The Commission approves the INR 3.12 crore and INR 0.01 crore Capitalisation in the True-up of FY 2017-18 and FY 2018-19 respectively.

3.10. Capital Structure

Petitioner's Submission

The Petitioner has submitted that all the capital assets have been created out of equity contribution from Andaman & Nicobar Administration.

Commission's analysis

The MYT Regulations 2014, specify that if the equity actually deployed is more than 30% of the capital cost, then equity in excess of 30% would be considered as the normative loan. Regulation 24 of the MYT Regulations, states the following:

(a) *The Distribution Licensee shall provide detailed loan-wise, project-wise and utilization-wise details of all of the pending loans*

(b) *If the equity actually deployed is more than 30% of the capital cost, equity in excess of 30% shall be treated as normative loan.*

Provided that where equity actually deployed is less than 30% of the capital cost, the actual loan shall be considered for determination of interest on loans.

The Commission sought details of assets created out of consumer contribution/ grants from the Petitioner, on which the Petitioner has responded that no assets have been created out of consumer contribution/ grants. Further, the Petitioner has submitted the Fixed Asset Register for the FY 2017-18, based on which the opening GFA has been submitted as INR 222.07 crore. The Commission sought the detailed reasons for the variation in the opening GFA for FY 2017-18 vis-à-vis the closing GFA for FY 2016-17 as approved by the Commission in the true-up order. The Petitioner submitted that the assets are being carried over in the accounting records historically for last over 40 years and no Fixed Asset Register was maintained by the Department. The department undertook the exercise to compile the Fixed Asset Register during the FY 2017-18. Accordingly, the details of the assets as available in the records of the Department were analysed and incorporated in the Fixed Asset Register, thus, restating the opening GFA as on 1.4.2017 on account of inclusion of several assets which were historically not incorporated in the books of accounts. The revised GFA along with the Annual Accounts for the FY 2017-18 was accordingly audited by AG.

The Commission has considered the Petitioner's Submission and accordingly, has considered the opening GFA as INR 222.07 crore for the FY 2017-18. Further, the difference between the closing GFA for FY 2016-17 as approved by the Commission and the opening GFA for FY 2017-18 as per FAR has been added to the opening loan balances and opening equity for FY 2017-18 in the normative Debt:Equity ratio of 70:30.

In accordance with the MYT Regulations, 2014, and the submissions made by the Petitioner, the Commission has determined the Capital Structure for FY 2017-18 as follows:

Table 24: GFA addition approved by Commission for FY 2017-18 (INR Crore)

S. No	Particulars	Approved in MYT Order	Petitioner's Submission	Trued-up by Commission
1	Opening Gross Fixed Assets	204.53	222.07	222.07
2	Addition During the FY	21.58	3.12	3.12
3	Adjustment/Retirement During the FY	-	0.00	0.00
4	Closing Gross Fixed Assets	226.11	225.19	225.19

Table 25: GFA addition approved by Commission for FY 2018-19 (INR Crore)

S. No	Particulars	Approved in MYT Order	Petitioner's Submission	Trued-up by Commission
1	Opening Gross Fixed Assets	226.11	225.19	225.19
2	Addition During the FY	18.70	0.01	0.01
3	Adjustment/Retirement During the FY	-	0.00	0.00
4	Closing Gross Fixed Assets	244.81	225.20	225.20

Table 26: Normative Loan addition approved by Commission for FY 2017-18 (INR Crore)

S. No	Particulars	Approved in MYT Order	Petitioner's Submission	Trued-up by Commission
1	Opening Normative Loan	131.65	72.12	70.48
2	Add: Normative Loan During the year	15.11	2.18	2.18
3	Less: Normative Repayment equivalent to Depreciation	10.75	5.90	9.01*
4	Closing Normative Loan	136.00	68.40	63.65

Depreciation has been calculated in the next section

Table 27: Normative Loan addition approved by Commission for FY 2018-19 (INR Crore)

S. No	Particulars	Approved in MYT Order	Petitioner's Submission	Trued-up by Commission
1	Opening Normative Loan	136.00	68.40	63.65
2	Add: Normative Loan During the year	13.09	0.00	0.00
3	Less: Normative Repayment equivalent to Depreciation	11.73	5.99	9.09*
4	Closing Normative Loan	137.37	62.42	54.56

Depreciation has been calculated in the next section

Table 28: Normative Equity addition approved by Commission for FY 2017-18 (INR Crore)

S. No	Particulars	Approved in MYT Order	Petitioner's Submission	Trued-up by Commission
1	Opening Equity	61.36	66.62	66.62
2	Additions on account of new capitalisation	6.47	0.94	0.94
3	Closing Equity	67.83	67.56	67.56

Table 29: Normative Equity addition approved by Commission for FY 2018-19 (INR Crore)

S. No	Particulars	Approved in MYT Order	Petitioner's Submission	Trued-up by Commission
1	Opening Equity	67.83	67.56	67.56
2	Additions on account of new capitalisation	5.61	0.00	0.00
3	Closing Equity	73.44	67.56	67.56

3.11. Depreciation

Petitioner's submission

The Petitioner has submitted the actual depreciation of assets as per the audited annual accounts of FY 2017-18 and FY 2018-19.

The depreciation as claimed by the Petitioner has been tabulated below:

Table 30: Depreciation submitted by Petitioner (INR Crore)

S. No	Particulars	Petitioner's Submission	
		FY 2017-18	FY 2018-19
1	Opening Gross Fixed Assets	222.07	225.19
2	Addition During the FY	3.12	0.01
3	Adjustment/Retirement During the FY	0.00	0.00
4	Closing Gross Fixed Assets	225.19	225.20
5	Average Gross Fixed Assets	223.63	225.19
6	Weighted Average Depreciation rate (%)	2.64%	2.66%
	Depreciation	**5.90**	**5.99**

Commission's analysis

Regulation 23 of the MYT Regulations 2014, states the following:

(a) *Depreciation shall be calculated for each year of the control period on the original cost of the fixed assets of the corresponding year.*
(b) *Depreciation shall not be allowed on assets funded by capital subsidies, consumer contributions or grants.*
(c) *Depreciation shall be calculated annually as per straight-line method over the useful life of the asset at the rate of depreciation. The same shall be as specified in the Central Electricity Regulatory Commission (Terms & Conditions of Tariff) Regulations, 2014. (The same may vary as notified by CERC from time to time.)*
(d) *The residual value of assets shall be considered as 10% and depreciation shall be allowed to a maximum of 90% of the original cost of the asset.*
Provided that Land shall not be treated as a depreciable asset and its cost shall be excluded while computing 90% of the original cost of the asset.
(e) *Depreciation shall be charged from the first year of operation of the asset.*
Provided that in case the operation of the asset is for a part of the year, depreciation shall be charged on proportionate basis.
(f) *A provision of replacement of assets shall be made in the capital investment plan."*

As per the norms specified in the MYT Regulations, 2014 the Commission has verified the asset wise capitalisation of the Petitioner and has accordingly derived the weighted average rate of depreciation based on the asset wise depreciation rate prescribed in the CERC Tariff Regulations, 2014, provided in the table below:

Table 31: Depreciation Rate (%)

Description	Rate
Plant & Machinery	5.28%
Buildings	3.34%
Vehicles	9.50%
Furniture & Fixtures	6.33%
Computers & Others	15.00%
Land	0.00%

The Petitioner as part of this Petition has submitted the Fixed Asset Register (FAR) for FY 2017-18 and FY 2018-19 which specifies the value of assets that have achieved 90% depreciation as of FY 2017-18 and FY 2018-19 respectively. As the MYT Regulations, 2014 stipulates that the depreciation shall be allowed to a maximum of 90% of the original cost of the asset, therefore the total value of assets depreciated upto 90% as reflected in the FAR of FY 2017-18 and FY 2018-19 respectively has been deducted from the opening GFA as approved in the previous section.

The revised GFA has then been considered and the depreciation on average Gross Fixed Assets (GFA) has been determined. The net addition during the year has been calculated after deducting the value of retired assets.

The following table provides the calculation of revised GFA for the year FY 2017-18 and FY 2018-19:

Table 32: Calculation of revised GFA and depreciation for FY 2017-18 (INR Crore)

Description	Opening GFA as per audited accounts	Less: Assets depreciated upto 90% till FY 2017-18	Revised Opening GFA	Addition/ Deletion during the year	Closing GFA	Depreciation Rate	Depreciation
Plant & Machinery	163.19	19.43	143.76	3.11	146.88	5.28%	7.67
Building & Civil Engineering Works	35.82	0.02	35.80	0.00	35.80	3.34%	1.20
Furniture & Fixtures & Office Equipments	17.01	15.83	1.18	0.01	1.19	6.33%	0.07
Land	0.86	0.00	0.86		0.86	0.00%	0.00
Vehicles	5.18	4.48	0.71	0.00	0.71	9.50%	0.07
Total	**222.07**	**39.76**	**182.31**	**3.12**	**185.43**		**9.01**

Table 33: Calculation of revised GFA and depreciation for FY 2018-19 (INR Crore)

Description	Opening GFA as per audited accounts	Less: Assets depreciated upto 90% till FY 2018-19	Revised Opening GFA	Addition/ Deletion during the year	Closing GFA	Depreciation Rate	Depreciation
Plant & Machinery	166.31	19.43	146.88	0.00	146.88	5.28%	7.76
Building & Civil Engineering Works	35.82	0.02	35.80	0.00	35.80	3.34%	1.20
Furniture & Fixtures & Office Equipments	17.02	15.83	1.19	0.00	1.19	6.33%	0.08
Land	0.86	0.00	0.86		0.86	0.00%	0.00
Vehicles	5.18	4.48	0.71	0.00	0.71	9.50%	0.07
Total	**225.19**	**39.76**	**185.43**	**0.00**	**185.44**		**9.09**

The Commission approves depreciation of INR 9.01 Crore and INR 9.09 Crore in the true-up of FY 2017-18 and FY 2018-19 respectively.

3.12. Interest and Finance Charges

Petitioner's submission

The Petitioner has submitted that the Fixed Asset Register up-to FY 2017-18 has been finalised and the GFA figures have been considered as per the annual audited accounts. The Hon'ble Commission has considered the closing loan balance of INR 6.60 crore in the true-up of FY 2016-17 corresponding to the GFA of INR 130.81 crore. Since there is a difference between the opening GFA as per the Fixed asset register and the Commission approved figures in the true-up order of FY 2016-17, the Petitioner has requested to revise the opening loan balance as per the FAR for FY 2017-18. Further, the rate of interest has been considered as the State Bank of India Prime Lending Rate (SBI PLR) as on 1st April of the relevant year.

Commission's analysis

The MYT Regulations, 2014 stipulate that the rate of interest to be considered while determining the ARR shall be the weighted average interest rate of the actual loan portfolio. Regulation 24 of the MYT Regulations, 2014 states the following:

(a) *The Distribution Licensee shall provide detailed loan-wise, project-wise and utilization-wise details of all of the pending loans* *(b) If the equity actually deployed is more than 30% of the capital cost, equity in excess of 30% shall be treated as normative loan.*

Provided that where equity actually deployed is less than 30% of the capital cost, the actual loan shall be considered for determination of interest on loans.

(c) Actual loan or normative loan, if any, shall be referred as gross normative loan in this Regulation.

(d) The normative loan outstanding as of 1st April of control period shall be computed by deducting the cumulative repayment as approved by the Commission (basis as mentioned below) up to 31st March of current period (a year before control period) from the gross normative loan.

(e) The repayment for the control period shall be deemed to be equal to the depreciation allowed for the year.

(f) Notwithstanding any moratorium period availed by the Distribution Licensee, the repayment of the loan shall be considered from the first year of the control period as per annual depreciation allowed.

(g) The rate of interest shall be the weighted average rate of interest calculated on the basis of actual loan portfolio at the beginning of each year of the control period, in accordance with terms and conditions of relevant loan agreements, or bonds or non-convertible debentures.

Provided that if no actual loan is outstanding but normative loan is still outstanding, the last available weighted average rate of interest shall be applicable.

Provided further that the interest on loan shall be calculated on the normative average loan of the year by applying the weighted average rate of interest.

Provided also that exception shall be made for the existing loans which may have different terms as per the agreements already executed if the Commission is satisfied that the loan has been contracted for and applied to identifiable and approved projects.

(h) The Distribution Licensee shall make every effort to refinance the loan as long as it results in net benefit to the consumers.

Provided that the cost associated with such refinancing shall be eligible to be passed through in tariffs and the benefit on account of refinancing of loan and interest on loan shall be shared in the ratio of 50:50 between the Distribution Licensee and the consumers.

Provided further that the Distribution Licensee shall submit the calculation of such benefit to the Commission for its approval. •

(i) (The Distribution Licensee shall enable tracking of the loans converted into grants under schemes, like APDRP by providing information and data regularly to the Commission and for ensuring that the interest on these loans which has been passed on to the consumers inappropriately in the earlier years shall be recovered from the Distribution Licensee."

As per the MYT Regulations 2014, if the equity actually deployed is more than 30% of the capital cost, then equity in excess of 30% would be considered as normative loan. Further, the Commission has considered the actual capitalisation of assets as approved in the foregoing paragraphs. The Commission for the purpose of funding of the capitalisation has considered the normative debt-equity ratio of 70:30. Repayment has been considered equivalent to depreciation allowed during the year.

The Commission has decided to revise the opening GFA for the FY 2017-18 in line with the fixed asset register and accordingly, has revised the opening loan balance to the extent of 70% of the difference between the closing GFA for FY 2016-17 as approved by the Commission and the opening GFA for FY 2017-18.

The Commission for the purpose of calculation of Interest on Loan has considered interest rate equivalent to SBI PLR @ 13.85% as on 1st April 2017 and @13.45% as on 1st April 2018 for FY 2017-18 and FY 2018-19 respectively. Further, in accordance with the MYT Regulations, 2014, the interest has been calculated on the average loan during the year. The addition of loan has been considered as explained above and the repayment is considered same as per accrued depreciation during the year.

The following table provides the Interest and Finance charges as approved by the Commission:

Table 34: Interest and Finance charges approved by Commission for FY 2017-18 (INR Crore)

S. No	Particulars	Approved in MYT Order	Petitioner's Submission	Trued-up by Commission
1	Opening Normative Loan	131.65	72.12	70.48
2	Add: Normative Loan During the year	15.11	2.18	2.18
3	Less: Normative Repayment= Depreciation	10.75	5.90	9.01
4	Closing Normative Loan	136.00	68.40	63.65
5	Average Normative Loan	133.83	70.26	67.07
6	Rate of Interest (%)	14.05%	13.85%	13.85%
7	**Interest on Loan**	**18.80**	**9.73**	**9.29**

Table 35: Interest and Finance charges approved by Commission for FY 2018-19 (INR Crore)

S. No	Particulars	Approved in MYT Order	Petitioner's Submission	Trued-up by Commission
1	Opening Normative Loan	136.00	68.40	63.65
2	Add: Normative Loan During the year	13.09	0.00	0.00
3	Less: Normative Repayment= Depreciation	11.73	5.99	9.09
4	Closing Normative Loan	137.37	62.42	54.56
5	Average Normative Loan	136.68	65.41	59.11
6	Rate of Interest (%)	14.05%	13.45%	13.45%
7	**Interest on Loan**	**19.20**	**8.80**	**7.95**

The Commission approves the Interest and Finance Charges of INR 9.29 Crore and INR 7.95 Crore in the True-up of the FY 2017-18 and FY 2018-19 respectively.

3.13. *Return on Equity (RoE)*

Petitioner's submission

RoE is calculated in accordance with the MYT Regulations 2014 on 30% of the capital base. Equity to the tune of 30% has been considered based on the assets capitalized during the year. Accordingly, the Return on Equity has been computed at 16% on post-tax basis.

Commission's analysis

According to the Regulation 27 of the MYT Regulations, 2014,

(a) *the Return on equity shall be computed on 30% of the capital base or actual equity, whichever is lower: Provided that assets funded by consumer contribution, capital subsidies/grants and corresponding depreciation shall not form part of the capital base. Actual equity infused in the Distribution Licensee as per book value shall be considered as perpetual and shall be used for computation in this Regulation.*

(b) *The return on the equity invested in working capital shall be allowed from the date of start of commercial operation.*

(c) *16% post-tax return on equity shall be considered irrespective of whether the Distribution Licensee has claimed return on equity in the ARR petition"*

As mentioned above, the total asset capitalisation other than the Central Government schemes during the year has been funded by equity. The Commission for the purpose of equity addition during the year, has limited it to

30% of total capitalisation as prescribed in the MYT Regulations, 2014. The RoE has been calculated on the average of opening and closing of equity during the year @ 16% post-tax basis with opening equity considered at 30% of the opening GFA for FY 2017-18 as per FAR as the assets are completely funded by the equity contribution from Andaman & Nicobar Administration. The following table provides the RoE approved by the Commission now:

Table 36: RoE approved by Commission for FY 2017-18 (INR Crore)

S. No	Particulars	Approved in MYT Order	Petitioner's Submission	Trued-up by Commission
1	Opening Equity	61.36	66.62	66.62
2	Additions on account of new capitalisation	6.47	0.94	0.94
3	Closing Equity	67.83	67.56	67.56
4	Average Equity	64.60	67.09	67.09
5	Return on Equity (%)	16.00%	16.00%	16.00%
	Return on Equity	**10.34**	**10.73**	**10.73**

Table 37: RoE approved by Commission for FY 2018-19 (INR Crore)

S. No	Particulars	Approved in MYT Order	Petitioner's Submission	Trued-up by Commission
1	Opening Equity	67.83	67.56	67.56
2	Additions on account of new capitalisation	5.61	0.00	0.00
3	Closing Equity	73.44	67.56	67.56
4	Average Equity	70.64	67.56	67.56
5	Return on Equity (%)	16.00%	16.00%	16.00%
	Return on Equity	**11.30**	**10.81**	**10.81**

The Commission approves a Return on Equity of INR 10.73 Crore and INR 10.81 Crore in the True-up of FY 2017-18 and FY 2018-19 respectively.

3.14. Interest on Security Deposits

Petitioner's submission

The Petitioner has submitted that it does not collect security deposit from consumers in cash. The consumers are required to create a Term Deposit in scheduled bank equivalent to the security amount and a lien is created in favour of the EDA&N towards security deposit. Hence, Interest on Security deposits is not payable to the consumers. Therefore, EDA&N has not claimed Interest on Security deposit in the ARR.

Commission's analysis

As per Regulation 6.10 (8) of the JERC Electricity Supply Code Regulations, 2010

"The distribution licensee shall pay interest, at the bank rate notified by the Reserve Bank of India from time to time on such security deposits taken from the consumer. In this regard it shall be the responsibility of the licensee to keep a watch on the bank rate from time to time. The interest amount of previous financial year shall be adjusted in the energy bill issued in May / June of each financial year depending on billing cycle."

The security deposit of Rs 2.46 crore is available to the Petitioner as per the audited balance sheet. As per Section 47 (5) of the Electricity Act, 2003, the Petitioner has to pay the interest on the security deposits available with it and same shall be claimed in the ARR filed by the Petitioner. The Petitioner shall maintain the registers of security deposits collected from the consumers every year and pay the interest as per the bank rate of interest.

As the Petitioner has not paid any interest on consumer security deposit for FY 2017-18 and FY 2018-19, therefore, the Commission has not approved any interest on security deposits of the consumers in the True-up of FY 2017-18 and FY 2018-19 respectively.

3.15. Interest on Working Capital

Petitioner's submission

Interest on working capital has been calculated based on the normative principles outlined in the JERC (Multi-Year Distribution Tariff) Regulations, 2014.

The Working Capital requirement for the Control Period has been computed considering the following parameters:

(a) Receivables of two months of billing

(b) Less power purchase cost of one month

(c) Less consumer security deposit but excluding Bank Guarantee/Fixed Deposit

(d) Inventory for two months based on the annual requirement for the previous year

The Petitioner has claimed the Interest on Working Capital as INR 3.82 Crore and INR 3.14 Crore for FY 2017-18 and FY 2018-19 respectively.

Commission's analysis

The computation of the working capital requirements and the rate of interest to be considered as stipulated in the MYT Regulations. Regulation 25 of the MYT Regulations, 2104 states the following:

"Working capital for retail supply activity of the licensee shall consist of:
(i) Receivables of two months of billing
(ii) Less power purchase cost of one month
(iii) Less consumer security deposit but excluding Bank Guarantee/Fixed Deposit Receipt
(iv) Inventory for two months based on annual requirement for previous year.

The rate of interest on working capital shall be equal to the base rate for the State Bank of India on the 1st April of the relevant financial year. The interest on working capital shall be payable on normative basis notwithstanding that the licensee has not taken working capital loan from any outside agency or has exceeded the working capital loan worked out on the normative figures.

The Commission for determination of Working Capital requirements of the Petitioner during the year has considered the receivables as proportionate for 2 months of revenue billed, the net power purchase cost after adjusting the rebate in power purchase bills, the consumer security deposit and the inventory for two months as per the audited annual accounts respectively for FY 2017-18 and FY 2018-19.

With regards to the interest rate, the Commission has considered the SBI Base rate as on 1st April for the relevant year as stipulated in the MYT Regulations, 2014. Accordingly, the Interest on Working Capital has been calculated, as shown in the table below:

Table 38: Interest on Working Capital approved by Commission for FY 2017-18 (INR Crore)

S. No	Particulars	Approved in MYT Order	Petitioner's Submission	Now Approved by Commission
1	Receivables of two months of billing	81.66	23.78	23.78

S. No	Particulars	Approved in MYT Order	Petitioner's Submission	Now Approved by Commission
2	Less: Power Purchase Cost for one month	29.09	17.73	38.45
3	Less: Security Deposit excluding BG/FDR	0.00	0.00	0.00
4	Add: Inventory Based on Annual Requirement for Previous FY for 2 months	0.00	35.96	35.96
5	Total Working Capital Requirement	52.57	42.01	21.28
6	Rate of Interest (%)	9.30%	9.10%	9.10%
	Interest on Working Capital	**4.89**	**3.82**	**1.94**

Table 39: Interest on Working Capital approved by Commission for FY 2018-19 (INR Crore)

S. No	Particulars	Approved in MYT Order	Petitioner's Submission	Now Approved by Commission
1	Receivables of two months of billing	83.71	25.62	25.62
2	Less: Power Purchase Cost for one month	29.97	30.96	46.41
3	Less: Security Deposit excluding BG/FDR	0.00	0.00	0.00
4	Add: Inventory Based on Annual Requirement for Previous FY for 2 months	0.00	41.45	41.45
5	Total Working Capital Requirement	53.74	36.11	20.66
6	Rate of Interest (%)	9.30%	8.70%	8.70%
	Interest on Working Capital	**5.00**	**3.14**	**1.80**

The Commission approves the Interest on Working Capital as INR 1.94 crore and INR 1.80 crore in the True- up of FY 2017-18 and FY 2018-19 respectively.

3.16. Provision for Bad & Doubtful Debts

Petitioner's submission

The Petitioner hasn't claimed any amount towards bad and doubtful debts for the years.

Commission's analysis

As per Regulation 32 of the MYT Regulations, 2014:

"Bad and Doubtful Debts shall be limited to 1% of receivables in the true up, subject to the condition that amount of bad and doubtful debts have actually been written off in the licensee books of accounts."

It is observed that as per the audited accounts, the licensee has not written off any amount in the FY 2017-18 and FY 2018-19. Therefore, the Commission does not approve any amount under the provision for bad and doubtful debts in the True-up of FY 2017-18 and FY 2018-19 respectively.

3.17. Non-Tariff Income (NTI)

Petitioner's submission

The Petitioner has claimed a Non-Tariff Income (NTI) of INR 2.32 crore and INR 3.70 crore as against the approved value of INR 2.67 crore and INR 2.73 crore in the MYT order for FY 2017-18 and FY 2018-19 respectively.

Commission's analysis

The Commission has verified the submission of the Petitioner from the audited accounts and found the same to be correct. The NTI approved in the tariff Order, the Petitioner's submission and now trued-up by the Commission is shown in the following table:

Table 40: Non- Tariff Income approved by Commission (INR Crore)

S. No	Particulars	Approved in MYT Order	Petitioner's Submission	Trued-up by Commission
1	Non-Tariff Income for FY 2017-18	2.67	2.32	2.32
2	Non-Tariff Income for FY 2018-19	2.73	3.70	3.70

The Commission approves Non-Tariff Income of INR 2.32 crore and INR 3.70 crore in the True-up of FY 2017-18 and FY 2018-19 respectively.

3.18. Incentive/Disincentive towards over/under-achievement of norms of distribution losses

Petitioner's submission

No submission has been made in this regard.

Commission's analysis

In the MYT Order, the Commission had approved the distribution loss level of 15.34% and 13.59% for FY 2017-18 and FY 2018-19 respectively. As discussed earlier, the Petitioner has only been able to achieve an Intra-State T&D Loss of 20.17% and 23.33% for FY 2017-18 and FY 2018-19 respectively. Thus, there is an underachievement of the loss target. The Commission, in accordance with Regulations 10 & 11 of the MYT Regulations, 2014 (reproduced below) therefore has determined the disincentive towards underachievement of the target of Intra-State distribution loss for FY 2017-18 and FY 2018-19.

"10. Mechanism for Sharing of Gains with Respect to Norms and Targets Mechanism for pass through of gains or losses:

10.1 The licensee shall pass on to the consumers, the 70% of the gain arising from over achievement of the norms laid down by the Commission in these Regulations or targets set by the Commission from time to time and retaining balance 30% with themselves.

10.2 The approved aggregate gain or loss to the Distribution Licensee on account of uncontrollable factors shall be passed through, as an adjustment in the tariff of the Distribution Licensee, as specified in these Regulations and as may be determined in the Order of the Commission passed under these Regulations.

10.3 The Distribution Licensee shall submit such details of the variation between expenses incurred and revenue earned and the figures approved by the Commission, in the prescribed format to the Commission, along with the detailed computations and supporting documents as may be required for verification by the Commission.

10.4 Nothing contained in this Regulation 10 shall apply in respect of any gain or loss arising out of variations in the price of fuel and power purchase, which shall be dealt with as specified by the Commission from time to time.

11. Mechanism for Sharing of Losses with Respect to Norms and Targets

(1) the licensee shall bear the entire loss on account of its failure to achieve the norms laid down by the Commission or targets set by the Commission from time to time."

The disincentive has been derived by calculating the additional cost of power procured due to under achievement of the stipulated Intra-State T&D loss target by the Petitioner, at the Average Power Purchase cost (APPC). The APPC has been derived at State/UT Periphery based on the Power Purchase cost approved in the True-up above and the Energy at State/UT Periphery computed after grossing up the retail energy sales with the approved Intra-State T&D Loss.

The assessment of disincentive for higher Intra-State T&D Loss is shown in the following table:

Table 41: Disincentive towards underachievement of Intra-State distribution loss for FY 2017-18 (INR Crore)

S. No	Particulars	As per Approved Intra-State T&D Loss	Trued-up by Commission
1	Retail Sales	242.37	242.37
2	T&D Loss (%)	15.34%	20.17%
3	Power Purchase at State/UT Periphery	286.29	303.60
4	Gain/(Loss) (MU)		-17.31
5	Average Power Purchase Cost (APPC)		15.20
6	Gain/ (Loss) (INR Crore)		-26.31
	Sharing (30% to EDA&N in case of gain and 100% in case of loss) (INR Crore)		**-26.31**

Table 42: Disincentive towards underachievement of Intra-State distribution loss for FY 2018-19 (INR Crore)

S. No	Particulars	As per Approved Intra-State T&D Loss	Trued-up by Commission
1	Retail Sales	254.38	254.38
2	T&D Loss (%)	13.59%	23.33%
3	Power Purchase at State/UT Periphery	294.39	331.77
4	Gain/(Loss) (MU)		-37.39
5	Average Power Purchase Cost (APPC)		16.79
6	Gain/ (Loss) (INR Crore)		-62.76
	Sharing (30% to EDA&N in case of gain and 100% in case of loss) (INR Crore)		**-62.76**

The Commission approves INR 26.31 Crore and INR 62.76 Crore as disincentive for under-achieving the Intra-State distribution loss target for FY 2017-18 and FY 2018-19 respectively.

3.19. Aggregate Revenue Requirement (ARR)

Petitioner's submission

Based on the expenses as detailed above, the net aggregate revenue requirement of INR 664.34 Crore and INR 766.79 Crore is submitted for approval in the True-up of FY 2017-18 and FY 2018-19 respectively.

Commission's analysis

The Commission on the basis of the detailed analysis of the cost parameters of the ARR has considered and approved the revenue requirement in the True-up of FY 2017-18 and FY 2018-19 as given in the following table:

Table 43: Aggregate Revenue Requirement approved by Commission for FY 2017-18 (INR Crore)

S. No	Particulars	Approved in MYT Order	Petitioner's Submission	Trued-up by Commission
1	Power Purchase Cost	216.72	212.74	212.74
2	Fuel Cost	132.35	248.72	248.72
3	Employee Expenses	55.61	125.09	125.09
4	Administration & General Expenses (A&G)	1.83	16.63	16.63
5	Repair & Maintenance Expenses (R&M)	41.31	33.29	33.29
6	Depreciation	10.75	5.90	9.01
7	Interest and Finance charges	18.80	9.73	9.29
8	Interest on Working Capital	4.89	3.82	1.94
9	Interest on Security Deposit	0.00	0.00	0.00
10	Return on Equity	10.34	10.73	10.73
11	Incentive/ (Disincentive)on achievement of norms	-	0.00	(26.31)
12	**Total Revenue Requirement**	**492.60**	**666.66**	**641.13**
13	Less: Non-Tariff Income	2.67	2.32	2.32
14	**Net Revenue Requirement**	**489.93**	**664.34**	**638.81**

Table 44: Aggregate Revenue Requirement approved by Commission for FY 2018-19 (INR Crore)

S. No	Particulars	Approved in MYT Order	Petitioner's Submission	Trued-up by Commission
1	Power Purchase Cost	216.72	371.51	371.51
2	Fuel Cost	142.87	185.43	185.43
3	Employee Expenses	54.94	127.41	127.41
4	Administration & General Expenses (A&G)	1.91	15.93	15.93
5	Repair & Maintenance Expenses (R&M)	41.31	41.47	41.47
6	Depreciation	11.73	5.99	9.09
7	Interest and Finance charges	19.20	8.80	7.95
8	Interest on Working Capital	5.00	3.14	1.80
9	Interest on Security Deposit	0.00	0.00	0.00
10	Return on Equity	11.30	10.81	10.81
11	Incentive/ (Disincentive)on achievement of norms	-	0.00	(62.76)
12	**Total Revenue Requirement**	**504.98**	**770.49**	**708.64**
13	Less: Non-Tariff Income	2.73	3.70	3.70
14	**Net Revenue Requirement**	**502.25**	**766.79**	**704.94**

The Commission approves net Aggregate Revenue Requirement of INR 638.81 Crore and INR 704.94 Crore in the True-up of the FY 2017-18 and FY 2018-19 respectively.

3.20. Revenue at existing Retail Tariff

Petitioner's submission

The Petitioner has submitted the net actual revenue of INR 142.65 Crore and INR 153.74 Crore for the true-up of FY 2017-18 and FY 2018-19 respectively.

Commission's analysis