Delhi Electricity Regulatory Commission

Viniyamak Bhawan, 'C' Block, Shivalik, Malviya Nagar, New Delhi – 110017.

F.11(2275)/DERC/2024-25

Petition No. 63/2024

In the matter of: **Petition under section 62(4) of the Electricity act, 2003 read with Regulation 134 of the Delhi Electricity Regulatory Commission (Terms and Conditions for determination of Tariff) Regulations 2017 Regulation No. 30 of DERC of Business Plan Regulations – 2023 read with Delhi Electricity Regulatory Commission (Conduct of Business) Regulation, 2001 seeking this Commission to allow Petitioner to levy Differential Power Purchase Cost Adjustment Charges (PPAC) pertaining to period commencing from July' 2024 to September' 2024**

Tata Power Delhi Distribution Ltd. …. Petitioner

Coram:

Justice (Retd.) Jayant Nath, Chairperson
Sh. Ram Naresh Singh, Member
Sh. Surender Babbar, Member

Appearance:
1. Mr. Anand K. Srivastava, Advocate, TPDDL
2. Mr. Ravi Nair, Advocate, TPDDL

ORDER
(Date of Order: 03.01.2025)

1. The instant Petition has been filed by Tata Power Delhi Distribution Ltd. (TPDDL) seeking approval of the Commission to allow it to levy differential Power Purchase Cost Adjustment Charges (PPAC) pertaining to the period commencing from July'2024 and ending September'2024 of FY 2024-25 in accordance with Section 62(4) of the Electricity Act, 2003 read with Regulation 134 of the Delhi Electricity Regulatory Commission (Terms and Conditions for determination of Tariff) Regulations, 2017 (Tariff Regulations 2017), along with Regulation 30 of Delhi Electricity Regulatory Commission (Business Plan) Regulations, 2023 ('Business Plan Regulations 2023').

2. The Petitioner has made the following prayers: -
   a) To allow Petitioner to levy Power Purchase Adjustment Cost as per present Petition to the tune of 13% for a period of three months i.e., from 01.02.2025 till 30.04.2025 and/or
   b) To exclude any credit from STOA from PPAC calculations.

PETITIONER'S SUBMISSIONS

3. The Petitioner has submitted the following:

   i. The Petitioner is a Distribution Licensee in terms of Section 14 of the Electricity Act, 2003 read with the Delhi Electricity Reforms Act, 2000(DERA 2000) and is operating in North, Northwest areas of Delhi in terms of the distribution license issued by the Commission.

   ii. The Petitioner has been procuring electricity from various generation sources including renewable sources through utilization of the State and Central Transmission Network of the Transmission Licensees. The power is then supplied to the consumers at the applicable retail tariff determined/adopted by the Commission. The cost of long-term such power being procured from central generating stations and state generating stations is determined, after following the due process as prescribed under law, by the Ld. Central Electricity Regulatory Commission (CERC) and the Commission, respectively. The cost of such power procurement along with transmission of electricity comprises around 80% of the Annual Revenue Requirement (ARR) of the Petitioner.

   iii. The Power Purchase Cost is an uncontrollable factor and beyond the control of the Petitioner and is dependent on various factors such as fuel prices, Imported Coal Blending, freight charges for fuel transportation, regulatory orders/directives (incentives, O&M costs, etc.), variation between demand and supply due to various macroeconomic factors and weather conditions, and such difficulties have been duly acknowledged by the Commission during past few years in respect of Tariff determination exercise. The factors such as fuel prices imported coal blending, freight charges for fuel transportation etc. have been statutorily recognized as uncontrollable factors. Hence, due to the nature of such factors being unforeseeable, it becomes difficult to accurately estimate the power purchase costs at the time of annual tariff fixation.

   iv. The very purpose of providing PPAC is to timely compensate the Petitioner/Distribution Licensee for the increase in power purchase costs for the particular periods in the year to keep its financial liquidity intact. In practice, a generator has to make payments for the fuel. Any increase in the fuel prices will have to be compensated, else the generator will not be in a position to procure enough fuel to generate power. Consequently, the Distribution Licensee who procures power from the generators, in turn has to immediately bear and pay the increased costs to the generator. If the Distribution Licensee is not compensated at the time, its liquidity gets severely impacted. Any deferral in compensation to the Distribution Licensee on account of additional power purchase expenditure also results in interest cost (carrying cost) for which the Distribution Licensee will have to ultimately resort to funding through short-term loans. Such a measure is not in the interest of the consumers as there is an additional burden in terms of higher tariff and carrying cost on the consumers.

v. The Commission acknowledging such issue being faced by the distribution licensees introduced the concept of PPAC. The mechanism for levying the same has been specified in Regulation 30 of Business Plan Regulations, 2023.

vi. The Commission has already clearly defined the framework for PPAC including the mechanism, frequency, formulation, process of approval, recovery as well as adjustment, if any required in terms of the Tariff Regulations, 2017.

vii. Based on the audited Power Purchase Cost and records of the Petitioner for the period commencing from July '2024 and ending September '2024 of FY 2024-25, the Petitioner has calculated the proposed PPAC percentage in line with the PPAC methodology specified by the Commission. Accordingly, the PPAC based on all the bills has been calculated as 13.25%.

viii. Earlier, the Commission had considered PPAC @ 8.50% in the Tariff Order dated 30.09.2021, equivalent to Rs. 626.57 Crore for meeting the Revenue Gap arising in the ARR for FY 21-22 for the Petitioner. The relevant Table is reproduced herein below for reference:

Table 4. 72: Commission Approved: Revenue (Gap) for FY 2021-22 (Rs. Cr.)

Sr. No.	Particulars	Amount
1	Aggregate Revenue Requirement (ARR)	6939.44
2	Add: Carrying Costs for FY 2021-22	92.25
3	Add: PPAC Cost Subsumed	13.69
4	**Revised ARR (1+2+3)**	**7045.38**
5	Revenue at Revised Tariff	6443.76
6	Add: Revenue from PPAC	626.57
7	**Total Revenue (5+6)**	**7070.33**
8	**Revenue (Gap)/Surplus (7-4)**	**24.95**

ix. The Commission has utilized the entire PPAC @ 8.50% to meet the fixed cost recovery forming part of ARR for FY 21-22. Therefore, the actual PPAC required by the Petitioner for recovery of Power Purchase Cost for Q2 is 21.75% (i.e., 13.25% + 8.50% PPAC). The Commission has consistently allowed the above *ad hoc* PPAC of 8.5% to the Petitioner in the various Orders concerning PPAC for various quarters. The Commission was also pleased to allow the above *ad hoc* PPAC of 8.5% in its Order dated 30.10.2024 in Petition No. 48 of 2024 pertaining to Quarter 1 of FY 2024-25.

x. In line with the PPAC mechanism framed by the Commission, the Petitioner has continued levy of *suo-moto* PPAC of 8.75% for the next billing cycle, i.e. for next three months with effect from 23.10.2024. The fact of such levy of 8.75% PPAC on consumers pertaining to said period of FY 2024-25, has been duly informed to the Commission by way of Communication No. TPDDL/REGULATORY/2024-25/PMG/269 dated 22.10.2024. The Petition is being filed for approval of the balance PPAC i.e 13% (i.e. 21.75% - 8.75%). The said details were also uploaded on the website of the Petitioner on 22.10.2024 as required by the Commission Regulations/Orders.

xi. The Petitioner vide its email dated 03.01.2025 submitted clarification in respect of its claim of PPAC. The PPAC as claimed by the Petitioner in the instant Petition has been summarized in the table below:

S.No.	Document	PPAC
1.	PPAC based on all bills *(As perAuditor's Certificate)*	13.25%
2.	PPAC subsumed in the Tariff Order dated 30.09.2021 for FY 2021-22	8.50%
3.	Provisional PPAC as per Regulation 30 of the Business Plan Regulations, 2023. *The same was duly communicated by Petitioner to the Commission vide letter dated 22.10.2024*	-8.75%
	Actual PPAC for Q2 of FY 2024-25	13.00%

xii. Under-recovery of legitimate expenses in a time bound manner, may also result in the Petitioner herein being forced to resort to short-term loans/other means of finances, which will consequently increase the carrying cost for such period.

xiii. The Petitioner hereby vide the present Petition beseeches the Commission to extend the levy of 13% of PPAC allowed by the Commission for a further period of three months i.e. from 01.02.2025 till 30.04.2025 or such further period as deemed fit by the Commission.

<u>Commission Analysis</u>

4. TPDDL vide abovementioned Petition, has submitted the PPAC computation for the Q2 of FY 2024-25, which is summarized as follows:

Quarter	PPAC Computed by DISCOM as per DERC Regulation	PPAC claimed by DISCOM
Q2 FY 2024-25	13.25%	13.00% (13.25%+8.50%*-8.75%**)

*Note: * PPAC @ 8.50%, as allowed by Commission vide Tariff Order dated 30.09.2021 for meeting the Revenue gap.*
***Suo-motu levy of PPAC as per clause 30(4) of DERC (Business Plan) Regulations, 2023*

5. Tariff Division sought information from the Petitioner vide email dated 06/12/2024 w.r.t CERC Orders resulting in arrears, Coal based Power Plants Blending Ratio

details, STOA bills, etc. TPDDL vide its email dated 13/12/2024, submitted the information.The Commission vide its Record of Proceedings dated 11/12/2024, admitted the above-mentioned PPAC Petition. A prudence check of PPAC Petition was also conducted with TPDDL Officials on 12/12/2024.

6. After verification of the Power Purchase Bills submitted by TPDDL and prudence check by the Commission, the PPAC computed as per formula approved in Tariff Order dated 30/09/2021 is as follows:

Quarter	PPAC submitted by DISCOM	PPAC Computed
Q2 FY 2024-25	13.25%	13.14%

7. In view of above, the Commission accords approval of PPAC for Q2 FY 2024-25 as follows:

Quarter	PPAC claimed by DISCOM	PPAC Computed
Q2 FY 2024-25	*13.00%* (=13.25% +8.50%* -8.75%**)	12.89% (=13.14% +8.50%* -8.75%**)

*Note: * PPAC @ 8.50%, as allowed by Commission vide Tariff Order dated 30.09.2021 for meeting the Revenue gap.*
***Suo-motu levy of PPAC as per clause 30(4) of DERC (Business Plan) Regulations, 2023*

8. Presently, ongoing PPAC is 11.77%, which is applicable till 31/01/2025. PPAC of Q2 of FY 2024-25 to be recovered works out to 12.89%. In view of this, the Petitioner is allowed to recover PPAC of 12.89% for 3 months beyond 31/01/2025 i.e., from 01/02/2025 to 30/04/2025.

9. Ordered accordingly.

Sd/- (Surender Babbar) Member	Sd/- (Ram Naresh Singh) Member	Sd/- (Justice (Retd.) Jayant Nath) Chairperson