Table 3-3: 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.

Analysis

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 on truing up of FY 2019-20 are given in the Table below:

Table 3-4: 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%

Accordingly, Distribution Losses of 3.21% is approved on Truing up of FY 2019-20.

3.4 Energy Requirement

Petitioner's submission

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

Table 3-5: 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**

Analysis

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

Table 3-6: 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, total Energy Requirement of 22.24 MUs is approved on Truing up of FY 2019-20.

3.5 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 3-7: 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	-
Power exchange - IEX	-	9.92
UI DSM	-	0.90
Net Power purchase cost	**33.87**	**22.24**

The actual source wise purchase cost is shown below:

Table 3-8: Power Purchase Cost claimed for FY 2019-20

(Rs. Crore)

Particulars	Approved in the MYT Order	Actual Claimed
PTC India Ltd / ONGC	10.26	4.01
UGVCL	2.90	2.59
Solar	0.5	-
Non-solar	0.73	-
Power exchange - IEX	-	3.04
UI DSM	-	0.27
PTC charges	-	0.44
Net Power purchase cost	**14.39**	**10.35**

The petitioner has procured most of its power requirement from ONGC (bilateral through PTC) by availing Medium Term Open Access (MTOA) and power exchange, through the trader. The Petitioner has submitted the following justifications for the power purchase cost incurred:

- The variation in power purchase cost is on account of variation in sales and variation in actual cost with respect to base rate during the year, which is Uncontrollable.
- Procurement from UGVCL as HTP-I (consumer) was continued up to 9th May 2019. From 10th May 2019 onwards, the Petitioner procured power as distribution licensee through open access. The PPA executed with UGVCL was terminated on 9th November 2019. Even though the drawal from UGVCL was minimal, the Petitioner paid fixed demand charges of Rs 15.75 lakh per month as per PPA. In view of better availability from open market sources, the PPA was not renewed by the Petitioner.
- Under MTOA arrangement, the Petitioner has purchased 1.5 MW RTC power from ONGC, Ankleshwar through PTC. The landed cost after considering the transmission charges paid to GETCO and SLDC charges was Rs 3.75/unit. The PPA was valid for 1 year (May 2019 to April 2020).
- The Petitioner has procured significant amount of power through power exchange in short term. The Petitioner has purchased power on 15-min time slot basis in Day Ahead Markets (DAM) and tried to optimise the cost. The average landed cost of power purchased through exchange was Rs 3.83 per unit.

GIFT PCL has procured some quantum from UGVCL as HT consumer, hence, RPO was not applicable for the same quantum. RPO was applicable on remaining quantum of electricity procured from the trader through open access under MTOA / UGVCL PPA route / IEX. The solar as well as non-solar RPO obligation was met to the tune 1,33,942 units. GIFT PCL has sought for revision in RPO target to cumulatively meet the remaining units in FY 2021-22.

Analysis

The power purchase cost in detail in terms of various sources of power, energy units procured and source-wise cost is analysed. The Certified Audited Annual Accounts along with power purchase bills are reviewed and verified the Power Purchase Quantum and Power Purchase Cost.

The Petitioner has procured most of its electricity requirement from ONGC (bilateral through PTC) by availing Medium Term Open Access (MTOA) and power exchange, through the trader. Part of the remaining power requirement was met from UGVCL and remaining was through the UI pool. Till 9th May, 2019, the power from UGVCL was procured by GIFT PCL as HTP-I consumer and from 10th May 2019 onwards till 9th November, 2019 the power was procured under the PPA signed between the two parties.

As per the terms of the PPA, the power from UGVCL was procured at fixed charges of Rs. 350 per kW for a contracted demand of 4500 kW and energy charges of Rs. 4.55/kWh. Considering the cost, GIFT PCL has only procured very limited amount of power from UGVCL, however, it had to bear the burden of Rs. 15.75 Lacs per months on account of the fixed charges till 9th November, 2019 i.e. when the PPA was terminated. This has led to a very high per unit cost of power procurement from UGVCL (Rs. 9.44 /kWh on an average). On account of this, while in terms of energy procured, UGVCL (both as HTP-I consumer and under PPA arrangement) accounts for around 12.33% of the total power purchased from various sources by GIFT PCL, however, in terms of the contribution of UGVCL in the overall cost of power procurement, it amounts to 25.02% which is significantly high. It is not clear why GIFT PCL continue with the contractual arrangement with UGVCL till November 2019 when it was already sourcing majority of the power from other sources.

Further, it is also observed that the landed cost of power procurement from ONGC (bilateral through PTC) is Rs. 3.76/kWh and the landed cost of power procurement through power exchange (IEX) is Rs. 3.84/kWh. The contribution of the power procurement through the power exchange is also 36% (as compared to 48% from ONGC) in the overall power procurement quantum which is significantly high.

Considering that the cost of power procurement was lower in case of ONGC, it is approved.

GIFT has also considered PTC Charges of Rs. 0.44 Crores which amount to almost 6.24% of the total cost of power procurement through ONGC and power exchange. The Commission has sought details of the PTC charges. GIFT PLC in its reply dated 1st April, 2021 has submitted Letter of Appointment for “Consultancy Services for Managing Power Portfolio of GIFT Power Company Limited”. It is observed that contract price of Rs. 0.44 Crore claimed by GIFT PCL comprises of two parts i.e. Fixed Fees of Rs. 0.37 Crore (Rs. 0.31 Crore plus GST) and variable Fees of Rs. 0.07 Crore (15.56 MU power purchase @ Rs. 0.04 / kWh plus GST). It is important to note that effective outsourcing cost for purchase of 15.56 MU works out to Rs. 0.28 / kWh which is exorbitantly high. It is observed that GIFT PCL has booked and claimed consultancy/ outsourcing cost of Rs. 0.37 Crore (Fixed Fees) as part of power purchase which should have been booked and claimed as part of O&M Expenses (A&G Expenses). Hence, Rs. 0.37 Crore is disallowed as part of power purchase cost and will be approved as part of O&M expenses subject to prudence check. Variable Trading margin of Rs. 0.07 Crore incurred by GIFT PCL is allowed as part of power purchase cost. GIFT PCL should avoid booking and claiming outsourcing cost in incorrect expense head.

Considering the above, it is observed that GIFT PCL could have optimised its overall power purchase cost by appropriately contracting power from various sources both in terms of the rate of power purchase and the quantum. GIFT PCL needs to take cognisance of this aspect while contracting power in the future to avoid passing on additional burden on the consumers.

Further, as regards fulfilling its RPO obligations, it is noted that GIFT PCL has procured some of the electricity quantum from UGVCL as an HT consumer, and hence RPO was not applicable for this quantum procured from UGVCL. Accordingly, RPO was applicable only on all the other power purchase excluding the purchase from UGVCL as a HTP-I category consumer. The solar as well as non-solar power is procured from electricity generated from solar roof top project installed by the Petitioner.

The approved sources of power purchase and energy units procured are as presented below:

Table 3-9: Power Purchase Quantum approved for FY 2019-20

(MUs)

Particulars	Approved in MYT Order	Actual Claimed	Approved in Truing up
PTC India Ltd / ONGC	25.64	10.68	10.68
UGVCL	3.39	2.74	2.74
Solar	1.86	-	-
Non-Solar	2.98	-	-
Power Exchange - IEX	-	7.92	7.92
UI DSM	-	0.90	0.90
Total	**33.87**	**22.24**	**22.24**

The power purchase cost as approved is presented below.

Table 3-10: Power Purchase Cost approved for FY 2019-20

(Rs. Crore)

Particulars	Approved in MYT Order	Actual Claimed	Approved in Truing up
PTC India Ltd / ONGC	10.26	4.01	4.01
UGVCL	2.90	2.59	2.59
Solar	0.50	-	-
Non-Solar	0.73	-	-
Power Exchange - IEX	-	3.04	3.04
UI DSM	-	0.27	0.27
PTC Charges	-	0.44	0.07
Net Power Purchase Cost	**14.38**	**10.35**	**9.98**

Accordingly, total Power Purchase Cost of Rs. 9.98 Crore is approved on Truing up of FY 2019-20.

Considering the approved power purchase cost of Rs. 9.98 Crore for the approved energy procurement of 22.24 MUs, the per unit power purchase cost works out to Rs. 4.49/kWh as against Rs. 4.25/kWh approved during the MYT Order.

As per the GERC (MYT) Regulations, 2016 variation in the price of fuel and / or price of power purchase are uncontrollable factors. Accordingly, approved the Gains / (Losses) are as shown in the Table below:

Table 3-11: Gains / (Losses) on account of Power Purchase Cost for FY 2019-20

(Rs. Crore)

Particulars	Approved in MYT Order	Approved in Truing up	Deviation	Gains / (Losses) due to Controllable factor	Gains / (Losses) due to Uncontrollable factor
Power Purchase Cost	14.38	9.98	4.40	-	4.40

3.6 Capital Expenditure, Capitalization and Funding of Capex

Petitioner's submission

GIFT PCL in its Petition submitted that it has incurred gross capital expenditure of Rs 3.64 Crore against the approved capital expenditure of Rs. 11.04 Crore for FY 2019-20 as per the Tariff Order dated 31 July, 2019. GIFT PCL has further stated that it has capitalized Rs. 11.53 Crore against approved capitalization of Rs. 11.04 Crore.

GIFT PCL has submitted that it is operating in new Green field project of developing the smart city for Financial and IT-ITES Services. Development of buildings and occupancy inside building is dependent on market scenario. Development rights for developing floor space of commercial, residential and social nature are already allotted to many developers. Details of development of allotted, under progress and completed projects are also submitted by GIFT PCL in the Petition. GIFT PCL has to develop the power infrastructure so that the system is ready in this developing SEZ, because of which they incur huge capital expenditure.

GIFT PCL has been mandated to develop power network up to the building as per schedule fixed with every building developer. Developers are providing timeline for completion of the building so to match the timeline of network development and GIFT PCL is also awarding contracts for development of power network accordingly. Projection of timeline of building sometimes gets delayed and sometimes gets completed early, based on project requirements. GIFT PCL develops power network to facilitate as per initial schedule discussed with developers of the buildings. Power load development depends on occupancy inside the building which in turn depends on market scenario, which is uncontrollable. Accordingly, this situation leads towards sub-optimal utilization of network capacity. The present status of developed floor space, projected power demand, year of completion of building, actual developed power demand is also submitted by GIFT PCL in its Petition.

It is also submitted that power infrastructure is ready for providing power for existing and ongoing projects at substation level. Only last mile connectivity of buildings is required in the forthcoming years.

The actual SLC received from the customers is Rs. 2.14 Crore, against the approved SLC of Rs. 0.08 Crore. The following details have been submitted in respect of the capital expenditure incurred during FY 2019-20.

Table 3-12: Capitalization claimed for FY 2019-20

(Rs. Crores)

Particulars	Approved in the MYT Order	Actual claimed
Opening GFA	78.35	102.57
Opening CWIP		34.81
Capital expenditure during the year	11.04	3.64
Capitalization	11.04	11.53
Less: SLC Addition	0.08	2.14
Balance Capitalization during the year	10.96	9.40
Closing GFA	89.39	111.96
Closing CWIP		26.92
Normative Debt (70%)	7.67	6.58
Normative Equity (30%)	3.29	2.82

Analysis

It is observed that the Petitioner has claimed capitalizaion of Rs. 11.53 Crore, as against Rs.11.04 Crore approved by the Commission in the MYT Order dated 31st July, 2019. The actual capitalisation of Rs. 11.53 Crore incurred by the Petitioner during FY 2019-20 is verified from the Audited Annual Accounts.

Further, Rs. 2.14 Crore is considered as SLC contribution for FY 2019-20 which was also verified from the Audited Annual Accounts. The Closing GFA of FY 2018-19 as per the Tariff Order for Truing up for FY 2018-19 and determination of Tariff for FY 2020-21 dated 9th October, 2020, is considered as the opening GFA of FY 2019-20.

Funding of capitalisation in the normative Debt: Equity ratio of 70:30 is approved, as specified in the GERC (MYT) Regulations, 2016.

On a query from the Commission regarding increase in capitalization for FY 2019-20, the Petitioner submitted in its reply that the higher capitalization claimed by the Petitioner is on account of the IDC incurred for 33 kV switching panel project. The Petitioner has also submitted the work completion certificates along with Petition. Therefore, considering Rs. 11.53 Crore of capitalisation in the year and after accounting for the SLC contribution of Rs. 2.14 Crore received during FY 2019-20, a net Capitalisation of Rs. 9.40 Crore is arrived at as shown in the Table below:

Table 3-13: Capitalisation details arrived at for FY 2019-20

(Rs. Crore)

Particulars	Approved in MYT Order	Actual Claimed	Approved in Truing up
Opening GFA	78.35	102.57	15.71
Net Addition to GFA	11.04	11.53	11.53
Closing GFA	89.39	111.96	25.10
Less: SLC	0.08	2.14	2.14
Balance Capitalization to be funded through debt and equity	10.96	9.40	9.40
Normative Debt (70%)	**7.67**	**6.58**	**6.58**
Normative Equity (30%)	**3.29**	**2.82**	**2.82**

Thus, the Net Capitalization of Rs. 9.40 Crore is approved on Truing up of FY 2019-20.

3.7 Operation & Maintenance Expenses

Petitioner's submission

The Operations and Maintenance Expenses comprises of Employee Expenses, Administration & General Expenses and Repairs and Maintenance Expenses. The actual Operations and Maintenance Expenses incurred by GIFT PCL are given in the Table below:

Table 3-14: Operation and Maintenance Expenses claimed for FY 2019-20

(Rs. Crore)

Particulars	Approved in the MYT Order	Actual Claimed
Employee Expenses	1.36	1.55
R&M Expenses	0.29	1.42
A&G Expenses	0.23	0.59
Operation and Maintenance Expenses	**1.89**	**3.57**

GIFT PCL has submitted the following reasons for the variation in O&M Expenses as compared to the approved O&M Expenses:

1. Actual employee cost for FY 2019-20 of Rs. 1.55 crore is lesser than proposed cost of Rs. 1.88 crore. This was due to the fact that only expenses of employee fully associated with operation and maintenance was considered as expense, rest cost was capitalised considering the capitalization of project cost. These employees are mainly for supervisory control only; rest services are outsourced by national competitive bidding method. So major employee cost was capitalised considering the actual quantum of capitalisation in FY 2017-18 and FY 2018-19. However, in FY 2019-20, employee expenses have increased at reasonable level compared to total employee expense, without any major change in employee structure. The increase is reasonable and can be considered as nominal annual increment only. As project construction related work was minimal, all employees were involved in distribution related work only.

2. R&M Expenses increased to Rs 1.42 crores as against approved Expenses of Rs 0.66 crores. This is mainly because of awarded contract of outsourced manpower for maintenance service (24X7), AMC of all equipment, and routine testing of all protection system and equipment. Work Order is awarded by competitive bidding mode and on the basis of L1 selection criterion so services are obtained at best market prices.

3. Main factor of increase in A&G Expenses is Expenses of appointment of consultant for tariff Petition and its fees of Rs 0.15 crores.

GIFT PCL has submitted that it has considered O&M Expenses 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:

> *"Further, as per the GERC (MYT) Regulations, 2016, variation in the O&M is to be considered as controllable factor except the change in law and wage revision. However, as per the judgement dated 09th May, 2019 of the Hon'ble APTEL in Appeal No. 256 of 2016, the Commission decides to accept TPL-D (D)'s submission that O&M Expenses should be considered as uncontrollable along the lines of Distribution Losses, as the SEZ is yet to stabilize."*

GIFT PCL has submitted that the variation in O&M expense is normally to be treated as controllable but in view of the above, the variation needs to be treated as uncontrollable.

Accordingly, GIFT PCL has requested the Commission to treat O&M Expenses as uncontrollable.

Analysis

O&M Expenses comprises Employee Expenses, Repairs and Maintenance Expenses and Administrative and General Expenses. It is noted that GIFT PCL has adopted practise of outsourcing all the business activities such as power portfolio management, maintenance service (24X7), AMC of all equipment, routine testing of all protection system and equipment, regulatory consultancy services etc. Their employee cost is mainly for supervisory work only. The O&M Expenses from the Audited Annual Accounts is varified and found it to be same as claimed by the Petitioner.

In the MYT Order dated 31st July, 2019, the Commission has projected O&M Expenses for FY 2019-20 as per Regulations 86.2 and 94.8 of the GERC (MYT) Regulations, 2016.

It is noted that GIFT PCL has claimed Rs. 3.57 Crore as O&M expenses for FY 2019-20. Over and above this, outsourcing cost of Rs. 0.37 Crore paid to PTC also form part of O&M expenses and hence total O&M expense approved works out to Rs. 3.94 Crore as shown in the Table below:

Table 3-15: Operation and Maintenance Expenses approved for FY 2019-20

(Rs. Crore)

Particulars	Approved in MYT Order	Actual Claimed	Approved in Truing up
Operation and Maintenance Expenses	1.89	3.57	3.94

Accordingly, O&M Expenses of Rs. 3.94 Crore are approved on Truing up of FY 2019-20.

In line with the submission of the Petitioner, variation in O&M expenses is considered as uncontrollable. Accordingly, approved the Gains / (Losses) are as shown in the Table below:

Table 3-16: Gains / (Losses) on account of O&M Expenses for FY 2019-20

(Rs. Crore)

Particulars	Approved in MYT Order	Approved in Truing up	Deviation	Gains / (Losses) due to Controllable factor	Gains / (Losses) due to Uncontrollable factor
O&M Expenses	1.89	3.94	(2.05)	-	(2.05)

3.8 Depreciation

Petitioner's submission

GIFT PCL has submitted the following details related to fixed assets and depreciation for the purpose of Truing up for FY 2019-20.

Table 3-17: Depreciation claimed for FY 2019-20

(Rs. Crore)

Particulars	Approved in the MYT Order	Actual Claimed
Opening GFA	78.35	102.57
Addition	11.04	9.40
Closing GFA	89.39	111.96
Average GFA	83.87	107.27
Depreciation	**4.03**	**5.46**

GIFT PCL has submitted that the computation of depreciation on the fixed assets is based on straight line method as prescribed in the GERC (MYT) Regulations, 2016. The Depreciation rates considered are also as per the GERC (MYT) Regulations, 2016.

The Petitioner has considered the depreciation based on gross fixed asset at the starting of FY 2019-20 and additional capitalisation during the year. Considering the average of opening and closing value of asset, the depreciation of the Gross Fixed Assets based on above works out as Rs. 5.46 crore for FY 2019-20. The Petitioner has requested to consider the variation in Depreciation as uncontrollable as per the GERC (MYT) Regulations, 2016.

Analysis

The Closing GFA of FY 2018-19 as per the Tariff Order for Truing up for FY 2018-19 and determination of Tariff for FY 2020-21 dated 9th October, 2020, is considered as the opening GFA of FY 2019-20.

The capitalisation for FY 2019-20 is arrived at as elaborated in the earlier section. Actual weightage rate of 5.16% (as per Annual Audited Accounts of GIFT PCL) is considered and accordingly the depreciation is calculated as shown below:

Table 3-18: Depreciation approved for FY 2019-20

(Rs. Crore)

Particulars	Approved in MYT Order	Actual Claimed	Approved in Truing up
Depreciation	4.03	5.46	1.05

Accordingly, depreciation of Rs. 1.05 Crore is approved for the purpose of Truing up of FY 2019-20.

Variations in Depreciation is considered as uncontrollable as per the GERC (MYT) Regulations, 2016. Accordingly, the Gains / (Losses) are calculated as shown in the Table below:

Table 3-19: Gains / (Losses) on account of Depreciation for FY 2019-20

(Rs. Crore)

Particulars	Approved in MYT Order	Approved in Truing up	Deviation	Gains / (Losses) due to Controllable factor	Gains / (Losses) due to Uncontrollable factor
Depreciation	4.03	1.05	2.97	-	2.97

3.9 Interest and Finance Charges

Petitioner's submission

GIFT PCL has submitted that it has calculated the interest expenses on the basis of actual weighted average interest rate charged by the bank for existing loan as per the GERC (MYT) Regulations, 2016. It is further submitted that it has availed a term loan and has paid the interest amount to the bank at weighted average interest rate of 8.84% during FY 2019-20.

GIFT PCL has submitted the following details in respect of interest and finance charges. The Petitioner requests the Commission to treat the variation in Interest and Finance Charges as uncontrollable.

Table 3-20: Interest and Finance Charges claimed for FY 2019-20

(Rs. Crore)

Particulars	Approved in the MYT Order	Actual Claimed
Interest on normative loan		
Opening loans	59.35	59.43
Less: Reduction of Normative Loan due to retirement or replacement of assets	-	-
Addition	7.67	6.58
Less: Repayment	4.03	5.46
Closing loan	63.00	60.55
Average loan	61.17	59.99
Rate of interest (%)	9.05%	8.84%
Interest on normative loan	**5.54**	**5.30**

Analysis

The opening balance of loan for FY 2019-20 has been considered to be same as the closing GFA for FY 2018-19 as approved in the Tariff Order for Truing up for FY 2018-19 and determination of Tariff for FY 2020-21 dated 9th October, 2020. The loan addition has been considered in line with the normative loan addition approved in the discussion on capitalization in Table 3-13 of this Order. The repayment has been equated to depreciation approved for the year FY 2019-20 in Table 3-18 of this Order.

As per first proviso of Regulation 38.5 of the GERC (MYT) Regulations, 2016, 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 Distribution Licensee shall be considered as the rate of interest.

Accordingly, the Commission has sought information regarding the actual loan portfolio and computation of weighted average rate of interest, which the Petitioner submitted in its response to the data gaps. The Petitioner submitted that the loan is taken by GIFT CL (Parent company of GIFT PCL) on as and when required basis for all the assets. The Commission has verified the Rate of Interest of 8.84% as claimed by the Petitioner for the actual loan portfolio submitted for FY 2019-20 and found it to be incorrect. The Rate of Interest for FY 2019-20 as per the documentary evidence submitted by the Petitioner is 8.91% and the the same is considered for calculation of the interest on loan.

Based on the foregoing analysis, the Interest & Finance Charges calculated as shown in the Table below:

Table 3-21: Interest and Finance Charges approved for FY 2019-20

(Rs. Crore)

Particulars	Approved in MYT Order	Actual Claimed	Approved in Truing up
Interest on Normative Loan			
Opening Loan	59.35	71.80	5.56
Cumulative Depreciation (principal repayment)	-	12.37	-
Addition of Loan due to Capitalisation during the Year	7.67	6.58	6.58
Less: Repayment	4.03	5.46	1.05
Closing Loan	63.00	60.55	11.09
Average Loan	61.17	59.99	8.33
Rate of Interest (%)	9.05%	8.84%	8.91%
Interest Expenses	**5.54**	**5.30**	**0.74**

Accordingly, Interest and Finance Charges at Rs. 0.74 Crore are approved on Truing up of FY 2019-20.

Variations in Interest Expenses is considered as uncontrollable as per the GERC (MYT) Regulations, 2016. Accordingly, the Gains / (Losses) are approved as shown in the Table below:

Table 3-22: Gains / (Losses) on account of Interest and Finance Charges for FY 2019-20

(Rs. Crore)

Particulars	Approved in MYT Order	Approved in Truing up	Deviation	Gains / (Losses) due to Controllable factor	Gains / (Losses) due to Uncontrollable factor
Interest & Finance Charges	5.54	0.74	4.80	-	4.80

3.10 Interest on Working Capital

Petitioner's submission

GIFT PCL has submitted the following details regarding Interest on Working Capital.

Table 3-23: Interest on Working claimed for FY 2019-20

(Rs. Crore)

Particulars	Approved in the MYT Order	Actual Claimed
Working Capital Requirement		
O&M Expenses	0.16	0.30
Spares at 1% of GFA	0.78	1.09
Receivables	2.39	1.12
Sub-total	**3.33**	**2.51**
Less: Security Deposit	5.61	5.90
Normative Working Capital	-	-
Interest Rate (%)	-	-
Interest on Working Capital	-	-

As per the GERC (MYT) Regulations, 2016 the working capital computed is Rs 2.51 crores and the amount of consumer security deposits is Rs 5.90 works and thereby the net working capital requirement works out to be Nil.

Analysis

The Working Capital Requirement reviewed considering the component wise values approved in preceding sections. The average security deposit as submitted by GIFT PCL verified from the Audited Annual Account and found it to be incorrect. The average security deposit, based on the information available in the Audited Annual Accounts, considered is Rs. 5.67 Crore.

In line with the above proviso to Regulation 40.4 (b), the Commission has considered the weighted average of 1-year State Bank of India (SBI) Marginal Cost of Funds Based Lending Rate (MCLR) of 8.16% prevailing during the financial year 2019-20 plus 250 basis points. Accordingly, the rate of interest on working capital is worked out to 10.66%.

The net Working Capital Requirement works out to be Nil and hence Nil interest on working capital is considered.

Table 3-24: Interest on Working Capital approved for FY 2019-20

(Rs. Crore)

Particulars	Approved in MYT Order	Actual Claimed	Approved in Truing up
Working Capital Requirement			
O&M Expenses	0.16	0.30	0.33
Maintenance Spares	0.78	1.09	0.16
Receivables	2.39	1.12	1.35
Working Capital Requirement	**3.33**	**2.51**	**1.84**
Less: Average Security Deposit	5.61	5.90	5.67
Total Working Capital	**-**		
Interest Rate (%)	10.65%		10.66%
Interest on Working Capital	**-**	**-**	**-**

Accordingly, NIL Working Capital is approved on Truing up of FY 2019-20.

3.11 Interest on Security Deposit

Petitioner's submission

GIFT PCL has submitted that the consumer whose amount of security exceeds Rs. 25 Lakhs, at his option, furnish the security deposit in the form of irrevocable bank guarantee initially valid for a period of 2 years as per the GERC (Security Deposit) (Second Amendment) Regulation 2015.

The amount of interest on security deposit was paid to the consumers at bank rate applicable on 01.04.2019 as per the Table below:

Table 3-25: Interest on Security Deposit claimed for FY 2019-20

(Rs. Crore)

Particulars	Approved in the MYT Order	Actual Claimed
Security Deposit	5.61	5.90
Interest on Security Deposit	0.35	0.32

The Petitioner requested the Commission to treat the variation in interest on security deposit as compared to approved expenses as uncontrollable.

Analysis

The opening and closing values of security deposit i.e. Rs. 5.43 Crore and Rs. 5.90 Crore respectively verified from the Audited Annual Accounts, leading to an average deposit value of Rs. 5.67 Crore during FY 2019-20. It is also verified from the Audited Annual Accounts that the interest paid on Security Deposit is Rs.0.32 Crore. Accordingly, the same is approved as per the following Table:

Table 3-26: Interest on Security Deposit approved for FY 2019-20

(Rs. Crore)

Particulars	Approved in MYT Order	Actual Claimed	Approved in Truing up
Average Security Deposit	5.61	5.90	5.67
Interest on Security Deposit	**0.35**	**0.32**	**0.32**

Accordingly, Interest on Security Deposit at Rs. 0.32 Crore on Truing up of FY 2019-20 is approved.

The factor which affects security deposit is the number of consumers. As per the GERC (MYT) Regulations, 2016 variation in the number of consumers is an Uncontrollable factor. Accordingly, the Gains / (Losses) are approved as shown in the Table below:

Table 3-27: Gains / (Losses) on account of Interest on Security Deposit for FY 2019-20

(Rs. Crore)

Particulars	Approved in MYT Order	Approved in Truing up	Deviation	Gains / (Losses) due to Controllable factor	Gains / (Losses) due to Uncontrollable factor
Interest on Security Deposit	0.35	0.32	0.03	-	0.03

3.12 Return on Equity

Petitioner's submission

GIFT PCL has submitted the following details with regard to return on equity:

Table 3-28: Return on Equity claimed for FY 2019-20

(Rs. Crore)

Particulars	Approved in the MYT Order	Actual Claimed
Opening Equity	15.28	30.77
Addition	3.29	2.82
Closing Equity	18.57	33.59

Particulars	Approved in the MYT Order	Actual Claimed
Average Equity	16.92	32.18
RoE at 14%	**2.37**	**4.51**

GIFT PCL has submitted that the equity additions for FY 2019-20 have been determined based on the capitalisation during the year. The equity additions in the year have been considered as 30% of the amount of net capitalization during the year. The Return on equity has been computed by applying the rate of 14% on the average of the opening and closing balance of FY 2019-20 as per the GERC (MYT) Regulations, 2016.

Analysis

The opening equity for FY 2019-20 is considered the same as the closing equity for FY 2018-19 as approved in the Tariff Order for Truing up for FY 2018-19 and determination of Tariff for FY 2020-21 dated 9th October, 2020 and the addition to Equity for FY 2019-20 as per the details worked out in Table 3-13. Accordingly, the Return on Equity for FY 2019-20 is approved as shown below:

Table 3-29: Return on Equity approved for FY 2019-20

(Rs. Crore)

Particulars	Approved in MYT Order	Actual Claimed	Approved in Truing up
Opening Equity	15.28	30.77	3.31
Addition to Equity	3.29	2.82	2.82
Closing Equity	18.57	33.59	6.13
Average Equity	16.92	32.18	4.72
RoE at 14%	**2.37**	**4.51**	**0.66**

Accordingly, Return on Equity at Rs. 0.66 Crore is approved on Truing up of FY 2019-20.

The Gains / (Losses) on account of Return on Equity on Truing-Up of FY 2019-20 are approved, as detailed in the Table below:

Table 3-30: Gains / (Losses) on account of Return on Equity for FY 2019-20

(Rs. Crore)

Particulars	Approved in MYT Order	Approved in Truing up	Deviation	Gains / (Losses) due to Controllable factor	Gains / (Losses) due to Uncontrollable factor
Return on Equity	2.37	0.66	1.71	-	1.71

3.13 Income Tax

Petitioner's submission

GIFT PCL has submitted that it has paid no income tax for FY 2019-20. Accordingly, it has claimed Nil Income Tax for FY 2019-20 similar to that approved in Tariff Order dated 31 July, 2019.

Analysis

Income Tax on Truing up of FY 2019-20 is approved as Nil.

3.14 Contingency Reserve

Petitioner's submission

GIFT PCL has submitted that it has not contributed to the contingency reserve. The amount of contingency reserve claimed by the Petitioner is nil against Rs 0.39 Crore approved in Tariff Order dated 31 July, 2019.

Table 3-31: Contribution to Contingency Reserve claimed for FY 2019-20

(Rs. Crore)

Particulars	Approved in the MYT Order	Actual Claimed
Contribution to Contingency Reserves	0.39	-

Analysis

Contribution to Contingency Reserves for FY 2019-20 approved as NIL as per the submission by the Petitioner as shown below:

Table 3-32: Contribution to Contingency Reserve approved for FY 2019-20

(Rs. Crore)

Particulars	Approved in MYT Order	Actual Claimed	Approved in Truing up
Contribution to contingency reserves	0.39	-	-

Accordingly, NIL Contribution to Contingency Reserves is approved on Truing up of FY 2019-20.

The Gains / (Losses) on account of Contribution to Contingency Reserves on Truing-Up of FY 2019-20 are approved, as detailed in the Table below:

Table 3-33: Gains / (Losses) on account of Contribution to Contingency Reserves for FY 2019-20

(Rs. Crore)

Particulars	Approved in MYT Order	Approved in Truing up	Deviation	Gains / (Losses) due to Controllable factor	Gains / (Losses) due to Uncontrollable factor
Contribution to contingency reserves	0.39	-	0.39	-	0.39

3.15 Non-tariff income

Petitioner's submission

GIFT PCL has submitted that the actual Non-Tariff Income for FY 2019-20 is Rs 0.44 Crore against the Non-tariff income of Rs. 0.32 Crore as approved in the Tariff Order for FY 2019-20 dated 31 July, 2019.

Analysis

The Non-tariff income is verified from the Audited Annual Accounts and found the Non-Tariff Income for FY 2019-20 as Rs 0.44 Crore as shown in the Table Below:

Table 3-34: Non-tariff Income approved for FY 2019-20

(Rs. Crore)

Particulars	Approved in MYT Order	Actual Claimed	Approved in Truing up
Non Tariff Income	0.32	0.44	0.44

Accordingly, Non-tariff Income at Rs. 0.44 Crore is approved on Truing up of FY 2019-20.

Variation in the Non-Tariff Income is considered as an uncontrollable factor. The Gains / (Losses) on account of Non-tariff Income on Truing-Up of FY 2019-20 are calculated as detailed in the Table below:

Table 3-35: Gains / (Losses) on account of Non-tariff Income for FY 2019-20

(Rs. Crore)

Particulars	Approved in MYT Order	Approved in Truing up	Deviation	Gains / (Losses) due to Controllable factor	Gains / (Losses) due to Uncontrollable factor
Non Tariff income	0.32	0.44	(0.12)	-	(0.12)

3.16 Revenue from Sale of Power

Petitioner's submission

GIFT PCL has claimed a revenue of Rs. 16.22 Crore from sale of power to consumers in FY 2019-20.

Analysis

It is observed that the revenue from sale of power as per Audited Annual Accounts is Rs. 16.22 Crore.

Accordingly, Revenue of Rs. 16.22 Crore is approved from sale of power to consumers on Truing up of FY 2019-20.