."*

3.2.44. As regards to the objection pertaining to reduction of retail tariff, the Licensee submitted that working capital is normative in nature and computed on normative interest rate approved by the Commission, the same is passed in ARR. Therefore, actual working capital loan does not get any impact in ARR.

3.2.45. As regards to the submission of Shri Tabrez Malawat, the Licensee submitted that change in increase/ decrease in the tariff of any category/ sub- slabs will influence the tariff of other categories/ sub-categories/ slabs to meet the revenue requirement of the licensee.

3.2.46. As regards to the objection of Civil Society of Agra, the Licensee submitted that it has already requested in reply dated 24.7.2020 to the data gap set 1 that the Licensee is finding it difficult to submit the category/ sub-category wise Tariff in absence of approved data, especially in the present Pandemic scenario where sensitivities of various consumer categories are also to be taken care of and any Tariff proposal based on un-approved data should be avoided. Under the circumstances the Licensee will like to submit the tariff proposal on the approved Business Plan data as per the Regulation requirement, otherwise the approved revenue gap of true up and ARR shall be converted into Tariff so as to ascertain required cash flow to the Licensees in the current Pandemic situation.

3.2.47. As regards to the submission of Shri Shivakant Tripathi, the Licensee submitted that it replied to the comment in the presentation during public hearing.

3.2.48. As regards to the submission of Shri Sayed Anwar, Council on Energy, Environment & Water, Shri Vipin Kumar Malhan, the Licensee has not submitted any replies.

C. Commission's view

3.2.49. The Commission has taken note of the objections / suggestions made by the stakeholders in this regard. The applicable Tariffs for all the consumer categories have been designed in accordance with the Electricity Act, 2003 and the Distribution MYT Tariff Regulations 2019. The details of all the aspects related to approval of ARR and Tariff design have been covered subsequently under Rate Schedule chapters of this Order.

NEW TARIFF STRUCTURE

A. Comments/ Suggestions of the Public

3.2.50. Council on Energy, Environment & Water submitted that the proposed tariff for LMV-2 (non-domestic consumers) is higher than that of HV industrial (LMV-6 and HV-2). Based on various loads and consumption patterns, the per unit rate varies from Rs. 12-16/kWh. Further, due to categorisation of consumers based on type of use (e.g. domestic, commercial and industrial) many small shops/enterprises which are run out of homes tend to engage in unauthorised use of electricity (as defined in Section 126 of the Electricity Act, 2003) as the Tariffs for non-domestic consumers are quite high and unaffordable and thereby leading to a large number of litigations and harassment cases.

3.2.51. It is submitted that in order to ensure affordable power for such small shopkeepers and to prevent the unauthorised use of electricity, while ensuring revenue neutrality for the Discoms, the Commission may ask Discoms to submit an analysis on the billing parameters, revenues from such small LMV- 2 consumers and also the no. of litigation cases in such matters (also resources deployed by Discoms). Based on the data, a revenue neutrality exercise can be done, keeping in mind that the overall revenue from LMV-2 category would increase, as a motivational 'lesser' Tariff (as compared to the proposed), would push the consumer to take separate connections for domestic and non- domestic purpose.

3.2.52. Therefore, it is requested to the Commission that a new Tariff structure named Non-domestic Lifeline of 100 units a month (similar to Domestic lifeline), be experimented for FY 2020-21.

B. Licensees' response

3.2.53. The Licensee has not submitted any reply.

C. Commission's view

3.2.54. The Commission has taken note of the objections made by the stakeholders in this regard.

BILLING DETERMINANTS

A. Comments/ Suggestions of the Public

3.2.55. Shri Ramavadhar Yadav, Line Par Kshetra Welfare Association Ghaziabad submitted that projected number of consumers, Load and sales are on higher side for FY 2019-20 for Tariff Calculations and needs to be corrected. Therefore, he requested the Commission to take the actual values of FY 2019-20 (April to July 2019) and the remaining month value from FY 2018-19.

3.2.56. Council on Energy, Environment & Water submitted that the projections submitted and approved in the MYT Order of 2017 have consistently over-projected the billing determinants.

FY 2017-18									
	Consumer Nos.			Connected Load (kW)			Sales (MU)		
Discom	MYT Order dated Nov 30, 2017	True-up filing	% Deviation	MYT Order dated Nov 30, 2017	True-up filing	% Deviation	MYT Order dated Nov 30, 2017	True- up filing	% Deviation
DVVNL	4218858	3302774	-22	10591193	9400667	-11	19195	18736	-2
MVVNL	5325660	5176604	-3	9672631	9618007	-1	18448	17007	-8
PVVNL	5581369	5184786	-7	18264811	16968085	-7	27413	28437	4
PuVVNL	5395431	5745950	6	11398492	10634630	-7	23273	20758	-11
KESCo	608948	591653	-3	1968690	2011821	2	3764	3200	-15
Consolidated	**21130266**	**20001767**	**-5**	**51895817**	**48633210**	**-6**	**92093**	**88138**	**-4**

FY 2018-19									
	Consumer Nos.			Connected Load (kW)			Sales (MU)		
Discom	MYT Order dated Nov 30, 2017	True-up filing	% Deviation	MYT Order dated Nov 30, 2017	True-up filing	% Deviation	MYT Order dated Nov 30, 2017	True-up filing	% Deviation
DVVNL	6343419	5072665	-20	14001671	11103624	-21	24336	19035	-22
MVVNL	9102971	7098379	-22	12868127	11636252	-10	25224	16698	-34
PVVNL	9367365	6028766	-36	26418175	19585240	-26	34998	28393	-19
PuVVNL	6638511	8149749	23	12838376	13220297	3	29411	20795	-29
KESCo	655257	612940	-6	2092619	1950638	-7	4194	3174	-24
Consolidated	**32107523**	**26962499**	**-16**	**68218968**	**57496051**	**-16**	**118163**	**88095**	**-25**

FY 2019-20									
	Consumer Nos.		Connected Load (kW)				Sales (MU)		
Discom	MYT Order dated Nov 30, 2017	True-up filing	% Deviation	MYT Order dated Nov 30, 2017	True-up filing	% Deviation	MYT Order dated Nov 30, 2017	True-up filing	% Deviation
DVVNL	8015513	5177178	-35	16803129	11531485	-31	29708	19456	-35
MVVNL	12118118	7813203	-36	15676810	13619273	-13	33224	18426	-45
PVVNL	12345884	6649732	-46	33051753	20499950	-38	42061	29066	-31
PuVVNL	7572857	8349215	10	14445011	14820683	3	35207	21237	-40
KESCo	705152	626267	-11	2225469	2024696	-9	4671	32723	-30
Consolidated	**40757524**	**28615595**	**-30**	**82202172**	**62496087**	**-24**	**144871**	**91458**	**-37**

3.2.57. Further, the extent of over-projection, at the consolidated level as well as at the level of each Discom, is higher for each successive year of the control period than its preceding year. The extent of over-projection, for total sales, has increased by nearly tenfold, from an acceptable four per cent in the first year of the control period to nearly 40 per cent in the last year.

3.2.58. The objectives of the MYT regime have been to provide regulatory certainty to stakeholders, to review operational norms for generation, transmission, distribution and supply businesses, and to promote operational efficiency. The overestimation of demand defeats the following objectives.

- Power procurement planning by the Discoms
- CAPEX for augmentation and upgradation of distribution network,
- O&M expenses,

● RPO planning and forecasting,

● Distribution loss trajectory,

● Overall financial planning of the utilities.

3.2.59. It is further submitted that the overestimation led the state of Uttar Pradesh to sign long-term PPAs with thermal power generators in excess of its actual capacity requirements. Further, the Commission itself has noted that the burden of fixed charges paid on stranded capacity due to upcoming additions in generation capacity is projected to be around Rs. 4,797 Crore during FY 2019–20, and is expected to peak at Rs. 10,750 Cr in FY 2022–23 in the next control period, and further, it has directed UPPCL, vide its order dated July 09, 2019, to not sign new PPAs until a review of the demand position in December 2022.

3.2.60. Further, the objector submitted the reasons for the demand overestimations as follows:

- Electricity demand growth is strongly correlated with economic growth. 19th EPS' econometric models projected energy requirements assuming GDP growth levels of 6.3% - 8% per year. However, Uttar Pradesh's actual GDP growth rate had slumped down to four per cent in 2019-20. The actual electricity demand growth in Uttar Pradesh may have failed to emulate expectations for the future due to slower than expected economic growth.
- The average energy consumption of new Saubhagya connections was assumed to be 144 kWh/kW/month for future projections by UPPCL. However, as per CEEW's pan- Uttar Pradesh survey, and a survey of 300 consumers in MVVNL's area of operation, the median monthly consumption of rural domestic consumers was 50 kWh. For a reported 7.9 million Saubhagya connections awarded since October 2017, this difference implies a demand overestimation of 8.9 billion units per year, which is equivalent to about 10% of total sales in 2019-20.

3.2.61. Further, it submitted that apart from particular assumptions used, there is a critical need for Discoms to improve their demand forecast methodology. Discoms continue to use past years' CAGRs to forecast billing determinants. Where the CAGRs are deemed to be "abnormal", the petitions state that "reasonable/normalised" CAGRs have been used. However, there is no explanation of how these "reasonable/normalised" have been estimated.

3.2.62. Alternative methods for demand forecasting do exist. In the 19th EPS, the Central Electricity Authority (CEA) described methods using detailed economic, demographic, and climatic indicators to project state-wise electricity demand. State-level projections for Uttar Pradesh using these methods are much more accurate than Discoms' own projections.

3.2.63. Also, it is submitted that UPPCL/Discoms shall build institutional capacity to make as reliable billing determinant forecasts as possible, as this will be central to controlling power procurement costs over the long-term, and thereby, to reducing the revenue gap. Utilities shall adopt one of the methodologies used by the CEA for their forecasting exercise, and conduct regular load research based on actual billing determinants of various consumer segments and a system cost minimization approach.

3.2.64. Prayas (Energy Group), Pune submitted that the State Discoms have estimated and projected sales for FY 2020 and FY 2021 much modestly in comparison to previous projections and such modest projections are necessary, especially considering the fall in overall demand, given the outbreak of the pandemic this year and resultant lockdowns in the country. It submitted that Discoms observed that there was a plummet in average demand by 24% in April 2020 during the lockdown. It also submitted that by considering the impacts on the economy and energy consumption, it is crucial that the Commission adopts realistic assumptions for the year FY 2020-21. Additionally, for some categories such as HV-1, non-industrial bulk load growth has been considered to be 10%. The prior annual growth was 5%. It is requested to the Commission to take into consideration the past growth trends and current realities before approving final sales. This is to ensure that the projections are realistic and not overestimated, as such a situation affects revenue recovery subsequently. Additionally, it requested the Commission to take a closer look at consumption growth rates for select categories where growth rates seem high: for example, DVVNL has considered an 11.20% growth in sales for "Other Metered Domestic Consumers other than BPL" in LMV-1.

3.2.65. Shri Ayush Gupta, Consultant, Aspen Corporate Management Services Pvt Ltd submitted that the Licensee has projected the Billing determinants by considering from FY 2011-12 to 2018-19. He opined that petitioner ought to consider from FY 2012-13 to 2019-20. He further submitted that if the account of FY 2019-20 were not finalized then provisional Account (FY 2019-20) were to be considered for all consumer categories.

3.2.66. Further, he added that the Petitioner has considered growth rate for billing determinants of different sub category of all consumer category arbitrarily i.e. in some cases it is 5-year CAGR, in some cases it is 3- year CAGR and so on. He submitted that petitioner has not justified or explained the principle followed in considering the different growth rate and requested the Commission to direct the Petitioner to submit the same. He also submitted that the Petitioner has not mentioned or considered or provided the expected sales along with number of supply of hours and requested the Commission to direct the Petitioner to provide the same.

3.2.67. Also, he submitted that the Licensee has compared the sales during the lock down period with respective period of FY 2019-20, whereas the Licensee has not considered the FY 2019-20 in other calculations as the provisional accounts. He opined that the comparison should have been made with the provisional figures of FY 2019-20, however, the Licensee has not provided or considered any provisional data in any calculation. Hence, the same shall be compared with data of FY 2018-19.

3.2.68. Shri D C Sharma submitted that there should be simplification of Reduction in connected load process.

B. Licensees' response

3.2.69. As regards to the objection of Shri Ramavadhar Yadav, the Licensee submitted that The Licensee submitted that this representation is not related to True Up FY 2018-19, APR FY 2019-20 & ARR FY 2020-21.

3.2.70. As regards to the objection of Shri D C Sharma, the Licensee submitted that the Licensee follows UPERC Supply Code, 2005 and its subsequent amendments thereof in the above said matter.

3.2.71. As regards to the objection of Prayas Energy Group, Pune the Licensee submitted that in Other Metered Domestic Consumers other than BPL sub-category it has considered the sales growth rate based on 6-year CAGR in line with MYT (Distribution and Transmission) Regulations, 2019. Further, the Licensee submits that it has analysed 7-year, 6-year, 5-year, 4-year, 3-year, 2-year Compound Annual Growth Rates (CAGRs) and year on year growth rate of each sub-categories for appropriate projection of billing determinants. The growth rates were considered taking into account the impact of near completion of household connections under Saubhagya Scheme, meterisation roadmap, etc. In case of abnormal CAGR in particular sub-category a reasonable/normalised growth rate has been considered for the projection of billing determinants. The Licensee has already submitted the detailed justification for the projection of billing determinants in the ARR Tariff Petition for FY 2020-21.

3.2.72. As regards to the objection of Council of Energy, Environment & Water and Shri Ayush Gupta the Licensee has not yet submitted the reply.

C. Commission's view

3.2.73. The Commission has taken note of the objections/ suggestions made by the stakeholders in this regard. The Commission has analysed the billing determinants in relevant chapters of the Order.

OPERATION AND MAINTENANCE COST

A. Comments/ Suggestions of the Public

3.2.74. Shri Avadhesh Kumar Verma, Chairman, UP Rajya Vidyut Upbhokta Parishad, submitted that Discoms have hired consultants worth Rs. 300 Crore, they are selling their scraps and many activities which accounts for Wasteful expenditure by Licensee and is being passed on to the electricity consumers.

3.2.75. Shri Ramavadhar Yadav, Line Par Kshetra Welfare Association Ghaziabad submitted that Discoms may be directed to close down inefficient and outdated power plants to save operations and maintenance cost. He also submitted that PVVNL is claiming huge amount for O&M expenses and it is found that HT/LT lines and substations are not in good conditions. He submitted that in the area of Pratap Vihar, the situation of power supply is very poor and no renovation has been done for 20-30 years. Therefore, he requested that all installation condition shall be inspected and outdated or damaged or missing equipments shall be replaced.

3.2.76. Also, he submitted that transmission lines and substations are overloaded and there is no margin available. He submitted that if any fault occurs in one line, the whole area is put under load shedding. Therefore, it is requested to build sufficient margin at 11 kV, 33kV, 132 kV and 40 kV levels.

3.2.77. Shri Nihar Varshney, Rimjhim Ispat Limited requested the Commission to disallow the O&M expense of Rs. 64.62 claimed by DVVNL as the Commission has granted license to DVVNL and not to UPPCL.

3.2.78. He further submitted that the operating cost of the DVVNL is already very high due to its operational inefficiencies and such inefficiencies cannot be passed onto consumers.

3.2.79. Shri Shivakant Tripathi, Uttar PradeshJan Kalyan Samiti, Lucknow submitted that Licensees expenses are exorbitantly high and shall control their expenses.

B. Licensees' response

3.2.80. As regards to the objection of Shri Avadhesh Kumar Verma, the Licensee submitted that the true up/ ARR proposal has been submitted as per the provisions of the Regulations, Audited Balance Sheet of the Licensees and projections considering current Pandemic situation. The data is approved by Commission after validation.

3.2.81. As regards to the objection of Shri Ramavadhar Yadav, the Licensee submitted that the Licensee submitted that this representation is not related to True Up FY 2018-19, APR FY 2019-20 & ARR FY 2020-21.

3.2.82. As regards to the objection of Shri Nihar Varshney, The Licensee submitted that the treatment of holding company O&M expenses in other States are allowed in their Tariff Orders by their respective SERCs (BERC, MPERC, GERC etc.). UPPCL being a holding company of all State Government Distribution Licensees of Uttar Pradesh, perform various functions for and on behalf of its subsidiary State Government Distribution Licensees, which includes the following:

- In consultation with Discoms, undertake long-term/ medium-term/short-term planning and assessment of the power purchase requirements for the Discoms and explore opportunities for power procurement as per the regulations of UPERC;
- Co-ordinate regulatory affairs on behalf of Discoms;
- Policy framing;
- Co-ordinate with Financial Institutions for arranging and managing lending for the Capex Schemes;
- Appointment, training, establishment and managing statutory responsibilities of retirement benefit
- Co-ordinate for various Central and State Government Schemes for the improvement of performance of Discoms i.e., SAUBHAGYA, UDAY etc.
- Therefore, allocation of UPPCL O&M expenses to all of its subsidiary State Government Distribution Licensees is rationally correct.

3.2.83. Further, regarding the operating cost the Licensee submitted the Commission only allows normative O&M expenses while doing the Truing-up.

3.2.84. As regards to the objection of Shri Shivakant Tripathi, Uttar Pradesh Jan Kalyan Samiti, Lucknow the Licensee submitted that the its expenses are approved by the Commission after prudence check and as per the provisions of Regulations.

C. Commission's view

3.2.85. The Commission has taken note of the objections/suggestions made by the stakeholders and comment of the Licensee. The Commission has dealt the issue in relevant chapter of this Order.

3.2.86. The True Up for FY 2018-19 is based on the Audit Accounts as submitted by the Licensees.

EMPLOYEE EXPENSE

A. Comments/ Suggestions of the Public

3.2.87. Shri Tabrez Malawat, Advocate, M/s Mankameshwar Steel Units 2 Pvt. Ltd, Aligarh, M/s Shreemahakaal Concast Pvt. Ltd, Hathras, submitted that the Licensee is required to reduce its expenses to control tariff. He submitted that the Licensee in order to reduce its deductions of employee expenses, has chosen to capitalise big portion of employee expenses i.e. approx. 56% and converted it to fixed charge for next many years. He submitted that the Licensee has capitalised Rs. 285.80 Cr of the total employ expense of Rs. 509.06 Cr which is quite difficult to do. He also submitted that the Licensee has deployed Project management unit etc to complete its capital works which are largely on turn-key basis. Accordingly, only employees who are deployed on capital works shall be allowed to capitalisation of salary and in case the Licensee is not able to provide adequate proof, a maximum of 10% of salary shall be allowed to capitalise and if excess salary is found outside the normative Employee Expenses as per MYT Regulations, same shall be disallowed in the process. Also, he added that the Licensee has submitted overall Rs 1549.85 Cr of capital expenditure in FY 2020-21 which is mostly on turn key basis and if it is presumed to be 20% cost of labour and supervision of these works which includes PMC fee, the employee expenses cannot be more than 10% of such labour & supervision cost. Accordingly, it is fair to allow capitalisation of salary to 2% of Rs. 1549.85 Cr only.

3.2.88. Shri Tabrez Malawat, Advocate, M/s Sarvottam Rolling Mills Pvt Ltd, Muzzaffarnagar, M/s Shamli Steels Pvt. Ltd, Shamli submitted that the Licensee is required to reduce its expenses to control tariff. He submitted that the Licensee in order to reduce its deductions of employee expenses has chosen to capitalise big portion of employee expenses i.e. approx. 32% and converted it to fixed charge for next many years. He also submitted that the Licensee has deployed Project management unit etc to complete its capital works which are largely on turn-key basis. Accordingly, only employees who are deployed on capital works shall be allowed to capitalisation of salary and in case the Licensee is not able to provide adequate proof, a maximum of 10% of salary shall be allowed to capitalise and if excess salary is found outside the normative Employee Expenses as per MYT Regulations, same shall be disallowed in the process. Also, he added that the Licensee has submitted overall Rs 2573.80 Cr of capital expenditure in FY 2020-21 which is mostly on turn key basis and if it is presumed to be 20% cost of labour and supervision of these works which includes PMC fee, the employee expenses cannot be more than 10% of such labour & supervision cost. Accordingly, it is fair to allow capitalisation of salary to 2% of Rs. 2573.80 Cr only.

3.2.89. Shri Ayush Gupta, Consultant, Aspen Corporate Management Services Pvt Ltd submitted that the Licensee shall follow the regulation in computing the O & M Expenses. He submitted that if there is any deviation in following the regulation duly enforced, then Licensee shall prepare and present a comparative statement of O& M expenses comprising of O& M expenses as per the Regulation and O& M expenses as per the petitioner along with reason / explanation for deviation so that the Commission can take informed decision.

3.2.90. He further submitted that the Licensee has considered the Base Year 2018-19 for calculation of O& M Expenses which in our opinion is need to be reconsidered by the Commission because as per regulation No.42.1 the provisional accounts will be considered if the audited accounts are not available.

B. Licensees' response

3.2.91. As regards to the objection of Shri Tabrez Malawat & Ayush Gupta, the Licensee has not yet submitted the reply.

C. Commission's view

3.2.92. The Commission has taken note of the objections/ suggestions made by the stakeholders in this regard. The Commission has analysed the employee expenses in relevant chapters of the Order.

DISTRIBUTION LOSS

A. Comments/ Suggestions of the Public

3.2.93. Shri Avadhesh Kumar Verma, Chairman, UP Rajya Vidyut Upbhokta Parishad submitted that under Uday, Discoms submitted their loss reduction target. He submitted that in the previous ARR, the state Discoms proposed 11.96% distribution losses and the same was approved by Commission. Now Discoms have proposed a distribution loss of 17.90 % which is 6% higher than previous year due to which they have to purchase extra 5400 MUs. If these MUs are multiplied with BST of FY 2019-20 i.e. Rs. 4.80 /unit, it comes to Rs. 2586 Crore and will be a burden to the consumers.

3.2.94. Shri Nihar Varshney, Rimjhim Ispat Limited submitted that DVVNL has considered a system loss of 4%. He also submitted that the Commission for FY 2019-20 approved an Intra-State Transmission loss as 3.56%, hence, the consideration of system loss of 4% is unjustified.

3.2.95. Further, it is submitted that DVVNL has claimed an Efficiency Losses on account of variation in Collection Efficiency component of AT&C Loss as Rs. 786.02 Crore and Efficiency Losses on account of variation in Distribution Losses as Rs. 345.69 Cr. He further requested the Commission to disallow the same as DVVNL was not able to achieve the target of Distribution Losses and Collection efficiency set by the Commission.

3.2.96. He also submitted that DVVNL has not considered the normative trajectory for collection efficiency and considered the actual collection efficiency while determining the revenue from sale of power which is unjustified. Also, it is submitted that the DVVNL distribution losses are increasing on the account of pilferage and the licensee has failed to achieve the targets set by the Commission and hence requested the Commission to direct the Licensee to improve performance with stringent targets.

3.2.97. Council on Energy, Environment & Water submitted that the Commission should take cognisance of the discrepancy of the AT&C loss reporting as per true-up filings for FY 2018-19 with PFC reporting and direct Discoms to explain the reasons for different reporting across different forums.

3.2.98. Shri Tabrez Malawat, Advocate, M/s Mankameshwar Steel Units 2 Pvt. Ltd, Aligarh, M/s Shreemahakaal Concast Pvt. Ltd, Hathras, M/s Sarvottam Rolling Mills Pvt Ltd, Muzzaffarnagar, M/s Shamli Steels Pvt. Ltd, Shamli submitted that in view of the provision of National Tariff Policy,2016 and MYT Regulations, 2019 the Commission has been repeatedly directing Licensees (DVVNL & PVVNL) to submit the system losses applicable at various voltage levels for computation of CSS. Further, he submitted that the Licensees were categorically directed to submit the accurate data/ information relating to Inter-state loss, Intra-state loss with computations for FY 2020-21. It is also directed to the Licensees to provide the Distribution Loss at each voltage level (i.e. 132 kV, 66 kV, 33 kV, 11 kV, LT) in order to have a more accurate computation of Cross-Subsidy Surcharge. However, the Licensees have failed to provide any such data to the Commission on the cost of supply to various categories of consumers or the applicable voltage wise loss levels etc. Hence, it is submitted that the Licensees shall be directed to submit system losses at applicable voltage levels in their future filings in order to assist the Commission to compute Cross Subsidy Surcharge in terms of National Tariff Policy and MYT Regulations. It is also submitted that Cross subsidy shall not be allowed unless petitioner is complying with the regulation in this regard.

3.2.99. He also submitted that the Petitioner has indicated losses of 1.45% at 33kV and accordingly wheeling losses should be fixed at 1.45%. Further, if meter is installed on

33kV feeder at 132/33kV Substation for billing purposes, such wheeling losses shall not be applicable.

3.2.100. Shri Vishnu Bhagwan Agarwal, Chairman, Associated Chambers of Commerce & Industries of UP submitted that computation of the line losses shall be done separately for urban and rural category.

3.2.101. Shri Sanjay Sharma, Secretary, Uttar Pradesh Congress Committee submitted that UPPCL has claimed 6% higher line losses than previous year's, that accounts to Rs. 4500 Cr and this will lead to tariff hike.

3.2.102. Shri Vedant Sonkhiya, Legal Officer, Open Access User Association submitted that the Collection efficiency proposed by the Discoms for FY 2020-21 is at around 70% for FY 2020-21 and it is obvious that the burden of poor Collection efficiency consistently through past years is now getting amplified during COVID-19. Therefore, while the Commission correctly determines ABR based on 100% collection efficiency for the Discoms, the ABR proposed by the Discoms in current Petitions is based on around 70% collection efficiency.

3.2.103. Shri Shivakant Tripathi, Uttar Pradesh Jan Kalyan Samiti, Lucknow submitted the licensee should reduce their line losses.

B. Licensees' response

3.2.104. As regards to Shri Avadhesh Kumar Verma, the Licensee submits that the reply is covered in ARR Petition point No. 4.21 Distribution Loss Trajectory.

3.2.105. As regards to the objection of Shri Nihar Varshney, the Licensee submits that it has computed the CSS by considering the Technical losses at supply above 11kV at 4% based on the technical losses approved by the Commission in the Tariff Order for FY 2019-20 dated 3 September 2019. The Licensee further submitted that the claim of Efficiency Loss on account of not achievement of Distribution loss and Collection efficiency is in line with Regulation 9.2 and Regulation 11 of the Uttar Pradesh Electricity Regulatory Commission (Multi Year Distribution Tariff) Regulations, 2014. The Licensee request the Commission to allow the loss sharing as claimed in the Truing-up Petition for FY 2018-19.

3.2.106. Further regarding the collection efficiency, the Licensee submitted that it has considered revenue from sale of power on accrual basis (from Audited Accounts for FY 2018-19) and not considered collection efficiency (normative or actual) for reporting the same. However, the Licensee has also claimed the sharing of the impact of variation in collection efficiency from the level considered by the Commission, i.e. 100% and the actual collection efficiency, in accordance with the UPERC (Multi Year Distribution Tariff) Regulations, 2014.

3.2.107. Further, the UPERC (Multi Year Tariff for Distribution and Transmission) Regulations, 2014, also had a sharing mechanism for controllable factors, including distribution loss levels. The relevant clause is reproduced below:

> *"9.2*
>
> *…….*
>
> *(c) Distribution Losses which shall be measured as the difference between total energy input for sale to all its consumers and sum of the total energy billed in its license area in the same year;*
>
> *…….*
>
> *11.2 The approved aggregate loss to the Distribution Licensee on account of controllable factor shall be dealt with in the following manner:*
>
> *(a) One-half of the amount of such loss may be passed on as an additional charge in tariff over such period as may be stipulated in the Order of the Commission; and*
>
> *(b) The balance amount of loss shall be absorbed by the Distribution Licensee."*

3.2.108. The Licensee has been submitting its claim to allow the Distribution loss sharing as per above clause. However, the Commission didn't allow this legitimate claim, while truing-up for the FY 2017-18 in its Tariff Order dated 03.09.2019 and thus not followed its own Regulations. The Petitioner has already filed an appeal in Hon'ble APTEL against the Commission Tariff Order dated 03.09.2019.

3.2.109. There is another provision in the UPERC (Multi Year Tariff for Distribution and Transmission) Regulations, 2014 regarding sharing of variation in AT&C loss levels, which is reproduced as below:

> *"9.2*
>
> *…..*
>
> *(b) Variations in Aggregate Technical & Commercial (AT&C) losses which shall be measured as the difference between the units input into the distribution system and the units realized (units billed and collected) wherein the units realized shall be equal to the product of units billed and collection efficiency (where Collection Efficiency shall be measured as ratio of total revenue realized to the total revenue billed for the same year);*

Detailed methodology for computation of AT&C loss has been indicated in Annexure B to these regulations;"

……

11.2 The approved aggregate loss to the Distribution Licensee on account of controllable factor shall be dealt with in the following manner:

(a) One-half of the amount of such loss may be passed on as an additional charge in tariff over such period as may be stipulated in the Order of the Commission; and

(b) The balance amount of loss shall be absorbed by the Distribution Licensee."

3.2.110. The Licensee is entitled for AT&C loss sharing also as per above clause. However, as claiming both variation in distribution loss as well as AT&C loss will lead to duplicity of claim, as AT&C loss include distribution loss and collection efficiency. Therefore, the Licensee has claimed variation in distribution loss and variation in collection efficiency component of AT&C Loss in the True-up section. The Licensee has computed AT&C losses in line with the methodology provided in Annexure-B of the UPERC MYT Regulations, 2014. The same has also been submitted along with Tariff Formats. As these loss sharing are based on the provisions of the Regulations, the Petitioner is entitled for this along with normative distribution loss approved by the Commission. Based on the above-mentioned sharing Regulation in UPERC (Multi Year Tariff for Distribution and Transmission) Regulations, 2014, the effective distribution loss allowable (on account of sharing) is worked out as under:

Particulars	DVVNL
AT&C UDAY Target for FY 2018-19	20.44%
AT&C Achieved in FY 2018-19	37.12%
Sharing of 1/2 of the above Loss	8.34%
Total Losses allowed as per Regulation	
Sharing of ½ of Distribution loss	2.36%
Incremental Sharing of AT&C loss	5.99%
Normative Distribution Losses	16.25%
Total Losses	**24.59%**

Particulars	DVVNL
AT&C UDAY Target for FY 2018-19	15.35%
AT&C Achieved in FY 2018-19	34.46%
Sharing of 1/2 of the above Loss	9.56%
Total Losses allowed as per Regulation	

Particulars	DVVNL
Sharing of ½ of Distribution loss	4.72%
Incremental Sharing of AT&C loss	4.84%
Normative Distribution Losses	12.10%
Total Losses	**21.66%**

3.2.111. The overall distribution loss sharing component is 2.36 % and including incremental sharing of AT&C loss is 24.59 % for FY 2018-19. The above provisions of sharing of Distribution loss and AT&C loss does not exist in the UPERC (Multi Year Tariff for Distribution and Transmission) Regulations, 2019 for the new control period FY 2020-21 to 2024-25. Therefore, the only option available with the Licensee is to propose the distribution loss trajectory on the basis of actual loss level of FY 2019-20, and which the Petitioner envisages to achieve. It is important to note that distribution losses now proposed by the Petitioner are lesser than the total admissible losses as per the erstwhile UPERC (Multi Year Distribution Tariff) Regulations, 2014 (normative distribution losses + losses as per Distribution loss sharing and AT&C Loss sharing).It is also worth mentioning that Ministry of Power, Government of India, signatory on UDAY MoU has also recognized the above status of AT&C loss vide letter no. 06/01(01)/2020-NEF(U) dated 06.03 2020 and desired for the revised action plan including AT&C loss from U.P. Government, another signatory of UDAY MoU. Government of UP has sent the letter to UPPCL. Due to the effect of COVID-19 pandemic, it is taking time to have a fair assessment of the situation and submission of this revised action plan. Further, in the wake of COVID-19 pandemic, which has had a serious negative impact on the resources of both Central and State Government, Ministry of Finance, Government of India, vide Letter No. F. No. 40 (06/PF-S/2017-18/Vol.V dated 17.05.2020 has made available additional borrowing of 2% of GSDP to the States in FY 2020-21. This additional borrowing would be available subject to implementation of specific State Level Reforms, including Power Sector Reforms also. Under Power Sector Reforms, the State Government is required to provide AT&C Losses reduction as per targets, which will be based on self-declaration by the State Government. It is important to note here that the Government of India has also has not linked the AT&C loss targets with UDAY targets and has agreed for a target on self-declaration basis by the State Government.

3.2.112. Further, clause 8.2 of the Tariff Policy 2016, dated 28 January 2016 provides as below:

"8.2 Framework for revenue requirements and costs

8.2.1 The following aspects would need to be considered in determining tariffs:

………

(2) AT&C loss reduction should be incentivised by linking returns in a MYT framework to an achievable trajectory. Greater transparency and nurturing of consumer groups would be efficacious. For government owned utilities improving governance to achieve AT&C loss reduction is a more difficult and complex challenge for the SERCs……

3.2.113. As regards to the objection related to non-achievements of targets set by Commission, the Licensee submitted that it has already been penalised by way of disallowance in its power purchase cost in the previous MYT Control Period, for its non-achievement the Distribution Loss targets as approved by the Commission. An impossible and impractical distribution loss trajectory would further impact the financial situation of the Licensee. Further the Licensee submitted the clause 8.2 of the Tariff Policy 2016, dated 28 January 2016 provides as below:

"8.2 Framework for revenue requirements and costs

8.2.1 The following aspects would need to be considered in determining tariffs:

………

(2) AT&C loss reduction should be incentivised by linking returns in a MYT framework to an achievable trajectory. Greater transparency and nurturing of consumer groups would be efficacious. For government owned utilities improving governance to achieve AT&C loss reduction is a more difficult and complex challenge for the SERCs……

"

3.2.114. The Tariff Policy provisions mentions to set an 'achievable trajectory'. Therefore, at the commencement of this new MYT Control Period, the Licensee requests the Commission to consider the distribution loss trajectory, which is practical and feasible to achieve. It is also worth noting that the pace of the distribution loss reduction plan has been affected due to exponential growth in the LT level consumer base in rural areas, resulting in increasing length of LT feeders leading to increase in losses on the low voltage network and has also contributed to a decreasing HT:LT network ratio. During the last three financial years, i.e. FY 2017-18, FY 2018-19 and FY 2019-20, the Petitioner has undertaken a massive drive to ensure electricity access to all households, under the Saubhagya scheme and the State Government Har Ghar Bijli Yojana. Further, in the wake of COVID-19 pandemic and resulting economic lockdown, the Petitioner has experienced drastic reduction in energy sales during the first two months of FY 2020-21. Further, the

Licensee also expects a significant shift in the consumption mix, which has already been discussed in detail in the Energy Sales projections for FY 2020-21. This anticipated shift in consumption mix from HT categories and also commercial and industrial consumers, is likely to impact the overall distribution loss levels of the Licensee. In fact, it may be possible that the distribution loss levels may actually increase. Therefore, considering the aforementioned submissions and the fluid situation, the Licensee has considered distribution loss level targets for FY 2020-21 at similar level as provisional figures for FY 2019-20. From FY 2021-22 onwards, the Licensee has projected a reducing trend in the distribution loss levels. The Commission is requested to allow the trajectory proposed by the Licensee.

3.2.115. As regards to the objection of Vishnu Agarwal, the Licensee submits that there are provisions for cross-subsidy in Tariff Policy and Commission finalizes the revenue gap of the Licensee on the basis of overall distribution loss of the Licensee.

3.2.116. As regards to the objection of Shri Sanjay Sharma, the Licensee submitted that the link of 6%-line loss and the referred amount of Rs 4,500 crore is not clear. The consolidated revenue gap of all Discoms projected in ARR for FY 2020-21 is Rs 4,523 Crore. The Licensees have not referred the 6%-line loss amounting to Rs 4,500 Crore.

3.2.117. As regards to the objection of Shri Tabrez Malawat, the licensee submits that the Licensee has computed Cross-Subsidy Surcharge (CSS) for Open Access consumers in accordance with- the methodology specified in Clause 49 of the UPERC MYT (Transmission and Distribution) Regulations, 2019.

3.2.118. As regards to the objection pertaining to wheeling losses, the Licensee submitted that the wheeling charge has been computed on consolidated basis in line with the Commission's Tariff Orders and clause 51 of the MYT (Transmission and Distribution) Regulation, 2019.

3.2.119. As regards to the objection of Shri Shivakant Tripathi, the Licensee submitted that it replied to the comment in the presentation during public hearing.

3.2.120. As regards to the objection of Shri Vedant Sonkhiya & Council of Energy Environment & Water, the Licensee has not submitted any reply.

C. Commission's view

3.2.121. The Commission has taken note of the objections/suggestions made by the stakeholders and comments of the Licensee in this regard. The Commission has dealt the issue in relevant Chapter of this Order.