Delhi Electricity Regulatory Commission

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

F.11(2257)/DERC/2024-25/8219

Petition No. 48/2024

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 and Regulation 30 of DERC (Business Plan) Regulations, 2023 and the Delhi Electricity Regulatory Commission (Conduct of Business) Regulations, 2001 for allowing the Petitioner to levy Power Purchase Cost Adjustment Charges ('PPAC') pertaining to the period commencing from pertaining to the period commencing from April' 2024 to June'2024 of the Financial Year 2024-25.**

Tata Power Delhi Distribution Ltd. **…Petitioner**

Coram:

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

Appearance:

1. Mr. Buddy A. Ranganadhan, Advocate, TPDDL
2. Mr. Anand K. Srivastava, Advocate, TPDDL
3. Ms. Shefali Tripathi, Advocate, TPDDL
4. Ms. Priya Goyal, Advocate, TPDDL

ORDER

(Date of Order: 30.10.2024)

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 April'2024 and ending June'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; and/or

b) To allow Petitioner to continue the levy of legitimate Power Purchase Cost Adjustment Charges of 27.58%, as allowed by the Commission vide its earlier Order, for further period of three months i.e, from 01.11.2024 till 31.01.2025.

c) 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 utilizing 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.

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 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.

vi. Based on the audited Power Purchase Cost and records of the Petitioner for the period commencing from April'2024 and ending June'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 12.02%.

vii. 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**

viii. 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 Q1 is 20.52% (i.e., 12.02% + 8.50% PPAC). In the event the Commission considers extending the current PPAC @ 27.58%, as allowed by the Commission *vide* Order dated 25.07.2024 passed in Petition No. 10/2024, as alternatively prayed herein, then the said 8.50% *ad hoc* PPAC will not be additionally required to be sought by Petitioner as the aforesaid PPAC levy includes *adhoc* PPAC as the said extension will contribute to early liquidation of revenue gap which is in consumer interest.

ix. 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 23.07.2024. 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/154 dated 22.07.2024. The said details were also uploaded on the website of the Petitioner on 22.07.2024 as required by the Commission Regulations/Orders.

x. Due to non-issuance of Tariff Order since FY 2021-22, the Petitioner is not able to recover the incremental cost of power purchase from short term and medium term sources. On the basis of Actual Power Purchase Cost from April' 24 to June' 24, there is under-recovery of Rs. 515.39 crore of power purchase cost from all sources.

xi. Under-recovery of legitimate expenses may result in prejudicing the rights and interest accrued in favour of the Petitioner by virtue of the Regulations and Orders issued by the Commission. Further, *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.

xii. The Petitioner hereby vide the present Petition beseeches the Commission to extend the levy of 27.58% of PPAC allowed by the Commission for a further period of three months i.e. from 01.11.2024 till 31.01.2025 or such further period as deemed fit by the Commission.

Commission Analysis

4. TPDDL vide their abovementioned Petition, has submitted the PPAC computation for the Q1 of FY 2024-25, which is summarized as follows:

Quarter	PPAC Computed by DISCOM as per DERC Regulation	PPAC claimed by DISCOM
Q1 FY 2024-25	12.02%	11.77% (12.02%+8.50%*-8.75%**)

*Note: * PPAC @ 8.50% allowed by Commission vide Tariff Order dated 30/09/2021 for meeting the Revenue gap.*
*** Suo-moto levy of PPAC as per clause 30(4) of DERC (Business Plan) Regulations, 2023.*

5. TPDDL in the Petition has submitted differential PPAC of Q1 of FY 2024-25 of 11.77%. Further, TPDDL prayed to continue the existing PPAC of 27.58%. The Commission vide its Record of Proceedings dated 04/10/2024, admitted the above-mentioned

PPAC Petition. Post admittance, Tariff Division of the Commission vide its email dated 15/10/2024 sought information like CERC Orders resulting in arrears, Coal based Power Plants Blending Ratio details, STOA bills, etc. and conducted a prudence check of PPAC Petition with TPDDL on 16/10/2024. In reply, TPDDL vide its email dated 17/10/2024 submitted the required information.

6. The Petition and Additional Submissions by TPDDL have been scrutinized, the summary is as follows.

   a) In the Quarters, due to various CERC Orders, arrears of approx. Rs. 146 Crores were paid to Generating Plants and Central Transmission Utility. The summary of major arears are as follows:

Particular	Amount (Rs. Cr.)	Remarks
Badarpur Thermal Power Station	76	CERC Order in Petition no. 221/GT/2020 dated 14/04/2024 (True-up FY 2014-19)
CLP Jhajjar	66	As per CERC order dated 16/04/2024 & 25/01/2016 & 18/04/2016
PGCIL POC BILL 2	4	As per CERC order dated 21/02/2023, 20/07/2023, 10/03/2023
Total	**146**	

   b) It is also observed that the impact of Blending of imported coal in Coal-based Power Plants are almost negligible.

7. After prudence checks, the Commission accords approval of PPAC for Q1 of FY 2024-25 as follows:

Quarter	PPAC Claimed	PPAC Allowed
Q1 FY 2024-25	11.77%	11.77% (12.02%+8.50%*-8.75%**)

*Note: * PPAC @ 8.50% allowed by Commission vide Tariff Order dated 30/09/2021 for meeting the Revenue gap.*

*** Suo-moto levy of PPAC as per clause 30(4) of DERC (Business Plan) Regulations, 2023*

8. Presently ongoing PPAC is 27.58%, which is applicable till 31/10/2024. PPAC of Q1 of FY 2024-25 to be recovered works out to 11.77%. In view of Regulation 30(3) of *DERC (Business Plan) Regulations, 2023*, the Petitioner is allowed to recover differential PPAC of 11.77% for 3 months beyond 31/10/2024 i.e., from 1/11/2024 to 31/01/2025. The Surplus/deficit, if any, will be allowed on verification of Power Purchase Cost and Transmission Bills, in True-up of relevant Financial Year subject to prudence check.

9. Ordered Accordingly.

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

WEAR FACE MASK **WASH HANDS REGULARLY** **MAINTAIN SOCIAL DISTANCING**