Shri Man Singh of M/s ALPS Industries Ltd., Shri Harindra K. Garg of SIDCUL Manufacturers Association of Uttarakhand, Shri Sukkha Singh Virk and Shri Vikas Jindal of M/s Kumaun Garhwal Chamber of Commerce & Industry submitted that UPCL have proposed 5.7% hike in tariff for Industrial consumers, which is a very huge blow for industries. Therefore, they requested the Commission not to increase electricity tariff for the sake of industry and society.

Shri Teeka Singh Saini of Bharatiya Kisan Union submitted that increase in tariff of Private Tube wells should be discouraged as the farmers are finding it difficult to pay such huge amount of bills.

Shri Shakeel A. Siddiqui of M/s Kashi Vishwanath Textile Mill (P) Ltd. and Shri Rajeev Gupta of M/s Kashi Vishwanath Steel Pvt. Ltd. submitted that due to Covid-19, which has slowed the developmental progress, stakeholders have been adversely affected and, hence, a tariff hike for HT consumers is unjustified. Hence, they requested the Commission to evaluate the ARR submitted by UPCL in such a way so as to control the expenses and reduce any increase in the current year tariff.

Shri Shakeel A. Siddiqui of Galwalia Ispat Udyog Private Limited submitted that the industry is burdened and fighting to pay its statutory dues, financial obligations and other liabilities and in this scenario tariff increase will only be addition to its trauma. He further submitted that due to Covid-19, which has slowed the developmental progress, stakeholders are adversely affected and, hence, a tariff hike is not in the interest of the State. Hence, the Commission should not permit any increase in the current year tariff.

2.1.2 *Petitioner's Reply*

The Petitioner submitted that UPCL is a commercial organization and is required to meet its Annual Revenue Requirement out of the revenue realized from the consumers through electricity tariffs. The consolidated revenue deficit for FY 2022-23 (including the carrying cost of FY 2020-21) at existing tariff has been estimated at Rs. 447.56 Crore. For recovery of the said gap of Rs. 447.56 Crore, UPCL has proposed an overall tariff hike of 6.02%. UPCL submitted that as against the average tariff hike of 6.02%, no tariff hike for BPL & PTW consumer, nominal hike of 2.5% for 0-100 slab in other Domestic Category, average hike of 5-6% in other slabs of other Domestic category, average hike of 6.4% in non-domestic category, average hike of 5.0% in LT Industrial category, average hike of 5.7% in HT Industrial category is proposed and further submitted that increase in

all other categories has been proposed in line with the Tariff Policy and the Proposed ARR to be recovered in FY 2022-23.

The revenue gap so computed is the result of difference between increased / projected cost and revenue at existing tariff. The Petitioner being a regulated entity needs to be revenue neutral and hence, the approved gap will have to be allowed in terms of tariff increase as per the principles laid down in Tariff Policy and the approach adopted by the Commission in past.

The Petitioner also submitted that the tariff of RTS - 4A category (Rs. 3.03. p.u.) has been proposed only at 50% of Average Cost of Supply (Rs. 6.06 p.u.).

2.1.3 *Commission's Views*

The Commission is of the view that an overall tariff increase is a function of projected Annual Revenue Requirement for the ensuing year (including impact of truing up of expenses and revenue for previous year) and projected revenue at existing tariffs. The Commission has carried out the detailed scrutiny of ARR for FY 2022-23 and truing up for FY 2020-21 in accordance with the provisions of the relevant Regulations as discussed in subsequent Chapters of this Order and as an outcome of scrutiny, the Commission has approved an overall tariff increase of around 2.68% as discussed in Chapter 6 of this Order. Further, most of the stakeholders have submitted that Uttarakhand being a hydro rich State, no tariff increase should be allowed. In this regard it would be relevant to mention that only 35-40% of UPCL's requirement is being met from power generated from UJVN Ltd. Balance requirement is met through procurement of power from thermal and other sources which are costlier and their prices vary which necessitates increase in cost for UPCL and in turn tariff hike.

2.2 Tariff Hike – Industrial Tariff

2.2.1 *Stakeholder's Comments*

Shri Pankaj Gupta of Industries Association of Uttarakhand submitted that the revenue shortfall of UPCL is due to the load shedding on Industrial consumers and in other States, the rostering of Industrial consumers is done as a last resort to maintain grid balance.

Shri Shakeel A. Siddiqui of Galwalia Ispat Udyog Private Limited submitted that the three charges, namely, Green Cess, Electricity Duty and royalty on water, which are levied on electricity,

directly and indirectly affects the tariff and makes electricity costlier by Re. 1/ unit. Therefore, the stakeholder suggested that the State Government reduces its charges to make tariff economical to some extent.

Shri Sanjay Kumar of M/s Ambashakti Glass Pvt. Ltd submitted that electricity duty @ 0.50 per unit should be in GST category as well as other services and sales (except some alcoholic and petroleum products) have been considered under GST categories this should also be under GST categories and its input benefit should be shown in the sales.

2.2.2 *Petitioner's Reply*

The Petitioner submitted that in truing–up exercise for FY 2020-21, UPCL proposed deficit of revenue amounting to Rs. 142.47 Crore. which has been added in the ARR for FY 2022-23 along with the carrying cost. This true-up has been prepared based on the Audited Accounts and as per provisions of UERC Tariff Regulation, 2018/2021. As regards availability of quality power, it is to inform that UPCL has been making consistent efforts to provide uninterrupted power supply to its consumers. The load shedding during FY 2020-21 is only 0.12% of the overall energy demand (16.56 MU). Further load shedding for FY 2021-22 is 49.89 MU and UPCL has been making consistent efforts to provide uninterrupted power supply to its consumers. It is also to mention that no scheduled power cuts are being imposed and rostering is being done only due to emergency breakdown / shutdown.

The Petitioner submitted that as per Section 3 of Uttar Pradesh Electricity (Duty) Act (Uttarakhand adaptation and modification) Order, 2001, the State Government is empowered to fix the rates of Electricity Duty to be charged from various categories of consumers. Government of Uttarakhand vide its Notification No. 79/I/2016-01(3)/01/2003 dated 25.01.2016 has fixed these rates applicable w.e.f. 01.01.2016. UPCL is charging Electricity Duty as per Government orders. The Electricity Duty charged from consumers is payable by UPCL to GoU. Therefore, the matter may be taken up with GoU.

The Petitioner further submitted that as per Section 4 of the Uttarakhand Green Energy Cess Act, 2014, Green Energy Cess upto 10 paise per unit shall be levied on the electricity supplied to Commercial and Industrial Consumers of the State. This Cess will be levied, collected and payable by UPCL.

As per GoU notification dated 17.06.2015, rate of Cess has been determined @ 10 paise per unit. Therefore, the matter may be taken up with GoU.

The Cess and Royalty is imposed on the saleable energy generated from the existing hydro power projects of r UJVN Limited, which are under Commercial Operation for more than 10 years and whose cost of electricity generation is not more than Rs. 2 per unit. The rate of Cess and Royalty is Rs. 0.30 per unit and Rs. 0.10 per unit, respectively. The cess and royalty are imposed by UJVNL in its electricity bills, which is to be paid by UPCL. Finally, the amount of cess and royalty is payable to GoU by the collecting agency.

The Water Tax is levied to avail the facility to draw water from any sources for generation of electricity in Uttarakhand under the provisions of the Uttarakhand Water Tax on Electricity Generation Act, 2012. The water tax is imposed by UJVNL in its electricity bills, which to be paid by UPCL. Finally, the amount of water tax is payable to GoU by the collecting agency. Therefore, the matter may be taken up with GoU.

2.2.3 *Commission's Views*

The Commission is of the view that the overall tariff increase is a function of projected Annual Revenue Requirement for the ensuing year (including impact of truing up of expenses and revenue for previous year) and projected revenue at existing tariffs. The Commission has carried out the detailed scrutiny of ARR for FY 2022-23 and truing up for FY 2020-21 in accordance with the provisions of the relevant Regulations as discussed in subsequent Chapters of this Order and as an outcome of the scrutiny, the Commission has approved an average tariff increase of 2.68% as discussed in Chapter 6 of this Order.

Issues raised by stakeholders with regards to charging of Electricity Duty, Energy Cess and Royalty on Water are not under the jurisdiction of this Commission and the consumers may approach the State Government for any relief.

2.3 Proposed Rate Schedule for FY 2022-23

2.3.1 *Stakeholder's Comments*

Shri R. K. Singh of Tata Motors Ltd. requested the Commission to direct UPCL for categorizing 220 kV consumers separately from "132 kV consumers and above category" to felicitate

lower demand and higher voltage supply rebate as UPCL's energy charges and voltage supply rebates is common for both 132 kV & 220 kV level.

2.3.2 *Petitioner's Reply*

The Petitioner submitted that at present, voltage wise / category wise losses are not available and Category Wise Tariff has been calculated on the basis of average cost of supply and permissible level of cross subsidy. This is as per Regulation 91 of the UERC Tariff Regulations, 2021. In the absence of availability of voltage wise losses, which is mix of technical losses and commercial losses, the distribution losses are required to be charged on average basis from all category of consumers as well as open access consumers. Further, considering the fact that losses at higher voltage are on lower side, rebate in energy charge @ 2.5 % to the consumers getting supply at 33 kV and 7.5% to the consumers getting supply at 132 kV and above has been provided by the Commission. In such a situation, it does not seem appropriate to further segregate voltage level for the purpose of providing rebate. However, if Commission decides to provide the benefit of higher voltage supply rebate to the consumers; the impact of the same may be considered in ARR to ensure revenue neutrality for UPCL.

2.3.3 *Commission's Views*

The Commission has taken note of the concerns raised by the stakeholders and UPCL. The Commission has dealt with the issue in detail in Chapter 6 of this Order.

2.4 Distribution Loss

2.4.1 *Stakeholder's Comments*

Shri Vikas Jindal of M/s Kumaun Garhwal Chamber of Commerce & Industry submitted that the Petitioner has not been following directions of the Commission in respect of carrying out Energy Audit and has never come out with energy Audit.

Shri Pankaj Gupta of Industries Association of Uttarakhand and Shri Vikas Jindal of M/s Kumaun Garhwal Chamber of Commerce & Industry requested the Commission to direct UPCL to conduct energy audit at Sub-station level and at various voltage levels to determine the actual reasons for the losses so that further action can be taken to bring down the losses to the level below that directed by the Commission. He further submitted that the percentage of sale of power to

industrial consumers has gone up from 40% to 55% and, therefore, loss levels should be much less. He also submitted that the overall losses that have been set by the Commission may have been much lesser.

Shri Pankaj Gupta of Industries Association of Uttarakhand requested the Commission to direct UPCL to submit data of ABR – Average Billing Rate division wise. Further, if in any division, average billing rate is less than average of all divisions then energy audit of such division must be carried out to arrive at actual figures of energy sales.

Shri Pankaj Gupta of Industries Association of Uttarakhand and Shri Vikas Jindal of M/s Kumaun Garhwal Chamber of Commerce & Industry submitted that the Commission is empowered to investigate under Section 128 of Electricity Act. He further suggested that for investigating losses and energy audit, the Commission should appoint an agency for carrying out this investigation. If HT consumers are consuming more than 50% energy, whose losses should not be more than 5-6%. Accordingly, the losses in other categories are more than 45%. He further submitted that such differential loss is a reason enough for proper investigation. For UPCL to function properly controlling losses is the most important issue. The stakeholders also suggested that UPCL should convert their sub-stations into Cost-Centres and any Sub-station found to be losing money should be subjected to penalties.

Shri Shakeel A. Siddiqui of Galwalia Ispat Udyog Private Limited submitted that distribution losses need to be assessed according to the study conducted by UPCL and in absence of any exercise conducted by UPCL, the Commission may determine distribution losses as per States where they have been made applicable and, accordingly, apply the same for different category consumers separately and decide the tariff accordingly. For 33 kV, the rebate should be 7.5% and for 132 kV it should be @ 12%. He further submitted that the Commission should provide a long-term trajectory for loss reduction and ensure that the DISCOMs follow the trajectory. He further added that common regulation also needed to be brought in to curtail the losses of DISCOMs.

Shri S.K. Agrawal submitted that due to the far-sightedness and carelessness of UPCL, the line losses are at the highest level, the burden of which also falls on the consumers.

Shri B.K Joshi submitted that investigation of each consumer to be carried out and line losses to be brought down to zero.

2.4.2 *Petitioner's Reply*

The Petitioner submitted that the distribution loss for the FY 2020-21 for UPCL is 13.96% against the approved loss of 14.00% and it is striving hard to reduce the distribution losses as evident from distribution loss over the past 3 years where the loss has been reducing continuously (13.40% for FY 2019-20, 14.32% for FY 2018-19, 15.17% for FY 2017-18 and 16.68% for FY 2016-17).

The Petitioner further submitted that during the period FY 2016-17 to FY 2020-21, the sales contribution from HT consumers has been almost at similar levels (~ 51%) and it is striving hard to contain the losses within the levels approved by the Commission. The Petitioner further submitted that the following actions are being taken for reduction of distribution losses:

- Vigilance raids are being conducted and cases are being registered under Section 126 and 135 of Electricity Act, 2003. Legal proceedings are being initiated against the person(s) found indulging in theft of electricity.
- Mechanical meters are being replaced by electronic meters.
- Defective Meters are being replaced.
- LT ABC is being laid in theft prone areas.
- Automatic Meter Reading is being done for high value consumers.
- Android based billing has been introduced for improvement in Billing Efficiency.

Further, in addition to this, the Petitioner submitted that a Reforms – based and Results linked, Revamped Distribution Sector Scheme as approved by Government of India vide its notification dated 20-07-2021 is under consideration to be implemented in UPCL. Under part – A of the scheme, prepaid smart metering for consumers, and system metering at feeder and distribution transformer level with communicating feature along with associated Advanced Metering Infrastructure (AMI) will be done to facilitate reduction of distribution losses and enable automatic measurement of energy flows and energy accounting as well as auditing.

The Petitioner further submitted that it is participating under Central Govt. funded Scheme of Revamped Reforms Distribution Sector Scheme (RDSS) where in Smart Meters are being proposed in loss making and other areas as per guidelines stipulated in scheme. Also, capital expenditure amounting to Rs. 2,414 Crore will be spent in next 3 years for loss reduction activities.

With regards to submission of division-wise Average Billing Rate, the Petitioner submitted that the detailed reply to the query has been submitted to the Commission vide letter no. 440/UPCL/RM/B-25 dated 01.02.2022.

The Petitioner submitted that it had conducted Meter data (MRI) check from external agency for the period from May 2019 to August 2020 and Nov 2020 to Aug 2021 for 43 Divisions and the total realized amount from such cases was Rs. 6.25 Crore against assessed amount of Rs. 9.48 Crore Based on above findings of the report, UPCL is taking corrective action to recover such arrears and is expected to streamline its overall energy accounting in coming period by having proper metering facilities with communication and/proper metering and reading of the consumption. The Petitioner submitted that arrears/ receivables after such exercise will have to be written off as per the Policy for Bad debt approved by the Commission to reflect the true picture of financial position of the Petitioner.

The Petitioner submitted that it has also done Audit of high loss division with 2-pronged approach – i) to audit the receivables and ii) to have proper billing to such consumers for future period. This will ensure that fictitious receivables / arrears would be identified and commercial losses are brought down by proper billing. The audit for such high loss divisions for non-Government consumers revealed that around 17300 consumers were reported with dues as on 31.3.2020 where no payment was received and no billing was done after 1.4.2009. The amount outstanding from such consumers was Rs. 36.82 Crore. Further there were 1277 no. of cases where outstanding dues were NIL as on 31.3.2020, supply was made but no billing and collection has happened since 2009 till Sep 2020.

With regard to Consumer Audit, UPCL had also undertaken audit of 100 consumers of Dehradun division whereby total arrears amount was Rs. 1.74 Crore, however, recoverable amount was only Rs. 0.18 Crore, the balance Rs. 0.99 Crore was fictitious arrears & Rs. 0.56 Crore was to be written off. UPCL submitted that it is taking concerted efforts to reconcile such accounts and ensure higher recovery of the pending arrears. Moving forward positively on such audits/ checks, UPCL has planned to undertake checks of 200 consumers on monthly basis from 27 divisions each of plain areas. Based on above findings of the report, UPCL is taking corrective action and expected to write-off fictitious receivables/arrears after due process is followed/ approval is taken from management.

2.4.3 *Commission's Views*

The Commission has taken note of the concerns raised by the stakeholders and the initiatives taken by UPCL for reducing the losses. The Commission would like to clarify that the distribution losses submitted by the Petitioner is almost similar to the losses approved by the Commission in the MYT Tariff Order for the control period from 2019-20 to FY 2021-22. However, the Commission approves the actual losses as per the actual data submitted by the Petitioner and the re-casted sales and the same has been discussed in Chapter 3 and 4 of the Order. The Commission would also like to point out on the concurrent audit referred to the Petitioner. In the past also the Commission had pointed out that the same was not energy audit but billing/sales audit. No report on energy audit has been submitted by the Petitioner despite categorical directions of the Commission.

2.5 Power Procurement Plan

2.5.1 *Stakeholder's Comments*

Shri Pankaj Gupta of Industries Association of Uttarakhand submitted that Power purchase expenses are very closely related to Transmission and Distribution Losses. If these losses will be less, it will result in less purchase of energy for same level of consumption.

He also submitted that UPCL should always endeavour to have long-term power purchase agreement, as purchase from Power Exchange is accompanied with heavy transmission charges of PGCIL.

Shri Pankaj Gupta of Industries Association of Uttarakhand further submitted that UPCL in the same time block on numerous occasions has underdrawn power and at the same time bought short term power, keeping this in view creation of an exclusive Power purchase cell, headed by an officer of Director level can help UPCL to control their power purchase expenses. This cell would be using the latest technology in terms of data analytics to arrive at the best possible power purchase model in order to lower the power purchase cost and have the most reliable power available at all times.

Shri Vijay Singh Verma has submitted that power should be procured from the cheaper source of energy so as to diminish overall tariff burden of consumers. If and when demand supply gap occurs with adverse effect on distribution business, load shedding can be carried out in certain

hours in a day.

Shri Sunil Kumar Gupta of Teesri Aankh ka Tehalka submitted that the power purchase cost from gas-based stations is very high and UPCL should re-negotiate the PPAs with Gas based IPPs.

Shri R. K. Singh of Tata Motors Ltd. submitted that UPCL need to explore opportunities to purchase power from renewable energy sources & should be less dependent on open market purchase or coal based thermal power plants. In FY 2021-22 it was observed that there was global shortage of coal & consequently Open market prices were too high and utilities like UPCL were not able to purchase power from open market & load shedding was inevitable. He, therefore, requested the Commission that in such a scenario where load shedding is inevitable for UPCL, it should declare scheduled rostering so that consumer can go for smooth changeover or plan for alternate power resource during rostering period.

2.5.2 *Petitioner's Reply*

The Petitioner submitted that it plans to procure power from firm sources (after evaluating best options), short-term purchase and the remaining (shortfall if any) on day ahead basis through IEX purchase. Further, procurement of power from firm sources other than tied up sources would help UPCL realize optimum per unit power purchase cost (as fixed charges would be spread out over the maximum quantum of energy procured). It further submitted that it may be relevant to emphasize that the short-term power purchase cost is on a downward trend since FY 2019-20. On comparison of variable charges, the costly power of the coal and gas-based plants is being replaced with the cheaper power available in the market/Exchange. Further, in addition to this, the Petitioner also submitted that it has not scheduled costly gas power from the period of October to March in FY 2020-21.

The Petitioner submitted that UPCL strives hard to maintain the distribution losses to the levels approved by the Commission. There is a continuous reduction in distribution losses in last years. However, the reason for increase in distribution losses in FY 2020-21 is that due to COVID-19, the sales of HT industry reduced by 11%.

With respect to creation of Power purchase cell, the Petitioner has already submitted its response in MYT petition for FY 2022-23 to FY 2024-25 in Para 34 of the Compliance Status. The Petitioner also submitted that it has been planning to procure direct membership to enable for direct

trading facilities that will help UPCL to reduce the impacts of Trading margins. This would assist in taking real-time decision to reduce deviations and / optimize power purchase / sale through open market. In addition to this the Petitioner submitted that it has a dedicated team looking after the power purchase.

Further, UPCL is also proposing capital expenditure of Rs. 10 Crore in FY 2022-23 for Software Development (Automated Demand response management system) which is expected to be capitalised in FY 2023-24. Maintenance Cost after capitalisation from 2nd year onwards would be Rs. 3 Crore/ year. UPCL submitted that it would be in a better position to manage demand and monitor its load of sub-stations etc. on real-time basis and also control the same. The estimate may change further on initiation of process of EOI/ Tendering including timelines.

The Petitioner submitted that the major part of the ARR pertains to the Power purchase cost and submitted that due actions are being taken to source cheaper power. Further, the grid demand varies across the seasons as well as on daily basis, and UPCL plans for the power procurement based upon the availability of the generating stations as well as the cost of power from the generator. UPCL further submitted that owing to mismatch in demand and supply in real time owing to consumption pattern of the consumer, UPCL has to purchase power from short-term sources as well.

The Petitioner submitted that with regard to the availability of quality power, UPCL has been making consistent efforts to provide uninterrupted power supply to its consumers. The load shedding during FY 2020-21 is only 0.12% of the overall energy demand (16.56 MU). Further load shedding for FY 2021-22 is 49.89 MU and UPCL has been making consistent efforts to provide uninterrupted power supply to its consumers. Further, no scheduled power cuts are being imposed and rostering is being done only due to emergency breakdown / shutdown.

2.5.3 *Commission's Views*

The Commission has noted the comments and suggestions of the stakeholders. The issues related to source-wise power purchase quantum and costs have been deliberated by the Commission in Chapter 3, 4 & 5 of this Order.

As regards the gas based IPPs, the Commission has approved the Power Purchase Agreements considering the shortage of power in the State and decision of the Government of

Uttarakhand and UPCL's proposal in this regard. In addition to having gas-based power, UPCL has to procure short term power to meet the requirement. There are numerous Judgments of Higher Courts which says that PPA once approved cannot be rescinded unless there is an event of default.

2.6 RPO Status and compliance

2.6.1 *Stakeholder's Comments*

Shri Vikas Jindal of M/s Kumaun Garhwal Chamber of Commerce & Industry submitted that Distribution Licensees now have the option to fulfil their RPO obligations by procuring RE power from short term market through Green-DAM and Green-TAM products available at IEX platform.

Shri Jogendra Behera of Indian Energy Exchange submitted that Green-Term Ahead Market & Green-Day Ahead Market has been introduced in which the Solar and Non-Solar Renewable Energy is being transacted and, hence, the Discoms can meet their RPO obligations by procuring power through Green-DAM and Green-TAM products available at IEX platform. He further submitted that GDAM and GTAM provide alternate market-based route to the RE generators to sell their green power and for the buyers to fulfil their RPO at competitive price with flexibility of entry and exit in the market.

Shri Jogendra Behera of Indian Energy Exchange further submitted that the Government of India alluded to the imminent growth of short-term market in the draft National Electricity Policy document issued in 2021. Several measures have been taken to achieve such objectives and a key among them is the resolution on introduction of long duration contracts at the power exchanges. While hitherto, the short-term procurement beyond 11 days of contract could be done by the Discoms through the trader/DEEP only, he submitted that IEX is in the process of introducing longer duration contacts for delivery of power beyond 11 days at the exchange platform. These contracts will ensure delivery of non-conventional and conventional power beyond 11 days of trade for upto 1 year. As on date, the approval is pending before the CERC. In view of the above, he requested the Commission to consider and approve all the available options in the short-term market for optimising power purchase costs as well as to meet the deficit requirements of the Discoms.

2.6.2 *Petitioner's Reply*

The Petitioner with respect to fulfilment of the RPO submitted that the State has a peculiar demand supply position owing to large amount of hydro capacity in its power portfolio. Over the years, the quantum of non-solar RPO met has exceeded the annual targets and the same is apparent from the recommendation of the Commission for Non-Solar REC accreditation vide letter dated 10.09.2020.

The Petitioner also submitted that they have applied for the membership in IEX, where it will be eligible to trade directly on such platform and make use of such products/ services.

The Petitioner further submitted that it plans to procure power from firm sources (after evaluating best options), short term purchase and the remaining (if any) on day ahead basis through IEX purchase. Further, procurement of power from firm sources other than tied up sources would help UPCL realize optimum per unit power purchase cost (as fixed charges would be spread out over the maximum quantum of energy procured). The Petitioner further emphasized that the short-term power purchase cost is on a downward trend since FY 2019-20.

2.6.3 *Commission's Views*

The Commission appreciates the concern of the stakeholder and clarifies that the Petitioner is required to purchase power from all the sources available to it to meet the RPO in case of deficit. The Commission allows the cost of such purchases after carrying out the prudence check.

2.7 Capital Expenditure and Capitalization

2.7.1 *Stakeholder's Comments*

Shri Pankaj Gupta of Industries Association of Uttarakhand submitted that the issue of Electrical Inspector Certificate for Capitalization should be taken seriously by UPCL as it has substantial money involvement and safety requirement as well.

He further submitted that a trend could be seen where all the utilities are projecting very high cost in Capitalisation as that gives them better returns. He also submitted that the thrust of UPCL is to spend more so that they can earn better RoE at 15.75%, more depreciation and interest on normative loan is allowed on capitalization. He requested the Commission to examine whether such expenditure will result in benefit to consumers. He further submitted that if the additional

capitalization is without any appreciable benefit to consumers, then the same should not be approved. He further submitted that in its previous tariff orders for UPCL, the Commission had given very prudent orders regarding additional capitalisation and is sure that the methodology will be followed this year also.

2.7.2 *Petitioner's Reply*

The Petitioner submitted that it has provided the necessary information required by the Commission pertaining to the Electrical Inspector Certificates along with the clarification.

The Petitioner submitted that the accounts of the Company are audited by an Auditor appointed under Companies Act, 2013 and by the team of Comptroller and General of India every year. Therefore, there is no need for a separate examination in the matter. However, the actual capitalisation is claimed during the True up of particular year as per the Audited Annual Accounts. In addition to this, the Petitioner submitted that the capitalisation projected is legitimate, as the disallowance of the actual expenses would cause financial injury to the UPCL. The recovery of the other claims mentioned by UPCL in the Petition are in accordance with the Regulations and past directions of the Commission.

The Petitioner further submitted that Petitioner is projecting capital expenditure based on the requirement towards Loss Reduction, System Strengthening, Load Growth etc. Most of the schemes are centrally funded and hence, the impact on the consumers in ARR/ Tariff is very less (around 20-40% on an average depending upon the grants stipulated in the schemes). Further the Commission under true-up process undertakes prudence check and has been allowing capitalisation as per audited accounts and based on the Electrical Inspector certificates. The Petitioner submitted that all capital expenditure are incurred after due approval of competent authority of UPCL.

2.7.3 *Commission's Views*

The Commission has duly scrutinised the actual and proposed capitalisation for FY 2020-21, and that projected for the fourth control period in accordance with the provisions of UERC Tariff Regulations, 2018 and UERC Tariff Regulations, 2021 and the same has been discussed in Chapters 3 and 4 of the Order.

While carrying out any capital expenditure UPCL is required to take note of the

shortcomings pointed out by the stakeholder.

The Commission, in this regard, would like to clarify that the additional capitalization, both incurred and proposed by the Petitioner are examined separately in detail while carrying out the truing up of expenses and projecting tariff and only legitimate expenses are allowed in accordance with UERC Tariff Regulations as applicable from time to time.

2.8 O&M Expenses

2.8.1 *Stakeholder's Comments*

Shri Sunil Kumar Gupta of Teesri Aankh ka Tehalka submitted that in last 4 months O&M expenses have drastically increased.

2.8.2 *Petitioner's Reply*

The Petitioner submitted that the Operation and Maintenance Expenses for the True up year is based on the Actual Audited Accounts and for the FY 2022-23 to FY 2024-25, the operation and maintenance Expense is projected in line with the UERC MYT Tariff Regulation 2021.

2.8.3 *Commission's Views*

The issue of O&M expenses has been deliberated by the Commission in Chapters 4 and 5 of this Order and the Commission has approved the O&M expenses on normative basis in accordance with the provisions of UERC Tariff Regulations, 2021.

2.9 Interest on Loans

2.9.1 *Stakeholder's Comments*

Shri Pankaj Gupta of Industries Association of Uttarakhand and Shri Vikas Jindal of M/s Kumaun Garhwal Chamber of Commerce & Industry submitted that the Commission must relook into the rate of interest allowed as rate of interest is showing downward trend.

2.9.2 *Petitioner's Reply*

The Petitioner submitted the Interest on Loan has been considered at a weighted average rate of interest of 10.63%, similar to actuals of FY 2020-21 and in line with the existing arrangement of loans with REC and PFC and other financial institutions. These loans have been taken few years

back and not in recent past. Further the interest rates provided by banks/financial institutions depend on various other factors including credit score, credit history, loan size, loan type, length of term, payment frequency etc.

2.9.3 *Commission's Views*

The Commission while carrying out the truing up for FY 2020-21 as discussed in Chapter 4 of this Order has carried out detailed computation of the rate of interest before allowing interest on loan to the Petitioner.

2.10 Return on Equity

2.10.1 *Stakeholder's Comments*

Shri Vikas Jindal of M/s Kumaun Garhwal Chamber of Commerce & Industry and Shri Shakeel A. Siddiqui of Galwalia Ispat Udyog Private Limited submitted that the performance of UPCL has a significant impact on retail tariffs of consumers. Therefore, there is a need to link recovery of return on equity as performance of licensee based on indicators such as supply availability, network availability and aggregate technical and commercial loss reduction etc., rather than allowing on fixed percentage basis as in the previous Orders.

2.10.2 *Petitioner's Reply*

The Petitioner submitted that Return on Equity is computed as per Regulation 26(2) of UERC Tariff Regulations, 2021. Return on equity is to be calculated on post-tax basis at 16.50% as mentioned below:

> *"(1) Return on equity shall be computed on the equity base determined in accordance with Regulation 24.*
>
> *Provided that, Return on Equity shall be allowed on amount of allowed equity capital for the assets put to use at the commencement of each financial year.*
>
> *"(2) Return on equity shall be computed on at the base rate of 15.5% for thermal generating stations, transmission licensee, SLDC and run of the river hydro generating station and* ***at the base rate of 16.50% for the storage type hydro generating stations and run of river generating station with pondage and distribution licensee on a post-tax basis.****"*

Accordingly, UPCL has computed RoE at 16.50% on opening equity for FY 2020-21. The

opening equity for FY 2020-21 has been arrived based on the closing equity for FY 2019 20 as per the calculation of equity as shown in the true up for FY 2019-20. The addition in equity each year during FY 2020-21 and and the years of the 4th Control period (FY 2022-23 to FY 2024-25) is based on the proposed funding of capitalization as per the details provided in the MYT Petition. However, after considering the funding through Grant amount, the overall equity has been restricted to 30% of the balance amount.

Further, the matter of linking RoE with indicators such as supply availability, network availability and aggregate technical and commercial loss reduction is under the purview of the Commission, and it may decide on the matter accordingly.

2.10.3 *Commission's Views*

The Commission has allowed RoE to the Petitioner as per the provisions of UERC Tariff Regulations and have been discussed in detail in Chapter 4 and 5 of this Order.

2.11 Depreciation

2.11.1 *Stakeholder's Comments*

Shri Shakeel A. Siddiqui of Galwalia Ispat Udyog Private Limited submitted that the depreciation rate should be rationalized, and the period of depreciation should be extended. He further suggested that the tenure be extended to 15 years from 12 years. Further, Accumulated depreciation, over and above debt repayment, should be used to reduce the equity base for return on equity.

2.11.2 *Petitioner's Reply*

The Petitioner submitted that the depreciation has been computed in line with the UERC MYT Tariff Regulation 2021. Further, Petitioner submitted that now a days, general tenure of loan repayment is 10-12 years. Out of all the loan amounts, some have a moratorium period of 1-2 years. The repayment of loan is compensated through the depreciation accumulated at the end of the financial year. Considering the same, the repayment of loan shall be deemed to be equal to the depreciation allowed for that year. Hence, considering the repayment of loan, the period of depreciation is in line with the UERC MYT Tariff Regulation, 2021.

2.11.3 *Commission's Views*

The Commission has allowed Depreciation to the Petitioner as per the provisions of UERC Tariff Regulations and the same have been discussed in detail in Chapter 4 and 5 of this Order.

2.12 Department Employees and Pensioners

2.12.1 *Stakeholder's Comments*

Shri B.P Maithani of RTI club submitted that instead of giving reasonable rebate to employees of all the three Corporations in the consumption of electricity, UPCL has given blanket liberty to them to consume as much as they want and pay only fixed paltry sums as electricity charges. He further, submitted that UPCL is bestowing same benefits of concessional power to the employees of UJVNL also from whom it buys power foregoing even the normal admissible rebate available in power purchase agreements. He also submitted that in Uttarakhand, there are scores of offices of UPCL and its sister organizations all over the State where meters are installed but are not functioning and, therefore, no readings is available. This clearly shows that there is gross misuse or abuse of electricity by the employees and pensioners of power entities in Uttarakhand. Section 62(3) of the Electricity Act 2003 specifically prohibits any discrimination between departmental and other consumers in fixing tariff rates. The stakeholder submitted that the system of unlimited supply of electricity to the employees and pensioners in Uttarakhand in not only unreasonable but also illegal.

2.12.2 *Petitioner's Reply*

The Petitioner submitted that employees of UPCL are being given the facility of departmental electricity connection since U.P. State Electricity Board was in existence. Under this facility, a fixed lump-sum amount is charged from the employees according to their designation towards electricity charges for electricity supplied to them and, therefore, this electricity is not free. Erstwhile UPSEB was unbundled under the provisions of Uttar Pradesh Electricity Reforms Act, 1999 and Section 23(7) of the said Act provides "terms and conditions of service of the personnel shall not be less favourable to the terms and conditions which were applicable to them before the transfer". The same spirit has been echoed under first proviso of Section 133(2) of the Electricity Act, 2003. The benefits for employees/pensioners as provided in Section 12(b)(ii) of the Uttar Pradesh Reform Transfer Scheme, 2000 includes "concessional rate of electricity", which means concession in rate of electricity to the extent it is not inferior to what was existing before 14th January, 2000. The

rates and charges indicated above for this category are strictly in adherence of the above statutory provisions. As UPCL is the successor entity of UPPCL (formed as a result of unbundling of UPSEB), the above legal provisions are also applicable on it (UPCL).

Further, Petitioner clarified that in the previous Tariff Orders, the Commission has not been allowing the impact of concessional supply to departmental consumers including pensioners of UPCL, UJVN Ltd. and PTCUL and has been considering revenue corresponding to the ABR of domestic consumers. Hence, there is no burden on other consumers of the State.

2.12.3 *Commission's Views*

The Commission is of the view that the overall tariff increase is a function of projected Annual Revenue Requirement for the ensuing year (including impact of truing up of expenses and revenue for previous year) and projected revenue at existing tariffs. The Commission has carried out the detailed scrutiny of ARR for FY 2022-23 and truing up for FY 2020-21 in accordance with the provisions of the relevant Regulations as discussed in subsequent Chapters of this Order and as an outcome of scrutiny, the Commission has approved an average tariff increase of 2.68% as discussed in Chapter 6 of this Order. Moreover, the Commission in its previous Tariff Orders has not been allowing the cost of concessional supply provided by UPCL to its departmental employees and pensioners and UPCL has been asked to bear the same out of its own resources. This issue has again been dealt in detail in Chapter 4 of this Order.

2.13 Rebate on Online payment of Electricity Bills

2.13.1 *Stakeholder's Comments*

Shri R. K. Singh of Tata Motors Ltd. requested the Commission to allow UPCL to continue this initiative for FY 2022-23., which will help in achieving better collection efficiency, at the same time it would encourage its consumers for timely payment and, hence, avoid risk of bad debts for UPCL.

Shri Shakeel A. Siddiqui of Galwalia Ispat Udyog Private Limited submitted that direct transfers from SBI to SBI needs to be considered for rebate @ 1.25%, if made within 10 days from the date of issuance of bill.

2.13.2 *Petitioner's Reply*

The Petitioner submitted that as per the provision of the Tariff Order dated 26.04.2020, prompt payment rebate of 0.75% of the monthly bill is applicable in case of bank transfer. Accordingly, the rebate is being allowed by the UPCL.

2.13.3 *Commission's Views*

The Commission agrees with the suggestion of the stakeholder as bank transfer is also a mode of online payment. Accordingly, the Commission has allowed a rebate of 1.25% towards timely payment of bills through bank transfers also, i.e. through NEFT/RTGS/IMPS and necessary amendment to this effect has been made in the Rate Schedule.

2.14 Revenue Gap

2.14.1 *Stakeholder's Comments*

Shri R. K. Singh of Tata Motors Ltd. submitted that the estimated Revenue gap of UPCL for current FY 2021-22 was Rs. 10.67 Crore and for next FY 2022-23 as Rs. 447.56 Crore. The stakeholder submitted that the revenue gap seems irrational and also other costs of Rs. 1137.7 crore appears to be 29% higher than that in FY 2020-21. Hence, he requested the Commission to direct UPCL to revisit its revenue gap and come up with reasonable figures.

2.14.2 *Petitioner's Reply*

The Petitioner submitted that the Net ARR for FY 2022-23 worked out to Rs. 7,701.27 Crore and the projected revenue at the existing tariff has been computed as Rs. 7,432.10 Crore. The computed revenue gap for FY 2022-23 is Rs. 447.37 Crore, after adjusting for true-up gap / (surplus) of FY 2020-21 along with the carrying cost which is proposed to be met through tariff increase. The figures of FY 2020-21 may appear to be lower due to COVID pandemic in absolute terms, however, it needs to be compared with input energy of respective years and the per unit cost difference is 15%. Further, the Petitioner submitted that it has provided explanation and computation of each element for FY 2020-21 and FY 2022-23 in the MYT petition.

2.14.3 *Commission's Views*

The Commission is of the view that the overall tariff increase is a function of projected Annual Revenue Requirement for the ensuing year (including impact of truing up of expenses and

revenue for previous year) and projected revenue at existing tariffs. The Commission has carried out the detailed scrutiny of ARR for FY 2022-23 and truing up for FY 2020-21 in accordance with the provisions of the relevant Regulations as discussed in subsequent Chapters of this Order.

2.15 Collection Efficiency

2.15.1 *Stakeholder's Comments*

Shri Rajeev Gupta of M/s Kashi Vishwanath Steel Pvt. Ltd. submitted that the UPCL could not control its receivables. UPCL presented that its collection efficiency is about 96.5%. He further submitted that revenue collection trends affected the tariff revenue and imposed burden on regular payers of electricity bill. Therefore, he requested the Commission to give direction to UPCL to prepare and present a blue print for increasing division-wise collection efficiency in future.

Shri R. K. Singh of Tata Motors Ltd. and Shri Vikas Jindal of M/s Kumaun Garhwal Chamber of Commerce & Industry submitted that the UPCL's overall collection efficiency is improving because of Industrial consumers only as it is more than 100% in HT industry section whereas collection efficiency under RTS-3 category is only 53.06% & RTS-4 category it is 75.63%. Also, receivable amount in rupees for RTS-3 category is Rs. 559.97 Crore so if UPCL manages to receive this amount there shall not be any revenue gap & thus, consumer shall not bear the burden because of poor collection efficiency in these categories.

Shri Teeka Singh Saini of Bharatiya Kisan Union submitted that high pending arrears of UPCL should be strictly recovered.

2.15.2 *Petitioner's Reply*

The Petitioner submitted that the Commission vide its Tariff Order dated 18-04-2020 for FY 2020-21 approved the target of collection efficiency @ 99.10% and distribution losses @ 14.00%. With a view to achieve collection efficiency and billing efficiency as approved by the Commission, UPCL has fixed the month wise revenue collection targets of all the distribution divisions. The monitoring of these collection targets is being done at Corporate Office.

For recovery of outstanding arrears, the Petitioner submitted that the connections of defaulting consumers are being disconnected and notices under Section 3 & 5 of the Uttarakhand (U.P. Government Electricity undertakings (Dues Recovery) Act, 1958) Adaptation and

Modification order, 2002 are being issued regularly and the same shall be taken-up more promptly for ensuing early recovery of outstanding arrears.

Further, with a view to recovery of arrears and provide relief to the consumer due to lockdown imposed in the State, UPCL vide its Office Memorandum No. 534/UPCL/RM/K-3 dated 19-02-2021 has introduced Surcharge Waiver Scheme for the period from 19-02-2021 to 18-05-2021 for the consumers of domestic, non-domestic (upto 75 kW), PTW and LT Industry categories.

Further, the collection from PWW and Government Irrigation System is less than the assessment and, therefore, arrears have increased in these categories. In reference to this, the Petitioner submitted that it has been making constant efforts to reduce the arrears and improve the collection efficiency. UPCL is taking concerted efforts to reconcile such accounts and ensure higher recovery of the pending arrears. Further, Petitioner submitted that UPCL vide its letter number 4338/UPCL/RM/H6 dated 27.11.2021 requested GoU for adjustment of its receivables for the sale of power from the payables to the GoU and to provide grant in aid for balance amount of payables.

UPCL, further submitted that revenue gap computation is on accrual basis and not cash basis. However, the Petitioner is taking efforts to improve its cash position so as to reduce its working capital burden.

2.15.3 *Commission's Views*

The Commission has given due consideration to the issues raised by the stakeholders and the replies submitted by the Petitioner. The Petitioner should continue to take all possible steps to reduce the arrears, in order to improve its cashflows. However, it is clarified that collection of arrears will not result in tariff reduction, as the tariffs are determined on accrual basis and not on cash basis.

2.16 Metering and Billing Efficiency

2.16.1 *Stakeholder's Comments*

Shri Vijay Singh Verma submitted that the billing cycle for domestic consumers should be on a monthly basis so as to reduce the burden on domestic consumers. Further, delayed payment surcharge should be applied after 30 days from delivery of bills to the consumer. He also submitted that allowance should be made for those consumers who want to pay their bills in advance.

Shri Vijay Singh Verma submitted that the reading of PTW connection should be on a monthly basis, billing should be done after two months and surcharge for late payment should be applied after one year so as to diminish the cases of NA/NR/IDF. The stakeholder observed that reading within the month November to May is discarded by the licensee/authority.

Shri Mahendra Singh Negi, Shri S.K. Agrawal and Shri S.P. Chauhan submitted that UPCL should provide monthly bill to the consumers.

Shri Teeka Singh Saini of Bharatiya Kisan Union submitted that there have been cases of NA/NR/IDF which needs to be addressed as public private tube well consumers are facing lot of difficulties in getting these issues fixed.

2.16.2 *Petitioner's Reply*

The Petitioner submitted that vide its letter no. 1885/UPCL/RM/C-17, dated 14-07-2021 they had directed all the field officers to comply with this direction of the Commission, i.e. to restrict percentage of NA/NR cases to 2% latest by 30-09-2021. The quarter wise targets of NA/NR cases for FY 2021-22 are as follows:

Table 2.1: Quarter Wise Targets For FY 2021-22 of NA/NR cases

Particulars	At the end of Q-2	At the end of Q-3	At the end of Q-4
NA /NR cases	1.42%	1.34%	1.28%
IDF cases	1.80%	1.71%	1.62%

The Petitioner further submitted that status of NA/NR cases as on 8-11-2021 is 2.65% & 2.10%.

The Petitioner also submitted that the monthly billing of the domestic consumers with contracted load of 4 kW and above has been started from the month of October, 2019. Further UPCL is putting efforts to convert the billing of domestic consumers from bi-monthly basis to monthly basis.

The Petitioner with respect to PTW connections submitted that the Late payment surcharge is being charged in accordance with the appropriate Regulations of the Commission and the previous Orders of the Commission.

2.16.3 *Commission's Views*

The Commission has taken note of various suggestions received from the stakeholders regarding improvement in metering and billing **and is of the view that UPCL should consider the suggestions given by the stakeholders to improve its metering and billing system and also change the billing cycle of domestic consumers from bi-monthly to monthly.**

2.17 Open Access

2.17.1 *Stakeholder's Comments*

Shri Man Singh of M/s ALPS Industries Ltd and Shri Shakeel A. Siddiqui of Galwalia Ispat Udyog Private Limited submitted that high cross-subsidies have a detrimental impact and result in waste of economic resources and revenue loss for the State utilities and requested that Open Access needs to be made competitive in the State. They further submitted that the charges on the open access, especially the additional surcharge needs to be allowed cautiously and UPCL needs to find ways to sell its power providing incentives for more consumption of power and making it available on 24 hours basis. Further, Distribution losses needs to be removed or restricted to 5% in case of open access power being purchased. Also, Cross subsidy surcharge needs to be reduced to 0.40 per kVAh. Further, rebate/surcharge for availing supply of voltage higher/lower than base voltage should also be extended to open access power customers on 33 kV and 132 kV.

Shri Vikas Jindal of M/s Kumaun Garhwal Chamber of Commerce & Industry submitted that the open access charges reflects that the approach of UPCL is just to defeat the competition by increasing charges on open access. The stakeholder submitted that the proposed charges are against the spirit of National Tariff Policy as well as the Electricity Act 2003. UPCL in its current ARR has proposed increase in charges exorbitantly whether it is distribution loss, cross subsidy or additional surcharge which should not be entertained by the Commission. Further, UERC regulations specify that the consumer shall pay to the distribution licensee an additional surcharge on the charges of wheeling to meet out the fixed cost of such distribution licensee. However, the tariff order is contrary to the Regulations. Instead of wheeling charges the additional surcharge is being calculated on & charged per kWh basis.

Shri Rajeev Gupta of M/s Kashi Vishwanath Steel Pvt. Ltd. submitted that with reference to the provisions in the Tariff Policy, 2016, it is clear that the surcharge under the Electricity Act, 2003

is only for the purpose of meeting the fixed cost of the distribution licensee on account of its obligation to supply. The obligation to supply is provided under Section 43 of the Electricity Act, 2003. Accordingly, he requested the Commission that while determining the additional surcharge from time to time, to follow the methodology and principles as laid down under the Electricity Act, 2003 and the Tariff Policy. The Commission may consider the issue and approve retail tariff for FY 2022-23 by reducing per unit tariff for all types of consumers.

2.17.2 *Petitioner's Reply*

The Petitioner submitted that presently, the Open Access Consumers with the Petitioner are of embedded nature. These Open Access Consumers buy power from the Petitioner as well as through Open Access as per their financial suitability but the Petitioner is required to supply power to them as per their contracted capacity with the Petitioner, in case these Open Access Consumers do not go for Open Access and choose to buy power from the Petitioner. Accordingly, the Petitioner is required to have an arrangement of power sufficient to meet the requirement of these Open Access Consumers including the quantum, which they were buying earlier through Open Access.

Due to its obligation, UPCL has made arrangement to supply power to the consumers including Open Access Consumers, which they were buying earlier through Open Access. In case, any consumer goes for Open Access, the Power Purchase commitments of the Petitioner becomes stranded and, therefore, the Open Access Consumers are required to bear the fixed component of power purchase cost of the Petitioner. Also, High Voltage Rebate is admissible on the Energy Charges. As no energy charges is payable on the Open Access Energy, no question arises for allowing rebate on Open Access Energy.

The Petitioner submitted that at present, voltage-wise/category-wise losses are not available and, therefore, category wise Tariff has been calculated on the basis of average cost of supply and permissible level of cross subsidy. This is as per Regulation 91 of the UERC Tariff Regulations, 2018. In the absence of availability of voltage-wise losses, which is a mix of technical losses and commercial losses, the distribution losses are required to be charged on average basis from all the category of consumers as well as open access consumers. Further, the Petitioner has filed a separate Petition for determination of additional surcharge for the period from April 2022 to September 2022 as per the provisions of Uttarakhand Electricity Regulatory Commission (Terms and Conditions for Intra-State Open Access) Regulations, 2015 as applicable and as amended from time to time. UPCL

has given detailed computation in support of its claim for the determination of additional surcharge.

Also, the Petitioner has proposed Cross subsidy surcharge in line with the provisions of the UERC (Terms and Conditions of Intra State Open Access) Regulations, 2015 and its subsequent amendments. Cross subsidy surcharge is computed by reducing the average tariff from the tariff of the category. As such cross-subsidy surcharge for HT Industrial consumers and for non-Domestic consumers is proposed @ 0.55 Rs./kWh and 1.20 Rs./kWh respectively.

2.17.3 *Commission's Views*

Some of the stakeholders have raised the issues related to Open Access charges and the applicability, which are governed by Uttarakhand Electricity Regulatory Commission (Terms and Conditions of Intra State Open Access) Regulations, 2015 and its amendment thereof. The principles for calculating Transmission/rate charges, wheeling charges, cross-subsidy and additional surcharges and losses have already been specified in the Regulations and are, therefore, worked out on such specified principles.

2.18 Billable Demand & Fixed Charges

2.18.1 *Stakeholder's Comments*

Shri Vikas Jindal & Shri Ashok Bansal of M/s Kumaun Garhwal Chamber of Commerce & Industry submitted that in the existing tariff structure the demand charges are levied on actual maximum demand or 80% of contracted demand if the actual demand is less. He further submitted that the minimum billable demand should not be more than 75% of the contracted demand, as is prevalent in many other States including U.P. Ideally, demand charges should be levied on average maximum demand of whole month instead of peak demand recorded in a slot as at present.

Shri Mahendra Singh Negi and Shri Rajendra Kumar Chaudhary submitted that fixed charges should be abolished.

Shri S.K. Agrawal submitted that fixed charges are very high and needs to be reduced further.

Shri Ashok Bansal of M/s Kumaun Garhwal Chamber of Commerce & Industry and Shri Rajeev Gupta of M/s Kashi Vishwanath Steel Pvt. Ltd. submitted that UPCL has proposed various

demand charges for different voltage levels, which will increase the burden on industrial consumers.

Shri Ram Kumar Agarwal of Umashakti Steels Pvt. Ltd submitted that the proposed hike in demand charges should be avoided, rather minimum demand charges of 80% contracted load should be reduced to 75% of the contracted load.

Shri Man Singh of M/s ALPS Industries Ltd. and Shri Harindra K. Garg of SIDCUL Manufacturers Association of Uttarakhand submitted that in the current year UPCL has proposed increase of Rs. 35 in fixed charges (From Rs. 410 to Rs. 445) which should not be entertained. He requested the Commission not to increase the demand charges. The stakeholder further submitted that the calculation of billable demand is on 80% or above for sanctioned load and suggested that should be calculated on 70% or above on sanctioned load.

Shri Shakeel A. Siddiqui of Galwalia Ispat Udyog Private Limited submitted that fixed charges should not be increased and for calculation of billable demand for fixed charge, it should be on average basis of whole month instead of peak load of a particular slot of a month.

Shri Kartikey Tomar of M/s PSR Innovations submitted that small scale industries established in rural areas, whose power load requirement is up to or less than 500 kVA, should be given special concession in unit rates or Demand charges.

Shri Sanjay Kumar of M/s Ambashakti Glass Pvt. Ltd submitted that rate of Fixed Charges have been proposed to increase by 13.33% (from Rs. 300/kVA to Rs. 340/kVA) which is too high in the history of tariffs and all the other charges as known.

2.18.2 *Petitioner's Reply*

The Petitioner submitted that out of the entire ARR, all costs except variable power purchase cost from Thermal based power plants (Coal & Gas) are fixed in nature, i.e. Power purchase fixed charges, O&M expenses and Financial Costs would be incurred irrespective of sale of energy. The proportion of fixed and variable cost and revenue for the Petitioner is calculated for FY 2022-23 where the portion of fixed charge and variable charge in the total ARR is in the ratio of 77.50: 22.50, whereas the recovery of revenue from fixed charge and variable charge is in ratio of 15.43: 84.57. Hence, there is a scope for improving the recovery from fixed charge rather than increasing the variable charge. The Petitioner submitted that UPCL needs to be prepared with supply of power

based on the contracted demand, irrespective of the consumption. Hence, the obligation of payment of fixed charges for power purchase arises and ideally all such fixed costs need to be recovered from demand/ fixed charges of consumers, so that the Petitioner is able to manage its cash flow. It is because of such reason, reduction in fixed charges may be detrimental to the Petitioner and, hence, undesirable. Further, since the distribution network has to be laid down to meet the peak demand of the consumer, the demand charges are recovered to cover the system cost to meet the peak.

The Petitioner further submitted that the total cost of UPCL may be segregated into power purchase cost and other cost. While the majority of expenditure is of fixed nature, therefore this cost should be recovered through fixed/demand charges. For recovery of this fixed cost billable demand has been decided by the Commission as 80% of the Contracted Load or actual recorded demand during the month, whichever, is higher. Reduction in billable demand from 80% to 75% would reduce the recovery of fixed charges which should be avoided in a mandate of two-part tariff. Further, in case demand charges are reduced, the energy charges will have to be increased in order to have the composite tariff equivalent to the cost of supply plus required level of cross subsidy.

2.18.3 *Commission's Views*

The Commission would like to clarify that the fixed charges component in the ARR for FY 2022-23 is around 59%, which the Petitioner has to incur irrespective of the consumption. The Commission in Chapter 6 of this Order has discussed the same in detail while approving the Fixed/Demand Charges for each Consumer Category.

2.19 Continuous Supply Surcharge

2.19.1 *Stakeholder's Comments*

Shri Shakeel A. Siddiqui of Galwalia Ispat Udyog Private Limited, Shri Man Singh of M/s ALPS Industries Ltd. and Shri Harindra K. Garg of SIDCUL Manufacturers Association of Uttarakhand submitted that it is the responsibility of UPCL to supply 24 hours uninterrupted power supply, hence, 5% premium over the regular tariff charges should not be levied for continuous power supply. He further requested that the Commission may remove the continuous charge @ 5%, and if anyhow decides to continue such charges, then it should be further reduced to 2.5% of energy charges. Keeping balancing approach, UPCL need to compensate at the same rate to continuous power consumers if the electricity supply is withheld/breakdown because of DISCOM.

Shri Vijay Singh Verma submitted that power situation in Roorkee, Laksar and Landhora is still grim as transmission network at 220 kV/132 kV level is still over loaded. The Commission is requested to hold PTCUL / UPCL accountable for the remedial action taken till today, and if not, appropriate action should be taken by the Commission.

Shri Vikas Jindal of M/s Kumaun Garhwal Chamber of Commerce & Industry has submitted that in the last Tariff Order, the Commission provided for levy of 5% additional energy charges for continuous supply to those consumers who have opted to avail continuous supply during the year. The Commission had determined separate tariff, accordingly, for such HT industries. He further submitted that the Commission is enjoined to follow the Tariff Policy, which in Clause 8.2.1, squarely requires the Commission to determine the ARR of the UPCL in such a manner so as to ensure that the power is available for 24 hours. It cannot deny the Licensee its legitimate cost of power required to maintain supply for 24 hours. Neither can UPCL suppress its Aggregate Technical & Commercial (AT&C) losses by denying the consumers 24-hour supply. In the last Tariff Order, neither the Commission determined the ARR of UPCL for ensuring continuous supply nor did UPCL propose in its ARR the quantum of power purchase and the cost thereof required to ensure continuous supply to the opting industrial consumers. Similar is the position in the current ARR and Tariff Proposal of UPCL for FY 2022-23. The Commission in the last Tariff Orders had been determining the revenue requirement of UPCL by assuming that only some of the consumers would require continuous supply and, therefore, such consumers need to pay higher energy charges for continuous supply for the whole year. It is further submitted that "nature of supply" as defined above cannot be in the form of continuous or non-continuous supply. The Commission cannot differentiate between consumers by classifying them as continuous supply/non-continuous supply consumers and thereby charge differential tariff. It is against the spirit of Electricity Act, 2003 and may encourage the utility to resort to load shedding by restricting supply to a group of consumers although load shedding has not been done in the State in past few years and all industries are getting the same quality of supply. In view of the aforesaid situation, the Commission's order for levy of 5.0% additional charge for continuous supply needs to be reconsidered in accordance with the provisions of the Act and Tariff Policy. Further, with the existing provision in tariff, consumers opting for continuous supply are subjected to 5.0% additional energy charge round the year even though load shedding may be warranted for a few hours only in the year. Therefore, if at all such additional charge (continuous supply charge) is to be levied for

whole of the year, it should not be more than 2% on the energy charges of the opting consumers.

Shri Vikas Jindal of M/s Kumaun Garhwal Chamber of Commerce & Industry further submitted that as per the last Tariff Order, the industries opting for continuous supply have to pay continuous supply surcharge on energy charges. Continuous supply has neither been defined in the Tariff or Regulations nor any standards have been fixed for such supply. The tariff only provides that such industrial consumers who opt for continuous supply shall be exempted from load shedding during scheduled/ unscheduled power cuts and during restricted hours of the period of restriction on usage approved by the Commission except load shedding due to emergency breakdown and shutdown. The breakdowns and shutdowns take place in continuous supply feeders as in the general industrial feeders. Many of the industries have withdrawn their option on account of the above situation. The stakeholder submitted that there is an urgent need to define continuous Supply and fixation of performance standards for continuous supply with provision of compensation from UPCL for interruptions in supply to such industrial consumers.

2.19.2 *Petitioner's Reply*

The Petitioner submitted that as per Clause 8.2.1 (1) of the Tariff Policy, the consumers willing to avail continuous and quality power supply are required to pay a tariff, which reflects efficient costs. This is an additional charge (premium) payable by the consumer to have the facility of getting continuous supply of power. These consumers are exempted from load shedding during scheduled/unscheduled power cuts and during restricted hours of the period of restriction of usage approved by the Commission from time to time. The Petitioner also submitted that the load shedding has been drastically reduced (16.56 MU in FY 2020-21). However, load shedding required due to emergency break-down / shut-down is imposed on these consumers as and when the situation arises. For the purpose of ensuring continuous supply, UPCL is required to incur extra infrastructure cost as well as arrangement for additional energy, which is at a higher cost.

Further, on the demand of the consumers, the Commission has already reduced the Continuous Supply Surcharge from 15% to 10% vide its Tariff Order dated 21.03.2018 and from 10% to 7.5% vide its Tariff Order dated 18.04.2020. Further, the Commission in its order dated 26 April, 2020 has decided to reduce the continuous supply surcharge from 7.5% of energy charges to 5% of energy charges to provide relief to HT industries during this COVID period.

The Petitioner submitted that UPCL has taken appropriate actions such as system