

GUJARAT ELECTRICITY REGULATORY COMMISSION



Tariff Order

Truing up for FY 2019-20
and Determination of ARR & Tariff for FY 2021-22

For

**GIFT Power Company Limited
(GIFT PCL)**

Case No. 1942 of 2021

1st April, 2021

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**GUJARAT ELECTRICITY REGULATORY COMMISSION
(GERC)**

GANDHINAGAR

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ABBREVIATIONS

| | |
|----------|---|
| A&G | Administration and General Expenses |
| ARR | Aggregate Revenue Requirement |
| CAPEX | Capital Expenditure |
| DISCOM | Distribution Company |
| EHV | Extra High Voltage |
| FPPPA | Fuel and Power Purchase Price Adjustment |
| FY | Financial Year |
| GERC | Gujarat Electricity Regulatory Commission |
| GFA | Gross Fixed Assets |
| GIFT CL | GIFT City Co. Ltd. |
| GIFT PCL | GIFT Power Company Ltd. |
| HT | High Tension |
| kV | Kilo Volt |
| kVA | Kilo Volt Ampere |
| kVAh | Kilo Volt Ampere Hour |
| kWh | Kilo Watt Hour |
| LT | Low Tension |
| LTMD | Low Tension Maximum Demand |
| MCLR | Marginal Cost of Funds based Lending Rate |
| MUs | Million Units (Million kWh) |
| MVA | Megavolt Ampere |
| MYT | Multi-Year Tariff |
| O&M | Operations & Maintenance |
| RoE | Return on Equity |
| R&M | Repairs and Maintenance |
| SBI | State Bank of India |
| SLC | Service Line Contribution |
| SLDC | State Load Despatch Centre |
| STU | State Transmission Utility |



**Before the Gujarat Electricity Regulatory Commission at
Gandhinagar**

Case No. 1942 of 2021

Date of the Order: 01/04/2021

CORAM

Shri Anand Kumar, Chairman

Shri Mehul M. Gandhi, Member

Shri S. R. Pandey, Member

ORDER



1 Background and Brief History

1.1 Background

GIFT Power Company Ltd. (hereinafter referred to as 'GIFT PCL' or the 'Petitioner') has filed the present Petition on 01st February, 2021 under Section 62 of the Electricity Act, 2003, read in conjunction with the Gujarat Electricity Regulatory Commission (Multi-Year Tariff) Regulations, 2016 (herein after referred to as the "GERC (MYT) Regulations, 2016") for the Truing up for FY 2019-20 and Aggregate Revenue Requirement (ARR) & determination of tariff for FY 2021-22.

Gujarat Electricity Regulatory Commission notified the GERC (MYT) Regulations, 2016 on 29th March, 2016 which shall be applicable for determination of Tariff in all cases covered under the Regulations from 1st April, 2016 onwards. Regulation 17.2 (b) of the GERC (MYT) Regulations, 2016 provides for submission of detailed application comprising of Truing up for FY 2019-20, ARR for FY 2021-22, revenue from the sale of power at existing tariffs and charges for the ensuing year (FY 2021-22) and revenue Gap or revenue Surplus thereof for the ensuing year for the determination of Tariff to be carried out under the GERC (MYT) Regulations, 2016 and amendment thereof from time to time.

The ensuing year in the present case is FY 2021-22, however, the GERC (MYT) Regulations, 2016 which has been notified on 29th March, 2016 is in force till 31st March 2021. While the Commission had initiated the process of framing the MYT Regulations for new Control Period of FY 2021-22 to FY 2025-26 by issuing public notice dated 10th August, 2020, the process was delayed due to circumstances and reasons beyond the control of the Commission. Considering the delay, the Commission vide its Suo-Motu Order No. 07 of 2020 dated 22 December, 2020 deferred the 5-year control period for new MYT Regulations for one year Accordingly, all the concerned utilities and licensees were directed to file annual ARR for FY 2021-22 and application for determination of tariff for FY 2021-22 based on the principles and methodology as provided in the GERC (MYT) Regulations, 2016.

After technical validation of the petition, it was registered on 04th February 2021 as Case No. 1942/2021 and as provided under Regulation 29.1 of the GERC (MYT) Regulations, 2016, the Commission has proceeded with this tariff Order.



1.2 About Gujarat International Finance Tec-City Power Company Ltd. (GIFT PCL)

GIFT Power Company Ltd. (hereinafter referred to as 'GIFT PCL' or the 'Petitioner'), a 100% subsidiary company of Gujarat International Finance Tec-City Company Limited, is a distribution licensee responsible for the supply of electricity in the GIFT City area of around 886 acres of land which includes both Special Economic Zone (SEZ) area comprising of 261 acres and Domestic Tariff Area (DTA) comprising of 625 acres.

The Commission granted the second license for distribution of electricity in the said area of the existing licensee viz. Uttar Gujarat Vij Company Limited (UGVCL) vide Order dated 6th March, 2013 in Licence Application No. 1 of 2012 to the Petitioner.

1.3 Commission's Order for approval of ARR and Tariff for FY 2018-19

The Petitioner filed its Petition for approval of ARR for FY 2018-19 and determination of Retail Supply Tariff for FY 2018-19 on 6th March, 2018. The Petition was registered on 14th March, 2018 under Case No. 1710 of 2018. The Commission vide Order dated 3rd December, 2018 approved the ARR for FY 2018-19 and determined the tariff for FY 2018-19.

1.4 Commission's Order for determination of ARR for FY 2019-20 and FY 2020-21 and determination of Tariff for FY 2019-20

The Petitioner filed its Petition for approval of ARR for FY 2019-20 and FY 2020-21 and determination of Tariff for FY 2019-20 on 31st December, 2018. After technical validation, the Petition was registered on 7th January, 2019 under Case No. 1777 of 2019. The Commission vide Order dated 31st July, 2019 approved the ARR for FY 2019-20 and FY 2020-21 and determined the tariff for FY 2019-20.

1.5 Commission's Order for approval of True up of FY 2018-19, and determination of Tariff for FY 2020-21

The Petitioner filed its Petition for True up of FY 2018-19 and determination of Tariff for FY 2020-21 on 30th November, 2019. After technical validation, the Petition was registered on 4th January, 2020 under Case No. 1851 of 2020. The Commission vide Order dated 9th October, 2020 approved the True up for FY 2018-19 and determined the Tariff for FY 2020-21.



1.6 Background of the present Petition

The Commission has notified the GERC (MYT) Regulations, 2016 for the control period of FY 2016-17 to FY 2020-21. Regulation 16.2 (iii) of the GERC (MYT) Regulations, 2016 provides for the Truing up for previous year's Expenses and Revenue based on Audited Annual Accounts vis-à-vis the approved forecast and categorization of variation in performance as those caused by factors within the control of the applicant (controllable factors) and those caused by factors beyond the control of the applicant (uncontrollable factors).

Regulation 16.2 (vi) of the GERC (MYT) Regulations, 2016 provides for annual determination of tariff for the Generating Company, Transmission Licensee, SLDC, Distribution Wire Business and Retail Supply Business, for each financial year, within the Control Period, based on the approved forecast and results of the Truing up exercise.

The Commission has issued Suo-Motu order No. 7 of 2020 dated 22nd December, 2020 directing the Licensees to file their Application / Petition for determining the annual ARR for FY 2021-22 and proposal for determination of Tariff for FY 2021-22 based on the principles and methodology as provided in the GERC (MYT) Regulations, 2016 on or before 8 January, 2021.

GIFT PCL has filed the present Petition on 1st February, 2021. The Petition filed by GIFT PCL covers the Truing up of FY 2019-20 and ARR & Tariff determination for FY 2021-22 in line with the provisions of Act and Regulations issued by the Commission along with the other guidelines and directions issued by the Commission from time to time.

1.7 Registration of the Current Petition and Public Hearing Process

The Petitioner submitted the current Petition for Truing up for FY 2019-20 and determination of ARR & Tariff for FY 2021-22 on 1st February, 2021. After technical validation of the petition, it was registered on 4th February, 2021 (Case No. 1942/2021) and as provided under Regulation 29.1 of the GERC (MYT) Regulations, 2016, the Commission has proceeded with this Tariff Order.

In accordance with Section 64 of the Electricity Act, 2003, GIFT PCL was directed to publish its tariff application in the newspapers to ensure public participation. Accordingly, Public Notices were published by the Petitioner for inviting objections/ suggestions from stakeholders on the Tariff Petition in the following newspapers:



Table 1-1: List of newspapers (Public Notice issued by the Petitioner)

| Sr. No. | Name of the Newspaper | Language | Date of publication |
|----------------|------------------------------|-----------------|----------------------------|
| 1 | The Times of India | English | 12.02.2021 |
| 2 | Sandesh | Gujarati | 12.02.2021 |

The Petitioner also placed the Public Notice and the Petition on its website (www.giftgujarat.in), for inviting objections and suggestions. The interested parties / stakeholders were asked to file their objections / suggestions on the Petition on or before 13th March, 2021.

The Commission also placed the Petition and additional details received from the Petitioner on its website (www.gercin.org) for information and study for all the stakeholders.

The Commission has not received any objections / suggestions on the Petition till the last submission date of 13th March, 2021. Hence, no public hearing was conducted.

1.8 Approach of this Order

The GERC (MYT) Regulations, 2016, provide for “Truing up” for the previous year and determination of Tariff for the ensuing year.

As per Clause 1.2 & 1.4 of the GERC (MYT) Regulations, 2016, the Commission has specified that the MYT framework will be applicable from 1st April, 2016 and shall be remain in force till 31st March, 2021.

GIFT PCL has approached the Commission with the present Petition for “Truing up” of FY 2019-20 and ARR & tariff determination for FY 2021-22. GIFT PCL has also submitted the final Audited Annual Accounts for FY 2019-20.

In this Order, the Commission has considered the “Truing up” for FY 2019-20, as per the GERC (MYT) Regulations, 2016. The ARR & Tariff determination for FY 2021-22 has also been carried out as per the provisions of the GERC (MYT) Regulations, 2016 as per the directions issued by the Commission vide Suo-Motu Order dated 22nd December, 2020.

The Commission has undertaken “Truing up” for FY 2019-20, based on the submissions of the Petitioner and as per the information available in Audited Annual Accounts. The Commission has undertaken the computation of Gains and Losses for FY 2019-20, based on the comparison of the approved vis-à-vis actual expenses.



While Truing up for FY 2019-20, the Commission has been primarily guided by the following principles:

- Controllable parameters have been considered at the level approved as per the MYT Order, unless the Commission considers that there are valid reasons for revision of the same.
- Uncontrollable parameters have been revised, based on the actual performance observed.
- The Truing up for FY 2019-20 has been considered, based on the GERC (MYT) Regulations, 2016.

Determination of ARR & Tariff for FY 2021-22 have been carried out as per the principles and methodology specified in the GERC (MYT) Regulations, 2016 in line with the directions of the Commission vide its Suo-Motu Order No. 7 of 2020 dated 22nd December, 2020. Truing up for FY 2021-22 shall be carried out based on the principles and methodology adopted in the GERC (MYT) Regulations, 2016.

1.9 Contents of this Order

This Order consists of the following chapters:

1. The **First Chapter** provides a brief background of the Petitioner, the Petition and details of the public hearing process and the approach adopted for this Order.
2. The **Second Chapter** outlines the Summary of GIFT PCL's Petition.
3. The **Third Chapter** deals with the relative assessment of GIFT PCL with other Distribution Licensees.
4. The **Fourth Chapter** deals with the Truing-up for FY 2019-20.
5. The **Fifth Chapter** deals with the Determination of ARR for FY 2021-22.
6. The **Sixth Chapter** deals with the Determination of Tariff for FY 2021-22.
7. The **Seventh Chapter** deals with the Compliance of Directives of the Commission.
8. The **Eighth Chapter** deals with Fuel and Power Purchase Price Adjustments.



9. The **Ninth Chapter** deals with determination of the Wheeling Charges and Cross-Subsidy Surcharge.
10. The **Tenth Chapter** deals with the Tariff philosophy and Tariff proposal.



2 Summary of GIFT PCL's Petition

2.1 Introduction

This Chapter deals with highlights of the Petition as submitted by GIFT PCL for Truing up for FY 2019-20 and determination of ARR & Tariff for FY 2021-22.

2.2 True-Up of FY 2019-20

A summary of the proposed ARR for Truing-up of FY 2019-20 compared with the approved final ARR for FY 2019-20 in the "Multi Year Tariff" (MYT) Order dated 31st July, 2019 is presented in the Table below along with the item-wise computations for Gains/ Losses as submitted by GIFT PCL:

Table 2-1: True-up proposed by GIFT PCL for FY 2019-20

(Rs. Crore)

| Sr. No. | Particulars | True-Up Year (FY 2019-20) | | | | |
|---------|--------------------------------------|---------------------------|----------------|---------------|---|---|
| | | Approved in the MYT Order | Actual Claimed | Difference | Gains / (Losses) due to Controllable factor | Gains / (Losses) due to Uncontrollable factor |
| 1 | Power Purchase Expenses | 14.38 | 10.35 | 4.03 | - | 4.03 |
| 2 | Operation & Maintenance Expenses | 1.89 | 3.57 | (1.68) | - | (1.68) |
| 3 | Depreciation | 4.03 | 5.46 | (1.43) | - | (1.43) |
| 4 | Interest & Finance Charges | 5.54 | 5.30 | 0.24 | - | 0.24 |
| 5 | Interest on Security Deposit | 0.35 | 0.32 | (0.03) | - | (0.03) |
| 6 | Interest on Working Capital | - | - | - | - | - |
| 7 | Bad Debts Written Off | - | - | - | - | - |
| 8 | Contribution to Contingency Reserves | 0.39 | - | 0.39 | - | 0.39 |
| 9 | Return on Equity | 2.37 | 4.51 | (2.14) | - | (2.14) |
| 10 | Income Tax | - | - | - | - | - |
| 12 | Less: Non-Tariff Income | 0.32 | 0.44 | (0.12) | - | (0.12) |
| 13 | Aggregate Revenue Requirement | 28.62 | 29.07 | (0.45) | - | (0.45) |



2.3 Revenue Gap/(Surplus) for FY 2019-20

The Table below summarizes the proposed ARR claimed by GIFT PCL for Truing up.

Table 2-2: Trued-up ARR as claimed for FY 2019-20

(Rs. Crore)

| Sr. No. | Particular | Legend | Claimed |
|---------|---|--------------------------|--------------|
| 1 | ARR as per the MYT Tariff Order for FY 2019-20 | a | 28.62 |
| 2 | Add: Gain/(Loss) on account of Controllable factor to be passed on to the consumers (1/3) | b | - |
| 3 | Add: Gain/(Loss) on account of Un-Controllable factor to be passed on to the consumers | c | (0.45) |
| 4 | Pass through as tariff | d = - (1/3 b + c) | 0.45 |
| 5 | Trued-up ARR | e = a + d | 29.07 |
| 6 | Revenue from Sale of Power | f | 16.22 |
| 7 | Net Revenue Gap / (Surplus) | g = e - f | 12.85 |

2.4 ARR, Revenue at Existing Tariff, Revenue Gap and Tariff Proposal for FY 2021-22

GIFT PCL has also sought approval for Aggregate Revenue Requirement for FY 2021-22 as per the GERC (MYT) Regulations, 2016 in line with the Commission's direction issued vide Suo-Motu Order No. 7 of 2020 dated 22nd December, 2020. GIFT PCL has submitted the revenue requirement as under:

Table 2-3: Proposed ARR for FY 2021-22

(Rs. Crore)

| Particulars | FY 2021-22 |
|--------------------------------------|--------------|
| Power Purchase Expenses | 13.35 |
| O&M Expenses | 3.99 |
| Depreciation | 6.22 |
| Interest and Finance Charges | 4.10 |
| Interest on Security Deposits | 0.37 |
| Interest on Working Capital | - |
| Return on Equity | 5.11 |
| Contribution to Contingency Reserves | 0.83 |
| Income Tax | - |
| Less: Non-tariff Income | 0.53 |
| ARR | 33.44 |



2.5 Estimated Revenue Gap / (Surplus) for FY 2021-22

Based on the estimated ARR for FY 2021-22 given in the Table 2-3 above and the estimated revenue at the existing tariff, the estimated Revenue Gap for FY 2021-22 at existing tariff is shown in the following Table.

Table 2-4: Revenue Gap / (Surplus) for FY 2021-22 (Existing Tariff)

| (Rs. Crore) | | |
|-------------|---|--------------|
| Sr. No. | Particulars | Claimed |
| 1 | ARR for FY 2021-22 [a] | 33.44 |
| 2 | Revenue from Existing Tariff for FY 2021-22 [b] | 22.21 |
| 3 | Revenue Gap / (Surplus) in FY 2021-22 [c=(a-b)] | 11.23 |

GIFT PCL has also calculated the Revenue Gap for FY 2019-20 as Rs 12.85 Crores. The Petitioner has requested the Commission to consider the Revenue Gap of FY 2019-20 for recover in FY 2021-22. The Petitioner has requested to introduce appropriate regulatory charge for recovering of past gap. This charge will help to recover its legitimate dues of recovering past losses in ensuring years.

2.6 GIFT PCL's Prayers to the Commission

1. To condone the delay, if any, occur in filing of the present petition.
2. Admit the Petition for True-up for FY 2019-20, Aggregate Revenue Requirement for FY 2021-22 and tariff determination for FY 2021-22.
3. Approve the cumulative gap / surplus as requested after true-up for FY 2019-20.
4. Approve introduction of appropriate regulatory charges to recover the past losses.
5. Approve the aggregate revenue requirement for FY 2021-22.
6. Approve base FPPPA and base power purchase cost as proposed by the Petitioner.
7. Approve Wheeling ARR and corresponding charges for wheeling of power.
8. Approve Cross Subsidy Surcharges, if any.
9. Approve Tariff Schedule as proposed by the Petitioner.
10. Allow additions/ alterations/ changes modifications to the application at a future date.



11. Allow any other relief, order or direction, which the Hon'ble Commission deems fit to be issued.
12. Condone any inadvertent omissions/errors/shortcomings and permit the Petitioner to add/change/modify/alter this filing and make further submissions as may be required at a future date.



3 Relative assessment of GIFT PCL with other Distribution Licensees

The distribution licensees are required to make capital investment for various purposes such as capacity growth, system augmentation, network expansion, infrastructure to meet load growth, statutory requirements, metering system, consumer services, collection efficiency, quality and reliability of supply etc. Any such capital investment increases the capital base and hence, the reasonable return which consequently have an impact on the tariff to the consumers.

The licensees are required to identify the areas that need capital investment and also ensure that such capital investments are necessary, justified and do not impose an unnecessary burden on consumers by way of tariff. As capital investment has a direct correlation with the fixed charges to be recoverable through tariff, the Commission always endeavours to allow capital investment after necessary prudence check.

The GERC (MYT) Regulations, 2016 empowers the Commission to have a prudence check of the Capital Cost incurred by the licensee, the relevant extract from the GERC (MYT) Regulations, 2016 is reproduced below:

“34.2 The capital cost admitted by the Commission after prudence check shall form the basis for determination of tariff:

Provided that prudence check may include scrutiny of the reasonableness of the capital expenditure, financing plan, interest during construction, use of efficient technology, cost over-run and time over-run, and such other matters as may be considered appropriate by the Commission for determination of tariff.”

Considering the above enabling provisions of the GERC MYT Regulations, 2016, the Commission had conducted physical verification and undertaken the necessary prudence check of the capital investments while issuing the Tariff Order for Truing up of FY 2018-19 and determination of Tariff for FY 2020-21 dated 9th October, 2020.

It is also to be noted that apart from the capital investment related expenses, there is also a need to examine the other cost elements of the ARR as any inefficiency or higher loading of cost per unit due to inefficient utilisation of assets also impacts the retail tariff to be paid by the consumer. This assessment is possible by comparing the performance of GIFT PCL on various cost ratios with other licensees.

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Accordingly, in continuation of the prudence check undertaken by the Commission in Tariff Order for Truing up for FY 2018-19 and determination of Tariff for FY 2020-21 dated 9th October, 2020, the Commission has analysed the relative performance of GIFT PCL on various cost components vis-à-vis other utilities, viz, MPSEZ Utilities Limited (MUL), Torrent Power Limited-Dahej (TPL-Dahej), Uttar Gujarat Vij Company Limited (UGVCL), and Torrent Ahmedabad (Torrent-A) for FY 2018-19 as shown below:

Table 3-1: Comparison of GFA per Unit Sales for FY 2018-19

| Particulars | GIFT | MUL | TPL-Dahej | UGVCL | Torrent-A |
|---------------------------------------|-------------|------------|------------------|--------------|------------------|
| Average GFA (Rs. Crore) | 95.38 | 101.43 | 164.38 | 6,699.07 | 5,646.63 |
| Sales (MUs) | 17.45 | 299.61 | 426.15 | 22,399.71 | 7,835.27 |
| Average GFA per unit sales (Rs./unit) | 54.66 | 3.39 | 3.86 | 2.99 | 7.21 |

The relative comparison of the GFA per unit sales ratio clearly indicates significant under-utilisation of assets in the case of GIFT PCL as compared to other licensees. This leads to higher burden of the cost related to asset creation on the existing consumers as the cost recovery happens on a smaller sales base.

Table 3-2: Comparison of O&M Cost per Unit Sales for FY 2018-19

| Particulars | GIFT | MUL | TPL-Dahej | UGVCL | Torrent-A |
|--|-------------|------------|------------------|--------------|------------------|
| O&M Cost (Rs. Crore) | 3.06 | 8.81 | 8.16 | 616.02 | 312.79 |
| Sales (MUs) | 17.45 | 299.61 | 426.15 | 22,399.71 | 7,835.27 |
| Average O&M Cost per unit sales (Rs./unit) | 1.75 | 0.29 | 0.19 | 0.28 | 0.40 |

Similar trend is also visible in case of relative comparison of the O&M cost per unit sales ratio which also clearly indicates significantly higher cost per unit in case of GIFT PCL as compared to other licensees. Again this is may be on account of the higher cost incurred for maintaining the network which has been developed by GIFT PCL without commensurate load on the network. This leads to higher burden of the O&M cost on the existing consumers as the cost recovery happens on a smaller sales base.

Table 3-3: Comparison of ARR per Unit Sales for FY 2018-19

| Particulars | GIFT | MUL | TPL-Dahej | UGVCL | Torrent-A |
|---------------------------------------|-------------|------------|------------------|--------------|------------------|
| ARR (Rs. Crore) | 31.12 | 163.09 | 218.27 | 12,190.27 | 5,794.71 |
| Sales (MUs) | 17.45 | 299.61 | 426.15 | 22,399.71 | 7,835.27 |
| Average ARR per unit sales (Rs./unit) | 17.83 | 5.44 | 5.12 | 5.44 | 7.40 |

Overall underutilisation of the network is also reflected in the case of relative comparison of the ARR per unit sales ratio which also clearly indicates significantly ARR per unit in case of GIFT PCL as compared to other licensees. As discussed earlier, this is again attributable to



higher cost being recovered through a smaller sales base leading to significantly higher per unit cost being recovered through retain tariff.

Table 3-4: Comparison of Other Cost (ARR excluding Power Purchase Cost) for FY 2018-19

| Particulars | GIFT | MUL | TPL-Dahej | UGVCL | Torrent-A |
|--|-------------|------------|------------------|--------------|------------------|
| Other Cost - excluding Power Purchase Cost (Rs. Crore) | 17.42 | 17.61 | 26.36 | 1,076.40 | 921.01 |
| ARR (Rs. Crore) | 31.12 | 163.09 | 218.27 | 12,190.27 | 5,794.71 |
| Other Cost (%) | 56% | 11% | 12% | 9% | 16% |

Typically, it is observed that the contribution of the power purchase cost in the overall ARR of a distribution licensee is of the order to 80 to 90% depending on the Licensee. However, in case of GIFT PCL, the impact of the higher loading of other cost on ARR due to under-utilisation of assets is also evident. The contribution of other costs as a % of the total ARR is higher in case of GIFT PCL as compared to other licensees.

It is clearly evident from the above analysis that the assets in case of GIFT PCL are significantly underutilised as compared to other select licensees and which is clearly reflected from the comparative per unit loading of various cost elements. Accordingly, the crucial aspects like Reasonableness of Investment and Need for investment have not been considered by GIFT PCL before making such huge up-front investments before the actual loads could materialise. The significant variation between the time frame for creation of assets and actual loading / utilisation of those assets have led to the present situation wherein the per unit cost of GIFT PCL is significantly higher than any other licensees.

In view of the above analysis and the emergent situation, the Commission feels it appropriate to continue with the same methodology of applying appropriate benchmarking while approving costs and investments as adopted in the Tariff Order for Truing up for FY 2018-19 and determination of Tariff for FY 2020-21 dated 9th October, 2020 for the computation of net capitalisation and O&M Expenses for FY 2019-20.



4 Truing up for FY 2019-20

4.1 Introduction

This Chapter deals with the Truing up for FY 2019-20 of GIFT PCL.

The Commission has analysed each of the components of the Aggregate Revenue Requirement (ARR) for FY 2019-20 in the following paragraphs.

4.2 Energy Sales

Petitioner's submission

The Petitioner has submitted that the actual energy sales for FY 2019-20 are 21.53 MUs, as against the sales of 32.01 MUs approved in the Tariff Order dated 31st July, 2019. GIFT PCL has submitted the actual energy sales for FY 2019-20 as shown in the Table below.

Table 4-1: Energy Sales claimed for FY 2019-20

(MUs)

| Particulars | Approved in the MYT Order | Actual Claimed |
|------------------|---------------------------|----------------|
| RGP | 0.38 | 0.14 |
| Non-RGP | 1.96 | 1.09 |
| LTMD | 14.04 | 2.70 |
| GLP | 0.31 | 0.17 |
| Streetlight (SL) | 0.58 | 0.43 |
| Temporary | 1.69 | 0.89 |
| HTP-I | 12.51 | 15.81 |
| HTP-III | 0.54 | 0.29 |
| Total | 32.01 | 21.53 |

GIFT PCL has submitted that the deviation in energy sales is mainly because of variation in customer demand. Due to overall economic slowdown, the growth in the demand and sales was lower than what was projected. The variation in HTP-III and LT category of consumer is because of closing of operations.

Commission's analysis

The Commission has verified the details of sale of energy as submitted in the monthly return under Form A specified in Rule 6 (1) (A) filed by the Petitioner with the office of



Chief Electrical Inspector and Collector of Electricity Duty and accordingly, the energy sales for FY 2019-20 are approved as shown below.

Table 4-2: Energy Sales approved by the Commission for FY 2019-20
(MUs)

| Particulars | Approved in MYT Order | Actual Claimed | Approved in Truing up |
|--------------|-----------------------|----------------|-----------------------|
| Energy Sales | 32.01 | 21.53 | 21.53 |

Accordingly, the Commission approves Energy Sales of 21.53 MUs on Truing up of FY 2019-20.

4.3 Distribution Losses

Petitioner's submission

The Petitioner has created basic infrastructure to provide power connectivity to its customers in SEZ and Non-SEZ area which is spread over a land parcel of 886 acres. The Petitioner has considered N-1 network redundancy at all level for higher power reliability and availability to end consumers in the Distribution License Area.

The Petitioner restated that in anticipation of future load growth and state of art service benchmark, GIFT PCL has installed the transformer and related distribution infrastructure of desired capacity at the outset. As a result, the transformer and distribution asset remain under-loaded in initial phase leading to higher distribution losses. However, with gradual increase in load, the distribution loss level is also decreased correspondingly. In view of above, the petitioner requests the Commission to approve distribution Losses of 3.21% as per the actual data for FY 2019-20.

In FY 2019-20, the actual Distribution Losses were at 3.21% against approved Distribution Losses of 5.50% approved by the Commission. GIFT PCL has submitted the actual Distribution Losses for FY 2019-20 as shown in the Table below.

Table 4-3: Distribution Losses claimed for FY 2019-20

(%)

| Particulars | Approved in the MYT Order | Actual Claimed |
|---------------------|---------------------------|----------------|
| Distribution Losses | 5.50% | 3.21% |

The Commission has classified Distribution loss as controllable as per Regulation 22.2 (c) of the GERC (MYT) Regulations, 2016.



GIFT PCL has submitted that it considers Distribution Losses as uncontrollable as per the judgement given in the Order of TPL-D (D) for the purpose of true-up of FY 2018-19 and for determination of tariff for its distribution business at Dahej for FY 2020-21 (Case No 1846 of 2019). The relevant extract of the Order is reproduced below:

“The Distribution Losses as claimed by TPL-D (D) at 0.35% is approved for the purpose of true-up of FY 2018-19. Any Gain / Loss on account of Distribution Losses is controllable as per the GERC (MYT) Regulations, 2016. However, in this Order, the Distribution Losses have been considered as uncontrollable for the purpose of sharing of Gains / Losses for the present control period as the load is yet to stabilize.”

Accordingly, GIFT PCL has requested the Commission to treat Distribution Losses as uncontrollable.

Commission’s analysis

The Commission has noted the submission of the Petitioner regarding the underloading of the distribution assets due to lower consumer demand as compared to the anticipated demand. Considering that the distribution network in the licence area of GIFT PCL is yet to be fully established and the consumer load is also yet to be stabilized, the actual Distribution Losses of GIFT PCL are considered as uncontrollable in line with the submission of GIFT PCL. Accordingly, the distribution losses approved by the Commission on truing up of FY 2019-20 are given in the Table below:

Table 4-4: Distribution Losses approved for FY 2019-20

(%)

| Particulars | Approved in MYT Order | Actual Claimed | Approved in Truing up |
|---------------------|------------------------------|-----------------------|------------------------------|
| Distribution Losses | 5.50% | 3.21% | 3.21% |

The Commission approves Distribution Losses of 3.21% on Truing up of FY 2019-20.

4.4 Energy Requirement

Petitioner’s submission

GIFT PCL has computed the Energy Requirement based on actual Energy sales and actual Distribution Losses.



Table 4-5: Energy Requirement claimed for FY 2019-20

(MUs)

| Particulars | Approved in the MYT Order | Actual Claimed |
|---------------------------------|---------------------------|----------------|
| Energy Sales | 32.01 | 21.53 |
| Distribution Losses (%) | 5.50% | 3.21% |
| Distribution Losses | 1.86 | 0.71 |
| Total Energy Requirement | 33.87 | 22.24 |

Commission's analysis

The Commission has approved the Distribution Losses at 3.21% and the energy sales of 21.53 Mus in the preceding sections of this Order. Considering the same, the Commission has computed the Energy Requirement after factoring in Transmission Losses as Nil for FY 2019-20 based on actuals as given in the Table below:

Table 4-6: Energy Requirement approved for FY 2019-20

(MUs)

| Particulars | Approved in MYT Order | Actual Claimed | Approved in Truing up |
|---------------------------|-----------------------|----------------|-----------------------|
| Energy Sales | 32.01 | 21.53 | 21.53 |
| Distribution Loss (%) | 5.50% | 3.21% | 3.21% |
| Distribution Loss (MU) | 1.86 | 0.71 | 0.71 |
| Energy Requirement | 33.87 | 22.24 | 22.24 |

Accordingly, the Commission approves total Energy Requirement of 22.24 MUs on Truing up of FY 2019-20.

4.5 Power Purchase Cost

Petitioner's submission

The actual power purchase for FY 2019-20 is compared with the power purchase approved by the Commission in the MYT Order.

As per energy balance the actual energy procurement was 22.24 MU for FY 2019-20 which is shown in Table below:

Table 4-7: Power Purchase Quantum claimed for FY 2019-20

(MU)

| Particulars | Approved in the MYT Order | Actual Claimed |
|----------------------|---------------------------|----------------|
| PTC India Ltd / ONGC | 25.64 | 10.68 |
| UGVCL | 3.39 | 2.74 |
| Solar | 1.86 | - |
| Non-solar | 2.98 | - |

