



TELANGANA STATE ELECTRICITY REGULATORY COMMISSION

11-4-660, 5th floor, Singreni Bhavan, Red Hills Hyderabad – 500 004

Present

Sri Ismail Ali Khan, Chairman
Sri H. Srinivasulu, Member
Sri L. Manohar Reddy, Member

Dated: 26-08-2017

O.P.No. 25 of 2016

The Co-operative Electric Supply Society Limited, Siricilla.

.... Applicant

The Commission having examined the Aggregate Revenue Requirement / Expected Revenue from Charges (hereinafter referred to as the 'ARR/ERC') filings for the financial year 2017-18 and the additional information and documents made available by the Applicant (hereinafter referred to as the "RESCO"), and the matter having stood over for consideration till this day passed the following:

ORDER

The Rural Electric Supply Co-operative Society Limited, Siricilla, has been exempted from the requirement of obtaining a Distribution and Retail Supply Licence for the supply area specified in the Licence granted to it earlier under AP Electricity Reform Act, 1998, for one year, from 10-06-2004 to 09-06-2005 as per the orders of the Commission dated 15-06-2004 which is separately being extended from time to time by the Commission. As per terms and conditions contained in the said exemption orders, the RESCO is required to file its ARR/ERC for the ensuing year by 30th November of current year.

2. The RESCO filed its ARR/ERC for the year 2017-18 on 30th November 2016. The ARR/ERC filings by the RESCO were found to be deficient in certain aspects and therefore, clarifications were sought from it. During the discussion they furnished the clarifications and further details as additional information to their original filings for consideration.

3. The Commission analysed the RESCO's filings for 2017-18 and considered the additional information submitted and clarifications provided by the RESCO. The Commission determined the ARR of the RESCO for FY 2017-18 as detailed hereunder:

4. Revenue Requirement:

A) Capital Base

i. Original Cost of Fixed Assets (OCFA) and Capital Works-in-Progress (CWIP):

The RESCO has projected Rs.7,871.62 lakhs under OCFA (excluding consumer contributions) and Rs.1,561.38 lakhs under CWIP in its ARR/ERC filings for 2017-18. Based on the audited accounts for the year 2015-16 and projections for the ensuing year submitted by the RESCO, the OCFA is arrived at Rs.7363.18 lakhs, after adjustment of consumer contributions Rs.6013.83 lakhs as projected by the RESCO. The CWIP figure has been arrived at Rs.1568.38 lakhs.

ii. Working Capital consists of:

1. Average Cost of Stores, and
2. Average Cash and Bank Balances

The RESCO has projected Rs.36.13 lakhs towards average cost of stores and Rs.205.88 lakhs towards average cash and bank balance. The Commission admits Rs.31.23 lakhs towards average cost of stores representing one month's average repairs and maintenance expenses and Rs.165.64 lakhs towards average cash and bank balances.

iii. Accumulated Depreciation:

The RESCO has projected depreciation at Rs.6,698.44 lakhs for FY 2017-18. Considering the audited financial statements of the RESCO for FY 2015-16 and historic information of capital expenditure and capitalisation of the assets, the Commission has arrived the depreciation for FY 2017-18 as Rs.6,288.88 lakhs.

iv. Other items:

The outstanding balance of approved loans was shown by the RESCO at Rs.36.83 lakhs for FY 2017-18 after repayment without obtaining any new loans. The consumer security deposits are projected at Rs.697.66 lakhs. The approved loans and the consumer security deposits as projected by the RESCO are accepted by the Commission.

v. Summary of Capital Base:

With the above the net capital base of the RESCO has been recomputed by the Commission as Rs.2,105.06 lakhs against RESCO filing of Rs. 2,242.08 lakhs as per the details given in the following table:

Table – 1**Statement of Net Capital Base:**

| Sl. No. | Particulars | 2017-18 | |
|----------|--|----------------|----------------|
| | | Filed | Approved |
| | Positive elements | | |
| 1 | Original Cost of Fixed Assets | 7871.62 | 7363.18 |
| 2 | Capital Works in Progress | 1561.38 | 1568.38 |
| 3 | Working Capital | | |
| | a) Average Cost of Stores | 36.13 | 31.23 |
| | b) Avg Cash and Bank balance | 205.88 | 165.64 |
| A | Total of positive items of Capital Base | 9675.01 | 9128.43 |
| | Negative elements | | |
| 1 | Accumulated Depreciation | 6698.44 | 6288.88 |
| 2 | Approved Loans | 36.83 | 36.83 |
| 3 | Consumer Security Deposit | 697.66 | 697.66 |
| 4 | Grants, aids & Subsidies | - | - |
| 5 | Development/T& D Reserve | - | - |
| B | Total of negative Capital Base | 7432.93 | 7023.37 |
| | Net Capital Base | 2242.08 | 2105.06 |

B) Expenditure Items:**i. Wages and Salaries:**

The RESCO has projected Rs.1,419.75 lakhs towards Wages and Salaries. After careful examination the Commission has accepted for the same.

ii. Administration and General Expenses and Repairs and Maintenance:

The RESCO projected Administration and General expenses Rs.199.62 lakhs and Repairs and Maintenance Rs.433.60 lakhs against which the Commission has approved Rs.167.94 lakhs and Rs.374.78 lakhs respectively. The Rent, Rates & Taxes are approved for Rs.5.00 lakhs and interest on loans of Rs.5.88 lakhs.

iii. Depreciation

The RESCO projected depreciation for Rs.491.00 lakhs. After taking into account of the expected capitalisation of the assets, the Commission has approved Rs.447.73 lakhs towards depreciation.

iv. Contributions to Employee pension and gratuity fund:

The RESCO projected contribution to employee pension and gratuity fund at Rs.400.00 lakhs. After careful consideration the Commission has approved Rs.400.00 lakhs.

v. Other expenditure items:

The RESCO projected Interest on security deposit for Rs.40.69 lakhs, legal charges and auditors expenses Rs.3.00 lakhs and Rs.8.00 lakhs respectively and the same are accepted by the Commission. The Other Expenses of Rs.27.34 lakhs projected by RESCO is disallowed.

vi. Total expenditure:

Based on the above changes, the total expenditure (excluding power purchase expenses) works out to Rs. 2,872.77 lakhs as against the RESCO's projection of Rs.3,033.88 lakhs as detailed in the following table:

Table - 2

| Statement of Expenses | | (Rs. in lakhs) | |
|------------------------------|------------------------------------|-----------------------|-----------------|
| Sl. No. | Particulars | 2017-18 | |
| | | Filed | Approved |
| 1 | Wages and Salaries | 1,419.75 | 1,419.75 |
| 2 | Admin & General Expenses | 199.62 | 167.94 |
| 3 | Repairs and Maintenance | 433.60 | 374.78 |
| 4 | Rent, Rates & Taxes | 5.00 | 5.00 |
| 5 | Approved Loan Interest | 5.88 | 5.88 |
| 6 | Depreciation | 491.00 | 447.73 |
| 7 | Contbn. to Employee Funds | 400.00 | 400.00 |
| 8 | Contbn. to Gratuity Fund | | |
| 10 | Interest on Security Deposit | 40.69 | 40.69 |
| 11 | Legal Charges | 3.00 | 3.00 |
| 12 | Auditors' Fees | 8.00 | 8.00 |
| 13 | Other Expenses/ I.Tax | 27.34 | - |
| | Expenditure (excl. PP Cost) | 3,033.88 | 2,872.77 |

C) Reasonable Return

As per the Net Capital Base as arrived in the Table-1 (above), the reasonable return works out to Rs.336.99 lakhs as against Rs. 312.28 lakhs submitted by the RESCO in their ARR filings.

D) Non-tariff Income

The non-tariff income of Rs. 675.60 lakhs as projected by the RESCO, the Commission after due consideration of the revenue has estimated at Rs.167.92 lakhs as certain tariff related incomes were classified under Non-Tariff Income.

E) The Revenue Requirement for the FY 2017-18

The Aggregate Revenue Requirement (excluding power purchase cost) works out to Rs. 3,041.84 lakhs (after taking into account the Reasonable

Return of Rs. 336.99 lakhs and Non-Tariff income of Rs. 167.92 lakhs) as against Rs. 2,670.56 lakhs projected by the RESCO in their ARR submissions. The brief summary of the ARR and energy requirements and the losses are tabulated below:

| Sl. No. | Particulars | RESCO | Approved |
|---------|--|----------------------------------|----------------------------------|
| | | Rs. Lakhs | Rs. Lakhs |
| 1. | Power Purchase cost | 7979.97 | 7498.32 |
| 2. | Other Expenditure | 3033.88 | 2872.77 |
| 3. | Reasonable Return (@ 16% p.a) | 312.28 | 336.99 |
| 4. | Gross ARR amount | 11326.13 | 10,708.08 |
| 5. | Less: Non-Tariff Income | 675.60 | 167.92 |
| 6. | Net Revenue Requirement | 10650.53 | 10540.16 |
| 7. | Revenue from Sale of power | 10103.95 | 10540.16 |
| 8. | Revenue Deficit (7-6) | -546.58 | Nil |
| 9. | Power Purchase Quantity | 798 MU | 749.83 MU |
| 10. | Category-wise Sale | 706.39 MU | 672.87 MU |
| 11. | Losses in (LT + 11kV) (MU) (%) -- | <u>91.61 MU</u> 11.48% | <u>76.96 MU</u> 10.26% |

F) Efficiency Gains

The Commission desires that the RESCO should make better efforts to improve its efficiency to reduce losses and collect arrears.

G) Expected revenue from charges (ERC)

The RESCO has filed the Expected Revenue from Charges at Rs. 10,103.95 lakhs adopting on the prevailing FY2016-17 tariffs. The Commission computed the category-wise revenue based on the Retail Supply Tariffs as determined for FY 2017-18 and arrived at as Rs. 10,540.16 lakhs. Category-wise sales and revenue projected by the RESCO and as approved by the Commission are given in the table below.

| Sl. No. | Particulars | 2017-18 | | | |
|---------|---------------------------------------|---------------|------------------------|---------------------|------------------------|
| | | ARR Filings | | Commission Approved | |
| | | Sales (MU) | Revenue (Rs. lakhs) | Sales (MU) | Revenue (Rs. lakhs) |
| | CATEGORY | | | | |
| 1 | LT I – Domestic | 108.34 | 3,368.79 | 115.50 | 3,731.89 |
| 2 | LT II - Non-Domestic | 17.29 | 1,511.78 | 18.15 | 1,675.56 |
| 3 | LT III – Industrial | 18.74 | 1,432.50 | 18.739 | 1,237.19 |
| 4 | LT IV - Cottage Industries | 36.21 | 1,535.05 | 36.206 | 1,533.41 |
| 5 | LT V - Irrigation and Agriculture | 489.67 | 245.26 | 448.00 | 242.80 |
| 6 | LT VI - Local Bodies, Street Lighting | 6.14 | 392.88 | 6.22 | 405.86 |
| 7 | LT VI - PWS | 28.35 | 1,487.44 | 28.355 | 1,601.45 |
| 8 | LT VII - General Purpose | 1.65 | 130.25 | 1.652 | 112.00 |
| 9 | LT VIII - Temporary Supply | | | | |
| | Total | 706.39 | 10,103.95 | 672.82 | 10,540.16 |

H) Amount available with the RESCO for power purchase

The amount available with the RESCO for power purchase, after meeting the other expenditure from the revenue, has been computed at Rs. 7,498.32 lakhs.

5. Quantum of power purchases by RESCO

The RESCO has projected power purchase of 798.00 MU (gross) for FY 2017-18. The Commission has recomputed it to be 749.83MU (gross) duly considering agricultural sales at 448 MU as against the RESCO projection of 489.67 MU.

6. Power purchase price

Based on the above mentioned power purchase volume of 749.83 MU, the power purchase price for the RESCO arrived at as Rs.1.00 per kWh to be supplied by the TSNPDCL during FY 2017-18 for purchase of energy by RESCO from TSNPDCL. In case of additional purchases from TSNPDCL for sale to Agricultural & Non-Agricultural category consumers over and above the approved quantities shall be dealt as:

- a) If the excess draws by the RESCO is on account of their additional sale to agricultural consumers, then for "Any such additional purchase by the RESCO to meet its additional sales to Agricultural demand shall be given the same treatment by the DISCOMs as it accounts for its additional sales to that category."
- b) If the excess draws by the RESCO is attributable to their sales to non-agricultural consumers, then "the RESCO shall have to pay to the respective DISCOM for such additional units (i.e., kWh) drawn at a rate equivalent to 75% of their weighted average revenue realisation relevant to those additional non-agricultural sales relevant to that financial year in which such additional purchases were made for catering to the non-agricultural category consumers."

The RESCO shall follow all the guidelines/regulations applicable to Licensees (DISCOMs) for power purchases.

7. Tariffs

The RESCO shall charge Retail Supply Tariff as per the Commission's Order in O.P. No. 23 of 2016, dated:26.08.2017 on Retail Supply Tariffs for 2017-18, issued separately, as applicable in the case of TSNPDCL. The RESCO shall also comply with all Directives contained in that Order in so far as those are applicable to it. The RESCO was already directed in tariff Order for FY 2016-17 not to release new services with more than 100 HP load under LT-III Industrial and also make necessary arrangements for separation of the existing services having contracted load more than 100 HP from the RESCO network for billing purpose for accounting

the energy and hand over the same to the TSNPDCL by 31.12.2016. A status report on the same is required to be submitted by end of August 2017 to the Commission. Till such time the services if any being billed under HT-I category Tariff as applicable for FY 2017-18 and the revenues so realised from these services shall be kept by the RESCO separately and shall handed over to the DISCOM by 31.12.2017 without fail and report the compliance to the Commission. This practice shall be discontinued by RESCO from 1st January 2018.

8. Settlement of energy:

For billing net energy to the RESCO, all the 11 kV HT services released by TSNPDCL but existing in the RESCO network and the existing services having contracted load of more than 100 HP existing in RESCO area and handed over to TSNPDCL but not separated from RESCO network, the energy settlement shall be done as follows.

$$E = F - \{H / (1 - L)\}$$

Where

E = Energy to be billed on the RESCO by the TSNPDCL towards the net energy supplied

F = Sum of energy recorded on all the (TSNPDCL-RESCO) interface meters (Gross energy)

H = Sum of energy recorded in the meters of all the 11 kV HT services released by TSNPDCL but existing in the RESCO network and the existing services having contracted load of more than 100 HP, existing in RESCO area, and handed over to TSNPDCL but not separated from RESCO network

L = Percentage of loss at 11 kV level as per the Distribution Tariff Order dated: **26.08.2017** for TSNPDCL i.e., for FY 2017-18 is 4.20 %

9. Commission's Directives for 2017-18:

The Commission directs that the RESCO shall comply with all ongoing directives and further that RESCO should devise a special action plan and make concerted efforts on the important issues cited below and file reports on status of compliance thereto at the end of every quarter during FY 2017-18.

- i. The RESCO shall not release new agricultural service without DSM measures and ensure pump sets shall be of 5 stars rated.
- ii. The RESCO shall build the sales database for the entire RESCO as directed in earlier Tariff Orders.
- iii. The Commission directs that the RESCO shall collect 100% of outstanding dues, as on 31-03-2017, from its consumers.
- iv. The RESCO shall collect 100% current consumption charges and effect immediate disconnection for consumers with pending dues (including arrears) of more than two months' current billing amount.
- v. The RESCO shall regularly pay the full amount due to TSNPDCL for power

purchase at the rate fixed by the Commission, failing which the TSNPDCL shall stop power supply to the RESCO immediately.

- vi. The RESCO shall endeavour not to exceed agricultural consumption to 448.00 MU in FY 2017-18 as this is done under 9 hrs supply presumption. In case of Government policy a situation so arises to exceed in FY 2017-18, the same needs to be intimated to the Commission for necessary directions in this case.
- vii. The audited accounts must disclose the category-wise details of units sold and the energy purchased for that year.
- viii. The Commission has approved the consolidated losses (11 kv and LT) at 10.26% for the RESCO. The RESCO shall put in its best efforts to bring down these losses to 10.15% by the end of FY 2017-18.
- ix. The RESCO shall bring down Transformer failure to 6.25% per annum by the end of FY 2017-18.
- x. The RESCO shall identify and disconnect multiple connections (in Domestic and Commercial categories) to the same premises (meant for the same family / organization).
- xi. The RESCO shall conduct energy audit in all Mandal headquarters in its licensed area and file quarterly reports, also indicating there-in the progress made month-wise.
- xii. A mechanism consisting of one Asst. Divisional Engineer and one Junior Accounts Officer may be established for registering of consumer complaints and redressal of the same. A quarterly report on numbers of complaints registered, redressed and pending may submitted to the Commission.
- xiii. Appropriate action may be taken for timely settlement of electrical accident cases in terms of the Commission's proceedings dated: 28.12.2015.

9. The Commission does not consider the RESCO's expenditure/ revenue calculations as filed to be in accordance with the requirement. The Commission has instead proposed alternative calculations for the ARR/ERC and the rates for power purchases from TSNPDCL which the RESCO shall accept and implement as contained in this order.

This order is signed on this day the 26th August, 2017.

Sd/-
(H. Srinivasulu)
Member

Sd/-
(Ismail Ali Khan)
Chairman