

Provided that at the time of truing up, the weighted average rate of interest calculated on the basis of the actual loan portfolio during the Year applicable to the Transmission Licensee or the Distribution Licensee shall be considered as the rate of interest:

Provided also that if there is no actual loan for a particular Year but normative loan is still outstanding, the last available weighted average rate of interest for the actual loan shall be considered:

Provided further that if the Transmission Licensee or the Distribution Licensee does not have actual loan, then one (1) Year State Bank of India (SBI) MCLR / any replacement thereof as notified by RBI for the time being in effect applicable for one (1) Year period, as may be applicable as on 1st April of the relevant Year plus 100 basis points shall be considered as the rate of interest for the purpose of allowing the interest on the normative loan.

28.5 The interest on loan shall be calculated on the normative average loan of the Year by applying the weighted average rate of interest:

Provided that at the time of truing up, the normative average loan of the Year shall be considered on the basis of the actual asset capitalization approved by the Commission for the Year.

28.6 For new loans proposed for each Financial Year of the Control Period, interest rate shall be considered as lower of (i) one (1) Year State Bank of India (SBI) MCLR / any replacement thereof as notified by RBI for the time being in effect applicable for one (1) Year period, as may be applicable as on 1st April of the relevant Year plus 100 basis points, and (ii) weighted average rate of interest proposed by the Distribution Licensee.

28.7 The above interest computation shall exclude the interest on loan amount, normative or otherwise, to the extent of capital cost funded by consumer contribution, deposit work, capital subsidy or grant, carried out by Transmission Licensee or Distribution Licensee.

28.8 The finance charges incurred for obtaining loans from financial institutions for any Year shall be allowed by the Commission at the time of Truing-up, subject to prudence check.

28.9 The excess interest during construction on account of time and/or cost overrun as compared to the approved completion schedule and capital cost or on account of excess drawal of the debt funds disproportionate to the actual requirement based on Scheme completion status, shall be allowed or disallowed partly or fully on a case to case basis, after prudence check by the Commission:

Provided that where the excess interest during construction is on account of delay attributable to an agency or contractor or supplier engaged by the Transmission Licensee, any liquidated damages recovered from such agency or contractor or supplier shall be taken into account for computation of capital cost:

Provided further that the extent of liquidated damages to be considered shall depend on the amount of excess interest during construction that has been allowed by the Commission.

28.10 The Transmission Licensee or the Distribution Licensee, as the case may be, shall make every effort to re-finance the loan as long as it results in net savings on interest and in that event the costs associated with such re-financing shall be borne by the beneficiaries and the net savings shall be shared between the equally between the beneficiaries and the Transmission Licensee or the Distribution Licensee and the Consumers of Distribution Licensee.

28.11 Interest shall be allowed on the amount held as security deposit held in cash from Retail Consumers at the Bank Rate as on 1st April of the Financial Year in which the Petition is filed:

Provided that at the time of truing-up, the interest on the amount of security deposit for the Year shall be considered on the basis of the actual interest paid by the Licensee during the Year, subject to prudence check by the Commission."

Hence, the rate of interest to be considered while determining the ARR shall be the weighted average interest rate of the actual loan portfolio. However, in absence of detailed data with respect to the actual loan portfolio, the Commission has considered the SBI 1 Year MCLR rate plus 100 basis points as Rate of Interest, in accordance with the MYT Regulations, 2018.

In regard to addition in normative loan for the additional assets recognised, the Commission believes that most of these assets were funded through the grant under the Tsunami Rehabilitation Programme, therefore, allowing the 70% of these assets as the normative loan would be in violation of the JERC MYT Regulations, 2018. Accordingly, the Commission shall take the appropriate view in the true-up order considering the actual funding of these assets.

As per the MYT Regulations, 2018, if the equity deployed is more than 30% of the capital cost, then equity in excess of 30% is considered as normative loan. The Interest on Loan has been considered as the SBI 1 Year MCLR rate plus 100 basis points as Rate of Interest, in accordance with the MYT Regulations, 2018.

The following table provides the Interest on Loan approved by the Commission.

Table 37: Interest and Finance Charges approved by the Commission for FY 2020-21 (INR Crore)

S. No	Particulars	Approved in Tariff Order	Petitioner's Submission	Now Approved by Commission
1	Opening Normative Loan	14.80	185.77	13.43
2	Add: Normative Loan During the year	21.21	26.02	26.02
3	Less: Normative Repayment equivalent to Depreciation	7.01	16.93	7.05
4	Closing Normative Loan	29.00	194.86	32.39
5	Average Normative Loan	21.90	190.31	22.91
6	Rate of Interest (%)	8.85%	8.75%	8.75%
7	Interest on Loan	1.94	16.65	2.00

The Commission approves Interest and Finance Charges of INR 2.00 Crore in the APR of the FY 2020-21.

4.13. Return on Equity (RoE)

Petitioner's submission

Return on Equity (RoE) is computed in accordance with the MYT Regulations 2018, RoE is computed on 30% of the capital base. Based on the reconciliation of assets in the fixed asset register and the closing equity for FY 2016-17 as per Tariff order dated May 20, 2020, the Petitioner has claimed the opening equity of INR 154.87 crore considering the 30% of the additional assets recognised as the equity addition. Accordingly, RoE is computed at 16% post-tax.

Commission's analysis

RoE has been calculated on normative basis on the average of opening and closing of equity during the year at the rate of 16% (on post-tax basis) with an opening equity considered equivalent to the closing equity of FY 2019-20 as derived in Section 4.10: Capital Structure above. Income Tax payable shall be considered taken on actual basis at the time of True-up. In regard to addition in equity for the additional assets recognised, the Commission believes that most of these assets were funded through the grant under the Tsunami Rehabilitation Programme, therefore, allowing the 30% of these assets as the equity would be in violation of the JERC MYT Regulations, 2018. Accordingly, the Commission shall take the appropriate view in the true-up order considering the actual funding of these assets.

The following table provides the RoE approved in the ARR of FY 2020-21, the Petitioner's submission and RoE now approved by the Commission.

Table 38: RoE approved by the Commission for FY 2020-21 (INR Crore)

S. No	Particulars	Approved in ARR Order	Petitioner's Submission	Now Approved by Commission
1	Opening Equity	53.22	154.87	52.61
2	Additions on account of new capitalisation	9.09	11.15	11.15
3	Closing Equity	62.31	166.02	63.77
4	Average Equity	57.77	160.45	58.19
5	Rate of Return	16.00%	16.00%	16.00%
6	Return on Equity	9.24	25.67	9.31

The Commission approves the Return on Equity of INR 9.31 Crore in the APR of the FY 2020-21.

4.14. Interest on Security Deposits

Petitioner's submission

The Petitioner has submitted that it does not collect security deposit from consumers in cash. The consumers are required to create a Term Deposit in scheduled bank equivalent to the security amount and a lien is created in favour of the EDA&N towards security deposit. Hence, Interest on Security deposits is not payable to the consumers. Therefore, EDA&N has not claimed Interest on Security deposit in the ARR.

Commission's analysis

Regulation 28.11 of the MYT Tariff Regulations, 2018 stipulates as follows:

"28.11 Interest shall be allowed on the amount held as security deposit held in cash from Retail Consumers at the Bank Rate as on 1st April of the Financial Year in which the Petition is filed:

Provided that at the time of truing-up, the interest on the amount of security deposit for the Year shall be considered on the basis of the actual interest paid by the Licensee during the Year, subject to prudence check by the Commission."

However, the Petitioner has not considered any interest on consumer security deposit. Therefore, the Commission has not approved any Interest on Security Deposits as the interest amount on fixed deposits is not available with Petitioner in cash.

Accordingly, the Commission approves Interest on Security Deposit as NIL in the APR of the FY 2020-21.

4.15. Interest on Working Capital

Petitioner's submission

Interest on Working Capital has been calculated based on the normative principles outlined in the JERC MYT Regulations, 2018.

The Petitioner has computed the Interest on Working Capital at rate of 9.75% as INR 6.84 crores.

Commission's analysis

The Commission has considered the receivables as proportionate revenue for 2 months as gap funding is done month on month basis from the Andaman & Nicobar Administration, the revised power purchase cost of FY 2020-21 as determined above and the average consumer security deposit amount during the year for computing the Working Capital Requirement for the year. The maintenance spares have been considered @40% of R&M expenses for 1 month.

The Commission has considered the SBI Base rate as on 1st April 2020 for calculation of interest, as stipulated in the MYT Regulations, 2018.

Accordingly, the Interest on Working Capital has been calculated, as shown in the following table:

Table 39: Interest on Working Capital approved by the Commission for FY 2020-21 (INR Crore)

S. No	Particulars	Approved in ARR Order	Petitioner's Submission	Now Approved by Commission
1	O&M Expense for 1 month	16.23	17.95	16.32
2	Maintenance spares at 40% of R&M expenses for one (1) month;	1.52	24.53	1.50
3	Receivables equivalent to two (2) months of the expected revenue at the prevailing tariff	32.14	27.69	25.53
4	Less: Amount held as security deposits	0.00	0.00	0.00
5	Net Working Capital	49.90	70.16	43.36
6	Rate of Interest (%)	10.55%	9.75%	9.75%
7	Interest on Working Capital	5.26	6.84	4.23

The Commission approves the Interest on Working Capital as INR 4.23 Crore in the APR of the FY 2020-21.

4.16. Provision for Bad & Doubtful Debts

Petitioner's submission

The Petitioner has not earmarked any provision for bad and doubtful debts for the year.

Commission's analysis

The Commission also has not considered any provision towards Bad & Doubtful Debts. The same shall be accounted for as per actuals in the True-up of FY 2020-21.

4.17. Non-Tariff Income

Petitioner's submission

The Petitioner has submitted the Non-Tariff Income of INR 3.09 Crore as approved by the Commission in the MYT Order.

Commission's analysis

The Commission also has considered the same NTI as submitted by the Petitioner. The NTI approved in the Tariff Order, the Petitioner's submission and the NTI now approved by the Commission is shown in the table below:

Table 40: Non-Tariff Income approved by the Commission for FY 2020-21 (INR Crore)

S. No	Particulars	Approved in Tariff Order	Petitioner's Submission	Now Approved by Commission
1	Non-Tariff Income	3.09	3.09	3.09

The Commission approves Non-Tariff Income of INR 3.09 crore in the APR of FY 2020-21. The same shall be considered at actuals at the time of True-up of FY 2020-21.

4.18. Aggregate Revenue Requirement (ARR)

Petitioner's submission

Based on the expenses as detailed above, the Petitioner has submitted the net aggregate revenue requirement of INR 801.89 Crore after adjusting the Non -Tariff Income for FY 2020-21.

Commission's analysis

On the basis of the detailed analysis of the cost parameters of the ARR, the Commission has considered and approved the revenue requirement in the APR of the FY 2020-21 as provided in the table below:

Table 41: Aggregate Revenue Requirement approved by the Commission for FY 2020-21 (INR Crore)

S. No	Particulars	Approved in Tariff Order	Petitioner's Submission	Now Approved by Commission
1	Power Purchase Cost	445.44	403.40	413.63
2	Fuel Cost	106.61	120.13	
3	O&M Expenses	194.77	215.36	195.86
4	Depreciation	7.02	16.93	7.05
5	Interest and Finance charges	1.94	16.65	2.00
6	Interest on Working Capital	5.26	6.84	4.23
7	Return on Equity	9.24	25.67	9.31
8	Interest on Security Deposit	0.00	0.00	0.00
9	Income Tax	0.00	0.00	0.00
10	Total Revenue Requirement	770.29	804.98	632.09
11	Less: Non-Tariff Income	3.09	3.09	3.09
12	Net Revenue Requirement	767.20	801.89	629.00

The Commission now approves the net ARR of INR 629.00 crore in the APR of FY 2020-21.

4.19. Revenue at existing Retail Tariff

Petitioner's submission

The Petitioner has submitted the revenue from the sale of power at existing tariff as INR 166.97 crore determined on the basis of energy sales in the territory for FY 2020-21.

Commission analysis

The category wise revenue at existing retail tariff is calculated as per the tariff rates applicable for FY 2020-21 as per tariff order dated May 18, 2020. The revenue from demand charges and the energy charges have been projected for each category. The revenue from demand charges and the energy charges have been projected for each category/ sub-category and slab in line with the methodology followed by the Commission in the MYT Order. The Commission has not projected any revenue from Power factor incentive etc. and the same shall be considered as per actuals while truing up of the FY 2020-21. The revenue from category/ sub-category/ slab-wise revenue as computed by the Commission for FY 2020-21 has been shown in the following table:

Table 42: Revenue at existing tariff computed by the Commission for FY 2020-21 (INR Crore)

S. No.	Category	Sales (MUs)	Revenue from Fixed Charges	Revenue from Energy charges	Total	ABR (INR/unit)
1	Life Line Connection	7.37	0.00	1.51	1.51	2.05
2	Domestic	131.71	2.95	55.10	58.05	4.41
3	Commercial	28.42	0.66	24.86	25.52	8.98
4	Government Connection	17.86	0.23	18.43	18.66	10.45
5	Industry	8.81	0.97	5.91	6.88	7.80
6	Bulk	28.93	1.91	36.16	38.07	13.16
7	Public Lighting	6.15	0.56	3.75	4.31	7.01
8	Irrigation, Pumps & Agriculture	0.99	0.03	0.16	0.19	1.88
9	Total Revenue	230.25	7.30	145.89	153.19	6.65

The Commission has determined revenue from the sale of power at existing tariff as INR 153.19 Crore in the APR of FY 2020-21.

4.20. Standalone Revenue Gap/Surplus

Petitioner's submission

Based on the ARR and the revenue from Retail tariff, the standalone revenue gap of INR 634.92 Crore is arrived at in the APR of FY 2020-21.

Commission analysis

The Commission based on the approved ARR and retail tariff has approved the Revenue Gap/Surplus as follows:

Table 43: Standalone Revenue Gap/ Surplus at existing tariff for FY 2020-21 (INR Crore)

S. No	Particulars	Approved in Tariff Order	Petitioner's Submission	Now Approved by Commission
1	Net Revenue Requirement	767.20	801.89	629.00
2	Revenue from Retail Sales at Existing Tariff	192.86	166.97	153.19
3	Net Gap /(Surplus)	574.34	634.92	475.80

The Commission approves the standalone gap at INR 475.80 Crore in the APR of FY 2020-21.

5. Chapter 5: Determination of Aggregate Revenue Requirement for the FY 2021-22

5.1. Background

In this Chapter, the Commission has determined the Aggregate Revenue Requirement (ARR) for the FY 2021-22. The determination of Aggregate Revenue Requirement has been done in accordance with the MYT Regulations, 2018.

5.2. Approach for determination of ARR for each year of the FY 2021-22

The Commission has computed the individual elements constituting the Aggregate Revenue Requirement for FY 2020-21 based on figures approved in the Business Plan and MYT Order, the actual information available of various parameters for the FY 2017-18, FY 2018-19, FY 2019-20 and FY 2020-21. The ARR and revenue at existing tariff has been determined for FY 2021-22 to arrive at the revenue gap/surplus for the FY 2021-22.

5.3. Projection of Number of consumers, Connected Load and Energy Sales

Petitioner's Submission

The Petitioner has revised the number of consumers and energy sales considering the actual figures of FY 2019-20 and the first half of FY 2020-21. The table below provides the number of consumers and energy sales submitted by the Petitioner for FY 2021-22:

Table 44: Number of consumers and Energy Sales submitted by the Petitioner for the FY 2021-22

S. No.	Particulars	No. of Consumers	Energy Sales (MU)
1	Domestic	121128	152.08
2	Commercial	21671	73.81
3	Industry	488	14.10
4	Bulk	68	33.97
5	Public Lighting	766	6.73
6	Irrigation, Pumps & Agriculture	461	1.15
7	Total Sales	144582	281.85

Commission's Analysis

The Commission has considered the category wise sales data, connected load and number of consumers as approved for FY 2020-21 in APR and CAGR for various categories as approved in Business Plan order dated December 31, 2018 for calculating the category wise sales, connected load and number of consumers respectively for FY 2021-22.

5.3.1. Energy Sales

The Commission has extrapolated the approved sales data from the category wise sales figure of FY 2020-21 using the approved CAGR for each category of sales as shown in the following table:

Table 45: Sales projected for FY 2021-22 (MU)

S. No.	Category	Approved Sales for FY 2020-21	CAGR as approved in MYT Order	Projected Sales for FY 2021-22
1	Domestic	139.08	6.40%	147.98
2	Commercial	46.28	1.96%	47.18
3	Industry	8.81	10.00%	9.70
4	Bulk	28.93	5.30%	30.46
5	Public Lighting	6.15	0.00%	6.15
6	Irrigation, Pumps & Agriculture	0.99	3.39%	1.03
7	Total Sales	230.25		242.50

The table below provides the energy sales approved by the Commission in the MYT Order, the Petitioner's submission and as now approved by the Commission.

Table 46: Energy Sales (MU) approved by the Commission for FY 2021-22

S. No.	Category	Approved in MYT Order	Petitioner's Submission	Now Approved by Commission
1	Domestic	177.13	152.08	147.98
2	Commercial	65.76	73.81	47.18
3	Industry	28.96	14.10	9.70
4	Bulk	46.13	33.97	30.46
5	Public Lighting	8.65	6.73	6.15
6	Irrigation, Pumps & Agriculture	1.23	1.15	1.03
7	Total Sales	327.86	281.85	242.50

5.3.2. Number of Consumers

Similarly, the Commission has extrapolated the category wise number of consumers for FY 2020-21 using the approved CAGR for each category for number of consumers as shown in table below:

Table 47: Number of Consumers projected for FY 2021-22 (MU)

S. No.	Category	Approved Number of consumers for FY 2020-21	CAGR as approved in MYT Order	Projected Number of Consumers for FY 2021-22
1	Domestic	116,991	3.35%	120,910
2	Commercial	20,885	3.01%	21,514
3	Industry	471	2.94%	485
4	Bulk	66	2.71%	68
5	Public Lighting	734	1.17%	743
6	Irrigation, Pumps & Agriculture	457	11.40%	509
7	Total Consumers	139,604		144,228

The following table provides the number of consumers approved by the Commission in the MYT Order, the Petitioner's submission and as now approved by the Commission.

Table 48: Number of Consumers approved by the Commission for FY 2021-22

S. No.	Category	Approved in MYT Order	Petitioner's Submission	Now Approved by Commission
1	Domestic	126,119	121,128	120,910
2	Commercial	22,583	21,671	21,514
3	Industry	650	488	485
4	Bulk	71	68	68
5	Public Lighting	721	766	743
6	Irrigation, Pumps & Agriculture	576	461	509
7	Total Consumers	150,721	144,582	144,228

5.3.3. Connected Load

Similarly, the Commission has extrapolated the approved category wise connected load for FY 2020-21 using the approved CAGR for each category for connected load as shown in table below:

Table 49: Connected Load projected for FY 2021-22 (kW)

S. No.	Category	Connected Load for FY 2020-21	CAGR as approved in MYT Order	Projected Connected Load for FY 2021-22
1	Domestic	182,955	9.43%	200,208
2	Commercial	92,813	2.18%	94,837
3	Industry	14,591	8.00%	15,759
4	Bulk	14,331	5.87%	15,172
5	Public Lighting	2,786	0.00%	2,786
6	Irrigation, Pumps & Agriculture	1,210	7.19%	1,297
7	Total Connected Load	308,688		330,059

The table below provides the category wise connected load approved by the Commission in the MYT Order, the Petitioner's submission and as now approved by the Commission.

Table 50: Connected Load approved by the Commission for FY 2021-22 (kW)

S. No.	Category	Approved in MYT Order	Now Approved by Commission
1	Domestic	208,168	200,208
2	Commercial	62,868	94,837
3	Industry	29,389	15,759
4	Bulk	15,566	15,172
5	Public Lighting	2,832	2,786
6	Irrigation, Pumps & Agriculture	1,341	1,297
7	Total Connected Load	320,164	330,059

The Commission approves energy sales of 242.50 MU, connected load of 330,059 kW and number of consumers as 144,228 in the ARR of FY 2021-22.

5.4. Intra-State Distribution Loss

Petitioner's submission

The Petitioner has proposed Intra-State T&D loss level at 19.00% against an approved loss of 13.34% in the Business Plan Order.

Commission's analysis

The Commission, in the Business Plan Order dated December 31, 2018, had set the loss trajectory for the 2nd Control Period considering the actual loss of 15.34% in FY 2017-18. The Petitioner has not provided any justification for the revision distribution losses for FY 2021-22. The Commission approves the T&D loss for FY 2021-22 as approved in the Business Plan Order. The table below provides the T&D loss approved by the Commission in the MYT Order, the Petitioner's submission and as now approved by the Commission

Table 51: Intra-State Distribution Loss approved by the Commission for FY 2021-22 (%)

S. No	Particulars	Approved in MYT Order	Petitioner's Submission	Now Approved by Commission
1	Intra-State Distribution Loss	13.34%	19.00%	13.34%

The Commission approves the Intra-State Distribution Loss of 13.34% for the FY 2021-22.

5.5. Energy Balance

Petitioner's submission

The Petitioner has submitted the energy balance as shown in the table below:

Table 52: Energy Balance (MU) submitted by Petitioner

S. No.	Particulars	Petitioner's Submission
A	Energy Requirement	
1	Total Sales within the UT	281.85
2	Distribution losses (%)	19.00%
	Distribution losses (MU)	66.11
3	Energy Requirement @ periphery	347.96
B	Energy Availability	
1	Power Purchase	257.49
2	Own Generation	90.47
3	Total Energy Availability	347.96
C	Total shortfall/(Surplus)	0.00

Commission's analysis

The Commission has determined the Energy Balance based on the revised estimates of energy sales. The table below provides the Energy Balance as approved by the Commission in the MYT Order, the Petitioner's submission and the Energy Balance now approved by the Commission.

Table 53: Energy Balance (MU) approved by the Commission for FY 2021-22

S. No.	Particulars	Approved in MYT Order	Petitioner's Submission	Now Approved by Commission
A	Energy Requirement			
1	Total Sales within the UT	327.86	281.85	242.50
2	Distribution losses (%)	13.34%	19.00%	13.34%
	Distribution losses (MU)	50.47	66.11	37.33
3	Energy Requirement @ periphery	378.33	347.96	279.83
B	Energy Availability			