

Paschim Gujarat Vij Company Limited
Truing up for FY 2020-21 and Determination of Tariff for FY 2022-23

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ABBREVIATIONS

A&G	Administration and General Expenses
AB Cable	Aerial Bunched Cable
ABR	Average Billing Rate
AG	Agriculture
APR	Annual Performance Review
APTEL	Appellate Tribunal for Electricity
ARR	Aggregate Revenue Requirement
BST	Bulk Supply Tariff
C&I	Commercial & Industrial
CAGR	Compounded Annual Growth Rate
CAPEX	Capital Expenditure
CERC	Central Electricity Regulatory Commission
Cr	Crore
CSS	Cross-Subsidy Surcharge
DGVCL	Dakshin Gujarat Vij Company Limited
DISCOM	Distribution Company
DSM	Deviation Settlement Mechanism
EA	Electricity Act
EHT	Extra High Tension
EHV	Extra High Voltage
FPPPA	Fuel and Power Purchase Price Adjustment
FY	Financial Year
GEB	Gujarat Electricity Board
GERC	Gujarat Electricity Regulatory Commission
GETCO	Gujarat Energy Transmission Corporation Limited
GFA	Gross Fixed Assets
GLP	General Lighting Purpose
GoG	Government of Gujarat
GSECL	Gujarat State Electricity Corporation Limited
GUVNL	Gujarat Urja Vikas Nigam Limited
HT	High Tension
Ind-AS	Indian Accounting Standards
JGY	Jyoti Gram Yojna



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kV	kilo Volt
kVA	kilo Volt Ampere
kVAh	kilo Volt Ampere Hour
kVARh	Reactive Energy
kWh	kilo Watt Hour
LT	Low Tension
MCLR	Marginal Cost of Funds based Lending Rate
MGVCL	Madhya Gujarat Vij Company Limited
MTR	Mid-Term Review
MUs	Million Units (Million kWh)
MW	Mega Watt
MYT	Multi Year Tariff
O&M	Operation & Maintenance
OA	Open Access
PF	Power Factor
PFC	Power Finance Corporation
PGCIL	Power Grid Corporation of India Limited
PGVCL	Paschim Gujarat Vij Company Limited
PPA	Power Purchase Agreement
PPPA	Power Purchase Price Adjustment
PWW	Public Water Works
R&M	Repair and Maintenance
RBI	Reserve Bank of India
RE	Revised Estimate
REC	Renewable Energy Certificate
RGP	Residential General Purpose
RLDC	Regional Load Despatch Centre
RoE	Return on Equity
Rs.	Rupees
SBAR	State Bank Advance Rate
SBI	State Bank of India
SLDC	State Load Despatch Centre
UGVCL	Uttar Gujarat Vij Company Limited
WRLDC	Western Regional Load Despatch Centre
YoY	Year on Year



GUJARAT ELECTRICITY REGULATORY COMMISSION
GANDHINAGAR

Case No. 2031 of 2021

Date of the Order 31/03/2022

CORAM

Anil Mukim, Chairman

Mehul M. Gandhi, Member

S. R. Pandey, Member

ORDER



1 Background and Brief History

1.1 Background

Paschim Gujarat Vij Company Ltd., (hereinafter referred to as “PGVCL” or the “Petitioner”) has filed a petition under Section 62 of the Electricity Act, 2003, read with Gujarat Electricity Regulatory Commission (Multi-Year Tariff) Regulations, 2016, for the Truing up of FY 2020-21 and Determination of retail supply tariff for FY 2022-23 on 30th November, 2021.

Gujarat Electricity Regulatory Commission notified the GERC (Multi-Year Tariff) Regulations, 2016 [GERC (MYT) Regulations, 2016] on 29th March, 2016 which is applicable for determination of tariff in all cases covered under the Regulations from 1st April, 2016 onwards. The Commission vide its Suo-Motu Order dated 24th September, 2021 in Case No. 1995 of 2021 in the matter of “Filing of application for determination of Aggregate Revenue Requirement (ARR) and Tariff for FY 2022-23”, has decided to determine the ARR for FY 2022-23 based on the principles and methodology as provided in the GERC (MYT) Regulations, 2016 and defer the next MYT Control Period by one year. Accordingly, the Commission directed all the concerned utilities to file the ARR and Tariff petition based on principles and methodology as provided in the GERC (MYT) Regulations, 2016 on or before 30th November, 2021. Accordingly, PGVCL has filed the petition on 30th November, 2021 for Truing up of FY 2020-21 and, approval of ARR and determination of Tariff for FY 2022-23.

After technical validation of the petition, it was registered on 3rd December, 2021 and as provided under Regulation 29.1 of the GERC (MYT) Regulations, 2016, the Commission has proceeded with this Tariff Order.

1.2 Paschim Gujarat Vij Company Limited (PGVCL)

The Government of Gujarat unbundled and restructured the Gujarat Electricity Board with effect from 1st April, 2005. The Generation, Transmission and Distribution businesses of the erstwhile Gujarat Electricity Board were transferred to seven successor companies. The seven successor companies are listed below:



Generation Company Gujarat State Electricity Corporation Limited (GSECL)

Transmission Company Gujarat Energy Transmission Corporation Limited (GETCO)

Distribution Companies:

Sr. No.	Name of Company
1	Dakshin Gujarat Vij Company Limited (DGVCL)
2	Madhya Gujarat Vij Company Limited (MGVCL)
3	Uttar Gujarat Vij Company Limited (UGVCL)
4	Paschim Gujarat Vij Company Limited (PGVCL)

Gujarat Urja Vikas Nigam Limited (GUVNL), a holding company of the above named 6 subsidiary companies is responsible for bulk purchase of electricity from various sources and supply to Distribution Companies and also, other activities including trading of electricity.

Government of Gujarat, vide Notification dated 3rd October, 2006, notified the final opening balance sheets of the transferee companies as on 1st April, 2005. The value of assets and liabilities, which stand transferred from the erstwhile Gujarat Electricity Board to the transferee companies, include Paschim Gujarat Vij Company Limited (PGVCL). Assets and liabilities (gross block, loans and equity), as on the date mentioned in the notification, have been considered by the Commission in line with the Financial Restructuring Plan (FRP), as approved by Government of Gujarat.

1.3 Commission's Orders for Approval of final ARR for FY 2016-17 and Approval of Multi-Year ARR for FY 2016-17 to FY 2020-21

The petitioner filed its petition for Truing up for 2015-16, Approval of Final ARR for 2016-17, Approval of Multi-Year ARR for FY 2016-17 to FY 2020-21 and Determination of tariff for 2017-18 on 30th November, 2016. The petition was registered on 03rd December, 2016 (Case No. 1625 of 2016). The Commission vide Order dated 31st March, 2017 approved the Truing up for 2015-16, Final ARR for 2016-17, Approval of Multi-Year ARR for FY 2016-17 to FY 2020-21 and determined the tariff for FY 2017-18.



1.4 Commission's Order for Approval of True Up for FY 2016-17 and determination of Tariff for FY 2018-19

The petitioner filed its petition for Truing-up of FY 2016-17 and determination of tariff for FY 2018-19 on 15th January, 2018. After technical validation of the petition, it was registered on 17th January, 2018 (Case No. 1702/2018). The Commission vide Order dated 31st March, 2018 approved truing up for FY 2016-17 and determined the tariff for FY 2018-19.

1.5 Commission's Order for Approval of True up for FY 2017-18, Mid-Term Review of ARR for FY 2019-20 and FY 2020-21 and determination of Tariff for FY 2019-20

The petitioner filed a petition for Truing Up of FY 2017-18, Mid-Term Review of ARR for FY 2019-20 and FY 2020-21 and determination of Tariff for FY 2019-20 on 30th November, 2018. The petition was registered on 4th December 2018 (Case No. 1762/2018). The Commission approved the Truing-Up of FY 2017-18, revised the ARR for FY 2019-20 and FY 2020-21 and determined the tariff for FY 2019-20 vide Order dated 24th April, 2019.

1.6 Commission's Order for Approval of True up for FY 2018-19 and determination of Tariff for FY 2020-21

The petitioner filed a petition for Truing Up of FY 2018-19 and determination of Tariff for FY 2020-21 on 30th November, 2019. The petition was registered on 11th December 2019 (Case No. 1842/2019). The Commission approved the Truing-Up of FY 2018-19, and determined the tariff for FY 2020-21 vide Order dated 31st March, 2020.

1.7 Commission's Order for Approval of True up for FY 2019-20 and determination of Tariff for FY 2021-22

The petitioner filed a petition for Truing Up of FY 2019-20 and determination of Tariff for FY 2021-22 on 27th November, 2020. The petition was registered on 9th December

2020 (Case No. 1914/2020). The Commission approved the Truing-Up of FY 2019-20, and determined the tariff for FY 2021-22 vide order dated 31st March, 2021.

1.8 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 of previous year's expenses and revenue based on audited accounts vis-à-vis the approved forecast and categorisation of variation in performance as those caused by factors within the control of applicant (controllable factors) and those caused by factors beyond the control of applicant (uncontrollable factors).

Further, Regulation 16.2 (vi) of the GERC (MYT) Regulations, 2016 provides for annual determination of tariff for Generating Company, Transmission Licensee, SLDC, Distribution Wires 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.

1.9 Registration of the Petition and Public Hearing Process

The petitioner submitted the current petition for Truing-up of FY 2020-21 and Determination of retail supply tariff for FY 2022-23. After technical validation of the petition, it was registered on 3rd December, 2021 (Case No. 2031/2021) 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, the Commission directed PGVCL to publish its application in the abridged form to ensure public participation.

The Public Notice, inviting objections/ suggestions from the stakeholders on the Truing up and tariff determination petition filed by PGVCL was published on the following newspapers:

Sl. No.	Name of the Newspaper	Language	Date of publication
1	The Indian Express	English	07.12.2021
2	Gujarat Samachar	Gujarati	07.12.2021



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The petitioner also placed the public notice and the petition on the website (www.pgvcl.com) and also hosted on the website of GUVNL, i.e., www.guvnl.com, which is the holding Company of the four State owned DISCOMs for inviting objections and suggestions on its petition. The interested parties/stakeholders were asked to file their objections / suggestions on the petition on or before 6th January, 2022.

The Commission also placed the petition and additional details received subsequently from the petitioner on its website (www.gercin.org) for information and study of all the stakeholders. The Commission decided to conduct public hearing for all utilities at one place only, i.e., GERC office, Gandhinagar via Video Conferencing (MS Teams) on 17th February, 2022 due to COVID-19 Pandemic. The representatives from Utilities and interested stakeholders who have submitted their suggestions / comments / objections were also invited to participate in the proceedings via Video Conferencing. The interested persons, who wanted to make submission before the Commission during Public Hearing through Video Conferencing (Microsoft Office Teams), were requested to provide their details such as Names, Mobile Numbers and E-mail IDs at efiling@gercin.org. Further, the interested persons, who did not have Audio-Visual facility, were allowed to represent before the Commission virtually from the Commission's Office at Gandhinagar.

The Commission also issued a notice for public hearing in the following newspapers in order to solicit wider participation by the stakeholders.

Sl. No.	Name of the Newspaper	Language	Date of publication
1	The Times of India	English	06.02.2022
2	Sandesh	Gujarati	06.02.2022
3	Gujarat Samachar	Gujarati	06.02.2022

The Commission received objections/suggestions from the consumers/consumer organizations as shown in the Table below. The Commission examined the objections/suggestions received and fixed the date for e-Public Hearing through video conferencing (MS Teams) for the petition on 17th February, 2022 at 11.30 AM at the Commission's Office, Gandhinagar. Subsequently, a communication was sent to the objectors to take part in the public hearing process for presenting their views in person before the Commission. The public hearing was conducted in the Commission's Office



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at Gandhinagar as scheduled on the above date. The objectors participated in the public hearing and presented their objections.

The status of stakeholders who submitted their written suggestion / objections, those who remained present in public hearing, those who could not attend the public hearings and those who made oral submissions are given in the Table below:

Sr. No.	Name of Stakeholders	Written Submission	Oral Submission	Present on the day of hearing
1.	Federation of Kutch Industries Associations	Yes	Yes	Yes
2.	Yash Complex Co-Operative Housing Service Society Limited	Yes	Yes	Yes
3.	Bhavnagar Induction Furnace Development Association	Yes	Yes	Yes
4.	Indian Energy Exchange Limited	Yes	No	No
5.	Gujarat Chamber of Commerce & Industry	Yes	Yes	Yes
6.	Sihor Steel Re-rolling Mills Association	Yes	Yes	Yes
7.	Shri Jayaram C. Marathe	Yes	Yes	Yes
8.	Bharatiya Kisan Sangh	Yes	No	No
9.	Shri K.K. Bajaj	Yes	Yes	Yes
10.	Shri Sailesh Bachubhai Mehta	Yes	No	No
11.	Gujarat Krushi Vij Grahak Surakhsya Sangha	Yes	Yes	Yes
12.	Asandas and Sons Pvt. Ltd.	Yes	Yes	Yes
13.	Utility Users' Welfare Association (UUWA)	Yes	Yes	Yes
14.	Shri Rajeshbhai Patel	No	No	Yes
15.	Shri Umesh Parikh	No	No	Yes
16.	Shri Himanshu Umrajwala	No	No	No

A short note on the main issues raised by the objectors in their submissions on the petition, along with the response of PGVCL and the Commission's views on the response, are briefly given in Chapter 3.



1.10 Approach of this Order

PGVCL has approached the Commission with the present petition for Truing up of FY 2020-21 and determination of retail supply tariff for FY 2022-23.

The Commission has undertaken Truing up for FY 2020-21, including computation of gains and losses for FY 2020-21, based on the submissions of the petitioner and audited Annual Accounts made available by the petitioner.

While truing up of FY 2020-21, 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 2020-21 has been considered, based on the GERC (MYT) Regulations, 2016.

The petitioner has also approached the Commission through its present petition for the determination of ARR and Tariff for FY 2022-23. ARR is required to be determined for the ensuing year, as the MYT Control Period (FY 2016-17 to FY 2020-21) is over, the process related to framing of MYT Regulations for the next Control Period was delayed and hence, deferred due to the special circumstances of Covid-19. In view of the above, the Commission issued suo-moto Order dated 24th September, 2021 to file the ARR and Tariff for the FY 2022-23 and accordingly, the Commission has taken up the determination of ARR and Tariff for FY 2022-23 after hearing the matter.

1.11 Contents of this Order

The Order is divided into **Ten chapters**, as under:

1. The **First Chapter** provides a background of the petitioner, the petition and details of the public hearing process and approach adopted for this order.
2. The **Second Chapter** provides a summary of the petition.
3. The **Third Chapter** deals with the Public hearing process including the Objections raised by Stakeholders, PGVCL's response and the Commission's views on the response.

4. The **Fourth Chapter** deals with the Truing up for FY 2020-21.
5. The **Fifth Chapter** deals with the approval of ARR for FY 2022-23.
6. The **Sixth Chapter** deals with the Cumulative Revenue Gap/(Surplus) for FY 2022-23.
7. The **Seventh Chapter** deals with compliance of the Directives and issue of fresh directives for PGVCL.
8. The **Eighth Chapter** deals with fuel and power purchase adjustments.
9. The **Ninth Chapter** deals with wheeling and cross subsidy surcharges.
10. The **Tenth Chapter** deals with the Tariff philosophy and Determination of retail supply tariff for FY 2022-23.



2 Summary of PGVCL's Petition

2.1 Introduction

This chapter deals with highlights of the petition as submitted by PGVCL for truing up of FY 2020-21 and determination of ARR and tariff for FY 2022-23.

2.2 True-Up for FY 2020-21

PGVCL submitted the petition on 29th November, 2021 seeking approval of truing up of ARR for FY 2020-21. PGVCL has worked out its Aggregate Revenue Requirement (ARR) for FY 2020-21 as a part of the True Up for FY 2020-21. PGVCL has presented the actual cost components based on audited annual accounts for FY 2020-21. A summary of the proposed ARR for Truing-up of FY 2020-21 compared with the approved ARR for FY 2020-21 in the MTR Order dated 24th April, 2019 is presented in the Table given below:

Table 2-1: ARR proposed by PGVCL for FY 2020-21 True up (Rs. Crore)

Sr. No.	Particulars	2020-21 (Approved)	2020-21 (Actual)	Deviation
1	Cost of Power Purchase	15,435.93	14,134.48	1,301.45
2	Operation & Maintenance Expenses	1,162.62	1,133.46	29.15
2.1	Employee Cost	1,062.21	968.45	93.76
2.2	Repair & Maintenance	174.53	199.64	(25.11)
2.3	Administration & General Expenses	187.50	172.74	14.76
2.4	Other Expenses Capitalised	(261.63)	(207.37)	(54.26)
3	Depreciation	799.62	900.57	(100.95)
4	Interest & Finance Charges	485.55	441.83	43.72
5	Interest on Working Capital	-	-	-
6	Provision for Bad Debts	2.15	0.41	1.74
7	Sub-Total [1 to 6]	17,885.86	16,610.74	1,275.11
8	Return on Equity	640.56	634.69	5.87
9	Provision for Tax/Tax Paid	28.71	36.16	(7.45)
10	Total Expenditure [7 to 9]	18,555.13	17,281.59	1,273.53
11	Less: Non-Tariff Income	258.58	(104.04)	362.62



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Sr. No.	Particulars	2020-21 (Approved)	2020-21 (Actual)	Deviation
12	Add: DSM Expenses	2.50		
13	Aggregate Revenue Requirement [10-11+12]	18,299.05	17,385.63	913.42

2.3 Revenue gap for FY 2020-21

As shown in the Table below, PGVCL has claimed a Revenue Gap of Rs. 632.64 Crore in the Truing up after considering the gain/(loss) due to controllable / uncontrollable factors:

Table 2-2: Revenue Surplus/ (Gap) as claimed by PGVCL for FY 2020-21 (Rs. Crore)

Sr. No.	Particulars	Amount
1	Aggregate Revenue Requirement originally approved for FY 2020-21	18,299.05
2	Less: (Gap) / Surplus of FY 2018-19	(313.34)
3	Less: Gain / (Loss) on account of Uncontrollable factors to be passed on to Consumer	1,123.42
4	Less: Gain / (Loss) on account of Controllable factors to be passed on to Consumer (1/3 rd of Total Gain / (Loss))	(70.84)
5	Revised ARR for FY 2020-21 (1 - 2 - 3 - 4)	17,559.81
6	Revenue from Sale of Power	16,126.69
7	Other Income (Consumer related)	306.36
8	Total Revenue excluding Subsidy (6 + 7)	16,433.05
9	Agriculture Subsidy	461.41
10	GUVNL Profit / (Loss) Allocation	32.71
11	Total Revenue including Subsidy (8 + 9 + 10)	16,927.17
12	Revised (Gap)/ Surplus after treating gains/(losses) due to Controllable/ Uncontrollable factors (11 - 5)	(632.64)



2.4 Aggregate Revenue Requirement for FY 2022-23

PGVCL, in the petition, sought approval of ARR and Tariff for FY 2022-23. A summary of the proposed ARR for FY 2022-23 is presented in the Table given below:

Table 2-3: ARR proposed by PGVCL for FY 2022-23 ARR (Rs. Crore)

Sr. No.	Particulars	2022-23 (Projected)
1	Cost of Power Purchase*	15,252.98
2	Operation & Maintenance Expenses	1,374.61
2.1	Employee Cost	1,189.77
2.2	Repair & Maintenance	190.70
2.3	Administration & General Expenses	215.00
2.4	RDSS Metering Opex	81.96
2.5	Extraordinary Items	-
2.6	Net Prior Period Expenses / (Income)	-
2.7	Other Expenses Capitalised	(302.82)
3	Depreciation	1,020.37
4	Interest & Finance Charges	367.09
5	Interest on Working Capital	-
6	Provision for Bad Debts	0.41
7	Sub-Total [1 to 6]	18,015.46
8	Return on Equity	710.43
9	Provision for Tax/Tax Paid	36.16
10	Total Expenditure [7 to 9]	18,762.05
11	Less: Non-Tariff Income	292.43
12	Aggregate Revenue Requirement [10-11]	18,469.61

*Note: PGVCL in data gaps reply, has revised 'Cost of Power Purchase' to Rs.15,282.54 Crore; ARR revised to Rs. 18,499.16 Crore.

2.5 Summary of projected Revenue Surplus/(Gap) for FY 2022-23

The Table below summarises the Aggregate Revenue Requirement, the total revenue with the existing tariff and the Revenue Gap projected for FY 2022-23 by PGVCL:

