The Interest on Working Capital is arrived at as per the provisions of the GERC (MYT) Regulations, 2016, as shown in the Table below:

Table 4-25: Interest on Working Capital projected for FY 2021-22

(Rs. Crore)

Particulars	GIFT PCL Petition
O&M expenses (1 month)	0.33
Spares as 1 % of GFA	1.22
Receivables (1 month)	1.85
Working capital	**3.41**
(less) Security deposit (SD)	6.61
Interest on working capital excluding SD	**Nil**

As per the GERC (MYT) Regulations, 2016 the working capital computed is Rs 3.41 Crore and the amount of consumer security deposits is Rs 6.61 Crore and thereby the working capital requirement works out to be Nil.

The interest on working capital has been worked out as per the Regulations 40.4 and 40.5 of the GERC (MYT) Regulations, 2016 and it works out to Nil.

Analysis

Components of working capital are recomputed in line with the methodology as specified in the GERC (MYT) Regulations, 2016 using the component as approved in preceding sections of this Order.

The rate of interest on working capital has been considered as 10.25% considering SBI MCLR as on 1st April, 2020 (7.75 % plus 250 basis points) as per the GERC (MYT) Regulations, 2016. The interest on working capital has been computed as per the provisions of the GERC (MYT) Regulations, 2016.

The normative interest on working capital approved for FY 2021-22 is shown in the Table below:

Table 4-26: Interest on Working Capital approved for FY 2021-22

(Rs. Crore)

Particulars	GIFT PCL Petition	Approved in this Order
Working Capital Requirement		
O&M Expenses	0.33	0.17
Maintenance Spares	1.22	0.36
Receivables	1.85	1.57
Working Capital Requirement	**3.40**	**2.10**
Less: Average Security Deposit	6.61	6.61
Total Working Capital	**-**	**-**
Interest Rate (%)		10.25%
Interest on Working Capital	**-**	**-**

As it can be observed from the above Table, the total working capital requirement for FY 2021-22 works out to be negative considering the security deposit projected to be held, and accordingly, no interest on working capital has been allowed.

4.12 Return on Equity

Petitioner's submission

GIFT PCL has submitted that it has projected paid up equity capital with 70:30 debt: equity ratio on the asset put to use as per the GERC (MYT) Regulations, 2016.

GIFT PCL has considered a regulated return of 14% as per the GERC (MYT) Regulations, 2016.

Table 4-27: Return on Equity projected for FY 2021-22

(Rs. Crore)

Particulars	GIFT PCL Petition
Opening Equity	34.15
Equity portion of Capitalization during the Year	4.73
Closing Balance of Equity	38.88
Average Equity	36.51
Rate of RoE	14%
Return on Equity	**5.11**

Analysis

The closing balance of Equity of Rs. 6.13 Crore for FY 2019-20 as approved in this Order and the addition of Equity of Rs. 3.12 Crore for FY 2020-21 as approved in the MYT Order dated 31st July, 2019 are considered for working out the closing equity for FY 2020-21. Accordingly, the closing balance of Equity for FY 2020-21 thus worked out, has been considered as opening balance of Normative Loan for FY 2021-22. The equity addition for FY 2021-22 has been considered as approved at Table 4-16 of this Order. The rate of return is considered 14% as per the GERC (MYT) Regulations, 2016, to work out the Return on Equity as shown in the Table below:

Table 4-28: Return on Equity approved for FY 2021-22

(Rs. Crore)

Particulars	GIFT PCL Petition	Approved in this Order
Opening Equity	34.15	9.25
Addition to Equity	4.73	3.53
Closing Equity	38.88	12.78
Average Equity	36.51	11.02
RoE at 14%	**5.11**	**1.54**

4.13 Income Tax

Petitioner's submission

GIFT PCL has submitted that it has considered no income tax for FY 2021-22 as seen from the Table below:

Table 4-29: Income Tax projected for FY 2021-22

(Rs. Crore)

Particulars	GIFT PCL Petition
Income Tax	0.00

Analysis

For FY 2021-22, no Income Tax liability has been considered at present, and the same shall be Trued-up based on the actual Income Tax paid by the Petitioner.

4.14 Contingency Reserve

Petitioner's submission

GIFT PCL has submitted that it has contributed to the contingency reserve at 0.5% of the original cost of fixed assets at the beginning of the year. The amount of contingency reserve claimed by the Petitioner is Rs 0.83 Crore for FY 2021-22.

Analysis

The contribution to the contingency reserves is considered in accordance with Regulation 86.3 of the GERC (MYT) Regulations, 2016. For the computation of contribution to the contingency reserves, 0.5% of the original cost of fixed assets at the beginning of the FY 2021-22 is considered and approved the contribution to the contingency reserves as shown in the Table 4-16 below.

Table 4-30: Contribution to contingency reserve projected for FY 2021-22

(Rs. Crore)

Particulars	GIFT PCL Petition	Approved in this Order
Contingency Reserves	0.83	0.18

4.15 Non-Tariff Income

Petitioner's submission

GIFT PCL has submitted that it has projected amount of Non-Tariff income considering the interest income from bank deposits, registration fee etc in accordance with the GERC (MYT) Regulations, 2016.

GIFT PCL has proposed non-tariff income as Rs 0.53 Crore for FY 2021-22. The estimation is based on 10% annual growth considered on FY 2019-20 actual non-tariff income. The Non-Tariff income for FY 2021-22 is as under:

Table 4-31: Non-Tariff Income projected for FY 2021-22

(Rs. Crore)

Particulars	GIFT PCL Petition
Non-Tariff Income	0.53

Analysis

The Petitioner's contention is accepted. The approved Non-Tariff Income for FY 2021-22, is as shown in the Table below:

Table 4-32: Non-Tariff Income approved for FY 2021-22

(Rs. Crore)

Particulars	GIFT PCL Petition	Approved in this Order
Non Tariff Income	0.53	0.53

4.16 ARR for FY 2021-22

Petitioner's submission

GIFT PCL has submitted the projected ARR for FY 2021-22 based on the element wise submission as given in the Table below:

Table 4.33:ARR projected for FY 2021-22

(Rs. Crore)

Particulars	GIFT PCL Petition
Power Purchase Cost	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	0.00
Return on Equity	5.11
Contribution to Contingency Reserves	0.83
Income Tax	-
Less: Non-tariff Income	0.53
ARR	**33.44**

GIFT PCL has requested the Commission to consider ARR mentioned above for determination of Tariff for FY 2021-22.

Analysis

Considering the foregoing analysis, the ARR for FY 2021-22 approved as shown below:

Table 4-34: ARR approved for FY 2021-22

(Rs. Crore)

Sr. No.	Particulars	GIFT PCL Petition	Approved in this Order
1	Power Purchase Expenses	13.35	11.95
2	Operation & Maintenance Expenses	3.99	2.05
3	Depreciation	6.22	2.15
4	Interest & Finance charges	4.10	1.18
5	Interest on Security Deposit	0.37	0.31
6	Interest on Working Capital	-	-
7	Contribution to Contingency Reserves	0.83	0.18
8	**Total Revenue expenditure**	**28.86**	**17.81**
9	Return on Equity Capital	5.11	1.54
10	Income Tax	-	-
11	**Aggregate Revenue Requirement**	**33.97**	**19.35**
12	Less: Non-Tariff Income	0.53	0.53
13	**Aggregate Revenue Requirement**	**33.44**	**18.82**

5 Determination of Tariff for FY 2021-22

5.1 Introduction

This Chapter deals with the determination of Revenue Gap/(Surplus), as well as Consumer/Retail tariff for FY 2021-22.

The Commission has considered the ARR for FY 2021-22 approved in the previous Chapter and the adjustment on account of True-up for FY 2019-20, while determining the Revenue Gap/(Surplus) for FY 2021-22.

5.2 Revenue at Existing Tariff and Gap/ (Surplus) Analysis

Petitioner's submission

GIFT PCL has estimated the revenue from sale of energy as Rs 22.21 Crore for FY 2021-22. The Petitioner has estimated that the Aggregate Revenue Requirement for FY 2021-22 as Rs. 33.44 Crores as projected in the earlier chapter. The estimated Revenue Requirement is higher in comparison to the available revenue from sale of energy at existing tariff due to the following reasons:

- The Petitioner is a distribution licensee setup in the green Field where there was no existence of previous infrastructure for supply of electricity as well as there is no load.
- The Cost incurred by the Petitioner for creation of necessary infrastructure to provide the supply to the consumers is not fully utilised at optimum level due to low load growth in the licensee area.
- The characteristic of energy utilization by the consumers of GIFTPCL is quite in variance in comparison to the consumers of different distribution licensee area in the state as the major number of consumers in the license area are either commercial or service providers and their requirement of energy is different and distinct in comparison to the consumers of other licensee area. The Petitioner during FY 2019-20 observed peak demand requirement as high as 5.85 MW and average as 2.54 MW. However, the Petitioner has to keep the power procurement at highest demand level i.e. peak demand with

corresponding losses of the system to supply power, requirement to meet such highest demand of the consumer at any time. Because the consumers are of high profile service provider at national as well as international levels and so to meet their power requirement, it is necessary for the petitioner to provide reliable and quality power supply without any interruptions.

The Petitioner has further submitted that it is working determinedly to reduce the revenue gap by taking various measures and also desires to compete with other licensee for which the Petitioner is planning to carry out following activities with emerging business in the distribution licensee area of the petitioner:

- The Petitioner is continuing to procure the power/ electricity from MTOA sources through PTC as per existing arrangement and remaining under short term by way of procurement through power exchange. This will be helpful to reduce the cost of power supply. The proposal of the Petitioner for power purchase is given in the paragraph related to power procurement cost.
- The optimum utilization of assets starts in near future as the load growth is increasing in the area of the licensee.

The projected revenue gap for FY 2021-22 is mentioned in the table below.

Table 5-1: Revenue gap / (Surplus) with existing tariff for FY 2021-22

(Rs. Crore)

Sr. No.	Particulars	GIFT PCL Petition
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**

Analysis

The ARR approved for FY 2021-22 is considered as discussed in previous chapter. It is observed that GIFT PCL has considered a FPPPA charge of Rs. 1.81/kWh for computing the Revenue from Sales for FY 2021-22. However the FPPPA charge of Rs. 1.80 / kWh is considered and the retail tariff as approved by the Commission in the UGVCL's Tariff Order in Case No. 1911/2020 dated 31st March, 2021 for computation of Revenue from Sales for FY 2021-22.

The GERC (MYT) Regulations, 2016 prescribe that the carrying cost to be allowed on the amount of revenue gap or revenue surplus for the period from the date on which such (Gap) / Surplus has become due, calculated on the simple interest basis at the weightage average SBI Base Rate for the relevant year, subject to prudence check and submission of documentary evidence for having incurred for carrying cost in the year during which revenue Gap/(Surplus) remains.

Carrying cost at the weighted average SBI Base Rate on the outstanding actual Gap/(Surplus) of Truing up of FY 2019-20 is considered as per the GERC (MYT) Regulations, 2016.

The estimated revenue for GIFT PCL for FY 2021-22 is independently computed from projected category-wise sales and considering the existing tariff as shown in the Table below:

Table 5-2: Approved Consolidated Revenue Gap / (Surplus) for FY 2021-22

(Rs. Crore)

Particulars	GIFT PCL Petition	Approved in this Order
Projected ARR of FY 2021-22	33.44	18.82
Add: Consolidated Revenue Gap/ (Surplus) for FY 2019-20	12.85	0.04
Add: Carrying cost on consolidated gap/(surplus) of FY 2019-20 for FY 2020-21& FY 2021-22	-	0.01
Revenue from Tariff	22.21	22.18
Revenue Gap / (Surplus) for FY 2021-22	**24.08**	**(3.31)**

As can be seen from the table above, there is a revenue surplus of Rs. 3.31 Crore considering the estimated revenue at existing tariff as against the approved ARR for FY 2021-22, the approved revenue gap for FY 2019-20 and the approved carrying cost on the revenue gap for FY 2019-20.

6 Compliance of Directives

6.1 Existing Directives

The Commission had issued following directives in the Tariff Order dated 09th October, 2020 in Case no. 1851 of 2020 and its compliance as filed by the Petitioner is follows:

Directive 1: Loss Reduction Road Map

In view of projected high losses for the relatively smaller network of GIFT PCL, the Commission directed the Petitioner to examine the reasons for such high distribution losses. The Petitioner was further directed to get its distribution system studied so that appropriate loss reduction trajectory could be fixed. The Petitioner was directed to furnish a report along with segregation of actual losses into transmission, sub-transmission, HT-LT losses separately. The Petitioner is redirected to submit this information positively before the commencement of the next Control Period, so that the loss reduction trajectory can be stipulated in the next MYT order.

Compliance: The petitioner has submitted the information on actual distribution loss of FY 2019-20 in this Petition along with historical distribution loss reduction information. The energy loss at 66 kV, 33 kV and 11 kV level was presented in the format attached with this Petition. As directed by Commission, the Petitioner will submit the actual loss of current financial year before the commencement of the next Control Period in its next Petition.

Comment

The submission of the Petitioner is noted.

Directive 2: Power Purchase Strategy (Planning)

GIFT PCL was directed to streamline the power purchase functions and finalize long-term/ medium-term contracts for power purchase through competitive bidding immediately in order to minimize its future power purchase cost. The Petitioner was directed to create a five-year power purchase plan taking into account the sales envisaged by the Petitioner and the various power sources available. The Petitioner submitted that it has appointed PTC to streamline the power purchase in order to reduce the input energy price. The Commission redirects the Petitioner to again keep a check on their power purchase strategy and create a five-year power purchase plan taking into account the sales envisaged by the Petitioner and the various power sources available and submit the same along with the next tariff Petition.

Compliance: The Petitioner has already working to reduce the power purchase cost. It may be noted that due to certain initiatives taken by the Petitioner the power purchase is reduced significantly. At present the average power purchase cost is of below Rs 4.75 per unit. The initiatives taken by the Petitioner is given below.

- The Petitioner has appointed PTC India Ltd for power purchase planning.
- The Petitioner has exited from the PPA with UGVCL (first as consumer and then under PPA with UGVCL). Under PPA route also the Petitioner had to pay high fixed charges as per the PPA norm.
- Executed PPA for the power availability through MTOA from PTC India. This has helped the Petitioner to get continuous power with optimal cost.
- After considering the power through MTOA, the Petitioner is procuring variable power through exchange. The Petitioner is continuously bidding in power exchange on Day Ahead basis at optimal rate.
- The Petitioner is planning to continue the present arrangement of getting power through MTOA and remaining through power exchange. As presented earlier, the Petitioner is also planning to install 1 MW solar power project. After the solar power installation, the power requirement from power exchange will be reduced significantly.

At the time of next MYT Control period, the Petitioner will present the detailed power planning for next five-year period according to its projected sales and distribution loss trajectory. The detailed five-year power planning will be presented in the next Petition.

Comment

The submission of the Petitioner is noted. The Petitioner should endeavour procuring power directly by enhancing internal capabilities which will help in reducing outsourcing cost and unnecessary burden to the consumers.

Directive 3: Interest Cost Reduction

The Commission feels that GIFT PCL has incurred high cost debt and there is a scope for replacing the said high cost debt with low cost debt so as to benefit the consumers. Therefore, GIFT PCL is directed to negotiate with the lenders for reduction in the rate of interest on the borrowings. GIFTPCL shall furnish half-yearly progress report about the action taken and results thereof.

Compliance: The Petitioner has replaced the existing debt with new debt so as to benefit the consumers as per the direction of Commission. The Petitioner has discussed with lenders to negotiate for reduction in the rate of interest on the borrowings. The current rate of interest after negotiation is 7% for which supporting letter for the lender is attached as Annexure 4 as part of replies to datagaps. The Petitioner has paid the existing lender and get refinance from Gujrat State Financial Services Ltd (GSFS) as unsecured loan. GSFS is a Government NBFC which has offered the loan at 7%. This will surely reduce the interest burden.

Comment

The submission of the Petitioner is noted.

Directive 4: O&M Cost Reduction

The Commission feels that GIFT PCL is incurring higher O&M costs per unit Sales as compared to the other licensees in the state. There is a scope to reduce the same and directs GIFT PCL to streamline the process and keep an eye on the O&M expenses to be incurred.

Compliance: The Petitioner is taking various initiatives to reduce the O&M costs. The Petitioner managing the distribution business with minimal staff and therefore employee cost is optimal. The same staff structure can be continued in future also where the sales will increase. For R&M expenses, the contract has been outsourced and selection is taking place through following competitive bidding mode only. It is expected to get optimum rate after the bidding process. Therefore, it is expected that the R&M expenditure will be optimized as it will be discovered through bidding only.

Comment

The submission of the Petitioner is noted. A discussed in the paragraph 4.7, it is observed 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. In view of the above, the Petitioner is directed to reduce reliance on outsourcing and optimize the O&M Cost.

Directive 5: Business Strategy Plan

The Commission as already elaborated in the previous chapters, feels that there was serious error in judgment for the projections and business scenarios in GIFT city area. Also, at present the whole nation is impacted due to the Covid-19 pandemic and the same will have repercussions in the future. Considering all these facts, the Commission directs the Petitioner to carry out a pragmatic and a calibrated study in order to ascertain assumptions and projections that are more realistic for the submissions of the next control period.

Compliance: The sales and power purchase for FY 2021-22 is considered after considering the present situation as well as expected load to be connected during ensuring year. The Petitioner has discussed in details with the developers to get a realistic input in this regard. After detailed analysis, the sale for ensuring year has been projected. Considering the post-lockdown period scenario, the Petitioner will get more clear picture before next control period and will submit the next MYT tariff petition accordingly after considering that time's situation.

Comment

The submission of the Petitioner is noted. Considering the wide variation in sales (projected vis-à-vis actual), the Petitioner is directed to adopt more realistic approach for projection of sale during next MYT Control Period.

Directive 6: Stand-alone Loan Details

The Petitioner has submitted the loan details of consortium term loan facility that has been taken out by its holding company, GIFT City Co. Ltd. (GIFT CL) as a whole. The Petitioner is directed to submit the Allocation Mechanism for segregation of stand-alone loan details for GIFT PCL separately along with loan details of GIFT CL in the future tariff petitions.

Compliance: The Petitioner has elaborated about its actual loan details in the true-up chapter. As mentioned, presently, GSFS has extended unsecured credit facility to GIFTCL. The refinancing of loan helps the Petitioner to reducing the interest rate. Estimated interest rate as per present arrangement as projected for FY 2021-22 is also presented.

Comment

The submission of the Petitioner is noted.

6.2 Fresh Directives

Directive 1: Implementation of Smart pre-payment meter/ pre-payment meters

The Electricity (Rights of Consumers) Rules, 2020 notified on 31st December 2020. As per this Rule, no connection shall be given without a meter and such meter shall be the Smart pre-payment or pre-payment meter. Further there is recent communication from Ministry of Power, Government of India seeking plans from the DISCOMs for preparation of scheme of switching over to smart pre-payment/ pre-payment meters in a time bound manner and avail funds from Government of India. The Petitioner is advised for necessary participation for the scheme which will help in improvement of metering, billing and collection.

Directive 2: Charging Infrastructure for Electric Vehicles

As per the Discussion paper on Cross Cutting Themes for Charging Infrastructure for Electric Vehicles issued by Ministry of Power on 17th March 2021, the Petitioner is suggested to explore the possibility for creation of such infrastructure in its area and should come up with separate Detailed Project Report along with next Petition for Commission's approval.

Directive 3: Green Tariff

It is directed to the Petitioner to analyse and prepare report on Introduction of Green Tariff for the consumers in the State of Gujarat who are willing to procure such power. The Petitioner to study Green Tariff implementation in other States and accordingly submit the report to the Commission along with next tariff petition including the cost, premium and other parameters.

Directive 4: Optimum utilisation of Network

It is directed to the Petitioner to ensure that Capital Expenditure/ Capitalization of asset be carried out with consideration that the network created for different buildings shall not remain idle for more than six months and burden of such un-utilisation be not passed on to other existing consumers. The Petitioner is directed to carry out techno-commercial analysis with regard to utilisation of different network created, last - mile connectivity provided to the consumer buildings, its percentage utilisation, revenue received/ receivable etc. Moreover, the Petitioner is required to ensure that upstream network is created or augmented only after existing upstream network capacity is about to exhaust keeping in mind the various statutory provisions related to Network Planning Criteria notified by the CEA.

A report in this regard is to be prepared by the Petitioner and to be presented to the Commission latest by October, 2021.

7 Fuel and Power Purchase Price Adjustment

7.1 Fuel and Power Purchase Price Adjustment

The Petitioner requested the Commission to approve the base FPPPA, as per the present FPPPA of UGVCL, as followed for GIFTPCL in the previous tariff orders. The base Power Purchase cost for the Petitioner is proposed as **Rs. 4.36 per kWh**, as projected under power purchase cost, and the base FPPPA charge is **Rs. 1.81 per kWh** as per the present UGVCL FPPPA.

Observation

It is decided that the UGVCL's tariff approved in the Commission's Tariff Order dated 31st March, 2021 shall be the maximum ceiling for retail supply in the GIFT City, the base FPPPA charges for UGVCL, i.e., Rs. 1.80/kWh, shall also be applicable to the consumers of GIFT PCL. The FPPPA approved by the Commission for UGVCL from time to time during FY 2021-22, shall also be applicable for GIFT PCL.

The information regarding FPPPA recovery and the FPPPA charges shall be kept on the website of GIFT PCL.

8 Wheeling Charges and Cross Subsidy Surcharge

8.1 Wheeling Charges

Regulation 91 of the GERC (MYT) Regulations, 2016 stipulates that the Commission shall specify the Wheeling Charges for distribution wires business of the distribution licensee in its ARR and Tariff Order. Accordingly, the Commission has examined the submission of the GIFT PCL in this regard and accordingly, determined the Wheeling Charges at HT and LT levels, for long term (LT), medium term (MT) and short term (ST) Open Access consumers.

Petitioner's submission

The Petitioner has allocated the total ARR to wire and retail supply business based on the allocation matrix specified by the Commission for segregation of Expenses between Distribution Wires Business & Retail Supply Business, as given in Regulations 87 of the GERC (MYT) Regulations, 2016. The allocation of ARR into wheeling and retail supply of electricity for FY 2021-22 is given as below:

Table 8.1: Allocation of ARR between Wheeling and Retail Supply as claimed by the Petitioner for FY 2021-22

(%)

No.	Particulars	Wires Business	Retail Supply Business
1	Power Purchase Expenses	0	100
2	Intra-State Transmission Charges	0	100
3	Employee Expenses	60	40
4	Administration and General Expenses	50	50
5	Repairs and Maintenance Expenses	90	10
6	Depreciation	90	10
7	Interest on Long Term Loan Capital	90	10
8	Interest on Working Capital and Consumer Security Deposit	10	90
9	Bad Debt Written Off	0	100

No.	Particulars	Wires Business	Retail Supply Business
10	Income Tax	90	10
11	Contribution to Contingency Reserve	100	0
12	Return on Equity	90	10
13	Non-Tariff Income	10	90

Based on the above allocation matrix, GIFT PCL segregated total ARR of GIFT PCL supply area into ARR for wire and retail supply business as shown below:

Table 8-2: Segregation between Wires and Retail Supply Business ARR claimed for FY 2021-22

(Rs. Crore)

No.	Particulars	Wires Business	Retail Supply Business
1	Power Purchase Expenses	-	13.35
2	**O&M Expenses**	**2.80**	**1.18**
2.1	Employee Expenses	1.04	0.69
2.2	Administration and General Expenses	0.33	0.33
2.3	Repairs and Maintenance Expenses	1.43	0.16
3	Depreciation	5.60	0.62
4	Interest on Long Term Loan Capital	3.69	0.41
5	Interest on WC and security deposit	0.04	0.33
6	Provision for Bad Debts	-	-
7	Contingency Reserve	0.83	0.00
8	Income Tax	-	-
9	Return on Equity	4.60	0.51
10	Less: Non-Tariff Income	0.05	0.48
11	**ARR**	**17.50**	**15.94**

The above segregated ARR has been considered to determine the wheeling charges.

Analysis

In order to compute the wheeling charges and cross subsidy surcharge, the allocation matrix for allocation of the costs between the wires and retail supply business as per the GERC (MYT) Regulations, 2016 is considered. The allocation matrix and the basis of allocation of various cost components of the ARR as per the GERC (MYT) Regulations, 2016 are shown below:

Table 8-3: Allocation Matrix for segregation to Wires and Retail Supply Business as per the GERC (MYT) Regulations, 2016

(%)

No.	Particulars	Wire business	Retail Supply Business
1	Power Purchase Expenses	0	100
2	Intra-State Transmission Charges	0	100
3	Employee Expenses	60	40
4	Administration and General Expenses	50	50
5	Repairs and Maintenance Expenses	90	10
6	Depreciation	90	10
7	Interest on Long Term Loan Capital	90	10
8	Interest on Working Capital and Consumer Security Deposit	10	90
9	Bad Debt Written Off	0	100
10	Income Tax	90	10
11	Contribution to Contingency Reserve	100	0
12	Return on Equity	90	10
13	Non-Tariff Income	10	90

Based on the above allocation, the approved ARR for wires business and retail supply business are computed as shown below.

Table 8-4: Segregation between Wires and Retail Supply Business ARR as approved for FY 2021-22

(Rs. Crore)

Sr. No.	Particulars	Wire Business	Retail Supply Business
1	Power Purchase Expenses	-	11.95
2	Operation & Maintenance Expenses	1.44	0.61
2.1	Employee Expenses	0.54	0.36
2.2	A&G Expenses	0.17	0.17
2.3	R&M Expenses	0.74	0.08
3	Depreciation	1.93	0.21
4	Interest & Finance charges	1.06	0.12
6	Interest on Working Capital	-	-
7	Interest on Security Deposit	0.03	0.28
8	Contribution to contingency reserves	0.18	-
9	**Total Revenue expenditure**	**4.65**	**13.16**
10	Return on Equity Capital	1.39	0.15
11	Income Tax	-	-
12	**Aggregate Revenue Requirement**	6.04	13.32
13	Less: Non-Tariff Income	0.05	0.48
14	**Aggregate Revenue Requirement**	**5.98**	**12.84**

The above allocation of ARR is used for determination of wheeling charges for FY 2021-22.

8.2 Determination of Wheeling Charges

Petitioner's submission

The Petitioner has computed the voltage wise wheeling charges based on the allocation of ARR of distribution wire business, in accordance with the GERC (MYT) Regulations, 2016.

Distribution wires are identified as carrier of electricity from generating station or transmission network to consumer point. Ideally consumption at a particular voltage level requires network at that voltage level and also at all higher voltage levels. Thus consumption at the lower voltages should contribute to the cost of the higher voltage levels also. Whereas consumers connected to the higher voltages would not be utilizing the services of the lower voltage and hence would not be required to contribute to the lower voltages cost recovery.

Based on the approach discussed above, the ARR for the wheeling business is apportioned to the HT and LT voltage in two steps as described below:

a) Apportioning the ARR of wheeling business to HT and LT voltage level;
b) Apportioning the ARR of the HT voltage level again between HT & LT voltage level

The Petitioner has divided the GFA in the ratio of 94.6%:5.4% among HT level and LT Voltage level to arrive voltage level wise Wheeling Charges. Further, as the HT level assets cater to the requirement of customers at both HT and LT levels, the ARR for HT is again apportioned between HT and LT voltage based on their ratio of contribution to the peak demand.

The system peak demand for the Petitioner's Supply Area has been considered in the ratio of 58%:42% as per average peak demand contributed by HT and LT consumers.

The Petitioner has calculated the wheeling charges in terms of Rs./kWh. To determine the wheeling charges for the HT & LT voltage levels, the ARR of the respective voltage level is divided by the peak demand of the respective voltage level. Accordingly, the wheeling charges determined in terms of Rs./kWh has been tabulated below:

Table 8.5: Wheeling Charges proposed by GIFT PCL for FY 2021-22

Particular	Wheeling Charge
First Level Segregation of ARR (Rs. in Crore)	
HT Voltage Level	16.55
LT Voltage Level	0.95
Total ARR	**17.50**
Second Level Segregation of ARR (Rs. in Crore)	
HT Voltage Level	9.60
LT Voltage Level	7.90
Total ARR	**17.50**
Wheeling Charges in (Rs./kWh)	
HT Voltage Level	4.13
LT Voltage Level	2.67

The Petitioner has proposed 3.21% wheeling Losses in addition to the wheeling charges as mentioned in above Table.

Analysis

In Order to compute the wheeling charges and cross subsidy surcharges, the allocation matrix between the wires and retail supply business as per the GERC (MYT) Regulations, 2016 is considered.

For the calculation of wheeling charges, the ARR for wheeling business is apportioned in the ratio of actual HT assets to LT assets which is 94.53%:5.57%, as submitted by the Petitioner.

The contribution of HT and LT categories to the system peak demand as submitted by the Petitioner is 58% and 42%, respectively. These ratios are considered for further segregation of ARR based on system peak demand.

To determine the wheeling charges for the HT & LT voltage levels, the ARR of the respective voltage level is divided by the sales handled at the respective voltage level. Accordingly, the wheeling charge is determined as shown below:

Table 8.6: Wheeling Charges as approved for GIFT PCL for FY 2021-22

Particulars	
First level of segregation of ARR in Rs. Crore	
HT Voltage	5.66
LT Voltage	0.32
Total	5.98
Second level of segregation of ARR in Rs. Crore	
HT Voltage	3.28
LT Voltage	2.70
Total	5.98
Wheeling Charges in Rs./kWh	
HT Voltage	1.39
LT Voltage	4.44

Accordingly, the wheeling charges for HT and LT voltages approved as shown in the Table above.

The Open Access consumer will also have to bear the wheeling Losses of 3.21% in addition to the wheeling charges.

8.3 Cross Subsidy Surcharge

Petitioner's submission

The Petitioner has submitted cross subsidy surcharge as per the following formula:

S = T- [C / (1 - L/100) + D + R]

Where:
S is the Cross Subsidy Surcharge

T is the tariff payable by the relevant category of consumers, including reflecting the Renewable Purchase Obligation

C is the per unit weighted average cost of power purchase by the Licensee, including meeting the Renewable Purchase Obligation

L is the aggregate of transmission, distribution and commercial Losses, expressed as a percentage applicable to the relevant voltage level

D is the wheeling charges applicable to relevant category

R is the per unit cost of carrying regulatory assets.

The cross subsidy charges based on the above formula is worked out as shown in the Table below:

Table 8.7: Cross Subsidy Surcharge as proposed by GIFT PCL for FY 2021-22

Sr. No.	Particulars	HT Category
1	T - Tariff for HT Category (Rs./kWh)	7.13
2	C - Wt. Avg. Power Purchase Cost (Rs./kWh)	4.36
3	D - Wheeling Charge (Rs./kWh)	4.22
4	L - Aggregate T&D Loss (%)	3.21%
5	R - per unit cost of carrying regulatory assets (Rs/kWh)	0.00
6	**S = Cross Subsidy Surcharge (Rs./kWh)**	**Negative**

Therefore, the Petitioner has not proposed any cross subsidy surcharge, as the same is negative.

Analysis

Hon'ble APTEL in its judgement on the issue of formula for calculation of Cross-subsidy has endorsed the use of the formula depicted in the Tariff Policy. The Central Government has issued the National Tariff Policy, 2016. According to this policy the formula for Cross Subsidy Surcharge is as under:

$S = T - [C / (1 - L/100) + D + R]$

Where,

S is the surcharge

T is the tariff payable by the relevant category of consumers, including reflecting the Renewable Purchase Obligation

C is the per unit weighted average cost of power purchase by the Licensee, including meeting the Renewable Purchase Obligation

D is the aggregate of transmission, distribution and wheeling charge applicable to the relevant voltage level

L is the aggregate of transmission, distribution and commercial Losses, expressed as a percentage applicable to the relevant voltage level

R is the per unit cost of carrying regulatory assets.

The cross subsidy surcharge based on the above formula is worked out as shown in the Table below:

Table 8.8: Cross Subsidy Surcharge as approved for GIFT PCL for FY 2021-22

Particulars	FY 2021-22
T- Tariff for HT category (Rs/kWh)	7.30
C - Wt. Avg. Power Purchase Cost (Rs/kWh)	3.90
D - Wheeling Charges (Rs / kWh)	1.39
L - Aggregate T&D Loss (%)	3.21%
R - Per init cost of carrying regulatory assets (Rs/kWh)	-
S - Cross Subsidy Surcharge (Rs/kWh)	**1.88**

S = 7.30 – [3.90 / (1 – 3.21/100) + 1.39 + 0.00]

= 1.88 Rs./kWh

However, Tariff Policy, 2016 provides that the surcharge shall not exceed 20% of the tariff applicable to the category of the consumers seeking Open Access. Accordingly, the leviable CSS from the consumers of the GIFT PCL seeking Open Access, for FY 2021-22 works out to Rs.1.46/kWh.

Accordingly, CSS for HT Category = 1.46 Rs. /kWh for FY 2021-22.

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9 Tariff Philosophy and Tariff Proposal

9.1 Overall Approach

The Commission is guided by the provisions of the Electricity Act, 2003, the National Electricity Policy, the Tariff Policy, Regulations on Terms and Conditions of Tariff issued by the Central Electricity Regulatory Commission (CERC) and the GERC (MYT) Regulations, 2016 notified by the Commission.

Section 61 of the Act lays down the broad principles and guidelines for determination of retail supply Tariff. The basic principle is to ensure that the Tariff should progressively reflect the cost of supply of electricity and reduce the cross subsidy amongst categories within a period to be specified by the Commission.

This Chapter discusses GIFT PCL's Tariff proposal and details the Commission's final decision on the same.

9.2 GIFT PCL's Tariff Proposal for FY 2021-22

The Petitioner is following the Tariff schedule for the different category of consumers as per the existing Tariff Schedule of Uttar Gujarat Vij Company Ltd (UGVCL). The Petitioner was allowed to follow the UGVCL's tariff schedule in previous tariff orders as ceiling tariff. The same norm may be followed for FY 2021-22 also.

Additionally, to recover the past losses, the Petitioner has requested to introduce the appropriate regulatory chargers by the Commission to recover the same. The uncovered revenue gap (cumulative for past years) can be recognised as regulatory asset after considering the regulatory gap that can be recovered through regulatory charges during FY 2021-22. The Petitioner has requested the Commission to approve the above proposal. Otherwise, the Petitioner cannot recover its legitimate dues and will face great financial problem. Although, the Commission has derived the past years' gap and approved the same; the recovery mechanism was not mentioned in last year's tariff order of the Petitioner (Case No 1851 of 2020 dated 9/10/2020). Without recovery