Chhattisgarh State Electricity Regulatory Commission
Raipur

Petition No. 6 of 2011(T)

Present: Shri Manoj Dey, Chairman
Shri Vinod Shrivastava, Member

In the matter of-

1) Provisional Truing-up of FY 2009-10
2) Determination of Annual Revenue Requirement for JSPL-Distribution business from FY 2010-11 to FY 2011-12.
3) Determination of Retail Tariff for FY 2011-12.

ORDER
(Passed on 08.02.2012)

This Order is passed in respect of the application filed by Jindal Steel & Power Limited-Distribution Licensee (JSPL-D) as submitted in the Petition registered on January 14, 2011 for determination of Annual Revenue Requirement for the period from FY 2008-09 to FY 2010-11 under Section 61, 62 and 86

(1) (a) of the Electricity Act, 2003, together with the relevant provisions of the CSERC (Conduct of Business) Regulations, 2009 and CSERC (Terms and Conditions for determination of Tariff) Regulation, 2006 (CSERC Tariff Regulations, 2009).

Initially JSPL-D submitted Petition for determination of ARR for FY 2008-09 to FY 2010-11 and determination of Retail Tariff for FY 2010-11 which was placed in Public domain by JSPL-D on February 5, 2011 for inviting objections/ suggestions. However no objections/ suggestions were received in this matter.

Deficiency notes for clarification and submission of additional submission were sent to JSPL-D. By the time Petition was processed with Regulatory provisions the FY 2010-11 was over. Hence on reference, JSPL-D made additional submissions. After additional submissions the Commission was required to provisionally true-up the ARR for FY 2009-10, determine ARR for FY 2010-11 and FY 2011-12 and also determine the Retail Tariff for FY 2011-12. These additional submissions were placed in Public Domain by JSPL-D on October 17, 2011 for inviting objections/ suggestions. This time objections only from

Raigarh Ispat Udyog Sangh (RIUS) were received which opened some new issues relating to Load Factor Incentive, system affording charges, excess demand charges, non-payment of Interest on Consumer Security Deposit (CSD) etc. Public Hearing in the matter was held on December 20, 2011 during which also RIUS made submission before the Commission which included some additional objections.

The Commission observed that despite of the directive given by the Commission for submission of segregated accounts for distribution business in last Tariff Order, JSPL has not provided the required segregated Accounts.

We further observed that the assets classified for distribution business by JSPL-D are not based on proper segregated accounts and even segregation is not given for this purpose.

The Commission observed that JSPL-D in Petition no. 26 of 2011 (M) for approval of deviations from Standard Bidding Documents for carrying out the long term power procurement under Case-I bidding route, has submitted data regarding maximum demand as 65.89 MW, 69.77 MW, 70.03 MW and

64.66 MW from FY 2007-08 to FY 2010-11 respectively. Relying upon the data available in this Petition No. 26 of 2011 (M), we have come to the conclusion that two Power Transformers of 100/ 120 MVA will be sufficient to cater present need of the distribution system (JSPL-D). Therefore we have allowed Rs. 1343.57 Lakh as a part of fixed assets towards the two Power Transformers against the claim of Rs. 2015.36 Lakh for three such Transformers.

JSPL has installed SCADA system for Distribution business, Transmission business and also for Generating Plants at the total cost of Rs. 823.89 Lakh. Against the initial claim of Rs. 823.89 Lakh for SCADA system for distribution business, we have allowed only Rs. 246.38 Lakh as per the allocation made by JSPL-D on a later date as a part of fixed assets.

The Commission observed that it has decided the Transmission Charges in its Order dated December 30, 2011 in Petition No. 7 of 2011 filed by JSPL under its Transmission Licence. Accordingly, the Commission has considered Transmission Charges of Rs. 179 Lakh, Rs. 178 Lakh and Rs. 177 Lakh from FY 2009-10 to FY 2011-12 respectively.

Non-submission of proper segregated accounts for distribution business despite follow up from Commission, submission of incorrect and incomplete information and repeated requests for extension of time for submission of reply by JSPL-D etc attributed to the considerable time taken in deciding the Petition.

In absence of segregated and proper audited data we have provisionally trued-up the ARR for FY 2009-10. We had allowed the ARR of Rs. 20,824 Lakh for FY 2009-10 in the Order dated 27.06.2009 (Petition No. 17 of 2009 (T)) which is now provisionally trued to the amount of Rs. Rs. 19,164 Lakh.

In its additional submission, JSPL-D has asked the ARR of Rs. 20,204 Lakh for FY 2010-11. Against this, we have allowed the ARR of Rs. 18,562 Lakh leaving un-bridged revenue gap of Rs. 2040 Lakh.

JSPL-D has asked the ARR for FY 2011-12 as Rs. 22,235 Lakh against which ARR of Rs. 19,556 Lakh only has been allowed. With the existing Tariff, the revenue gap is expected to be Rs. 1558 Lakh, however considering existing Tariff for ten and half months and approved Tariff for FY 2011-12 for one and half months, the revenue gap will reduce to Rs. 1192 Lakh.

The Commission has taken note of the following undertaking given by JSPL-D vide its letter dated August 18, 2011:

> *"JSPL-D hereby provides an undertaking that it will meet any payments due towards interest, repayment of debt, employee expenses, power purchase expenses, other expenses and cash deficits from its other business segments, in case the licensed distribution & retail supply business is unable to meet these from its own revenues and cash flows on account of maintaining the Tariffs at the existing/ proposed levels. Any loss/ deficit incurred by the licensed business of JSPL will not be carried forward to subsequent financial years for purpose of determination of tariff"*

In this Tariff Order we have again given directives to JSPL-D related to Segregation of Accounts, Compliance of Supply Code, Compliance of CSERC (Security Deposit) Regulations, 2005, Submission of Petition for Miscellaneous charges, Power Procurement from Renewable Energy Sources etc. We have also given some new directives which include the directives for addressing the issues raised by RIUS.

The Commission directs JSPL-D to take steps to implement this tariff order. JSPL-D shall give a public notice of seven days and make the approved Tariffs effective thereafter in accordance with the provision in CSERC (Details to be furnished by the licensees or generating company etc.) Regulations, 2004.

The details of Provisional Truing-up of FY 2009-10 and determination of ARR for FY 2010-11 and FY 2011-12 and approved retail tariffs for FY 2011-12, which will be applicable till the issuance of next Tariff Order for JSPL-D, are enclosed.

Sd/- Member	Sd/- Chairman

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List of Abbreviations

S. No	Abbreviation	Description
1	A & G	Administration and General Expenses
2	ABC	Aerial Bunched Cables
3	ABR	Average Billing Rate
4	ARR	Aggregate Revenue Requirement
5	CAGR	Compound Annual Growth Rate
6	CERC	Central Electricity Regulatory Commission
7	CGS	Central Generating Station
8	COS	Cost of Supply
9	CPP	Captive Power Plant
10	CSD	Consumer Security Deposit
11	CSEB	Chattisgarh State Electricity Board
12	CSERC	Chattisgarh State Electricity Regulatory Commission
13	CSPDCL	Chattisgarh State Power Distribution Company Limited
14	DA	Dearness Allowance
15	EA	Electricity Act
16	ED	Electricity Duty
17	FOC	Forum on Complaints
18	FY	Financial Year
19	GFA	Gross Fixed Assets
20	H1	First Half
21	H2	Second Half
22	HT	High Tension
23	HVDS	High Voltage Distribution System
24	kWh	Kilo-watt Hour
25	LT	Low Tension
26	MoU	Memorandum of Understanding
27	MU	Million Units
28	MW	Mega-watt
29	MYT	Multi-Year Tariff
30	O & M	Operation & Maintenance
31	R & M	Repair & Maintenance
32	RoE	Return on Equity
33	TO	Tariff Order
34	TP	Tariff Policy
35	TVS	Technical Validation Session
36	Y-O-Y	Year on Year

1 INTRODUCTION

Background

1.1 Jindal Steel Power Limited (JSPL) submitted its application on January 25, 2005 under Section-15 of Electricity Act, 2003 for the issuance of license to distribute electricity in the area of Jindal Industrial Park (JIP) in villages of Tumdih and Punjipathra of Gharghoda Tahsil of Raigarh District of the State.

1.2 The Commission vide its Order dated November 29, 2005 granted a licence to the applicant for distribution of electricity in the Jindal Industrial Park (JIP), limited to 70 industrial consumers with a maximum demand not exceeding 299 MW, in the Jindal Industrial Park of Tumdih and Punjipathra villages of Gharghoda tahsil of Raigarh District and also in the remaining areas of these two villages for a period of 25 years.

1.3 Jindal Steel Power Limited-Distribution Business (JSPL-D) filed its first application for approval of Annual Revenue Requirement (ARR) and Determination of Retail Tariff for FY 2009-10 in accordance with Section-45, 62, 86(1)(a) of the Act and the CSERC (Conduct of Business) Regulations, 2004 and CSERC (Terms and Conditions for determination of Tariff) Regulations, 2006 (CSERC Tariff Regulations, 2006).

1.4 The Commission vide its Order dated June 27, 2009 determined the ARR for FY 2009-10 of JSPL-D with the direction to submit the next tariff application at the end of November, 2009 with complete information based on separate account of licensed business.

1.5 JSPL-D has now submitted the Petition for determination of Annual Revenue Requirement from FY 2010-11 under Section 61, 62 and 86 (1) (a) of the Electricity Act, 2003 together with the relevant provisions of the Chhattisgarh State Electricity Regulatory Commission's Conduct of Business Regulations, 2009 and CSERC Tariff Regulations, 2006.

1.6 The Commission, in exercise of the powers vested in it under Regulation 4 of CSERC Tariff Regulations, 2006; Section-12, 183 & 184 of Act; Section 61 and Section 62 of the Act and all other powers enabling it in this behalf, is the decision-taking authority in the matters related to ARR and Tariff determination of Licensee.

The Electricity Act, 2003, Tariff Policy (TP) and Regulations

1.7 Section-61 of Act stipulates the guiding principles for determination of Tariff by the Commission and mandates that the Tariff should 'progressively reflect cost of electricity', 'reduce cross-subsidy', 'safeguard consumer interest' and 'recover the cost of electricity in a reasonable manner'.

1.8 Section-62 (1) of Act states as under:

"Section-62 (1):

1.The Appropriate Commission shall determine the tariff in accordance with provisions of this Act for

- *a. supply of electricity by a generating company to a distribution licensee: Provided that the Appropriate Commission may, in case of shortage of supply of electricity, fix the minimum and maximum ceiling of tariff for sale or purchase of electricity in pursuance of an agreement, entered into between a generating company and a licensee or between licensees, for a period not exceeding one year to ensure reasonable prices of electricity;*
- *b. transmission of electricity ;*
- *c. wheeling of electricity;*
- *d. retail sale of electricity. Provided that in case of distribution of electricity in the same area by two or more distribution licensees, the Appropriate Commission may, for promoting competition among distribution licensees, fix only maximum ceiling of tariff for retail sale of electricity."*

1.9 Similarly, the objectives stipulated in the Tariff Policy are as under:

"4.0 Objectives of the policy

The objectives of this tariff policy are to:

- *a. Ensure availability of electricity to consumers at reasonable and competitive rates;*
- *b. Ensure financial viability of the sector and attract investments;*
- *c. Promote transparency, consistency and predictability in regulatory approaches across jurisdictions and minimise perceptions of regulatory risks;*
- *d. Promote competition, efficiency in operations and improvement in quality of supply."*

1.10 The Commission has set up the necessary regulatory framework according to which the exercise of determination of Tariff is being undertaken by the Commission. The Commission has notified the following Regulations, which have impact on tariff setting principles and norms:

- CSERC (Details to be furnished by Licensee and generating company for determination of tariff and manner of making application) Regulations, 2004.
- CSERC (Terms and conditions for determination of Tariff) Regulations, 2006

- Chhattisgarh State Electricity Regulatory Commission (Terms and conditions of determination of Tariff according to Multi-Year tariff Principles) Regulations, 2008 (Repealed)
- Chhattisgarh State Electricity Regulatory Commission (Terms and Conditions of determination of tariff according to Multi-Year Tariff principles) Regulations, 2010.

1.11 JSPL-D has filed Petition under Section 45, 62 and 86 (1) (a) of the Electricity Act, 2003 together with the relevant provisions of the Chhattisgarh State Electricity Regulatory Commission's Conduct of Business Regulations, 2009 and CSERC Tariff Regulations, 2006.

Brief Note on Tariff Filing and Public Hearing

1.12 In accordance with Clause-6 of CSERC (Details to be furnished by licensee or generating company for determination of tariff and manner of making application) Regulations, 2004, the Distribution Licensee shall make an application every year up to end of November for determination of tariff.

1.13 After scrutiny of incorporation of comments of the Commission on the Petition, the Petition for determination of ARR and Retail Tariff for FY 2010-11 filed by JSPL-D was registered by the Commission on January 14, 2011. In accordance with provisions of Section 64 of the Act, the Commission vide its letter dated January 17, 2011 directed JSPL-D to put its ARR and Tariff Proposal in the prescribed abridged form in public domain. JSPL-D issued the Public Notice in newspapers inviting suggestions and objections from stakeholders on its Petition within 21 days from the date of issuance of Public Notice. The Public Notice was published in following Local Newspapers:

S. No	Name of Newspaper	Language	Publication date	Page Number
1	Hari Bhoomi	Hindi	05.02.2011	5
2	Central Chronicle	English	05.02.2011	8
3	Kelo Pravah	Hindi/ English	05.02.2011	13

1.14 The copies of JSPL-D's Petition and its summary were made available for inspection/purchase to the public at the office of the Commission and JSPL-D. The copy of Public Notice and Executive Summary of the Petition was also uploaded on the website of the Commission (www.cserc.gov.in). The Public Notice specified that the suggestions and objections, either in English or Hindi, may be submitted. The Commission did not receive any suggestion/objection within prescribed 21 days of issue of public notice, i.e., by 25.2.11. The Commission has ensured that the due process as contemplated under law to ensure transparency and public participation is followed during the process meticulously and adequate opportunity is given to all the persons concerned to file their say in the matter.

1.15 The Commission vide its letter dated April 30, 2011 raised deficiency note regarding the clarification on various issues in respect of the Petition filed by JSPL-D. In this regard JSPL-D through its letter dated May 4, 2011 requested for time of one month from the Commission for submission of additional information. The Commission accepted the permission of JSPL-D for seeking extra time for submission of additional information and directed JSPL-D to submit the information up to May 31, 2011. JSPL-D through its letter dated May 28, 2011 requested the Commission for extending the time for submission of additional information up to June 20, 2011. The Commission expressed its concern for delay vide its letter dated June 7, 2011. On June 20, 2011, JSPL-D submitted the reply to the data gaps raised by the Commission.

1.16 JSPL-D in its replies submitted on June 20, 2011 included the projections for FY 2011-12 on various heads which was initially not a part of the Petition. The Commission vide its letter dated July 14, 2011 raised various deficiencies on this data and asked JSPL-D to submit revised prayers on Affidavit for seeking approval of ARR for FY 2011-12 and revenue gap. JSPL-D submitted replies on July 30, 2011 along with the Additional Submission for provisional truing-up of FY 2009-10 and determination of ARR of FY 2010-11 and FY 2011-12 and Retail Tariff for FY 2011-12.

1.17 The Commission conducted two Technical Validation Sessions (TVS) on August 3, 2011 and August 25, 2011 for obtaining the regulatory information required ensuring that appropriate information is available with the Commission for processing the Petition and at the same time giving sufficient opportunity to JSPL-D to explain its stand on various complex issues. JSPL-D again submitted its revised Additional Submission on August 18, 2011 with change of certain data and requested for determination of ARR of FY 2009-10 to FY 2011-12 and Retail Tariff for FY 2011-12. Based on the revised additional submission made by JSPL-D on August 18, 2011, the Commission conducted a second Technical Validation Session on August 25, 2011. Based on the discussions in TVS, additional information was sought from JSPL-D on August 30, 2011. JSPL-D submitted additional information on September 16, 2011.

1.18 In accordance with provisions of Section 64 of the Act, the Commission vide its letter dated October 3, 2011, directed JSPL-D to put additional submission in relation to ARR of FY 2011-12 in the prescribed abridged form in public domain. JSPL-D issued the Public Notice in newspapers inviting suggestions and objections from stakeholders on its Petition within 21 days from the date of issuance of Public Notice. The Public Notice about the additional submission made by JSPL-D, which was published in following Local Newspapers, by inviting suggestions and objections:

S. No	Name of Newspaper	Language	Publication date	Page Number
1	Hari Bhoomi	Hindi	October 17,2011	2
2	Central Chronicle	English	October 17,2011	6
3	Kelo Pravah	Hindi/ English	October 17,2011	15

1.19 The Commission received one suggestion/objection by Raigarh Ispat Udyog Sangh on various issues in the Petition filed by JSPL-D within 21 days of issue of public notice by November 6, 2011.

1.20 JSPL-D submitted the reply to the Commission with a copy of the same to RIUS on December 7, 2011. RIUS submitted the rejoinder on December 15, 2011 in reply to the objections raised by JSPL-D.

1.21 A Public Hearing was conducted at 3:00 PM on December 20, 2011 at office of the Commission at Raipur. Additional Objections were received by RIUS on December 20, 2011.

1.22 The Commission directed JSPL-D to submit the replies to the objection raised by RIUS within seven (7) days with a copy to objector vide its letter dated December 23, 2011. RIUS was allowed to submit the rejoinder if any within seven (7) days from the receipt of reply of JSPL-D. JSPL-D was able to submit the replies to the objections raised by RIUS on January 10, 2012 with a copy of the same to RIUS. However, RIUS vide letter dated 28-01-2012 informed the Commission that reply to his rejoinder has not been received by him from JSPL-D. It requested the Commission that no order on the Petition be passed before considering the rejoinder of the same which he may file. On reference with JSPL-D vide letter dated January 30, 2012 informed the Commission that copy of the reply dated January 10, 2012 was sent to RIUS by speed-post on 11-01-2012 vide Receipt Number EC828974043IN. JSPL-D also confirmed that they have sent the reply by email to rius1234@gmail.com and vinay.jain@vkjlaw.com on January 30, 2012. RIUS vide letter dated 6-2-2012 confirmed the receipt of the reply from JSPL-D on January 30, 2012, and asked time extension of 10 days for submission of rejoinder to JSPL-D's reply. Since sufficient opportunity was already given to RIUS to put forth his objections/ suggestions, the Commission vide letter dated 6-2-2012 informed RIUS that extension of time for this purpose cannot be granted.

1.23 Summary of ARR submitted in the Petition and additional submissions filed by JSPL-D is summarised below:

Table 1: Compilation of ARR submitted by JSPL-D in its Petition (in Rs Lakh)

S. No	Particulars	FY 2009-10 (Provisional True-up)			FY 2010-11		
		Petition	Submission dated July 30, 2011	Revised Submission dated August 18, 2011	Petition	Submission dated July 30, 2011	Revised Submission dated August 18, 2011
1	Purchase of Power	18,614.35	18,088.20	18,088.20	19,888.88	16,986.53	16,986.53
2	Intra-State Transmission Charges	731.68	1,191.83	1,347.10	728.15	1,292.53	1,404.31
3	R&M Expense	255.20	177.04	177.04	255.20	123.51	123.51
4	Employee Expenses	486.85	381.91	381.91	559.88	532.75	532.75
5	A&G Expense	72.49	60.95	60.95	76.24	62.11	62.11
6	Depreciation	178.69	178.69	157.90	178.69	178.69	157.90
7	Interest & Finance Charges	692.18	616.38	579.52	808.48	769.65	735.19
a	*Interest on Long Term Loan*	*276.22*	*276.22*	*239.49*	*315.44*	*319.70*	*285.37*
b	*Interest on W.C.*	*347.39*	*340.16*	*340.03*	*386.07*	*353.88*	*353.75*
c	*Interest on CSD*	*68.57*	-	-	*102.71*	*96.08*	*96.08*
8	**Total**	**21,031.44**	**20,695.00**	**20,792.61**	**22,495.52**	**19,945.78**	**20,002.31**
9	Reasonable Return	238.84	238.84	211.99	238.84	238.84	211.99
10	Other Income	10.74	10.74	10.74	10.74	10.52	10.52
11	**Annual Revenue Requirement (8)+(9)-(10)**	**21,259.54**	**20,923.09**	**20,993.86**	**22,723.61**	**20,174.09**	**20,203.77**

S. No	Particulars	FY 2011-12	
		Submission dated July 30, 2011	Revised Submission dated August 18, 2011
1	Purchase of Power	18,638.41	18,638.41
2	Intra-State Transmission Charges	1,473.72	1,574.59
3	R&M Expense	256.82	227.94
4	Employee Expenses	612.67	612.67
5	A&G Expense	63.10	65.24
6	Depreciation	178.69	157.90
7	Interest & Finance Charges	764.28	756.52
a	*Interest on Long Term Loan*	*294.90*	*262.95*
b	*Interest on W.C.*	*373.31*	*371.92*
c	*Interest on CSD*	*96.08*	*121.66*
8	**Total**	**21,987.69**	**22,033.27**
9	Reasonable Return	238.84	211.99
10	Other Income	10.52	10.52

S. No	Particulars	FY 2011-12	
		Submission dated July 30, 2011	Revised Submission dated August 18, 2011
11	**Annual Revenue Requirement (8)+(9)-(10)**	**22,216.00**	**22,234.73**

1.24 The Commission for the purpose of this Order, to avoid confusion between various submission made by JSPL-D has considered figures submitted in additional submission made on August 18, 2011 as figures submitted by JSPL-D, for this Petition, since no figures have been revised by JSPL-D thereafter.

1.25 Since the first Tariff Application was filed by JSPL-D only for approval of ARR and determination of Retail Tariff for FY 2009-10, the Commission in its Order dated June 27, 2009 determined the ARR for FY 2009-10 and observed as under:

> *"...*
> *The Commission shall undertake a true up exercise on the basis of the actual cost of supply when the next tariff petition is submitted by the licensee."*

Therefore the Commission in this Order has done the Provisional True-up of FY 2009-10 and determination of ARR for FY 2010-11 and FY 2011-12 and Tariff determination for FY 2011-12. The Commission has undertaken Provisional True-up of FY 2009-10 since the segregated accounts for the distribution business have not been furnished by JSPL-D.

1.26 Various suggestions and objections that were raised on JSPL-D's Petition after issuance of the Public Notice dated October 17, 2011, along with JSPL-D's response and the Commission's Views have been detailed in Section 2 of this Order.

2 OBJECTIONS RECEIVED, JSPL-D's RESPONSE AND COMMISSION'S VIEWS

2.1 One objection in relation to the Petition filed by JSPL-D was received by the Commission which was forwarded to JSPL-D and was asked to submit its reply and views in respect of the objection.

2.2 The views and suggestions of RIUS and the reply given by JSPL-D are being discussed below:

Issues in detail-Petition for Provisional Truing-up for FY 2009-10 and Determination of ARR of FY 2010-11 and FY 2011-12 filed by JSPL-Distribution business

Segregation of Accounts for Distribution business

2.3 Raigarh Ispat Udhyog Sangh (hereinafter referred as Objector) submitted that JSPL-D has not complied with the directions given by the Commission in its Order dated June 27, 2009 passed in petition filed by JSPL-D for approval of ARR and determination of Retail Tariff for its distribution business for the year 2009-10. JSPL was specifically directed by the Commission to maintain a separate accounting of distribution and supply business is required to kept in accordance with the terms and conditions of the license granted to JSPL,.

RIUS further submitted that Section 6.2 of CSERC license conditions states that all the distribution licensees are required to maintain separate accounting records for each such business as if it were carried on by separate companies so that revenues, costs, assets, liabilities, reserves are separately identifiable in the books of the licensee. Despite of the clear directives and mandatory regulations, JSPL-D, only in their current petition, initiated the task of segregation of its consolidated accounts to segregate the information/data pertaining to the licensed electricity distribution business from the overall consolidated accounts of JSPL.

RIUS in its additional objections submitted that as per provisions of Section 51 of the Electricity Act '03, the distribution licensee is legally bound to maintain separate accounts for each business undertaking to ensure that distribution business neither subsidizes in any way such business undertaking nor encumbers its distribution assets in any way to support such business. However, JSPL-D failed to adhere to the mandate of the Electricity Act, 2003.

RIUS submitted that as per Regulation 28(2) (a) of the Chhattisgarh State Electricity Regulatory Commission (License) Regulations, 2004, JSPL-D was bound to keep such accounting records as would be required to be <u>kept in respect of each such business as if it were carried on by separate companies</u> so that the revenues, costs, assets, liabilities, reserves and provisions of, or reasonably attributable to, the licensed business are separately identifiable in the books of the licensee, from those of other business in which the licensee may be engaged. The non-segregation of accounts and filing of present ARR is based on notional allocation cannot be encouraged in light of continuous violation by JSPL-D of the provisions of the Act as well as its condition of license.

2.4 In response to reply given by JSPL-D, RIUS submitted that despite of continuous hammering by the Commission and as statutorily provided under the provisions of National Tariff Policy and Electricity Act, 2003, JSPL-D, purposely has not segregated the accounts till date for its distribution business. RIUS further submitted that JSPL-D by showing the inflated costs and deflated revenues, is trying to justify the proposed increase in tariff.

2.5 RIUS in its additional objections submitted that under its letter dated December 7, 2011, JSPL-D has mentioned as under:

> *"given the small size of the licensed distribution business compared to its overall operations (the gross revenue from sale of power for licensed distribution business is merely 2% of the total turnover of the JSPL)"*.

2.6 RIUS further submitted that in light of JSPL-D's statement, a comparative table has been prepared by RIUS based on the data submitted by JSPL-D, which proves the mis-representation on part of JSPL-D with regard to figures submitted under its ARR petition for 2011-12:

S. No	**Heads**	**Audited accounts (JSPL)**	**2% of (II)**	**Actual figures (Petition)**	**Remarks**
	I	**II**	**III**	**IV**	**V**
1	Revenue from sales	13111.60	262.23	165.22	Revenue from sale of power understated by Rs. 97 Crore
2	Total Expenditure (including purchase of power)	7870.00	157.40	189.97	Total Expenditure overstated by Rs. 32.57 Crore

S. No	Heads	Audited accounts (JSPL)	2% of (II)	Actual figures (Petition)	Remarks
	I	II	III	IV	V
3	PBIT/Loss	5323.60	106.47	(26.47)	PBIT understated by Rs. 132.90 Crore, which is approximately the addition of figures under variation under S. No 1 and 2 above.
4	Interest & Finance Charges	335.58	6.71	13.85	Interest & finance charges overstated by more than Rs. 7.1 Crore
5	Net Profit/(Loss)	3753.88	75.10	(40.30)	Net Profit understated by 115.4 Crore

RIUS submitted that based on the comparison shown in the table above, JSPL-D is taking advantage by not segregating its accounts for the distribution business and presenting understated revenues and profits and inflated costs and expenses in its ARR Petition. In the absence of segregated accounts it will be impossible for the Commission to arrive on an approximate figure for sales and expenses from the distribution business.

JSPL-D's Response

2.7 JSPL-D submitted that for all the business activities of JSPL, including mining of raw materials for manufacture of steel, manufacture of iron & steel products, and generation, transmission and distribution of power, integrated annual accounts are prepared. For the purpose of AS-17 (segment reporting) issued by ICAI which requires the disclosure of the financial information only under broad business segments and the segregation has been done accordingly. Further segregation of accounting information for the various activities (generation, transmission and distribution) under the power segment had not been carried out historically; given the small size of the licensed distribution business compared to the overall operation of JSPL (the gross revenue from sale of power for licensed distribution business is merely 2% of the total turnover of the JSPL-D). Further no such requirement (segregation of accounting information for the various activities viz. Generation, Transmission and Distribution under the Power Segment) was mandated under AS-17. However, in compliance to the directives issued by the Commission and the Regulation 6(2) of the CSERC (License) Regulations, 2008, JSPL-D had initiated the segregation of accounts for the licensed distribution from the integrated accounts of

JSPL-D during FY 2009-10. JSPL-D also submitted that segregation of accounts had been a continuous process for it. In the first stage, it created a separate accounting centre in its books of accounts during FY 2008-09 for separately recording all the financial transactions relevant to the licensed distribution business. In second stage, JSPL-D prepared a fixed assets statement and expense details for the licensed business. The certified copy of fixed asset statement and expense details was already submitted to the Commission for FY 2010-11 and has assured to submit the audited allocation statements for future financial years. Therefore, JSPL-D's transparency and intentions should not be questioned.

2.8 In reply to the rejoinder submitted by RIUS, JSPL-D submitted that the statement "the gross revenue from sale of power for licenses distribution business was a mere 2% of the total turnover of JSPL" submitted in the previous reply given by JSPL-D dated December 7, 2011, was with reference to the stand alone statement of accounts. However the actual percentage is 1.70% which was rounded off to 2%. It was mentioned to reflect the size of licensed distribution business is quite small in comparison to total business of JSPL. The purpose of quoting this percentage was to draw the attention in respect of applicability of AS-17. JSPL-D further submitted that a 2% contribution to gross turnover did not necessarily mean that the entire income statement can be inferred in the same proportion. JSPL-D requested the Commission to evaluate the petition on the basis of the formats submitted by them along with the petition for determination of ARR for FY 2011-12.

2.9 JSPL-D in its reply to additional objections raised by RIUS submitted that it was not required to separate the accounts of distribution business but in compliance to the directives issued by the Commission, it created separate accounting center in its books of accounts of separately recording all the financial transaction relevant to the licensed distribution business. Further, JSPL-D submitted that the fixed assets statement and expense details for the licensed distribution business for FY 2010-11, certified by the statutory auditor. JSPL-D submitted that it will submit the Audited Allocation statement for future financial years. Therefore JSPL-D is making earnest efforts to adhere to the mandate of Electricity Act, 2003 to segregate accounts for its distribution business.

Commission's Views

2.10 Section-28 (2) of CSERC (License) Regulations, 2004 states as under:

28. Accounts

...

2. *The licensee shall, in respect of the licensed business and any other business:*

a) keep such accounting records as would be required to be kept in respect of each such business as if it were carried on by separate companies so that the revenues, costs, assets, liabilities, reserves and provisions of, or reasonably attributable to, the licensed business are separately identifiable in the books of the licensee, from those of other business in which the licensee may be engaged;

b) prepare on a consistent basis from such accounting records and provide to the Commission:

i. in respect of the first six months of each financial year, a half yearly profit and loss account, cash flow statement and balance sheet together with such supporting documents and information as the Commission may prescribe from time to time;

ii. the annual financial statements; and

iii. in respect of the financial statements prepared, an auditor's report for each financial year, stating whether these statements give a true and fair view of the revenues, costs, assets, liabilities, reserves and provisions of, are reasonably attributable to, such businesses to which the statements relate;

c) the half yearly profit and loss account shall be provided not later than three months after the end of the period to which it relates, and the accounting statements and auditor's report not later than six months after the end of the financial year to which they relate.

…"

In accordance with the above clause, the Commission in its Order dated June 27, 2009 directed JSPL-D to submit segregated Accounts for its distribution business within three months of issuance of Order. The Commission has noticed that JSPL-D has not complied with the directive of the Commission for submission of Segregated Accounts for any of the years. In the absence of Audited Accounts for Distribution Business of JSPL-D, the Commission has provisionally given treatment for various heads submitted by JSPL-D in its Petition which has been elaborated in Section-3 of this Order. However, the Commission will revisit the figures for FY 2009-10 and FY 2010-11 on the basis of segregated accounts for distribution business while truing-up.

Accounting Standards followed by JSPL

2.11 RIUS in additional objections submitted that the segregated balance sheets and provisional accounts which have been considered by JSPL-D, are prepared on the basis of corporate accounting system, whereas accounts in electricity business are to be prepared and maintained as per the Electricity Accounting Rules, 1956. Therefore, the corporate accounting system is not relevant for the current purpose of determination of Tariff.

JSPL-D's Response

2.12 JSPL-D submitted that it has been incorporated as a company under Companies Act 1956. Therefore, the provision of Companies Act (also in respect of accounting) will be applicable to it. JSPL-D further submitted that it is mandatory for JSPL-D to follow the accounting standards issued by ICAI and requirements of Schedule VI of the Act. JSPL-D further submitted that Section-616 of Companies Act states that the provisions of the Act shall apply to the companies engaged in the generation or supply of electricity, except in so far as the said provisions are inconsistent with the provision of the Indian Electricity Act, 1910, or the Electricity Supply Act, 1948. JSPL-D submitted that in its case, there is no such inconsistency identified between Companies Act and Electricity Accounting Rules, 1956 (formed under Indian Electricity Act, 1910, or the Electricity Supply Act, 1948). JSPL-D further submitted that the licensed distribution business was not being operated under a separate company (SPV). It was being operated as part of JSPL. Therefore, the provision of Companies Act 1956 will apply to the licensed distribution business as well. Furthermore, JSPL-D submitted that all the distribution utilities after reforms (unbundling of State Electricity Board) are operating as companies incorporated under Companies Act 1956 and are following the accounting standards issued by ICAI.

Commission's Views

2.13 The Commission's views as given in Para-2.10 may be referred in regard to above objection.

Dedicated fixed assets fully engaged in the licensed distribution & retail supply business of electricity

2.14 RIUS submitted that in Para 2.11 of the petition, JSPL-D has provided the details of dedicated fixed assets engaged in the licensed distribution and retail supply business, amounting to Rs. 4,251.47 Lakh for FY 2010-11 and FY 2011-12. These dedicated assets, namely roads and drains are exclusively for connecting the switchyard and control room and hence shown as dedicated fixed assets for distribution and retail supply business but looking at the nature of business of JSPL and considering that JSPL operates a captive power plant unit and only a part of power produced is supplied by JSPL, this contention of JSPL cannot be accepted that these assets are exclusively used for distribution and retail supply business and their full costs should not be attributed to distribution and retail supply business. In any event, it is not practical that JSPL-D is using as exclusive switch yard and electrical substation for licensed distribution and retail supply business of electricity which is not at all used for captive power supply since it has not been made clear that JSPL-D had an exclusive substation for licensed distribution and retail supply business of electricity or it is a combined substation inclusive of their captive use. JSPL-D should be ordered by the Commission to submit evidences in the form of maps, drawings and complete layout of the unit along with the affidavit.

JSPL-D's Response

2.15 JSPL-D submitted that it certifies that the fixed assets dedicated to/located in the licensed distribution business of electricity only have been considered for the determination of annual revenue requirement. JSPL further submitted that these assets are not engaged in any other business activities of JSPL. In this respect, JSPL-D has already submitted fixed assets statement and expense details certified by the statutory auditor. JSPL-D also mentioned that the cost of roads which are being considered to be part of distribution and retail supply business is only for those roads which connect the switch yard and control room to the main road. JSPL-D further submitted that the switch yard and electrical substation are fully dedicated to the licensed business.

2.16 JSPL-D also responded to RIUS that the captive generation units, referred to, are not located in the licensed area. JSPL-D has not considered any fixed assets situated outside the licensed area supporting the captive power plant for the determination of annual revenue requirement.

Commission's Views

2.17 The fixed assets as considered by the Commission have been detailed in Para-3.95 of this Order.

Fixed assets engaged in the licensed distribution & retail supply business of electricity and other business activities carried out in the Jindal Industrial Park

2.18 RIUS submitted that under Para 2.13 to 2.16 JSPL-D has identified leasehold lands and residential buildings which have been claimed as dedicated fixed assets for distribution and retail supply business of electricity. RIUS submitted that the actual percentage of land for this purpose did not seem to have been worked out and is ambiguous as JSPL-D operate a captive power unit and only a part of the power produced is supplied by JSPL-D. RIUS further submitted that the Commission in its order 27.06.2009 also noted that the inclusion of the land and land rights of the Jindal Industrial Park in the power business is not justified and excluded it for the purpose of calculation of GFA of the distribution business of JSPL-D. In last Tariff Order, the Commission also noted that the assets pertaining to building and civil works and the line cable network etc also appeared on higher side and also noted that the 220/33 KV power transformer cannot be for distribution segment of JSPL-D.

JSPL-D's Response

2.19 JSPL-D submitted that it certifies that it has not considered any fixed asset which is not engaged in the licensed distribution business for the determination of annual revenue requirement. For the objection raised against the actual percentage of land engaged in the licensed distribution has not been worked out and that the allocation of land is ambiguous as it also support captive power unit, JSPL submitted that the captive power units are not located in the licensed area. JSPL also submitted that it has carried out a detailed study for allocation of the fixed assets engaged in the licensed distribution & retail supply business of electricity and other business activities carried out in the Jindal Industrial Park. The working related to allocation of land has already been submitted to the Commission and is also being reproduced below.

S. No	Description	% area allocated to licensed distribution business	Actual area (Acres)
1	Admin Block	100%	0.45
2	Housing Colony	17%	0.38
3	Supervisor Colony	100%	0.95
4	Sub-station	100%	14.82
5	Main road and main road to switchyard	74%	19.42
	Total		**37.02**

JSPL-D submitted that the allocation of quarters in supervisor and housing colonies charged to the licensed distribution business is based on the occupancy of the quarters by the employees fully engaged in the licensed distribution business.

JSPL-D further responded that the disallowance of fixed assets in the Tariff Order dated June 27, 2009 issued by the Commission was due to the non-segregation of accounts and not because of the high value components.

JSPL-D also submitted that since the power produced is supplied at 220KV, while the retail consumers are connected at 33KV or 11KV or LT level, therefore, to supply power to these consumers, the 220/33KV power transformers were required to be a part of the distribution system.

RIUSAs regards the objection raised by RIUS on four numbers of transformers installed by JSPL, it has submitted that the cost of only three Transformers has been considered for the distribution business. The details have been submitted to the Commission. The allegation of shifting one transformer to JPL and considering cost in licensed distribution was denied by JSPL-D.

In respect of 3 transformers, JSPL-D clarified that systems are designed with redundancies. Thus, while two transformers may be sufficient to cater to the distribution consumers, three transformers are required to ensure reliable supply of power to the consumers.

Commission's Views

2.20 The fixed assets as considered by the Commission have been detailed in Para-3.95 of this Order.

Supply Affording Charges

2.21 RIUS submitted that JSPL-D kept silent about the income in the form of the affording charges under which it took Rs. 6 lakhs per MVA from every industry.. The non-inclusion/exclusion of income from aforesaid head put a question mark on the credibility of JSPL-D and reflects concealment of income to show inflated figures.

RIUS

JSPL-D's Response

2.22 JSPL-D submitted that it has recovered supply arranging charges of Rs. 200/KVA (instead of Rs. 600/KVA as mentioned by RIUS). JSPL-D further submitted that the charges were recovered as one time miscellaneous charges for arranging connection to the consumers. JSPL-D further submitted that supply arranging charges of Rs. 650/KVA of contract demand was also allowed as miscellaneous charges by the Commission to erstwhile CSEB vide order dated August 10, 2007.

2.23 In reply to the rejoinder submitted by RIUS, JSPL-D submitted that it has never denied the receipt of supply affording charges from its consumers. It had recovered such charges at the rate of Rs. 200 per KVA which were revised to Rs. 600 per KVA from FY 06. JSPL-D further submitted that the charges were recovered as one time miscellaneous charges for arranging connection to the consumers.

Commission's Views

2.24 On the issue of affording charges, the Commission asked JSPL-D to submit the amount collected in form of affording charges from the consumers. JSPL-D submitted that an amount of Rs. 514.50 Lakh has been collected as affording charges. The Commission has provisionally considered the amount as submitted by JSPL-D as affording charges in this Order for the purpose of determination of depreciation, interest on loan and Return on Equity. However, same will be revisited once segregated accounts are made available by the Licensee. .

Consumer Contribution

2.25 In the additional objection, RIUS submitted that the consumer's contribution towards creation of assets has not been accounted for, leading to excess calculation of depreciation and return on equity. JSPL-D has recovered Rs. 200 per KVA from the consumers and also Rs. 600 per KVA from few customer as line affording charges which do not reflect anywhere in the accounts. Therefore, the authenticity of accounts is doubtful.

JSPL-D's Response

2.26 JSPL-D clarified that it had recovered Rs. 200 per KVA in the first year of operation of its distribution business and this amount was revised to Rs. 600 per KVA with effect from FY 2006 onwards. It further submitted that these charges were recovered as one time miscellaneous charges for arranging connection to the consumers. The same was accounted for as a miscellaneous income in the year of receipt, therefore not reflected in this ARR petition as consumer contribution. It also mentioned that supply arranging charges of Rs. 650 per KVA of contract demand was allowed as miscellaneous charges by the Commission to erstwhile CSEB vide order dated August 10, 2007.

Commission's Views

2.27 Since the supply affording charges and the consumer contribution are same, the Commission's Views are as given Para-2.24.

Captive Consumption

2.28 RIUS in additional objection submitted that while allocating the cost to the distribution license from the core business, the captive use of electricity by itself, like water pumps, engineering college, pre-fabrication plant etc., receiving power from the same EHV, sub-station setup by JSPL-D to supply power to its consumers in JIP has not been accounted for. RIUS further submitted that this anomaly can only be rectified by enforcing the repeated directions of the Commission to segregate the accounts of the distribution system.

JSPL-D's Response

2.29 JSPL-D submitted that the power purchase as given in the petition corresponds only to the energy sold to 34 consumers in the Jindal Industrial Park after taking into account the distribution losses. Therefore, the cost of power purchased in the ARR petition for FY 2011-12 corresponds only to the units sold to the 34 consumers in JIP.

Commission's Views

The Commission is monitoring the captive status of Power Plants operating in the State on annual basis on reliance of the data submitted by Chief Electrical Inspector. The Commission may examine such power supplies by JSPL, as narrated by RIUS at the time of determining the captive status. However JSPL-D is directed to submit the details of power supplied by it from its distribution system to other establishments and installations other than the said 34 consumers located in JIP Area. This information should be submitted within 3 months from the date of issuance of the Order.

Fixed assets which pertain to the licensed distribution & retail supply business but have not been booked under cost centers

2.30 RIUS submitted that the cost of implementing SCADA system, Rs. 823.89 Lakh, was also inappropriate as SCADA is for overall monitoring of load flow from any substation which caters to the need of the captive power supply as well as licensed distribution and retail supply business of electricity. RIUS further submitted that the total cost of Rs. 5,136.24 Lakh of fixed assets segregated to distribution business in its Petition seems to be inflated to increase the cost of supply of power under distribution business. The Commission may give due consideration on the aforementioned ambiguities and the possibility to consider on actual and legitimate basis. RIUS submitted that in any case, the approved GFA should not be more than Rs. 645.88 Lakh as approved by the Commission in its order dated June 27,.2009 since even the proposals presented by JSPL-D remains constant for FY 2009-10, FY 2010-11 and FY 2011-12.

2.31 RIUS in additional objections submitted that the SCADA is basically required for the Load Dispatch Centers for regulating the supply of electricity for the purpose of safety of the Grid. Since, there are only 34 consumers of JSPL-D while 59 employees are dedicatedly working in distribution business besides other employees that are working in the distribution business. Hence, there is enough supervision in the distribution business of JSPL-D and SCADA is not required.

JSPL-D's Response

2.32 JSPL-D submitted that it had already revised the SCADA implementation cost of licensed distribution business to Rs. 246.38 Lakh against the total SCADA implementation cost of Rs. 823.89 Lakh. The remaining cost was transferred to the licensed transmission business and other business segments of JSPL. The apportionment of cost of the SCADA system between the licensed transmission, licensed distribution and non licensed business of JSPL had been done on the basis of usage of the individual components of the SCADA system by each of the business segments.

2.33 As regards disallowance of fixed assets, JSPL-D submitted that the disallowance of fixed assets in the tariff order issued by the Commission, dated June 27, 2009 was primarily due to non-segregation of accounts. JSPL-D submitted that the segregated accounting information and a certificate from statutory auditor have been submitted to the Commission. The allowance of fixed assets for the determination of annual revenue requirement of licensed distribution should not be restricted to Rs. 645.88 Lakh.

2.34 In reply to the addition objection, JSPL-D submitted that SCADA uses high-tech communication system to gather data on real-time basis to monitor and control physical process which in this case is distribution of power. As consumer to its' distribution system are industrial consumers, it is important to provide them with reliable power and implementation of SCADA is one of the measures adopted in this regard. JSPL-D further submitted that as far as number of employees is concerned, the employee expenses incurred for its distribution business are the lowest in comparison to other distribution licensees in Chhattisgarh and a few other private licensees in India.

Commission's Views

2.35 In reply to the queries raised by the Commission, JSPL-D has provided the allocation of the cost for SCADA system of distribution business. In the reply dated August 18, 2011 submitted by JSPL-D, the cost allocated to Distribution Business for SCADA system is Rs. 246.38 Lakh instead of Rs. 823.89 Lakh as claimed in the Petition. The Commission in this Tariff Order has provisionally considered the amount of SCADA as Rs. 246.38 Lakh as submitted by JSPL-D for the purpose of enhancing the reliability of power in the Area. However, the same will be revisited once the segregated accounts are made available by the Licensee in the next Tariff determination exercise.

Deduction of UI Income:

2.36 RIUS submitted that the UI income earned by JSPL-D from the sale of power is not shown which is required to be deducted from the power purchase cost of the distribution business as in the case of CSPDCL.

JSPL-D's Response

2.37 JSPL-D clarified that no income from UI has been earned.

Commission's Views

2.38 The Commission has not considered UI Income in Power Purchase Cost of JSPL-D. The Power Purchase modalities approved by the Commission do not include UI as UI model is not applicable to JSPL-D. The Power Purchase Cost as computed by the Commission has been elaborated in Para-3.47 of this Order.

Provision for Depreciation

2.39 RIUS submitted that the provision for depreciation, under paras 2.20 and 2.21 in the Petition submitted by JSPL-D, has been projected on the basis of the segregated fixed assets. Since, the segregation and amount of the fixed assets is itself inflated and under challenge, any provision under this category directly becomes ambiguous and hence beyond scope of consideration.

JSPL-D's Response

2.40 JSPL-D submitted that it has submitted a detailed statement of segregation of fixed assets and the same has also been certified by statutory auditor. Therefore, such objection made by RIUS is invalid.

Commission's Views

2.41 The depreciation as considered by the Commission on the amount of Fixed Assets has been elaborated in Para-3.102 of this Order.

Capital Work in Progress

2.42 RIUS submitted that under Para 2.22 and 2.23 in the Petition submitted by JSPL-D, there were no addition in fixed assets by JSPL-D in previous years and there are no plans to incur any capital expenditure for the FY 2011-12. Hence, it is evident that JSPL-D has not made any capital expenditure to improve upon the quality of supply and services to its consumers under distribution business and does not even planned to do so whereas, JSPL-D intended to increase the tariff which goes against the fundamental rights of the consumers and the terms and conditions of the agreements executed between JSPL-D and its consumers for quality supply and services. Hence, any increase in tariff is unjustified.

JSPL-D's Response

2.43 JSPL-D submitted that the capital expenditure is generally incurred either to reduce distribution loss levels or to strengthen the distribution network to cater to future load growth. JSPL-D submitted that the licensed distribution business is operating at a distribution loss of 1.02% which is far below the average distribution loss levels prevalent in India. Technically, there is no further scope of reduction of losses. Also, JSPL-D did not envisage any growth in load and demand in the licensed area, therefore, no capital expenditure had been envisaged for FY 2011-12. While, JSPL's distribution business had not made any significant capital investment, but a continuous incurring expenditure in respect of R&M activities demands a tariff hike.

Commission's Views

2.44 .In absence of submission of JSPL-D towards Capital Expenditure during FY 2009-10 to FY 2011-12, the Commission has not considered any additional Capital Expenditure during this period.

Share Capital, Reserves & Surplus and Proft and Loss (P&L) debit balance

2.45 RIUS submitted that JSPL-D has not undertaken the segregation the issued share capital and the Reserves & Surplus of the company between the electricity distribution and other business, which is a clear violation of the directives given by the Commission. Also, the opening balance of the share capital and reserves & surplus for the segregated licensed business is taken as zero and the funding of the capital expenditure is considered to be met by other business segments of JSPL. RIUS asked JSPL-D to submit the reason behind such adjustments since JSPL is a public limited company and the stakes of the shareholders of JSPL will be in direct proportion to the valuation of the distribution business and the other businesses of JSPL.

2.46 RIUS further submitted that JSPL-D has stated under Para-2.34 in the Petition that the fixed assets of distribution and retail supply business have been funded by JSPL- other business segments, whereas the share capital and reserves & surplus have been shown as nil for the distribution and retail supply business. JSPL being one combined unit and was granted a distribution license for retail supply of excessive power from its captive power plant and any investment in fixed assets should be taken as share capital for the distribution and retail supply business rather than shown as funding from other business segments. The whole exercise stands against the basic tenets of law and is supposedly used as tool for inflating the payable from the distribution and retail supply business and should be disallowed.

JSPL-D's Response

2.47 JSPL-D mentioned that it is engaged in several business activities, including mining of raw material for manufacture of steel, manufacture of iron & steel products and generation, transmission and distribution of power. The equity raised by JSPL has been utilized for the business as a whole and not to specifically fund the fixed assets pertaining to the licensed distribution business.

2.48 JSPL-D further submitted that it has not undertaken any exercise to segregate issue share capital because in this case the funding of fixed assets by equity would have turned out to be more than 30%. As per the CSERC Tariff Regulations, 2006, equity in excess of 30% of the fixed assets will be considered as normative term loan and no return is allowed on such excess equity for the determination of annual revenue requirement.

2.49 JSPL-D agreed to the point raised by RIUS in respect of the stake of shareholders of JSPL in the distribution business as being in direct proportion of the valuation of the distribution business and the other businesses of JSPL. However, as per the CSERC Tariff Regulation, 2006 return on equity is not allowed on equity in excess of 30% of fixed assets. Furthermore, return based on business valuation, will increase the cost of supply while calculating for the Annual Revenue Requirement.

2.50 JSPL-D also submitted that there is no point arising out of the licensed distribution business to them, there is no reserve and loss available to the licensed distribution business.

Commission's Views

2.51 The amount of equity and Return on equity as considered by the Commission has been elaborated in Para-3.130 of this Order.

Working Capital Loans from JSPL – other business segment

2.52 RIUS submitted that JSPL-D has mentioned under Para 2.24 that the actual figures of current assets and current liabilities for the distribution business are not available. Now under, para 2.40 it has been mentioned that the working capital loan has determined on the basis of the actual requirement of funds for the operation of licensed business. It has also been submitted that the actual requirement of funds (deficit) to meet the financial losses and gap between current assets and liabilities after adjusting the amount available from security deposit was considered to be the working capital funded by other business segments of JSPL-D. Since the actual figures of current assets and current liabilities for distribution business are not available then how JSPL-D is able to calculate the actual requirement of funds.

JSPL-D's Response

2.53 JSPL-D replied that the working capital loan has been determined on the basis of actual requirement of funds to meet the financial losses and the gap between current assets &

current liabilities after adjusting the amount available from security deposits. This has been considered to have been funded by other (non-licensed) business segments of JSPL. JSPL-D also mentioned that the revenue collected from consumers was not sufficient to cover the cost of power and other expenses. This deficit was needed to be funded from any source of fund including working capital loans. In this case, JSPL-D has not raised any working capital loan to finance the deficit of the licensed distribution business. The entire cash deficit was being funded by other business segments (non-licensed) of JSPL. However, the determination of working capital loan will in no way impact the annual revenue requirement because the interest charges on working capital loan have been calculated on the normative working capital loan in accordance with the clause 15 of the CSERC Tariff Regulation, 2006. JSPL-D also submitted that as per clause 21 of the CSERC Tariff Regulation, 2006, interest on working capital shall be allowed on the normative basis even when the licensee has not availed any working capital loan from any agency or in case the working capital loan exceeds the normative levels. JSPL-D further submitted that increase in working capital loans is due to the increase in accumulated losses from the licensed distribution business. The increase in deficit depends not on the number of consumers (as stated by Objector) but on the difference between revenue collected and expenditure incurred. In this case, the cost of supply is continuously increasing, whereas the tariffs were not cost reflective. The rate of interest applied by JSPL-D was 12.79%, on the normative working capital which is the same as the average rate of interest that JSPL is paying banks/financial institutes on the cash credit facilities. The figure used for rate of interest is in line with the weighted average State Bank of India Advance Rate (SBAR), also known as the bank's prime lending rate (PLR), computed over the period 1-04-2008 to 31-03-2009. The State Bank of India is JSPL's primary banker that extends working capital loans to the company's other business segments (non-licensed). The table below illustrates State Bank of India's PLR rates during the fore mentioned period as well as the average PLR rate for the period.

From	To	No. of Days	SBI PLR Rate
01-Apr-08	27-Jun-08	88	12.25%
28-Jun-08	12-Aug-08	46	12.75%
13-Aug-08	10-Nov-08	90	13.75%
11-Nov-08	31-Dec-08	51	13.00%
01-Jan-09	31-Mar-09	90	12.25%
Average			
01-Apr-08	**31-Mar-09**	**365**	**12.79%**

Commission's Views

2.54 The Commission has considered Normative Working Capital Requirement in accordance with Regulation-15 of CSERC Tariff Regulations, 2006. The Working Capital Requirement and the interest on the same as considered by the Commission has been elaborated in Para-3.137 of the Order.

Projected Balance Sheet for Distribution Business

2.55 RIUS submitted that in any event, the details furnished by JSPL-D were not in accordance with the statutory requirement under the provisions of Electricity Act, 2003, CSERC (Details to be furnished by licensee or generating company for determination of tariff and manner of making application) Regulations, 2004 and directives of the Commission in its order dated June 27, 2009. Hence, the balance sheet stated under para 2.47 becomes in-fructuous and cannot be a base for any consideration for determination of tariff. The figures stated seem deceptive and evasive to justify the proposed increase in tariff.

JSPL-D's Response

2.56 JSPL-D submitted that it has already provided the audited statements to support the figures submitted to the Commission.

Commission's Views

2.57 In the present Petition, in absence of the duly audited balance sheet the Commission has no option but to take view on the figures as submitted by JSPL-D. The Commission after due scrutiny has considered the relevant data on provisional basis.

Issue of Surplus Power Available with JSPL CPP

2.58 RIUS submitted that JSPL-D under Para-2.48 to 2.56 in its Petition submitted that there was no increase in the number of consumers or connected load or any increase in the quantity of power to be supplied. Further, transmission losses are mentioned as 1% and are likely to go down further by switchover by 7 consumers from 11 KV to 33 kV supply system. Also, the Commission, in its order dated 27.10.2010 passed in Petition No. 22/2010(M) in petition filed by JSPL for approval of power procurement plan for FY 2010-11, has noted that there is surplus power available with JSPL-Captive Power Plants in 2008-09, 2009-10, 2010-11. It was further observed that the JSPL-D has been taking different position at different point of time and there have contradiction in facts submitted to this Commission.

2.59 All facts clearly showed that there was always surplus power available with JSPL-D and there did not seem any reason for increase in quantity of power to be purchased from Jindal Power Limited (JPL) and for increase in tariff for FY2011-12 since the proposed hike in tariff which will be very inflated and unreasonable hike will have bad effect and will prove to be against the members of the Association which are majorly steel industries.

2.60 RIUS further submitted that the hike in tariff will also have ill effects and adverse impacts in (i) terms of Government revenue in form of Income Tax, Sales Tax, Excise, Customs, Entry Tax etc. (ii) will render more than 10,000 employees jobless causing social unrest (iii) will also have a deep discouraging impact on Investments and Economic Growth within the State. Thus a deep impact on revenues of JSPL as well.

JSPL-D's Response

2.61 JSPL-D submitted that the distribution license to JSPL was granted by Hon'able Commission in response of the application submitted by JSPL on January 25, 2005 for 90 MW (120 MVA) which was proposed to supply to the licensed distribution business from the existing captive plant. The proposal was based on availability of surplus power with JSPL at that time. During last few years (FY 2007-08, 2008-09, 2009-10 and 2010-11), the steel business of JSPL had significantly expanded resulting into increase in consumption of power generated for JSPL's captive plant and power availability to the licensed distribution business from the captive plant was reduced. JSPL-D further submitted that it arranged for the purchase of power from Jindal Power Limited on short term basis, just to fulfil the objective its obligation to supply power. This arrangement was already approved by the Commission vide order dated 03.12.2008. Meanwhile, the Commission directed JSPL, vide order dated July 09, 2008, to purchase power through transparent competitive bidding process in accordance with the requirement of Tariff Policy. The Tariff Policy notified by Ministry of Power (MoP), GoI dated 6th January 2006 clearly stated that the future requirement of procurement of power shall be carried out through competitive bidding only as per para 2nd (second) of Clause 5.1 which is as under:

> *"All future requirement of power should be procured competitively by distribution licensees except in cases of expansion of existing projects or where there is a State controlled/owned company as an identified developer and where regulators will need to resort to tariff determination based on norms provided that expansion of generating capacity by private developers for this purpose would be restricted to one time addition of not more than 50% of the existing capacity."*

2.62 In compliance with the directives of the Commission, JSPL had invited bids for procurement of power for supply to consumers in the licensed distribution area under the Case-I bidding mechanism (on medium term basis). The process of procuring power through a tariff based competitive bidding process was successfully carried out in accordance with the requirement of Section 63 of the Electricity Act. The lowest quote (Rs. 6.30 per kWh) was submitted by JPL. After negotiations, the price of power was brought down to Rs. 5.40 per kWh but the Commission, vide order dated 03.12.2008, rejected the price obtained through competitive bidding citing concerns about the increase in tariffs for retail consumers. However, JSPL submitted that the losses on account of higher power purchase costs would be subsidized by other business segments of JSPL and will not be passed on to the consumers through increase in tariff. But the Commission, vide order dated June 27, 2009, did not accept the lowest rate quoted by JPL under the competitive power procurement process (on medium term basis). Considering the non availability of surplus power generated from the captive plant and non-acceptance of the process of medium term power procurement through tariff based competitive bidding by the Commission, JSPL has been left with no option but to purchase power on short term basis from JPL at the rate approved by the Commission in the last tariff order. Based on the fact of non-availability of surplus power generated from the captive plant and requirement of section 5.1 of Tariff Policy, JSPL had initiated the process for procurement of power under competitive bidding process on long term basis in accordance with the "Guidelines for Determination of Tariff by Bidding Process for Procurement of Power by Distribution Licensees". JSPL had already submitted the bid documents for procurement of power under competitive bidding framework to the Commission for approval. JSPL-D further submitted that the supply to CSPDCL/erstwhile CSEB is subject to variation within a band of +/- 25%. The power supplied to CSPDCL/erstwhile CSEB under the agreement was unstable and left over with JSPL after consumption of power by steel plant. That agreement helped JSPL to maintain grid stability. There is a huge fluctuation in power consumption in the furnace and steel plants. It varied a lot during various time slots in a day; therefore any excess power remained in grid after internal consumption can be transferred to CSPDCL. JSPL-D could not rely upon that power for the purpose of supply to the licensed distribution business, since that power was not definite. JSPL-D submitted that it is evident that is was no established trend in the consumption of energy during last few years. Therefore a growth rate of 5% for each consumer was assumed to forecast units sold during FY 2011-12.

2.63 In reply to additional objections, JSPL-D submitted that while the earlier PPA with CSPDCL was to sell 120 MW +25% of power, the same was revised w.e.f. February 02, 2011 to a contract demand of 170 MW with minimum guaranteed supply of 40 MW and a maximum of 206 MW of power. Its steel plants do not require power continuously and it is this surplus power, after own consumptions at the steel plant, which is being sold to CSPDCL. There are huge variations in the power available for sale to CSPDCL (as is also evident from the range of minimum and maximum power committed for sale).

2.64 JSPL-D submitted that it primarily caters to industrial consumers who need firm and continuous power and therefore they cannot be supplied with such fluctuating power.

Commission's Views

2.65 JSPL-D has stated that M/s JPL is under other Management and is not ready to supply power on long term basis under Section-62. The Commission is of the view that a separate juristic entity cannot be forced by the Petitioner/ Commission to enter into any arrangement against its own will. As regards purchase of power through competitive bidding route, the Commission in its Order dated December 31, 2011 in the matter of approval of the deviations from the Standard Bidding Document (RFP and PPA) for carrying out long-term power procurement under case-1bidding framework (Petition Number 26 of 2011) has ruled as under:

> *"Regarding availability of power from JSPL, the petitioner has stated that due to expansion of their steel business, the captive power station is not able to fulfill the requirement of stable power for distribution business on long term basis. However, it has not been made clear that actually what minimum quantum of stable power can be supplied by JSPL to its own distribution business on long term basis. Without having a clear statement of power availability from the licensee's own sources, deciding the quantum of power which needs to be procured through long term PPA may suffer from infirmity.*
>
> *Accordingly, petitioner JSPL is directed to submit within one month from the date of this order, a detailed power requirement plan indicating the last five years actual consumption data along with the future projection, so that the long term power to be requisitioned through bid may be assessed in a rational manner."*

Submission of data regarding detailed power requirement plan indicating the last five years actual consumption data along with the future and approval thereon may take sometime. Further bidding process and adoption of Tariff by the Commission under Section-63 of the Act may take considerable time. Hence the Commission is left with no option but to allow Short Term Power Purchase for the required period.

Power Purchase Units and Power Purchase Cost

2.66 RIUS submitted that any proposal of JSPL-D to procure power from its wholly owned subsidiary JPL should not be approved, even though for the short terms also. It already came under the notice of the Commission in its order dated June 27,2009 passed in Petition No. 22/2010 (M), that in the year 2009-10, JSPL's captive power plant did not supply power for JSPL's distribution business, rather JSPL entered into an agreement dated March 30, 2009 with Chhattisgarh State Power Distribution Company Limited ("CSPDCL") for supply of 50MW over and above already contracted 70 MW power from JSPL's existing captive plant for the year 2009-10 and 2010-11. There was sufficient power available with JSPL captive plant to supply to its consumers under electricity distribution business, however, just in order to increase the cost of power, JSPL had been proposing to procure power from its wholly owned subsidiary JPL. This act clearly reflected the manipulation and misrepresentation on part of JSPL-D to increase the tariff.

2.67 RIUS submitted that the actual energy consumption in FY 2010-11 was 566.01 MU, which is not expected to increase as stated by JSPL itself, hence the sales projection of 588.01 MUs did not seem realistic. RIUS further submitted that JSPL in its petition for application for distribution license (Petition No. 03 of 2005) provided that the proposal was to supply JIP400 MVA (300 MW) of electricity on full implementation of the Industrial Park for which 120 MVA (90 MW) was proposed to be supplied from the existing captive power plant and 280 MVA (210 MW) from JPL. RIUS objects that despite of such clear representation before the Commission, JSPL is proposing to purchase the full quantity of power to be supplied under distribution business from Jindal Power Limited in order to gain undue profits. Further, as per section 60 of the Electricity Act, 2003,

> "*The Appropriate Commission may issue such directions as it considers appropriate to a licensee or a generating company if such licensee or generating company enters in to any agreement or abuses its dominant position or enters into a combination which is likely to cause or causes an adverse effect on competition in electricity industry.*"

2.68 RIUS further submitted that JSPL-D, being the distribution licensee used its dominant position to gain undue profits and advantages and the Commission may kindly disallow these tactics of JSPL-D in the interest of the consumers. JSPL-D was only allowed by the Commission to procure power in short term from JPL only for FY 2010-11 at a maximum price of Rs. 3.00 per unit. Despite of clear instructions given by the Commission, JSPL-D proposed to procure power from JPL for FY 2011-12, that too at a higher cost of Rs. 3.1375 per unit, which is in violation of the previous order passed by the Commission. In view of the above, JSPL-D should not be allowed to procure any proposal for procurement of power from JPL in short term and should be ordered to pay for its own mistakes, rather then making the consumers suffer by increasing the tariff.

2.69 RIUS in the additional objections submitted that the proposal of JSPL-D to purchase entire power from JPL at the rates at which CSPDCL purchased power is also not tenable considering the fact that surplus power from the CPP to JSPL is very much available to the extent of 150 MW, which JSPL-D is selling to CSPDCL for the year 2011-12. Even in case it is accepted that the said power is supplied with variation of +/- 25%, still there would be enough power left to meet the entire requirement of consumers of JSPL-D. RIUS asked for the reason why JSPL-D cannot utilize the said power for the distribution business.

JSPL's Response

2.70 JSPL-D submitted the same reply as stated in Para-2.61 of the Order.

Commission's Views

2.71 The Commission views are same as mentioned in Para-2.65 of the Order.

Maximum Base Price for Purchase of Power by JSPL

2.72 RIUS submitted that the Commission vide tariff order dated June 27, 2009 ruled that the purchase of power by JSPL-D from JPL should be at the same rate at which CSPDCL purchases power from CPPs and IPPs. The same reasoning has been given by JSPL for purchasing entire power requirement for its distribution business for FY 2011-12 from JPL. RIUS submitted that that the consumer of JSPL-D were never made a party while rendering the said direction and as such it is a violation of principles of natural justice since the consumers of JSPL-D, which are most affected by such direction, have never been given the opportunity to express their concern.

JSPL-D's Response

2.73 JSPL-D submitted that the Petition submitted by the licensee was made available to public on official website of the Commission. Separate individual notice to consumers was not required to be given under the Act and Regulations.

Commission's Views

2.74 The Commission has taken the note of this objection. Further the Commission has allowed the maximum Power Purchase rate of Rs. 3.00/ kWh during FY 2011-12 as per details given in Para-3.42. The Commission directs JSPL-D that it may purchase the Short Term Power during FY 2012-13 till the Tariff decided through bidding process is adopted by the Commission under Section-63 of the Act. However JSPL-D should submit the Petition before the Commission for approval of Ceiling rate and terms and conditions for Short Term Power Purchase during FY 2012-13 within 15 days from the date of issuance of this Order.

Transmission Charges

2.75 RIUS submitted that the increase in transmission charges is not justified as the load forecast given under Tables 13, 14 and 15, more or less remained the same, whereas the transmission charges has been proposed to increase from Rs. 1292.54 Lakh to Rs. 1473.72 Lakh. RIUS requested the Commission that proposed increase in transmission charges should be rejected.

2.76 In the additional objections, RIUS submitted that the transmission charges proposed by JSPL-D is the average transmission tariff for the entire transmission system of JSPL, while the distribution business is utilizing only a small portion of the transmission system. Therefore, the transmission tariff should be determined for that portion of transmission system only which is being utilized for transmitting power to JIP for the purpose of giving supply to consumers of JSPL-D.

JSPL-D's Response

2.77 JSPL-D submitted that the transmission charges are not solely dependent on load forecast. O&M expenses, interest charges, depreciation, return on equity, etc are the other factors on which transmission charges depend. In this case, the increase in transmission charges was primarily on account of increase in O&M expenses, repair & maintenance expenditure, administration expenditure and establishment expenditure. However, the petition for determination of annual revenue requirement for licensed transmission business is already pending for approval with the Commission. The transmission charges attributable to the licensed distribution & retail supply business will be finalized only after the determination of annual revenue requirement for licensed transmission business by the Commission.

2.78 In Reply to additional objections, JSPL-D submitted that the transmission charges are not calculated on the basis of the distance. The charges are calculated on the basis of availability of capacity. At present, licensed distribution business is the only consumer which is being served by the transmission line, therefore the entire ARR for licensed transmission business is charged on the licensed distribution business.

Commission's Views

2.79 The Commission has referred to the Order (Petition Number 07 of 2011 (T)) issued on December 30, 2011 for considering Transmission Charges. A review Petition for reviewing this Order dated December 30, 2011 has been received by the Commission which is under consideration.

Repair & Maintenance Expenses

2.80 RIUS submitted that JSPL-D has proposed an exorbitant amount of Rs. 256.82 Lakh as R&M Expenses for FY 2011-12. RIUS further submitted that GFA cannot be more than Rs. 645 Lakh and hence Repairs and Maintenance expenses should not be more than 4.3% of that amount.

JSPL-D's Response

2.81 JSPL-D submitted that the disallowance of fixed assets in the Tariff Order dated June 27, 2009 issued by the Commission was primarily on account of non-segregation of accounts and not because of high value components. JSPL-D has segregated the R&M expenses and submitted a certificate from statutory auditor to the Commission in that regard. Therefore, RIUS's argument to determine the R&M expenses on the basis of fixed assets of Rs. 645.88 Lakh is not justified. JSPL further submitted that it has adopted the same approach as followed the Commission while approving the repair & maintenance expenses in the ARR order for FY 2011-12 of CSPDCL, i.e., JSPL-D has projected the repair and maintenance expenditure for its licensed distribution business at 5% of the opening GFA block for the year.

Commission's Views

2.82 The R&M Expenses as considered by the Commission in this Tariff Order have been elaborated in Para-3.71 of this Order.

Employees Cost

2.83 RIUS submitted that JSPL-D has claimed employee expense of Rs. 532.75 Lakh for FY 2010-11 and Rs. 612.67 Lakh for FY 2011-12. In its order dated June 27, 2009, the Commission expressed its concern on the issue of absence of authenticated segregation of data for distribution segment of JSPL-D and approved gross employee expenses of Rs. 303.61 Lakh out of the proposed Rs. 337.72 Lakh.

2.84 RIUS submitted that despite the specific directives from the Commission, JSPL-D has not provided the segregated data and have exaggerated the employee expenses to almost double with no substantial reasoning. RIUS requested to the Commission to disallow the proposed expenditure on employees cost.

2.85 In response to the reply of JSPL-D, RIUS submitted that employee costs incurred by JSPL-D cannot be compared with any other distribution licensees since JSPL-D is supplying power to only 34 consumers, who all are bulk industrial users, whereas other distribution licensees are mostly catering to small and medium category consumers.

JSPL-D's Response

2.86 JSPL-D submitted that it has explained the detailed methodology followed to derive the employee cost in its ARR petition for FY 2011-12 submitted to the Commission. The Employees cost was also been certified by the statutory auditor. The salient features are reproduced below:

"JSPL divided the number of employees, who are directly or indirectly engaged with the licensed distribution business, into two parts, viz. dedicated employees (spending time more than 50%) and other employees (spending time less than 50%). JSPL-D identified 59 employees (FY11) as working on full-time basis (dedicated employees) for its distribution and retail supply business. 151 employees were working on a part-time basis for the distribution and retail supply business. The dedicated employees were further classified employees into 2 categories, namely (a) those spending 75% or more of their time and (b) those spending 50%-75% of their time on the licensed distribution & retail supply business. The costs associated with the employees were computed based on the percentage of time spent on the licensed business segment. Employee expenses for FY 2012 were projected considering an annual increment of 15%."

JSPL-D submitted that the employee expenses incurred by JSPL for its distribution business were the lowest in the comparison to other distribution licensees in the Chhattisgarh and a few other private licensees in India. The Comparison submitted by JSPL-D is tabulated below:

Particulars	JSPL	CSPDCL	BSP	NDPL	Reliance Infra
Employee Expenses (Rs. Crore)	6.13	555	4.30	195.46	368.52
Annual Revenue Requirement (Rs. Crores)	222.35	5707	72.58	4582.75	5067.71
Power Sold (MUs)	594.05	14195	148.95	6932.95	7477
Employee expenses/Total expense (%)	2.76%	9.72%	5.92%	4.27%	7.27%

Particulars	JSPL	CSPDCL	BSP	NDPL	Reliance Infra
Employee expense/MU sold (Rs. Crore/MU)	0.01	0.04	0.03	0.03	0.05

Commission's Views

2.87 The employee expenses as considered by the Commission have been elaborated in Para-3.62 of the Order.

Administrative & General Cost

2.88 RIUS submitted that the various heads under A&G cost like conveyance & travel, hiring of vehicles and legal charges have been increased exorbitantly without any proper justification and reasoning and hence should be disallowed.

2.89 In additional objections, RIUS submitted that the Raipur Office of JSPL-D is actually dedicated to power sale business as well as other core businesses of JSPL and Jindal Power Limited. RIUS further submitted that if distribution business is merely 2% of the entire businesses of JSPL, then 20% of total office expense of the Raipur Office cannot be attributed to the licensed distribution business.

JSPL-D's Response

2.90 JSPL-D submitted that increase in A&G expenses is considered to merely be 5% which is lower than the inflation rate.

2.91 In reply to the additional objection, JSPL-D submitted that its Raipur Office (a cost centre) is responsible for looking after the tariff and regulatory related issues pertaining to licensed business of JSPL. Therefore, there are some expenses booked under Raipur Office, which directly relate to the licensed distribution business and considering the nature of such expenditure the same have been transferred/allocated to licensed distribution & retail supply business.

Commission's Views

2.92 The A&G expenses as considered by the Commission have been elaborated in Para-3.77 of the Order.

Establishment Expense for FY 2011-12

2.93 RIUS requested the Commission that the proposed establishment expense should also be disallowed on the same ground as Repair & maintenance costs and Employees costs.

JSPL-D's Response

2.94 Establishment expenses are the same as employee salaries. JSPL-D requested to consider the replies in Employees Cost.

Commission's Views

2.95 The Operation and Maintenance Expenses comprise of Employee expenses, A&G Expenses and R&M Expenses. The establishment expenses are a part of employee expenses. The Commission is of the view that considering the number of consumers, the employee expenses incurred for serving each consumer seems to be on higher side. The Commission directs JSPL-D to revisit the employee expenses for the Distribution Business and should endeavour to make it reasonable. The employee expenses as considered by the Commission have been elaborated in Para-3.62 of the Order.

Interest on funds from JSPL-other business segment against fixed assets

2.96 RIUS submitted that in absence of proper segregation of assets and accounts and their Audited Accounts for the distribution business and also in absence of zero share capital proposed by JSPL-D, the proposed amount under this head was highly manipulative and should be disallowed.

JSPL-D's Response

2.97 JSPL-D submitted that it has not raised equity specifically to fund the fixed assets pertaining to the licensed distribution business. JSPL-D submitted that a part of the fixed assets for the licensee business has been funded by term loans (identified specifically for the distribution & retail supply business) and the rest through funds invested in the fixed assets of distribution & retail supply business by other business segments of JSPL-D.

The interest rate (11.5%) used for the determination of interest on funds from other business segments of JSPL is based on Power Finance Corporation's (PFC) & Rural Electrification Corporation's (REC) lending rates for distribution schemes being implemented by AAA rated companies.

Commission's Views

2.98 The Amount of Loan and Interest on Loan as computed by the Commission in this Order has been elaborated in Para-3.122.

Load Factor Discount

2.99 RIUS submitted that no load factor discount has been given by JSPL-D till February 2011 to its consumers for which it shall be ordered to pay immediately.

JSPL-D's Response

2.100 JSPL-D submitted that it has not applied any separate Tariff Schedule and terms & conditions for consumer tariff. In the absence of separate schedule of tariff, it has started following the same schedule and terms & conditions as applicable to the CSPDCL's consumers. At present, JSPL-D is allowing load factor discount to the consumers after the application is filed by the consumer.

Commission's Views

2.101 The Commission observed that in the Tariff Order for FY 2009-10 issued in respect of CSPDCL, there is a provision of payment of Load Factor Incentive to HV-I category, i.e., Steel Industries. The Commission is of the view that JSPL-D was supposed to follow all the Terms and Conditions of CSPDCL Tariff Order FY 2009-10 made applicable to it from the date of applicability of CSPDCL Tariff to JSPL-D's Consumers. The Commission directs JSPL-D to revisit the bills from the date of applicability of CSPDCL Tariff Order FY 2009-10 for JSPL-D's consumers by applying all the Terms and Conditions of CSPDCL Tariff Order FY 2009-10 in respect of Retail Supply Tariff Schedule and adjust such amount if any within 3 months from the date of issuance of this Tariff Order.

Interest on Security Deposit

2.102 RIUS submitted that JSPL-D has violated Section 47 of Electricity Act 2003, and CSERC (Security Deposit) Regulations, 2005 by not paying interest on the security deposits received from its consumers since acceptance of deposits till March 31, 2010. Taking note of violation, the Commission vide its order dated 27.06.2009 ordered JSPL-D to pay interest to its consumers on the security deposit received from them. However, JSPL-D still failed to pay interest from the dated of accepting security deposit from its consumers, which lead to huge losses for the consumers and violation of the legal rights.

2.103 RIUS requested the Commission to take appropriate action under section 142 of Electricity Act, 2003 and order JSPL-D to pay unpaid interest at the bank rate to all the members of Raigarh Ispat Udhyog Sangh from the date of acceptance of security deposit form the members till 31.03.2010. Further, the Commission is also requested to please allow interest @12% p.a. on the unpaid amounts till date.

2.104 In response to the reply of JSPL-D, RIUS submitted that from the response of JSPL-D, it is clear that JSPL-D is not denying its liability to pay interest at the bank rate to all the members of the Raigarh Ispat Udhyog Sangh from the date of acceptance of security deposit from the members till 31.03.2010. It further submitted that any such payment shall not lead to increase in any tariff since JSPL under statutory obligation should pay interest on the security deposit received from its consumers under its distribution business.

JSPL-D's Response

2.105 JSPL-D submitted that it has complied with the directions given the Commission (vide its order dated June 27, 2009) by making payment of interest on security deposit. JSPL-D further submitted that any additional payment of interest on security deposit will contribute to the deficit being faced by licensed distribution business and will further increase the proposed tariff.

2.106 In reply to the rejoinder, JSPL-D submitted that the objection raised by RIUS that payment of security deposit should not be considered in the tariff determination is unjustified. CSERC Tariff Regulation, 2006 allow the licensee to recover interest paid on security deposits by including these expenses in ARR.

2.107 JSPL-D further submitted that that supply of power in licensed area to the consumers in the initial years was governed by the agreement entered into by JSPL-D with the consumers. There was no provision for the payment of interest on security deposit. Therefore, no payment of interest was made during the tenure of the agreement. During these years, JSPL-D recovered the tariff from consumer as per the provisions of agreement. The tariff was not recovered as determined under the terms and conditions for determination of tariff as issued by the Commission.

JSPL-D also submitted that the security deposit from consumers was not in accordance with the provisions of the CSERC (Security Deposit) Regulations, 2005. JSPL-D made the payment of interest on security deposit after the security deposits have been paid in accordance with the above mentioned regulations.

2.108 It also submitted that it has complied with the directions given by the Commission (vide its order dated June 27th 2009) by making payment of interest on security deposit. Any additional payment of interest on security deposit will contribute to the deficit being faced by licensed distribution business and will further increase the proposed tariff.

Commission's Views

2.109 The Commission observed that Clause-8 of CSERC (Security Deposit) Regulations, 2005 provides the provision of providing interest on Security Deposit from April 1, 2005. However, the Commission observed that the Distribution Licence was issued to JSPL on November 29, 2005. In this License following condition has been mentioned:

"(1)…

(3) The distribution licensee shall abide by all the relevant provisions of the Electricity Act, 2003, the National Electricity Policy, I.E. Rules 1956 and Electricity Rules 2005, as amended from time to time.

(4) The licensee shall abide by the general conditions of licence as given in chapter III and the other conditions applicable to a distribution licensee as given in

chapter V of the CSERC (Licence) Regulations 2005, as amended from time to time. He shall also comply with the relevant provisions of all the regulations issued or as may be issued by the Commission, as amended from time to time.

(5) The licensee shall abide by all the relevant provisions of the Chhattisgarh State Electricity Supply Code, 2005.

…

(8) The existing tariff being charged from the industrial consumers in the designated area of J.I.P. shall continue to be charged by the licensee till the tariff is determined by the Commission.

…"

A harmonious reading of all the above mentioned conditions of Licence indicates that JSPL-D was supposed to act as per the Regulations of the Commission. Normally in any agreement, the changes due to change in law/ rules becomes applicable whether such conditions remain or not in the Agreement. Thus JSPL was supposed to act as per the Regulations of the Commission. CSERC (Security Deposit) Regulations, 2005 mandates the payment of Interest on Security Deposit with effect from 1-4-2005. However since the licence was issued with effect from 29-11-2005 JSPL-D is liable to pay Interest on Security Deposit to its consumers as per the provision of Regulations with effect from the date of issuance of Licence. Therefore, the Commission directs JSPL-D to pay Interest on Consumer Security Deposit to the consumers as per the Regulations. Additional payment if any required to be made by JSPL-D on this account shall be considered at the time of Truing-up.

Interest on working capital loan from JSPL-D-other business segment

2.110 RIUS submitted that based on the provisions of the statutory regulations, the Commission approved an amount of Rs. 311.17 Lakh under the head in its order dated June 27, 2009. RIUS submitted that the approved amount of Rs. 311.37 Lakh was itself on higher side in lieu of absence of segregated data for distribution business. RIUS asked JSPL-D about the reason behind the JSPL-D's proposal of a huge sum of Rs. 1221.40 Lakh under this head, which is not only extremely high but deceptive as well as manipulated figure to justify proposed increase in tariff to earn unlawful gains.

2.111 RIUS submitted that, JSPL-D has also concealed and not submitted the complete details under this head justifying such huge increase, thus, purposely not segregating the data for distribution business to support their claim for unwarranted increase in tariff.

JSPL-D's Response

2.112 JSPL-D submitted that the working capital loan has been determined on the basis of actual requirement of funds to meet the financial losses and the gap between current assets & current liabilities after adjusting the amount available from security deposits.

This has been considered to have been funded by other (non-licensed) business segments of JSPL. JSPL-D also mentioned that the revenue collected from consumers was not sufficient to cover the cost of power and other expenses. This deficit was needed to be funded from any source of fund including working capital loans. In this case, JSPL-D has not raised any working capital loan to finance the deficit of the licensed distribution business. The entire cash deficit was being funded by other business segments (non-licensed) of JSPL. It is also submitted that increase in working capital loans is due to the increase in accumulated losses from the licensed distribution business. The increase in deficit depends not on the number of consumers (as stated by Objector) but on the difference between revenue collected and expenditure incurred. In this case, the cost of supply is continuously increasing, whereas the tariffs were not cost reflective.

Commission's Views

2.113The Interest on Normative Working Capital Loan as per CSERC Tariff Regulations, 2009 has been considered by the Commission and has been elaborated in Para-3.137 of the Order.

Return on Equity

2.114RIUS submitted that JSPL-D has claimed that Rs. 238.84 Lakh for FY 2011-12. As per provisions under clause 12 of CSERC (Terms and Conditions for Determination of Tariff) Regulations, 2006, JSPL claimed 30% of proposed GFA as the share capital for the purpose of charging return on equity in the ARR @15.5%. RIUS further requested the Commission to allow RoE only to the extent to 14% of the allowed GFA which in any event cannot exceed Rs. 645.88 Lakh.

2.115In additional objections, RIUS submitted that the Return on Equity has been calculated as per the CSERC (Terms and Conditions of determination of tariff according to Multi-year Tariff Principles) Regulations, 2010 by JSPL-D, while the petition of determination of ARR has been filed under the CSERC (Terms and Conditions for the Determination of Tariff) Regulation, 2006. The rate of return of equity has been considered at 15.5% instead of 14%.

JSPL-D's Response

2.116JSPL-D segregated the fixed assets pertaining to the licensed distribution business and also submitted a certificate from statutory auditor in this regard. Therefore the suggestion made by the Association to determine return on equity on the fixed assets of Rs.645.88 Lakh was not accepted. JSPL-D further submitted that it has calculated the reasonable return in line with the provisions under the CSERC (Terms and Conditions for the determination of Tariff) Regulations, 2006.

2.117 In reply to the additional objections, JSPL-D submitted that it is the prerogative of the Commission to decide the rate of RoE. However, to ensure the commercial viability it requested to allow the rate as 15.5% instead of 14%.

Commission's Views

2.118 The Return on Equity as computed by the Commission has been detailed in Para-3.130 of the Order.

Annual Revenue Requirement

2.119 RIUS submitted that the data given under Table 37 by JSPL-D for ARR as a whole is challengeable and explanation given are clearly manipulated, concealed, inflated, misrepresented and miles away from test prudence submitted with fraudulent motive just to highlight that JSPL distribution business is running in loss and to justify the unwarranted proposed increase in tariff against the fundamental rights of the consumers.

2.120 RIUS also brought notice on the para 4 has been missing since after Para 3.12 at page 39, Para 5.1 starts at page 40.

JSPL-D's Response

2.121 JSPL-D requested to refer to the previous sections. Also, it was mentioned that the concealment of facts and data has never been the intention and it has been operating with full sincerity to serve its consumers in the best possible ways. JSPL-D further submitted that the omission of Para-4 from the Petition be treated as a typographical error and requested the Commission to condone the same while reviewing the ARR Petition.

Commission's Views

2.122 The ARR from FY 2009-10 to FY 2011-12 as considered by the Commission has been detailed under Para-3.164 of the Order.

Revenue gap at current tariffs

2.123 RIUS submitted that in JSPL-D has proposed highly inflated Annual Revenue Requirement by proposing unjustified figures under various heads which correspondingly increases the revenue gap surplus.

JSPL-D's Response

2.124 JSPL-D submitted that it had no intention to inflate the annual revenue requirement and increase the revenue gap surplus. The petition has been prepared on the basis on the actual figures of FY 2010-11 and fair estimates for FY 2011-12.

Commission's Views

2.125 The Revenue Gap as considered by the Commission has been elaborated in Para-4.5 of the Order.

Treatment of Gap/Surplus

2.126 RIUS submitted that any undertaking by JSPL-D to meet treatment of gap do not deserve any sympathy since, on the proposed figures, the major gap rose due to the power purchase cost, which was already at a very high price due to short term procurement of power from Jindal Power Limited, which JSPL's wholly owned subsidiary.

JSPL-D's Response

2.127 JSPL-D submitted that the allegation raised by the Association in respect of payment of high power purchase cost to Jindal Power limited, JSPL's wholly owned subsidiary find no merit. Both the companies are separate business entities incorporated under Companies Act 1956. JSPL-D submitted that power is purchased from JSPL only on account of non availability of surplus power from JSPL's captive power plant. Further, JPL agreed to supply power on a short term notice. The process for procurement of power under competitive bidding process on long term basis was under progress in accordance with the "Guidelines for determination of Tariff by Bidding Process for Procurement of Power by Distribution Licensees". JSPL-D has already submitted the bid documents for procurement of power under competitive bidding framework to the Commission for approval.

Commission's Views

2.128 The Revenue Gap as considered by the Commission has been elaborated in Para-4.5 of the Order.

Tariff Proposal for FY 2011-12

2.129 RIUS submitted that the Commission should specifically order JSPL-D that it should not terminate any existing agreement with any of the existing consumer at its will. Also, the proposal of JSPL-D to supply power to any new consumer or to such consumer whose agreement is expired at the rate as determined by the Commission for CSPDCL shall be outright rejected since such proposal will lead to violation of the terms and conditions of the license granted to JSPL-D and will create disparities in rates charged to different consumer in the JIP and will also violate the fundamental right of equality guaranteed under the Constitution of India. Such proposal only reflected the malafide intention of JSPL-D to gain undue benefits.

2.130 In additional objections, RIUS submitted that JSPL-D has asked for the same tariff as applicable to CSPDCL. However, if the same is granted by the Commission, it will lead to a situation where JSPL-D may earn more than 100% profit, which is not contemplated for regulated license business. In any case, the distribution system of CSPDCL is very different from JSPL-D and so is the scale of operation. The two systems cannot be compared. Hence, separate determination of tariff for generation, transmission and distribution functions of JSPL-D need to be carried out by the Commission.

JSPL-D's Response

2.131 JSPL-D replied that RIUS's suggestion in respect of restricting the tariff to the rated mentioned in the agreement even after the expiry of the agreement does not follow the conventional commercial principles. This will only render the licensed business financial unviable. In the current ARR Petition, JSPL-D requested the Commission to allow for charging the same tariff as allowed to CSPDCL for FY 2011-12. CSPDCL is another distribution licensee operating in the State and therefore, the tariff for JSPL-D can be benchmarked against CSPDCL considering similar socio-economic and commercial scenario in the State. JSPL-D requested RIUS to appreciate that proposed increase in tariff would still result in revenue gap for JSPL-D's licensed distribution business for FY 11-12 and JSPL-D proposed this to be absorbed by non licensed business segment (steel business).

Commission's Views

2.132 JSPL-D has filed ARR and Tariff proposal for FY 2011-12 in accordance with CSERC Tariff Regulations, 2006. The Tariff Schedule as approved by the Commission for various consumer categories has been elaborated in detail in Chapter-4 of the Order.

Mechanism to attend FOC

2.133 RIUS submitted that despite the high employees cost submitted by JSPL-D, the consumers have been facing immense problems in having their grievances heard and resolved. RIUS further submitted that the inefficient system and delay in handling of the consumers grievances has lead to mental agony to consumers and the consumers are helpless because of the dominating position of JSPL.

2.134 RIUS submitted that JSPL-D has not given proper relief for the power cuts and has been resistant on demand of the same, for which the Commission is requested to order JSPL to provide relief to its consumers for any power cuts in the future. RIUS requested the Commission should Order JSPL to improve and quicken its response to redress consumer's grievances.

JSPL-D's Response

2.135 JSPL-D responded that it disagrees with RIUS's allegation that mechanism of attending FOC is inefficient and there is delay in the handling consumer's grievances. JSPL-D setup a robust mechanism and a dedicated workforce to attend to consumer complaints in the licensed area. The complaints received through mobile and P&T lines by technicians, are immediately attended. .

Commission's Views

2.136 The issue of addressing Consumer grievances doesn't fall under the purview of present exercise.

However, the Commission directs JSPL-D to ensure that consumer grievances are attended timely and no load shedding is done by JSPL-D without prior permission of the Commission. Also if consumers are facing some common problems related to supply of electricity, they can approach the Commission for general directions to the Licensee.

Loss Levels

2.137 RIUS submitted that the performance parameter regarding Loss Levels is incorrect as projected by JSPL-D. RIUS further submitted that System losses at EHV system are 3 times of the losses at 33 KV systems for the same power, which is incorrect. Losses are caused due to current only, which is higher at lower voltage. Therefore, for same power, losses will have to be lesser at higher voltage.

JSPL-D's Response

2.138 JSPL-D submitted that the losses at EHV also included the transmission losses. The transmission losses have being calculated on the basis of units dispatched by JSPL and units received at JIP. The transmission system is managed by the licensed transmission segment. The losses at EHV level might be high because of the transformation losses incurred during the transformation from 220 KV to 33 KV. However, it has not analyzed the actual cause yet considering the immaterial impact but will definitely look into the matter.

Commission's Views

2.139 The T&D loss as approved by the Commission has been detailed in Para-3.21 of the Order.

Prospective Order

2.140 RIUS submitted that as per provisions contained under Regulation 6 of the CSERC (Details to be furnished by licensee or generation company for determination of tariff and manner of making application) Regulations, 2004, JSPL-D is obligated to file the current petition on or before November 30, 2010. Specific directions to this effect were also issued by the Commission in its order dated 27.06.2009 and despite such directions and statutory provisions, JSPL-D failed to file the current petition by the statutory auditor timeline of November 30, 2010. In fact, there was substantial delay of 8 months in filing this petition by JSPL-D.

2.141 RIUS further submitted that as per the law, this petition should be dismissed on this ground alone to ensure that the distribution licensees shall give due respect to the statutory provisions and directions of the Commission and JSPL shall be ordered to continue charging its existing tariff for FY 2011-12 without any proposed hike.
It also submitted that any order passed by the Commission should only have prospective effect and should not have any retrospective applicability, i.e. the tariff order for the current petition should only be effective at least after one month from the date of the order passed by the Commission and JSPL should not be allowed to charged any increase in tariff w.e.f. 1st April 2011 or from any date before the date of the order.

JSPL-D's Response

2.142 JSPL-D submitted that the point raised by RIUS in respect of eight (8) month delay in filing is incorrect. The petition for the determination of annual revenue requirement for FY 2010-11 was submitted on 09.02.2010. However, the same was revised based on the direction given by the Commission after the approval of power procurement plan.

2.143 JSPL-D also draws attention of RIUS that there was no order issued by the Commission till date, which provides for any retrospective applicability of tariff. Due to the delay in finalization of tariff petition for FY 2010-11, there has been no tariff hike for FY 2010-11. JSPL had been recovering the same tariff as prevalent during previous year.

2.144 In reply to the rejoinder submitted by RIUS, JSPL-D submitted that the delay in filing of ARR petition is on account of the delay in determination of annual revenue requirement for the previous financial year. The petition submitted by JSPL-D in respect of FY 11 has not been determined till date. In absence of the tariff order for the previous year FY 11, it was not possible for them to submit the petition for the next financial year (FY 12). It had been waiting for the disposal of the tariff petition for FY 11. Based on the direction of the Commission during the course of the disposal of the petition for FY 11, it further submitted the ARR petition for FY 12 based on the undetermined tariff and power purchase cost. In the absence of determined tariff and power purchase cost for the previous financial year, JSPL-D was not to submit the petition for FY 12. For the same reason, JSPL-D was not able to submit the petition for determination of annual revenue requirement for FY 13.

2.145 In reply to the additional objections, JSPL-D submitted that the delay in filing of ARR petition was on account of the delay in the determination of annual revenue requirement for the previous financial year. The petition submitted by JSPL-D in respect of FY 2010-11 has not been determined till date. In absence of tariff order for the previous year (FY 2010-11), it was not possible to submit the petition for the next financial year (FY 2011-12). Based on the direction of the Commission during the course of the disposal of the petition for FY 2010-11, it submitted the ARR petition for FY 2011-12 based on the undetermined tariff and power purchase cost. In the absence of determined tariff and power purchase cost for the previous financial year, it was not able to submit the petition for FY 2011-12. For the same reason, JSPL-D was not able to submit the petition for determination of annual revenue requirement of FY 2012-13.

Commission's Views

2.146 The Commission has noticed the delay made by JSPL-D in filing the Petition and also the submission of replies to the queries made by the Commission. The Tariff Schedule as given in Chapter-4 of this Order can be made applicable from the date in accordance with the CSERC (Details to be furnished by the licensees or generating company etc.) Regulations, 2004. .

Reduction on account of captive coal mines

2.147 RIUS submitted that the JSPL and JPL had been allotted coal blocks for captive use by which coal is obtained at very low price in comparison with the existing market rates. Since coal is the major input in production of power, per unit cost of production of power for both JSPL and JPL becomes very low. This fact had been conveniently skipped or concealed from the current petition and as such there is no justification for such steep hike in the existing tariff. Further, there is also no justification for purchase of power by JSPL from JPL at Rs. 3.1375 per unit and should be further lower.

JSPL-D's Response

2.148 JSPL-D submitted that the allegation made by RIUS is incorrect since the JPL, being a separate legal entity, have its own commercial interest different from JSPL. The reduction in retail tariff based on the fact that captive mines have been allotted to JPL is completely unfair.

2.149 JSPL-D further submitted that as per the Tariff Policy, the power purchase cost will be determined through competitive bidding process on long term basis in accordance with the "Guidelines for Determination of Tariff by Bidding Process for Procurement of Power by Distribution Licensees". JSPL has already submitted the bid documents for the procurement of power under competitive bidding framework to the Commission for approval.

Commission's Views

2.150 The Commission has observed that it has already dealt the deviations requested by JSPL in Standard Bidding Document (SBD) for Long Term Power Procurement and it is in process. As regard to short-term power purchase the Commission has given the Maximum Ceiling Rate.

Social Obligation – No Cross Subsidy

2.151 RIUS provided the following table for total category of consumer of distribution business of JSPL:

Categories	No. of Consumers – FY 12	Connected load in KVA
11 KV-Steel & Ferroy Alloys	4	13,000
11 KV- Other HT Industries	1	160
33 KV- Steel & Ferry Alloys	24	90,650
LT- Non domestic	5	64
Total	**34**	**103,874**

RIUS further submitted that it is evident from the above table that the total percentage of domestic and non-domestic consumers is almost nil and there are absolutely no consumers under the BPL/Cross subsidy category by JSPL-D distribution does not require to discharge any social obligation in form of cross subsidy, which directly influence the proposed hike in tariff and any such proposal looses ground on this single factor.

2.152 RIUS further submitted that Under Para-2.56, charges for street lighting as part of development objectives has also not been included in the current ARR and thus does not deserve consideration for any hike in tariff.

JSPL-D's Response

2.153 JSPL-D submitted that the proposed tariff is not aimed at subsidizing any other consumer category and/or to meet any other social obligation. The tariff hike is being proposed to recover the power purchase cost and other operating costs.

2.154 JSPL-D also submitted that the costs pertaining to power supply to the street lights in the licensed distribution area is being borne by other business segments of JSPL.

Commission's Views

2.155 While fixing Tariffs, the Commission has also considered the provision of Section-62 (3) of the Act. However, it is pertinent to note that no existing consumer is under the subsidised category.

2.156 As regards street lighting, the Commission directs JSPL-D to properly account the sales and revenue received on account of street lighting in total energy sales within its area of Distribution Licensee.

Demand Charges

2.157 RIUS submitted that JSPL-D submitted in the Petition that the Steel business is getting affected with the non availability of raw material and price thereof in the State of Chhattisgarh.

The proposed hike in KVA charges will directly affect the minimum charges payable by such industries leading to additional financial burden and increase in losses, which might prove to be a closing package for them having devastating social and economic effects.

2.158 RIUS submitted that the minimum demand charges on contract demand are charged by JSPL. But the demand charges should be charged on actual demand or 70% of the contract demand, whichever is higher. RIUS requested the Commission to order JSPL to rectify the same.

2.159 In response to reply of JSPL-D, RIUS submitted that JSPL-D based on the request of consumers charged the demand charges on the basis of following formula:

Contract demand KVA x actual no. of hours power drawn during the month/ 720 x 310

2.160 RIUS stated that in the place of the 'Contract demand KVA' in the above formula, it should be actually, 'Actual demand or 70% of the contract demand, which ever is higher'. RIUS further submitted that it has never pressed for charging demand charges on the basis of the tariff schedule applicable to CSPDCL in the objection dated November 15, 2011, but it has only requested that demand charge should be charged on actual demand or 70% of the contract demand, whichever is higher. RIUS prayed to the Commission that JSPL-D should be ordered to charge demand charges based on the following formula:

'*Actual demand or 70% of the contract demand, whichever is higher x actual no. of hours power drawn during the month/720 x 310*'

2.161 RIUS further submitted that in the absence of the segregated accounts JSPL-D has window dressed its accounts and has shown huge losses under its distribution business and tried to propose an unnecessary increase in tariff, which, in light of the submissions of facts and figures raised serious concerns on the intentions of JSPL and the continuous violation of the Commission to segregate to accounts only confirmed such malafide intentions of JSPL-D.

JSPL-D's Response

2.162 JSPL-D submitted that the Commission in its order dated June 27, 2009 has already allowed JSPL-D to charge Tariff for its consumers which is not more than the Tariff applicable to the same category of consumers of CSPDCL. JSPL-D was charging demand charges before the applicability of the order dated June 27, 2009 on the basis of following formula:

Contract demand (KVA) x *actual no. of hour power drawn during the month* x *0.90 power factor* x *30 paisa*

After the applicability of the tariff order dated June 27, 2009, JSPL-D did not have separate tariff schedule and terms & conditions for consumer tariffs. In the absence of separate schedule of tariff, it has been following the same tariff schedule and terms & conditions as applicable to the CSPDCL's consumers after July 15, 2009 except for the demand charges. As per the tariff schedule applicable to CSPDCL, the demand charges should be charged on the maximum demand (in KVA) of the consumers recorded during the month or 75% of the contract demand, whichever is higher. JSPL was also willing to charge the demand charges as per the tariff schedule but based on the request of the consumers, JSPL have to charge the demand charges on the basis of following:

Contract demand KVA x *actual no of hour power drawn during the month/720* x *310*

2.163 JSPL-D further submitted that in the most of the cases the demand charges calculated on the basis of the above formula is less in compare to the formula mentioned in tariff schedule applicable to CSPDCL. JSPL-D submitted that considering the objection submitted by RIUS, JSPL-D agreed to charged the demand charges on the basis of the tariff schedule applicable to CSPDCL.

2.164 In reply to rejoinder submitted by RIUS, JSPL-D submitted that it would like to submit the Commission that the formula proposed by RIUS would affect revenues of JSPL-D in case a consumer is not honoring (under drawing) its contract demand. Such a formula would lead to increase in revenue gaps thereby leading to a possible increase in tariff.

Commission's Views

2.165 The Commission observations are same as mentioned in Para-2.101 of this Order which should be complied.

Additional charge for Exceeding Contract Demand

2.166RIUS submitted that the details of the additional charge for exceeding contract demand in the tariff order passed by the Commission for CSPDCL is as under:

> *"The Consumers should restrict maximum demand to the extent of contract demand. In case the maximum demand during any month exceeds the contract demand, the forgoing tariffs shall apply only to the extent of contract demand and corresponding units of energy. The demand in excess of contract demand and corresponding units of energy shall be treated as excess supply. The excess supply so availed, if any in any month, shall be charged at one and half times of the normal tariff applicable to the consumer (demand and energy charges) for the excess demand to the extent of 20% of contract demand and at the rate of two times of normal tariff if the excess demand is found beyond 20% of contract demand."*

Despite the aforesaid standard set by the Commission, whenever maximum demand of any consumer of JSPL-D exceeds the contract demand, JSPL-D charges the normal tariff on full maximum demand (including the excess demand) and then further charges one and half times of the normal tariff on excess demand, thus leading to double charging of excess demand and putting unwarranted burden on already burdened consumers.

RIUS submitted that despite of double charging the excess demand charges, JSPL-D is seeking a hike in tariff by current petition and making attempts to push the industries in financial trouble a question mark on their survival.

JSPL-D's Response

2.167JSPL-D submitted that it is not charging double charges on the demand exceeding the contract demand. JSPL-D is charging the normal tariff up to the contract demand and 1.5 times of the normal tariff for the excess demand over contract demand.

Commission's Views

2.168The Commission observations are same as mentioned in Para-2.101 of this Order which should be complied. .

True up exercise on the basis of the actual cost of supply

2.169 The Commission in its Tariff Order dated June 27, 2009 stated that it shall undertake a true up exercise on the basis of the actual cost of supply, when the next tariff petition is filed by JSPL-D. However, if no account has been separately created or maintained by JSPL-D for it distribution business, then purpose of true-up exercise is not fulfilled.

JSPL-D's Response

2.170 JSPL-D mentioned that it has created a separate accounting centre in its books of accounts for separately recording all the financial transactions relevant to the licensed distribution business. It has also submitted that the fixed assets statement and expense details for the licensed distribution business for FY 2010-11, certified by the statutory auditor. It has also submitted data for truing up to the Commission for FY 10.

Commission's Views

2.171 The Commission appreciates the concern of RIUS regarding the truing-up exercise to be undertaken on the basis of segregated accounts. The Commission has undertaken provisional True-up for FY 2009-10. However, the Commission will revisit the figures on the basis of segregated accounts in the next Tariff determination exercise.

Memorandum of Understanding with State Government of Chhattisgarh

2.172 RIUS submitted that JSPL-D executed an MOU dated 23.10.2002 with Chhattisgarh State Industrial Development Corporation for establishing the Industrial Park in Raigarh district under which JSPL gave a clear undertaking that "*JSPL shall initiate all necessary steps to implement the project under the MOU, and <u>with a view to contribute of the development and socio-economic growth of Raigarh District</u>, it shall provide employment to local people as per the State Policy in this regard. In addition, JSPL shall endeavor to develop the peripheral areas of the proposed Industrial Estate, especially in matters of basic needs and environmental upgradation.*"

By proposing the increase in tariff as given under the current petition, JSPL-D has breached the aforesaid undertaking to State Government under the MOU because the proposed tariff will only lead to closure of several industries which will only hamper the development and socio economic growth of Raigarh district and will further cause unemployment.

2.173 In additional objections, RIUS submitted that the permission to setup the Jindal Industrial Park (JIP) was given to JSPL-D by the Government as per MOU on the premise that the surplus power of the CPP of JSPL shall be available at the cheaper rates than CSEB to the consumers in Jindal Industrial Park. For this purpose, private land was also acquired. The Commission also considered the same commitment as the most important condition to grant the distribution license to JSPL as an exception only on the premise that at least 90 MW power from CPP of JSPL shall be available for distribution licensed business and deny of the license shall result into compulsion for the consumers of JIP to purchase the costlier power from CSEB. Therefore, JSPL-D should comply with these commitments and subsequent obligations to supply at least 90 MW power from its CPP for the licensed distribution business on account of its own captive requirements. The license granted by the Commission to JSPL-D is for a period of 25 years. It cannot be pleaded that at the relevant time of obtaining license, JSPL had surplus power of 90 MW and now due to increase in its own consumption, it is not in a position to supply the 90 MW power. As the license is for 25 years, the conditions of license also co-exist and JSPL-D is bound to provide 90 MW power from it captive power plants to its consumers in JIP till the validity of the license. In case JSPL-D is allowed to sell/consume even this 90 MW power, then no purpose will be achieved by having another distribution licensee in the same distribution area of CSPDCL who is also supplying power at the same rate of CSPDCL.

JSPL-D's Response

2.174 JSPL-D submitted that it is continuously making sincere efforts to honour the terms of MOU signed with Chhattisgarh State Industrial Development Corporation for established JIP. JSPL-D didn't intended to make unreasonable gains from its retailed distribution and retail supply business by putting the JIP consumers to a disadvantage.

JSPL-D further submitted that the proposed increase is only a reflection of just costs borne by it. There would still be revenue gap in respect to licensed distribution business for FY 11-12 after the proposed tariff hike and JSPL-D has proposed this to be absorbed by the non licensed business segment (steel business of JSPL).

2.175 In reply to the additional objections JSPL-D submitted:

i. The Industrial Estate setup under the Memorandum of Understanding ("MOU") between Chhattisgarh State Industrial Development Corporation (CSIDC) and JSPL-D on 23.12.2002 was based on the understanding that entrepreneurs setting up their industries would get supply of regular power at reasonable costs as contracted with the consumers at that point of time. The MOU should be read in that context and nothing further can be read thereto. It cannot be construed to mean that JSPL-D would be bound to supply power to the said consumers at the initial agreed rate for the entire license period. The rates agreed to initially cannot apply for entire period and that the same were agreed in writing for a period of only five years which as on date is already over. JSPL-D was thus obliged to supply power at the agreed rates for a period of five years only. This was the contractual understanding between the parties including RIUSs who had entered into agreements with JSPL-D. JSPL-D submitted that to allege that there was any kind of assurance on the part of JSPL-D regarding sourcing power from a specific source or a specific quantum is without any basis.

ii. Under Para-5.2.26 of the National Electricity Policy, the sale of surplus power by the captive power plants is to be encouraged to direct consumers.

iii. It was also submitted that the prayers and demands raised in the objections requesting the Commission to direct JSPL-D for supplying 90 MW of power to its licensed distribution business which under the Electricity Act, 2003 is a separate and distinct license activity, at subsidize rates is beyond the scope and power of the Regulatory Commissions.

iv. To support the replies, JSPL-D mentioned that the reliance is also placed upon the judgment namely Tata Power Company Limited vs. Maharashtra Electricity Regulatory Commission and Ors. (2009) 16 SCC 659 wherein the Hon'ble Supreme Court of India inter alia made the following observations:

> "*Section 86 (1) (b) of the 2003 Act clearly shows that the generating company indirectly comes within the purview of regulatory jurisdiction as and when directions are issued to the distributing companies by the appropriate Commission but the same would not mean that while exercising the said jurisdiction, the Commission will bring within its umbrage the generating company also for the purpose of issuance of separate direction.*"

v. Thus, from the above that a Regulatory Commission under Section 86 (1) (b) of the Electricity Act, 2003 can only direct a distribution licensee not to procure electricity at the particular rate or from a particular supplier, if in the opinion of the Regulatory Commission, the same would act against the interest of consumer whose interest are to necessarily adhered to under the scheme of Electricity Act, 2003. Also, a Regulatory Commission cannot direct a generating company for supplying electricity to a particular distribution licensee at the particular rate. Therefore, JSPL-D mentioned that the prayers by RIUS are beyond the mandate of Electricity Act.

vi. Also in the MOU, it was further provided that it would be mandatory for JSPL-D to comply with the provisions of the Indian Electricity Act, 1910, Electricity Supply Act, 1948 and Indian Electricity Rules, 1956. It also mentioned that since these laws have now been repealed and the Electricity Act, 2003 has came into existence, JSPL-D is necessarily bound to comply with the provisions of the said Act of 2003.

vii. With regard to contentions as regard to grant of parallel/2nd license, JSPL-D requested to note that the objective of a 2nd license under the sixth provision to Section 14 of the Electricity Act, 2003 is to increase competition so as to further the interests of the consumers. The objective behind granting 2nd license was not to put an obligation upon a Licensee to supply power to another Licensee. JSPL-D further submitted that it was never a condition in the license given to JSPL-D.

viii. JSPL-D submitted that because it is in the business of generation of electricity and also had a distribution business license would not mean that JSPL as a generator is bound to supply 90 MW of power to the distribution licensed business as suggested by RIUS herein, rather it is the surplus power that it had to supply from its CPP.

Commission's Views

2.176 The Commission has determined the Tariff for various consumer categories in accordance with the provisions Electricity Act-2003 and CSERC Tariff Regulations, 2006.

3 Provisional Truing-up of FY 2009-10 and ARR Determination of FY 2010-11 and FY 2011-12

Segregated accounts for Distribution Business

3.1 JSPL-D in the Petition submitted that at present it is engaged in several business activities, including mining of raw materials for manufacture of steel, manufacture of iron & steel products, and in addition, in the generation, transmission and distribution of power. For all these business activities, JSPL prepares consolidated annual accounts. JSPL-D further submitted that in compliance to the directives given by the Commission, JSPL has segregated the accounts for the licensed electricity distribution & retail supply business from the integrated accounts of JSPL for FY 2009-10. JSPL submitted that a separate accounting code in JSPL's books of accounts has been created for recording separately all the financial transactions relevant to the licensed distribution and retail supply business of electricity. Segregation of accounts for the licensed distribution & retail supply business of electricity has been carried out by the licensee after a detailed evaluation of the existing accounting systems, flow of information & documents for the various transactions, applicable statutes, internal control procedures with respect to the identification of transactions and recording thereof, billing & collection information and procedures, requirements of financial management information systems (MIS), and operational efficiency of ERP package. JSPL-D further submitted that the formats prescribed by the CSERC to be submitted with the tariff petition require that the figures for FY 2008-09 should be submitted with the figures for FY 2009-10 and 2010-11 but the segregation of accounts has been carried out for FY 2009-10. JSPL-D submitted that in order to comply with the requirement of submission of figures for FY 2008-09, it has followed the same policy in respect of segregation of fixed assets, liabilities, current asset, current liabilities, reserve & surplus, etc, as followed for FY 2009-10.

3.2 In reply to the data gaps raised by the Commission regarding the submission of duly audited Allocation Statement for the licensed business, JSPL-D submitted that as the licensed business is part of the integrated business and there are no separate companies registered to carry out the licensed businesses, it will not be able to submit the separate audited accounts and audited report. JSPL-D further submitted that in compliance with the directives issued by the Commission and Regulation 28(2) (a) of the CSERC (License) Regulation, 2004, JSPL-D has initiated the segregation of the accounts for the licensed businesses from its integrated accounts. Separate cost centers in JSPL's books of accounts have been created for recording separately all the financial transactions relevant to the licensed businesses. The financial information/ details accounted for under these cost centers shall be part of the audited annual accounts, which shall also be certified by the auditor. JSPL-D further requested the Commission to grant an exemption in submission of audited allocation statement for this petition. JSPL-D submitted the fixed asset statement and O&M expenses certified by a Chartered Accountant for FY 2010-11.

Commission's View

3.3 The Commission observes that JSPL-D has not provided the basis of segregation and the certification of SS Kothari Mehta and CO, Chartered Accountants for fixed asset statement and O&M expenses for FY 2010-11, is based on the information made available to SS Kothari Mehta and Company by the management of JSPL. The Commission notes that it is not in position to verify the allocation principles used by JSPL's management. Hence, certification provided by JSPL-D cannot be considered as an allocation statement.

3.4 The Commission is of the opinion that despite repeated queries raised by the Commission in this regard, JSPL-D has not complied with regulatory requirement of segregation of accounts for its licensed businesses. The Commission also notes the request from JSPL-D that it will be able to provide the segregated allocation statement based on cost centers from FY 2011-12 onwards, but for this tariff filing segregated accounts has not been submitted. Hence, the Commission in absence of segregated accounts has no other alternative rather than to proceed on the basis of data submitted by JSPL-D in this Petition and carry out its prudence check. However, it is felt by the Commission that the JSPL-D can very well submit the audited allocation statements of relevant licensed business based on the financial transactions of separate cost centres created by it, in the next tariff determination process. **The Commission directs JSPL-D to submit the segregated accounts for distribution business within 6 months of issuance of this Order so that the suitable action can be taken accordingly.**

Energy Sales

3.5 The Commission in its Order dated June 27, 2009 considered total sales during FY 2009-10 as 660.14 MU.

3.6 JSPL-D in its additional submission provided the actual sales observed during FY 2009-10 and FY 2010-11. JSPL-D considered growth rate of 5% for projecting energy sales in FY 2011-12 over consumer-wise actual sales in FY 2010-11.

3.7 JSPL-D submitted that the licensee has undertaken street lighting in the licensed area as a part of its development objectives and in accordance with the requirements of the Commission. JSPL-D further submitted that the charges incurred for the street lighting are being currently borne by JSPL's other business segment, and are therefore not being shown as the part of the projection of units to be sold in future years by the licensee.

JSPL-D submitted that the corresponding cost of power purchase required to supply power to street lights has also not been charged as expenditure to the licensed business area as a part of Annual Revenue Requirement for any Financial Year.

3.8 The energy sales as submitted by JSPL-D in its Petition and additional submission is tabulated as under:

Table 2: Energy Sales as submitted by JSPL-D

(All in MU)

S. No	Category	FY 2009-10			FY 2010-11		FY 2011-12
		Order	Petition	Addl. Sub. (Actuals)	Petition	Addl. Sub. (Actuals)	Addl. Sub. (Projected)
I	**LT Consumers**						
1	Non-domestic		0.10	0.08	0.11	0.12	0.13
II	**HT Consumers**						
1	11 kV -Steel Industries		189.15	189.58	198.61	164.49	60.19
2	11 kV-Other HT Industries		0.97	0.95	1.02	0.87	0.91
3	33 kV- Steel Industries		433.72	415.97	455.40	394.53	526.78
4	HT Sub-total		623.84	606.50	655.03	559.89	587.88
III	**Total Energy Sales**	**660.14**	**623.94**	**606.57**	**655.14**	**560.01**	**588.01**

Commission's View

3.9 In reply to data gaps raised by the Commission regarding justification of treatment of street-lighting in its licensed area, JSPL-D submitted that it has not included the energy consumed by street-lights in the licensed distribution area as the power purchased for the same purpose was funded by licensee's other business. As the expenses borne on account of this consumption were not borne by licensed distribution business, the corresponding consumption was not shown in ARR Petition. JSPL-D also submitted the consumption of street lighting for FY 2009-10 and FY 2010-11 which is shown as under:

Table 3: Sales-Street Light

Particulars	Unit	FY 2009-10	FY 2010-11
Energy Consumed by street-light	MU	0.034	0.035
Distribution business loss level	%	1.14%	1.10%
Power Purchased	MU	0.034	0.036

3.10 As regards energy sales in FY 2009-10 and FY 2010-11, the Commission has considered actual sales as submitted by JSPL-D in additional submission.

For FY 2011-12, the Commission observed that JSPL-D has projected increase in contract demand of each consumer. JSPL-D has considered growth rate of 5% for projecting energy sales of each consumer in FY 2011-12 over actual energy sales in FY 2010-11 which appears to be reasonable. Therefore, the Commission has considered the energy sales for FY 2011-12 as projected by JSPL-D in the additional submission.

3.11 The Energy Sales from FY 2009-10 to FY 2011-12 as submitted by JSPL-D is tabulated below:

Table 4: Energy Sales considered by the Commission

(MU)

S. No	Category	FY 2009-10 (Provisional Truing-up)				FY 2010-11		
		Order	Petition	Addl. Sub. (Revised)	Commission (Provisionally Approved)	Petition	Addl. Sub. (Revised)	Commission
	L T CONSUMERS							
1	Non-Domestic		0.10	0.08	0.08	0.11	0.12	0.12
	TOTAL (LT)		**0.10**	**0.08**	**0.08**	**0.11**	**0.12**	**0.12**
	H T CONSUMERS							
2	11 KV-Steel Industries		189.15	189.58	189.58	198.61	164.49	164.49
3	11 KV-Other HT Industries		0.97	0.95	0.95	1.02	0.87	0.87
4	33 KV -Steel Industries		433.72	415.97	415.97	455.40	394.53	394.53
	TOTAL (HT)		**623.84**	**606.50**	**606.50**	**655.03**	**559.89**	**559.89**
	TOTAL LT + HT	**660.14**	**623.94**	**606.57**	**606.57**	**655.14**	**560.01**	**560.01**

S. No	Category	FY 2011-12	
		Petition	Commission (Estimated)
	L T CONSUMERS		
1	Non-Domestic	0.13	0.13
	TOTAL (LT)	**0.13**	**0.13**
	H T CONSUMERS		
2	11 KV-Steel Industries	60.19	60.19

S. No	Category	FY 2011-12	
		Petition	Commission (Estimated)
3	11 KV-Other HT Industries	0.91	0.91
4	33 KV -Steel Industries	526.78	526.78
	TOTAL (HT)	**587.88**	**587.88**
	TOTAL LT + HT	**588.01**	**588.01**

3.12 **The Commission directs JSPL-D to include the energy sales on account of street lighting within its licensed area as part of total energy sales from FY 2012-13 onwards.**

Transmission and Distribution Loss

3.13 The Commission approved Transmission and Distribution (T&D) Loss of 1.10% for FY 2009-10 in last Tariff Order.

3.14 JSPL-D in the Petition submitted T&D loss of 1.18% for FY 2009-10 against the target of 1.10% set by the Commission in its Order dated June 27, 2009. For FY 2010-11, JSPL-D projected T&D Loss of 1.18%.

3.15 JSPL-D in its additional submission provided the actual T&D loss observed during FY 2009-10 and FY 2010-11. For FY 2011-12, JSPL-D projected T&D loss of 1.02%.

3.16 The T&D loss as submitted by JSPL-D is tabulated below:

Table 5: T&D Loss as submitted by JSPL-D

S. No	Particulars	FY 2009-10 (Provisional Truing-up)			FY 2010-11		FY 2011-12
		Order	Petition	Addl. Sub. (Actuals)	Petition	Addl. Sub. (Actuals)	Addl. Sub.
1	T & D Loss	1.10%	1.18%	1.14%	1.18%	1.10%	1.02%

Commission's View

3.17 In reply to data gaps raised by the Commission regarding the energy audit for FY 2009-10 and FY 2010-11, JSPL-D submitted that it has put into place proper metering infrastructure in order to monitor the flow of energy at various levels on a periodic basis. The energy balance statement reveals that the loss of energy at various levels is too low. The licensee requested the Commission to use the same for its consumption and waive off the need for a detailed energy accounting report for the same.

3.18 The Commission in its data gaps sought the justification from JSPL-D for actual T&D loss of 1.14% as submitted in reply to data gaps against the target of 1.10% in FY 2009-10 set by the Commission in last Tariff Order. In its reply, JSPL-D requested the Commission to approve the deviation considering the insignificant difference between the actual T&D loss & the target for T&D loss during FY 2009-10 as set by the Commission.

3.19 The Commission observed that JSPL-D in its additional submission claims to achieve T&D loss of 1.10% in FY 2010-11 and has projected decrease of 0.08% in T&D loss in FY 2011-12 as compared to T&D loss in FY 2010-11. Based on this, the Commission has considered the T&D loss as submitted by JSPL-D in the additional submission which seems to be reasonable.

3.20 The T&D loss as considered by the Commission from FY 2009-10 to FY 2011-12 is tabulated below:

Table 6: T&D loss considered by the Commission

S. No	Particulars	FY 2009-10 (Provisional Truing-up)				FY 2010-11		
		Order	Petition	Addl. Sub. (Actuals)	Commission	Petition	Addl. Sub. (Actuals)	Commission
1	T&D Loss	1.10%	1.18%	1.14%	1.14%	1.18%	1.10%	1.10%

S. No	Particulars	FY 2011-12	
		Addl. Sub.	Commission
1	T&D Loss	1.02%	1.02%

3.21 The Commission has calculated Distribution Loss on the basis of T&D Loss approved in this Order and Transmission Loss approved in Tariff Order dated December 30, 2011 (Petition No. 7 of 2011). The Distribution Loss as computed by the Commission from FY 2009-10 to FY 2011-12 is tabulated below:

Sl. No	Particulars	FY 2009-10 (Provisional Truing-up)			
		Order	Petition	Addl. Sub. (Actuals)	Commission
1	**Energy Sales**				
	a) LT Sales		0.10	0.08	0.08
	b) HT Sales		623.84	606.50	606.50
	c) EHT Sales		-		
	Total Energy Sales	***660.14***	***623.94***	***606.57***	***606.57***
2	Distribution Loss		3.98	3.66	3.66
3	Distribution Loss%		0.63%	0.60%	0.60%
4	**Energy Requirement at Distribution Periphery**		***627.92***	***610.23***	***610.23***

5	Transmission Loss		***3.47***	***3.31***	***3.31***
6	Transmission Loss%		0.55%	0.54%	0.54%
7	**Energy Requirement at Transmission Periphery**	***667.48***	***631.39***	***613.55***	***613.55***

Sl No	Particulars	FY 2010-11			FY 2011-12	
		Petition	Addl. Sub. (Actuals)	Commission	Addl. Sub.	Commission
1	**Energy Sales**					
	a) LT Sales	0.11	0.12	0.12	0.13	0.13
	b) HT Sales	655.03	559.89	559.89	587.88	587.88
	c) EHT Sales					
	Total Energy Sales	***655.14***	***560.01***	***560.01***	***588.01***	***588.01***
2	Distribution Loss	4.18	3.10	3.10	2.78	2.78
3	Distribution Loss%	0.63%	0.55%	0.55%	0.47%	0.47%
4	**Energy Requirement at Distribution Periphery**	***659.32***	***563.10***	***563.10***	***590.79***	***590.79***
5	Transmission Loss	***3.65***	***3.11***	***3.11***	***3.27***	***3.27***
6	Transmission Loss%	0.55%	0.55%	0.55%	0.55%	0.55%
7	**Energy Requirement at Transmission Periphery**	***662.96***	***566.22***	***566.22***	***594.05***	***594.05***

Energy Balance

3.22 The Commission in the last Tariff Order approved the energy requirement of 667.50 MU for FY 2009-10 with sales of 660.14 MU and distribution loss of 1.10%.

3.23 JSPL-D in the Petition submitted that it has projected the energy balance during FY 2009-10 and FY 2010-11 on the basis of T&D loss and projected sales during respective years. The energy balance as submitted by JSPL-D in its Petition is tabulated below:

Table 7: Energy Balance from FY 2009-10 to FY 2010-11

S. No	Particulars	Units	FY 2009-10	FY 2010-11
1	**Energy Sales**			
	a) LT Sales	MU	0.10	0.11
	b) HT Sales	MU	623.84	655.03
	c) EHT Sales	MU		
	Total Energy Sales	**MU**	**623.94**	**655.14**
2	T&D Loss	%	1.18%	1.18%
3	**Energy Requirement at Transmission Periphery**	**MU**	**631.39**	**662.96**

3.24 JSPL-D in the additional submission revised the energy balance for FY 2009-10 and FY 2010-11 based upon the revised energy sales and T&D loss. For FY 2011-12, JSPL-D submitted the energy balance based upon the projected energy sales and T&D loss in FY 2011-12. The energy balance as submitted by JSPL-D in its additional submission is tabulated below:

Table 8: Energy Balance-Additional Submission

(MU)

S. No	Particulars	FY 2009-10 (Provisional Truing-up)			FY 2010-11		FY 2011-12
		Order	Petition	Addl. Sub. (Actuals)	Petition	Addl. Sub. (Actuals)	Addl. Sub.
1	**Energy Sales**						
	a) LT Sales		0.10	0.08	0.11	0.12	0.13
	b) HT Sales		623.84	606.50	655.03	559.89	587.88
	c) EHT Sales						
	Total Energy Sales	***660.14***	***623.94***	***606.57***	***655.14***	***560.01***	***588.01***
2	T&D Loss	1.10%	1.18%	1.14%	1.18%	1.10%	1.02%
3	**Energy Requirement at Transmission Periphery**	**667.48**	**631.39**	**613.55**	**662.96**	**566.22**	**594.05**

Commission's View

3.25 The Commission has computed the energy balance on the basis of the sales and T&D Loss considered from FY 2009-10 to FY 2011-12 in this Order. The energy balance as computed by the Commission is tabulated below:

Table 9: Energy Balance as computed by the Commission

(MU)

Sl. No	Particulars	FY 2009-10 (Provisional Truing-up)			
		Order	Petition	Addl. Sub. (Actuals)	Commission
1	**Energy Sales**				
	a) LT Sales		0.10	0.08	0.08
	b) HT Sales		623.84	606.50	606.50
	c) EHT Sales		-		
	Total Energy Sales	***660.14***	***623.94***	***606.57***	***606.57***
2	Distribution Loss		3.98	3.66	3.66
3	Distribution Loss%		0.63%	0.60%	0.60%
4	**Energy Requirement at Distribution Periphery**		***627.92***	***610.23***	***610.23***
5	Transmission Loss		***3.47***	***3.31***	***3.31***
6	Transmission Loss%		0.55%	0.54%	0.54%
7	**Energy Requirement at Transmission Periphery**	***667.48***	***631.39***	***613.55***	***613.55***

Sl No	Particulars	FY 2010-11			FY 2011-12	
		Petition	Addl. Sub. (Actuals)	Commission	Addl. Sub.	Commission
1	**Energy Sales**					
	a) LT Sales	0.11	0.12	0.12	0.13	0.13
	b) HT Sales	655.03	559.89	559.89	587.88	587.88
	c) EHT Sales					
	Total Energy Sales	***655.14***	***560.01***	***560.01***	***588.01***	***588.01***
2	Distribution Loss	4.18	3.10	3.10	2.78	2.78
3	Distribution Loss%	0.63%	0.55%	0.55%	0.47%	0.47%
4	**Energy Requirement at Distribution Periphery**	***659.32***	***563.10***	***563.10***	***590.79***	***590.79***
5	Transmission Loss	***3.65***	***3.11***	***3.11***	***3.27***	***3.27***
6	Transmission Loss%	0.55%	0.55%	0.55%	0.55%	0.55%
7	**Energy Requirement at Transmission Periphery**	***662.96***	***566.22***	***566.22***	***594.05***	***594.05***

3.26 **The Commission directs JSPL-D to submit detailed metered data from FY 2011-12 onwards for the metering done at, the total energy injected in transmission system by agency(s) from which the power is sourced (source-wise), energy injected at distribution periphery and total energy sold to the consumers.**

Power Purchase Quantum and Cost

3.27 The Commission in the last Tariff Order approved the Power Purchase Cost of Rs. 20,025 Lakh in FY 2009-10 at an average cost of Rs. 3.00/ Unit which included Power Purchase from other sources only.

3.28 JSPL-D in the Petition projected the Power Purchase Quantum for FY 2009-10 and FY 2010-11 on the basis of energy requirement obtained on the basis of energy balance as discussed in Para-3.24.

3.29 As regards Power Purchase Cost in FY 2009-10, JSPL-D submitted that for FY 2009-10, the Commission approved the Power Purchase Cost from JPL at Rs. 3/ Unit with effect from July 15, 2009. For the period starting from April 1, 2009 to July 14, 2009, JSPL has purchased power from JPL at Rs. 2.80/ Unit and for remaining period the power has been purchased at the rate of Rs. 3.00/ Unit. Therefore, the weighted average cost of power purchase during FY 2009-10 is Rs. 2.95/ Unit.

3.30 JSPL-D in the additional submission revised the power purchase cost on account of change in energy requirement due to change in energy sales and T&D loss in FY 2009-10 and FY 2010-11. However, the rates of power purchase cost during FY 2009-10 and FY 2010-11 remained same as submitted in the Petition.

3.31 In the additional submission, JSPL-D projected power purchase quantum to be purchased during FY 2011-12 in accordance with the energy requirement arrived on the basis of projected energy sales and T&D loss as discussed in Paragraph-3.25.

3.32 As regards Power Purchase Cost during FY 2011-12, JSPL-D submitted that as a distribution licensee, JSPL-D filed the petition for the approval of its power procurement plan and power purchase rate for FY 2010-11 before the Commission in accordance with section 86(1) (b) of the Electricity Act 2003, read along with the relevant provisions of the "Guidelines for approval of power purchase and power procurement process". JSPL-D further submitted that the Commission vide its order dated October 27, 2010 directed JSPL to adopt either of the following two options for ensuring a plan for the long term power procurement for the licensed distribution area:

a. To enter into long term power purchase agreement with Jindal Power Limited (JPL) or captive generation plants of JSPL for remaining license period for supply of power at the power purchase cost determined under Section 62 of the Electricity Act, 2003, or
b. To purchase power though tariff based competitive bidding process under Case 1 arrangement under section 63 of Electricity Act, 2003.

3.33 JSPL-D submitted that in compliance of the direction of the Commission, JSPL-D initiated the process of procurement of power through tariff based competitive bidding process under Case 1 Arrangement under Section 63 of Electricity Act, 2003.

3.34 JSPL-D further requested the Commission to allow it to procure power from Jindal Power Limited (JPL) at the weighted average rate allowed to Chhattisgarh State Power Distribution Company Limited (vide order passed on 15.07.2011) for the purchase of short term power till the finalisation of the long term power procurement plan and commencement of supply by the selected developer(s) under the proposed Case I framework. JSPL-D submitted that the maximum ceiling rate of Rs. 3.10 per kWh during off peak hours (2300 hrs to 1800 hrs next day) and Rs 3.25 per kWh during peak hours (1800 hrs to 2300 hrs) has been approved in the said order. The weighted average rate for peak and off peak hour is Rs. 3.1375 per kWh.

3.35 As regards purchase of power from Non-Conventional Sources JSPL-D in its Petition submitted that in order to comply with the obligation to procure power from nonconventional sources it has already initiated the process for procurement of power from non conventional sources through the publication of an advertisement in local news papers of Raipur and Bilaspur in July 2008. However, JSPL did not receive any interest for supply of non-conventional power till date in response to this advertisement.

JSPL-D further submitted that the Commission has directed JSPL to make fresh efforts to fulfill the obligation to procure power from non-conventional sources. JSPL-D has already issued a fresh advertisement on December 19, 2009 and has initiated fresh efforts in order to comply with this directive of the Commission.

3.36 The Power Purchase Quantum and Cost as submitted by JSPL-D in the Petition and additional submission are tabulated below:

Table 10: Power Purchase Quantum and Cost

Source	FY 2009-10 (Provisional Truing-up)						FY 2010-11			
	Order		Petition		Addl. Sub. (Actuals)		Petition		Addl. Sub. (Actuals)	
	Quant.	Cost	Quant.	Cost	Quant.	Cost	Quant.	Cost	Quant.	Cost
	MU	Rs. Lakh	MU	Rs. Lakh	MU	Rs. Lakh	MU	Rs. Lakh	MU	Rs. Lakh
JPL	668	20,025	631	18,614	614	18,088	663	19,889	566	16,987

Source	FY 2011-12	
	Addl. Sub.	
	Quantum	Cost
	MU	Rs. Lakh
JPL	594	18,638

Commission's View

3.37 The Commission has considered the Power Purchase Quantum from FY 2009-10 to FY 2011-12 in accordance with the energy balance, as discussed in Para-3.26, which has been calculated on the basis of sales and T&D Loss considered from FY 2009-10 to FY 2011-12.

Power Purchase Quantum and Cost from Jindal Power Limited (JPL):

3.38 The Commission has calculated the Power Purchase Quantum from Jindal Power Limited (JPL) after deducting the quantum to be purchased from Non-Conventional Energy Sources during FY 2010-11 and FY 2011-12.

3.39 As regards the Power Purchase Cost from FY 2009-10 to FY 2011-12, the Commission asked JSPL-D to submit plant-wise power purchase cost from FY 2009-10 to FY 2011-

12 (till November). In reply, JSPL-D submitted the power purchase cost which is tabulated as under:

Table 11: Power Purchase Quantum and Cost

Source	FY 2009-10			FY 2010-11			FY 2011-12 (Till November 2011)		
	Quantum	Cost	Rate	Quantum	Cost	Rate	Quantum	Cost	Rate
	MU	Rs. Lakh	Rs./ Unit	MU	Rs. Lakh	Rs./ Unit	MU	Rs. Lakh	Rs./ Unit
JPL	613.55	18088.20	2.95	566.22	16986.53	3.00	409.88	12296.40	3.00

3.40 As regards power purchase cost during FY 2009-10, the Commission is provisionally considering the submission of JSPL-D, i.e., Rs. 2.95/ kWh.

3.41 The Commission in its Order dated October 27, 2010 (Petition No. 22/ 2010 (M) provisionally permitted JSPL-D to procure power from JPL during FY 2010-11 at the maximum ceiling rate of Rs. 3.00 per kWh. As the long term power procurement plan is yet to be finalised, the Commission has considered the same maximum ceiling rate, i.e., Rs. 3.00 per kWh, provisionally for FY 2011-12 in accordance with Order dated October 27, 2010 (Petition No. 22/ 2010 (M)).

3.42 The Power Purchase Quantum and Cost from FY 2009-10 to FY 2011-12 is tabulated below:

Source	FY 2009-10 (Provisional Truing-up)							
	Order		Petition		Actuals		Commission	
	Quantum	Cost	Quantum	Cost	Quantum	Cost	Quantum	Cost
	MU	Rs. Lakh	MU	Rs. Lakh	MU	Rs. Lakh	MU	Rs. Lakh
JPL	668	20,025	631	18,614	614	18,088	614	18,088

Source	FY 2010-11					
	Petition		Additional Submission (Actuals)		Commission	
	Quantum	Cost	Quantum	Cost	Quantum	Cost
	MU	Rs. Lakh	MU	Rs. Lakh	MU	Rs. Lakh
JPL	663	19,889	566	16,987	538*	16,137

* Due to obligation of Purchase of Renewable Power

Source	FY 2011-12			
	Additional Submission		Commission	
	Quantum	Cost	Quantum	Cost
	MU	Rs. Lakh	MU	Rs. Lakh
JPL	594	18,638	562.87*	16,885.95

Power Purchase Quantum and Cost from Non-Conventional Energy Sources:

3.43 For FY 2009-10, the Commission has not considered any Power Purchase Quantum and cost from Non-conventional energy sources owing to the reason explained by JSPL-D.

3.44 As regards purchase of power from Non-Conventional Sources in FY 2010-11, the Commission observed that JSPL-D showed its inability to meet the Renewable Purchase Obligation. However, the Commission is of the view that JSPL-D is required to buy minimum amount of power from Renewable Energy Sources/ RE Certificates as specified in CSERC (Renewable Purchase Obligation and REC framework Implementation) Regulations, 2011 so as to meet its RPO obligations. Hence the Commission has considered power purchased by JSPL-D from Renewable Energy Sources including Biomass, Solar and Hydel. The above mentioned Regulation specifies the minimum quantum of energy that JSPL-D must buy from Renewable Energy sources which is tabulated under:

Table 12: RPO Percentage to be complied

Year	Units	Solar	Biomass	Other RE	Total
FY 2010-11	%	0.25%	3.75%	1.00%	**5.00%**
FY2011-12	%	0.25%	3.75%	1.25%	**5.25%**

3.45 The quantum of energy to be procured from Renewable Energy Sources during FY 2010-11 as approved by the Commission is tabulated below:

Table 13: Quantum of Energy to be purchase from RE Sources

Year	Solar	Biomass	Other RE	Total
	MU	MU	MU	MU
FY 2010-11	1.42	21.23	5.66	28.31
FY 2011-12	1.49	22.28	7.43	31.19

3.46 The Commission has considered the rate of power purchase for various RE Sources according to the MYT Order dated March 31, 2011 for CSPDCL. The Commission has not considered any escalation for the time-being. The total cost from power purchase through RE Sources is tabulated below:

Table 14: Total Cost from Purchase through RE Sources

Source	FY 2010-11			FY 2011-12		
	Quantum	Rate	Cost	Quantum	Rate	Cost
	MU	Rs./ kWh	Rs. Lakh	MU	Rs./ kWh	Rs. Lakh
Solar	1.42	3.49	49.40	1.49	3.49	51.83
Biomass	21.23	4.00	849.33	22.28	4.00	891.08
Other RE	5.66	4.17	236.11	7.43	4.17	309.65

3.47 The Power Purchase Quantum and Cost as considered by the Commission is tabulated below:

Table 15: Power Purchase Quantum and Cost as considered by the Commission

Source	FY 2009-10 (Provisional Truing-up)								
	Order		Petition		Actuals		Commission		
	Quantum	Cost	Quantum	Cost	Quantum	Cost	Quantum	Cost	Average Rate
	MU	Rs. Lakh	MU	Rs. Lakh	MU	Rs. Lakh	MU	Rs. Lakh	Rs./ kWh
Power Purchase from Conventional sources	668	20,025	631	18,614	614	18,088	614	18,088	2.95
Solar									
Biomass									
Other RE									
Total	668	20,025	631	18,614	614	18,088	614	18,088	2.95

S. No	Source	FY 2010-11						
		Petition		Actuals		Commission		
		Quantum	Cost	Quantum	Cost	Quantum	Cost	Rate
		MU	Rs. Lakh	MU	Rs. Lakh	MU	Rs. Lakh	Rs./ kWh
1	Power Purchase from Conventional sources	663	19,889	566	16,987	538	16,137	3.00
2	Power Purchase from RE Sources					28.31	1134.84	3.49
2.1	Solar					1.42	49.40	4.00
2.2	Biomass					21.23	849.33	4.17
2.3	Other RE					5.66	236.11	3.05
3=1+2	Total	663	19,889	566	16,987	566	17,272	4.01

S. No	Source	FY 2011-12				
		Projected		Commission		
		Quantum	Cost	Quantum	Cost	Rate
		MU	Rs. Lakh	MU	Rs. Lakh	Rs./ kWh
1	Power Purchase from Conventional sources	594	18,638	562.87	16,885.95	3.00
2	Power Purchase from RE Sources			31.19	1252.56	3.49
2.1	Solar			1.49	51.83	4.00
2.2	Biomass			22.28	891.08	4.17
2.3	Other RE			7.43	309.65	3.05
3=1+2	Total	594	18,638	594.05	18,138.52	4.02

Operation and Maintenance Expenses

3.48 The Operation and Maintenance Expenses (O&M expenses) of a Licensee covers Employee expenses, Repair and Maintenance expenses (R&M expenses) and Administration and General Expenses (A&G expenses).

3.49 JSPL-D in its Petition submitted that it has undertaken the segregation of its consolidated accounts to separate the accounts for the licensed distribution & retail supply business from the other businesses of JSPL in compliance with the directives of the Commission. The expenditure pertaining to the distribution & retail supply business, such as repair & maintenance expenses (R&M), administration & general expenses (A&G) and allocated establishment-related expenses booked under the accounting code 8030 have been transferred to the newly created accounting unit.

3.50 JSPL-D further submitted that its Raipur office (a cost centre) is engaged in looking after the Tariff related issues pertaining to the licensed distribution & retail supply business. Therefore, the expenses which directly relate to the licensed distribution business but booked under the Raipur office accounting unit have also been ascertained and according to the nature of expenditure, the same have been transferred / allocated to the newly created accounting unit. In cases of common expenses such as printing & stationery expenses, conveyance expenses, etc. pertaining to the licensed business of JSPL and its other businesses, 20% of such common expenses have been allocated to the licensed distribution & retail supply business.

3.51 The submission of JSPL-D and the views of the Commission towards O&M Expenses, i.e., Employee, A&G and R&M Expenses from FY 2009-10 to FY 2011-12 has been detailed in the subsequent sections.

Employee Expenses

3.52 The Commission in last Tariff Order approved the amount of Rs. 303.61 Lakh as employee expenses by considering bonus as 15% of salary in absence of segregation of data for distribution segment of JSPL.

3.53 JSPL-D in its Petition submitted that due to the integrated nature of business of JSPL, the employees within JSPL are responsible for business operations across several segments. For FY 2009-10, only 63 employees are considered full time for the distribution & retail supply business.

3.54 JSPL-D further submitted that on the other hand, there are several other officers, engineers, accountants and other staff working under the cost centres such as finance & accounts, HR, head office, etc. who are also supporting the distribution business as the management for the licenced and non-licenced business segments of JSPL is common. These employees are also responsible for the proper functioning of the licenced distribution business but the time spent by such employees on the licenced distribution business activities is less than 50% of the total time.

3.55 Considering the abovementioned facts, JSPL has divided the number of employees into two parts, viz. dedicated employees (spending time more than 50%) and other employees (spending time less than 50%).

3.56 Further JSPL has allocated the dedicated employees into 2 categories, namely (a) those spending 75% or more of their time and (b) those spending 50%-75% of their time on the licensed distribution & retail supply business.

3.57 On the basis of percentage of time spent on Distribution business, JSPL-D has calculated the employee expenses for FY 2009-10 which is tabulated as under:

Table 16: Employee Expenses-JSPL-D

Particulars	Unit	FY 2009-10	FY 2010-11
Employee Expenses	Rs. Lakh	486.85	559.88

3.58 JSPL-D in its additional submission provided the actual employee expenses during FY 2009-10 and FY 2010-11. Further JSPL-D considered an escalation of 15% on the actual employee expenses in FY 2010-11 for projecting employee expenses in FY 2011-12. The employee expenses as submitted by JSPL-D in its additional submission are tabulated below:

Table 17: Employee Expenses

(Rs. Lakh)

Particulars	FY 2009-10 (Provisional Truing-up)			FY 2010-11		FY 2011-12
	Order	Petition	Addl. Sub. (Actuals)	Petition	Addl. Sub. (Actuals)	Addl. Sub.
Employee Expenses	303.61	486.85	381.91	559.88	532.75	612.67

Commission's View

3.59 The Commission asked JSPL-D to submit the justification for increase of 53% in the head "employee cost for other employees" in FY 2009-10, i.e., Rs. 206.72 Lakh as compared to the expense on account of same head in FY 2008-09, i.e., Rs. 134.8 Lakh. In reply JSPL-D submitted that the actual cost for other employees in FY 2009-10 is Rs. 145.47 Lakh and there is an increase of only 8.56% on account of normal hike in salary of employees in accordance with the policies of JSPL.

3.60 In reply to the data gaps raised by the Commission during TVS regarding the justification for the difference between the employee expenses approved by the Commission and the actual employee expenses in FY 2009-10, JSPL-D submitted that it had submitted Rs. 399.62 Lakh as employee expenses for licensed distribution business in the ARR Petition for FY 2009-10. However, the Commission has allowed employee expenses as Rs. 303.61 Lakh on lump-sum basis in absence of segregated accounts. JSPL-D further submitted that since the segregation of accounts have been completed and certified by statutory auditor, hence the actual employee expenses should be allowed. In respect of the deviation from the projected employee expenses, i.e., Rs. 399.62 Lakh, JSPL submitted that the salary hikes of its employees are actually based on their performance during the year and hence cannot be forecasted exactly in advance unlike the salaries of Government employees which are bound by slabs.

3.61 The Commission is of the opinion that prudence check of expenses of a prior period expense incurred by the licensee can only be undertaken based on Audited Accounts of licensed business. The Commission is of the view that considering the number of consumers, the employee expenses incurred for serving each consumer seems to be on higher side despite the fact that JSPL-D has deployed SCADA system etc. and has mainly HT Consumers. The Commission feels that in absence of segregated accounts for distribution business of JSPL, it is difficult to ascertain the actual employee expenses in FY 2009-10 and FY 2010-11 as the increase in actual employee expenses in FY 2010-11, i.e., Rs. 532.75 Lakh as compared to FY 2009-10, i.e., Rs. 381.91 Lakh as submitted by JSPL-D is high and there is no documentary proof to verify the same. Therefore, the Commission has considered the employee expenses in FY 2009-10 as Rs. 303.61 Lakh which is equal to that approved by the Commission in last Tariff Order.

3.62 As regards employee expenses in FY 2010-11 and FY 2011-12, the Commission has considered escalation factor of 5.72% per annum by taking employee expenses considered for FY 2009-10 as the base which is the norm for increasing O&M Expenses considered by the CERC and CSERC in CSERC MYT Regulations, 2010 is based on increase in inflation indices. The employee expenses from FY 2009-10 to FY 2011-12 as considered by the Commission in this Order are tabulated below:

Table 18: Employee expenses considered by the Commission

(Rs. Lakh)

Particulars	FY 2009-10 (Provisional Truing-up)				FY 2010-11		
	Order	Petition	Addl. Sub. (Actuals)	Commission	Petition	Addl. Sub. (Actuals)	Commission
Employee Expenses	303.61	486.85	381.91	303.61	559.88	532.75	320.98

Particulars	FY 2011-12	
	Addl. Sub.	Commission
Employee Expenses	612.67	339.34

3.63 The Commission directs JSPL-D to revisit the employee expenses and number of employees for the Distribution Business and should endeavour to make it reasonable.

Repair and Maintenance Expenses

3.64 In its last Tariff Order, the Commission approved R&M expenses @ 5% of Opening GFA, i.e., Rs. 27.77 Lakh.

3.65 JSPL-D submitted in the Petition that it had projected the R & M Expenses for FY 2009-10 and FY 2010-11at 5% of Opening GFA. JSPL-D further submitted that the Repair and Maintenance expenses in respect of Plant & Machinery and line, cable & network have been shown together as the entry in the books of accounts under both the heads have not been completely bifurcated.

3.66 JSPL-D in its additional submission provided the actual R&M expenses incurred during FY 2009-10 and FY 2010-11. For FY 2011-12, JSPL-D projected R&M expenses as 5% of Opening GFA.

3.67 The R&M expenses as submitted by JSPL-D in the Petition and additional submission are tabulated below:

Table 19: R & M Expenses

(Rs. Lakh)

Particulars	FY 2009-10			FY 2010-11		FY 2011-12
	Order	Petition	Addl. Sub. (Actuals)	Petition	Addl. Sub. (Actuals)	Addl. Sub.
R&M Expenses	27.77	255.20	177.04	255.20	123.51	227.95

Commission's View

3.68 The Commission asked JSPL-D to submit scheme-wise capital expenditure of R & M expenses. In reply, JSPL-D submitted that unlike the State Government owned Utilities, the R & M expenses are not considered under approved schemes. However the expenses can be broadly divided into two heads which are as under:

Table 20: Division of R & M Expenses as submitted by JSPL-D

S. No	Particulars	Amount (Rs. Lakh)
1	Building and Civil Expenses	51.88
2	Plant & Machinery Related	125.16
3	**Total**	**177.04**

3.69 JSPL-D further submitted that the details of heads and break-up of expenses incurred under these schemes are elaborated as under:

a. Building Expenses: This head concentrates on Repair and Maintenance of buildings etc related to the distribution business which include the office buildings, structures in the sub-station and the road (connecting the substation to main highway). The expenses incurred in this scheme during FY 2009-10 are shown below:

Table 21: Details of Building Expenses-subhead of R & M Expenses

S. No	Particulars	Amount (Rs. Lakh)
1	Civil Maintenance Work on Administrative building, major renovation of sub-station building and sheds including stores area	11.51

S. No	Particulars	Amount (Rs. Lakh)
2	White washing, painting in substation building, fencing area and poles in all distribution switch yard	26.71
3	B.T. Work on WBM road upto substation	13.66
4	**Total**	**51.88**

b. Plant & Machinery Related Expenses: This head concentrates on Repair and Maintenance of machinery and lines etc. related to distribution business. The expenses incurred in this scheme in FY 2009-10 are shown below:

Table 22: Plant & Machinery Related Expenses

S. No	Particulars	Amount (Rs. Lakh)
1	Electrical Services like Hot line Maintenance, Transformer, oil filtration, Cable lying etc.	27.85
2	Soil leveling and dressing, Gravels spreading in and around sub-station area	11.07
3	Hiring of contract manpower for maintenance in substation and distribution area	4.36
4	Material Procurement like Transformer oil, Metering CT/ PT, Oil Storage Tanks, Light, cables etc.	81.88
5	**Total**	**125.16**

3.70 The Commission is of the opinion that prudence check of expenses of a prior period expense incurred by the licensee can only be undertaken based on Audited Accounts of licensed business. The Commission also feels that in absence of segregated accounts for distribution business of JSPL, it is difficult to ascertain the actual R&M expenses in FY 2009-10 and FY 2010-11 and there is no documentary proof to verify the same. Therefore, the Commission has provisionally considered the R&M expenses in FY 2009-10 as 3.88% of Opening GFA (as per the additional submission) considered in Para-3.95 of this Order.

3.71 As regards R&M expenses in FY 2010-11 and FY 2011-12, the Commission has considered escalation factor of 5.72% per annum by taking R&M expenses considered for FY 2009-10 as the base which is the norm for increasing O&M Expenses considered by the CERC and CSERC in CSERC MYT Regulation, 2010 is based on increase in inflation indices. The R&M expenses from FY 2009-10 to FY 2011-12 as considered by the Commission in this Order are tabulated below:

Table 23: R&M Expenses considered by the Commission

(Rs. Lakh)

Particulars	FY 2009-10			
	Order	Petition	Addl. Sub.	Commission
R&M Expenses	27.77	255.20	177.04	86.83

Particulars	FY 2010-11			FY 2011-12	
	Petition	Addl. Sub.	Commission	Addl. Sub.	Commission
R&M Expenses	255.20	123.51	91.79	227.95	97.05

Administration and General Expenses

3.72 In its last Tariff Order, the Commission approved A&G expenses at Rs. 101.46 Lakh with an escalation of 6.4% over the estimated A&G expenses of FY 2007-08.

3.73 JSPL-D submitted in the Petition that it has considered an annual increase of 6% for projecting A & G Expenses in FY 2009-10 and FY 2010-11over actual A & G expenses in FY 2008-09.

3.74 JSPL-D in additional submission provided the actual A&G Expenses incurred during FY 2009-10 and FY 2010-11. For projecting A&G Expenses in FY 2011-12, JSPL-D considered an escalation factor of 6% over actual A&G Expenses submitted for FY 2010-11.

3.75 The A&G Expenses as submitted by JSPL-D in the Petition and additional submission are tabulated below:

Table 24: A&G Expenses as submitted by JSPL-D

(Rs. Lakh)

Particulars	FY 2009-10			FY 2010-11		FY 2011-12
	Order	Petition	Addl. Sub. (Actuals)	Petition	Addl. Sub. (Actuals)	Addl. Sub. (Actuals)
A & G Expenses	107.98	72.49	60.95	76.24	62.11	65.25

Commission's View

3.76 The Commission is of the view that the actual A&G Expenses during FY 2009-10 and FY 2010-11 as submitted by JSPL-D is within reasonable limit. Therefore, the

Commission has considered the actual A&G Expenses during FY 2009-10 and FY 2010-11 as submitted by JSPL-D in the additional submission.

3.77 As regards A&G Expenses during FY 2011-12, the Commission observed that JSPL-D has applied an escalation factor of 5.05% instead of 6%.The Commission is of the view that escalation factor of 5.05% is reasonable. Therefore the Commission has considered the A&G Expenses during FY 2011-12 as submitted by JSPL-D in its additional submission. The A&G Expenses as considered by the Commission in this order are tabulated below:

Table 25: A&G Expenses considered by the Commission

(Rs. Lakh)

Particulars	FY 2009-10 (Provisional Truing-up)				FY 2010-11		
	Order	Petition	Addl. Sub. (Actuals)	Commission	Petition	Addl. Sub. (Actuals)	Commission
A & G Expenses	107.98	72.49	60.95	60.95	76.24	62.11	62.11

Particulars	FY 2011-12	
	Addl. Sub. (Actuals)	Commission
A & G Expenses	65.25	65.25

Total Operation and Maintenance Expenses from FY 2009-10 to FY 2011-12

3.78 The summary of O&M Expenses as claimed by JSPL-D and that considered by the Commission in this Order are tabulated below:

Table 26: Summary of O&M Expenses

(Rs. Lakh)

Particulars	FY 2009-10				FY 2010-11		
	Order	Petition	Actual	Commission	Petition	Actual	Commission
Employee Expenses	303.61	486.85	381.91	303.61	559.88	532.75	320.98
A & G Expenses	107.98	72.49	60.95	60.95	76.24	62.11	62.11
R & M Expenses	27.77	255.20	177.04	86.83	255.20	123.51	91.79
Total	439.36	814.55	619.90	451.39	891.32	718.38	474.89

Particulars	FY 2011-12	
	Projected	Commission
Employee Expenses	612.67	339.34

Particulars	FY 2011-12	
	Projected	Commission
A & G Expenses	65.24	65.25
R & M Expenses	227.94	97.05
Total	905.85	501.63

Capital Expenditure and Capitalisation

3.79 JSPL-D has not submitted any Capital expenditure and capitalisation during FY 2009-10 to FY 2011-12.

Commission's View

3.80 The Commission has not considered any capital expenditure and capitalisation during FY 2009-10 to FY 2011-12.

Fixed Assets

3.81 JSPL-D submitted that it has identified the dedicated fixed assets of Rs. 4251.57 Lakh, which are fully engaged in the licensed distribution & retail supply business of electricity and has been booked under accounting code 8030.

3.82 JSPL-D further submitted that the cost of roads & drains, which are being considered to be part of the distribution & retail supply business are for the roads which connect the switch yard and control room to the main road. The length of this road is 1,750 meters, and is 20 meters wide. The road has been constructed to connect the switch yard and the control room to the main road.

3.83 JSPL-D has also identified the fixed assets (leasehold land and residential buildings) which are engaged in the licensed distribution & retail supply business of electricity, as well as in the other business activities carried out in the Jindal Industrial Park. These fixed assets have been allocated on the basis of their actual utilization by the licensed distribution & retail supply business of electricity.

3.84 JSPL-D submitted that the leasehold land has been allocated on the basis of the area occupied by the office building, control room, switch yard and residential quarters (occupied by the employees engaged in the distribution & retail supply business of electricity). The land allocated to the licensed distribution & retail supply business is 36.05 acres out of the total land (742.43 acres) in the Jindal Industrial Park (JIP).

3.85 JSPL-D submitted that it has also identified that the implementation cost of SCADA package, which pertains to the licensed distribution & retail supply business, have been booked under a separate accounting code and not under accounting code 8030. JSPL-D further submitted that the SCADA is a critical and necessary tool for real time monitoring and control of power supply, measuring load flows at different points of the power network for delivering of power supply to the retail consumers in the distribution business area. Therefore, the implementation cost of Rs. 823.89 Lakhs of the SCADA package has been considered as the part of fixed assets of the distribution & retail supply business.

3.86 The fixed assets as submitted by JSPL-D in the Petition are tabulated as under:

Table 27: Fixed Assets –JSPL-D

Particulars	Amount (Rs. Lakh)
Control Room	87.45
Office Building	22.01
Road & Drains	251.24
Sub-station	1128.35
Distribution Lines	194.26
Transformers	2015.36
Switch-yard	534.48
Electricial Substation	4.79
Office Equipment	10.17
Furniture & Fixtures	2.91
Vehicle	0.47
Staff Residential Quarters	28.71
Land-Leasehold	32.27
SCADA	823.89
Total	**5136.34**

3.87 JSPL-D resubmitted the fixed assets after revising the cost incurred on account of SCADA. The amount of Fixed Assets resubmitted by JSPL-D in its additional submission is tabulated below:

Table 28: Revised Fixed Assets

Particulars	FY10
Control Room	87.45
Office Building	22.01
Road & Drains	251.24
Sub Station	1,128.35
Distribution Lines	194.26
Transformers	2,015.36
Switch Yard	534.48
Electrical Substation	4.79
Office Equipment	10.17
Furniture & Fixtures	2.91
Vehicle	0.47

Particulars	FY10
Staff Residential Quarters	28.71
Land- Leasehold	32.27
SCADA	246.38
Total	**4,558.83**

Commission's View

3.88 During TVS, the Commission in its data gaps asked JSPL-D to justify the usage of 36 Acres of land for supplying power to only 34 consumers. In reply JSPL-D submitted that the details of the land being used for the Distribution business are tabulated below

Table 29: Land and Land Rights

S. No	Description	% area allocated to licensed distribution business	Actual Area (Acres)
1	Admin Block	100%	0.45
2	Housing colony	17%	0.38
3	Supervisor Colony	100%	0.95
4	Sub-station	100%	14.82
5	Main Road and Main Road to Switch Yard	74%	19.42
6	**Total**		**36.02**

3.89 In reply to data gaps raised by the Commission regarding the explanation on account of voltage-wise assets related to Transformers, JSPL-D submitted head-wise details which are as under:

Table 30: Details of Transformers

S. No	Material	Voltage	Value (In Rs.)
1	BHEL Transformer 100/120 MVA	220/33 KV	64603424
2	BHEL Transformer 100/120 MVA	220/33 KV	64603424
3	BHEL Transformer 100/120 MVA	220/33 KV	64603424

Table 31: Transformer Spares

S. No	Material	Value (In Rs.)
1	4256002389	2818579
2	Charges for type test	533140
3	Charges for receiving and unloading	1500000
4	4867001671	1500000

Table 32: Cement

S. No	Material	Value (In Rs.)
1	Cement consumed	1374009

3.90 JSPL-D confirmed that above asset is a part of Distribution business and not Transmission Business.

3.91 The Commission further asked JSPL-D to justify the installation of 120 MVA for 100 MW load. In reply, JSPL-D submitted that as the contracted load is between 115 MVA and 122 MVA, the licensee operates two 120 MVA transformers in parallel which share the load equally. In case of failure of either of the Transformers, the process of repair and reinstallation takes of transformer usually takes 2-3 months. In order to ensure that supply of power to consumers is not affected JSPL-D uses 3rd Transformer as standby transformer to take care of tripping and outrages.

3.92 In reply to data gaps raised by the Commission regarding documentary evidence towards cost incurred in implementation of SCADA, JSPL-D submitted the Purchase Orders for the same. The Commission further asked JSPL-D to submit the scope and justification for the SCADA system implemented by JSPL-D. In reply JSPL-D submitted that as per the grid code of Chhattisgarh, all users connected to the grid are required to provide tele-metering, SCADA and other relevant data at the points of interconnection to concerned user and RLDC/ SLDC if required by RLDC/ SLDC to facilitate the grid operation. The SCADA system installed by the licensee is in compliance with the grid code of State of Chhattisgarh and it serves to monitor, store, display and process operational metering data. JSPL-D submitted that SCADA system is currently used for:

a. Load Flow Analysis
b. Energy Management
c. Monitoring of Load Shedding
d. Monitoring of Breaker
e. Monitoring Status of protective equipment
f. Automated billing for consumers

3.93 The Commission observed that JSPL-D in the Petition No. 26 of 2011 (M) for approval of deviations from Standard Bidding Document (SBD) and Request for Proposal (RFP) for carrying out long term power procurement under Case-1 bidding framework submitted that the demand was maximum up to 70.03 MW in FY 2007-08 to FY 2010-11. Considering the same, the Commission feels that the cost pertaining to two Power

Transformers can be allowed to JSPL-D as a part of Fixed Assets which is equal to Rs. 1,343.57 Lakh on pro-rata basis.

3.94 As regards the cost of SCADA, JSPL-D has provided the allocation of cost of SCADA among its Generation, Transmission and Distribution Function. The cost of SCADA for distribution function as submitted by JSPL-D is Rs. 246.38 Lakh. Since, the allocation of total cost of SCADA has been submitted by JSPL-D, the Commission has considered the same.

3.95 The Commission is of the opinion that prudence check of expenses of a prior period expense incurred by the licensee can only be undertaken based on Audited Accounts of licensed business. The Commission feels that in absence of segregated accounts for distribution business of JSPL, it is difficult to ascertain the actual cost of fixed assets pertaining to distribution business. Also there is no documentary proof to verify the same. Therefore, the Commission has considered the cost pertaining to two Power Transformers, i.e., Rs. 1343.57 Lakh and the cost of SCADA for distribution function, i.e., Rs 246.38 Lakh in addition to the cost of fixed assets of Rs. 645.88 Lakh as approved by the Commission in last Tariff Order. The amount of Fixed Assets as considered by the Commission in this Order is tabulated as under:

Table 33: Fixed Assets considered by the Commission

(Rs. Lakh)

Particulars	FY 2009-10			
	Petition	Actual	Order	Commission
Opening GFA	5136.34	4558.83	645.88	2235.83

Depreciation

3.96 The Commission in its last Tariff Order for FY 2009-10 approved depreciation of Rs. 16.15 Lakh which is 2.5% of Opening GFA.

3.97 JSPL-D submitted that in compliance to the requirement of the directive of the Commission, JSPL has prepared separate fixed assets register along with the depreciation for the segregated fixed assets for the licensed distribution & retail supply business. JSPL-D further submitted that the provision for depreciation has been segregated on the basis of fixed assets identified for the licensed distribution & retail supply business of electricity and their respective date of acquisition of fixed assets by JSPL-D.

3.98 JSPL-D further submitted that the depreciation and provision for depreciation have been projected based on the segregated fixed assets and the rates of depreciation prescribed by CSERC.

3.99 JSPL-D revised the amount of depreciation in its additional submission towards FY 2009-10 and FY 2010-11. JSPL-D also submitted the depreciation towards FY 2011-12 in its additional submission. The depreciation as claimed by JSPL-D in the Petition and additional submission is tabulated below:

Table 34: Depreciation claimed by JSPL-D

(Rs. Lakh)

Particulars	FY 2009-10			FY 2010-11		FY 2011-12
	Order	Petition	Addl. Sub. (Actuals)	Petition	Addl. Sub. (Actuals)	Addl. Sub.
Depreciation	16.15	178.69	157.90	178.69	157.90	157.90

Commission's View

3.100 The Commission observed that JSPL-D claimed the depreciation at an average rate of 2.5% of its fixed assets in last year's Petition whereas for FY 2009-10 in the present Petition and additional submission, it claimed depreciation at an average rate of 3.48% and 3.46% respectively.

3.101 The Commission has computed the depreciation on the opening GFA as considered in this Tariff Order. The Commission observed that JSPL-D has agreed to the submission of RIUS towards Consumer Contribution. The Commission further observed that JSPL-D in reply to the data gaps raised by the Commission has submitted the Consumer Contribution of Rs. 514.50 Lakh. The Commission has computed the depreciation net of Consumer contribution in accordance with Regulation-18 of CSERC (Terms and Conditions for determination of Tariff) Regulations, 2006 as also mentioned in Para-2.24 of this Order.

3.102 The depreciation as computed by the Commission is tabulated as under:

Table 35: Depreciation-computed by the Commission

(Rs. Lakh)

Particulars	FY 2009-10 (Provisional Truing-up)			
	Order	Petition	Actual	Commission
Opening GFA		5,136.34	4,558.83	2,235.83

Particulars	FY 2009-10 (Provisional Truing-up)			
	Order	Petition	Actual	Commission
Opening Consumer Contribution towards GFA				514.50
Depreciation on existing assets during FY		178.69	157.90	77.44
Depreciation on new assets added during FY		-	-	-
Total Depreciation		178.69	157.90	77.44
Average Depreciation Rate		3.48%	3.46%	3.46%
Less: Depreciation on account of Consumer Contribution		-	-	17.82
Net Depreciation	**16.15**	**178.69**	**157.90**	**59.62**

Particulars	FY 2010-11			FY 2011-12	
	Petition	Actual	Commission	Petition	Commission
Opening GFA	5,136.34	4,558.83	2,235.83	4,558.83	2,235.83
Opening Consumer Contribution towards GFA			514.50		514.50
Depreciation on existing assets during FY	178.69	157.90	77.44	157.90	77.44
Depreciation on new assets added during FY	-	-	-	-	-
Total Depreciation	178.69	157.90	77.44	157.90	77.44
Average Depreciation Rate	3.48%	3.46%	3.46%	3.46%	3.46%
Less: Depreciation on account of Consumer Contribution	-	-	17.82	-	17.82
Net Depreciation	**178.69**	**157.90**	**59.62**	**157.90**	**59.62**

Interest on Loan

3.103 The Commission in its last Tariff Order for FY 2009-10 has approved interest on normative loan of Rs. 19.64 Lakh.

3.104 JSPL-D has identified a loan of Rs. 1,520.73 Lakh (outstanding balance as on 1.4.2008) directly attributable to the distribution & retail supply business of electricity. JSPL-D further submitted that this is a foreign currency loan and foreign currency variance has also been considered as the part of the finance & interest charges, since foreign currency variance is also allowed as the part of annual revenue requirement in accordance with clause 26 of the CSERC (Terms and Conditions for Determination of Tariff) Regulations, 2006.

3.105 JSPL-D submitted that as per clause 26, the extra rupee liability towards instalment repayment and interest actually incurred in the relevant year shall be admissible as a part of Annual Revenue Requirement, in respect of foreign currency loans. JSPL-D further submitted that no additional long term loans have been taken up for meeting the capital expenditure being undertaken in FY10 and proposed for FY11. In accordance with the terms and conditions of the term loan and the actual foreign exchange fluctuation incurred during FY 2008-09 and FY 2009-10, the interest and finance charges (including foreign exchange fluctuation) on the term loan for each financial year have been shown in the table given below:

Table 36: Interest on Term Loan submitted by JSPL-D

Particulars	Unit	FY 2009-10	FY 2010-11
Interest on Term Loan (Commercial Banks)	Rs. Lakh	15.67	4.26

3.106 JSPL-D submitted that a part of the fixed assets for the licensee business has been funded by the term loan (identified specifically for the distribution & retail supply business) and the remaining funds invested in the fixed assets of distribution & retail supply business have been funded by JSPL- other business segments. The interest on loan amount for funding from other segments has been considered at rate of 11.5% in FY 2009-10 and FY 2010-11 is tabulated below:

Table 37: Interest on other business segments

Particulars	Unit	FY 2009-10	FY 2010-11
Interest on other Business Segments	Rs. Lakh	260.55	315.44

3.107In additional submission, JSPL-D revised the interest on other business segments during FY 2009-10 and FY 2010-11. The revised interest on other business segments is tabulated below:

Table 38: Revised Interest on other business segments

S. No	Particulars	Unit	FY 2009-10	FY 2010-11
1	Interest on Funds from other business segments	Rs. Lakh	223.82	281.11

3.108JSPL-D submitted that it has not taken any long term loan during FY 2011-12. JSPL-D in the Petition, has not considered any interest during FY 2011-12 on the term loan.

3.109As regards interest on fund from other business segments during FY 2011-12, JSPL-D submitted that a part of the fixed assets for the licensee business has been funded by the term loan (identified specifically for the distribution & retail supply business) and the remaining funds invested in the fixed assets of distribution & retail supply business have been funded by JSPL other business segments. JSPL-D further submitted that it has considered the interest rate of 11.5% on funds from other business segments which it is paying for the long term loan procured from other Financial Institutions.

3.110 The interest on long term loans and funds from other business segments as claimed by JSPL-D in the Petition and additional submission is tabulated below:

Table 39: Interest on Loan

(Rs. Lakh)

S. No	Particulars	FY 2009-10			FY 2010-11		FY 2011-12
		Order	Petition	Addl. Sub. (Actuals)	Petition	Addl. Sub. (Actuals)	Addl. Sub.
1	Interest on Term Loan	15.64	15.67	15.67	4.26	4.26	0.00
2	Interest on other business segments	0	260.55	223.82	315.44	281.11	262.95
3	**Total Interest Expenses**	**15.64**	**276.22**	**239.49**	**319.70**	**285.37**	**262.95**

Commission's View

3.111 In reply to data gaps raised by the Commission regarding the increase in funding by JSPL-Other business, JSPL-D submitted that a part of the fixed assets for the licensee's distribution & retail supply business had been funded by the term loan (identified specifically for the distribution & retail supply business) and the remaining funds invested in the fixed assets of distribution & retail supply business have been funded by JSPL's other business segments. The outstanding balance payable to JSPL-other business segments has been increasing due to the reason that the dedicated loan is being repaid during the previous years. The repayment amount over the depreciation charged during the year has been funded by the other business segments of JSPL. Therefore, the outstanding balance payable to JSPL other business segments have been increasing without any increase in fixed assets.

3.112 In reply to the data gaps regarding justification of rate of interest, JSPL-D submitted that the interest rate used for the loan component of the funding of the distribution business from JSPL's other businesses, is based on the Power Finance Corporation's (PFC) & Rural Electrification Corporation's (REC) lending rates for distribution schemes being implemented by AAA rated companies (11.50%). JSPL-D also submitted the documentary evidences for the same.

3.113 JSPL-D in reply to data gaps submitted the documentary evidence regarding the commercial loan taken for JSPL-Distribution business.

3.114 In another query raised by the Commission regarding justification for the methodology for the calculation of Loans applied by JSPL in its Petition, JSPL-D submitted that as a part of the annual revenue requirement, JSPL computed interest on the loan component of the funding made by the JSPL's other business segments. The interest was charged on the loan component, i.e., the balance of net fixed assets after deducting the 30% of gross fixed assets (considered as equity for the purpose). The licensee considers the deemed loan component outstanding to be equivalent to residual value of the assets (net fixed assets) over and above the 30% of the gross fixed assets (GFA) which is deemed to have been created using equity infused. The licensee has adopted this approach based on the fact that the depreciation charged on the fixed assets is allowed against the repayment of loan component of funding for the gross fixed assets. Hence the loan outstanding should be calculated by subtracting the sum of total depreciation charged and deemed equity component from gross fixed assets. The outstanding loans calculated thus would be equivalent to the balance of net fixed assets after deducting the 30% of gross fixed assets. Hence, interest is computed only on the outstanding portion of the deemed loan component.

3.115 As regards actual Loan availed from ICICI bank, the Commission observed that as per the documentary evidence submitted by JSPL-D, the rate of interest for the loan is applicable margin (0.9%) plus 6 month LIBOR and the loan has to be repaid in three equal instalments on August 25, 2008, August 24, 2009 and August 23, 2010. The Commission also observed that the interest period is 6 months and all interest payments shall be made in arrears at the end of each interest period (interest payment date) and calculated on the basis of the actual number of days elapsed in a year of 360 days.

3.116 In accordance with the above clauses of the document evidence submitted by JSPL-D in support of loan, the Commission observed various discrepancies in the loan calculation of JSPL-D which are as under:

3.117 JSPL-D submitted the loan addition of Rs. 2.78 Lakh during FY 2009-10 which is not in line with the documentary evidence which shows no loan addition during FY 2009-10.

3.118 The funds at the beginning of each year (Sum of equity and outstanding loan) should match with the Net Fixed Assets at the beginning of each year. Similarly, the funds at the end of each year should be equal to Net Fixed Assets at the end of each year. The Commission observed that the funds at the end of year submitted by JSPL-D are matching with the Net Fixed Assets at the end of the year but the funds at the beginning of the year are not matching with NFA at start of each year.

3.119 The Commission computed the debt-equity requirement on the amount obtained after deducting Consumer Contribution from the amount of Gross Fixed Assets considered in this Tariff Order. In accordance with Regulation-12 of CSERC (Terms and Conditions of Tariff) Regulations, 2006, Debt-Equity ratio of 70:30 is required to be applied if actual equity investment is equal to or more than 30% of total fixed assets. The calculation of the amount considered to be funded though debt-equity is tabulated below:

Table 40: Amount to be funded through debt-equity

Particulars	Reference	Amount (Rs. Lakh)
Total Assets	A	2235.83
Consumer Contribution	B	514.50
Amount to be funded through debt-equity	C	1721.33

3.120 The Commission observed that the actual loan, i.e., Rs. 1520.73 Lakh as invested by JSPL-D is more than 70% of the amount to be funded through debt-equity. Therefore, the Commission has considered actual debt as submitted by JSPL-D in the Petition. The Commission has further considered the interest rate as considered by JSPL-D on the term loan.

3.121 The Commission also observed that the depreciation is not enough to fund the repayment of term loan during FY 2009-10 to FY 2011-12. The Commission has considered the funds from other business segment during FY 2009-10 to FY 2011-12 equal to the difference between the amount of repayment and depreciation during FY 2009-10 to FY 2011-12.

3.122 The Commission has considered the interest rate of 11% from FY 2009-10 to FY 2011-12 on the funds borrowed from other business segments based on the information available with the Commission about the prevailing interest rates of respective years. The Interest considered by the Commission from FY 2009-10 to FY 2011-12 is tabulated below:

Table 41: Interest on Loan considered by the Commission

(Rs. Lakh)

S. No	Particulars	FY 2009-10 (Provisional Truing-up)			
		Order	Petition	Addl. Sub.	Commission
1	Interest on Term Loan	15.64	15.67	15.67	15.67
2	Interest on other business segments	0	260.55	223.82	36.08
3	**Total Interest**	**15.64**	**276.22**	**239.49**	**51.75**

S. No	Particulars	FY 2010-11			FY 2011-12	
		Petition	Addl. Sub.	Commission	Addl. Sub.	Commission
1	Interest on Term Loan	4.26	4.26	4.26	0.00	0.00
2	Interest on other business segments	315.44	281.11	104.96	262.95	134.49
3	**Total Interest**	**319.70**	**285.37**	**109.22**	**262.95**	**134.49**

Return on Equity

3.123 The Commission in its last Tariff Order for FY 2009-10 approved Return on Equity as Rs. 27.13 Lakh on the basis of Equity amount of Rs. 193.76 Lakh.

3.124 JSPL-D submitted in the Petition that due to historical reasons, segregation of the equity share capital for electricity distribution business as on April 1, 2008 was not undertaken. Rather than segregating the existing equity share capital in the ratio of fixed assets, complying with the clause 12 of CSERC (Terms and Conditions for Determination of Tariff) Regulations, 2006, JSPL has considered an amount equivalent to 30% of the gross fixed assets as the share capital for the purpose of charging return on equity in the annual revenue requirement.

3.125 JSPL-D further submitted that it has computed reasonable return at the rate of 15.5% on the deemed share capital (30% of Gross Fixed Assets) FY 2009-10 and FY 2010-11

3.126 The Return on Equity as submitted by JSPL-D in its Petition and additional submission is tabulated below:

Table 42: Return on Equity

(Rs. Lakh)

Particulars	Reference	Units	FY 2009-10		
			Order	Petition	Addl. Sub. (Actuals)
GFA Approved	A	Rs. Lakh	645.88	5,136.34	4,558.83
Equity percentage in GFA	B	%	0.30	30%	30%
Opening Balance	C=A X B	Rs. Lakh	193.76	1,540.90	1,367.65

Particulars	Reference	Units	FY 2009-10		
			Order	Petition	Addl. Sub. (Actuals)
of Equity					
Additions during the Year	D	Rs. Lakh	-	-	-
Reduction on account of replacement of assets	E	Rs. Lakh	-	-	-
Closing Balance of Equity	F=C+D-E	Rs. Lakh	193.76	1,540.90	1,367.65
Rate of Return	G	%	14.00%	15.50%	15.50%
Return on Equity	**H=F X G**	**Rs. Lakh**	**27.13**	**238.84**	**211.99**

Particulars	Reference	Units	FY 2010-11		FY 2011-12
			Petition	Addl. Sub. (Actuals)	Addl. Sub.
GFA Approved	A	Rs. Lakh	5,136.34	4,558.83	4,558.83
Equity percentage in GFA	B	%	30%	30%	30%
Opening Balance of Equity	C=A X B	Rs. Lakh	1,540.90	1,367.65	1,367.65
Additions during the Year	D	Rs. Lakh	-	-	-
Reduction on account of replacement of assets	E	Rs. Lakh	-	-	-
Closing Balance of Equity	F=C+D-E	Rs. Lakh	1,540.90	1,367.65	1,367.65
Rate of Return	G	%	15.50%	15.50%	15.50%
Return on Equity	**H=F X G**	**Rs. Lakh**	**238.84**	**211.99**	**211.99**

Commission’s View

3.127 The Equity share as considered by the Commission is tabulated below:

Particulars	Reference	Amount (Rs. Lakh)
Total Assets	**A**	**2235.83**
Consumer Contribution	B	514.50
Debt	C	1520.73
Equity	D=A-B-C	200.60

3.128 As regards the rate of return, Clause-29 (1) of CSERC Tariff Regulations, 2006 states as under:

"29. Return on Equity

1. *The rate of return notified by Central Commission for transmission may be adopted for distribution with appropriate modifications taking into account the higher risks involved as decided by the Commission, on the paid up equity capital determined in accordance with clause 12.*

..."

3.129 The Commission has considered rate of 14% for calculating the Return on Equity as considered for FY 2009-10 in previous Tariff Order.

3.130 The Return on Equity as calculated by the Commission is tabulated as under:

Table 43: Return on Equity

(Rs. Lakh)

S. No	Particulars	FY 2009-10 (Provisional Truing-up)			
		Order	**Petition**	**Addl. Sub.**	**Commission**
1	Opening GFA	645.88	4,558.83	4,558.83	2,235.83
2	Less: Consumer Contribution towards GFA at the beginning of the year	-	-	-	514.50
3	Net Opening GFA	645.88	4,558.83	4,558.83	1,721.33
4	Opening Equity qualified for RoE calculation	193.76	1,367.65	1,367.65	200.60
5	Closing GFA	645.88	4,558.83	4,558.83	2,235.83
6	Less: Consumer Contribution towards GFA at the end of the year	-	-	-	514.50
7	Net Closing GFA	645.88	4,558.83	4,558.83	1,721.33
8	Closing Equity qualified for RoE calculation	193.76	1,367.65	1,367.65	200.60
9	Average Equity during FY	193.76	1,367.65	1,367.65	200.60
10	Rate of Return on Equity	14%	15.50%	15.50%	14%
11	Return on Equity	27.13	211.99	211.99	28.08

S. No	Particulars	FY 2010-11			FY 2011-12	
		Petition	**Addl. Sub.**	**Commission**	**Addl. Sub.**	**Commission**
1	Opening GFA	5,136.34	4,558.83	2,235.83	4,558.83	2,235.83
2	Less: Consumer Contribution towards GFA at the beginning of the year	-	-	514.50	-	514.50
3	Net Opening GFA	5,136.34	4,558.83	1,721.33	4,558.83	1,721.33
4	Opening Equity qualified for RoE calculation	1,540.90	1,367.65	200.60	1,367.65	200.60
5	Closing GFA	5,136.34	4,558.83	2,235.83	4,558.83	2,235.83

S. No	Particulars	FY 2010-11			FY 2011-12	
		Petition	Addl. Sub.	Commission	Addl. Sub.	Commission
6	Less: Consumer Contribution towards GFA at the end of the year	-	-	514.50	-	514.50
7	Net Closing GFA	5,136.34	4,558.83	1,721.33	4,558.83	1,721.33
8	Closing Equity qualified for RoE calculation	1,540.90	1,367.65	200.60	1,367.65	200.60
9	Average Equity during FY	1,540.90	1,367.65	200.60	1,367.65	200.60
10	Rate of Return on Equity	15.50%	15.50%	14.00%	15.50%	14.00%
11	Return on Equity	238.84	211.99	28.08	211.99	28.08

Interest on Working Capital

3.131 The Commission in its last Tariff Order for FY 2009-10 approved interest on working capital of Rs. 311.17 Lakh.

3.132 JSPL-D in its Petition submitted that for the purpose of determination of interest on working capital for the purpose of annual revenue requirement, the working capital loan has been determined in accordance with the clause 15 of the CSERC (Terms and Conditions for determination of Tariff) Regulation, 2006. Accordingly, the working capital loan consists of the following:

a. O&M expenses for one month,

b. Inventory equivalent to 2 months of maintenance spare based on the annual requirement considered at 1% of the gross fixed assets at the beginning of the year, and

c. Receivables equivalent to 60 days' average billing of consumers.

3.133 The Interest on Working Capital was also revised by JSPL-D in its additional submission due to change in other components of ARR.

3.134 The interest on Working Capital as submitted by JSPL-D in its Petition and additional submission is tabulated below:

Table 44: Interest on Working Capital

(Rs. Lakh)

Particulars	FY 2009-10			FY 2010-11		FY 2011-12
	Order	Petition	Addl. Sub. (Actuals)	Petition	Addl. Sub. (Actuals)	Addl. Sub.
Opening Balance		**2,611.54**	**2607.57**	**2,819.04**	**2,710.57**	
O & M Expenses for one month		67.88	51.66	74.28	59.86	75.49

Particulars	FY 2009-10			FY 2010-11		FY 2011-12
	Order	Petition	Addl. Sub. (Actuals)	Petition	Addl. Sub. (Actuals)	Addl. Sub.
Maintenance spares for 2 months based on 1% of Opening GFA		8.56	7.60	8.56	1.08	7.60
Receivables-2 Months		2,742.60	2651.32	3,135.17	2753.69	2911.53
Total		2,819.04	2,710.57	3,218.01	2,814.63	2,994.62
Closing Balance		**2,819.04**	**2,710.57**	**3,218.01**	**2,814.63**	
Interest Rate		12.79%	12.79%	12.79%	12.79%	12.79%
Interest on Working Capital	**311.17**	**347.29**	**340.03**	**386.07**	**353.34**	**371.92**

Commission's View

3.135 In reply to the data gaps regarding justification for rate of interest of working loan, JSPL-D submitted that for computing the interest on working capital loan, JSPL-D has considered a rate of interest of 12.79%. This is in line with weighted average State Bank of India Advance Rate (SBAR) which is also known as the bank's prime lending rate (PLR), computed over the period 1-04-2008 to 31-03-2009.The Commission has considered an interest rate of 11.75% for the purpose of calculation of interest on working capital from FY 2009-10 to FY 2011-12 .

3.136 For the purpose of calculation of Working Capital, the Commission has considered the following:

a) 1/12 of O & M expenses considered by the Commission from FY 2009-10 to FY 2011-12,

b) Receivables equivalent to 2 months average billing (For this purpose the Commission has considered 2 months of Revenue considered in this Order)

c) Maintenance spares by calculating 1% of Opening GFA.

3.137 The Interest on Working Capital as computed by the Commission from FY 2008-09 to FY 2010-11 is tabulated as under:

Table 45: Interest on Working Capital-computed by the Commission

(Rs. Lakh)

Particulars	FY 2009-10			
	Order	Petition	Actual	Commission
Opening Balance		**2,611.54**	**2607.57**	
O & M Expenses for one month		67.88	51.66	37.62

Particulars	FY 2009-10			
	Order	Petition	Actual	Commission
Maintenance spares for 2 months based on 1% of Opening GFA		8.56	7.60	3.73
Receivables-2 Months		2,742.60	2651.32	2,651.32
Total		2,819.04	2,710.57	2,692.66
Closing Balance		**2,819.04**	**2,710.57**	
Interest Rate		12.79%	12.79%	11.75%
Interest on Working Capital	311.17	347.29	340.03	316.39

Particulars	FY 2010-11			FY 2011-12	
	Petition	Actual	Commission	Projected	Commission
Opening Balance	**2,819.04**	**2,710.57**			
O & M Expenses for one month	74.28	59.86	39.57	75.49	41.80
Maintenance spares for 2 months based on 1% of Opening GFA	8.56	7.60	3.73	7.60	3.73
Receivables-2 Months	3,135.17	2753.69	2,753.69	2911.53	3,259.34
Total	3,218.01	2,821.16	2,796.99	2,994.62	3,304.87
Closing Balance	**3,218.01**	**2,821.16**			
Interest Rate	12.79%	12.79%	11.75%	12.79%	11.75%
Interest on Working Capital	386.07	353.75	328.65	371.92	388.32

Interest on Consumer Security Deposit (CSD)

3.138 JSPL-D submitted that considering the nature of consumer security deposit (that consumer security deposit is refundable and is primarily meant for adjustment against defaulting consumers or/and at the time of disconnection), these funds have not been used to fund fixed assets (long term investment) and the same is utilized for the operating activities (short term).

3.139 JSPL-D submitted that the Commission has also prescribed a norm for the computation of security deposit vides regulation named "The Chhattisgarh State Electricity Regulatory Commission (Security Deposit) Regulations, 2005. Accordingly, JSPL-D has recomputed the amount of security deposit and shall demand the addition security deposit (if any), with effect from April 1, 2010 from the consumers as per the norm prescribed by the Commission.

3.140 JSPL-D revised the Interest on Consumer Security Deposit for FY 2009-10 and FY 2010-11 in its additional submission. JSPL-D also submitted the projection towards the Consumer Security Deposit during FY 2011-12 in its additional submission. The Interest on Consumer Security Deposit as submitted by JSPL-D in the Petition and Additional submission is tabulated as under:

Table 46: Interest on Consumer Security Deposit

Particulars	Unit	FY 2009-10			FY 2010-11		FY 2011-12
		Order	Petition	Addl. Sub. (Actuals)	Petition	Addl. Sub. (Actuals)	Addl. Sub.
Interest on CSD	Rs. Lakh	-	68.57	-	102.71	96.08	121.66

Commission's View

3.141 In reply to the one of the queries of the Commission, JSPL-D submitted the details of Consumer-wise Security Deposit received during FY 2010-11.

3.142 The Commission observed that the details submitted by JSPL-D for the Consumer Security Deposit was matching with that submitted in additional submission. Therefore the Commission has considered the Interest on CSD for FY 2009-10 and FY 2010-11 as submitted by JSPL-D in its additional submission.

3.143 As regards FY 2011-12, the Commission observed that JSPL-D has not submitted any justification for projecting Interest on CSD. The Commission has considered the increase in the amount of Consumer Security Deposit in FY 2010-11 corresponding to the percentage increase in the contract demand in FY 2011-12 over FY 2010-11.

3.144 The Commission has considered the rate of interest on Security deposit in FY 2010-11 and FY 2011-12 as 6% in accordance with the prevailing bank rate of Reserve Bank of India (RBI). The Interest on Consumer Security Deposit from FY 2009-10 to FY 2011-12 is tabulated below:

Table 47: Interest on CSD as considered by the Commission (Rs Lakh)

Particulars	Unit	FY 2009-10 (Provisional Truing-up)			
		Order	Petition	Addl. Sub. (Actuals)	Commission
Interest on CSD	Rs. Lakh	-	68.57	-	-

Particulars	Unit	FY 2010-11			FY 2011-12	
		Petition	Addl. Sub. (Actuals)	Commission	Addl. Sub. (	Commission
Interest on CSD	Rs. Lakh	102.71	96.08	121.66	121.66	138.69

3.145 The Commission directs JSPL-D to make payment of interest on Consumer Security Deposit as mentioned in Para-2.107 and also in accordance with the prevailing bank rate of Reserve Bank of India (RBI).

Transmission Charges

3.146 In the last Tariff Order, the Transmission charges were not considered by the Commission in ARR of FY 2009-10 as no submission was made by JSPL-D towards Transmission Charges.

3.147 JSPL-D in the Petition submitted that the electricity is transmitted from two generating stations–captive plant of JSPL and generation plant of Jindal Power Limited (JPL) through the licensed transmission lines- JSPL to Punjipatra (23.7 Kms) and JPL (19.5 Kms) to Punjipatra.

3.148 JSPL-D further submitted that for the purpose of determination of transmission charges attributable to the licensed distribution & retail supply business, JSPL has calculated the total Annual Revenue expenditure for the licensed transmission business based on the norms provided by Central Electricity Regulatory Commission vide CERC (Terms & Conditions for Tariff) Regulation, 2009 because as per the clause 4 of the Chhattisgarh Electricity Regulatory Commission (Terms and Conditions for Determination of Tariff) Regulations, 2006, the CERC norms shall be applicable for determination of intra state transmission charges.

3.149 The Transmission Charges for FY 2009-10 and FY 2010-11 were revised by JSPL-D in the additional submission. The Transmission Charges as submitted by JSPL-D in its Petition and additional submission are tabulated as under:

Table 48: Transmission Charges

(Rs. Lakh)

Particulars	FY 2009-10			FY 2010-11		FY 2011-12
	Order	Petition	Addl. Sub. (Actuals)	Petition	Addl. Sub. (Actuals)	Addl. Sub.
Transmission charges	-	731.68	1,347.10	728.15	1,404.31	1574.59

Commission's View

3.150 The Commission has referred to the Order issued on December 30, 2011 (Petition No. 7 of 2011) for considering Transmission Charges from FY 2009-10 to FY 2011-12 for its licensed transmission business.

3.151 The Transmission Charges as considered by the Commission from FY 2009-10 to FY 2011-12 are tabulated below:

Table 49: Transmission Charges considered by the Commission

(Rs. Lakh)

Particulars	FY 2009-10 (Provisional Truing-up)				FY 2010-11		
	Order	Petition	Addl. Sub.	Commission	Petition	Addl. Sub.	Commission
Transmission charges	-	731.68	1,347.10	179.06	728.15	1,404.31	178.45

Particulars	FY 2011-12	
	Addl. Sub.	Commission
Transmission charges	1,574.59	177.46

Non-Tariff Income

3.152 The Commission in last Tariff Order considered Non-Tariff Income of Rs. 10.87 Lakh in ARR of FY 2010-11.

3.153 JSPL-D in the Petition submitted that it has considered only meter rent under Non-Tariff Income as there is no other source of income for the distribution & retail supply business of the licensee. JSPL-D further submitted that the actual receipt of meter rent for FY 2008-09 and FY 2009-10 (till October 2009) is available and based on these actual receipts of meter rent, the projection for the remaining months of FY 2009-10 and for FY 2010-11 has been made.

3.154 In additional submission, JSPL-D revised the Non-Tariff Income for FY 2010-11 submitted earlier in the Petition. For FY 2011-12, the Commission has considered the Non-Tariff Income equal to that submitted for FY 2010-11 in additional submission.

3.155 The Non-Tariff Income as submitted by JSPL-D in the Petition from FY 2009-10 to FY 2011-12 is tabulated as under:

Table 50: Non-Tariff Income

(Rs. Lakh)

Particulars	FY 2009-10			FY 2010-11		FY 2011-12
	Order	Petition	Addl. Sub. (Actuals)	Petition	Addl. Sub. (Actuals)	Addl. Sub.
Non-Tariff Income	10.87	10.74	10.74	10.74	10.52	10.52

Commission's View

3.156 The Commission has observed that JSPL-D has submitted the Non-Tariff Income on account of Meter rentals only. Since the number of consumers is same in FY 2010-11 and FY 2011-12, the meter rent will remain unchanged. The Commission has considered the Non-Tariff Income equal to that in FY 2009-10. The Non-Tariff Income from FY 2009-10 to FY 2011-12 is tabulated below:

Table 51: Non-Tariff Income considered by the Commission

(Rs. Lakh)

Particulars	FY 2009-10 (Provisional Truing-up)				FY 2010-11			FY 2011-12	
	Order	Petition	Addl. Sub. (Actuals)	Commission	Petition	Addl. Sub. (Actuals)	Commission	Addl. Sub. (Actuals)	Commission
Non-Tariff Income	10.87	10.74	10.74	10.74	10.74	10.52	10.74	10.52	10.74

3.157 **The Commission directs JSPL-D to include income on account of sale of scrap, delayed payment surcharge etc. as a part of Non-Tariff Income.**

Revenue at Existing Tariff

3.158 The Commission considered Revenue from existing Tariff at Rs. 15,955.02 Crore during FY 2009-10 in last Tariff Order.

3.159 JSPL-D projected the revenue from sales of power from FY 2009-10 to FY 2010-11 in its Petition which is tabulated below:

Table 52: Revenue at Existing Tariff

S. No	Particulars	Unit	FY 2009-10	FY 2010-11
1	Revenue from Sale of Power	Rs. Lakh	16,455.57	18,811.04

3.160 In its additional submission, JSPL-D revised the Revenue from existing Tariff for FY 2009-10 and FY 2010-11 and projected the revenue from existing Tariff during FY 2011-12 which is tabulated below:

Table 53: Revenue from Existing Tariff

Particulars	Unit	FY 2009-10 (Provisional Truing-up)			FY 2010-11		FY 2011-12
		Order	Petition	Addl. Sub. (Actuals)	Petition	Addl. Sub. (Actuals)	Addl. Sub.
Revenue from Sale of Power	Rs. Lakh	15,955.02	16,455.57	15,907.90	18,811.04	16,522.15	17,469.18

Commission's View

3.161 The Commission considered the Revenue from existing Tariff during FY 2009-10 and FY 2010-11 as submitted by JSPL-D in its additional submission.

3.162 As regards Revenue from existing Tariff in FY 2011-12, the Commission observed that there was a discrepancy in the Revenue Calculation submitted by JSPL-D. JSPL-D inadvertently linked the Revenue from fixed charges with the Contract demand in FY 2010-11 instead of projected Contract Demand for all the 34 consumers in FY 2011-12. The revenue from existing Tariff as considered by the Commission is tabulated below:

Table 54: Revenue from Existing Tariff considered by the Commission

S. No	Particulars	Unit	FY 2009-10 (Provisional Truing-up)			
			Order	Petition	Addl. Sub. (Actuals)	Commission
1	Revenue from Sale of Power	Rs. Lakh	15,955.02	16,455.57	15,907.90	15,907.90

S. No	Particulars	Unit	FY 2010-11			FY 2011-12	
			Petition	Addl. Sub. (Actuals)	Commission	Addl. Sub.	Commission
1	Revenue from Sale of Power	Rs. Lakh	18,811.04	16,522.15	16,522.15	17,469.18	17,998.15

Aggregate Revenue Requirement

3.163 The Aggregate Revenue Requirement from FY 2009-10 to FY 2011-12 as submitted by JSPL-D is tabulated below:

Table 55: ARR for JSPL-D from FY 2009-10 to FY 2011-12

(Rs. Lakh)

S. No	Particulars	FY 2009-10			FY 2010-11		FY 2011-12
		Order	Petition	Addl. Sub. (Actuals)	Petition	Addl. Sub. (Actuals)	Addl. Sub.
1	Purchase of Power from Other Sources	20,025	18,614	18,088	19,889	16,987	18,638
2	Intra-State Transmission Charges	-	732	1,347	728	1,404	1,575
3	R&M Expense	28	255	177	255	124	228
4	Employee Expenses	304	487	382	560	533	613
5	A&G Expense	108	72	61	76	62	65
6	Depreciation	16	179	158	79	158	158
7	Interest & Finance Charges	327	692	580	808	735	757
8	Interest on Long Term Loan	16	276	239	315	285	263
9	Interest on W.C.	311	347	340	386	354	372
10	Interest on CSD	-	69	-	103	96	122
11	**Total**	**20,807**	**21,031**	**20,793**	**22,496**	**20,002**	**22,033**
12	Reasonable Return	27	239	212	239	212	212
13	Other Income	11	11	11	11	11	11
14	**Annual Revenue Requirement (11+12-13)**	**20,824**	**21,260**	**20,994**	**22,724**	**20,204**	**22,235**

Commission's View

3.164 On the basis of the above, the Commission has determined the ARR which is tabulated as under:

Table 56: ARR from FY 2009-10 to FY 2011-12-Approved by the Commission (Rs Lakh)

Sl. No	Particulars	FY 2009-10			
		Order	Petition	Actual	Commission
1	Purchase of Power	20,025	18,614	18,088	18,088
2	Intra-State Transmission Charges	-	732	1,347	179
3	R&M Expense	28	255	177	87
4	Employee Expenses	304	487	382	304
5	A&G Expense	108	72	61	61
6	Depreciation	16	179	158	60
7	Interest & Finance Charges	327	692	580	368
A	Interest on Long Term Loan	16	276	239	52
B	Interest on W.C.	311	347	340	316
C	Interest on CSD	-	69	-	-
8	**Total**	**20,807**	**21,031**	**20,793**	**19,146**
9	Reasonable Return	27	239	212	28
10	Other Income	11	11	11	11
11	**Annual Revenue Requirement 11=8+9-10**	**20,824**	**21,260**	**20,994**	**19,164**

Sl. No	Particulars	FY 2010-11			FY 2011-12	
		Petition	Actual	Commission	Petition	Commission
1	Purchase of Power from Other Sources*	19,889	16,987	17,272	18,638	18,139
2	Intra-State Transmission Charges	728	1,404	178	1,575	177
3	R&M Expense	255	124	92	228	97
4	Employee Expenses	560	533	321	613	339
5	A&G Expense	76	62	62	65	65
6	Depreciation	179	158	60	158	60
7	Interest & Finance Charges	808	735	560	757	661
8	Interest on Long Term Loan	315	285	109	263	134
9	Interest on W.C.	386	354	329	372	388
10	Interest on CSD	103	96	122	122	139
11	**Total**	**22,496**	**20,002**	**18,545**	**22,033**	**19,539**
12	Reasonable Return	239	212	28	212	28
13	Other Income	11	11	11	11	11
14	**Annual Revenue Requirement (1)+(2)-(3)**	**22,724**	**20,203.77**	**18,562**	**22,235**	**19,556**

Revenue Gap/ Surplus

3.165 JSPL-D in its Petition did not submit the calculation of Revenue Gap for FY 2009-10. However, the Revenue Gap for FY 2010-11 was submitted by JSPL-D. The Revenue Gap for FY 2010-11 as submitted by JSPL-D in the Petition is tabulated below

Table 57: Revenue Gap/ Surplus

(Rs. Lakh)

S. No	Particulars	Amount
1	Total ARR for FY 2010-11	22,723.61
2	Revenue at existing Tariff	18,811.04
3	Revenue (Gap)/ Surplus for FY 2010-11	(3,912.58)

3.166 In the additional submission, JSPL-D revised the Revenue Gap for FY 2010-11 in the MS-Excel model submitted to the Commission and submitted the revenue gap pertaining to FY 2011-12 only in the Petition which is tabulated as under:

Table 58: Revenue Gap/ Surplus as submitted in Additional Submission

(Rs. Lakh)

S. No	Particulars	FY 2010-11		FY 2011-12
		Petition	Addl. Sub. (Actuals)	Addl. Sub.
1	Total ARR for FY 2011-12	22,723.61	20,203.77	22,234.73
2	Revenue at existing Tariff	18,811.04	16,522.15	17,469.18
3	Revenue (Gap)/ Surplus for FY 2011-12	(3,912.58)	(3,681.62)	(4,765.55)

Commission's View

3.167 Since JSPL-D has not submitted the calculation of Revenue Gap pertaining to FY 2009-10 in any of its submission, the Commission has not considered the same for calculation of Revenue Gap in this Order.

3.168 The Commission has recalculated the Revenue Gap from FY 2010-11 to FY 2011-12 on the basis of ARR and Revenue from Tariff as considered by the Commission in this Tariff Order:

Table 59: Revenue Gap computed by the Commission

(Rs. Lakh)

S. No	Particulars	FY 2010-11			FY 2011-12	
		Petition	Addl. Sub.	Commission	Addl. Sub.	Commission
1	Total ARR	22,723.61	20,203.77	18,561.86	22,234.73	19,556.06
2	Revenue at existing Tariff	18,811.04	16,522.15	16,522.15	17,469.18	17,998.15

S. No	Particulars	FY 2010-11			FY 2011-12	
		Petition	Addl. Sub.	Commission	Addl. Sub.	Commission
3	Revenue (Gap)/ Surplus	(3,912.58)	(3,681.62)	(2,039.72)	(4,765.55)	(1,557.91)

Treatment of Revenue Gap

3.169 As regards Revenue Gap in FY 2010-11, JSPL-D submitted that it has already provided an undertaking to the Commission that it would meet any payments due towards interest, repayment of debt, employee expenses, power purchase expenses, other expenses and cash deficits from its other business segments, in case the licensed distribution & retail supply business is unable to meet these from its own revenues and cash flows.

3.170 In its additional submission, JSPL-D submitted Tariff Proposal for various Consumer Categories in FY 2011-12 to recover partial Revenue Gap pertaining to projected ARR in FY 2011-12. As regards treatment of remaining Revenue Gap if proposed Tariffs are implemented to recover the proposed ARR, JSPL-D submitted that it has already provided an undertaking to the Commission that it would meet any payments due towards interest, repayment of debt, employee expenses, power purchase expenses, other expenses and cash deficits from its other business segments, in case the licensed distribution & retail supply business is unable to meet these from its own revenues and cash flows.

Commission's View

3.171 In the datagaps raised by the Commission, JSPL-D has reconfirmed that it would meet any payments due towards interest, repayment of debt, employee expenses, power purchase expenses, other expenses and cash deficits from its other business segments, in case the licensed distribution & retail supply business is unable to meet these from its own revenues and cash flows on account of maintain the Tariffs at the existing/ proposed level. Any loss/ deficit incurred by the licensed business of JSPL will not be carried forward to subsequent financial years for the purpose of determination of Tariff.

3.172 The Commission also observed that since, the revenue gap determination for FY 2009-10 and FY 2010-11, will not have any financial implication with the above mentioned submission of JSPL-D. Hence, the determination of ARR and Revenue gap for FY 2009-10 and FY 2010-11 is solely for the purpose of records.

3.173 The treatment of Revenue Gap pertaining to FY 2011-12 has been discussed in detail Section-4 of this Order.

4 Tariff Principles and Tariff Design for FY 2011-12

Tariff Principles

4.1 In assessing the revenue requirements of JSPL-D and in determining retail supply tariff for FY 2011-12, the Commission has been guided by the provisions of the EA 2003, the National Electricity Policy (NEP) and the Tariff Policy (TP), and this Commission's Terms and Conditions for determination of Tariff Regulations, 2006. Section 61 of the Act lays down the principles which should guide determination of retail supply tariff and these are that the tariff should 'progressively reflect the cost of supply of electricity' and also 'reduce cross-subsidy' within the period to be specified by the Commission. The Act lays special emphasis on safeguarding consumer's interest and requires that the 'cost should be recovered in a reasonable manner'. These and other principles enunciated in this provision of the Act have been suitably incorporated in the Tariff Regulations of this Commission. The Tariff Policy notified by the Government of India in January, 2006, provides comprehensive guidelines for determination of tariff as also for working out revenue requirements of power Utilities. The Commission has been guided by this Policy also.

4.2 The Commission observed that JSPL has taken considerable time in submission of authentic data required by the Commission specifically in relation to segregated accounts information, owing to which FY 2010-11 has already been elapsed. Thus the Commission has not determined the Tariff for FY 2010-11. The tariff determined by the commission in this tariff order is based on the data submitted for the period FY 2011-12.

Tariff Design

I. Average Cost of Supply

4.3 The Average Cost of Supply (ACOS) for FY 2010-11 to FY 2011-12 as submitted by JSPL-D in the Petition and as computed by the Commission in this Order is tabulated below

S. No	Particulars	Unit	FY 2010-11			FY 2011-12	
			Petition	Addl. Sub.	Commission	Addl. Sub.	Commission
1	ARR	Rs. Lakh	22724	20204	18562	22235	19556
2	Sales	MU	655	560	560	588	588
3	Average Cost of Supply	Rs./ Unit	3.47	3.61	3.31	3.78	3.33

II. Revenue Gap at Existing Tariff

4.4 As discussed in Para-3.162 and Para-3.168 of this Order, the summary of revenue gap computation submitted by JSPL-D and considered by the Commission for FY 2011-12 is tabulated below:

Table 60: Revenue Gap for FY 2011-12 (Rs Lakh)

S. No	Particulars	FY 2011-12	
		Addl. Sub.	Commission
1	Total ARR	22,234.73	19,556.06
2	Revenue at existing Tariff	17,469.18	17,998.15
3	Revenue (Gap)/ Surplus	(4,765.55)	(1,557.91)

4.5 As discussed in Para-3.162, the Commission has considered the Tariff rates as mentioned in the CSPDCL Order dated May 30, 2009 as existing rates for all consumer categories and recalculated Revenue Gap while determining the Revenue at existing Tariff.

III. Tariff Proposal of JSPL-D

A. <u>Revenue Gap Recovery of FY 2009-10 and FY 2010-11</u>

4.6 JSPL-D in the Petition has not claimed Revenue Gap pertaining to FY 2009-10.

4.7 The Commission observed that JSPL-D in its letter dated August 18, 2011 has mentioned as follows:

> *"JSPL-D hereby provides an undertaking that it will meet any payments due towards interest, repayment of debt, employee expenses, power purchase expenses, other expenses and cash deficits from its other business segments, in case the licensed distribution & retail supply business is unable to meet these from its own revenues and cash flows on account of maintaining the Tariffs at the existing/ proposed levels. Any loss/ deficit incurred by the licensed business of JSPL will not be carried forward to subsequent financial years for purpose of determination of tariff"*

B. Revenue Gap Recovery of FY 2011-12

4.8 JSPL-D in its additional submission has proposed to recover only some portion of Revenue Gap even after considering the proposed tariff for FY 2011-12. Further also JSPL-D has already given an undertaking as mentioned in Para-4.7.

4.9 Accordingly, JSPL-D has proposed to revise the existing Tariff for all the three existing consumer categories, i.e., LT (Non-Domestic), HT- Steel Industries and HT-Other HT Industries including (HT Other Industries at 11 kV and 33 kV).

4.10 JSPL-D has proposed to revise the Tariff for all the existing HT Consumer Categories, i.e., HT- Steel Industries and HT-Other HT Industries including (HT Other Industries at 11 kV and 33 kV) equal to the Tariff rates mentioned in Commission's Order dated March 31, 2011 for CSPDCL.

As regards Tariff of LT (Non-Domestic) category, JSPL-D has referred to Demand based Tariff approved by the Commission in its Order dated March 31, 2011 for CSPDCL.

4.11 The Tariff for various consumer categories as proposed by JSPL-D in FY 2011-12 has been tabulated below:

Table 61: Existing and Proposed Tariff for various consumer categories

Category of Consumer	Existing Tariff of JSPL-D		Proposed Tariff by JSPL-D		Tariff for CSPDCL as per Order dated March 31, 2011	
	Demand Charges	Energy Charges	Demand Charges	Energy Charges	Demand Charges	Energy Charges
Unit	Rs. /kVA / Month	Rs./ kWh	Rs. /kVA / Month	Rs./ kWh	Rs. /kVA / Month	Rs./ kWh
HT 1.1 Steel Industries at 33 kV	310	2.30	330	2.75	330	2.75
HT 1.2 Steel Industries at 11 kV	320	2.40	340	2.85	340	2.85
HT 2 Other HT Industries at 11 kV	320	2.90	340	3.30	340	3.30

Category of Consumer	Existing Tariff of JSPL-D		Proposed Tariff by JSPL-D		Tariff for CSPDCL as per Order dated March 31, 2011	
	Demand Charges	Energy Charges	Demand Charges	Energy Charges	Demand Charges	Energy Charges
Unit	**Rs. /kW / Month**	**Rs./ kWh**	**Rs. /kVA / Month**	**Rs./ kWh**	**Rs. /kWh**	**Rs./ kWh**
LT 1.1 Non-Domestic (Normal Tariff)						
0-100 Units	50	2.75			2.25	1.50
0-500 Units	50	3.25			2.45	1.65
0-Above 500 Units	50	3.75			2.80	1.90
LT 1.2: Non Domestic (Demand Based Tariff)	125	3.50	150	3.80	Rs. 135/ kW/ month	3.80

4.12 The Commission in this Order has considered Revenue at approved Tariffs for one and half months ,i.e., for half of the month of February 2012 and entire March 2012 and at existing Tariffs for ten and half months from April 1, 2011 to mid-February 2012 for the purpose of calculating Revenue for FY 2011-12. However any revenue gap pertaining to FY 2011-12 on account of Tariffs approved by the Commission will be absorbed by the non-licensed business segment of JSPL.

4.13 The Commission after scrutinising the Petition has calculated the revenue gap at approved Tariffs which is tabulated as under:

Table 62: Revenue Gap computed for FY 2011-12

S. No	Particulars	Amount (Rs. Lakh)
1	ARR	19,556.06
2	Revenue at existing Tariff for ten and half months	15748.38
3	Revenue at approved Tariff for FY 2011-12 for one and half months	2615.89
4	Revenue for FY 2011-12	18364.28
5	**Revenue Gap**	**1,191.78**

IV. Tariff Design for Various Consumer Categories

4.14 JSPL-D in its Tariff proposal has not proposed any new consumer category.

4.15 The Commission observed that JSPL-D is not treating energy consumption on account of Street Lighting as a part of energy sales. The Commission has not considered sales on account of Street Lighting but has directed JSPL-D to properly treat energy consumption on account of Street Lighting from FY 2012-13 onwards.

4.16 The Commission has observed that JSPL-D has proposed the Tariffs for limited categories of consumers which are said to be presently available. The possibility of entry of any new consumer whose category is not within the categories as mentioned by JSPL-D cannot be ruled out. Therefore the Commission directs that for such consumers for whom, Tariff is not given in this Tariff Order, the Tariff and the terms and conditions as mentioned in the Tariff Order dated March 31, 2011 issued by the Commission for CSPDCL will be applicable except the applicability of TOD Tariff.

LT Tariff

LT-1: Non-Domestic

4.17 Based upon the demand presently there are two Tariff structures which a Non-Domestic Consumer can opt.

4.18 JSPL-D proposed to charge all Non-Domestic Consumers on the basis of Demand Based Tariff, i.e., LV-2.2: Non-Domestic (Demand based Tariff) only. The Commission has observed that for such consumers of CSPDCL option is available whether they want to opt for Demand Based Tariff or not. The Commission feels that such option should be available for such consumers of JSPL-D also which are having Contract Demand of 15 KW to 75 KW.

HT Tariff

HT-1: Steel Industries

4.19 The Tariff for this category has been increased to reflect increase in Cost of Supply and ARR.

HT-2: Other Industries

4.20 The Tariff for this category has been increased to reflect increase in Cost of Supply and ARR.

Time of Day (ToD) Tariff

4.21 JSPL-D in its Tariff Proposal has proposed to implement Time of Day (ToD) Tariff. The Commission understands that HT Industries are the major consumers which are responsible for more than 99% of the total demand. In such condition, implementation of ToD Tariff is not feasible. The principle of implementation of TOD Tariff is to ensure shifting of the demand on Load Curve at a particular time interval to some other time interval. Since 99% of the total consumption is mainly on account of HT Industries, shifting the demand from one time interval to other will not solve the purpose. Implementation of ToD Tariff is not effective in lesser number of consumer categories. Therefore the Commission does not agree with the proposal of JSPL-D regarding application of TOD Tariff.

Revenue at approved Tariff

4.22 The expected consumer category-wise revenue at existing Tariff for ten and half months and at approved Tariff for one and half months given in the Tariff Schedule and Average Billing Rate (within category) for FY 2011-12 is tabulated as under:

Table 63: Revenue at approved Tariff

S. No	Consumer Category	Total Revenue	Consumption
		Rs. Lakh	MU
1	LT Non-Domestic	5.34	0.13
2	HT-11 kV-Steel & Ferrous	1989.26	60.19
3	HT-33 kV-Steel & Ferrous	16336.58	526.78
4	HT-11 kV-Other HT Industries	33.09	0.91
5	**Total**	**18364.28**	**588.01**

4.23 Since JSPL-D has already given an undertaking that any revenue gap pertaining to FY 2011-12 will not be carried forward in future years Tariff determination exercise, the Commission has not given any treatment to the Revenue Gap shown in the above table and the same will not be carried forward in future years Tariff determination exercise.

Date of applicability of tariff

4.24 In accordance with the CSERC (Details to be Furnished by the Licensees or Generating Company for Determination of Tariff and Manner of Making Application) Regulations, 2004 a public notice of seven (7) days has to be given before implementation of the tariff order. The retail tariff approved as per the tariff schedule in this order shall be applicable accordingly.

4.25 This order shall remain in force till 31st March 2012 or till the next tariff order of this Commission.

4.26 The Commission directs the company to take immediate steps to implement the tariff order. They shall give a public notice of seven days in accordance with the CSERC (Details to be furnished by the licensees or generating company etc.) Regulations, 2004 before implementation of tariff.

5 Tariff Schedule for FY 2011-12

The detailed Tariff Schedule for various consumer categories have been given in this part:

1.1 Tariff Schedule for LT Consumers

LT-1: L.T. Non-Domestic

1. Applicability

This tariff shall be applicable to light and fan and power to shops, show rooms, business houses, offices, educational, public buildings, town halls, clubs, gymnasium and health clubs, meeting halls, places of public entertainment, circus, hotels, cinemas, railway stations, private clinics and nursing homes including X-rays plant, diagnostic centers, pathological labs, carpenters and furniture makers, juice centres, hoardings and advertisement services, public libraries and reading rooms, typing institutes, internet cafes, STD/ISD PCO's, FAX/ photocopy shops, tailoring shops, photographers and colour labs, laundries, cycle shops, compressors for filling air, single phase toy making industry, nickel plating on small scale, restaurants, eating establishments, Government circuit houses/rest houses, guest houses, marriage gardens, farmhouses being used for commercial purposes, book binders, petrol pumps and service stations.

2. Tariff

Category of Consumer	Unit Slabs (Non-Telescopic)	Fixed Charges Rs/kWh	Energy Charges Rs/kWh	Minimum Fixed Charge
LT-1.1 Non-Domestic (Normal Tariff)	0-100 Units 0-500 Units 0-Above 500 Units	Rs. 2.25 Rs. 2.45 Rs. 2.80	1.50 1.65 1.90	Single Phase Rs. 50 Per Month Three Phase Rs. 200 Per Month
LT-1.2: Non Domestic (Demand Based Tariff) (for contract demand of 15 to 75 kW)		Demand Charges-Rs. 135/ kW / Month on Billing Demand	3.80	

<u>Note:</u>

i. The tariff LT-1.2 will be optional.

ii. Demand based tariff LT– 1.2 is applicable for contracted demand from 15 KW to75 KW.

iii. The Demand charge on contract demand of tariff LT-1.2 is a monthly minimum charge whether any energy is consumed during the month or not.

1.2 Terms and Conditions of L.T. Tariff

1) Energy will be supplied to the consumer ordinarily at a single point for the entire premises of the consumer.

2) No new L.T. connection above 75 KW of contract demand /100HP of contracted load shall be served.

3) Contracted load/ connected load or contact demand /maximum demand in fraction shall be rounded off to the next whole number.

4) For the purpose of Demand Based Tariff (LT-1.2)

    i) ***Determination of Maximum Demand*** - The maximum demand of the consumer in each month shall be twice the largest amount of Kilo Watt hours delivered at the point of supply of the consumer, during any consecutive thirty minutes, in that month.

    ii) ***Billing Demand –*** The billing demand for the month shall be the actual maximum KW demand of the consumer recorded during the month or 75% of the contract demand or 15 KW, whichever is higher. The billing demand shall be rounded off to the nearest integral figure, the fraction of 0.5 or above will be rounded to the next higher figure and the fraction of less than 0.5 shall be ignored.

    iii) ***Minimum Charge*** – The demand charge on contract demand (CD) is a monthly minimum charge whether any energy is consumed during the month or not.

    iv) There shall be no restriction on connected load for applicability of demand based tariff.

5) All LT non-domestic consumers with contracted load/connected load of 15 ***KW*** or above, shall arrange to install low tension suitable capacitors of appropriate capacity at their cost. The consumer shall ensure that the capacitors installed by him properly match with the actual requirement of the load so as to ensure average monthly power factor of 85% or above. A consumer who fails to do so will be liable to pay low power factor surcharge @ 30 (thirty) paise per unit on the entire consumption of the month.

6) All LT installations having welding transformer are required to install suitable capacitor(s) so as to ensure power factor of not less than 85%. Consumers not complying with the above shall have to pay surcharge of 75 (seventy-five) paise per unit on the entire monthly consumption, provided the load of the welding transformer(s) exceeds 25% of the total connected load

    Note - For the purposes of computing the connected load in KW of welding transformers, a power factor of 0.6 shall be applied to the KVA rating of such welding transformers. The KVA rating can also be calculated on the basis of load voltage and maximum load current on secondary side of welding machine.

7) The average monthly power factor recorded in the meter shall be considered for billing of power factor surcharge or power factor incentive, as the case may be.

8) Levy of power factor surcharge as indicated above, shall be without prejudice to the rights of the JSPL-D to disconnect the consumer's installation after issue of 15 day's notice if the average monthly power factor remains 0.7 or below for a period of more than two consecutive months. It shall remain disconnected till the consumer makes suitable arrangements to improve the power factor to the satisfaction of the JSPL-D.

9) Notwithstanding the above the average monthly power factor of a new consumer is found to be less than 85% at any time during the first six months from the date of connection and if he maintains average monthly power factor in subsequent three months at not less than 85% then the surcharge billed on account of low power factor during the said period shall be withdrawn and credited in next month bill.

10) All categories of LT consumers in whose case power factor surcharge is applicable; shall also be eligible for power factor incentive. Such incentive shall be payable @ of **10 paise** per unit on the entire consumption of that month in which he maintains an average monthly power factor equal or above 90% and @ **20 paise** per unit of entire consumption of that month in which he maintains an average monthly power factor 95% or above.

11) Provisions of billing in case of Excess Supply

i. For Normal Tariff consumers

In case the connected load or the maximum demand of LT consumer is found at any time in excess of contracted load, the consumer shall have to pay charges at tariff (fixed and energy charge) corresponding to the excess load at the rate of one and half times the normal tariff for the excess load to the extent of 20% of contracted load and at the rate of two times of the normal tariff if the excess load is found beyond 20% of contracted load for actual period of enhancement of load or 6 months whichever is less, including the month in which the existence of excess load is detected and shall be continued to be billed till excess load is removed or contract load is enhanced.

ii. For Demand Based tariff consumers

a. Consumers availing supply at demand based tariff (LT- 1.2) should at all the times restrict their maximum demand to the contract demand.

In case the maximum demand in any month exceeds the contract demand, the said demand based tariff (LT- 1.2) shall apply only to the extent of the contract demand and corresponding units of energy. The demand in excess of contract demand and corresponding units of energy shall be treated as excess supply. The excess supply so availed, in any month, shall be charged at the rate of one and half times of the normal tariff applicable to the consumer (fixed and energy charges) for the excess demand to the extent of 20% of contract demand and at the rate of two times of normal tariff if the excess demand is found beyond 20% of contract demand.

b. For the purpose of billing of excess supply, the billing demand and the units of energy shall be determined as under:
   i. Billing demand: The demand in excess of the contract demand in any month shall be the billing demand.
   ii. Units of Energy: the units of energy corresponding to KW portion of the demand in excess of the contract demand shall be:-

$$EU=TU\ (1-CD/MD)$$

   Where,

   EU – denotes excess units;

   TU – denotes total units supplied during the month;

   CD – denotes contract demand, and

   MD – denotes actual maximum demand.

c. The excess supply availed in any month shall be charged along with the monthly bill and shall be payable accordingly.
d. The above billing of excess supply at one and half times / two times of the normal tariff, shall be applicable to consumers without prejudice to JSPL-D's right to discontinue supply in accordance with the provisions contained in the Chhattisgarh State Electricity Supply Code.

12) Delayed Payment Surcharge

If the bill is not paid by the consumer within the period (due date) prescribed for payment of the bill, a surcharge @ 1.5% per month or part thereof, on the total outstanding amount of the bill (including arrears, if any, but excluding amount of surcharge), subject to minimum of Rs. 5 shall be payable in addition, from the due date of payment as mentioned in the bill.

13) Advance Payment Rebate –

A rebate @ 0.5% per month will be payable on net amount of advance at the end of the billing cycle of that particular month, subject to the net amount of advance is not less than Rs.500, and shall be adjustable in next month's bill.

14) Rounding off

The bill shall be rounded off to the nearest multiple of Rs.10. Difference, if any, between the bill amount before and after rounding off, shall be adjusted in next month's bill.

For example:- If the total amount of bill is Rs. 235.00, then the bill shall be rounded off to Rs. 240 and Rs. 5.00 will be credited in next month's bill

Whereas if the total amount of bill is Rs. 234.95, then the bill will be rounded off to Rs. 230 and Rs. 4.95 will be debited in next month's bill. In view of the above provision no surcharge will be leviable on outstanding amount which is less than Rs. 10.

15) **Dispute on Applicability of tariff**

In case of any dispute on applicability of tariff to a particular LT category, the decision of the Commission shall be final and binding.

16) **Tax or Duty**

The tariff does not include any tax or duty, etc. on electrical energy that may be payable at any time in accordance with any law in force. Such charges, if any, shall be payable by the consumer in addition to tariff charges.

17) Meter Hire shall be charged as per prevailing rate made applicable by JSPL-D for this purpose to all category of LT Consumer except the consumers of domestic light and fan category. Domestic Light and Fan Category shall not pay meter hire charges.

18) All the above conditions of tariff shall be applicable to the consumer notwithstanding the provisions, if any, in the agreement entered into by the consumer with the licensee.

1.3 Tariff Schedule for HT Consumers

HT-1: H.T. Steel Industries

1. Applicability

This tariff is applicable to steel industries i.e. for mini steel plants, rolling mills, sponge iron plants, Ferro alloy units, steel casting units, and combination thereof including wire drawing units with or without galvanizing unit; for power, lights, fans, cooling ventilation etc. which shall mean and include all energy consumption in factory and consumption for residential and general use therein including offices, stores, canteen compound lighting etc.

2. Tariff

Category of Consumer	Demand Charges	Energy Charges
	Rs/kVA/ Month	Rs/kWh
HT 1.1 Steel Industries at 33 kV	330	2.75
HT 1.2 Steel Industries at 11 kV	340	2.85

3. Determination of Demand

The maximum demand of the supply in each month shall be four times the largest number of Kilo Volt Ampere hours delivered at the point of supply during any consecutive 15 minutes in the month as per sliding window principle of measurement of demand.

HT-2: Other HT Industries

1. Applicability

This tariff shall be applicable to industries other than low load factor industries, steel and cement industries. for power, lights, fans, cooling ventilation etc. which shall mean and include all energy consumption in factory and consumption for residential and general use therein including offices, stores, canteen yard lighting etc.

2. Tariff

Category of Consumer	Demand Charges Rs/kVA/ Month	Energy Charges Rs/kWh
HT-2 Other HT Industries at 11 kV	340	3.30

3. Determination of Demand

The maximum demand of supply in each month shall be two times the largest number of Kilo Volt Ampere hours delivered at the point of supply during any consecutive 30 minutes during the month as per sliding window principle of measurement of demand. However, for fluctuating loads of industries such as electro-chemical, electro-thermal and gas manufacturing units etc., the maximum demand for supply in each month shall be four times the largest number of Kilo Volt Ampere hours delivered at the point of supply during any consecutive 15 minutes during the month as per sliding window principle of measurement of demand.

1.4 TERMS AND CONDITIONS OF HT TARIFF

1) The Maximum and Minimum contract demand for different supply voltage are governed as per provision in Supply Code 2011.

   Deviation in Contract demand, if any, in respect of the provisions on account of technical reasons may be permitted with the approval of the Commission and billing shall be done accordingly.

2) **Point of Supply**

   Power will be supplied to a consumer ordinarily at a single point for entire premises.

iii. **Billing Demand**

   The billing demand for the month shall be the maximum demand (in KVA) of the consumer recorded during the billing month or 75% of the contract demand subject to minimum of 60 KVA. The billing demand shall be rounded off to the nearest integral figure, the fraction of 0.5 or above shall be rounded to the next higher figure and the fraction less than 0.5 shall be ignored.

iv. **Minimum Charge**

   The demand charge on contract demand is a monthly minimum charge whether any energy is consumed during the month or not.

v. **Power Factor Incentive / Surcharge**

   a) If the average monthly power factor of the consumer increases above 95%, he shall be paid an incentive at the following rate :

For each one percent increase by which his average monthly power factor is above 95%, upto unity power factor	-	One percent (1%) of the total amount of the bill under the head 'energy charge'

b) If the average monthly power factor of the consumer falls below 90%, he shall pay a surcharge in addition to his normal tariff, at the following rate:

For each one percent by which his average monthly power factor falls below 90% upto 85%	-	One percent (1%) of the total amount of the bill under the head 'energy charge'

c) If average monthly power factor of the consumer falls below 85%, he shall pay a surcharge in addition to his normal tariff at the following rate :

For each one percent by which his average monthly power factor falls below 85%	-	Two percent (2%) of the total amount of the bill under the head 'energy charge'

d) If the average monthly power factor of the consumer falls below 70%, then the JSPL-D shall have the right to disconnect supply to consumer's installation after serving a notice of 15 days. Supply may be restored only after steps are taken to improve the power factor to the satisfaction of the JSPL-D. This is, however, without prejudice to the levy of surcharge for low power factor in the event of supply not being disconnected.

e) For this purpose, the "average monthly power factor" is defined as the ratio of total 'Kilo Watt hours' to the total 'Kilo Volt Ampere hours' recorded during the month. This ratio will be rounded off to two figures after decimal, 5 or above in the third place after decimal being rounded off to the next higher figure in the second place after decimal.

f) Notwithstanding the above, if the average monthly power factor of a new consumer is found to be less than 90% at any time during the first 6 (six) months from the date of connection, and if he maintains the average monthly power factor in subsequent three months at not less than 90%, then the surcharge billed on account of low power factor during the said period, shall be withdrawn and credited in next month's bill

vi. **Rounding off**

The amount of H.T. energy bill shall be rounded off to the nearest multiples of Rs. 10.

For example:- If the total amount of bill is Rs. 235.00, then the bill shall be rounded off to Rs. 240 and Rs. 5.00 will be credited in next month's bill

Whereas if the total amount of bill is Rs. 234.95, then the bill will be rounded off to Rs. 230 and Rs. 4.95 will be debited in next month's bill. In view of the above provision no surcharge will be leviable on outstanding amount which is less than Rs. 10.

vii. **Delayed Payment Surcharge**

If the bill is not paid by the consumer within the period prescribed (due date) for payment of the bill, a surcharge @ 1.5% per month or part thereof, on the total outstanding amount of the bill (including arrears, if any but excluding amount of surcharge), shall be payable in addition, from the due date of payment as mentioned in the bill.

viii. **Advance Payment Rebate**

A rebate @ 0.5% per month will be payable on net amount of advance at the end of the billing cycle of that particular month, subject to the net amount of advance is not less than Rs.20,000 and shall be adjustable in next month's bill.

ix. **Additional Charge for Exceeding Contract Demand**

The consumers should restrict their maximum demand to the extent of contract demand. In case the maximum demand during any month exceeds the contract demand, the foregoing tariffs shall apply only to the extent of the contract demand and corresponding units of energy. The demand in excess of contract demand and corresponding units of energy shall be treated as excess supply. The excess supply so availed, if any, in any month shall be charged at one and half times of the normal tariff applicable to the consumer (demand and energy charges) for the excess demand to the extent of 20% of contract demand and at the rate of two times of normal tariff if the excess demand is found beyond 20% of contract demand.

For the purpose of billing of excess supply, the billing demand and the units of energy shall be determined as under:-

a. Billing Demand / Contract Demand:

The demand in excess of the contract demand in any month shall be the billing demand/ contract demand of the excess supply.

b. Units Energy:

The units of energy corresponding to KVAs of the portion of the demand in excess of the contract demand shall be:

$$EU=TU\ (1-CD/MD)$$

Where,

EU -denotes units corresponding to excess supply;

TU-denotes total units supplied during the month;

CD-denotes contract demand; and

MD- denotes maximum demand.

The excess supply availed in any month shall be charged along with the monthly bill and shall be payable by the consumer.

The billing of excess supply at one and half times of the normal tariff applicable to consumer is without prejudice to the licensee's right to discontinue the supply in accordance with the provisions contained in the Chhattisgarh State Electricity Supply Code. (Supply Code)

c. No rebate / incentive is payable on such excess supply.

x. **Additional Charge**

The HT consumers having contract demand exceeding the maximum limit as prescribed in clause 1 of these terms and conditions with the approval of competent authority, shall be levied additional charges at the rate of 5% on energy charges of the respective consumer category.

xi. Meter Hire shall be charged as per prevailing rate made applicable by JSPL-D for this purpose to all category of HT Consumer.

xii. **Tax or Duty**

The tariff does not include any tax or duty, etc. on electrical energy that may be payable at any time in accordance with any law / State Government Rules in force. Such charges, if any, shall be payable by the consumer in addition to tariff charges.

xiii. **Dispute on Applicability of Tariff**

In case of any dispute on applicability of Tariff to a particular HT category, the decision of the Commission shall be final and binding.

xiv. All the above conditions of Tariff shall be applicable to the consumer notwithstanding the provisions, if any, in the agreement entered into by the consumer with Licensee.

Tariff and Terms and Conditions for Other Consumer Categories not specified in this Tariff Order

For such consumers for whom, Tariff is not given in this Tariff Order, the Tariff and the terms and conditions as mentioned in the Tariff Order dated March 31, 2011 issued by the Commission for CSPDCL will be applicable except the applicability of TOD Tariff.

6 DIRECTIVES FOR JSPL-D

Status of Directives Given by the Commission in Previous Tariff Order

6.1 **Separation of Accounts**

As regards Separation of Accounts the Commission directed as under in Previous Tariff Order:

> *"In accordance with the terms and conditions of the license, a separate accounting of distribution and supply business is required to be maintained. This has repeatedly been brought to the notice of the licensee during the past. Separation of accounts may be confirmed within next 3 months. Failure to comply with direction will result in reduction in tariff to Rs. 2.50 per unit as is the licensee's agreement with most consumers."*

JSPL-D's Submission:

JSPL-D has segregated the accounts for the licensed Distribution & Retail supply business of electricity from the integrated accounts of JSPL for FY 2009-10. A separate accounting unit in JSPL's books of accounts has been created for recording separately all the accounting transactions relevant to the licensed distribution and retail supply business of electricity. Separate Balance Sheet and Profit & Loss Account is being prepared for the licensed distribution & retail supply of electricity.

Commission's View:

The Commission does not appreciate the delay occurred in Segregation of Accounts The Commission hereby again directs that JSPL-D should positively submit the segregated accounts for distribution business within 3 months of issuance of this Order.

6.2 **Compliance with provisions of Supply Code**

As regards Compliance with provisions of Supply Code the Commission directed as under in Previous Tariff order:

> *"While going through the list of consumers, it was noticed that connections were supplied without any consideration of the supply voltage. Connection of 6500 KVA has been served on 11 KV voltage, while 1500 KVA load has been served on 33 KV voltage. Reason for this could not be explained by the licensee during the discussions. The provisions of Supply Code in this regard should be followed."*

JSPL-D's Submission:

JSPL-D submitted that it had issued a letter dated September 26, 2009 for conversion of supply voltage from 11 KV to 33 KV, to the consumers having supply voltage at 11 KV instead of 33 KV as per the requirement of the provisions of the Chhattisgarh State Electricity Supply Code, 2005. JSPL further submitted that it also directed the consumers to arrange for the conversion of supply voltage facility at their end from 11 KV to 33 KV within 3 months time. JSPL submitted that there is resistance from the consumers to convert the supply voltage because it would result into an additional financial burden on them. However, JSPL is pursuing the matter with the consumers to comply with the directive of the Commission.

Commission's View:

The Commission directs JSPL-D to ensure the compliance of above directive of the Commission as per provisions of Supply Code 2011 and should submit a detailed report in this regard within 3 months from the date of this Order.

6.3 **Long Term Power Procurement**

As regards long term power procurement the Commission directed as under in Previous Tariff order:

> *"As the license has been provided for 25 years, efforts for procuring power on long term basis should be made, so as to get power at cheaper rates."*

JSPL-D's Submission:

JSPL-D submitted that it had invited bids for procurement of power for supply to consumers in the licensed area under the Case-I bidding framework. The process of procuring power through tariff based competitive bidding process as specified under Section 63 of the Electricity Act was completed in accordance with the Commission's directives and M/s Jindal Power Ltd agreed to supply at the rate of Rs 5.40/ unit (after negotiation) to JSPL for a period of three years. JSPL requested the Commission vide its letter dated September 29, 2008 to accord its approval for the negotiated power purchase rate of Rs 5.40/ unit, but vide order dated December 3, 2008, the Commission did not accept the power purchase rate. The Commission further stated that it would consider the issues related to the procurement of power at the time of determination of the annual revenue requirement for FY 2009-10 but vide the order dated July 27, 2009 at time of determination of annual revenue requirement for FY 2009-10, the Commission directed JSPL to make efforts for procuring power on long term basis. In compliance to the directive of the

Commission, JSPL is again initiating a process for procurement of power under competitive bidding process.

Commission's View:

The Commission observed that it has given specific directive in this regard in its Order dated December 31, 2011 in Petition Number 26 of 2011.

Compliance with provisions of CSERC (Security Deposit Regulations), 2005

As regards CSERC (Security Deposit Regulations), 2005 the Commission directed as under in Previous Order:

> *"The licensee shall comply with the provisions of the CSERC (Security Deposit) regulations, 2005 and shall pay interest to the consumers on the security deposit held."*

JSPL-D's Submission:

JSPL-D has submitted that it has created a provision for payment of interest on security deposit in accordance with the requirement of the provision of the CSERC (Security Deposit) Regulations, 2005. JSPL has recomputed the amount of security deposit as per the norms prescribed under the regulation and it shall demand the addition security deposit (if any), w.e.f. 1st April 2010 from the consumers.

Commission's View:

In this regard the Commission has already given direction in Para-2.109 and 3.145 in this Order.

6.4 Capital Expenditure in each year

As regards Capital Expenditure in each year, the Commission directed as under in the previous order:

> *"The capital expenditure of each year may be got approved from the Commission in advance."*

JSPL-D's Submission:

JSPL-D has submitted that the projected capital expenditure for future financial years are nil, therefore JSPL has not taken approval for proposed capital expenditure. However, JPSL ensures that if any capital expenditure is being projected for any future financial year, it shall comply with the directive of the Commission and get the estimated capital expenditure in advance.

Commission's View:

The Commission has not considered any capitalisation from FY 2009-10 to FY 2011-12 according to the submission of JSPL-D in the Petition. However, the direction given by the Commission will continue for Capital expenditure to be incurred by JSPL-D in future years.

6.5 **Preparation of Asset Register**

As regards preparation of Asset Register, the Commission directed as under in the Previous Order:

> *"The asset register may be prepared separately for the licensed business and depreciation may be calculated each year."*

JSPL-D's Submission:

JSPL-D has submitted that it has prepared separate fixed assets register along with the depreciation for the segregated fixed assets for the licensed distribution & retail supply business.

Commission's View:

The Commission has noted the submission made by JSPL-D.

6.6 **Miscellaneous Charges**

As regards miscellaneous charges, the Commission ruled as under:

> *"Approval of miscellaneous charges may be got done from the Commission."*

JSPL-D's Submission:

JSPL-D requested the Commission to allow the recovery of the miscellaneous charges as applicable to the CSPDCL.

Commission's View:

The Commission directs that JSPL-D should submit separate Petition related to approval of miscellaneous charges within three months from the date of issuance of the Order.

6.7 **Power Procurement from Renewable Energy Sources**

As regards Power Procurement, the Commission ruled as under:

> *"Every distribution licensee should procure power from renewable sources in accordance with section 86(1)(e) of the Act and regulations made by the Commission thereon. The licensee has informed that they had issued a public*

notice once in local news papers of Raipur and Bilaspur and none has come forward to supply power. This is not acceptable. The licensee must make fresh efforts in this regard."

JSPL-D's Submission:

JSPL-D has submitted that it had already initiated the process for procurement of power from non-conventional sources through a publication of an advertisement in local news papers of Raipur and Bilaspur in July 2008. However, JSPL had not received any interest for supply of non-conventional power till date in response to this advertisement. JSPL has again invited the interested parties to supply power from non-conventional sources vide publication of advertisement in the local newspaper dated 18/12/2009 in order to comply with the directive of the Commission. It is also submitted that JSPL has not received any interest for supply of non-conventional power till date in response to this advertisement.

Commission's View:

The Commission has made the necessary allocation for this purpose in Para-3.46 of this Order. The Commission therefore directs JSPL-D for strict compliance of the provisions of CSERC (Renewable Purchase Obligation and REC framework Implementation) Regulations, 2011.

6.8 Direction for filing the Petition

As regards filing the Petition, the Commission directed as under in Previous Order:

"The licensee is directed to submit the next tariff application at the end of November, 2009 with complete information based on separate account of licensed business.

JSPL-D's Submission:

JSPL-D has not submitted any reply in regard to the above directive.

Commission's View:

The Commission directs JSPL-D to submit the next tariff application for FY 2012-13 with complete information based on separate account of licensed business at the earliest.

New Directives given in this Order

i) Employee Expenses

As detailed in Para-2.95 of this Order, the Commission directs JSPL-D to revisit the employee expenses for the Distribution Business and should endeavour to make it reasonable.

ii) Load Factor Incentive/ Demand Charges/ Additional Charge for exceeding Contract Demand

As detailed in Para-2.101, Para-2.165 and Para-2.168 respectively, the Commission directs JSPL-D to revisit the bills from the date of applicability of CSPDCL Tariff Order FY 2009-10 for JSPL-D's consumers by applying all the Terms and Conditions of CSPDCL Tariff Order FY 2009-10 in respect of Retail Supply Tariff Schedule and adjust such amount if any within 3 months from the date of issuance of this Tariff Order.

iii) Consumer Grievances

As detailed in Para-2.136, the Commission directs JSPL-D to ensure that consumer grievances are attended timely.

iv) Load Shedding

As detailed in Para-2.136, the Commission directs JSPL-D to ensure that no load shedding is done by JSPL-D without prior permission of the Commission.

v) Treatment of energy for Street Lighting

As detailed in Para-2.156, the Commission directs JSPL-D to properly account the sales and revenue received on account of street lighting in total energy sales within its area of Distribution Licensee.

vi) Short Term Power Purchase

As detailed in Para-2.74, the Commission directs JSPL-D that it may purchase the Short Term Power during FY 2012-13 till the Tariff decided through bidding process is adopted by the Commission under Section-63 of the Act. However JSPL-D should submit the Petition before the Commission for approval of Ceiling rate and terms and conditions for Short Term Power Purchase during FY 2012-13 within 15 days from the date of issuance of this Order.

vii) Metering data

As detailed in Para-3.26 the Commission directs JSPL-D to submit detailed metered data from FY 2011-12 onwards for the metering done at, the total energy injected in transmission system by agency(s) from which the power is sourced (source-wise), energy injected at distribution periphery and total energy sold to the consumers for proper evaluation of transmission and distribution losses.

viii) Non-Tariff Income

As detailed in Para- 3.157, the Commission directs JSPL-D to include income on account of sale of scrap, delayed payment surcharge etc. as a part of Non-Tariff Income.

Appendix-1: List of Persons who attended TVS

Technical Validation Meeting

TVS-1: Conducted on August 3, 2011

S. No	Name	Designation	Organization
1	Mr. Pradeep Tandon	Sr. Vice President	JSPL
2	Mr. Padam Mishra		PWC
3	Mr. S.K. Singh	AVP	JSPL
4	Mr. Arvind Dave	Sr. Manager	JSPL
5	Mr. S.V. Jichkar	Manager	JSPL
6	Mr. N.K. Chandiramani	AGM	JSPL
7	Mr. Amit Mittal	AGM	IMaCS
8	Mr. Shashi Goyal	Consultant	IMaCS
9	Mr. Rahul Dev Sangal	Consultant	IMaCS
10	Mr. Akil V Laxman		PWC
11	Mr. Debashish Das		PWC

TVS-2: Conducted on August 25, 2011

S. No	Name	Designation	Organization
1	Mr. Padam Mishra		PWC
2	Mr. S.K. Singh	AVP	JSPL
3	Mr. Arvind Dave	Sr. Manager	JSPL
4	Mr. Binod Kumar		JSPL
5	Mr. N.K. Chandiramani	AGM	JSPL
6	Mr. Amit Mittal	AGM	IMaCS
7	Mr. Shashi Goyal	Consultant	IMaCS