North MCD has issued assessment order of property tax for FY 2018-19 which was paid by Tata Power-DDL. The amount of property tax paid is given in table below:

Table 3.32: Property Tax for FY 2018-19 (Rs Cr)

Financial Year	Amount
For FY 2018-19	1.99
Total Property Tax paid	**1.99**

Based on above submission, it is requested to the Hon'ble Commission to allow an amount of Rs 1.99 Cr. towards property tax based on actuals as the same is not a part of normative O&M Expenses.

G) SMS Charges

The Hon'ble Commission vide its letter dated 13.01.2016 (Copy attached as Annexure A-5 in Volume II of the Petition) had issued directive to send the SMS to consumer on various occasions. In order to comply the said directive, Tata Power DDL has incurred an amount of Rs 1.32 Cr toward SMS charges in FY 2018-19. The said expenses are incurred on the direction of the Hon'ble Commission therefore it is requested to allow the same as a part of other expenses.

As these expenses are not factored while computing the normative O&M expenses for FY 2018-19, hence the Petitioner is requesting to the Hon'ble Commission to allow Rs. 1.12 Cr (without GST) over and above the normative O&M Expenses.

H) DSM Expenses

The Petitioner has submitted that the Commission vide its letter dated 13th May, 2015 has given its approval for implementation of AC replacement scheme in the Petitioner region to be read with DERC other letter No. F. 17(23)/DERC/Engg./2014-15/4604/288.

The Petitioner has incurred an amount of Rs. 0.79 Cr. in FY 2018-19 towards implementation of AC rebate scheme.

Further, in order to implement the net metering in its area of operations, Tata Power- DDL has incurred Rs. 0.01 Cr towards ESCO.

The Hon'ble Commission while computing the normative O&M expenses has considered average DSM expense of Rs. 0.28 Cr. The expenses are further escalated with inflation of 5.61% along with the cumulative network growth of 7.40% for two years to compute the normative amount of DSM expenses.

Thus, the Petitioner is requesting to the Hon'ble Commission to allow Rs. 0.41 Cr (net of normative BD expenses (i.e. Rs. 0.80 cr. – Rs. 0.39 Cr) on account of DSM initiatives taken during the FY 2018-19.

I) PRI Lines

The Hon'ble Commission vide its letter dated 07.04.2017 (copy attached as Annexure A-6 in Volume II of the Petition) has directed to enhance PRI Lines and clearly specified that any additional expense if done it shall be allowed additionally over and above the normative O&M expenses.

During the FY 2018-19, Tata- Power DDL has incurred an amount of Rs. 1.73 Cr (including GST) towards PRI Lines. Therefore, it is requested to the Hon'ble Commission to allow Rs. 1.47 Cr additionally (without GST) over and above normative O&M Expenses.

J) Water Charges

The 3rd MYT Regulations, 2017 specified that water charges are required to be trued up based on actuals. Relevant extract of the same is given below:

"*Provided that the Normative O&M Expenses for the respective Control Period shall not be trued up.*

Provided further that the water charges, statutory levy and taxes under O&M expenses if indicated separately in the audited financial statement shall not form part of Normative O&M Expenses."

Based on above submissions, the Petitioner is seeking amount of Rs. 2.53 Cr for FY 2018-19 on account of water charges. (Refer Note no 34.3 of the Audited Financial Statement for FY 2018-19)

K) Legal Expenses

While fixing the normative O&M expenses, the Hon'ble Commission has not considered Legal Expense of the DISCOMs. Further in SOR, the Hon'ble Commission has specified that it shall allow the legal expense on actual basis after making a prudence check on legal expenses.

During the FY 2018-19, TPDDL has incurred an amount of Rs. 17.75 Cr **(net of BD Expenses)** under the head Legal and Professional Expenses. Given below is the sub- head wise bifurcation of aforesaid Legal and Professional Expenses.

Table 3.33: Legal Expenses for FY 2018-19 **(Rs Cr)**

S. No.	Particulars	Amount
A	Auditor Expenses	0.71
B	Other Misc. Legal Exp.	0.23
C	Consultancy Services -Domestic	0.15
D	Professional Charges	2.40
E	Advocate Fee	13.94
F	Litigation Expenses - Compensation charges	0.08
G	Foreign Consultancy expenses	0.25
	Total	**17.75**

Based on above submission, it is requested to the Hon'ble Commission to allow Rs 17.75 Cr towards Legal and Professional Fees.

Summary of the Additional O&M Expenses sought over and above the normative O&M expenses allowed for FY 2018-19

Based on the above submissions, the Petitioner is seeking Rs. 115.22 Cr additionally on account of O&M expenses for FY 2018-19 towards statutory levies/uncontrollable factors, change in law, minimum wages etc..

Table 3.34: Summary of Additional O&M Expenses on account of statutory levies & Taxes (Rs Cr)

S. No.	Nature	(Amount)	Remark
Statutory Levis, Taxes etc.			
1	Licensee fees	0.17	Table 3.29
2	Land Licensee fees	11.01	Table 3.30
A	Interim Relief 7th Pay Commission- FRSR	43.92	Explanation given above
B	Impact of GST	14.36	Explanation given above
C	Impact of Minimum wages	20.33	Explanation given above
D	Financing Charges	0.16	Table 3.31
E	Property Tax	1.99	Table 3.32
F	SMS Charges	1.12	Explanation given above
G	DSM Expenses	0.41	Explanation given above
H	PRI Lines	1.47	Explanation given above
I	Water Charges	2.53	Explanation given above
J	Legal Expenses	17.75	Table 3.33
	Total	**115.22**	**Sum (A to K)**

Non-Tariff Income (NTI)

Regulation 152(a) of Delhi Electricity Regulatory Commission (Terms and Conditions for Determination of Tariff) Regulations 2017 provided that *"Variation in revenue and sale of the distribution licensee based on projected revenue and sales vis-à-vis actual revenue and sales".*

The Hon'ble Commission in its Tariff Order for FY 2018-19 had projected Non-Tariff Income of Rs. 123.12 Cr. (including Income from Other Business, Open Access Charges and Normative Interest on Consumer Security Deposit). Break up the same is given below:

Table 3.35: Approved Non-Tariff Income for FY 2018-19 **(Rs Cr)**

Particulars	Amount
Non-Tariff Income/ Interest on Security Deposit	111.12
Additional Open Access Charges	12.00
Net Non-Tariff Income	**123.12**

Against the projected net non-tariff income of Rs. 123.12 Cr, the actual Non-Tariff Income for the purposes of Truing Up for FY 2018-19 comes to Rs. 66.65 Cr. Break-up of the same is given below:

Table 3.36: Non-Tariff Income for FY 18-19

S. No.	Particular	Amount (Rs Cr)		Remarks
A	Other Operating Revenue		118.77	Note 30.4.2 of Audited Accounts
B	Other Income		108.02	Note 30.5 of Audited Accounts
	Total –(I)		**226.79**	
Less: Income included in above, not passed as Non-Tariff Income as per 3rd MYT Regulations, 2017				
C	Transfer from capital grants	0.74		Note 30.4.2 of Audited Accounts
D	Transfer from consumer Contribution for Capital work	45.69		Note 30.4.2 of Audited Accounts
E	Incentive towards Street Light	0.82		Note 30.4.2 of Audited Accounts
E	Interest Income /Short term capital gain	12.75		Note 30.5 of Audited Accounts

S. No.	Particular	Amount (Rs Cr)		Remarks
F	Financing Cost of LPSC	8.41		Explanation given below
G	Income from other Business	92.80		(To be Offered separately)
	Total –(II)		**161.20**	(C+D+E+F+G)
Add: Income not included in above, but required to be passed as Non-Tariff Income				
H	Differential amount of Service Line Charges - **III**		**1.06**	Explanation given below
	Sub- Total		**66.65**	(I)-(II)+(III)

(Audited Accounts attached as annexure A-1 in Volume II of the Petition)

For the purpose of tariff determination, the detailed explanation for reducing aforementioned Incomes from non-tariff income are given below:

i. Grant/Consumer Contribution

As the Hon'ble Commission is utilizing the Gross Capital Grant/Consumer Contribution for financing of the Capitalization, amortization of the same in accounts is only a book entry which cannot be treated as Non-tariff Income after once taking it as a capital receipt for financing of capex/capitalization. The above treatment is in accordance with the principles accepted and implemented by the Hon'ble Commission in its previous Tariff Orders also.

ii. Incentive towards Street Light

It is respectfully submitted that in order to evolve a performance driven system that the Hon'ble Commission vide its order dated 22.09.2009 has put up the incentive/disincentive mechanism for maintaining street lights.

Relevant extract of para no. 20 on page no 9 of the aforesaid order is given below:

"On going through the relevant submission made by the DISCOMs and MCD/PWD etc., it is decided that the performance level/ efficiency for the purpose of incentive shall be reviewed

during next control period till such time the same arrangement for incentive/ disincentive shall continue as under:

Performance level achieved	Incentive	Example
Between 90-95%	*1% of the maintenance cost for each percentage in over achievement from target of 90%*	*Actual Performance 93% Incentive 93-90 = 3%*
Between 95-97%	*1.5% of the maintenance cost for each percentage in over achievement from target of 95%*	*Actual Performance 97% Incentive= 5 + 3 = 8%*
Above 97%	*2.0% of the maintenance cost for each percentage in over achievement from target of 97%*	*Actual Performance 99% Incentive = 8 + 4 = 12%*

Performance less than 90% shall attract disincentive for the DISCOMS according to the following table:

Performance level achieved	Disincentive	Example
Between 80-90%	*1% of the maintenance cost for each percentage in shortfall to achieve target of 90%*	*Actual Performance 83% Disincentive 90-83 = 7%*
Between 70-80%	*1.5% of the maintenance cost for each percentage in shortfall to achieve target of 80%*	*Actual Performance 77% Disincentive =10+4.5 = 14.5%*
Below 70%	*2% of the maintenance cost for each percentage in shortfall to achieve target of 70%*	*Actual Performance 60% Disincentive = 25 + 20 = 45%*

The incentive or disincentive would not be a pass through in the calculation of the Annual Revenue Requirement and the payment would be made by the 15th day of the following month."

As mentioned in the State Commission Order, the incentive earned by the Petitioner would not be a pass through in the ARR, hence, the Petitioner has retained Rs. 0.82 Cr as an incentive earned towards the maintenance of Street Light. It is further clarified that the total amount of maintenance charges of Rs. 12.03 Cr. under the head Other Operating Revenue as appearing in Note No 30.4.2 (d) of Audited Balance Sheet is inclusive of aforesaid street light incentive of Rs. 0.82 Cr.(refer note no 30.4.2.1 of the audited financial statement),therefore, Tata Power- DDL has deducted amount of Rs. 0.82 Cr from the Non-Tariff Income.

iii. Interest on Surplus Funds out of Shareholder's money

The Hon'ble Commission in its previous Tariff orders had followed the methodology to exclude any income arising from surplus funds of shareholder's money from non-tariff income on the following principle:

a) The Hon'ble APTEL in its Judgment against appeal no 153/2009 has decided that interest on surplus funds out of shareholder's money is not a part of NTI.

During the FY 2018-19, Tata Power – DDL has earned an amount of Rs. 12.75 Cr as Interest Income/ Gain on investment in mutual funds by investing shareholder's funds at different point of time.

Therefore, in line with the APTEL Judgment and the methodology followed by the Hon'ble Commission, an amount of Rs. 12.75 Cr is excluded from Non-Tariff Income.

iv. Financing Cost for LPSC

LPSC is levied on consumers who do not make payment with in the credit period allowed for payment. This compensates the Utility for the additional interest cost that gets incurred on the additional working capital requirements due to non-payment for timely payments of such dues by the consumers by the respective due dates.

The Hon'ble APTEL in Appeal No. 153 of 2009 has held that the distribution licensee is entitled to the cost of financing the entire outstanding principal amount that attracts LPSC at prevalent market lending rates. The Hon'ble APTEL categorically held that "the financing cost relating to the late payment surcharge" must be derived from the "prevalent market lending rates." This is imperative because the Petitioner is required to finance working capital requirement arising out of delayed payment throughout the year.

The Hon'ble APTEL vide its judgment dated July 12, 2011 in Appeal No. 142 of 2009 had held that the Petitioner is entitled to the compensation for additional financing cost of outstanding dues limited to late payment surcharge amount at the prevalent market lending rate during that period keeping in view the prevailing Prime Lending Rate. The relevant portion of the judgment is reproduced below:

"19.5...

Accordingly, the Appellant is entitled to the compensation for additional financing cost of outstanding dues limited to late payment surcharge amount at the prevalent market lending rate during that period keeping in view the prevailing Prime Lending Rate." (Emphasis added)

The Hon'ble Commission in its Tariff Regulations, 2017 has upheld the Judgment of the Hon'ble APTEL and clearly stated in Regulations 94(v) that Net Interest on delayed or deferred payment of bills shall be considered as Non-Tariff Income. Thus, in order to compute the financing cost of LPSC, Tata Power DDL considers the actual working capital interest rate of 8.09%.

Based on above submission, financing cost for LPSC is computed as follows:

Table 3.37: Computation of financing cost of LPSC (Rs. Cr.)

S. No.	Particular	UoM	Amount
A	LPSC earned (Note 30 of Audited Financial Statement)	(Rs Cr)	18.69
B	Late payment surcharge rate as per Regulations	%	18% p.a.
C	Principal Amount (i.e. energy & other applicable charges) on which the above LPSC was levied (A/B)	(Rs Cr)	103.84
D	Normative Interest Rate	%	8.09%
E	Financing Cost (C*D)	(Rs Cr)	8.41

v. Service Line Charges

Tata Power- DDL would like to bring in the kind attention of the Hon'ble Commission that as per Indian GAAP, service line charges were treated as income upfront upon installation of connections, therefore entire income is treated as non-tariff income for the purpose of ARR.

However under Ind-As since the consumers does not get any identified asset or service upon payment of upfront service line charges, service line charges should be recognized as a revenue over the useful life of asset provided to consumers. Hence any income on account of Service Line is shown as receipt and thereafter amortized over the useful life of Asset. Due to aforesaid change, in profit and loss statement the amortized balance of service line charges are shown under the head other operating income instead of receipt amount of service line charges. Therefore, for the purpose of Tariff determination receipt of service line charges has been considered and offered as a part of non-tariff income instead of amortized amount as shown in profit and loss statement for FY 2018-19. Given below is the amount additionally considered as a part of Non-Tariff income;

Table 3.38: Additional amount of Service Line Charges for FY 2018-19 **(Rs Cr)**

Particulars	Rs. Cr	Remarks
Receipt on account of Service Line charges	30.48	Note 22(b) of the Audited Financial Statement
Amortized and transferred to Profit & Loss	29.42	Note 22(b) of the Audited Financial Statement
Amount additionally offered as NTI	**1.06**	

Income from Other Business Income

With the objective of creating additional avenues for growth, sharing of knowledge & best practices across utilities, and most importantly, in line with its strategy of providing power at competitive rates to consumers, Tata Power- DDL is exploring the possible avenues for revenue growth through various activities in addition to Distribution of power to consumers.

Tata Power-DDL during the course of its transformation journey in the National Capital Territory of Delhi has acquired & developed its knowledge base, built its core competencies in utility management and is using these competencies to expand its footprints in different geographies both nationally and internationally, providing distribution related services including operations management, commercial management integration of information and operations technologies for smarter and intelligent functioning of distribution networks, change management, process re-engineering, capacity building etc.

Tata Power-DDL's exclusivity is due to its unique positioning amongst the players in the power domain. Being a power distribution utility, Tata Power-DDL scores over all the service providers through its in depth knowledge of the business processes that go into the daily functioning of any distribution utility. Tata Power-DDL has been a forerunner in the adoption of state-of-art technologies and is a hub of all technological solutions. Moreover, Tata Power-DDL has amalgamated all the available solutions from different vendors in a seamless integrated architecture.

During the FY 2018-19, Tata Power- DDL has earned Rs. 92.80 Cr (Gross Receipts) from other than licensed business. Breakup of the same is given below;

(a) Optimal utilization of Distribution Assets (Rs. 2.56 Cr); and
(b) Consultancy Income/other (Rs. 87.58 Cr)
(c) Income through Training (Rs. 2.29 Cr)
(d) Income from DSM (Rs. 0.25 Cr.)

Further, it is submitted that the Hon'ble Commission in its Tariff Regulations, 2017, vide Regulations 96 has stated that the ***net income after tax*** *from other Business shall be shared as per DERC Treatment of Income From Other Business of Transmission Licensee and Distribution Licensee Regulations, 2005 as amended from time to time.*

It is well known fact that to generate any revenue corresponding expenses have to be incurred. Tata Power- DDL has incurred expenses of Rs. 59.83 Cr. during the FY 2018-19, out of which Rs 43.06 Cr expenses are directly linked with the service offered and balance Rs. 16.77 Cr pertaining to other common expenses.

It is further submitted that while fixing the normative O&M Expenses for 3rd MYT control period, the Hon'ble Commission had considered an amount of Rs. 8.96 Cr as base year expenses related to other business. Computation of the same is given below:

Particulars	FY 12	FY 13	FY 14	FY 15	FY 16
Expenses* - Other Business	0.78	0.99	1.90	10.90	25.60
Average of 5 year	8.03				
Normative Amount considered for FY 2015-16			8.03	8.48 = (8.03)* (1+5.61%)	8.96 = (8.48)* (1+5.61%)

**Figures are extracted from Audited Financial Statements of that respective year. Auditor certificate for all these years has also been submitted to the Hon'ble Commission in the past.*

Thus, to compute the normative allowance of other business related expense as a part of normative O&M Expenses for FY 18-19, Tata Power – DDL has first compute the base year expenses and thereafter increased with the inflation factor of 5.61% for each year along with the increase in network capacity.

Computation of normative O&M expenses related to other business income for FY 18-19

Particulars	FY 14	FY 15	FY 16	FY 17	FY 18	FY 19
Normative Expenses for Other Business	8.034	8.48	8.96	9.46	9.99	11.34^
escalation		5.61%	5.61%	5.61%	5.61%	5.61%
Network growth for 2 years						7.40%

^ include escalation and network growth impact on previous year normative expense

Further, in order to justify the claim of expense incurred towards other business income, the Petitioner is enclosing segment wise bifurcation of profit & loss statement for FY 2018-19 to remove any ambiguity of claiming double expenses in distribution business segment. However, duly audited certificate by our Statutory Auditor will be provided to the Hon'ble Commission during the course of prudence check.

Based on the above submission, computation of the net income for the purpose of sharing between consumers and Discom is given in table below:

Table 3.39: Computation of Net direct expenses to be deducted from Other Business Income

Particulars	Revenue earned by not using Distribution Fixed Assets	Revenue earned by using Distribution Fixed Assets	Income from DSM by using Distribution Fixed Assets	Total	Remark
	Rs. Cr.	Rs. Cr.	Rs. Cr.	Rs Cr.	
A. Total Revenue earned*	**89.99**	**2.56**	**0.25**	**92.80**	Note 38 of the Audited Financial Statement
- Consultancy	87.58				
- Training	2.29				
- Others	0.12	2.56	0.25		
B. Expenses incurred net of normative expense	**48.41**	-	**0.09**	**48.49**	
- Direct Exp	42.98		0.09		Note 38 of the Audited Financial Statement
- Indirect Allocation of Exp.	16.77				
- Normative expenses allowed	(11.34)				Computed as above
C. Income net of Expenses before Tax	**41.58**	**2.56**	**0.16**	**44.31**	**A-B**
Income Tax @ 23.038%	9.58	0.59	0.04	10.21	
Net Revenue available for sharing	**32.00**	**1.97**	**0.12**	**34.09**	

Table 3.40: Sharing of net Revenue from Other Business Income

Particulars	Revenue earned by not using Distribution Fixed Assets	Revenue earned by using Distribution Fixed Assets	Income from DSM by using Distribution Fixed Assets	Total
	Rs. Cr.	Rs. Cr.	Rs. Cr.	Rs Cr.
Net Revenue available for sharing –A	**32.00**	**1.97**	**0.12**	**34.09**
TPDDL Share %	60%	40%	40%	
Consumer Share % -B	40%	60%	60%	
Consumer Share = A*B	**12.80**	**1.18**	**0.07**	**14.06**

Interest on Consumer Security Deposit

Regulation 5.34 of MYT Regulations, 2011 specify that

"Interest paid on consumer security deposits shall be based on the rate specified by the Commission in the "Delhi Electricity Supply Code and Performance Standards Regulations, 2007", and shall be a pass through in the ARR."

Regulation 16(vi) of Delhi Electricity Supply Code and Performance Standards Regulations, 2007", specify that

"vi *The amount of security deposit shall be as per the Regulation 29 or as approved by the Commission from time to time. The Licensee shall pay interest to the consumer at the rate of 6% per annum, or any other rate prescribed by the Commission payable annually on such deposit w.e.f. date of such deposit in cases of new connection energized after the date of this notification or in other cases, from the date of notification of these regulations. The interest accrued during the year shall be adjusted in the bill for the first billing cycle of the ensuing financial year."*

Further the Delhi Electricity Supply Code and Performance Standard Regulations, 2017 provided that w.e.f 1st September 2017 onwards Rate of Interest for Consumer Security Deposit shall be considered the SBI MCLR rate on 1st April.

Therefore, w.e.f 1st September, 2017 the Petitioner has paid consumer security deposit at SBI MCLR on 1st April, of the respective financial year.

In addition to the directly payment of interest on consumer security deposit, the Hon'ble Commission has adopted the methodology of reducing differential interest (i.e. Cost of funding working capital – minus Interest actually credited/paid to consumers) from the ARR. Hence in order to compute the differential net interest on consumer security deposit, interest rate equivalent to cost of debt for working capital @ 8.09% has been considered for FY 2018-19.

Table 3.41: Computation of Interest on Consumer Security Deposit

S. No.	Particulars	Amount (Rs Cr)	Remarks
A	Opening balance of consumer security deposit as on 01.04.2018	552.81	Note no 19 of the Audited Financial Statement
B	Closing balance of consumer security deposit as on 31.03.2019	625.38	
C	Average balance	589.09	(A+B)/2
D	Working Capital Interest Rate (%)	8.09%	As per the methodology followed by Hon'ble Commission
E	Interest amount	47.68	(C*D)
F	Less- adjustment for Interest on Consumer security deposit already passed to the consumers in their bills	52.45	Note no 33.2 of Audited Balance Sheet
G	Differential amount of interest offered in ARR for FY 2018-19	(4.76)	(E-F)

Based on the above computation, the Petitioner is claiming Rs. 4.76 Cr as interest on CSD.

Income from Open Access

For the FY 2018-19, the Petitioner has earned Income of Rs 10.10 Cr. from Open Access consumers including E. Tax. As E. tax is payable to MCD, hence, opne access income net of E. Tax is considered as part of Non-Tariff Income. Computation of the same is given below:

Table 3.42: Income from Open Access **(Rs Cr.)**

S. No	Particulars	Amount	Remarks
A	Total Income from Open Access	10.10	Note 30.4 of the Audited Financial Statement attached as Annexure A-1 in Volume II of the Petition
B	Less- E. Tax for the year	0.20	
C	Income from open access available for ARR	9.90	A-B

Based on above Submissions, Non-Tariff Income including Other Business Income for the purpose of ARR for FY 2018-19 is computed as below:

Table 3.43: Non Tariff Income for FY 18-19 **(Rs Cr.)**

S. No	Particulars	Amount	Remarks
A	Non-Tariff Income	66.65	Table 3.36
B	Income from other Business	14.06	Table 3.40
C	Interest on Security Deposit	(4.76)	Table 3.41
D	Income from Open Access	9.90	Table 3.42
E	Total	85.85	(A+B+C+D)

Capitalization

For the purpose of Tariff fixation for FY 2018-19, the Hon'ble Commission in its Tariff Order March, 2018 has approved capitalization of Rs. 480 Cr (including Rs 50 Cr for Deposit work) against which the Petitioner has done actual capitalization of 569.53 Cr.

Table 3.44 (i): Approved Capitalization versus Actual Capitalization for FY 2018-19

Particulars	Approved	Sought for Trued up	Remark/ Ref.
Capitalization	480	569.53	Refer Note no 4.4 of the Audited Financial Statement attached as Volume II of the Petition
Smart Meter			
Capitalization with Deposit work	**480**	**569.53**	

Gross Fixed Assets

The Hon'ble Commission in its previous Tariff Order July 2019, had provisionally trued up an amount of Rs. 4954.40 Cr. towards the closing value of gross fixed assets at the end of FY 2017-18. The Hon'ble Commission in its draft report on capitalization for FY 2017-18 has proposed disallowance of Capitalization by Rs. 120.08 Cr without considering the submission made by the Petitioner. Tata Power – DDL vide letter dated 2nd August, 2019 had submitted detailed reply and denied all proposed disallowance.

Therefore, without prejudice its right, Tata Power- DDL in this tariff petition has added back all the proposed disallowance in the closing balance of approved fixed assets for FY 2017-18.

Table 3.44 (ii): Opening balance of Fixed Assets for FY 18-19

Particulars	Rs. Cr	Rs. Cr	Remark/ Ref.
Provisional Trued up opening balance of Gross Fixed Assets (net of Retirement)	**5114.30**	**4954.40^**	Table 3.76 of Tariff Order 2019
Add- Reversal of proposed disallowances		120.08	Table 3.66 of Tariff Order 2019
Revised Value of Fixed Assets		**5074.48**	

^ the aforesaid provisional trued up value of fixed assets are considered on lower side as the physical verification of the fixed assets of Tata Power- DDL is pending since FY 2005-06 onwards.

For the purposed of truing up of capitalization for FY 2018-19, the Hon'ble Commission has started exercise for physical verification of assets. It is expected that report for the said activities would be released is December. Hence, for the purpose of truing up submissions, Tata Power- DDL considers capitalization based on audited financial statements.

Based on above submissions, value of Gross Fixed Assets for FY 2018-19 has been computed as below:

Table 3.45: Detail of Actual Capitalization **(Rs. Cr)**

S No.	Particulars	Amount	Amount
A	Revised Provisional opening balance of Gross Fixed Assets (net of Retirement)	5074.48	Table 3.44(ii)
B	Add- Capitalization during the year	569.53	Table 3.44(i)
C	Less- Retirement/ De-capitalization for the year	78.99	Note 4.4 of the Audited Financial Statement
D	Closing balance of Gross Fixed Assets (net of Retirement)	5,565.02	(A+B-C)
E	Average Balance of Gross fixed Assets	5,319.75	(A+D)/2

Loss on Sale of Retirement of Assets/ De-capitalization of Assets

Regulation 45 to 47 of the Tariff Regulations, 2017 deals with the methodology of allowance of Loss or gain due to De-capitalization/Retirement of Fixed Assets. Relevant extract of the said Regulations are reproduced below:

"45. Loss or Gain due to de-capitalization of asset based on the directions of the Commission due to technological obsolescence, wear & tear etc. or due to change in law or force majeure, which cannot be re-used, shall be adjusted in the ARR of the Utility in the relevant year.

46. Loss or Gain due to de-capitalization of asset proposed by the Utility itself for the reasons not covered under Regulation 45 of these Regulations shall be to the account of the Utility.

47. Loss or Gain due to de-capitalization of asset after the completion of useful life of asset shall be to the account of the Utility."

It is worth to mention that as the capitalization is not trued up from FY 05-06 onwards, hence, exact computation of loss for retirement of assets is not possible. Therefore, the petitioner is requested to allow loss towards retired assets for an amount of Rs 27.90 Cr on provisional basis for FY 2018-19 based on the audited financial statement.

Consumer Contribution/Grant

Regulation 66 of the Tariff Regulations, 2017 stipulated that for the purpose of computation of Regulated Rate Base, consumer contribution corresponding to the amount of assets capitalized shall be deducted.

In Tariff Order FY 2019-20, the Hon'ble Commission had provisionally trued up an amount of Rs. 818.26 Cr. towards consumer contribution & capital grant at the end of FY 2017-18. During the FY 2018-19, Tata Power- DDL has capitalized an amount of Rs 50.25 Cr. towards capitalization of Deposit work schemes.

Table 3.46: Consumer Contribution/grants **(Rs. Cr)**

S. No.	Particulars	Amount	Remark
A	Opening Balance ^	818.26	Table 3.74 of Tariff Order 2019-20
B	Total Addition during the year	50.25	Note 22(a)(b) of Audited Financial Statement
C	Closing Balance	868.51	(A+B)
D	Average Consumer Contribution	843.38	(A+C)/2

^ value of consumer contribution and grants are as per tariff order FY 2019-20 and subject to change correspondingly to the value of fixed assets, if the exercise of the physical verification for previous years are completed before issuance of Tariff Order against this tariff Petition.

Depreciation (net of consumer contribution)

Regulation 40(4) of the Tariff Regulations, 2017 specified that "Provisions related to Depreciation, Return on Equity and Interest on Loan shall not be applicable on such capital assets to the extent of financial support utilized through consumer contribution, deposit work and grant."

Thus, the Petitioner is computing depreciation on average of net fixed assets (i.e. Average of Gross Fixed Assets for the year – Average of Consumer Contribution/capital subsidy/grant for the year).

It is further submitted that the Hon'ble Commission in its Tariff Regulations has changed the methodology by adopting the concept of useful life. The Hon'ble Commission also specified that assets having useful life for more than 12 years in that case in upto 12 years approx. 70% of the depreciable value should be realized for the purpose of payment of loan.

Thus, with respect to computation of assets class wise depreciation without finalization of pending capitalization due to physical verification, the Petitioner has first computed average deprecation rate based on audited financial statement and then applied the said rate on average net fixed assets to compute the depreciation for the year.

Based on above methodology, average depreciation rate is worked out as follow:

Table 3.47: Computation of Average rate of Depreciation on Gross Fixed Assets

S. No.	Particulars	Amount Rs Lacs	Remark
A	Average of Fixed Assets	592,972.48	As per Audited Financial Statements Refer Note 4.4
B	Depreciation	29511.06	
C	Rate of Depreciation	4.98%	B/C

Considering the above average depreciation rate, allowable depreciation on Average Assets (net of consumer contribution/grants) is computed as below:

Table 3.48: Depreciation on Net Fixed Assets (Rs. Cr)

S. No.	Particulars	Amount	Remark
A	Average Assets	4,476.37	Table 3.45(E) – 3.46(D)
B	Average Depreciation Rate	4.98%	Table 3.47
C	Depreciation (Net of Consumer Contribution)	222.78	(A*B)

Further in Tariff Order FY 2019-20, the Hon'ble Commission had provisionally trued up an amount of Rs. 1,651.65 Cr. towards accumulated depreciation at the end of FY 2017-18. It is further clarified that as the exercise of physical verification of capitalization is under process, the Petitioner in this petition has considered same value of accumulated depreciation as per last tariff order along with the additional impact of Rs 120.08 Cr (provisionally disallowed capitalization) and prayed to the Hon'ble Commission to consider the revised value (net of retired assets).

Table 3.49: Accumulated Balance of Depreciation on Net Fixed Assets **(Rs. Cr)**

S. No.	Particulars	Amount	Remark
A	Opening Balance of provisionally approved depreciation	1,651.65	Table 3.81Tariff Order July, 2019
B	Add: Depreciation towards disallowance of capitalization	2.99	Depreciation @ 4.98% for half year on disallowed capitalization of Rs 120.08 Cr
C	Opening balance after adjustment	1654.64	(A+B)
D	Addition during the year	222.78	Table 3.48
E	Deletion due to De-capitalization	41.66	As per Audited Financial Statements Refer Note 4.4
F	Closing Balance	1,835.76	C+D-E

Working capital

Regulation 84 (4) of Tariff Regulations, 2017 specify that

(4) " (i) Working capital for wheeling business of electricity shall consist of ARR for two months of Wheeling Charges.

(ii) Working capital for retail supply of electricity shall consist of

(a) ARR for two months for retail supply business of electricity;

(b) Less: Net Power purchase costs for one month;

(c) Less: Transmission charges for one month;

Based on above methodology, computation of working capital for FY 2018-19 is given in table below:

Table 3.50: Computation of working capital for FY 2018-19

S. No.	Particulars	Amount (Rs Cr)	Remark
A	ARR for Distribution business as a whole	7,556.11	Table 3.56
B	ARR equivalent to 2 months	1,259.35	(A/12*2)
C	Power Purchase expenses	5,758.68	Table 3.27
D	Less: 1/12th of power purchase expenses	479.89	(C/12*1)
E	Total working capital for the year	779.46	(B-D)

In Tariff Order FY 2019-20, the Hon'ble Commission had provisionally trued up an amount of Rs. 629.40 Cr. towards working capital at the end of FY 2017-18. Thus, the Petitioner in this petition has considered same value of working capital and compute the addition in working capital as per table given below.

Table 3.51: Computation of Change in working capital

S. No.	Particulars	Amount (Rs Cr)	Remark
A	Total working capital for the year	779.46	Table 3.50
B	Less- Opening Working Capital	629.40	Table 3.84 of Tariff Order FY 19-20
C	Working Capital for the year	150.06	(A-B)

Cost of Debt

For the purpose of truing up, the Petitioner submits the following cost of debt on actual basis.

S. No.	Particulars	Cost of Debt%
1	Cost of Debt for capex loan	8.48%
2	Cost of Debt for working capital	8.09%

Truing up of RoCE (Return on Capital Employed)

Regulations 65 to 71 of the Tariff Regulations, 2018 deals with the methodology for determination of Regulated Rate Base (RRB), Weighted Average Cost of Capital (WACC) and computation of Return on Capital Employed (ROCE).

Truing up of Regulated Rate Base

Regulation 66 of the Tariff Regulations 2017 provided that *"The Regulated Rate Base (RRB) shall be used to calculate the total capital employed which shall include the Original Cost of Fixed Assets (OCFA) and Working Capital. Capital work in progress (CWIP) shall not form part of the RRB. Accumulated Depreciation, Consumer Contribution, Capital Subsidies / Grants shall be deducted in arriving at the RRB."*

Based on the actual capitalization and corresponding deprecation, consumer contribution and working capital requirement for FY 2018-19, the computation of Regulated Rate Base is given below:

Table 3.52: Computation of Regulated Rate Base for the period FY 18-19 **(Rs. Cr)**

<table>
<tr><th>S. No.</th><th>Particulars</th><th>Amount</th><th>Remarks</th></tr>
<tr><td>A</td><td>Opening Balance of OCFA</td><td>5,074.48</td><td rowspan="4">Provisionally trued up figures for FY 2017-18 as per Table of Tariff Order July, 2019, to be adjusted further with disallowed capitalization of Rs120.08 Cr</td></tr>
<tr><td>B</td><td>Opening Balance of Working Capital</td><td>629.40</td></tr>
<tr><td>C</td><td>Opening Balance of Accumulated Depreciation</td><td>1,654.64</td></tr>
<tr><td>D</td><td>Opening balance of Accumulated Consumer Contribution</td><td>818.26</td></tr>
<tr><td>E</td><td>Provisionally trued up opening RRB</td><td>3,230.98</td><td>(A+B-C-D)</td></tr>
<tr><td></td><td>RRB - for the year</td><td></td><td></td></tr>
<tr><td>F</td><td>Net Capitalization during the year</td><td>490.54</td><td>Table 3.45</td></tr>
<tr><td>G</td><td>Net Depreciation for the year</td><td>181.12</td><td>Table 3.49</td></tr>
<tr><td>H</td><td>Consumer Contribution, Grants, etc. for the year</td><td>50.25</td><td>Table 3.46</td></tr>
<tr><td>I</td><td>Change in Working Capital</td><td>150.06</td><td>Table 3.51</td></tr>
</table>

S. No.	Particulars	Amount	Remarks
J	RRB – Closing for the year	3,640.22	(A+B-C-D+F-G-H+I)
K	ΔAB (Change in Regulated Base)	279.65	(F-G-H)/2+I
L	**Average RRB for the purpose of ROCE**	3,510.63	**(E+K)**

Means of Finance

The Petitioner has considered 70:30 Debt Equity ratio for the purpose of computation of Means of Finance for FY 2018-19.

Table 3.53: Means of Finance **(Rs. Cr)**

S. No.	Particulars	Amount (Cr.)	Remark/ Ref
A	Capitalization during the year	569.53	Table 3.44(I)
B	Less- Retirement	(78.99)	Table 3.45
C	Net Capitalization	490.54	(A-B)
D	Less- Consumer Contribution, Grants, etc. for the year	50.25	Table 3.46
E	Balance Capitalization required to be funding	440.29	(C-D)
F	Funding through – Debt @ 70% of E	308.21	
G	Funding through – Equity @ 30% of E	132.09	

Computation of Equity Deployed in the Business

Based on 70: 30 Debt Equity Ratio, the Hon'ble Commission in its Previous Tariff Orders has approved the Equity Deployed in the Business by the Petitioner as given in table below:

Table 3.54: Computation of Approved Equity as per Previous Tariff Orders (Rs. Cr)

Particular	Opening Equity	Addition	Addition during the year - Working Capital	Closing Equity	Average Equity
FY 07-08	610.15	(51.69)	59.69	618.15	
FY 08-09	618.15	70.57	5.83	694.55	
FY 09-10	694.55	36.86	(1.79)	729.62	
FY 10-11	729.62	95.92	(1.50)	824.04	
FY 11-12	824.04	56.94	7.25	888.23	
FY 12-13	888.23	33.40	(70.37)	851.26	
FY 13-14	851.26	24.79		876.05	
FY 14-15	876.05	63.57		939.62	
FY 15-16	939.62	65.01		1,004.63	
FY 16-17	1,004.63	88.34		1,092.97	
FY 17-18	1,092.97	107.37		1,200.34	1,146.66
FY 18-19	1,200.34	132.09		1332.43	1266.39

Determination of WACC

For the purpose of computation of WACC, the Petitioner has considered Grossed up Return on Equity and Actual weighted average rate of Interest for Capex loans. Computation of WACC for FY 2018-19 is given below.

Table 3.55: Computation of WACC (Rs. Cr)

S. No.	Particulars	Amount (Rs Cr)	Remark/Ref
A	RRB (i)	3,510.63	Table 3.52
B	Average Equity deployed in the business	1,266.39	Table 3.54
C	Average Debt -Capex Loan	1,464.78	Balancing Figure
D	Average Debt - working capital	779.46	Table 3.50
E	Rate of return on equity (re)	16%	As per BPR,2017
F	Normal Income Tax Rate	23.04%	

S. No.	Particulars	Amount (Rs Cr)	Remark/Ref
G	Grossed up Return on Equity	20.79%	
H	Rate of interest on debt (rd)	8.34%	
I	WACC	12.83%	
J	RoCE	450.53	(A*H)

Truing up of Aggregate Revenue Requirement for FY 2018-19

Based on the submission made above the total Aggregate Revenue Requirement for the FY 2018-19 comes to Rs. 7,556.11 Cr. Components wise ARR sought for trued up vis-à-vis Approved ARR is given in table below:

Table 3.56: Summary of Aggregate Revenue Requirement **(Rs. Cr)**

S. No.	Particulars	Amount sought for True up	Remark
A	Power Purchase cost (incl. Transmission charges)	5758.68	Table 3.27
B	O&M Expenses	698.35	Table 3.28
C	Other expenses/Statutory levies	115.22	Table 3.34
D	Depreciation	222.78	Table 3.48
E	Loss on Retirement	27.90	
F	Return on Capital Employed (RoCE)	450.53	Table 3.55
G	Carrying Cost	368.50	Table 3.67
H	Less: Non-tariff income	(66.65)	Table 3.36
I	Less- Interest on Consumer Security Deposit	4.76	Table 3.41
J	Less- Income from Non Energy Business	(14.06)	Table 3.40
K	Less- Income from Open Access	(9.90)	Table 3.42
L	**Aggregate Revenue Requirement**	**7,556.11**	

Turing up of Incentive for Refinancing of Loan

Regulation 31 of Business Plan Regulations, 2017 deals with Incentive Sharing Mechanism for Re-financing of Loan and provided that

"(1) The incentive due to lower rate of interest on account of re-financing of loan in terms of Regulation 71 of the DERC (Terms and Conditions for Determination of Tariff) Regulations, 2017 from FY 2017-18 to FY 2019-20 of the Distribution Licensee shall be computed as the product of total quantum of loan availed and difference of weighted average rate of interest on actual loans versus margin of 2.00% plus (+) SBI MCLR.

(2) The incentive on account of re-financing of loan computed as per sub clause (1) above shall be shared equally between the Consumers and the Distribution Licensee. "

Table 3.57: Approved cost of debt for incentive vis-à-vis Actual Cost of Debt

S. No	Particular	Approved
A	Cost of Debt- Capex Loan/working capital/Revenue Gap *	10.15%

** i.e SBI MCLR of 8.15% + 2%*

During the FY 2018-19, the Petitioner is able to bring down the cost of financing, hence, as per the Business Plan Regulations, 2017, the Petitioner is eligible for sharing of Incentive.

Computation of total Incentive and sharing of the petitioner is given below:

A) Incentive Computation with respect to reduction in capex loans

The Petitioner has first computed the WACC based on approved cost of funding and then compared the computed ROCE with the ROCE sought for the Truing up. The differential amount if any is considered as total saving and then 50% of the said savings has been kept by the Petitioner as incentive.

Table 3.58: Computation of Incentive to be kept by the Petitioner is given below:

S. No.	Particulars	Amount of Debt	Actual Rate of Interest	Rate of Interest considered for Incentive	Total incentive – Rs Cr	Petitioner Share – Rs Cr
A	Capitalization	1,464.78	8.48%	10.15%	24.52	12.26
B	Working Capital	779.46	8.09%	10.15%	16.02	8.01
C	**Total Incentive**					**20.27**

The Petitioner has then reduced its share of incentive of Rs 20.27 Cr. from the Revenue available towards ARR.

B) Incentive Computation with respect to reduction in Revenue Gap loans

The Petitioner has first computed the Carrying Cost rate based on approved cost of funding and then compared the computed carrying cost as sought for the Truing up. The differential amount if any is considered as total saving and then 50% of the said savings has been kept by the Petitioner as incentive.

Table 3.59 Computation of Incentive to be kept by the Petitioner is given below:

S. No.	Particulars	Amount of Debt	Rate of Interest	Rate of Interest considered for Incentive	Total incentive	Petitioner Share
A	Revenue Gap	2,541.92	8.50%	10.15%	42.02	21.01

The Petitioner has then reduced its share of incentive of Rs 21.01 Cr. from the Revenue available towards ARR.

Computation of Net Revenue available towards ARR

In the given below table, the Petitioner has computed Revenue available towards ARR (net of Incentive towards refinancing of capex loans and revenue gap loans).

Table 3.60: Computation of Net Revenue available with the Petitioner is given below:

S. No.	Particular	Actual as per Petitioner	Remarks
A	Revenue Available	6,865.96	Table 3.12
B	Less- Incentive towards Capex Loan/working capital	20.27	Table 3.58
C	Less- Incentive towards Revenue Gap Loan	21.01	Table 3.59
D	Revenue Surplus/(Gap)	6,824.68	(A-B-C)

Revenue Surplus / (Gap) for FY 2018-19

Based on above submission the Petitioner has computed actual Revenue Gap for FY 2018-19 as given in the table below;

Table 3.61: Computation of Revenue surplus/ (Gap) for FY 18-19 **(Rs. Cr)**

S. No.	Particular	Actual as per Petitioner	Remarks
A	Revenue Available towards ARR net of Incentives	6,824.68	Table 3.60
B	Aggregate Revenue Requirement (net of carrying cost)	**7,187.61**	Table 3.56
C	Revenue Surplus/(Gap)	(362.93)	(A-B)

<u>True up of Rithala for FY 2018-19</u>

1.1 TPDDL had filed following Petitions in relation to its 94.8 MW Rithala Combined Cycle Power Plant ("**Rithala CCPP**"):

(a) **Petition No. 11 of 2009**, filed on 21.08.2009 under section 62, 86(1) (b) of the Electricity Act, 2003 seeking approval of "Terms and Conditions for Sale and Purchase of Power" executed between the Generation and Distribution division of TPDDL i.e. TPDDL-G (formerly known as NDPL-G) and TPDDL-D (formerly known as NDPL-D).

(b) **Petition No. 07 of 2010**, filed on 26.02.2010 under clause 5.5 and 11 of the License Conditions of TPDDL's Distribution and Retail Supply License issued by this Hon'ble Commission, seeking approval regarding usage of 6 Acres of land located in NDPL/TPDDL's licensed area for setting up the Rithala Combined Cycle Power Plant

(c) **Petition No. 06 of 2013**, filed on 23.11.2012 under section 86 (1) (a) of the Electricity Act, 2003 seeking determination of final Generation Tariff for its 94.8 MW Rithala Combined Cycle Power Plant under Section 62 read with Part VII of the Electricity Act, 2003 and the Delhi Electricity Regulatory Commission (Terms & Conditions for Determination of Generation Tariff) Regulations, 2007 & 2011

1.2 On 31.08.2017, this Hon'ble Commission was pleased to pass an Order disposing of the aforesaid Petitions, i.e., Petition No. 11 of 2009, 07 of 2010, and 06 of 2013 with following findings, as under:

27. In view of the foregoing discussion and the deliberations carried out in the preceding notes ante and the records placed before the Commission, the petitions are decided as follows:

(a) Petition No. 11 of 2009: under Section 62, 86(1) of the Electricity Act, 2003 seeking approval of Terms and Conditions for Sale and Purchase of Power between two divisions of the Petitioner viz. TPDDL (G) and TPDDL (D) is allowed to the extent of permission granted by Govt. of Delhi for operation of the Plant i.e. 06 year from the year of COD in Combined Cycle Mode which comes out to be March, 2018.

...

(c) Petition No. 6 of 2013 : under Section 62, 86(1) of the Electricity Act, 2003 seeking approval of the generation tariff, the Commission approves fixed charges and operational parameter required for computation of energy charges as indicated in para 21 and 22, respectively for The Petitioner's 94.80 MW Rithala Plant. The Petitioner shall file true up petitions based on the applicable Regulations for the aforesaid parameters for finalization of generation tariff for the respective years."

1.3 On 03.10.2017, TPDDL in view of the aforesaid Order, filed Petition No. 51 of 2017 before the Hon'ble Commission seeking True Up for FY 2010-11 to FY 2016-17 and ARR for FY 2017-18, which was later amended during pendency of Petition to include

True Up of FY 2017-18. The said amendment was allowed by the Hon'ble Commission and after detailed hearings on the said True up Petition, the Hon'ble Commission passed suitable order in Petition 51/2017 on 11.11.2019.

1.4 While passing the said True up order the Hon'ble Commission dealt with various issues including the aspects on depreciation, recovery of cost of the Rithala plant, useful life etc. It is pertinent to mention that the Hon'ble Commission in the order dated 11.11.2019 has observed as follows:

"COMMISSION ANALYSIS

5.3.1 The Commission observed that the contention of the Petitioner for consideration of useful life of the plant for 6 years cannot be considered as the Commission in its order dated 31.08.2017 determined the useful life of the Petitioner plant as 15 years based on the certificates issued by the various agencies appointed by the Petitioner.

5.3.2 The plant has useful life of 15 years and it has been used for around 6 years only, the market value after usage of 6 years would not only be 10%, but a much better value in commensuration with the remaining useful life of the said plant. The Petitioner has informed that sincere efforts are being made for the disposal of the plant but things have not reached to the final stage, it is likely to take some more time.

5.3.3 In such a situation, without waiting for the final disposal of the plant, the petitioner is allowed depreciation as per the extant regulations. The Petitioner is allowed depreciation @6% as per the specified formula to recover the cost in 15 years.

Accordingly, the depreciation for the period FY 2012-13 to FY 2017-18 at the rate of 6% in line with the provisions of DERC MYT Regulations, 2011 and DERC Tariff Regulations, 2017 is as under:

Particulars	*FY 2012-13*	*FY 2013-14*	*FY 2014-15*	*FY 2015-16*	*FY 2016-17*	*FY 2017-18*
Depreciation (Rs. Crore)	*11.86*	*11.86*	*11.86*	*11.86*	*11.86*	*11.86*

5.3.4 Depreciation for the FY 2010-11 and FY 2011-12 has already been approved as Rs.12.18 crore vide Tariff Order dated 31.08.2017. Accordingly, the cumulative depreciation for the period from FY 2010-11 to FY 2017-18 comes out to be Rs.83.34 crore."

The Hon'ble Commission in its Tariff Order for Rithala has approved total capital cost of Rs 197.70 Cr. Against the said capital cost, total Depreciation of Rs. 83.34 Cr. has been allowed till FY 2017-18. Thus, the remaining WDV of Rithala plant of Rs. 94.31 Cr. should be allowed to Tata- Power DDL. Working of the same is given below:

Table 3.62: Remaining WDV of Rithala Plant

Particulars	Rs Cr
Total Capital Cost of Rithala	197.70
Trued up Depreciation upto FY 2017-18	81.76
Trued up Advance Against Depreciation upto FY 2017-18	1.59
Capitalized amount pending for recovery (net of Depreciation)	**114.35**
Less- Scrap Value	20.04
Net Amount recoverable (WDV of the plant at the end of FY 2017-18)	**94.31**

It is further submitted that the above claim of Tata Power-DDL for full recovery (based on the assumption of 6 years permitted life) was made to the Hon'ble Commission in the backdrop of the efforts to sell the said plant to some interested party. The same did not fruitify till the time the said Petition was heard, disposed off by the Hon'ble Commission on 11.11.2019.

It is worth to mention that the Hon'ble Commission in aforesaid para 5.3.2 duly acknowledges the said factum of plant's life to be 15 years and without waiting for the sale/disposal of the Plant, the Hon'ble Commission proceeded to determine the depreciation @ 6% and allow Tata Power-DDL the recovery of cost of plant in 15 years.

Thus in light of the said finding, Tata Power DDL is entitled to recover the cost of plant in 15 years along with the normal true up of respective year ARR.

Tata Power DDL shall act in accordance with the said finding, observation of the Hon'ble Commission and alternatively seek Y-o-Y recovery of all Tariff cost components to recover the cost of plant in the remaining successive years in respective True up Petitions as filed from time to time.

In the current tariff petition, the Petitioner is seeking true up of FY 2018-19 for distribution segment, therefore, in light of the aforesaid submissions also seeking true up of Rithala plant for FY 2018-19 in this petition.

Table 3.63 Computation of the ARR for Rithala plant is given below: **Rs Cr.**

Particulars	FY 18-19	Remark
O&M expenses	4.42	Based on Actuals (Refer Segment wise bifurcation of P&L Account will be shared during prudence check)
Depreciation	11.86	In line with para 5.3.3 of Rithala Tariff Order Nov, 2019
RoCE	11.38	As computed below in Table 3.64
Income Tax	1.36	As computed below in table 3.65
Incentive for refinancing of loans	0.70	As computed below in table 3.66
Total	**29.72**	

The Petitioner has computed ROCE in line with Tariff Regulations, 2017 issued by the Hon'ble Commission.

Table 3.64 Computation of the ROCE for Rithala plant is given below: **(Rs Cr.)**

Particulars	FY 18-19	Remark
Opening Original Cost of Fixed Assets (OCFAo)	197.7	In line with para 5.4.16 of Rithala Tariff Order Nov, 2019
Opening Accumulated depreciation (ADo)	83.35	
Opening Working capital (WCo)	14.39	
Opening RRB (RRBo)	128.74	
Depreciation during the year (Di)	11.86	
Change in capital investment (ΔABi)	-11.86	
Change in working capital during the year (ΔWCi)	(7.86)	
RRB Closing	109.02	
RRBi	114.95	
Opening Equity for Capitalisation (limited to 30%)	34.305	
Closing Equity limiting to 30% of net capitalisation	30.75	
Average Equity for Capitalisation (limited to 30%)	32.53	
Opening Debt at 70% of net capitalisation	80.04	
Closing Debt at 70% of net capitalisation	71.74	
Avg Debt at 70% of net capitalisation	75.89	
Debt at 100% of working capital	14.39	
Debt- balancing figure	90.28	

Particulars	FY 18-19	Remark
Rate of return on equity (re)	14%	
Rate of debt (rd) on capitalisation	8.48%	
Rate of debt (rd) on working Capital	8.09%	
WACC	9.90%	
RoCE	11.38	

Based on the ROE allowed to the Petitioner, Income tax liability based on the effective tax rate on the ROE is computed in the table below

Table 3.65 Computation of the ROCE for Rithala plant is given below:

Particulars	for FY 18-19	Remark
Average ROE – Rs Cr.	32.53	
ROE %	0.14	
ROE – Rs Cr.	4.55	
Income Tax Rate	23.04%	Actual as per audited financial
Income Tax on ROE – Rs Cr.	1.36	

Further, in line with the BPR, 2017 if the actual cost of financing is lower than the SBI MCLR +2% margin, in that scenario, the Petitioner is eligible to claim incentive for refinancing on loans.

Table 3.66 Computation of Incentive for refinancing of loans is given below: **Rs. Cr.**

Particulars	Debt Amount	Cost of Debt	SBI MCLR+ 2%	Difference for Incentive	Amount of Incentive
Avg Debt at 70% of net capitalization	75.89	8.48%	10.15%	1.6700%	0.63
Debt at 100% of working capital	6.53	8.09%	10.15%	2.0556%	0.07
Total amount of Incentive					**0.70**

The said approach of Tata Power-DDL is based on the interpretation of order dated 11.11.2019 and is without prejudice to its rights and contentions. The act of seeking the said Tariff components , depreciation etc. in True up Petition for FY2018-19, shall not be construed as any kind of waiver, surrender of any rights, claims of Tata Power-DDL qua the order dated 11.11.2019 in Petition 51/2019.

Computation of Carrying Cost and Closing Revenue Gap

The Petitioner has considered the provisionally approved opening revenue gap of Rs. 2,254.50 Cr upto FY 2017-18 (which is subject to final true up) as per previous Tariff Order dated July, 2019 and further adjusted the said revenue gap with the additional Impact of Rs. 1180.48 Cr related to the various Judgment passed by Hon'ble ATE/ Hon'ble Commission.

Table 3.67: Computation of closing Revenue Gap for FY 2018-19 **(Rs. Cr)**

S. No	Particulars	Amount	Remarks
A	Opening Provisional trued up Revenue Gap	(2,254.50)	Table 5.3 of Tariff Order FY 19-20
B	Additional Impact of Various Appeal 246 Rithala Order	(1180.48)	Table 2.8
C	Revised Opening Revenue Gap	(3434.98)	(A+B+C)
D	Add: Revenue Gap sought for the year	(362.93)	Table 3.61
E	Add: Rithala impact	(29.72)	Table 3.63
F	Carrying Cost Rate	10.15%	
G	Add: Carrying Cost	(368.50)	(D+(E/2))*F
H	Less- Realization from 8% Deficit recovery surcharge	540.29	Table 3.10
I	Closing Revenue Gap	(3,655.84)	(D+E+G-H)

The Petitioner has computed carrying cost @ 10.15% considering actual cost of debt, on the average balance of revenue gap for the year. During the FY 2018-19 the Petitioner has collected Rs 540.29 Cr towards 8% Deficit recovery surcharge and adjusted the said amount against the total of closing revenue gap of Rs. 3,655.84 Cr. in line with the Hon'ble Commission directions for adjusting the 8% DRS against the liquidation of Revenue Gap.