



TRUING UP (FY23) & ISSUES RELATED TO TRUING UP (FY21, FY22)

NOVEMBER-2023

TP **SOUTHERN** ODISHA DISTRIBUTION LIMITED
(A Joint Venture of Tata Power and Government of Odisha)
Regd./Corp Office: Kamapalli, Courtpetta, Berhampur, Ganjam, Odisha – 760 004



November 29, 2023

File No TPSODL/Regulatory /2023/92/10168

Secretary
Odisha Electricity Regulatory Commission
Bidyut Niyamak Bhawan
Plot No 4, Chunokoli
Shailashree Vihar
Bhubaneswar 751021

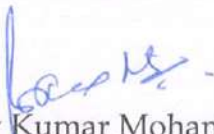
Dear Sir

Sub: Application for a) Truing up of FY 2022-23 and b) Issues related to truing up of FY 2020-21 and FY 2021-22. under the Electricity Act 2003, OERC (Terms and Conditions for Determination of Wheeling and Retail Supply Tariff) Regulations 2022, OERC (Conduct of Business Regulations) 2004, OERC (Terms and condition of Intra-State Open Access) Regulations 2020, Vesting Order dated 28.12.20, Carved out Balance Sheet as on 01.01.2021 and its Order dated 26.11.2021.

We are submitting the above application as attached.

We trust our request is in order.

Yours faithfully


(Bijay Kumar Mohanty)
Chief Financial Officer

BEFORE THE ODISHA ELECTRICITY REGULATORY COMMISSION,
BIDYUT NIYAMAK BHAWAN.
PLOT No-4, CHUNOKOLI, SHAILASHREE VIHAR, BHUBANESWAR-751021

File No TPSODL/Regulatory /2023/92/ 10168

In the Matter of

Application under the Electricity Act 2003, OERC (Terms and Conditions for Determination of Wheeling and Retail Supply Tariff) Regulations 2022, OERC (Conduct of Business Regulations) 2004, OERC (Terms and condition of Intra-State Open Access) Regulations 2020, Vesting Order dated 28.12.2020, Carved out Balance Sheet as on 01.01.2021 and its Order dated 26.11.2021 and Other Tariff related matters for a) **Truing up of FY 2022-23** and b) **Issues related to truing up of FY 2020-21 and FY 2021-22.**

And

In the Matter of

TP Southern Odisha Distribution Ltd. (Formerly Southco Utility), Corporate Office, Regd./Corp Office: Kamapally, Courtpeta, Berhampur, Ganjam, Odisha- 760004

.... Petitioner

In the Matter of

All Stake Holders

...Respondents

AFFIDAVIT

I Bijay Kumar Mohanty, aged about 55 years, s/o Gobinda Charan Mohanty, working as the Chief Financial Officer, do hereby solemnly affirm and state as follows:

- That, I am an authorized representative of the TPSODL, the Petitioner in the instant case and competent to swear this affidavit for and on behalf of the licensee.
- That, I have gone through the contentions in this application and understood the contents thereof.
- That, the facts stated in the application are true to the best of my knowledge and behalf.

IDENTIFIED BY
ADVOCATE

DECLARATION
The deponent having been identified by
Bijay K. Mohapatra Advocate
Berhampur affirms before me this day 29-11-2023
before the Notary, Berhampur
Read over & explained the deponent and
seems perfectly to have understood the
contents thereof.

Deponent

Verified that the contents of above affidavit are true and correct, no part it is false and nothing material has been concealed there-form.

Verified at 29-11-2023 on this day of 2023

Deponent



Before the Odisha Electricity Regulatory Commission
Plot No-4, Chunokoli, Shailashree Vihar, Bhubaneswar-751021

Case No: _____ of 2023

File No TPSODL/Regulatory / 2023/ 92/ 10168

In the Matter of Application under the Electricity Act 2003, OERC (Terms and Conditions for Determination of Wheeling and Retail Supply Tariff) Regulations 2022, OERC (Conduct of Business Regulations) 2004, OERC (Terms and condition of Intra-State Open Access) Regulations 2020, Vesting Order dated 28.12.2020, Carved out Balance Sheet as on 01.01.2021 and its Order dated 26.11.2021 and Other Tariff related matters for a) **Truing up of FY 2022-23** and b) **Issues related to truing up of FY 2020-21 and FY 2021-22.**

And

In the Matter of TP Southern Odisha Distribution Ltd. (Formerly Southco Utility), Corporate Office, Regd./Corp Office: Kamapally, Courtpetta, Berhampur, Ganjam, Odisha- 760004

...Petitioner

And

In the Matter of All Stake Holders

...Respondents

In line with Regulation 2.6.6 of the Odisha Electricity Regulatory Commission (Terms and Conditions for Determination of Wheeling Tariff and Retail Supply Tariff) Regulations, 2022 (Tariff Regulations or Tariff Regulations 2022), Section 62 of the Electricity Act 2003 and Regulation 53 of OERC (Conduct of business) Regulations, 2004, TP Southern Odisha Distribution Ltd (TPSODL) is filing the present application before the Hon'ble Commission for approval of Truing up of expenditure for FY 2022-23 along with the Gaps for these years. Further, TPSODL had filed the petition for

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Corporate Identity Number (CIN)- U40109OR2020PLC035195



true-up of FY 2020-21 (3 Months) and FY 2021-22 on 30th November 2022 followed by the revised petition in January 2023. The Hon'ble Commission had passed the order for the same on 24th March 2023 ("Tariff Order for FY 2023-24). Thereafter, TPSODL in their letter dated 24th April 2023 had brought to the attention of the Hon'ble Commission certain issues with regards to these two years. The Hon'ble Commission had replied to this letter on 16th May 2023 stating that these would taken up in the ARR filing for FY 2024-25. The relevant extract from the letter of the Hon'ble Commission is as follows:

In view of the above observation, the Commission only after undertaking verification of information/data through field visits and third-party audit may reconsider higher/lower cost, if any, in the truing up for the FY 2020-21 and FY 2021-22 including any variation in the calculation methodology as per the existing Regulations. This will be taken into consideration while finalizing the ARR for FY 2024-25.

In view of the same, we are in this application seeking the approval of the Hon'ble Commission for the Trued up expenses of the TPSODL for the two periods viz FY 2020-21 (3 Months) and FY 2021-22. On the basis of the above, TPSODL prays for the following:

A. Prayers

TPSODL prays that the Hon'ble Commission may kindly be pleased to;

- i. Approve the
 - a) Truing up of FY 2020-21 (3 Months)
 - b) Truing up of FY 2021-22
 - c) Truing up of FY 2022-23
- ii. Permit making additional submission required in this matter.
- iii. Grant any other relief as deemed fit & proper in the facts and circumstances of the case.

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1. Introduction of TPSODL and Basis of filing of present petition

1.1. Business of TPSODL

1. Tata Power South Odisha Distribution Limited (TPSODL) was incorporated as a joint venture of The Tata Power Company (51%) and Odisha Government (49%) on the Public-Private Partnership (PPP) model. TPSODL which was formed after the successful completion of competitive bidding process was given the license to distribute electricity in the southern part of Odisha comprising districts of Ganjam, Gajapati, Boudh, Kandhamal, Rayagarda, Koraput, Nabarangapur and Malkangiri, which was earlier served by erstwhile Southco Utility. The map of Odisha and the area served by TPSODL is depicted in the map below

Figure 1 : Area of Distribution in the State of Odisha



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2. The core business activities of TPSODL are summarized as follows:

- Operation and maintenance of distribution network
- Expansion of distribution network
- Electricity supply and after sales services
- Connection of new customers to the distribution network
- Meter reading, billing and revenue collection
- Customer complaint resolution
- Restoration of power after interruptions
- General customer care including provision of information on services
- Customer sensitization on energy efficiency, energy losses and safety

1.2. Formation of TPSODL

3. Prior to commencement of distribution of electricity by TPSODL, the same was carried out by Southern Electricity Supply Company of Odisha Limited (the "Southco") which was in turn incorporated on 19th November 1997 under the Companies Act, 1956. In this regard, it is relevant to submit that pursuant to the Odisha Electricity Reforms Act 1995 and Odisha Electricity Reforms Rules 1998, all the assets of GRIDCO pertaining to the distribution business in the Southern Zone of GRIDCO were transferred to Southco.
4. On 1st April 1999, 51% (fifty one percent) shares of GRIDCO in Southco were transferred to BSES Limited selected through competitive bidding process. Thereafter, Southco was managed by BSES Limited and later by its successor R-Infra Limited.
5. However, under Section 19 of the Electricity Act, 2003 (the "Act"), the Hon'ble OERC or Hon'ble Commission revoked the license of Southco with effect from Mar 2015 and appointed CMD, GRIDCO as the administrator under Section 20(d) of Act

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and vested the management and control of Southco Utility along with their assets, interests and rights with the CMD, GRIDCO Limited. This decision was upheld by the Hon'ble Appellate Tribunal for Electricity (ATE) and Hon'ble Supreme Court.

6. Thereafter i.e after a gap of about 5 years, in terms of Section 20 of Electricity Act 2003, the Hon'ble Commission initiated on 14.08.2020 a transparent and competitive bidding process for selection of an investor for sale of utility of Southco and had issued the Request for Proposal. In response to the said RFP, two bids were received by the bid due date. After detailed evaluation by independent bid evaluation committee setup by Hon'ble Commission, The Tata Power Company Limited (the "TPCL") was recommended as the successful bidder and the Hon'ble Commission accepted the same under Section 20(1)(a) of the Act. Thereafter, the Hon'ble Commission vide its order dated 28th December 2020 in Case No 83 of 2020 ("Vesting Order") vested the utility of Southco to TPSODL in terms of Section 21 of the Electricity Act 2003.
7. TPSODL commenced its operation on 1st January 2021
8. The business of TPSODL utility is governed by the provisions of license issued by Hon'ble Commission for distribution and retail supply of electricity in Southern Odisha. The Hon'ble Commission under the Electricity Act 2003, regulates the working of the entire power sector of Odisha state, including determination of tariff chargeable to end consumers.

1.3. Operation of TPSODL and its Asset Base

9. TPSODL's licensed area is spread over a geographical area of 48751 sq. Km and it serves a registered consumer base of around 22.65 lakhs. TPSODL procures power from GRIDCO through Odisha Power Transmission Corporation Limited (OPTCL)'s 220/132/33 kV grid substations at sub transmission voltage level of 33 kV and then distributes the power at 33 kV/11 kV/440 V/230 V depending on the demands of the consumers.



10. In this process, TPSODL operations include several electrical equipment such as Power Sub Stations (PSS), 33 KV Lines, 11 KV lines, 415 V network and all the associated apparatus. The summary of the various electrical equipment operated by TPSODL is provided in the table below:

Table 1: TPSODL Equipment Statistics (as on 30th September 2023)

SRLNO	DESCRIPTION	UNIT	CITY	BERHAMPUR	ASKA	BHANJIHAGAR	RAYAGADA	JEYPORE	TOTAL
1	No of 33/11 kV substations	No	20	31	22	46	56	75	250
2	Power Transformers 33/11 kV	No	48	73	57	97	109	168	552
3	Transformation Capacity 33/11 kV	MVA	275.6	383.25	278.15	435.65	500.75	720.5	2593.9
4	Transformer Distribution 33/0.415 kV, 11/415/0.230 kV	No	2544	5433	4227	13381	9027	23567	58179
5	Transformation capacity 33/0.415 kV, 11/415/0.230 kV	MVA	289.44	353.97	254.55	431.63	338.27	867.25	2535.11
6	33kv line - O/H	CKM	143.54	383.36	243.04	980.86	822.01	1468.93	4041.74
7	33kv line - U/G	CKM	3.73	0	0.9	0	0	0	4.63
8	11kv line - O/H	CKM	1218.75	3533.9	2730.19	12042.46	8282.01	17400.79	45208.1
9	11kv line - U/G	CKM	28.88	13.41	36.73	22.2	0	0	101.22
10	LT line - Bare	CKM	502.2	1092.5	704.55	1521.275	2738.92	2559.11	9118.555
11	LT line - ABC	CKM	1083.81	3478.2	1710	7178.18	3970.99	13677.24	31098.42

11. TPSODL serves a population of 94.4 Lakhs with a customer base of about 22.65 Lakhs. The area of operation of TPSODL is spread over an area of 48751 Square Km

1.4. Opening Balance Sheet of TPSODL

12. As mentioned earlier, the utility of Southco was vested in TPSODL from 1st January 2021. As per Section 21(a) of the Electricity Act 2003, it is stipulated that *"the utility shall vest in the purchaser or the intending purchaser, as the case may be, free from any debt, mortgage or similar obligation of the licensee or attaching to the utility"*. Accordingly, the Balance Sheet of TPSODL as on 1st January 2021 (i.e on the date of commencement of operation) was "carved out" of the Balance Sheet of South Utility by the Hon'ble Commission vide its order dated 26th November 2021.
13. In terms of carving out, only certain assets and liabilities were passed on to TPSODL while the balance was retained with the erstwhile Southco Utility. Based on this order, the Opening Balance Sheet of TPSODL carved out was as follows:

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Table 2 : Opening Balance Sheet of TPSODL as on 1st January 2021 (Rs Cr)

		Rs Cr		
Sr No	Particulars	Balance Sheet of Southco Utility	Balance Sheet carved out for TPSODL as on 1st January 2021	Remaining with erstwhile Utility
I	Equity and Liabilities			
A	Capital Fund			
1	Equity	37.66	200	37.66
2	Contingencies Reserves	35.86		35.86
3	Capital Subsidy	401.35	148.05	253.3
4	Balance Loss Carried over	-2866		-2866
B	Loan Fund			
5	Long Term Borrowings	625.35		625.35
6	Short Term Loans	158.9	158.9	0
C	Other Funds			
7	Consumer Security Deposit	269.54	269.54	0
8	Capital Contribution from Consumers	228.73	228.73	0
D	Current Liabilities and Provisions			
9	Sundry Creditors/Trade Payables- Power Purchase	1444.95	98.87	1146.13
10	Sundry Creditors/Trade Payables- Goods and Services	28.83	28.83	0
11	Deposites and Retention from Suppliers/Contractors	102.06	102.06	0
12	Advance Payment/Deposit from consumers	153.82	153.82	0
13	Creditors on capital accounts	29.83	29.83	0
14	Interest accrued and due to SBI	0.66	0.66	0
15	Payable to NESCO	16.08	16.08	0
16	Interest accrued and due	11.83		11.83
17	Interest Accrued but not due	143.86		143.86
18	Electricity Duty Payable (subject to realisation from Consumers)	65.96		65.96
19	Electricity Duty Payable (collected)	2.28	2.28	0
20	Payable to REC Limited	0.1	0.1	0
21	Other Liabilities	69.59	69.59	0
22	Provisions	1267.15		1267.15
	Total Liabilities	2228	1507	721
II	Assets			
A	Fixed Assets			
1	Gross Block	1001.94	999.88	2.06
2	Less Accumulated Depreciation	355	355	0
3	Net Block	646.94	644.88	2.06
4	Capital Work in Progress	73.66	73.66	0
B	Current Assets, Loans and advances			
6	Sundry Debtors/Trade Receivables	440.65	266.63	174.02
7	Inventories	7.23	7.23	0
8	Cash and Bank Balances			
9	Cash on Hand	6.16	6.16	0
10	Stamps in hand	0	0	0
11	Balances with Scheduled Bank- Current Account	127.82	127.82	0
12	Balances with scheduled bank - Fixed Deposits	304.16	304.16	0
13	Remittances in Transit	0.26	0.26	0
14	Loans and Advances			
15	Loans and advances to employees	5.73	5.73	0
16	Receivables from Wesco	5.46	5.46	0
17	Advance recoverable in cash or in kind or for value to be received	0.29	0.29	0
18	Capital Subsidy/Grant Receivable	46	46	0
19	Regulatory Assets	545		545
20	Other Deposits (Considered Good)	9.14	9.14	0
21	Other Deposits	5.48	5.48	0
22	Interest accrued on Fixed Deposits	4.45	4.45	0
	Total Assets	2228	1507	721.08

for



1.5. Basis for filing of the present petition

14. TPSODL has filed several petitions in the past for approval of the Hon'ble Commission. Some of the relevant petitions for the filing of the present application are as follows :

- a) Capex approval of FY 2021-22 and Annual Business Plan (i.e Opex) for FY 2021-22
- b) ARR for FY 2022-23,
- c) True-up of FY 2020-21 (3 Months), True up of FY 2021-22 and ARR for FY 2023-24
- d) Capex approval of FY 2022-23.
- e) Capex approval for FY 2023-24
- f) Business Plan for FY 2023-24 followed by Business Plan for the period FY 2024-25 to FY 2027-28
- g) Capex approval for Berhampur City

15. The Hon'ble Commission after following the due regulatory process has approved certain expenditure in these petitions. The Various orders passed by the Hon'ble Commission as applicable to TPSODL are as follows:

Table 3 : Various Orders of the Hon'ble Commission for TPSODL

Sr No	Case No	Date of Order	Subject Matter
1	83 of 2020	28 th December 2020	Vesting of Southco Utility in TPSODL
2	08 of 2021	18 th September 2021	Capex Plan for FY 2021-22
3	39 of 2021	29 th October 2021	Annual Business Plan for FY 2021-22
4	108 of 2021	24 th March 2022	Tariff Order for FY 2022-23
5	13 of 2022	14 th July 2022	Capex Plan for FY 2022-23
6	82 of 2022	24 th March 2023	Tariff Order for FY 2023-24
	06 of 2023		True up of FY 2020-21 and FY 2021-22

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for info



Sr No	Case No	Date of Order	Subject Matter
	12 of 2023		Business Plan for FY 2023-24
7	05 of 2023	19 th June 2023	Capex Plan for FY 2023-24
8	46 of 2023	14 th September 2023	Business Plan for the period FY 2024-25 to FY 2027-28
9	82 of 2023	15 th November 2023	Capex Scheme for improvement of reliability in Berhampur City

16. In addition, TPSODL has sought approval from the Hon'ble Commission for few other requirements particularly with regards to the approval of manpower for FY 2021-22 and FY 2022-23. Further, TPSODL had sought additional O&M expenditure as compared to the amount approved for FY 2023-24. In addition, TPSODL also brought to the notice certain amounts that were not considered by the Hon'ble Commission while truing up FY 2020-21 (3 Months) and FY 2021-22.
17. TPSODL is filing this application considering the stand taken by the Hon'ble Commission in various orders and letters and also our requests made to them from time to time.



2 Issues related to Truing of FY 2020-21 (3 Months) and FY 2021-22

2.1 Stand of the Hon'ble Commission for FY 2020-21 and FY 2021-22

18. The Hon'ble Commission in the Tariff Order for FY 2023-24 (Case No 82 of 2022) had observed the following with regards to the truing up of Expenses of TPSODL for FY 2020-21 and FY 2021-22

189. The Commission hereby finalises the truing up of expenses of the new DISCOMs (TPCODL, TPSODL, TPWODL & TPNODL) for the FY 2020-21 and FY 2021-22. The Commission finds that the actual expenses booked in the audited accounts are higher than the approved costs for most of components, particularly for O&M. However, DISCOMs have booked higher Revenues also against the approved Revenues in the ARR. The DISCOMs have proposed to allow the higher costs owing to the operational requirement during these initial two years of the operations i.e FY 2020-21 and 2021-22. The Commission observes these proposed higher costs can only be verified through relevant information/data, field visits and third party audit

19. Further the Hon'ble Commission in the same Tariff Order had clarified that the true-up of FY 2020-21 and FY 2021-22 would be carried out on the basis of Tariff Regulation (i.e Regulations of 2022). The relevant extracts from the Regulations are as under:

186. In view of the notification of the new regulations which has taken into account the provisions of vesting orders and other related developments, the Commission has decided to take up the truing up exercise based on the OERC wheeling & Retail Supply Tariff Regulation, 2022.....

20. TPSODL is submitting the following issues for the consideration of the Hon'ble Commission and approved the amount as provided in the True-up petition (Case No 06 of 2023)

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2.2 Issues for consideration of the Hon'ble Commission for FY 2020-21 and FY 2021-22

2.2.1 Discount or rebate availed by consumers

21. The Hon'ble Commission has under Table 71 and Table 72 of the Tariff Order considered the Gross Revenue as "Revenue from Sale of Power" for truing up. It has not netted off the Revenue for Power supply by Discount availed by consumers. In the True up for FY 2020-21 and FY 2021-22, the following is noted:

Table 4 : Treatment of Discount/Rebate availed by consumers

Sr No	Particulars	Rs Cr			
		FY 2020-21		FY 2021-22	
		As proposed by TPSODL:	As considered by the Hon'ble Commission	As proposed by TPSODL:	As considered by the Hon'ble Commission
1	Revenue from Power Supply	355.38	355.38	1654.63	1654.63
2	Less Discount/Rebate availed by consumer	-2.07	0	-14.71	0
3	Revenue for True up	353.31	355.38	1639.92	1654.63

22. In this regard we wish to submit the following

- Treatment of Cash Discount for Other three Discoms in the State* "The Hon'ble Commission has considered the Discount/Rebate for other three Discoms viz TPCODL, TPWODL and TPNODL and has not considered the same for TPSODL. We therefore request to consider the same for TPSODL i.e revenue less Discount/Rebate for the purpose of truing up to provide a Uniform Treatment.
- Treatment as per the new regulations:* We request the Hon'ble Commission to consider the Discount availed to be netted off against the DPS earned for the reasoning given below:



23. It was known to TPSODL through Tariff Order for FY 2023-24 only that the true up of FY 2020-21 (3 Months) and FY 2021-22 would be carried out on the basis of New Tariff Regulations 2022. As per the Tariff Regulations 2022, the Delayed Payment Surcharge (DPS) would be considered as Non-Tariff Income/Miscellaneous Receipt/Other Income. However, as per the same Tariff Regulations 2022, Rebate/Discount availed by the consumer would be netted off against the DPS. As per the New Tariff Regulations 2022, the following is relevant for DPS and Discount availed by the consumers

3.13.3. Delayed Payment Surcharge for the retail consumer shall be recovered by the Distribution Licensees as per the Tariff Order and shall be treated as Non-tariff income.

Provided that the rebate allowed to the consumers shall be netted off against the Delayed Payment Surcharge as part of Non-Tariff Income

24. In the true up exercise, the DPS on consumers has not been netted off by the rebate availed by the consumers. The Hon'ble Commission has considered a Non-Tariff Income of Rs 60.88 Crores for FY 2021-22 and Rs 16.08 Crores for FY 2021-22. Further, the Extracts from the Audited Accounts submitted to the Hon'ble Commission are as follows:

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Extracts 1 : Schedule 14 of the Annual Accounts for FY 2021-22

SCHEDULE 14- OTHER INCOME	For the Year Ended 31-03-2022 Amount (₹)	For the period from 01-01-21 to 31-03-21 Amount (₹)
Non Tariff Income		
Interest on Term Deposit	128,221,401	57,563,889
Miscellaneous charges	82,752,309	8,193,934
Cross Subsidy Surcharge	11,862,080	6,124,282
Reliability surcharges	31,999	296,059
Sale of Scrap	109,280,162	-
Miscellaneous receipt	92,718,206	43,725,754
Rebate on prompt payment of BST bills	97,521,851	15,330,549
	522,388,008	131,234,468
Others Income		
Meter Rents/ Service Line Rental	147,962,371	25,631,421
Power factor and Overdrawal Penalty	154,000	668,000
Incentive for Past arrear Collection	172,544,851	90,832,476
Interest Earned on SOUBHAGYA Fund	1,136,340	-
Delayed Payment Surcharges	85,115,879	44,155,790
	406,913,441	161,287,687
	929,301,450	292,522,155

25. In this regard it submitted that Audited Accounts of TPSODL presented to the Hon'ble Commission on the basis Tariff Regulations 2014. Hence the Discount availed by consumers has not been shown under this head of "Other Income" / "Non Tariff Income". It has been grouped under "Schedule 16 - Operation, Maintenance, Administration General and Other Expenses" and the amount under this head is Rs 14.71 Crores for FY 2021-22 and Rs 2.07 Crores for FY 2020-21. The extract of Schedule 16 is as given in the table below

Extracts 2 : Schedule 16 of the Accounts of FY 2021-22



SCHEDULE 16- OPERATION, MAINTENANCE, ADMINISTRATION GENERAL AND OTHER EXPENSES	For the Year Ended As at 31-03-2022		For the period from 01.01.21 to 31.03.21	
	Amount (₹)	Amount (₹)	Amount (₹)	Amount (₹)
Employee Costs				
Salaries, wages, Allowances & Benefits	2,638,611,861		587,507,607	
Contribution to Provident and Other Funds	1,955,337,904		607,959,876	
Staff Welfare Expenses	37,889,285		10,608,280	
	4,631,839,050		1,206,075,763	
Less: Expenses Capitalised	21,675,902		-	
		4,609,363,149		1,206,075,763
Repairs & Maintenance Expenses				
Building	89,694,319		722,888	
Plant and Machinery Lines, Cable Networks, etc	839,564,804		8,749,092	
Furniture, Fixture & Office Equipment, Vehicle, etc	7,586,369		3,344,023	
		906,764,692		12,816,003
Administration & General Expenses				
Property Related Expenses	44,153,169		1,457,360	
Communication	14,357,881		1,453,436	
Conveyance & Travelling	144,343,156		33,169,175	
Legal and Professional Charges	61,885,708		4,114,635	
Bill distribution and revenue realization	311,691,627		31,584,707	
Insurance	35,576,508		22,951	
Commission for Collection to Franchisee	42,303,442		9,925,413	
Electricity Expenses	39,386,729		8,117,179	
Watch and Ward	28,880,506		5,527,770	
Other Expenses	147,859,440		39,444,650	
Material Related Expenses	7,668,659		465,170	
		869,926,817		134,282,466
Discount to Consumers		147,128,872		20,728,547
Provision for : Bad and Doubtful Debts For Legal Charges		165,462,988 97,710,054		35,330,351 -
		6,796,356,571		1,418,233,119

26. We request the Hon'ble Commission to kindly consider the above amount of Rs 14.71 Crores (for FY 2021-22) and Rs 2.07 Crores (for FY 2020-21) for ascertaining the Other Income under the ARR and same should be netted off from the DPS for the FY 2021-22. Such Non Tariff Income should be restated as follows:

Table 5 : Revision in Non Tariff Income for FY 2021-22 and FY 2020-21

Sr No	Head	As claimed by TPSODL in their petition (Rs Cr)	As provided in the Tariff Order (Rs Cr)	To be revised to in view of the above reasoning (Rs Cr)
1	Amount of Non Tariff/Other Income/Miscellaneous Receipts- FY 2021-22	42.49	60.88	46.17
2	Amount of Non Tariff/Other Income/Miscellaneous Receipts- FY 2020-21	11.59	16.08	14.01

for



2.2.2 Depreciation for FY 2021-22

27. The Hon'ble Commission has allowed a Depreciation of Rs 21.47 Crores while the amount claimed by TPSODL in their true up petition is Rs 28.29 Crores. The amount claimed by TPSODL is on the basis of actual depreciation for FY 2021-22 and the same has been presented in Table 4.1 of the petition. The breakup of the Depreciation as provided in the petition is as follows:

Extracts 3 : Extracts from ARR Petition filed for FY 2023-24

Table 4-1 : Breakup of Depreciation for FY 2021-22 on Opening GFA (Rs Cr)

Sr No	Description	Amount (FY 2021-22) (Rs Cr)
1	Depreciation on Buildings	0.11
2	Depreciation on Plant & Machineries	35.09
3	Depreciation on Vehicles	0.19
4	Depreciation on Furnitures & Fixtures	0.03
5	Depreciation on Office Equipments	0.07
6	Depreciation on Plant and Equipment (IT Equipment's)	0.00
7	Depreciation on Softwares	0.00
8	Total	35.49
9	Less Depreciation on account of Consumer Funding	-12.34
10	Depreciation to be charged for computing the ARR	23.15

Table 4-2 : Breakup of Depreciation for FY 2021-22 on Assets added after 1st January 2021

c	Description	Amount (FY 2021-22) (Rs Cr)
1	Depreciation on Buildings	0.17
2	Depreciation on Plant & Machineries	2.40
3	Depreciation on Vehicles	0.00
4	Depreciation on Furnitures & Fixtures	0.09
5	Depreciation on Office Equipments	0.12
6	Depreciation on Plant and Equipment (IT Equipment's)	1.55
7	Depreciation on Softwares	0.80
8	Total	5.14

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28. As the Depreciation claimed by TPSODL is on the basis of the Audited Accounts, the Hon'ble Commission is requested to approve the expenditure as sought by us in the petition.

2.2.3 Interest on Long Term Debt and Finance Charges for FY 2021-22

29. As per the Tariff Regulations, the following are relevant with regards to the computation of Interest on Loans

3.7.1. The loans arrived at in the manner indicated in these Regulations on the assets put to use, shall be considered as gross normative loan for calculation of interest on loan:

Provided that interest and finance charges on capital works in progress shall be excluded:

3.7.6. The interest on loan shall be calculated on the normative average loan of the year by applying the weighted average rate of interest:

Provided that at the time of truing up, the normative average loan of the year shall be considered on the basis of the actual asset capitalisation approved by the Commission for the year.

Provided further that neither penal interest nor overdue interest shall be allowed for computation of Tariff.

Based on the Tariff Regulations, the TPSODL shall be entitled for the following

Table 6 : Interest on Long Term Debt for FY 2021-22



Sr No	Particulars	Units	FY 2020-21	FY 2021-22
A	Capitalisation for determination of Debt			
1	Capitalisation for the year	Rs Cr	0	121.57
2	Add Capitalisation due to Gridco Contribution in Kind	Rs Cr		23.55
3=1+2	Total Capitalisation for Debt and Equity	Rs Cr		145.11
b	Debt Capital for Capitalisation			
5	Opening Debt	Rs Cr	0	0.0
6=70% x 3	Addition	Rs Cr	0.0	101.58
7	Repayment= Depc	Rs Cr		5.14
8=5+6-7	Closing Debt	Rs Cr	0.0	96.4
9=(5+8)/2	Average Balance	Rs Cr	0.0	48.2
b	Interest on Debt			
10	Rate of Interest	%		6.9%
11	Interest on Debt	Rs Cr		3.33

30. TPSODL had incurred a cost of Rs 1.27 Crores in FY 2021-22 towards Other Finance Costs and the same has been included in the ARR for the respective periods. Hence the total expenditure under the head of Interest and Finance Charges for FY 2021-22 works out **Rs 4.60 Crores**.

2.2.4 A&G Expenditure for FY 2020-21 and FY 2021-22

31. The Hon'ble Commission has allowed A&G Expenditure which is less than the actual expenditure. The expenditure approved for the two periods and comparison of the same with that proposed is as follows:



Table 7 : Amount allowed for FY 2020-21 and FY 2021-22 towards A&G (Rs Cr)

Sr No	Particulars	FY 2020-21 (3 Months)		FY 2021-22	
		Amount proposed in FY 2020-21	Amount Allowed in True up in FY 2020-21	Amount proposed for FY 2021-22	Amount Allowed in True up in FY 2021-22
1	A&G Expenditure	13.53	8.87	96.77	72.2

32. In the regard the following is submitted

2.2.4.1 Justification for A&G Expenditure for FY 2020-21

33. An amount of Rs 35.49 Crores was approved for entire FY 2020-21 for Southco utility in the Tariff Order. The amount of Rs 8.87 Crores has been arrived at by considering the pro-rata amount for 3 months i.e January 2021 to March 2021. In our humble submission, this needs to be reconsidered as the A&G Expenditure approved for FY 2020-21 of Southco utility cannot be taken as benchmark for working out the expenditure that can be allowed for FY 2020-21 (3 Months).

34. In this regard, the expenditure for the first nine months of FY 2020-21 is also relevant. The A&G Expenditure for the first nine months of FY 2020-21 i.e from 1st April 2020 to 31st December 2020 incurred by Southco Utility was Rs 37.57 Crores, an amount which is higher than that approved for the entire FY 2020-21. Further, this amount of Rs 37.57 Crores incurred for 9 months works out to Rs 12.52 Crores for a period of 3 Months. This amount is in line with actual expenditure of Rs 13.53 Crores incurred for 3 Months of FY 2020-21. Hence the A&G expenditure of TPSODL for the 3 months is also in line with that in the past i.e incurred by Southco Utility.

35. We therefore request the Hon'ble Commission to kindly permit the entire amount of Rs 13.53 Crores towards A&G Expenditure for FY 2020-21



2.2.4.2 Justification for A&G Expenditure incurred for FY 2021-22

36. In this regard we wish to submit that the expenditure for FY 2021-22 had increased substantially as there was an increase in activity towards A&G Expenditure. Further the Hon'ble Commission had approved an expenditure Rs 72.2 Crores against an amount of Rs 104.36 Crores sought by the TPSODL in its ABP Petition (Case No 39 of 2021). The amount of Rs 72.2 Crores was a kind of adhoc amount approved by the Hon'ble Commission for FY 2021-22. However, the Hon'ble Commission had permitted TPSODL to justify the additional expenditure sought. The extracts from ABP Order (Case no 39 of 2021) is as follows:

Extracts 4 : Relevant Clauses from the ABP Order

110. On the above submissions the Commission observes that the expenditure on the A&G is a controllable expense and as per the OERC Tariff Determination Regulation additional expenses are allowed in this head for specific measures towards reduction of AT&C losses and improving collection efficiency. We find that the proposals mainly relate to improving metering management and services and customer services which are vital elements in reducing AT&C losses. The TPSODL is a new operating company and we believe that they have planned out their activities diligently for improving the overall distribution business. At this stage we allow the additional A&G expenses of about sixty percent of the approved cost of Rs.45.13 crore in the ARR for FY 2021-22. The Commission now allows the total A&G expenses of Rs.72.20 crore for FY 2021-22. However, the petitioner is directed to produce the required justifications for such additional expenses under the head A&G expenses incurred in the truing up petition for FY 2021-22. The expenses under this head will accordingly be allowed after prudence check

37. The detailed breakup of A&G Expenditure for FY 2021-22 is as given in the table below:



Table 8 : Breakup of A&G Expenditure for FY 2021-22

Sr No	Head	
1	Licence Fees	1.94
2	Rent, Rates & Taxes	2.47
3	Lease Rent	0.00
4	Insurance	3.56
5	Contribution to accident reserve fund	0.00
	Sub total :	7.97
	COMMUNICATION	
6	Telephone & Trunk Call	1.01
7	Postage & Telegram	0.43
	Sub total :	1.44
	PROFESSIONAL CHARGES	
11	Legal charges	0.41
12	Consultancy charges	8.14
13	Audit fees	0.86
14	Other professional charges & expenses	5.30
	Sub total :	14.70
	CONVEYANCE & TRAVELLING	
15	Conveyance & vehicle running expenses	1.84
16	Travelling expenses	1.50
17	Hire charges of vehicle	9.47
	Sub total :	12.82
	OTHER EXPENSES	
18	Inspection Fees	0.05
19	Fees & Subscription	0.00
20	Books & Periodicals	0.03
21	Printing & Stationery	0.62
22	Advertisement	0.75
23	Training Expenses	0.40
24	Meeting Expenses	0.15
25	Watch & Ward / Anti-theft Security	2.09
26	Electricity Charges	3.94
27	Charity and donations	0.34
28	Office upkeep and maintenance	0.73
29	Data Processing Charges	0.00
30	Miscellaneous expenses	13.20
	Sub total :	22.29
31	Customer Care Centre	0.00
32	Incentive for arrear collection	4.22
33	Metering, Billing and Collection (MBC) Expenses	33.32
34	Standard of Performance Audit	0.00
35	Transformer Repairing Unit	0.00
36	Vigilance & Anti-Theft Activities	0.00
	Sub total :	37.54
	Total	96.76

38. It is submitted that though the actual expenditure is higher than the approved amount, TPSODL has in the FY 2021-22 taken up several activities and initiatives for improving customer services, improving collection efficiency, reduction of provisional billing, improving the reach to consumers, opening avenues for

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registration of consumer complaints and handling of customer grievances which have finally culminated into improving over the AT&C loss target committed by TPSODL in their Vesting Order. The performance in terms of AT&C loss for FY 2021-22 for TPSODL was as follows:

Table 9 : AT&C Losses for FY 2021-22

Sr No	Particulars	Value
1	Commitment as per Vesting Order	35.29%
2	AT&C Loss achieved for FY 2021-22	32.51%

39. It is therefore submitted that A&G expenditure incurred by TPSODL has been gainfully spent and hence we request the Hon'ble Commission to kindly approve the Actual A&G Expenditure for FY 2020-21 (3 Months) and FY 2021-22.

2.2.5 Provision for Doubtful Debts for FY 2020-21

40. TPSODL had claimed provision for Doubtful Debts at 1% of the Revenue billed. Accordingly, the same works out Rs 3.53 Crores for FY 2020-21, against which the Hon'ble Commission has allowed Rs 2.70 Crores during the Truing Up. As the amount is claimed as per the Tariff Regulations, the Hon'ble Commission is requested to permit the claim amount sought in the petition.

2.1.1 Income Tax for FY 2020-21

41. The Hon'ble Commission has not allowed any Income Tax for FY 2020-21 (3 Months). The amount proposed and the amount allowed for FY 2020-21 is as follows:

Accepted

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Table 10 : Income Tax for FY 2020-21 (Rs Cr)

Sr No	Particulars	FY 2020-21 (3 Months)	
		Amount proposed in FY 2020-21	Amount Allowed in True up in FY 2020-21
1	Income Tax	4.93	0

42. In this regard, it is submitted that while the provision for Income Tax in the Books of accounts is "Nil", TPSODL has made the above payment for FY 2020-21 after the completion of Tax Audit. The relevant proof in the form of extracts from the Income Tax Returns (ITR) form is as follows:

Extracts 5 : Relevant Extracts from Income Tax Returns

9	Aggregate liability (7 + 8e)			9	4,93,47,238
10	Taxes Paid				
	a	Advance Tax (from column 5 of 15A)	10a	0	
	b	TDS (total of column 9 of 15B)	10b	64,15,764	
	c	TCS (total of column 7 of 15C)	10c	10,50,385	
	d	Self-Assessment Tax (from column 5 of 15A)	10d	4,18,81,102	
	e	Total Taxes Paid (10a+10b+10c+10d)	10e	4,93,47,251	

43. As can be seen from the above table, the amount of Income Tax paid for FY 2020-21 is Rs 4.93 Crores as against Nil allowed by the Hon'ble Commission in the Tariff
44. In light of the above i.e we have actually paid an Income Tax of Rs 4.93 Crores for FY 2020-21, we request the Hon'ble Commission to allow an amount of Rs 4.93 Crores for FY 2020-21



2.1.2 Summary of the Amounts sought for FY 2020-21 and FY 2021-22

45. The summary of the amounts requested in this submission for the two years i.e FY 2020-21 (3 Months) and FY 2021-22 based on the above submissions are as follows:

Table 11 : ARR for FY 2020-21 and Gap computations (Rs Cr)

Sr No	Particulars	Amount in Petition	Amount Trued up in Tariff Order dated 24th March 2023	Amount requested in submission
1	Net Power Purchase Costs	198.75	198.76	200.29
2	Interest on Long Term Debt and Other Finance Charges	0.09	1.49	1.49
3	Interest on Working Capital	4.40	0.09	0.09
4	Interest on Consumer Security Deposit	3.15	2.70	3.15
5	Depreciation	6.89	6.91	6.91
6	O&M Expenditure -Employee Expenditure	91.12	96.66	96.66
7	O&M Expenditure -R&M Expenditure	1.282	1.280	1.280
8	O&M Expenditure - A&G Expenditure	13.528	8.870	13.528
9	Provision for Doubtful Debt	3.53	2.70	3.53
10	Income Tax	4.93	0.00	4.93
11	Return on Equity	8.00	8.00	8.00
12	Less Non Tariff Income	-11.59	-16.08	-14.01
13	Efficiency Gains on account of AT&C losses	12.64	10.92	10.92
14	Total ARR	336.72	322.30	336.76
15	Revenue Earned	353	355	355
16	Gap/(Surplus)	-16.59	-33.08	-18.62

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for cash



Table 12 : ARR for FY 2021-22 and Gap computations (Rs Cr)

Sr No	Particulars	Amount in Petition	Amount Trued up in Tariff Order dated 24th March 2023	Amount requested in submission
1	Power Purchase Costs	916.58	926.33	926.33
2	Interest on Long Term Debt and Other Finance Charges	4.60	0.00	4.60
3	Interest on Working Capital	19.67	15.11	15.11
4	Interest on Consumer Security Deposit	11.92	11.92	11.92
5	Depreciation	28.29	21.47	28.29
6	O&M Expenditure -Employee Expenditure	413.827	421.5	421.5
7	O&M Expenditure -R&M Expenditure	90.68	88.6	90.68
8	O&M Expenditure - A&G Expenditure	96.77	72.2	96.77
9	Provision for Doubtful Debt	16.55	16.55	16.55
10	Income Tax	20.80	20.60	20.60
11	Return on Equity	35.48	35.48	35.48
12	Less Non Tariff Income	-42.49	-60.88	-46.17
13	Efficiency Gains on account of AT&C losses	22.78	17.90	17.90
13	Total ARR	1635.4	1586.78	1639.58
14	Revenue Earned	1640	1655	1655
15	Gap/(Surplus)	-4.47	-67.85	-15.05

for audit



3 True-up of FY 2022-23

3.1 Overall framework for Operational Performance of TPSDOCL

46. TPSODL commenced its operations 1st January 2021 after taking over from Southco Utility and has now completed about 2.5 years of service in its licensed area. Further, TPSODL has started their operations with a "Carved Out" Balance Sheet as presented in **Table 1-2 : Opening Balance Sheet of TPSODL as on 1st January 2021**. This balance sheet is substantially different from that used by erstwhile utility.
47. In this chapter, TPSODL is presenting the actual performance in terms of sales and expenditure for FY 2022-23. It is further submitted that FY 2022-23 represents a year of stable operation after setting up of various procedures and also after the Covid 19 pandemic.
48. It is further submitted that while TPSODL had placed contracts for maintenance, Meter Billing and Collection in FY 2021-22, the expenditure for FY2021-22 did not represent the stable level of expenditure. The true stable expenditure of O&M was available only in FY 2022-23. The performance of TPSODL for FY 2022-23 is presented in the following paragraphs of this chapter.

3.2 Sales and Revenue of TPSODL for FY 2022-23

49. The Sales of TPSODL for the major categories viz EHT, HT and LT is presented. The details of the sales to various categories of consumers are presented in Form T1 filed along with this petition. It is submitted that there was rise of sales in the HT and EHT category in FY 2022-23 when compared with the sales of FY 2021-22. However, there was a fall in the LT Category of sales in FY 2022-23 as compared to FY 2021-22. This was on account of "Sanitisation of Sales" or reversal of sales required to be done due to identification of "Ghost consumers" who were not actually existing. The sales of FY 2022-23 in various categories are as follows :

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Table 13 : Sales for FY 2022-23 (Mus)

Sr No	Category	Approved	FY 2022-23	FY 2021-22
1	LT	2352	2027	2152
2	HT	350	423	338
3	EHT	590	706	532
4	Total	3292	3156	3022

50. . Further based on the above sales for FY 2022-23 and the applicable Tariff to the various categories for FY 2022-23, the revenue for FY 2022-23 is as follows:

Table 14 : Sales and Revenue for FY 2022-23

Sr No	Category	Approved		Actuals		
		Mus	Rs Cr	Mus	Rs Cr	Avg Tariff (Rs/Kwh)
1	LT	2352	1073	2027	1046	5.16
2	HT	338	225	423	313	7.41
3	EHT	532	395	706	455	6.45
4	Total	3222	1693	3156	1814	5.75
5	Less Cash Discount				-21.09	
6	Net Revenue				1793	

3.3 Power Purchase and AT&C loss for FY 2022-23

51. The Power Purchase expenses comprises a) Power Purchase expenses towards purchase of power from Gridco b) Transmission Charges paid to OPTCL and c) SLDC Charges.

- **Power Purchase Quantum and ATC Loss**

52. TPSODL has purchased a total quantum of power of **4188 Mus** from Gridco for the FY 2022-23 at various interconnections points at the rate of Rs 2.27 per Kwh. Based

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on this, the AT&C Loss for FY 2022-23 works out to 22.80% as shown the Table below

Table 15 : AT&C Loss for FY 2022-23

Sr No	Particulars	Unit	Value
1	Input	Mus	4188
Distribution Loss			
2	Sales	Mus	3156
3	Distribution Loss	%	24.66%
Collection Efficiency			
4	Energy Billed	Rs Cr	1814
5	Amount Collected	Rs Cr	1858.7
6	Collection Efficiency	%	102.46%
AT&C Loss			
7	AT&C Loss	%	22.80%

- Power Purchase Expenses

53. Considering the tariff as applicable for purchase of power from Gridco, the Transmission Charges to OPTCL for usage of transmission network and Charges as payable to SLDC, the quantum of power purchase expenses for FY 2022-23 works out to as follows

Table 16 : Power Purchase Cost FY 2022-23

Sr No	Particulars	Units	Approved	Actuals
A	Cost of Power Purchase from Gridco			
1	Energy Purchased	Mus	4390	4188
2	Gridco Power Prurchase Costs	Rs Cr	997	951.2
B	Transmission and SLDC Charges			
3	Transmission Charges (including SLDC)	Rs Cr	123	118.09
C	Total PP Costs	Rs Cr	1120.24	1069.26

- Rebate on Power Purchase Expenses

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54. The Rebate on Power Purchase Expenses and on Transmission Charges has been worked out on the basis of Bulk Supply Agreement signed with Gridco and Bulk Power Transmission and SLDC Agreement signed with OPTCL at the time of Vesting of the utility. On the basis of the same, the rebate earned by TPSODL is as follows for FY 2022-23

Table 17 : Rebate on Power Purchase Cost FY 2022-23

Sr No	Particulars	Units	Value
1	Energy Purchased	Mus	4188
2	Rebate on Power Purchase	Rs Cr	-10.2
3	Rebate on Trans Charges	Rs Cr	-1.26
4	Total Rebate	Rs Cr	-11.4

55. Such rebate would be considered as Non Tariff Income in line with the Tariff Regulations 2022.

3.3 Efficiency Gains to due Improvement of Losses

56. The Hon'ble Commission in the Vesting Order has specified a trajectory for AT&C loss for determination of Tariff. Based on the actual Sales, the "Normative Power Purchase Cost" from Gridco would be arrived at. The Trajectory specified in the Vesting Order is as follows:

Extracts 1 : Trajectory for Tariff Determination

Table 4: 10-year AT&C Loss Trajectory for Tariff Determination

AT&C Loss Trajectory for Tariff Determination (%)									
FY22	FY23	FY24	FY25	FY26	FY27	FY28	FY29	FY30	FY31
25.75	25.75	25.75	25.35	25.00	22.57	20.38	18.40	16.61	15.00

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57. The difference between Actual Power Purchase Cost and Normative Power Purchase Cost would be considered as Efficiency Gains and as per the Vesting Order such Efficiency Gains/(losses) would be retained by the Distribution Licensee. The Efficiency Gains for FY 2022-23 would be as follows:

Sr No	Particulars	Units	Value
A	Estimation of Distribution (or Billing) Loss		
1	AT&C Loss for Tariff for FY 2022-23	%	25.75%
2	Collection Efficiency considered for ARR	%	99%
3= (100% -1)/ 2	Billing Efficiency	%	75.00%
4= 100% -3	Distribution Loss	%	25.00%
B	Computation of Normative Power Purchase Quantum		
5	Sales	Mus	3156
6= 5/3	Normative PP	MUs	4208
C	Computation of Normative Power Purchase Amount		
7	BSP	Rs/Kwh	2.27
8=6x7/10	Normative Power Purchase Costs	Rs Cr	955.1
D	Efficiency Gains		
9	Actual Power Purchase from Gridco	Mus	4188
10= 6-9	Difference	MUs	19
11=10*7	Efficiency Gains	Rs Cr	4.33

3.4 Capitalisation of Schemes for the purpose of determination of ARR

58. TPSODL has been executing various schemes after the approval of the same from the Hon'ble Commission under various orders presented in **Table 3 : Various Orders of the Hon'ble Commission for TPSODL.**

- Employee Costs Capitalised

59. In addition to the "Hard Cost" approved by the Hon'ble Commission and the execution of the schemes by TPSODL, many of the Employees of TPSODL are working for projects activity alone and the costs of such employees are being

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capitalised. TPSODL has considered the total capitalisation for FY 2022-23 including the above. An amount of Rs 28.37 Crores was capitalised for the same in FY 2022-23.

- **Interest During Construction (IDC) Capitalised**

60. An amount of Rs 0.78 Crores was capitalised in FY 2022-23 towards IDC.

- **Gridco Equity in Kind**

61. It is submitted that for funding the Capex, contribution from Tata Power Company Ltd (TPCL) and Gridco are required in terms of Equity in TPSODL. It is further submitted that Gridco has been contributing its equity in kind. Accordingly, the cash required from Gridco Equity to fund the capex is not available. Hence in order to incorporate the same, the capitalisation needs to be increased. As can be seen from the illustration in the table below, for every Rs 100 crores of Capitalisation, the amount for the purpose of working out the ARR needs to be increased by 17.2 %. Hence an additional amount of Rs 17.2 Crores needs to be provided for included in addition to capitalisation shown in **Table 19 : Capitalisation in FY 2022-23**.

Table 18 : Additional Capitalisation due Gridco Equity in kind

Sr No	Particulars	Units	Value
a	Capex /Capitalisation of Project	Rs Cr	100
b	Additional Capex/Capitalisation of Asset (in lieu of Equity investment by Gridco)	Rs Cr	17.2
c= a+b	Total Capex/ Capitalisation to be allowed	Rs Cr	117.2
d	Equity contribution by TPC= c x 30% x 51%	Rs Cr	17.9
e	Equity contribution by Gridco= c x30% x 49%	Rs Cr	17.2
f	Equity for Tariff= 30% of c	Rs Cr	35.2
g	Debt for Tariff=70% of c	Rs Cr	82.1

62. M/s Gridco has contributed its share of equity by transferring the following assets.

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- Total Capitalisation

63. Based on the above, the total capitalisation for FY 2022-23 on account of schemes approved for FY 2021-22 and FY 2022-23 are as follows:

Table 19 : Capitalisation in FY 2022-23

Rs Cr					
A	Schemes approved for FY 2021-22	Rs Cr	184.65		
Sr No	Head of Capitalisation	FY 22	FY 23	Capitalisation upto FY 23	Approved Amount
1	Statutory & Safety	22.71	6.10	28.81	31.43
2	Loss Reduction	1.65	5.62	7.26	15.69
3	Reliability	7.62	31.18	38.80	37.47
4	Load Growth	1.18	9.25	10.44	8.74
6	Technology & Civil Infrastructure	86.39	11.02	96.41	91.32
7	Total Capitalisation from OERC Approved Capex	119.56	63.17	181.72	184.65
B	Schemes approved for FY 2022-23	Rs Cr	294.82		
Sr No	Head of Capitalisation	FY 22	FY 23	Capitalisation upto FY 23	Approved Amount
1	Statutory & Safety		36.70	36.70	39.33
2	Loss Reduction		38.92	38.92	60.72
3	Reliability		104.01	104.01	123.75
4	Load Growth		21.77	21.77	18.72
6	Infrastructure- Technology		36.22	36.22	33.27
7	Infrastructure- Civil Administration		14.26	14.26	19.04
8	Total Capitalisation from OERC Approved Capex		251.87	251.87	294.83
C=A7 +B8	Total Out of Schemes Approved	120	315.0	435	
D	Employee Cost and IDC Capitalisation	2.17	29.15	31.32	
E	Assets from Government (Gridco Equity)	23.49	59.29	82.78	
F	Grand Total	145.22	403.48	548.70	

3.5 Interest on Debt Capital

64. The Tariff Regulation 2022 allow 70% of the capitalisation to be funded by loan or Debt. However, in case the loan is higher than 70% (i.e Equity less than 30%), then such higher loan would be considered for the purpose working out the ARR. The extracts of the Tariff Regulations 2022 are as follows:

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Extracts 2 : Extracts for working out the Debt and Interest on Debt

3.7.1. The loans arrived at in the manner indicated in these Regulations on the assets put to use, shall be considered as gross normative loan for calculation of interest on loan:

Provided that interest and finance charges on capital works in progress shall be excluded:

3.7.2. The normative loan outstanding as on 1st April shall be worked out by deducting the cumulative normative repayment as admitted by the Commission up to 31st March of the previous year.

Provided that the assets of erstwhile DISCOMs as on effective date in terms of the provisions of Vesting Orders shall not be eligible for calculation of interest on loan.

3.7.3. The normative repayment for the year during the Control Period shall be deemed to be equal to the depreciation allowed for that year.

..

3.7.5. The rate of interest shall be the weighted average rate of interest calculated on the basis of the actual loan portfolio at the beginning of each year applicable to the Distribution Licensee:

65. We have considered a Debt of 70% of Capitalisation for the new Projects. As regards the Weighted Average Interest rate, we have considered the same as 7.34%, based on loans tied up in FY 2022-23 and the applicable interest to such loans. Considering the above rate, the Interest amount for FY 2022-23 is as follows:

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Table 20 : Interest on Long Term Debt for FY 2022-23

Sr No	Particulars	Units	FY 21	FY 22	FY 23	Approved for FY 23
A Capitalisation for determination of Debt						
1	Capitalisation for the year	Rs Cr	0	121.57	344.19	
2= 17.2 % of 1	Add Capitalisation due to Gridco Contribution in Kind	Rs Cr	0	23.49	59.29	
3=1+2	Total Capitalisation for Debt and Equity	Rs Cr	0.00	145.06	403.48	
b Debt Capital for Capitalisation						
5	Opening Debt	Rs Cr	0	0.0	96.1	
6=70% x 3	Addition	Rs Cr	0.0	101.5	282.4	
7	Repayment= Depc on assets created after 1st Jan 21	Rs Cr		5.41	21.60	
8=5+6-7	Closing Debt	Rs Cr	0.0	96.1	357.0	
9=(5+8)/2	Average Balance	Rs Cr	0.0	48.1	226.6	
b Interest on Debt						
10	Rate of Interest	%		6.90%	7.34%	
11	Interest on Debt	Rs Cr		3.32	16.63	5.50

3.6 Other Finance Charges

66. In addition, Other Finance Charges are permitted to be recovered as follows:

The finance charges other than the refinancing charges, incurred for obtaining loans or Payment Security mechanism from financial institutions or guarantee fee payable to Government for any Year shall be allowed by the Commission at the time of Truing up, subject to prudence check

67. Accordingly, an amount of **Rs 1.43 Crores** has been considered for FY 2022-23 and this amount has been considered for determination of ARR.

3.7 Interest on Loans transferred in Opening Balance Sheet

68. Some loans have been transferred from Southco Utility to TPSODL and TPSODL has paid interest on the same. While some of the loans are Working Capital Loans and normative Interest on Working Capital has been claimed separately, an amount of Rs 158.9 Crores pertains to other loans. The Interest on such loans also need to be

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reckoned for the FY 2020-21 to FY 2022-23. The interest for FY 23 works out to Rs 3.96 Crores. At this point, as the ASL amounts need to be reworked, this interest has not been considered in the ARR petition. The same may be allowed at the later stage by the Hon'ble Commission after finalisation of the ASL for TPSODL.

3.8 Interest on Working Capital

69. As per the Tariff Regulations 2022, the computation of Working Capital and also the interest on the same is as given in the table below:

Extracts 3 : Working Capital and Interest on the same as per Tariff Regulations 2022

3.10 Interest on Working Capital

3.10.1. The Distribution Licensee shall be allowed interest on the estimated level of working capital for the Wheeling and Retail supply business for the Financial Year. The working capital for the purpose of ARR calculation shall be computed as follows:

- a. Operation and maintenance expenses for one month; plus
- b. Maintenance spares @ twenty (20) % of average R&M expense for one month; plus
- c. Power Purchase Cost for one (1) month

Working Capital requirement of the Distribution Licensees may be met through depreciation allowed by the Commission on the assets of erstwhile DISCOMs in a manner mentioned in the Vesting Orders and as approved by the Commission. Shortfall in meeting the working capital requirement as mentioned above shall be allowed. The interest on the working capital shall be at a rate equal to the SBI Base Rate or any replacement thereof by SBI from time to time (being in effect applicable for 1 year period) as applicable as on 1st April of the Financial Year (for which Truing Up shall be done) plus 300 basis points or actual weighted average rate of interest towards loan for meeting working capital requirement availed by the Distribution Licensee(s), whichever is lower:

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70. Accordingly, we have considered that above regulations to work out the Interest on Working Capital and the interest rates as given by SBI on their Website <https://www.sbi.co.in/web/interest-rates/interest-rates/base-rate-historical-data>. The applicable Base Rate is 7.55% p.a and considering such rate the Interest on Working Capital workings for FY 2022-23 works out to Rs 14.920 Crores as follows:

Table 21 : Normative Interest on Working Capital for FY 2022-23

Sr No	Particulars	Unit	FY23
A.	Computation of Working Capital		
1	Power Purchase Costs (1 Month)	Rs Cr	89.11
2	O&M Expenditure (1 Month)	Rs Cr	67.54
3	Maintenance Spares (20% of R&M Expenditure for month)	Rs Cr	4.05
4	Total	Rs Cr	160.69
5	<i>Less Depreciation Allowed on Old Assets</i>		
a	FY 2022-23	Rs Cr	19.26
	Total	Rs Cr	19.26
6	Net Working Capital	Rs Cr	141.42
B.	Applicable Rate of Interest		
7	Interest on Working Capital	%	10.6%
8	SBI Base Rate as on 1st April 2022	%	7.55%
C	Interest on Working Capital		
9	Interest on Working Capital	Rs Cr	14.920

71. However, the Hon'ble Commission during the finalisation of ARR for FY 2022-23 had not approved any Interest on Working Capital. The observation of the Hon'ble Commission in this regard was as follows:

DISCOMs have proposed to take working capital loan for carrying out various obligations as envisaged in the said Regulations. The Commission will analyze such requirement at the appropriate stage during the truing up. Accordingly, the Commission has not approved any interest on working capital loan while determining the ARR for FY2022-23.

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72. We have therefore considered the Actual Interest on Working Capital for FY 2022-23 in the True Up exercise. The actual Interest on Working Capital is as follows:

Table 22 : Interest on Working Capital paid for FY 2022-23

Sr No	Bank	Approved (Rs Cr)	Interest Paid (Rs Cr)
1	Loan from State Bank of India		3.33
2	Loan from Union Bank of India-Other		1.47
3	Loan from Kotak Bank		9.27
4	Loan from Indusland Bank		6.71
5	Loan from ICICI Bank		10.97
6	Loan from IDBI Bank		0.49
7	Total	0.00	32.23

3.9 Interest on Security Deposit

73. The Interest on Security Deposit incurred by TPSODL for FY 2022-23 is Rs 18.68 Crores against an approved amount of Rs 12.2 Crores.

3.10 Depreciation

74. As per the Regulation 3.8 of the Tariff Regulations 2022, the depreciation would be worked out as follows:

Extracts 4 : Extracts from Tariff Regulations for Depreciation Utilisation

3.8.2. The assets achieving date of commercial operation prior to the Effective Date would continue to earn depreciation as per depreciation rates approved by the Commission prevailing at the time of effective date. Since no loan has been availed by the new Distribution Licensees for these assets, the depreciation allowed to be recovered from tariff must be utilised in the manner as provided below as per terms of the Vesting Order;

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a. For the purpose of determination of Aggregate Revenue Requirement, the depreciation on the opening Gross Fixed Assets as of Effective Date, as determined by the Commission subject to prudence check, shall be utilized as per the following priority order:

- i. Funding of Additional Serviceable Liabilities as per the Vesting Order*
- ii. Capital Investment*
- iii. Working Capital requirement computed as per Tariff Regulations*

75. In this regard it is submitted that while the Hon'ble Commission has worked out the Additional Serviceable Liability as on 1st January 2021 in the Carve Out Order dated 26th November 2021. The amount worked out by the Hon'ble Commission is negative. However, TPSODL has pointed out some of the discrepancies and errors which in the opinion of TPSODL need to be addressed for reworking the ASL. The Hon'ble Commission in the Tariff Order for FY 2023-24 had utilised the Depreciation on Assets existing on date of Vesting for meeting the Working Capital. Hence, since the ASL has not been firmed by, we have not considered any applicable of Depreciation for utilisation in Capex, but we have considered such depreciation for utilisation in Working Capital.

3.8.3. In case of the assets of the erstwhile DISCOMs, the balance depreciable value as on April 1, 2023, shall be worked out by deducting the cumulative depreciation as admitted by the Commission up to March 31, 2023, from the gross value of the assets.

3.8.4. For the assets of erstwhile DISCOMs transferred to the new Distribution Licensees through the Vesting Orders, the depreciation shall be calculated on the pre-valued cost of assets at pre-1992 rate on the asset base approved by the Commission.

3.8.5. For assets achieving date of commercial operation (COD) in this control period, depreciation shall be computed in the following manner:

- a. The approved original cost of the project/fixed assets shall be the base value for calculation of depreciation;*
- b. Depreciation shall be computed annually based on the straight-line method at the rates specified in the Annexure II to these Regulations:*

76. The rates of Depreciation used for computation are as under

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Table 23 : Applicable Depreciation Rates (%) for Assets

Sr No	Asset Class	Rates for assets created prior to 1st January 2021)	Rates applicable for assets created after 1st January 2021
1	Buildings	1.80%	3.34%
2	P&M	3.80%	5.28%
3	Office Equipments	9.00%	5.28%
4	Furniture and Fixtures	4.55%	6.33%
5	Vehicles	12.86%	9.50%
6	Computers		15%
7	Softwares		15%

77. The Depreciation on the Assets created on Vesting Date (i.e 1st January 2021) and depreciation on assets thereafter and considered for ARR computation is given as under

Table 24 : Depreciation for FY 2022-23 (Rs Cr)

Sr No	Class of Assets	Assets Prior to Vesting (a)	Asset post Vesting (b)	Total (a)+(b)	Approved
1	Buildings	0.10	1.24		
2	Computers		6.87		
3	Furniture & Fixtures	0.03	0.46		
4	Office Equipment	0.06	0.11		
5	Plant & Machinery	30.66	6.07		
6	Softwares		6.64		
7	Vehicles		0.20		
8	Total	30.84	21.60		
9	Less Depc from Assets created out of Consumer Contribution	-11.58			
10	Net Depreciation for ARR	19.26	21.60	40.86	32.03

3.11 O&M Expenditure



78. The O&M Expenditure is the most critical expenditure required to maintain efficient operation and adequate amount towards this head needs to be reimbursed through ARR for providing satisfactory services to consumer. Hence in this regard, it is submitted that the past trend at times (i.e the period prior to privatisation) may not be relevant and needs to be revisited. One of the important reasons for privatisation is that the incumbent government discom has not been maintaining reliability and providing consumer services to the required extent. The Expenditure is also not reflecting the cost of preventive maintenance. Further the billing and collection processes need improvement as the AT&C losses are high.
79. TPSODL had filed a petition (Case No 39 of 2021) seeking approval of appropriate expenditure required for addressing the need for improving the system. The expenditure for FY 2021-22 was approved on the adhoc basis as there was no actual expenditure available with TPSODL at the time of filing of the petition. Further, even the expenditure for FY 2022-23 was approved without any actual expenditure available and that too for a considerable period of time to establish a steady trend.
80. It is therefore submitted that after the start of the privatisation, during this period, an understanding of the area, consumer mix degree of difficulty due to weather condition, consumer spread, challenging terrain for achieving the desired billing and collection, network configuration was available with TPSODL only by the end of FY 2022-23.
81. Nevertheless, it is submitted that for arriving of the norm for the discoms which have been privatised, a period 5 years should be allowed during which time actual expenditure (subject to prudency check) should be permitted. Based on such actual expenditure, the norm or approved amount can be fixed for the future. In this regard it also relevant to present the recommendation of CEA on benchmarking of O&M Costs of Discoms in its draft report prepared by them on "Benchmarking of O&M Practices and O&M Expenses of Distribution Utilities". The relevant extracts are as given below



Extracts from the Draft Report of CEA

Recommendations for Benchmarking of O&M cost of Discoms

1. The Operation and Maintenance expenses of a Discom may be derived on the basis of the average of the Trued-Up values (without efficiency gain / loss) for the last five (5) financial years ending March 31, subject to prudence check by the Commission. However, if Trued-Up values (without efficiency gain / loss) are not available for the year, then last five (5) available Trued-Up values (without efficiency gain / loss) may be considered and subsequently when the same are available, the base year value (for considered FY) may be recomputed by the Regulators.
2. The average of such operation and maintenance expenses may be considered as Operation and Maintenance expenses for the middle year and may be escalated with year on year basis with the escalation factor considering CPI and WPI of respective years.
3. The One-time expenses such as expense due to change in accounting policy, arrears paid due to Pay Commissions, etc., and the expenses beyond the control of the Distribution Licensee such as dearness allowance, terminal benefits, etc., in Employee cost, may be allowed by the Commission over and above normative Operation & Maintenance Expenses after prudence check.

82. Such practise of determining the norm on the basis of adequate time period data of the past has been followed by several State Regulatory Commissions in the country and we request the Hon'ble Commission to adopt this approach.

83. With regards specifically for FY 2022-23, it is submitted that the Hon'ble Commission has approved certain quantum of expenditure under three heads viz a) Employee Expenditure b) R&M Expenditure and c) A&G Expenditure. TPSODL has commenced its operation on 1st January 2021 and has gained experience of the situation over the period. Hence it is submitted that in FY 2021-22, the operations and maintenance practices were getting stabilised over the year, new contracts were being placed during the year and employees were recruited in the phased manner. Hence the expenditure of FY 2021-22 is not a representative or base for determination of yearly expenditure.



84. On the basis of the above, we request the Hon'ble Commission to consider actual O&M Expenditure of TPSODL for FY 2022-23. The O&M Expenditure for FY 2022-23 is as follows :

Table 25 : O&M Expenditure for FY 2022-23 (Rs Cr)

Sr No	Particulars	Approved for FY 2022-23	Actuals FY 2022-23
1	Employee Costs Including Outsourced Employee Costs	430.8	390.9
2	Less Employee Costs Capitalised	-28.4	-28.4
3	Net Employee Costs	402.4	362.6
4	R&M	90.2	242.8
5	A&G	77.3	205.0
6	Total	569.9	810.4

85. The breakup of the various component of the Employee Costs and their breakup is provided below

- **Employee Expenditure in FY 2022-23**

86. The expenditure under this head covers a) Erstwhile Employees and b) New Employees. In addition, this head also covers the Outsourced manpower required for operation and maintenance.

Approval of the Hon'ble Commission for Recruitment of New Manpower

87. The Hon'ble Commission had initially in the order in Case No 39 of 2021 had approved the recruitment of 220 personnel upto the period FY 2021-22 i.e (3 month of FY 2020-21 and 12 months of FY 2021-22). The relevant extract from the order is as follows



Extracts : Relevant Extracts from the Order in Case No 39 of 2021

96. The Commission now allows 8% of the total proposed manpower of 2754 (1999+60+695) to be recruited. This will include post facto approval for the 60 persons already recruited without Commission's approval. This would mean additional recruitment of 160 (.08X2754-60) employees

88. However subsequently in the letter of the Hon'ble Commission dated 17th January 2022, it had revised the approval of recruitment from 220 employees to 483 Employees. The extracts of the letter dated 17th January 2022 from the Hon'ble Commission is as follows:

Extracts 3-5: Extracts from letter dated 17th January 2022

Sl. No.	Description	TPWODL Numbers	TPNODL Numbers	TPSODL Numbers	TPCODL Numbers	Total Numbers
1	Govt. Sanctioned Strength	6702	5859	5625	9773	27959
2	Discom Projection of Total Requirement in ABP / Vesting Order	4209	1266	2800	6654	14929
3	Numbers as per ABP Petition	850	636	695	1367	3548
4	No. of Employees Approved in respective ABP Order (8% of proposed manpower)	336	277	220	532	1365
	For FY 2020-21				532	
	For FY 2021-22	336	277	220		
5	Depletion [Retirees + Death+Resignation] (FY 20-21, FY 21-22, FY 22-23) including Contractual	425	411	341	688	1865
	FY 2020-21	172	162	138	266	738

Sl. No.	Description	TPWODL Numbers	TPNODL Numbers	TPSODL Numbers	TPCODL Numbers	Total Numbers
	FY 2021-22	143	114	125	208	590
6	FY 2022-23	110	135	78	214	537
7	Now approved manpower for depletion (for TPCODL 2020-21 and for TPSODL, TPWODL & TPNODL for 2020-21 & 2021-22)	172	162	263	266	1328
8	Total manpower allowed after revision of the ABP order.	508	439	483	798	2693
9	Employee Strength as at 31.12.2021	2662	2510	2345	5711	13228
10	Employee Strength as at 31.12.2021 on revision now	2834	2672	2608	5977	14556
11	No. of Consumers on 31.12.2021	2211026	2054045	2374403	2896629	9536103
12	Percentage of Employees per 1000 consumers as on 31.12.2021	1.28	1.30	1.10	2.06	1.53

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89. The Hon'ble Commission in its letter dated 15th October 2022 had further approved recruitment of 528 Employees for TPSODL for the year. The extract from this letter of the Hon'ble Commission is as follows

Extracts 3-6 : Extracts from the Letter of the Hon'ble Commission dated 15th October 2022

Sl. No.	Description	TPWODL	TPSODL	TPNODL	TPCODL
1	Employee strength as on 31.3.2022 (inherited+ CTC)	2629	2346	2585	5265
2	Less retirees during FY 2022-23	109	78	93	195
3	Employee strength as on 31.3.2023 (without recruitments in FY 23)	2520	2268	2492	5070
4	No. of consumers as on 31.3.2022	22.3	23.86	20.9	28.97
5	Estimated No. of consumers as on 31.3.2023 (Growth @ of 4%)	23.15	24.81	21.75	30.07
6	Allowed employee strength as on 31.3.23 (1.4 employees per '000 consumers)	3241	3473	3043	5070
7	Gap to be filled through new recruitments in FY 2023. (proposed)	700	636	551	100
8	Original Sanctioned strength	6702	5625	5859	9773
9	Now allowed 8% of the sanctioned strength	536	450	469	Not Relevant
10	No. of retiring employees allowed	109	78	93	Not Relevant
11	Total employees allowed for FY 2022-23	645	528	551	100

90. Hence in all the total manpower for recruitment by TPSODL till 31st March 2023 is 1011 (483 for FY 2021-22 and 528 for FY 2022-23)

- **Recruitment in FY 2022-23**

91. It is submitted that TPSODL has recruited/inducted 908 Employee which are lower than the approved number by the Hon'ble Commission. The net addition of employees since the time of commencement of operation since 1st January 2021 is as follows:

Table 26 : Recruitment of New Manpower



Sr No	Particulars	FY 2020-21 (3 Months)	FY 22	FY 23
1	Opening Balance	0	128	475
2	Addition (Net of Attrition/Retirement)	128	347	433
3	Closing Balance	128	475	908

- Movement of Erstwhile Employee strength over the period

92. The Employee Strength of Erstwhile Utility over the period is as give in the following table:

Table 27 : Movement of Erstwhile Utility

Particulars	FY 2020-21 (3 Months)	FY 22	FY 23
Executives			
Opening Balance	389	387	378
Retirement/Deletion	2	9	-6
Closing Balance	387	378	384
Non Executives			
Opening Balance	1613	1583	1480
Retirement/Deletion	30	103	85
Closing Balance	1583	1480	1395
Total			
Opening Balance	2002	1970	1858
Retirement/Deletion	32	112	79
Closing Balance	1970	1858	1779

- Note on Outsourced Employees deployment

93. TPSODL would like to submit that in the ARR petition in the past has been considering considerable number of persons towards Outsourced Employee Costs. Further for FY 2023-24 it had proposed an expenditure of Rs 201 Crores in line with the past practice. It is submitted that while proposing the above amount of Rs 201 Crores, it had considered the manpower required for outsourced activities under this head.

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94. Thereafter after discussions with the officers of the Hon'ble Commission as well as the guidance received during the presentation to the Hon'ble Commission on 29th April 2023, we are of the view that such expenditure (towards Outsourced Employees) needs to be regrouped and some amounts under this need to be considered under R&M and A&G Expenditure. The various heads that need to be regrouped are as follows:

Table 28: Regrouping of Outsourced Employee Activity

Sr No	Activity/Department	Whether Earlier considered as Outsourced Manpower Costs	Now Considered as	Reason for Change of Category
1	Operation of 33 KV PSS	Yes	R&M	An activity towards R&M - to be considered as R&M
2	Maintenance of 33 KV Lines and PSS	Yes	R&M	Part of AMC - to be considered as R&M
3	Maintenance of 11 KV and 415 Network (Other than FCC)	Yes	R&M	Part of AMC - to be considered as R&M
4	Defective Meter Installations	Yes	R&M	Part of AMC - to be considered as R&M
5	Fuse Call Centre	Yes	R&M	Part of AMC - to be considered as R&M
6	Additional Manpower for addressing emergency and for bigger geographical area	Yes	R&M	Part of AMC - to be considered as R&M
7	Collection at Gram Panchayat Level	Yes	A&G	Part of A&G- MBC Costs
8	IT Related Manpower	Yes	Outsourced Manpower	Outsourced as they are Manpower based contract
9	Admin Support - Peons and Other Outsourced Admin Staff	Yes	Outsourced Manpower	Outsourced as they are Manpower based contract

95. Based on the above regrouping, there will be considerable reduction in the Outsourced Employee Costs as only a small part is retained as Outsourced Employees However the other heads of expenditure viz a) R&M Expenditure and b) A&G Expenditure need to be revised.

96. Due to the above regrouping and the discussions earlier, the expenditure required under the various heads are as follows:

for



Table 29 :Estimated Employee costs for FY 2022-23 (Rs Cr)

Sr No	Particulars	Erstwhile Southco Utility		New Employees		Outsource		Total	
		Approved	Actuals	Approved	Actuals	Approved	Actuals	Approved	Actuals
1	Salary (i.e Basic, Allowances, Performance Pay, Employer Contribution to PF)		163.38		77.89			0.00	241.27
2	Payment to Trusts								
a	Retirement Cashflows to Trust- Pension		98.57						98.57
b	Retirement Cashflows to Trust- Gratuity		11.33						11.33
c	Retirement Cashflows to Trust- Leave		6.77						6.77
d	Retirement Cashflows to Trust- Rehab		0.13						0.13
e	Total Payment to Trust		116.79						116.79
3	Staff Welfare								25.23
4	Total							360.8	383.28
5	Outsourced Employees					70	7.7	70.0	7.65
6	Total Employee Expenditure							430.8	390.9
7	Less Employee Costs Capitalised							-28.37	-28.37
8	Total Employee Expenditure							402.4	362.56

97. As can be seen from the above explanation, the new employees recruited are lesser than the number of employees approved by the Hon'ble Commission. Further the payment to erstwhile employees is on the basis of the rules of the Government of Odisha and also after approval of the scheme by the Hon'ble Commission. We therefore request the Hon'ble Commission to approve the actual Employee Expenditure for FY 2022-23.

- **R&M Expenditure**

98. The Hon'ble Commission had in the order for Case No 39 of 2021 had approved the expenditure of Rs 88.57 Crores for FY 2021-22 The observation of Hon'ble Commission with regards to R&M Expenditure is as follows:

103. In view of the fact that the Repair and Maintenance aspect is critical to the overall improvement of the distribution system. The Commission in this context observes that at the time of ARR petition the new operating company has not taken over and

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consequently the R&M cost projected by the Southco in the ARR was conservatively estimated. With the takeover of the new operating company the requirement under the R&M is now projected at a higher value taking into account the requirement for refurbishment of the network system. The Commission in the ARR order for FY 2021-22 approved the total expenses of Rs.55.36 crore under the head R&M. In the present petition TPSODL has proposed expenses under this head nearly double the cost approved by the Commission in the ARR. The Commission after analyzing the petition now allows Rs. 88.57 crore that is 60% above the earlier approved cost.

104. The Repair and maintenance expenditure against the above will be assessed by the Commission during the true-up exercise and periodical reviews and expenses will be allowed only after prudence check.

99. The Hon'ble Commission has been approving R&M Expenditure for assets owned by TPSODL @ 5.4% of the Opening GFA. In addition, the Hon'ble Commission has been allowing additional amount for maintenance of assets that are not on the Balance Sheet of TPSODL. The approved amount for FY 2022-23 thus works out to Rs 90.24 Crores.
100. The R&M Expenditure is required to Operate and Maintain the Electrical Equipment used for Distribution. This expenditure includes the expenditure towards consumption of material/consumables required from stores for maintenance and also the expenditure towards Annual Contracts placed by TPSODL for a) Operation of Power Substation (PSS) b) Maintenance of 33 KV/11 KV/415 V Network and replacement of defective meters. The Actual Expenditure towards R&M for FY 2022-23 is as follows:

Table 30 : R&M Expenditure for FY 2022-23



Sr No	Head of Expenditure	Approved	Actual FY 23
1	Material -Buildings and Civil Works		0.19
2	Material -P&M		64.14
3	Material- Furniture,Vehicle		1.52
4	Total Material		65.85
5	AMC-11 KV and 415 V and Meter Replacement		130.20
6	AMC- 33 KV		11.77
7	Operation of 33 KV PSS		35.00
8	Total R&M	90.24	242.83

101. Further, the breakup of the above expenditure in FY 2022-23 is given below

a. Expenditure on Material for Maintenance

102. As can be seen from the above table, the expenditure on Material is **Rs 65.85 Crores**

b. Annual Maintenance Contracts

103. TPSODL has placed an Annual Maintenance Contract for maintenance of its network. The work under these contracts involves supply of manpower, use of vehicles for carrying out the work, issue of Tools and Tackles and it also involves attending to No Current Complaints from the Fuse Call Centre (FCC) and manpower costs towards Defective Meter Replacement. TPSODL has placed AMCs under two broad areas viz (i) 11 KV /415 V and (ii) 33 KV Network. The scope of work under the first AMC also involves attending to FCC and provide the manpower for replacement of defective meters. The expenditure under these AMCs for TPSODL in FY 2022-23 is as follows:

Table 31: AMC Expenditure for FY 2022-23 – 11 KV and 415 V



Sr No	Activity/Department	Amount (Rs Cr)
1	Maintenance of 11 KV (45309 Ckt Km) and 415 Network (40217 Ckt Km) - Manpower (1710 No)	64.06
2	FCC (966 Nos) Cost including Manpower (2360 Nos)	62.08
3	Defective Meter Installations at 135 Section - Manpower Costs (270 No)	4.07
Total		130.2

Table 32: AMC Expenditure for FY 2022-23 – 33 KV Network

Sr No	Particulars	Value (Rs Cr)
1	Manpower (393 No) including Tools and Tackles	11.77

c. Operation of PSS

104. TPSODL has engaged this manpower to operate 254 PSS under its Licensed Area. The Manpower required for operation of the PSS is as follows

Table 33: Manpower for Operation of PSS

No of PSS Considered		254					
Sr No	Particulars	Units	Unskilled	Semi Skilled	Skilled	High Skilled	Total
1	Manpower for Above Number of Substation	No	607	155	1016		1778
2	Add Supervisory Staff	No				28	28
3	Total	No	607	155	1016	28	1806

105. Based on the above, the expenditure for FY 2022-23 for Operation of PSS works out to Rs 35.00 Crores.
106. Further, as can be seen, the estimated expenditure for FY 2022-23 is higher than the approved expenditure. In this regard we would like to submit the following:

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- i. As explained under the Outsourced Employee section, TPSODL had initially considered several activities under cost of Outsourced Employee. The same have been now been regrouped under the R&M Expenditure and A&G Expenditure. It includes outsourced employee services of Rs Crores which would have otherwise got categorised under Outsourced Employees and have now been moved to R&M Expenditure. Hence the expenditure under this category would be higher to that extent.
- ii. One of the reasons for inadequate reliability as well as the high technical loss is that sufficient quantum is not spent on R&M Expenditure. It is noted that the due to shortage of funds under these heads, the erstwhile discom had resorted to only breakdown maintenance which takes its toll on the reliability of the Network. Unless sufficient amounts are allowed by the State Regulatory Commissions in this head, the Distribution licensee is reluctant to take up any preventive maintenance and condition based maintenance through Annual Maintenance Contracts (AMC).
- iii. It is further submitted that in addition to above AMC, in house expenditure is required to be incurred for Power Transformer repairs, DTS repairs, DSS Maintenance, DTR Replacement, 33 KV Line repairs and Maintenance, HT Line Maintenance, LV Line Maintenance and maintenance of other equipment.
- iv. The Norm of 5.4 % of the GFA was presumably fixed on the basis of the expenditure carried out in the past. In our humble submission, the expenditure on R&M as mentioned earlier was minimal and hence the norm of 5.4 % of the GFA is clearly not adequate for carrying out satisfactory R&M expenditure. The amount spent over in the past by erstwhile Southco Utility and by TPSODL is as follows :



Table 34 : R&M Expenditure trend over past period (Rs Cr)

FY	Company	SOUTHCO / TPSODL	
		Approved	Audited
99-00		12.63	13.39
00-01		12.63	7.31
01-02		15.57	9.29
02-03		16.82	6.43
03-04		16.38	9.93
04-05		13.25	8.43
05-06		18.55	6.07
06-07		17.35	5.54
07-08		18.38	5.5
08-09		19.08	7.79
09-10		20.73	11.59
10-11		26.11	13.09
11-12		28.47	8.28
12-13		28.28	8.97
13-14		43.53	15.02
14-15		39.19	12.02
15-16		31.93	16.82
16-17		33.18	9.74
17-18		34.91	6.74
18-19		39.19	6.78
19-20		44	4.59
20-21		45.96	6.2
21-22	TPSODL	88.57	90.68
22-23	TPSODL	90.24	242.83

- v. The Hon'ble Commission had approved an expenditure of Rs 30 Crores on Government Funded assets. It is submitted that asset base of Government Assets is about Rs 2406 Crores. This is clearly about 2 times the asset base of TPSODL as on 1st April 2022. Hence the amount of Rs 30 Crores is not adequate to maintain such large asset base. The break-up of the Government Assets being maintained by TPSODL is as follows

Table 35 : Government Asset Base maintained by TPSODL (Rs Cr)

for use



Sr No	Name of the Scheme	(Rs. in crores)
1	Odisha Distribution System Strengthening Project (ODSSP)	748
2	Deen Dayal Upadhyaya Gram Jyoti Yojana (DDUGJY)	273
3	Integrated Power Development Scheme (IPDS)	212
4	Deen Dayal Upadhyaya Gram Jyoti Yojana (DDUGJY) 12TH PLAN (POWER GRID)	273
5	Odisha Dedicated Agricultural Feeder Fishery Project (ODAAPP)	7
6	Deen Dayal Upadhyaya Gram Jyoti Yojana (DDUGJY) 12TH PLAN (NTPC)	332
7	Renovation long term action Plan (RLTAP)- executed through district Collector	26
8	PGCIL	535
	Total	2406

107. On the basis of the above submissions, we are seeking an approval for **Rs 242.83 Crores** for FY 2022-23.

- **A&G Expenditure**

108. In addition to Employee Expenditure and R&M expenditure, TPSODL has incurred expenditure for smooth and efficient running of the operations under the head A&G Expenditure. Some of the expenditure under this head is required for meeting the statutory requirement while some activities are undertaken for improvement of billing, collection and customer services and such expenditure may be termed as Special A&G Expenditure. In addition to above, the "Normal A&G" expenditure is required for the functioning of the company.

109. While it may be called as "A&G", the broad categories under this head will indicate that the expenditure is imperative for efficient running of the operation particularly for the initial few years. This head includes -

a) Customer related expenditure such as Meter Reading, Billing and Collection Expenditure, and for Meter Testing. The same be termed as MBC Expenses.

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- b) Statutory and Mandatory Finance Expenditure such as Auditors Remuneration, Bank Charges, Consultant Fees, Insurance, License Fees and Legal and Professional Charges
- c) IT Related expenses for maintaining proper communication links, maintaining licenses, data base and data centre and providing a firewall for protection of data
- d) Administrative Expenses towards rents of offices, electricity consumption, maintaining of Guest House, Travelling, Facility Management and House Keeping and Office Expenses and finally
- e) Other expenses for advertisement for inviting tenders, objections and suggestions in ARR, and Food and conveyance

Table 36 : Categorisation of A&G Expenditure

Sr No	Head of Expenditure	Activities/Areas involved
1	Statutory A&G Expenses	Rents, Taxes, Insurance, Audit- Finance, Cost, Tax, Electricity Charges, Compensation towards accidents, Security for offices and its areas of operation.
2	MBC Expenses	Spot Billing, Meter Reading, Collection, Disconnection Squad expenses, Arrear Recovery and Data Entry and Management Expenses
3	Normal	Travelling, Training, Legal Fees, Telephones, Printing, Vehicles and other Sundry Expenses

110. The present regulations categorise the expenditure under two heads viz a) normal A &G and b) Special A&G expenditure. In our view, the normal A&G include those under c), d) and e) above. Such expenditure may need to be optimised and controlled.



111. This head also includes Statutory and Mandatory A&G (Sr No b of Para 140 above) As regards the Statutory A&G expenses given above, such expenditure is compulsory and governed by various statutes and is not controllable as such. Hence the same should be allowed at actuals.

112. The Expenditure for A&G for TPSODL in the FY 2022-23 incurred was as follows:

Table 37 : A&G Expenditure for FY 2022-23 (Rs Cr)

Sr No	Head of Expenses	Approved (FY 23)	Actual FY 23
1	Normal A&G		47.05
2	Statutory A&G		27.43
3	MBC Expenses		130.56
4	Total	77.25	205.04

113. The actual expenditure of FY 2022-23 is higher than that approved by the Hon'ble Commission in the Tariff Order due to the following

- The quantum of Rs 77.25 Crores is arrived at based on the amount approved by the Hon'ble Commission for FY 2021-22. In other words, the amount could not be approved on the basis of data of actual expenditure of TPSODL and was in a nature of adhoc amount.
- TPSODL commenced its journey on 1st January 2021 and the first year of operation commencing 1st April 2021 did not indicate the stabilised activity where the MBC and other contracts were being placed by TPSODL. It is only in FY2022-23, the operations had stabilised and the expenditure in this year reflects a stable level of expenditure.
- A large quantum of expenditure from Outsourced Employee cost was moved to A&G Expenditure due to regrouping explained earlier. Such expenditure would have other been erstwhile considered under



Outsourced Employee Costs. The amount moved to A&G because of such regrouping is Rs 59.636 Crores .

- iv. It is also submitted that the above A&G expenditure is required for efficiently running of the operations, increase collection and improve billing processes, improve billing processes, and providing improved customer services.
- v. The comparison between the expenses of FY 2021-22 and FY 2022-23 would indicate that the increase in A&G Expenditure from FY 22 to FY 23 primarily on account of increase in MBC costs. The increase in MBC Costs have resulted in increase in Collection and eventually in have translated into improvement in AT&C which reduced from 32.52% in FY 2021-22 to 22.82% in FY 2022-23. The performance in the two years is as given below

Table 38 : Comparison of performance of FY 2022 and FY 23 (Rs Cr)

Sr No	Particulars	Unit	FY 2022-23	FY 2021-22
1	Input	Mus	4188	3942
	Distribution Loss			
2	Sales	Mus	3156	3021
3	Distribution Loss	%	24.7%	23.3%
	Collection Efficiency			
4	Energy Billed	Rs Cr	1814	1655
5	Amount Collected	Rs Cr	1859	1457
6	Collection Efficiency	%	102%	88%
	AT&C Loss	%		
7	AT&C Loss	%	22.82%	32.52%
	AT&C Loss without Arrears of Gridco			
8	Gridco Arrears in Collection	Rs Cr	100.41	84.4
9	Amount collected excluding Gridco Arrears	Rs Cr	1758	1373
10	Collection Efficiency without Gridco Arrears	%	96.9%	82.9%
11	AT&C Loss without Arrears of Gridco	%	26.99%	36.43%

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114. In view of the above, the Hon'ble Commission may kindly approve the A&G expenditure of **Rs 205.04 Crores** for FY 2022-23

3.12 Return on Equity

115. As per the Vesting Order, the Return on Equity would be available as follows:

58. Return on equity:

(a) As per the terms of the RFP, the Commission shall allow return on equity, as per the Tariff Regulations, to TPSODL on the equity capital of Rs. 200 crores (Indian Rupee Two hundred crores) only which was the reserve price of the utility of SOUTHCO.

(b) Return on equity shall be allowed on the reserve price of the utility as per para 58(a) above and also on the capital investments made by the TPSODL, as per the Tariff Regulations.

116. The Tariff Regulations specify the following with regards to the Return on Equity for any year in the Control Period

Extracts 7 : Return on Equity as per the New Tariff Regulations

3.6.1. Return on equity on approved reserve price (INR 300 Crore for TPCODL, INR 300 Crore for TPWODL, INR 250 Crore for TPNODL and INR 200 Crore for TPSODL) for the utilities (TPCODL, TPWODL, TPNODL & TPSODL) of the erstwhile Distribution utilities as on effective date in terms of the provisions of Vesting Orders:

Return on equity shall be allowed on the approved reserve price of the utility from the effective date of operation at the rate of 16% per annum (post tax), in Indian Rupee terms on pro-rata basis as per Vesting Order.



3.6.2. *Return on equity on the assets put to use after Effective Date up to date of applicability of these Regulations:*

Return on equity on assets put to use after Effective Date up to date of applicability of these Regulations shall be eligible to get return as per Odisha Electricity Regulatory Commission (Terms and Conditions for Determination of Wheeling Tariff and Retail Supply Tariff) Regulations, 2014 and its amendments thereof.

3.6.3. *Return on equity on the assets put to use under instant Regulations:*

Return on equity on assets put to use under these Regulations shall be computed on the paid-up equity capital determined in accordance with these Regulations and shall be allowed at the rate of 16% per annum (post tax), in Indian Rupee terms:

Provided further that for the purpose of truing up for the Distribution Licensee, return on equity shall be allowed from the date of commercial operation on pro-rata basis based on documentary evidence provided for the assets put to use during the year in absence of which the assets shall be considered to be added in the mid of the year.

117. Based on the above, the Return on Equity for FY 2022-23 would work out to as given in the table below:



Table 39 : Return on Equity for FY 2022-23

Sr No	Particulars	Units	FY 21	FY 22	FY 23	Approved for FY 23
A Capitalisation for determination of Equity						
1	Capitalisation for the year	Rs Cr	0	121.570	344.189	
2= 17.2 % of 1	Add Capitalisation due to Gridco Contribution in Kind	Rs Cr	0	23.490	59.290	
3=1+2	Total Capitalisation for Debt and Equity	Rs Cr	0	145.06	403.48	
B Equity						
5	Opening Equity	Rs Cr	200	200.0	243.5	
6=30% x 3	Addition	Rs Cr	0.0	43.52	121.04	
7=5+6	Closing Equity	Rs Cr	200.0	243.5	364.6	
C Return on Equity						
8	On Opening Equity @ 16%	Rs Cr	32	32	39.0	
9	On addition (16%/2=8%)	Rs Cr	0	3.48	9.68	
10=8+9	Total ROE	Rs Cr	32	35.48	48.65	48.00

3.13 Income Tax

118. As per the Tariff Regulations 2022, the income tax would be allowed as follows

Extracts 8 : Income Tax as per Tariff Regulations 2012

3.11. Tax on income

3.11.1. The Income Tax for the Distribution licensee for the regulated business shall be allowed through the Tariff charged to the Distribution System users, on submission of documentary evidence of the actual tax paid subject to the conditions stipulated in these Regulations:

Provided that no Income Tax shall be considered on the amount of efficiency gains and incentive approved by the Commission, irrespective of whether or not the amount of such efficiency gains and incentive are billed separately:

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Provided further that no Income Tax shall be considered on the amount of income from Delayed Payment Charges or Interest on Delayed Payment or Income from Other Business, as well as on the income from any source that has not been considered for computing the Aggregate Revenue Requirement:

3.11.2. The actual assessment of income tax shall take into account benefits of tax holiday, and the credit for carry forward losses applicable as per the provisions of the Income Tax Act 1961 and shall be passed on to the consumers. Under-recovery or overrecovery of any amount from the beneficiaries or the consumers on account of such tax having been passed on to them shall be adjusted every year on the basis of incometax assessment under the Income-Tax Act, 1961, as certified by the statutory auditors.

The Distribution Licensee may include this variation in its truing up Petition:

Penalty, if any, arising on account of delay in deposit or short deposit of tax amount shall not be claimed by the Distribution licensee.

119. TPSODL has paid for **Rs 21.34 Crores** in its Tax Returns for FY 2022-23 and has claimed such amount in the ARR for the year. The breakup of the payment is as shown below

Table 40 : Income Tax Paid for FY 2022-23

Sr No	Particulars	Amt (Rs Cr)
1	Advance Tax	9.75
2	Tax Deduction at Source	3.86
3	Tax Collected at Source	0.01
4	Self Assessment Tax	7.85
5	Refund	-0.1353
6	Total	21.34

120. The above income Tax includes the income tax on account of other income too such Incentive, Delayed Payment Charges and other areas. It is therefore submitted that for the purpose of ARR, it would be appropriate the Income Tax on the basis of the Return on Equity (ROE) and same has been worked out as follows:

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Table 41 : Income Tax claimed for FY 2022-23

Sr No	Particulars	Unit	Value	Approved
1	Return on Equity	Rs Cr	48.65	
2	Income Tax Rate	%	25.17%	
3	Income Tax	Rs Cr	16.36	0.00

3.14 Non Tariff Income

121. As per the Tariff Regulations 2022, the following is included in the Non Tariff Income.

Extracts 9: Elements of Non Tariff Income

5.9.2. The indicative list of various heads to be considered for Non-Tariff Income shall be as under:

- Income from rent of land or buildings or other assets;
- Income from sale of scrap pertaining to period prior to effective date and Profit / Loss from sale of scrap of assets created after effective date;
- Income from statutory investments;
- Income from interest on Fixed Deposits (including contingency reserve investment);
- Interest on Security Deposits not passed on to the consumers
- Interest on advances to suppliers/contractors;
- Income from rental from staff quarters;
- Income from rental from contractors;
- Income from hire charges from contractors and others;
- Income from advertisements, sale of tender documents etc.;
- Service charges;
- Income from customer Charge
- Miscellaneous receipts;
- Deferred Income from grant, subsidy, etc., as per Annual Accounts;
- Prior period income;
- Supervisory charges for contractual works;
- Delayed payment surcharge recovered from the consumers after netting-off rebate allowed to the consumers

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r. Rebate as per Regulation 3.12 for payment of bills of GRIDCO, generation & transmission utilities, SLDC, RLDC etc.;

s. Any Other Non-Tariff Income;

Provided that the interest/dividend earned from investments made out of Return on Equity corresponding to the Retail Supply Business of the Distribution Licensee shall not be included in Non-Tariff Income

122. Accordingly, a) Meter Rent and b) Incentive on Arrear collection have been excluded from computations of the Non Tariff Income. In addition, the interest on Grants for Soubhagya has not been taken as this interest is required to be returned to the Government. Further, as mentioned the Tariff Regulations, the DPS has been netted off rebate allowed to consumers. In addition, the Rebate availed by TPSODL for payments to Gridco and OPTCL has been considered as Non Tariff Income.
123. Based on the same, the Non Tariff Income for computation of the ARR for FY 2022-23 is as follows:

TP SOUTHERN ODISHA DISTRIBUTION LIMITED

(A Tata Power and Odisha Government Joint Venture)

Regd./Corp Office: Kamapally, Courtpetta, Berhampur, Ganjam, Odisha- 760004

Website: www.tpsouthernodisha.com Email: tpsodl@tpsouthernodisha.com

Corporate Identity Number (CIN)- U40109OR2020PLC035195



Table 42 : Non Tariff Income for FY 2022-23 (Rs Cr)

Sr No	Description	In Accounts	In ARR	Approved
1	Interest on Investment-Fixed Deposits in Banks Etc	(4.14)	(4.14)	
2	Interest earned on Grant-Soubhagya	0.07		
3	Sale Proceeds of Scraps	(12.04)	(12.04)	
4	Sale of Tender forms	(0.36)	(0.36)	
10	Interest Received on Refund of Income Tax	(0.01)	(0.01)	
5	Incentive Earned on Arrear Collection	(16.63)		
6	Meter Testing Fees	(0.29)	(0.29)	
7	Other Miscellaneous Receipts	(1.73)	(1.73)	
8	Rental for Meters,Service Lines and Capacitors	(14.39)		
9	Delayed Payment Surcharges from Consumers	(13.64)	(13.64)	
9a	Less Discount availed by consumers	21.09	21.09	
10	Power Factor & Over Drawal Penalties	(1.03)	(1.03)	
11	Disconnection, Dismantle and Reconnection Fees	(0.49)	(0.49)	
12	Meter Box Charges	(0.32)	(0.32)	
13	Service Connection Fees	(11.36)	(11.36)	
14	Supervision & Inspection Charges	(11.26)	(11.26)	
15	Other Miscellaneous Operating Income	(1.14)	(1.14)	
17	Interest on Fixed Deposits & STDR in Banks	(15.58)	(15.58)	
18	Application fees	(0.04)	(0.04)	
19	Rental for Meters,Service Lines and Capacitors-TP	(0.83)	(0.83)	
20	Rebate on Power Purchase		(11.44)	
20	Total	(84.14)	(64.64)	(35.16)

3.15 ARR and computation of Gap for FY 2022-23

124. Considering the above computations for various components, the ARR for FY 2022-23 and the resultant Gap is as worked out in the table below

hanks



Table 43 : ARR for FY 2022-23 and the resultant Gap for the year

Sr No	Particulars	Amount (Rs Cr)
1a	Power Purchase Costs (Including Transmission Cost and SLDC)	1069.26
2	Interest on Long Term Debt and Other Finance Charges	18.06
3	Interest on Working Capital (Actuals)	32.23
4	Interest on Consumer Security Deposit	18.68
5	Depreciation	40.86
6	O&M Expenditure -Employee Expenditure	362.6
7	O&M Expenditure -R&M Expenditure	242.8
8	O&M Expenditure - A&G Expenditure	205.0
9	Provision for Doubtful Debt	18.14
10	Income Tax	16.36
11	Return on Equity	48.65
12	Less Non Tariff Income	-64.64
13	Efficiency Gains on account of AT&C losses	4.33
13	Total ARR	2012.4
14	Revenue Earned	1814
15	Gap/(Surplus)	198

125. The Hon'ble Commission is requested to kindly approve the ARR and the resultant Gap as shown in the table above



4 Gap Movement along with Carrying Costs

126. In the previous chapters, TPSODL has worked out the Gap/(Surplus) in the various years. The Tariff Regulations 2022 permit recovery of the carrying cost for the Gap/Surplus. The extracts from Paragraph 2.11.5 of the Tariff Regulations 2022 are presented below in this regard

Extracts 1 : Carrying Cost Treatment

Carrying cost to be allowed on the amount of Revenue Gap or Revenue Surplus for the period from the date on which such gap/surplus has become due, i.e., the interest should be calculated for the period from the middle of the Financial Year in which the revenue gap had occurred upto the middle of the Financial Year in which the recovery has been proposed, calculated on simple interest basis at the weighted average Base Rate of the respective Financial Year or any replacement thereof by SBI from time to time being in effect applicable for 1 year period, as applicable for the relevant year:

Provided that carrying cost on the amount of Revenue Gap shall be allowed up to the above limit, subject to prudence check and submission of documentary evidence for having incurred the carrying cost in the years prior to the year in which the revenue gap is addressed;

Table 44 : Computation of Carrying Cost till FY 2024-25 (Rs Cr)

Sr No	Particulars	Units	FY 2020-21 (3 Months)	FY 2021-22	FY 2022-23
1	Regulatory Gap/(Surplus)	Rs Cr	-18.62	-15.05	198.31
2	Applicable Interest Rate	% p.a	7.00%	7.00%	7.86%
3	Carrying Cost period upto FY 2024-25	Months	43.5	36	24
4	Carrying cost	Rs Cr	-4.72	-3.16	31.17

TPSODL



Table 45 : Cumulative Gap for performance till 31st March 2023

Sr No	Pariculars	Units	FY 2020-21 (3 Months)	FY 2021-22	FY 2022-23
1	Opening Gap	Rs Cr	0	-23.34	-41.54
2	Addition	Rs Cr	-18.62	-15.05	198.31
3	Relevant Carrying Cost	Rs Cr	-4.72	-3.16	31.17
4	Closing Gap	Rs Cr	-23.34	-41.54	187.93

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5 Annexure 1- Extracts from Tax Returns filed for FY 2022-23

Extracts 2 : Tax Paid by TPSODL for FY 2022-23

10 Taxes Paid

a	Advance Tax (from column 5 of 15A /Schedule IT)	10a	9,75,00,000
b	TDS(total of column 9 of 15B/schedule TDS 1 & 2)	10b	3,85,80,790
c	TCS (total of column 7(i) of 15C schedule TCS)	10c	1,33,017
d	Self Assessment Tax (from column 5 of 15A/Schedule IT)	10d	7,85,00,000
e	Total Taxes Paid (10a+10b+10c+10d)	10e	21,47,13,807