



**ASSAM ELECTRICITY REGULATORY COMMISSION
(AERC)**

**Assam Electricity Grid Corporation Limited
(AEGCL)**

**TARIFF ORDER
FY 2010-11 to 2012-13**

Petition No. 7/2010

ASSAM ELECTRICITY REGULATORY COMMISSION

A.S.E.B. Campus, Dwarandhar,

G. S. Road, Sixth Mile, Guwahati - 781 022

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Abbreviations

ABT	Availability Based Tariff
ADB	Asian Development Bank
AEGCL	Assam Electricity Grid Corporation Limited
AERC	Assam Electricity Regulatory Commission
APDCL	Assam Power Distribution Company Limited
APDRP	Accelerated Power Development and Reforms Programme
APGCL	Assam Power Generation Corporation Limited
ARR	Annual Revenue Requirement
ASEB	Assam State Electricity Board
BST	Bulk Supply Tariff
CSGS	Central Sector Generating Stations
CV	Calorific Value
CWIP	Capital Works In Progress
FY	Financial Year
GCV	Gross Calorific value
GFA	Gross Fixed Assets
GoA	Government of Assam
Gol	Government of India
KLHEP	Karbi Langpi Hydro Electric Project
KV	Kilo Volt
KVA	Kilo Volt Ampere
KW	Kilo Watt
KWH	Kilo Watt Hour
LTPS	Lakwa Thermal Power Station
MMSCMD	Million Metric Standard Cubic Meter per day
MU	Million Unit
MYT	Multi-Year-Tariff
NCV	Net Calorific value
NEC	North Eastern Council
NERLDC	North Eastern Regional Load Despatch Centre
NTPS	Namrup Thermal Power Station
PAF	Plant Availability Factor
PFC	Power Finance Corporation
PGCIL	Power Grid Corporation of India Limited
PLF	Plant Load Factor
R&M	Repairs and Maintenance
Rs.	Rupees
SHR	Station Heat Rate
SLDC	State Load Despatch Centre
T&D	Transmission and Distribution
T.C.	Transportation Cost
UCPTT	Unified Common Pool Transmission Tariff
Wt. Av.	Weighted Average

ASSAM ELECTRICITY REGULATORY COMMISSION
Guwahati

Present

Shri Jayanta Barkakati, Chairperson

Dr. Rajani Kanta Gogoi, Member

Shri Tapan Chatterjee, Member

Petition No. 7 of 2010

Assam Electricity Grid Corporation Limited (AEGCL) — **Petitioner**

ORDER

(Passed on : 16/05/2011)

- (1) The Assam Electricity Grid Corporation Limited (AEGCL) filed petition for approval of the Annual Revenue Requirement (hereinafter called as 'ARR') for the period FY 2010-11 to FY 2012-13, True up for the period FY 2007-08 & FY 2008-09 and determination of Transmission Tariffs for AEGCL for the period for FY 2010-11 on 15/02/2010 under Section 62 of the Electricity Act, 2003.
- (2) The Commission on preliminary scrutiny found that the above petition filed by AEGCL was incomplete in some material particulars. Therefore, additional data and clarifications on the petition were sought from AEGCL from time to time and replies received. Although, additional information and clarifications continued to be submitted, the Commission in larger interest of the consumers as well as licensees and abiding by the statutory obligation of tariff determination admitted the petition on 21/08/2010.
- (3) After the petition was admitted, in accordance with Section 64 of the Electricity Act 2003, the Commission directed AEGCL to publish a summary of the ARR and Tariff filings in local dailies to ensure public participation. Copy of the petition was also made available in website of Commission and AEGCL.
- (4) Accordingly, a Public Notice was issued by AEGCL inviting objections / suggestions from stakeholders on or before 30/10/2010. The notice was published in 6 newspapers on 25/09/2010 and again in 3 different newspapers on 01/10/2010. Meanwhile the Commission received requests for extending the time limit for filing objections / suggestions from some consumers / consumer organizations. With a view to giving some more time for obtaining views of stakeholders, the Commission positively considered the request and extended the time limit upto 15/11/2010.

AEGCL was asked to give public notice to this effect, which was published in 6 newspapers on 02/11/2010.

- (5) The Commission received only one objection specifically on the petition filed by AEGCL from the All Assam SSI Association, Guwahati and sent communication to the objector to take part in the public hearing to be held at the Assam Administrative Staff College, Guwahati on 08/12/2010. The details are discussed in the relevant section of this Tariff Order. Besides, all stakeholders who participated in the public hearing were given opportunity to express their views on the petition. The MYT Petition was also discussed in the meeting of the State Advisory Committee (constituted under Section 87 of the Electricity Act, 2003) convened on 23/11/2010.
- (6) Although, the Petition from AEGCL was admitted on 21/08/2010, the Commission continued to receive additional data and clarifications from AEGCL on various aspects as late as April, 2011.
- (7) The Commission, now in exercise of its powers vested under Section 61 and 62 of the Electricity Act, 2003 and all other powers enabling on its behalf and taking into consideration the submissions made by the petitioners, objections and suggestions received from stakeholders and all other relevant materials on record, determined the ARR for AEGCL for the control period 2010-13, carried out True up for the period FY 2007-08, FY 2008-09 and Transmission Tariff for 01/04/2010 to 31/03/2011 and issued order accordingly making the new tariff effective from 24.05.2011.
- (8) The Commission further directs the utilities to publish a Public Notice of 7 days before the implementation of the order.
- (9) Before parting, it would be worth mentioning that while passing the Tariff Order some delay could not be avoided and the factors attributed for the same have been stated herein before.

Sd/-
(T. Chatterjee)
Member, AERC

Sd/-
(R. K. Gogoi)
Member, AERC

Sd/-
(J. Barkakati)
Chairperson, AERC

1. Introduction

1.1 CONSTITUTION OF THE COMMISSION

- 1.1.1 The Assam Electricity Regulatory Commission (hereinafter referred to as the AERC or the Commission) was established under the Electricity Regulatory Commissions Act, 1998 (14 of 1998) on 28th February, 2001.
- 1.1.2 The AERC came into existence in August 2001 as a one-man Commission. Considering the multidisciplinary requirements of the Commission, it was made a Multi Member one constituting three Members (including Chairperson) from 27th January, 2006. The Commission has started functioning as Multi Member Commission on joining of two Members from 1st of February, 2006.
- 1.1.3 The Commission is mandated to exercise the powers and functions conferred under Section 181 of the Electricity Act 2003 (36 of 2003) (hereinafter referred to as the Act) and to exercise the functions conferred on it under Section 86 of the Act from 10th June 2003.

1.2 TARIFF RELATED FUNCTIONS OF THE COMMISSION

- 1.2.1 Under Section 86 of the Act, the Commission has the following tariff related functions:
- (a) To determine the tariff for electricity, wholesale, bulk or retail, as the case may be;
 - (b) To regulate power purchase and procurement process of the transmission utilities and distribution utilities including the price at which the power shall be procured from the generating companies, generating stations or from other sources for transmission, sale, distribution and supply in the State;
 - (c) To promote competition, efficiency and economy in the activities of the electricity industry to achieve the objects and purposes of this Act.
- 1.2.2 Under Section 61 of the Act in the determination of tariffs, the Commission is to be guided by the following:

- (a) The principles and methodologies specified by the Central Commission for determination of the tariff applicable to generating companies and transmission licensees;
- (b) That the electricity generation, transmission, distribution and supply are conducted on commercial principles;
- (c) The factors which would encourage efficiency, economical use of the resources, good performance, optimum investments, and other matters which the State commission considers appropriate for the purpose of this Act;
- (d) The interests of the consumers are safeguarded and at the same time, the consumers pay for the use of electricity in a reasonable manner based on their customer category cost of supply;
- (e) That the tariff progressively reflects the cost of supply of electricity at an adequate and improving level of efficiency and also gradually reduces cross subsidies;
- (f) The National Power Plans formulated by the Central Government including the National Electricity Policy and Tariff Policy; and

1.2.3 In accordance with the provisions of the Act, the Commission will not show undue preference to any consumer of electricity in determining the tariff, but may differentiate according to the consumers' load factor, power factor, voltage, total consumption of energy during any specified period or the time at which the supply is required or the geographical position of any area, the nature of supply and the purpose for which the supply is required. (Section 62 of the Electricity Act, 2003).

1.2.4 If the State Government requires the grant of any subsidy to any consumer or class of consumers in the tariff determined by the Commission, the State Government shall pay the amount to compensate the person affected by the grant of subsidy in the manner the Commission may direct as a condition for the licence or any other person concerned to implement the subsidy provided for by the State Government (Section 65 of the Electricity Act 2003).

1.3 BACKGROUND

1.3.1 Assam Electricity Grid Corporation Limited (AEGCL) owns and operates the transmission system previously owned by Assam State Electricity Board (ASEB). AEGCL has started functioning as a separate entity from 10th December, 2004 as per the Assam Electricity Reform First Transfer Scheme which was notified by the Government of Assam vide PEL.151/2003/Pt/165 dated 10th December, 2004. The

Government of Assam in the Notification No. PEL.151/2003/Pt/3/349 dated 16th August, 2005 issued order to give effect to the organization of the Assam Electricity Board and finalization of the provisional transfer effected as per the provisions of the Electricity Act, 2003 and First Transfer Scheme. The Government of Assam notified the opening balance sheet updated and finalized based on the Audited Accounts of ASEB as on 31.3.2005 under notification No. PEL/114/2006/120 of 29.08.2007.

- 1.3.2 The Commission notified the AERC (Terms and Conditions for Determination of Tariff) Regulations, 2006 vide No. AERC. 2005/19 dated 28th April, 2006, which was published in The Assam Gazette on 24th May, 2006. As per clause 1.3 of the said Regulations, the Regulations shall come into force from the date of their publication in the official Gazette of the Government of Assam. As per clause 1.2, the Regulations shall apply to all the intra-state transmission licensees operating in the state of Assam. The State Government vide Notification No PEL.133/2003/Pt 467 dated 18th March, 2009 (Annexure-1) allowed the Assam State Electricity Board (ASEB) to continue to undertake the limited functions of Bulk purchase and bulk supply upto 15th June, 2009 in respect to the existing generating capacity and existing contracted capacity for the said period. However, the Commission has observed that ASEB still exist to perform the activities like R.E. works, implementation of APDRP schemes etc. which require authorization from the Government of Assam with the consent of Government of India as per the provisions of Electricity Act , 2003 (section 172a). The Commission, therefore, directs ASEB to apprise the Commission about the consent of Government of Assam, if any, authorizing ASEB for undertaking the present activities.
- 1.3.3 As per clause 5.3 of the Regulations, for multi year tariff principles, the tariff is to be determined on the basis of the principles enunciated for a period of three years commencing from 1st April, 2006 for transmission. The Tariff Policy notified by the Government of India on 6th January, 2006 also stipulated that the MYT framework is to be adopted for any tariffs to be determined from 1st April, 2006. However, the Commission decided to adopt the MYT from FY 2007-08 with a 3 year control period and accordingly the utilities are directed to file their Tariff Petitions for the entire control period. The utilities are directed to file the ARR petition for the second control period FY 2010-11 to 2012-13.
- 1.3.4 The Commission, thereafter, in larger interest of the consumers as well as licensees and abiding by the statutory obligation of Tariff determination took up the exercise of determination of tariff for the first time for two financial years at a time i.e. 2008-09

and 2009-10 under Multi Year Tariff framework and accordingly the last Tariff Order was issued on 24.07.2009.

Keeping the above in view, the present petition of AEGCL has been processed for determination of MYT Tariff accordingly.

1.4 PROCEDURAL HISTORY

1.4.1 As per the Assam Electricity Regulatory Commission (AERC) (Terms and Conditions for Determination of Tariff) Regulations, 2006 the AEGCL is required to file the proposal for determination of Annual Revenue Requirement and transmission tariff with the Commission.

The AEGCL has filed the petition for approval of ARR and Tariff for the control period FY 2010-11 to 2012-13 under Multi Year Tariff (MYT) Regulations on 15th February 2010.

1.4.2 Admission of Petition and Public Hearing Process

The Commission conducted preliminary analysis of the petition submitted by AEGCL on 15.02.2010 and found that the petition was not complete in material particulars. Therefore, additional data and clarifications on the tariff petitions were sought from AEGCL vide letter dated 12.04.2010 and these were submitted by them on 03.05.2010. Another set of additional data/clarifications were sought from AEGCL on 31.05.2010 which were submitted by them on 14.06.2010. The Commission admitted the ARR petition of AEGCL for the control period (Petition No. 7 of 2010) on 21st August 2010.

In accordance with Section 64 of the Electricity Act, 2003, the Commission directed AEGCL to publish its application in the abridged form and manner to ensure public participation.

Copy of the petition was also made available in website of Commission and AEGCL. A Public Notice was issued by AEGCL inviting objections / suggestions from stakeholders on or before 30th October 2010 which was published in the following 9 (nine) newspapers on 25.09.2010 and 01.10.2010.

Date	Name of newspaper	Language
25.09.2010	The Sentinel	English
	The Times of India	English
	Dainik Agradoot	Assamese
	Dainik Janambhoomi	Assamese
	Dainik Jugasankha	Bengali
	Pratah Khabar	Hindi
01.10.2010	The Assam Tribune	English
	Amar Asom	Assamese
	Pratidin	Assamese

Meanwhile the Commission received requests for extending the time limit for filing objections / suggestions from some consumers / consumer organizations. With a view to giving some time for obtaining views of stakeholders, the Commission positively considered the request and extended the time limit upto 15th November 2010. The AEGCL was asked to give public notice to this effect, which was published in the following newspapers on 02/11/2010.

Date	Name of newspaper	Language
02.11.2010	The Assam Tribune	English
	The Sentinel	English
	Amar Asom	Assamese
	Pratidin	Assamese
	Dainik Jugasankha	Bengali
	Pratah Khabar	Hindi

The Commission has received only one objection / suggestion specifically on the petition filed by AEGCL from the All Assam SSI Association, Guwahati.

The Commission considered the objection received and sent communication to the objector to take part in public hearing process by presenting their views in person before the Commission.

The representative of the organization presented his views at public hearing on 8th December 2010 in Guwahati. The reply to their objection and Commission's view on the same are discussed in Chapter 4 of this Order.

All consumers / public who participated in the public hearing were given opportunity to express their views on the petition.

Further information and clarifications were received from AEGCL which are listed below:

- i) AEGCL submitted Annual Accounts for FY 2009-10 on 8th November 2010.
- ii) AEGCL submitted Annual Accounts for FY 2008-09 vide letter No. AEGCL/HQ/Acctts/2007/9/1 dated 26th November 2010.
- iii) AEGCL submitted additional data/clarifications against letter No.AERC 335/2010/B/73 dated 16th November 2010 vide letter No.AEGCL/MD/Tech-338/Pt-II/31 dated 26th November 2010.
- iv) AEGCL submitted additional data / clarifications as per minutes of the meeting held on 9th December 2010 vide letter No.AEGCL/MD/Tech-338/Pt.II/33 dated 16th November 2010.
- v) AEGCL submitted clarifications on R&M expenses vide letter No.AEGCL/MD/Tech-338/Pt.II/33 dated 28th April, 2011.

1.5 STATE ADVISORY COMMITTEE MEETING

A meeting of State Advisory Committee (Constituted under Section 67 of the Electricity Act, 2003) was convened on 23rd November, 2010 and members were briefed on the MYT Petition of AEGCL. The minutes of the meeting are appended to this order as Annexure 1.1.

2. Summary of ARR and Tariff Petition for FY 2010-11 to 2012-13

2.1 ANNUAL REVENUE REQUIREMENT (ARR)

The Assam Electricity Grid Corporation Limited (AEGCL) submitted the petition on 15th February 2010 seeking approval for Annual Requirement and determination of Transmission charges for the control period FY 2010-11 to 2012-13. The transmission charges are to be recovered from the Assam Power Distribution Company Limited (APDCL), IPPs and other generators, traders and others who utilize the transmission system.

AEGCL has projected Annual Revenue Requirement of Rs. 41688 lakhs for the year 2010-11, Rs. 52361 lakhs for the year 2011-12 and Rs. 66269 lakhs for the year 2012-13 as detailed in Table 2.1 below:

Table 2.1: Annual Revenue Requirements for FY 2010-11 to 2012-13

A. Transmission

Sl. No.	Particulars	(Rs. lakhs)		
		2010-11 Proposed	2011-12 Proposed	2012-13 Proposed
1	PGCIL Charges	13424	13424	20000
2	Operation & Maintenance Expenses	10272	11141	12085
2.1	Employee Cost	7911	8544	9228
2.2	Repair & Maintenance	1960	2156	2372
2.3	Administrative & General Expenses	401	441	485
3	Depreciation	1213	5696	9323
4	Interest and Finance Charge	3808	7189	8302
5	Interest on Working Capital	906	1114	1315
6	Other Debits	28	28	28
7	BST for Pension Trust Fund	10286	11982	13392
8	Provision for Bad Debt	0	0	0
9	Net prior period expenses	0	0	0
10	Other expenses Capitalised	0	0	0
11	Sub total (1+2+(3to 10))	39937	50574	64445
12	Return on Equity	2729	2729	2729
13	Provision for tax/ tax paid	0	0	0
14	Total Expenditure (11 to 13)	42666	53303	67174
15	Less Non Tariff Income	978	942	905
16	Annual Revenue Requirements (14-15)	41688	52361	66269
17	True Up for FY 2007-08 & FY 2008-09	5562		
18	Net Annual Revenue Requirement	47250	52361	66269

B. Annual Revenue Requirement (ARR) of SLDC

(Rs. Lakh)

Sl. No.	Particulars	FY 2010-11	FY 2011-12	FY 2012-13
1	Repairs and Maintenance	104	106	108
2	Employees Costs	74	79	86
3	Administration and General Expenses	6	7	7
	Total Expenditure	184	192	201
	Total ARR	184	192	201

C. Salient features of AEGCL and SLDC petitions for FY 2010-11, 2011-12 and 2012-13 with approved figures for FY 2009-10.

Sl. No.	Particulars	FY 2010-11	FY 2011-12	FY 2012-13
1	Net Annual Revenue Requirement (Rs. Lakh)	47250	52361	66269
2	Anticipated Transmission (MU)	4726	5521	6173
3	Transmission Loss (%)	4.50%	4.25%	4.25%
4	Average Transmission Charge (Rs./Unit)	1.00	0.95	1.07
5	Transmission charge for long-term Open Access consumer (Rs./kW/month)	333.69	312.79	350.18
6	Transmission charge for short-term Open Access consumer (Rs./MW/month)	10970	10283	11513
7	SLDC charge Rs./MW/day	42.72	37.70	34.92

2.2 REQUEST OF AEGCL

AEGCL requested the Commission:

1. To give an opportunity to present their case prior to the finalization of tariff order so as to eliminate the need for a review or clarifications.
2. To permit to propose suitable changes to the ARR and the mechanism of meeting the revenue on further analysis, prior to the final approval of the Commission
3. In view of the above the Commission may,
 - (i) Accept the Annual revenue requirement and tariff proposed for transmission business respectively in accordance with the guidelines outlined in AERC orders passed in various matters relating to AEGCL and the principles continued in AERC (Terms and Conditions for Determination of Tariff) Regulations, 2006.

- (ii) Condone any inadvertent omissions / errors / rounding of differences / short comings and permit AEGCL to add / change / modify after this filing and make further submission as may be required at a further date.
- (iii) Pass such further orders, as the Commission may deem fit and proper, keeping the facts and circumstances of the case.

3. Truing up for FY 2007-08 and FY 2008-09

3.1 METHODOLOGY FOR TRUING UP

3.1.1 The Commission approves the cost parameters through approval of the Annual Revenue Requirement at the beginning of the year keeping in view the data available at that point of time. The cost approvals for each of the items are based on projection of expenses and revenue before the beginning of the year and hence the projections might vary over the course of the year.

3.1.2 The actual cost for certain elements/parameters may vary as against the approved cost during the year due to various controllable and uncontrollable factors on the part of the licensees. The licensees may end up with higher or lower expenditure, as the case may be, at the end of the year as against the approved cost. In case of actual expenditure being higher than the approved expenditure, there is no mechanism during the year to recover the additional expenditure over and above the approved expenditure as the tariff for a licensee cannot be amended more than once in a year as per the section 5 (5.1) of the Terms & Conditions for determination of Tariff, Regulations 2006 of AERC, the abstract of which is provided below:

*“No tariff or part of any tariff may ordinarily be amended, **more frequently than once in any financial year**, except in respect of any changes expressly permitted under the terms of any fuel surcharge formula as may be specified in terms of subsection (4) of Section 62 of the Act specified **in Regulation 9 of these Regulations.**”*

3.1.3 In the case of a Generation Company and Distribution Company, the section 9 of the Regulation provides for recovery of additional cost for fuel and power purchase than the cost approved by AERC on a quarterly basis through the formulae approved by the Commission. But a transmission licensee does not have any mechanism to recover the additional cost over and above the approved cost but to seek/request for recovery in the subsequent year tariff through a Truing-up mechanism.

3.1.4 In the Truing-up mechanism, the transmission licensee analyzed the difference of actual expenditure in comparison to the approved expenditure by the Commission.

The licensee requested through truing up for the recovery of previous year/years actual expenditure.

- 3.1.5 The Commission analyses the actual expenditure for the previous year/years based on the Annual Audited Financial Statement of the licensee and allows/disallows the recovery of the actual expenditure through the present year tariff, subject to prudence checking.
- 3.1.6 Based on the above methodology, AEGCL submitted truing up for FY 2007-08, FY 2008-09, based on the Audited Annual Accounts with CAG vetting and un-audited financial statement for FY 2009-10 respectively. The subsequent sections outline the deficit / surplus for each of the expenditure items along with the necessary justifications.
- 3.1.7 The Commission approved the ARR and Tariff for the FY 2007-08 in the tariff order dated 12.09.2007 which was based on the costs and revenue estimated by AEGCL and the tariff order for the FY 2008-09 and 2009-10 was approved on 24.07.2009.
- 3.1.8 The summary of the amounts sought for under the truing up for the FY 2007-08 and FY 2008-09 are shown in Table 1 and 2 of the petition, analyzing the actual expenditure vis-à-vis that approved by AERC. The Commission observed that the petitioner has submitted Audited Financial Statements duly scrutinized by CAG for 2007-08 and 2008-09. For FY 2009-10 un- audited financial statements are made available to the Commission. Considering this the Commission took a view that the truing up exercise shall be taken up for FY 2007-08 and FY 2008-09 for the purpose of consequential benefit if any to the petitioner. The FY 2009-10 shall only be reviewed for the purpose of performance monitoring. The exercise of truing up carries no significance in the absence of audited accounts as such a truing up without firm base line figures would remain merely an academic exercise. Carrying out truing up on the basis of unaudited submission would certainly bring about incoherent impacts in the tariff structure which is not at all desirable.
- 3.1.9 The exercise of the truing up is described in paras 3.1 and 3.2 and the subsequent sections describes the truing-up required for each of the cost parameters.

3.2 TRUING UP FOR FY 2007-08

3.2.1 Revenue from Operations

The Commission has approved Rs. 209.40 crore of revenue income towards wheeling charges on the estimated availability of power to be wheeled to Discoms in the Tariff Order for FY 2007-08. The AEGCL received wheeling charges Rs. 209.40 crore and SLDC charges Rs. 6.75 crore from the Discoms as per the Audited Annual Accounts for FY 2007-08.

The Commission approves the revenue from wheeling charges at Rs. 216.15 crore in the Truing up for FY 2007-08.

3.2.2 Other Income (Non-Tariff Income)

The Commission has approved miscellaneous receipts and other income at Rs. 20.47 Crore in the Tariff Order for FY 2007-08. As per the Audited Annual Accounts for 2007-08, AEGCL has earned only Rs. 6.06 crore.

The Commission accordingly approves the other income at Rs. 6.06 crore, in the truing up for FY 2007-08.

3.2.3 PGCIL Charges

The Commission has approved Rs. 98.13 crore in the Tariff Order for FY 2007-08 towards PGCIL charges based on the charges determined by the CERC. As per the Audited Annual Accounts for FY 2007-08 the charges billed by PGCIL were Rs. 126.32 crore. The difference between the Tariff Order and actuals were approved to be recovered in the Tariff Order for the FY 2008-09.

Accordingly the Commission approves Rs. 126.32 crore towards PGCIL charges in the Truing up for FY 2007-08.

3.2.4 O&M Expenses

(1) Employee Cost

The Commission has approved Rs. 49.84 crore in the Tariff Order for FY 2007-08 considering the fact that the employees are paid as per their normal pay structure with the incremental growth towards pay and related components and also Dearness Allowance based on the national index (consumer price index). The actual expenditure under the employees cost as per the Audited Annual Accounts was

Rs. 47.43 crore, which is lower than the approved figure in the Tariff Order for FY 2007-08.

The Commission approves the employee cost at Rs. 47.43 crore in the Truing up for FY 2007-08 as per audited accounts.

(2) Repairs and Maintenance expenses

The Commission has approved Rs. 6.64 crore for FY 2007-08 in the Tariff Order considering 6% escalation over the previous year Tariff Order i.e. 2006-07. The actual expenditure as per the audited annual accounts is Rs. 12.85 crore (Schedule – 14) which is higher than the approved expenses. In response to a query from the Commission, AEGCL submitted in their letter dated 28th April, 2011 that due to unforeseen expenditure incurred in maintenance works to maintain power supply after different natural calamities, theft and normal break down etc. the R&M expenses increased. The Commission has noted that in the breakup of expenditure furnished, major portion pertains to repair of roads, buildings and vehicles. Moreover R&M expenses is a controllable item.

The Commission approves the R&M expenses at Rs. 6.64 crore in the Truing up for FY 2007-08.

(3) Administrative and General Expenses

The Commission has approved in the Tariff Order for FY 2007-08 Rs. 2.01 crore towards the Administrative and General expenses with an escalation of 6% over the Tariff Order figures of FY 2006-07. The actual expenditure incurred was Rs. 2.18 crore as per the audited annual accounts 2007-08.

The Commission approves Rs. 2.18 crore in the truing up for FY 2007-08.

3.2.5 Depreciation

The Commission has approved Rs. 16.07 crore for FY 2007-08 in the tariff order. The depreciation is to be calculated as per the AERC Tariff Regulations, 2006.

The Commission approves Rs.13.98 crore in truing up against Rs.33.30 crore reported in the audited annual accounts as detailed below in Table-3.1.

Table 3.1: Depreciation approved in the truing up for FY 2007-08

(Rs. crore)

Sl. No.	Particulars	GFA 01.04.2007	Additions during FY 2007-08	Rate of Depreciation	Depreciation as per AERC
1	Land & Rights	2.32	-		
2	Buildings	16.96	0	1.80%	0.27
3	Hydraulic	2.64	0	2.57%	0.06
4	Other civil works	1.96	2.46	1.80%	0.05
5	Plant machinery	115.46	12.46	3.60%	3.94
6	Lines & Cable net work	451.09	29.91	2.57%	10.78
7	Vehicles	1.86	0.31	18%	0.33
8	Furniture & Fixtures	1.78	0.04	6%	0.10
9	Office equipment	0.8	0.08	6%	0.05
	Total	594.87	45.26		15.58
	Average Assets of OB & CB in 2007-08	615.18		2.53%	

(Rs. crore)

		As on 01.04.2007
Grants Available		91.11
GFA (excluding land & rights)		592.55
CWIP		178.86
Total		771.41
Cumulative grants apportioned in the ratio of GFA and CWIP	GFA	69.99
	CWIP	21.12
	Total	91.11
Depreciation calculated as per the Regulation		15.58
Weighted Average Rate of Depreciation.		2.53%
Depreciation to be deducted on the assets built on the grants component		1.60
Depreciation approved		13.98

The Commission, accordingly approves Rs.13.98 crore in the Truing up process for FY 2007-08 as stated above.

3.2.6 Interest and Finance Charges

The Commission has not allowed any interest and finance charges in the tariff order FY 2007-08 as the debt capital was negative. The AEGCL had incurred a sum of Rs. 24.52 crore towards payment of interest on the outstanding loans and other charges during the FY 2007-08 as per the Audited Annual Accounts (Schedule 19).

The funding of capital cost based on the audited annual accounts for FY 2007-08 is given in Table 3.2 below:

Table 3.2 : Funding of Capital Costs

(Rs. crore)	
Fixed Assets as on 01.04.2007 as per Audited Accounts	594.87
Additions during the FY 2007-08	45.26
Total	640.13
Less: Accumulated Depreciation	520.96
Net Capital Cost (Net Assets)	119.17
Less: Grants received during FY 2007-08 as per audited accounts	233.21

The assets capitalized during the year is only Rs.45.26 crore which is well within the grants available as seen in Table 3.2 above. As such the interest on loans is not allowed. This would be allowed as and when assets are capitalized.

3.2.7 Interest on Working Capital

The Commission approved the interest on working capital at Rs.4.44 crore in Tariff Order for FY 2007-08. Based on Truing up of other components of ARR for FY 2007-08, the interest on working capital is computed as detailed in table below:

Table 3.3 : Interest on working capital approved in Truing up for FY 2007-08

Sl.No.	Particulars	Rs. crore
1	One month O&M Expenses	4.69
2	Maintenance spares @ 1% GFA	5.95
3	Two months receivables	42.39
4	Total Working capital	53.03
5	Interest @ 9.50%	5.04

The Commission approves Rs. 5.04 crore interests on working capital in the Truing up for the FY 2007-08.

3.2.8 Special Charges for Terminal Benefits

The Commission approved Rs.38.76 crore towards Special Charges for Terminal Benefits for 2007-08. The actual as per audited accounts is also the same.

The Commission considers Rs. 38.76 crore towards special charges for terminal benefits as per the audited accounts, in the truing up for the FY 2007-08.

3.2.9 Return on Equity

The Commission approved the return on equity at Rs.13.99 crore the Tariff Order for FY 2007-08.

The Commission considers Rs. 13.99 crore as provided in the tariff order for FY 2007-08 in the true-up exercise. Therefore, Rs. 13.99 crore is approved by the Commission.

3.2.10 Provision for Tax

The provision for tax as per the audited annual accounts for FY 2007-08 is Rs. 0.10 crore.

The Commission approves the provision for tax at Rs. 0.10 crore in the trueing up for FY 2009-10 as per the audited accounts.

3.2.11 ARR after trueing up for the FY 2007-08

Considering the facts and figures as per the audited annual accounts an amount of Rs. 254.44 crore is approved as Regulatory Expenditure with a gap of Rs. 32.23 crore in the trueing up for FY 2007-08. After the appropriation of excess PGCIL charges of Rs.28.19 crore approved in the Tariff Order for FY 2008-09 there is a gap of Rs.4.04 as detailed below:

Table 3.4 : ARR after Trueing up for FY 2007-08

(Rs. crore)				
Sl. No.	Particulars	As per Tariff Order 2007-08	Actuals as per Audited Accounts	Approved in True up for 2007-08
A	REVENUE INCOME			
1	Rev. from operations	209.4	216.15	216.15
2	Other income	20.47	6.06	6.06
	Total Revenue (A)	229.87	222.21	222.21
B	EXPENDITURE			
1	PGCIL Charges	98.13	126.32	126.32
2	Employees Cost	49.84	47.43	47.43
3	R&M Expenses	6.64	12.85	6.64
4	Administrative and General Expenses	2.01	2.18	2.18
5	Depreciation	16.07	33.3	13.98
6	Interest and Finance Charges		24.52	-
7	Interest on working Capital	4.44		5.04
8	Terminal benefit expenses	38.76	38.76	38.76
	Total Expenditure			
9	Return on Equity	13.99		13.99
10	Provision for tax	0	0.1	0.1
	Gross Expenditure (B)	229.88	285.46	254.44
11	Net Revenue (gap)/surplus (A-B)	(0.01)		(32.23)
12	Difference in PGCIL charges allowed in tariff order 2008-09			28.19
13	Net (gap)/surplus in True up			(4.04)

From the above truing up for the year 2007-08 it is noted that there is a gap of Rs.4.04 crore and that is being carried forward for adjustment in the ARR for FY 2008-09 truing up.

3.3 TRUING UP FOR FY 2008-09

3.3.1 Revenue from operations

The Commission has approved a sum of Rs. 333.61 crore in the Tariff Order for FY 2008-09. AEGCL received a sum of Rs. 335.43 crore towards wheeling and SLDC charges from the Discoms, as per the audited Annual Accounts for FY 2008-09.

The Commission approves the revenue from wheeling at Rs. 335.43 crore in the Truing up for FY 2008-09.

3.3.2 Other Income (Non Tariff Income)

The Commission has estimated the other income and approved Rs. 2.87 crore in the tariff order for FY 2008-09.

The actual other income as per the Audited Annual Accounts (vide Schedule-13) is Rs. 13.17 crore including de-pooling income of Rs. 1.22 crore (vide Schedule-12A).

The Commission accordingly approves the other income at Rs. 13.17 crore in the truing up for FY 2008-09.

3.3.3 PGCIL Charges

The Commission has approved PGCIL network charges at Rs. 113.90 crore for FY 2008-09 in the Tariff Order.

The actual expenditure incurred by the AEGCL as per the Audited Annual Accounts is Rs. 116.16 crore (Schedule-22). The PGCIL charges are to be paid as per the CERC directions.

Therefore, the Commission approves PGCIL charges at Rs. 116.16 crore in the truing up for FY 2008-09.

3.3.4 O & M Expenses

(1) Employee Cost

The Commission has approved Rs. 48.89 crore towards employees cost considering the pay and DA components as per the filings, and 6% rise in the other allowances

over the actuals of FY 2007-08 and the terminal benefits at 22.79% of Basic salary and DA for the FY 2008-09 and 2009-10.

As per the Audited Annual Accounts for the FY 2008-09 gross employees cost incurred is Rs. 92.13 crore which includes Rs. 38.91 crore towards provision for anticipated arrears payment on Revision of Pay Scales (Schedule 15).

Therefore, the Commission approves Rs. 92.13 crore towards employees cost in the truing up for FY 2008-09. The escalation due to normal increase in the Pay and emoluments is however higher at 8.85% over the tariff order figure i.e. Rs. 53.22 is found to be admissible.

(2) Repairs and Maintenance

The Commission has approved a sum of Rs. 7.03 crore in the Tariff Order considering 6% escalation over the approved figures of FY 2007-08.

As per the audited Annual Accounts for the FY 2008-09, AEGCL incurred an amount of Rs. 8.72 crore.

The Commission, accordingly approves Rs. 8.72 crore in the Truing up for FY 2008-09 as the increase is only marginal.

(3) Administrative and General Expenses

The Commission has approved the A&G expenses at Rs.2.33 crore in Tariff Order for FY 2008-09.

The AEGCL has incurred a sum of Rs. 5.24 crore as per the audited accounts for the FY 2008-09. AEGCL incurred Rs. 2,83,42,174/- towards freight charges which appears to be abnormal and hence not considered. Previous year figure was Rs. 1,70,186.

Since the A&G charges are controllable expenses, the Commission, approves Rs. 2.33 crore as provided in the Tariff order, in the truing up for FY 2008-09

3.3.5 Other Debits

The Commission has estimated Rs. 0.40 Crore and approved in the Tariff Order for 2008-09. As per the audited Annual Accounts the expenses are Rs. 0.07 crore.

The Commission, accordingly approves the expense towards other debits at Rs. 0.07 crore in the truing up for FY 2008-09.

3.3.6 Depreciation

The Commission has assessed Depreciation and provided Rs. 11.87 crore in the Tariff Order for FY 2008-09, whereas AEGCL has added Rs. 7.04 crore fixed assets during the FY 2008-09 and claimed Rs. 33.44 crore towards Depreciation. As per the AERC Regulations the utility is entitled for Rs. 16.28 crore of depreciation. Since the assets were added with the subsidy and grants provided to the utility as detailed in the Table 3.5 below, the Depreciation is approved at Rs. 10.82 crore as per Regulations reducing the depreciation on the assets added with grants.

Table 3.5 : Depreciation approved in the truing up for FY 2008-09

(Rs. crore)

Sl. No.	Particulars	GFA 01.04.2008	Additions during FY 2008-09	Rate of depreciation	Depreciation As per AERC
1	Land & Rights	2.32	1.62		
2	Buildings	16.96		1.80%	0.27
3	Hydraulic	2.64		2.57%	0.06
4	Other civil works	4.42	0.95	1.80%	0.08
5	Plant machinery	127.91	3.01	3.60%	4.19
6	Lines & Cable net work	481	0.95	2.57%	11.14
7	Vehicles	2.17	0.39	18%	0.38
8	Furniture & Fixtures	1.82	0.04	6%	0.10
9	Office equipment	0.88	0.09	6%	0.05
	Total	640.12	7.05		16.28
	Average Assets of OB & CB in 2007-08	641.325		2.54%	

Particulars		As on 01.04.2008
Grants Available		324.32
GFA (excluding land & rights)		637.8
CWIP		324.48
Total		962.28
Cumulative grants apportioned in the ratio of GFA and CWIP	GFA	214.96
	CWIP	109.36
	Total	324.32
Depreciation calculated as per the Regulation		16.28
Weighted Average Rate of depreciation		2.54%
Depreciation to be deducted on the assets built on the grants component		4.91
Depreciation approved		11.37

The Commission accordingly approves Rs.11.37 crore in the truing up process for FY 2007-08 as stated above.

3.3.7 Interest and Finance Charges

The Commission has not provided interest and finance charges in the tariff order for FY 2008-09. The AEGCL has incurred interest charges on the outstanding loans to the tune of Rs. 28.08 crore, as per the Audited Annual Accounts. The capitalization achieved during the FY 2008-09 is Rs. 7.05 crore and the grants received are Rs. 99.47 crore. Since the value of assets capitalized during the year are lower than the grants component, the interest on loans borrowed is not allowed, as the loan amount is not utilized for capital additions. The details of the calculations are given in the table below:

Fixed Assets as on 01.04.2008 as per Audited Accounts	640.13
Additions during the FY 2008-09	7.05
Total	647.18
Less: Accumulated Depreciation	541.90
Net Capital Cost (Net Assets)	105.27
Less: Grants received during FY 2007-08 as per audited accounts	99.47

3.3.8 Interest on Working Capital

The Commission has approved Rs. 9.15 crore towards interest on working capital on normative basis in the Tariff Order for FY 2008-09. The Interest on working capital depends on the O&M expenses, receivables etc. Based on these charges considered in this truing up the interest on working capital is worked out as detailed in Table-3.6 below:

Table 3.6 : Interest on working capital approved in Truing up for FY 2008-09

(Rs. crore)

Sl. No.	Particulars	2008-09
1	One month O&M Expenses	8.60
2	Maintenance spares @ 1% GFA	6.40
3	Two months receivables	49.40
4	Total Working capital	64.40
5	Interest @ 10.25%	6.60

The Commission, accordingly approves Rs. 6.60 crore towards interest on working capital in the truing up for FY 2008-09.

3.3.9 Special Charges for Terminal Benefits

The Commission approved Rs.45.13 crore towards Special Charges for Terminal Benefits for 2008-09. The actual as per audited accounts is also the same.

The Commission approves Rs. 45.13 crore towards special charges on terminal benefits as per the audited annual accounts for FY 2008-09.

3.3.10 Return on Equity

The Commission approved the return on equity at Rs.13.99 crore in Tariff Order for FY 2008-09.

The Commission approves Rs. 13.99 crore as provided in the Tariff Order for FY 2008-09 as there is no change in the equity component.

3.3.11 Fringe Benefit Tax (FBT)

The Commission has approved Rs.0.11 crore towards FBT in the Tariff Order for FY 2008-09. AEGCL has claimed Rs. 2.31 crore towards the FBT in their petition. The actual as per audited annual accounts is Rs.0.10 crore.

The Commission approves Rs.0.10 crore towards FBT as per the audited accounts in the truing up for FY 2008-09.

3.3.12 Total ARR after Truing up for the FY 2008-09

The total ARR of AEGCL is thus arrived at Rs. 296.60 crore. Considering the gap of Rs.32.05 crore for FY 2007-08, Rs. 55.48 crore for the FY 2005-06 and 2006-07 respectively, the actual gap for 2008-09 comes to Rs. 35.53 crore. The details are given in the Table 3.7 below:

Table 3.7 : ARR after Truing up for FY 2008-09

(Rs. crore)

Sl. No.	Particulars	As per Tariff Order 2008-09	As per Audited Accounts	Approved in True up for 2008-09
A	Revenue Income			
1	Revenue from operations	333.61	335.43	335.43
2	Other income	2.87	13.17	13.17
	Total Revenue (A)	336.48	348.6	348.6
B	Expenditure			
1	PGCIL Charges (Schedule-22)	113.9	116.16	116.16
2	Employees Cost (Schedule-15)	48.89	92.13	*92.13
3	R&M Expenses (Schedule-14)	7.03	8.72	8.72
4	Administrative & General Expenses (Schedule-16)	2.33	5.24	2.33
5	Other Debits (Schedule-20)	0.40	0.07	0.07
6	Extra ordinary Payments related to de-pooling			
7	Depreciation (Schedule-17)	11.87	33.44	11.37
8	Interest and Finance charges (Schedule-19)		28.08	-
9	Interest on working Capital	9.15		6.60
10	Prior period expenses/credits (Schedule-21)			
11	Terminal benefits expenses (Schedule 15-A))	45.13	45.13	45.13
	Total Expenditure			
12	Return on Equity	13.99	0	13.99
13	Provision for FBT	0.11	0.10	0.10
	Gross Expenditure (B)	252.80	345.91	296.60
14	Net Revenue surplus (A - B)	83.68		52.00
15	Difference in PGCIL charges allowed for tariff order FY 2007-08 adjusted (Rs.28.19+4.04 with gap for FY 2007-08)	28.19	-	32.23
16	Allowed gap for FY 2005-06 and 2006-07	55.48		55.48
17	Net gap in True-up for FY 2008-09			-35.71

* The increase is mainly due to increase in employee cost due to implementation of Sixth Pay Commission recommendation.

The gap of Rs.35.71 crore arrived will be carried forward to the ARR of FY 2009-10 while truing up of ARR of 2009-10.

4. Performance Review for FY 2009-10

4.0 The Performance Review for FY 2009-10 is discussed in this chapter.

4.1 PGCIL CHARGES

The Commission approved Rs. 113.90 crore in the tariff order for FY 2009-10 the transmission charges payable to PGCIL on account of Transmission Charges and Unified Load Despatch Centre. These charges are determined as per the orders of CERC based on the annual charges recoverable for the transmission lines and network of PGCIL by the Constituents and the respective share of the each of the Constituent. The average percentage share of the annual transmission charges is estimated based on the REA prepared by RLDC, and for the Assam utilities it is determined to be 50.80% for the FY 2008-09 and same ratio is considered for FY 2009-10 (Chapter 5.23 of the Tariff Order 2008-09 and 2009-10). Any variation in the charges for both the years will be allowed in the true-up operation in future.

As per the un-audited Annual Accounts for the FY 2009-10 the expenditure reported is Rs. 170.16 crore paid to PGCIL. The AEGCL was asked to provide the basis for the PGCIL charges proposed.

The AEGCL has furnished the basis for proposed PGCIL charges along with the additional data / clarification, wherein the estimated charges were assessed at Rs. 154.20 crore.

As per the statement, actuals for 04/2009 to 12/2009 and probable for 01/2010 to 03/2010 are assessed considering additional and supplementary bills for the FY 2009-10 at Rs.154.20 crore.

Accordingly, the Commission considers Rs.154.20 crore towards PGCIL charges for the FY 2009-10 subject to final approval on submission of audited annual accounts.

4.2 O&M EXPENSES

4.2.1 Employee Cost

The Commission has considered 54% increase over the approved figure of FY 2008-09 (i.e. Rs. 48.89 crore) for the FY 2009-10 Rs. 75.33 crore.

But the actual expenditure is reported at Rs. 64.45 crore as per the un-audited Annual Accounts for the FY 2009-10.

As per the Tariff Orders	Actuals
<u>FY 2008-09</u> Rs. 48.89 Crore	Rs. 92.13 Crore (includes Rs. 38.19 crore towards ROP arrears) and Net is Rs. 53.22 crore which is 8.85% high over the Tariff order figure.
<u>FY 2009-10</u> Rs. 75.33	Rs. 64.45 crore 14.46% lower than Tariff order figures for 2009-10 & 21.12% higher over the FY 2008-09 actuals considered as normal escalation (without ROP arrears)

Considering the left over impact on Revision of Pay (ROP) arrears, if any, the Commission considers Rs. 64.45 crore towards employee cost in the review for FY 2009-10.

4.2.2 Repairs and Maintenance

The Commission has considered 2.06% on Gross Fixed Assets (GFA) for FY 2009-10 to be met towards R&M Expenses. The GFA of FY 2009-10 reported to be an average of Rs. 680.37 crore as per the un-audited Annual Accounts. The assumption works out to Rs. 14.02 crore towards R&M expenses, while actual R&M expenses reported are only Rs. 7.90 crore as per the un-audited Annual Accounts.

The Commission accordingly considers R&M expenses at Rs. 7.90 crore in the review for FY 2009-10 as per provisional accounts.

4.2.3 Administrative and General Expenses

The Commission has considered 11.09% inflation index for the estimation and approved Rs. 2.59 crore in the tariff order for the FY 2009-10. Actual expense reported as per the un-audited Annual Accounts for FY 2009-10 stood at Rs. 4.80 crore.

There is abnormal expenditure observed, on Technical Fees at Rs. 113.93 lakhs as against Rs. 0.54 lakhs in the FY 2008-09.

Similarly the expenditure towards Advertisement Contributions reported at Rs. 22.69 lakhs as against Rs. 12.50 lakhs reported in the previous year.

In view of the abnormalities observed, the Commission considers the provision in the Tariff Order shall be admissible i.e Rs. 2.59 crore in the review for FY 2009-10.

4.3 OTHER DEBITS

The other debits are considered as per un-audited Annual Accounts for FY 2009-10 at Rs. 0.11 crore.

4.4 DEPRECIATION

The Commission estimated depreciation at Rs. 14.14 crore based on the particulars furnished in the petition as per the AERC (Terms and Conditions for Determination of Tariff) Regulations, 2006 for the FY 2009-10.

The Commission also mentioned that these figures would be analyzed on receipt of audited Annual Accounts for the FY 2008-09 and FY 2009-10 and Depreciation will be allowed in the final approval. Depreciation arrived at as per provisional accounts for FY 2009-10 is given in Table 4.1 below:

Table 4.1 : Depreciation considered for the FY 2009-10 in APR

(Rs. crore)

Sl. No.	Particulars	GFA 01.04.2009	Additions during FY 2009-10	Rate of depreciation	Depreciation As per AERC
1	Land and Rights	3.94	4.16		
2	Buildings	16.96	0.27	1.80%	0.28
3	Hydraulic	2.64		2.57%	0.06
4	Other civil works	5.37	0.58	1.80%	0.09
5	Plant machinery	130.93	58.42	3.60%	5.19
6	Lines and Cable network	481.95	2.54	2.57%	11.18
7	Vehicles	2.56	0.21	18%	0.43
8	Furniture and Fixtures	1.85	0.07	6%	0.10
9	Office equipment	0.97	0.13	6%	0.06
	Total	647.17	66.38		17.38
	Average Assets of OB & CB in 2007-08	676.42		2.57%	

		(Rs. crore)
Particulars		As on 01.04.2009
Grants Available		423.79
GFA (excluding land & rights)		643.23
CWIP		449.71
Total		1092.94
Cumulative grants apportioned in the ratio of GFA and CWIP	GFA	249.41
	CWIP	174.38
	Total	423.79
Depreciation calculated as per the Regulation		17.38
Weighted Average rate of depreciation		2.57%
Depreciation to be deducted on the assets built on the grants component		5.77
Depreciation approved		11.62

The Commission accordingly considers the depreciation at Rs. 11.62 crore in the review for FY 2009-10.

4.5 INTEREST AND FINANCE CHARGES

The Commission has considered Approved Debt Capital for FY 2009-10 as Rs. 67.67 crore and allowed Rs. 6.70 Crore interest at the rate of 9.90%.

As per the un-audited Annual Accounts for the FY 2009-10 the utility has reported Rs. 29.84 crore towards interest charges.

The Commission considers Interest on ADB loan, PFC loan, Interest on Bonds and all Bank charges, and arrives at Rs. 6.95 crore. The Interest on loans as provided in the Tariff Order for FY 2009-10 is retained at Rs. 6.70 crore.

4.6 INTEREST ON WORKING CAPITAL

The Commission has estimated Rs. 9.12 crore at the rate of 13.75% on normative basis

Based on the O&M charges and receivables etc., as per the unaudited annual accounts the interest on working capital is arrived at as detailed in the Table 4.2 below:

Table 4.2 : Interest on Working Capital considered for FY 2009-10

		(Rs. crore)
Sl.No.	Particulars	2009-10
1	One month O&M Expenses	6.25
2	Maintenance spares @ 1% GFA	6.47
3	Two months receivables	52.74
4	Total Working capital	65.45
5	Interest @ 10.25%	6.71

The Commission considers Rs. 6.71 crore towards interest on working capital in the review for FY 2009-10.

4.7 SPECIAL CHARGES FOR TERMINAL BENEFITS

The Commission allowed a special charge at 10 paise per unit on transmission charges amounting to Rs.48.26 crore for FY 2009-10. The Commission considers Rs. 48.26 crore as provided in the Tariff Orders for FY 2009-10 in the review as there is no equity infusion during the year.

4.8 RETURN ON EQUITY

The Commission considers Rs. 13.99 crore as provided in the tariff orders FY 2009-10 in the review, as there is no equity addition during the year.

4.9 REVENUE

Commission estimated Rs. 299.21 crore towards Revenue from wheeling in the tariff order for FY 2009-10. As per the un-audited Annual Accounts the Income from operations received at Rs. 301.47 crore.

Accordingly, the Commission considers the Revenue receipts at Rs. 301.47 Crore in the review for FY 2009-10.

4.10 OTHER INCOME (NON TARIFF INCOME)

The Commission estimated Rs. 2.87 crore towards Non- tariff income for the FY 2009-10.

As per the un-audited Annual Accounts the non-tariff Income received is reported at Rs. 13.62 crore towards Interest on Investments, capital gains on Liquid Funds, Rebate received for prompt payment to PGCIL and other miscellaneous receipts etc.

The Commission considers the non-tariff Income as Rs.13.62 crore in the review for the FY 2009-10.

4.11 FRINGE BENEFIT TAX (FBT)

The Commission has approved Rs.0.11 crore towards FBT in the Tariff Order 2009-10. AEGCL has not claimed any FBT in their petition.

4.12 TOTAL ARR AFTER PERFORMANCE REVIEW FOR THE FY 2009-10

Considering the facts and figures as per the un-audited Annual Accounts an amount of Rs.316.52 crore is considered as regulatory expenditure for the FY 2009-10 with a gap of Rs. 1.43 crore as detailed in the Table below:

Table 4.3 : ARR after Performance Review for FY 2009-10

				(Rs. crore)
Sl. No.	Particulars	As per Tariff Order 2009-10	Actuals (Provisional)	Considered in APR for FY 2009-10
A	Revenue Income			
1	Revenue from operations	299.21	301.47	301.47
2	Other income	2.87	13.62	13.62
	Total Revenue (A)	302.08	315.09	315.09
B	Expenditure			
1	PGCIL Charges	113.9	170.16	154.2
2	Employees Cost	75.33	64.45	64.45
3	R&M Expenses	17.53	7.90	7.9
4	Administrative and General Expenses	2.59	4.8	2.59
5	Other Debits	0.40	0.11	0.11
6	Extra ordinary Payments related to de-pooling	-	-	-
7	Depreciation	14.14	18.47	11.62
8	Interest Finance Charges	6.70	29.84	6.70
9	Interest Working Capital	9.12	9.12	6.71
10	Prior period Expenses/credits	-	-	-
11	Terminal Benefits Expenses	48.26	48.26	48.26
	Total Expenditure			
12	Return on Equity	13.99	0	13.99
13	Provision for FBT	0.11		
	Gross Expenditure (B)	302.07	353.11	316.52
14	Net Revenue gap(-) /surplus (A – B) in review exercise for 2009-10	0.01	(38.02)	(1.43)

The gap / surplus consequent to review for the FY 2009-10 is only indicative, and not to be carried over to the MYT approvals.

4.13 SHARING OF EFFICIENCY GAINS

The mechanism for sharing of gains/losses is indicated in the Regulation 29 of AERC Tariff Regulations, 2006. Accordingly, the Commission determines the efficiency gain/loss on receipt of the petition for truing up for the year 2009-10 along with the Audited Annual Accounts for 2009-10.

5. Objections raised, response of AEGCL and Commission's comments

5.1 A single objection specific to AEGCL by All Assam SSI Association was received by the Commission which is briefly stated below:

5.2 **Name of the Objector: All Assam SSI Association**

Objection: Asset Register

AEGCL, APGCL and APDCL have not produced the Asset Register in accordance with the directives given in the previous tariff order and hence the Commission should not accept the petition.

Response of AEGCL

AEGCL while furnishing the compliance on the directives issued by the Commission in the Tariff Order for FY 2008-09 submitted that Asset Register is prepared upto the 31st March, 2005 and the process of updating the Asset Register for the subsequent years is in progress.

Commission's view

Updating of the Assets Register for the subsequent years shall be expedited and shall be submitted to the Commission within 6 months from the date of this tariff order.

6. Analysis of ARR and Determination of Annual Transmission Charges for the control period for FY 2010-11 to 2012-13

6.1 ANNUAL REVENUE REQUIREMENT (ARR)

The annual revenue requirement (Annual transmission costs) for a transmission company cover the fixed costs which include:

- Operation and Maintenance expenses
 - Employee costs
 - Repair & Maintenance expenses
 - Administrative and General expenses
- State Load Despatch Centre costs
- Interest and Finance charges
- Depreciation
- Interest on working capital
- Return on equity
- Taxes, if any

This order relates to Petition No.7 of 2010 filed by the Assam Electricity Grid Corporation Limited (AEGCL) for determination of Transmission Multi Year Tariff for electricity to be wheeled to APDCL by AEGCL for FY 2010-11 to 2012-13.

AEGCL has submitted the actuals for the years 2007-08 and 2008-09 and estimated expenses for the year 2009-10 and projections for the years FY 2010-11, 2011-12 and 2012-13 the control period. The annual transmission costs have to be recovered by AEGCL through transmission charges from the users of its transmission system.

AEGCL has projected the net annual transmission costs for the control period for FY 2010-11 to 2012-13 as under:

2010-11	Rs. 432.24 crore
2011-12	Rs. 523.61 crore
2012-13	Rs. 662.69 crore

The transmission costs projected by AEGCL are analyzed and discussed in this chapter.

6.1.1 Operation and Maintenance Expenses

AEGCL has claimed the O&M expenses under the following heads

- Employee costs
- Repairs and Maintenance (R&M) expenses
- Administration and General expenses

The claim of AEGCL under various heads of O&M expenses are discussed below:

(1) Employee Cost

The employee expenses include salaries, dearness allowance, bonus, other benefits such as medical expenses reimbursement, LTA etc and terminal benefits in the form of pension, gratuity, leave encashment, staff welfare etc.

It is submitted by AEGCL that the employee cost has been estimated considering trend of past years employee cost, increase in dearness allowance, its merger and its impact on other allowances such as HRA, field allowances, PF, CPF etc. It is further submitted that the impact of the employees pay revision in line with GOI 6th Pay Commission recommendations has been considered while projecting the employee expenses during the FY 2011-13 by considering 50% increase over base expenditure for 2008-09 on actual with additional annual increase of 8% annually (2% for increments, 6% towards DA).

Table 6.1 : Employee costs projected by AEGCL for FY 2010-11 to 2012-13

Sl. No.	Particulars	2010-11	2011-12	2012-13
		Estimated	Estimated	Estimated
1	Salaries	4260	4601	4969
2	Overtime	53	57	61
3	Dearness Allowance	1629	1759	1900
4	Other Allowances	581	627	677
5	Bonus	14	15	16
6	Sub-Total	6536	7058	7623
7	Medical expenses reimbursement	21	23	24
8	Leave travel Assistance	3	3	3
9	Earned Leave Encashment	3	3	3
10	Total Other staff costs	27	29	31
11	Staff Welfare expenses	18	20	21
12	Terminal Benefits	1331	1437	1552
13	Sub-total	1349	1457	1573
	Grand Total	7911	8544	9228

(Rs. lakh)

Commission's analysis

The Commission has obtained the audited annual accounts for 2008-09 and provisional accounts for 2009-10.

The component wise actual employee expenses as per annual accounts during 2008-09 and 2009-10 are given in Table 6.2 below:

Table 6.2 : Employee Expenses During 2008-09 and 2009-10

(Rs. crore)

Sl. No.	Particulars	2008-09	2009-10
1	Salaries	67.60*	31.85
2	Overtime	0.35	0.48
3	Dearness Allowance	10.94	15.16
4	Other Allowances	3.90	6.10
5	Bonus	0.09	0.05
6	Sub-Total	82.88	53.64
7	Medical expenses reimbursement	0.14	0.13
8	Leave travel Assistance	0.02	0.01
9	Earned Leave Encashment	0.02	0.05
10	Total Other staff costs	-	-
11	Staff Welfare expenses	0.12	0.11
12	Terminal Benefits	8.96	10.51
13	Sub-total	9.26	10.81
	Total	92.13	64.45

* including arrears of Rs.38.91 crore.

As per annual accounts the expenses during 2008-09 (actuals) are Rs. 92.13 crore which includes Rs. 38.91 crore towards arrears due to pay revision. The employee expenses excluding arrears account to Rs. 53.22 crore and the actuals for 2009-10 are Rs. 64.45 crore an increase of 21% over the actuals of 2008-09.

The employee cost during 2009-10 includes the provision for incremental amount towards pay revision. The Commission is of the view that 8% increase over the actuals of 2009-10 should meet the requirement of the employee expenses for FY 2010 to 2013. Accordingly Commission approves employees cost as below:

Year	Amount (Rs. crore)
2010-11	69.61
2011-12	75.18
2012-13	81.19

(2) Repairs and Maintenance expenses (R&M Expenses)

AEGCL has projected the R&M expenses at Rs. 1960 lakhs, Rs. 2156 lakhs and Rs. 2372 lakhs for the years 2010-11, 2011-12 & 2012-13 respectively for the control period. It is submitted by the Utility that the expenditure for the years to come would increase due to presence of vintage of assets, which require periodical and higher repairs and maintenance, thus these expenses are uncontrollable in nature. The projected expenses are as given below in Table 6.3.

Table 6.3 : R&M expenses projected by AEGCL for FY 2010-11 to 2012-13

(Rs. lakhs)

Sl. No.	Particulars	FY 2010-11	FY 2011-12	FY 2012-13
1	Plant & Machinery	975	1072	1179
2	Buildings	20	22	25
3	Civil works	82	90	99
4	Lines, Cable Networks	656	721	793
5	Vehicles	32	35	39
6	Furniture & Fixture	189	208	229
7	Office Equipment	7	8	8
	Total	1960	2156	2372

Commission' analysis

The actual R&M expenses for the year 2008-09 were Rs.8.72 crore. The Commission has obtained the provisional accounts for the year 2009-10 and the actuals for 2009-10 as per provisional accounts are Rs. 7.90 crore against approval of Rs. 17.53 crore. The expenditure during 2009-10 is marginally lower than that of actuals during 2008-09. Considering the fact that vintage of assets and the need to maintain high reliability of the transmission system, it is necessary to incur reasonable expenditure on R&M. However, since it is a controllable item an increase of 10% p.a. over the actuals of FY 2009-10 is considered reasonable for the control period as detailed below:

R&M expenses approved for FY 2010-11 to 2012-13

Year	Amount (Rs. crore)
2010-11	8.69
2011-12	9.56
2012-13	10.51

The Commission, accordingly approves the R&M expenses as detailed in the above table for the control period for FY 2010-11 to 2012-13.

(3) Administration and General Expenses

AEGCL has projected the A&G expenses at Rs. 401 lakhs, Rs. 441 lakhs and Rs. 485 lakhs for the years 2010-11, 2011-12 and 2012-13 respectively for the control period. AEGCL has requested for approval of the A&G expenses for the control period as projected by them. The A&G expenses projected are as given in Table 6.4 below:

Table 6.4 : A&G expenses projected by AEGCL for the control period for FY 2010-11 to 2012-13

(Rs. lakhs)				
Sl. No.	Particulars	2010-11	2011-12	2012-13
1	Rent, Rates & Taxes	9	10	11
2	Insurance	5	6	6
3	Telephone Charges	31	35	38
4	Postage & Telegram	1	1	1
5	Legal Charges	2	3	3
6	Audit Fees	2	2	3
7	Consultancy Charges	45	49	54
8	Technical Fees	1	1	1
9	Conveyance & Travel Charges including Vehicle Hiring	101	112	123
10	Other Expenses	115	127	140
11	Freight	79	87	95
13	Other Purchase related expenses	9	10	11
	Total	401	441	485

Commission's analysis

The actual A&G expenses for the year 2008-09 are Rs. 5.24 crore as per annual accounts. The Commission has obtained the provisional accounts for 2009-10 and as per provisional accounts the actuals for 2009-10 are Rs. 4.80 crore. The A&G expenses projected by AEGCL for FY 2010-11 are Rs. 4.01 crore which is lower than the A&G expenses of Rs. 4.80 crore for FY 2009-10. Since it is a controllable item of expenditure the Commission accepts the projection for FY 2010-11 and allows 6% escalation p.a for FY 2011-12 and FY 2012-13.

The Commission, accordingly approves the A&G expenses for the control period at an increase of 6% per annum over FY 2010-11 projection as below:

Year	Amount (Rs. crore)
2010-11	4.01
2011-12	4.25
2012-13	4.51

6.2 CAPITAL INVESTMENT

6.2.1 The AEGCL has projected capital expenditure of Rs. 1500.28 crore for the control period 2010-11 to 2012-13 as under:

Year	Rs. crore
2010-11	331.63
2011-12	846.71
2012-13	322.16
Total	1500.50

The utility has listed a number of capital works – transmission lines, substations and other works programmed to be taken up during the control period.

The AEGCL has also provided the funding details of Capex for the control period in the ARR petition. The funding details as provided by the AEGCL are given in Table 6.5 below:

Table 6.5 : Projected funding of Capex

Sl. No.	Particulars / year	(Rs. crore)							
		2010-11		2011-12		2012-13		Total	
		Grant	Loans	Grant	Loans	Grant	Loans	Grant	Loans
1	Transmission lines	72.68	66.76	216.85	157.4	92.88	71.84	382.41	296.00
2	Substations	90	54.82	225.39	139.07	57.2	38.27	372.59	232.16
3	Augmentation of substations	20.25	5.53	46.5	16.5	12.63	5.12	79.38	27.15
4	Line terminal bays	0	0	7.65	9.85	2.13	3.74	9.78	13.59
5	Reactive power compensation	0	0	6.48	0.72	0	0	6.48	0.72
6	PLCC works	0	0	0	0	13.69	10.84	13.69	10.84
7	Other works	3.6	0.4	18.27	2.03	12.44	1.38	34.31	3.81
8	NEC funded projects	15.85	1.76	0	0	0	0	15.85	1.76
9	Total	202.38	129.27	521.14	325.57	190.97	131.19	914.49	586.03

Commission's analysis and approval

AEGCL has furnished the details of various works programmed to be taken up during the control period year wise. The programme covers new transmission lines and substations, augmentation of transmission system, reactive compensation and other works. Since the transmission system requires to be expanded and augmented to evacuate power from new generating stations and meet the demand at various load centers, the Commission approves the capital investments during the control period as under:

(Rs. crore)

Year	Grants	Loans
2010-11	202.37	129.26
2011-12	521.13	325.58
2012-13	190.97	131.19
Total	914.47	586.03

The Commission thus approves the total capital investment of Rs. 1500.50 crore during the control period as projected by the utility. However, the depreciation, the interest on loans, the return on equity etc., will be regulated year to year during the control period based on the capitalization of various works during the control period as per AERC Regulations.

6.2.2 Investment Plans

The Commission reiterates its observation made in the tariff order for FY 2008-09 and 2009-1010 (para 5.9) under investment plan that while capital investment is required to be made by Licensees for various purposes like the creation of new infrastructure to meet load growth, to meet statutory requirements, to strengthen the existing system and increase its efficiency, any such type of investment increases capital cost and consequently return on equity and debt servicing on the borrowed capital thus affecting tariff to consumers. It is therefore necessary that such capital investment schemes being proposed are necessary and justified and do not impose avoidable burden on consumers by way of tariff. The AEGCL shall submit a 3 year Rolling Capital Investment Plan outlining the major schemes proposed for each financial year with scheme wise details of date of Commissioning (COD). For those Capital Investment Schemes exceeding Rs. 10 crore, AEGCL should submit the Feasibility Report for the Commission's In-Principle Approval with broadly detailed cost benefit analysis as per the guidelines stated in the Tariff Order FY 2009-10 dated 24.07.2009 (page 146 to 149). AERC shall undertake quarterly review meetings on the progress reports of such schemes.

6.3 CAPITAL EXPENDITURE

AEGCL has submitted capex programme vide chapter 4.6.1 of the MYT petition as detailed below:

Proposed Capital Expenditure

(Rs. crore)

FY 2010-11	FY 2011-12	FY 2012-13	Total
331.63	846.71	322.16	1500.50

The funding programme proposed in the MYT petition, reveals the target completion date from Feb'2010 to Dec'2012. But the utility has not projected any capitalization of Expenditure to the Fixed Assets during MYT period vide Form T.17. However, the addition of assets during the control period is given in Form T.15 and this is considered as capitalization of capital expenditure. Taking into consideration the opening balance of work-in-progress (WIP) as per the provisional accounts for FY2009-10, the proposed capital expenditure and capitalization for the control period FY 2010-11 to 2012-13 are given in Table 6.6 below:

The projected capitalization is about 68%

Table 6.6 : Capital Works in Progress and capitalization

(Rs. crore)				
Particulars	FY 2009-10	FY 2010-11	FY 2011-12	FY 2012-13
Opening Balance	449.71	428.13	578.92	788.19
Add: Capital expenditure	44.81	331.63	846.71	322.16
Total	494.52	759.76	1425.63	1110.35
Less: Investment capitalized	66.39	180.84	637.44	717.9
Closing balance / Capital Works in Progress	428.13	578.92	788.19	392.45

The projected capitalization is about 68% which is normal for any transmission utility.

The utility shall furnish Physical Completion Certificate (PCC) and Financial Completion Certificate (FCC) to the Commission along with the Assets register as per the Directives issued in this regard.

The Commission approves the Capital works in progress and capitalization as stated above.

6.3.1 The funding of the proposed capital expenditure under debt, equity and grants as projected by AEGCL is given in table 6.7 below:

Table 6.7 : Capital Cost – Equity and Grants

(Rs. crore)			
Capital Cost - Equity and Grants			
	2010-11	2011-12	2012-13
Opening GFA as on 1st April	713.57	894.41	1531.85
Less: Paid up Equity & Share Deposit	99.93	194.93	194.93
Debt Capital	613.64	699.48	1336.92
Less: Accumulated Depreciation as on 1st April	590.65	599.4	656.35
Debt Component	22.99	100.08	680.57
Less: Cumulative grant as 1st April	423.79	626.16	1147.29
Debt Capital Cost	0.00	0.00	0.00

6.4 DEPRECIATION

AEGCL has claimed depreciation at Rs. 2749 lakhs, Rs. 5696 lakhs and Rs. 9323 lakhs for the years 2010-11, 2011-12 & 2012-13 respectively for the control period in Table 6. 8 below:

Table 6.8 : Depreciation claimed by AEGCL for FY 2010-11 to 2012-13

(Rs. lakh)

Sl. No.	Description of Assets	FY 2009-10		FY 2010-11		FY 2011-12		FY 2012-13		
		Balance of Accumulated depreciation at the beginning of the year	Depreciation provided for the year	Balance of accumulated depreciation at the end of the year	Depreciation Provided for the year	Balance of Accumulated Depreciation at the end of the year	Depreciation provided for the year	Balance of Accumulated Depreciation at the end of the year	Depreciation provided for the year	Balance of accumulated depreciation at the end of the year
1	Land & Rights									
2	Building	1358	28	1386	28	1414	28	1442	28	1470
3	Hydraulic	240	12	252	-	252	-	252	-	252
4	Other Civil Works	64	9	73	9	82	9	91	9	100
5	Plant & Machinery	10000	705	10705	951	11656	1913	13569	3810	17379
6	Lines & Cable Network	45145	717	45862	1726	47588	3736	51324	5467	56791
7	Vehicles	190	26	216	26	242	1	243	-	243
8	Furniture & Fixtures	171	4	175	-	175	-	175	-	175
9	Office Equipment	49	9	58	9	67	9	76	9	85
	Grand Total	57217	1510	58727	2749	61476	5696	67172	9323	76495

AEGCL has submitted that it has considered the closing gross block of fixed assets as in the audited balance sheet of 2007-08. The provisional assets addition in the year 2008-09 has been considered to arrive at the estimated gross block in the beginning of the 2009-10. The addition during the FY 2009-10 has been projected considering the projected capital expenditure plan for the FY 2009-10. Depreciation has been calculated taking into consideration the opening balance of assets at the beginning of the year and provisional capitalization.

Commission's analysis

As per AERC Regulation 14, depreciation has to be calculated on the 90% of opening GFA and the addition during the year at the rates prescribed in the depreciation schedule. The weighted average rate of depreciation on 90% of fixed assets is considered by AEGCL for arriving the depreciation on the gross fixed assets.

The depreciation for the years 2010-11 to 2012-13 is considered as per AERC Regulations as given in Table 6. 9 to 6.11 below:

Table 6.9 : Depreciation approved for FY 2010-11

(Rs. crore)

Sl. No.	Nature of Asset	GFA as on 1.4.2010	Additions during FY 2010-11	Rate of Depreciation	Depreciation as per AERC Regulation
1	Land & Right	8.1			
2	Buildings	17.23		1.80%	0.28
3	Hydraulics	2.64		2.57%	0.06
4	Other Civil works	5.95		1.80%	0.10
5	Plant & Machinery	189.35	96.9	3.60%	7.70
6	Lines & Cable network	484.49	83.94	2.57%	12.18
7	Vehicles	2.77	0	18.00%	0.45
8	Furniture & Fixtures	1.92	0	6.00%	0.10
9	Office equipment	1.1		6%	0.06
	Total	713.55	180.84		20.93
	Average assets of OB&CB for 2010-11 excluding land cost	795.87		2.63%	

(Rs. crore)

Particulars		As on 01.04.2010
Grants Available		423.79
GFA (excluding lands & Rights)		705.45
CWIP		428.13
Total		1133.58
Cumulative grants apportioned in the ratio of GFA and CWIP	GFA	263.73
	CWIP	160.06
	Total	423.79
Depreciation calculated as per the Regulation		20.93
Weighted Average Rate of Depreciation		2.63%
Depreciation to be deducted on the assets built on the grants component on 90% asset value		6.24
Depreciation approved		14.69

Table 6.10 : Depreciation approved for FY 2011-12

(Rs. crore)

Sl. No.	Name of Asset	GFA as on 1-4-2011	Additions during the FY 2011-12	Rate of Depreciation	Amount of Depreciation as per AERC Regulations
1	Land & Rights	8.1			
2	Buildings	17.23		1.80%	0.28
3	Hydraulics	2.64		2.57%	0.06
4	Other Civil Works	5.95		1.80%	0.10
5	Plant & Machinery	286.25	345.38	3.60%	14.87
6	Lines & Cable network	568.43	292.06	2.57%	16.53
7	Vehicles	2.77		18.00%	0.45
8	Furniture & Fixtures	1.92		6%	0.10
9	Office equipment	1.1		6%	0.06
		894.39	637.44		32.44
	Average assets of OB & CB for FY 2011-12 excluding land cost	1205.01		2.69%	

(Rs. crore)

Particulars		As on 01.04.2011
Grants Available		626.16
GFA (excluding lands & Rights)		886.29
CWIP		578.92
Total		1465.21
Cumulative grants apportioned in the ratio of GFA and CWIP	GFA	378.76
	CWIP	247.40
	Total	626.16
Depreciation calculated as per the Regulation		32.44
Weighted Average Rate of Depreciation		2.69%
Depreciation to be deducted on the assets built on the grants component on 90% of the asset value.		9.18
Depreciation approved		23.27

Table 6.11 : Depreciation approved for FY 2012-13

(Rs. crore)

Sl. No.	Name of Assets	GFA as on 1.4.2012	Additions during FY 2012-13	Rate of Depreciation	Amount of Depreciation as per AERC Regulations
1	Land & Rights	8.1			
2	Buildings	17.23		1.80%	0.28
3	Hydraulics	2.64		2.57%	0.06
4	Other civil works	5.95		1.80%	0.10
5	Plant and Machinery	631.63	364.59	3.60%	26.37
6	Lines & Cable net work	860.49	353.31	2.57%	23.99
7	Vehicles	2.77		18%	0.45
8	Furniture & Fixtures	1.92		6%	0.10
9	Office equipment	1.1		6%	0.06
		1531.83	717.9		51.41
	Average assets OB & CB excluding land cost	1882.68		2.73%	

(Rs. crore)

Particulars		As on 01.04.2012
Grants Available		1147.29
GFA (excluding lands & Rights)		1523.73
CWIP		788.19
Total		2311.92
Cumulative grants apportioned in the ratio of GFA and CWIP	GFA	756.15
	CWIP	391.14
	Total	1147.29
Depreciation calculated as per the Regulation		51.41
Weighted Average Rate of Depreciation		2.73%
Depreciation to be deducted on the assets built on the grants component on 90% asset value		18.58
Depreciation approved		32.83

The Commission accordingly approves the depreciation for the control period as under:

Year	Rs. crore
2010-11	14.69
2011-12	23.27
2012-13	32.83

6.5 INTEREST AND FINANCE CHARGES

AEGCL has projected the interest and finance charges at Rs. 3808 lakhs, Rs.7189 lakhs and Rs. 8302 lakhs for the years 2010-11, 2011-12 and 2012-13 respectively for the control period. It is stated that the interest on long-term loan is arrived at based on outstanding loans at the beginning of the year, repayment, prevailing interest rates and the outstanding loans at the end of the year. It is also stated that the projected capital expenditure and the funding through loan will have bearing on the interest expenses. The interest has been computed at 10.50% on the Government loans and ADB loans, 10.75% on SBI loans and 11.5% on ASE Bonds. The interest and finance charges for the control period as projected by AEGCL are given in Table 6.12 below:

Table 6.12 : Projected Interest and Finance charges for FY 2010-11 to 2012-13**(Rs. lakh)**

Particulars	2010-11	2011-12	2012-13
Interest on State Government Loans	2897	5888	7063
Penal Interest	169	255	420
Interest on ADB Loan	127	428	202
Interest on Bonds	-	-	0
Interest on PFC Loan	-	-	-
Interest on SBI Loan	176	176	176
Total Interest on Loans	3369	6747	7861
Other Finance Charges:			
All bank charges	32	32	32
Interest on General Provident Fund	407	410	409
Total Other Finance Charges	439	442	441
Total	3808	7189	8302

Commission's analysis

It could be seen from the Table 6.7 in para 6.3.1 the debt capital for the years FY 2007-08 to FY 2011-12 is negative. However the utility has proposed to borrow loans for the control period FY 2010-11 to FY 2012-13 to meet the proposed capital expenditure other than that covered by grants portion.

The Commission, therefore considers the interest charges on the proposed loans for the control period FY 2010-11 to FY 2012-13.

The AEGCL has furnished the interest on various loans in the Table above for the years 2010-11, 2011-12 & 2012-13. The payment of penal interest is not approved. The Commission has considered the loans outstanding at the beginning of the year, additional loan drawn during the year and loans repayment and loans outstanding at the end of the year. Based on the data, the interest is arrived at the rates indicated above. The interest and finance charges indicating the rate of interest are approved as in Table 6.13 below:

Table 6.13 : Approved Interest and Finance Charges**(Rs. in crore)**

Sl.No	Particulars	2010-11	2011-12	2012-13	Total
1	Interest on state Government loans @ 10.50%.	26.76	47.87	68.7	143.33
2	Interest on ADB Loans @ 10.75%.	1.27	4.28	2.02	7.57
3	Interest on Bonds				
4	Interest on PFC Loans				
5	Interest on SBI Loans @ 10.75%.	1.76	1.76	1.76	5.28
6	Bank Charges	0.32	0.32	0.32	0.96
	Total	30.11	54.23	72.8	157.14

The Commission approves the interest & finance charges for the control period as under:

Year	Interest (Rs. crore)
2010-11	30.11
2011-12	54.23
2012-13	72.80

6.6 INTEREST ON WORKING CAPITAL

The AEGCL has claimed interest on working capital as in Table 6.14 below:

Table 6.14 : Projected Interest on working capital for FY 2010-11 to 2012-13

(Rs. in lakh)			
Particulars	2010-11	2011-12	2012-13
Interest on Working Capital			
One Months O&M	856	928	1007
Spares @ 1% of GFA	863	1501	2218
Receivables -Two months of Transmission Charges	4868	5670	6339
Total Working Capital	6587	8099	9564
Interest rate at SBI PLR	13.75%	13.75%	13.75%
Interest on Working Capital	906	1114	1315

AEGCL has submitted that interest on working capital has been estimated on the normative basis as per the provisions of AERC Tariff Regulations. The rate of interest considered as 13.75% mentioning it as the SBI PLR.

Commission's analysis

The interest on working capital is examined and approved as in Table 6.15 below:

The rate of interest is considered at 11.75% as per SBI PLR as on 1.4.2010 against 13.75% claimed by AEGCL.

Table 6.15 : Approved Interest on Working Capital

(Rs. crore)				
Sl. No.	Particulars	2010-11	2011-12	2012-13
1	One month O&M Expenses	6.86	7.42	8.02
2	Maintenance spares @ 1% GFA	7.14	8.94	15.32
3	Two months receivables	56.84	65.16	73.25
4	Total Working capital	70.84	81.52	96.59
5	Interest rate	11.75%	11.75%	11.75%
6	Interest on Working Capital	8.32	9.58	11.35

The interest on working capital is approved as under:

Year	Rs. crore
2010-11	8.32
2011-12	9.58
2012-13	11.35

6.7 RETURN ON EQUITY

AEGCL has claimed the return on equity at Rs. 27.29 crore at 14% for each of the years FY 2010-11, 2011-12 and 2012-13 given in Tables 6.16 as under:

Table 6.16: Projected Return on Equity for FY 2010-11 to 2012-13

(Rs. crore)

Sl. No.	Particulars	2009-10	2010-11	2011-12	2012-13
1	Opening Equity Capital	99.93	194.93	194.93	194.93
2	Equity addition during the year	95.00	0	0	0
3	Closing Equity	194.93	194.93	194.93	194.93
5	Rate of Return on equity	14%	14%	14%	14%
6	Return on Equity	27.29	27.29	27.29	27.29

AEGCL has submitted that return on equity has been computed @ 14% on average equity based on the opening balance of equity and normative additions of Rs. 95.00 crore during the FY 2009-10.

Commission's analysis

AEGCL has not explained the normative equity addition of Rs. 95.00 crore for FY 2009-10. It is observed that the provisional accounts for 2009-10 do not reflect any infusion of additional equity during the year. Hence, the additional equity of Rs. 95.00 crore is not considered. The return on equity at 14% is approved as below:

Table 6.17 : Approved Return on Equity

(Rs. crore)

Particulars	2010-11	2011-12	2012-13
Approved Equity Capital	99.93	99.93	99.93
Rate of return	14%	14%	14%
Return on equity	13.99	13.99	13.99

The Commission approves return on equity at Rs.13.99 crore for each year of the control period 2010-11 to 2012-13.

6.8 PROVISION FOR TAX

AEGCL has projected income tax at the MAT rate on the normative return on equity for the control period FY 2010-11 to FY 2012-13 as detailed in the Table 6.18 below:

Table 6.18 : Projected tax for FY 2010-11 to 2012-13

(Rs. crore)			
Particulars	2010-11	2011-12	2012-13
Return on equity	27.29	27.29	27.29
15% of return on equity	4.09	4.09	4.09
Add: Surcharge @ 10%	0.41	0.41	0.41
Add: Education cess @ 3%	0.14	0.14	0.14
MAT	4.64	4.64	4.64

AEGCL has requested to pass on the impact of revised tax rates as per approved budget by the Central Government. The present rate of MAT is 19.93% applying this rate the tax payable is arrived at as detailed in the Table 6.19 below:

Table 6.19 : Approved tax for FY 2010-11 to FY 2012-13

(Rs. crore)				
S.N	Particulars	2010-11	2011-12	2012-13
1	Return on equity	13.99	13.99	13.99
2	Mat @ 19.93%	2.79	2.79	2.79

The Commission, accordingly approves the provision for tax at Rs. 2.79 crore each year during the control period.

6.9 OTHER DEBITS

The AEGCL has claimed other debits of Rs.28 lakhs for each of the year during the control period. The details are not furnished. As such the expenses under this are not considered.

6.10 SPECIAL CHARGES FOR TERMINAL BENEFIT

AEGCL has claimed special charges on Bulk Supply Tariff in the ARR petition for the control period FY 2010-11 to 2012-13 for the purpose of funding the pension fund @ 20 paise per unit on the energy wheeled by AEGCL as detailed in the table below:

(Rs. crore)			
Particular	FY 2010-11	FY 2011-12	FY 2012-13
Special charges on Bulk supply tariff	102.86	119.82	133.92

AEGCL has submitted that the Commission has approved 10 paise per unit as special charges on BST in the tariff order dated 24th July 2009 and since the Pension

Trust Fund is not fully able to meet the terminal benefit liabilities with the existing pensioners, proposed an additional 10 paise per unit in addition to the existing provision of special charge.

AEGCL has further submitted that in addition to the current provision of special charge in transmission charge, there is shortfall of funds from FY 2005-06 to 2009-10 to the extent of Rs.199.60 crore. This has not been claimed in the ARR for the time being with the assumption that the Government of Assam will release funds to meet the shortfall of above mentioned fund in the Pension Trust. It is stated that AEGCL reserves the right to claim the same depending upon the action of the Govt. of Assam as per their commitment in notification no. PEL.190/2004/69 dated 4th February, 2005. AEGCL has made reference to the Govt. of Assam letter no. PEL.190/2004/pt/9 dated 5th September, 2009 wherein the AERC was requested to allow a charge of 20 paise / unit on energy wheeled by AEGCL to meet the commitment of ASEB employees pension fund.

Commission's Analysis

The Commission having recognized the imperative need to provide to the pension fund approved BST at 10 paise in the Tariff order for FY 2008-09 and FY 2009-10. In this regard the Commission draws reference to the observation recorded in para 5.24 of the Tariff order for FY 2008-09 and 2009-10 which is as extracted as below:

“The Commission is of the view that as per the notification, the Government of Assam is to provide necessary budgetary support to make the pension fund/GPF fund fully funded. Hence the Commission disallowed the prayer for further increase of special charges on BST by another 10 paise. As indicated by AEGCL, the Commission expects that necessary notification regarding funding of GPF will be issued by the Government of Assam shortly and the Commission will review the matter after the notification”.

The Commission has noted that there is no budgetary support from the Government of Assam to meet the requirement despite the stipulation in the notification No. PEL 940/2004/69 of 4th February 2005 that budgetary support from the Government of Assam shall be provided to meet any shortfall.

Many of the State Governments recognized the unfunded liabilities in respect of existing employees at the time of unbundling the SEBs and made suitable provisions

/ alternatives for creating the required funds. In the case of ASEB, the Government of Assam has recognized their requirement and provided support through Electricity Duty 10 paise per unit which could not meet the requirement fully. Having recognized this the Commission has approved special charge on BST @ 10 paise per kWh in the Tariff Order for FY 2008-09 and FY 2009-10.

The Commission is aware that any shortfall in the requirement of fund will create undue hardship to existing employees/pensioners etc. In order to mitigate any such hardship the Commission approves 5 paise per kWh towards special charges for terminal benefit fund in addition to the existing 10 paise per kWh on the energy wheeled by AEGCL as such support was not forthcoming from the Government of Assam.

With regard to shortfall of Rs.199.60 crore during the years FY 2005-06 FY 2009-10 the Commission reiterates its stand that it is not agreeable to include the shortfall pertaining to the past years and that ASEB should pursue with the Government of Assam to meet the liability.

AEGCL should act towards creating the Pension Fund Investment Trust as required in the para 5.24 of Tariff Order for FY 2008-09 and 2009-10 (page No.160 to 162 of Tariff Order dated 24th July, 2009).

The Commission directs the licensee to submit the study report on actuarial valuations for the purpose of estimating employers' contribution towards pension and gratuity.

6.11 SLDC CHARGES

AEGCL has claimed SLDC charges at Rs. 184 lakhs, Rs. 192 lakhs and Rs. 201 lakhs for the year 2010-11, 2011-12 and 2012-13 for the control period. The SLDC charges cover R& M costs, employee cost and A&G expenses as given below in Table 6.20.

Table 6.20 :Projected SLDC Charges for FY 2010-11 to 2012-13

Particulars	(Rs. lakhs)		
	2010-11	2011-12	2012-13
R&M	104	106	108
Employee costs	74	79	86
A&G charges	6	7	7
Total	184	192	201

As per Regulation No. 5 of 2006 of AERC, the AEGCL has filed the SLDC costs separating from the expenses of transmission ARR in their petition. These costs are to be recovered from the distribution companies and open access consumers.

Commission's analysis

The costs covered are mainly meant to recover the R&M expenses of the SLDC system, the employees cost and A&G charges. The costs are separated and submitted as per Regulation 5 of 2006 for the first time, the costs as projected by AEGCL are approved.

The Commission approves the SLDC charges at Rs. 184 lakhs, Rs. 192 lakhs and Rs. 201 lakhs for the years 2010-11 2011-12 and 2012-13.

6.12 PGCIL CHARGES

The transmission charges payable to PGCIL on account of transmission and ULDC are determined as per the CERC orders based on the Annual charges recoverable for the transmission lines and network of PGCIL by the Constituents and the respective share of each of the Constituent. The average percentage share of Annual Transmission charges is estimated based on the Regional Energy Account (REA) prepared by the RLDC. AEGCL has not provided any data for determining the PGCIL charges in the petition for MYT control period 2011-13. The AEGCL has paid Rs. 170.16 crore to PGCIL during the FY 2009-10 as per the Annual Accounts (Provisional) as against approved ARR for Rs. 113.90 crore. In the additional data called for on the Tariff petition and ARR, the AEGCL has furnished the estimated PGCIL charges for the FY 2009-10. As per the data actual PGCIL charges payable would be Rs. 134.20 crore considering the Income tax at Rs. 10.20 crore without anticipated supplementary bill at Rs. 20.00 crore. The estimate for FY 2009-10 was on the basis of 4826 MU to be wheeled by AEGCL.

The Commission has considered the PGCIL charges provisionally based on the data made available for considering ARR / tariff orders for FY 2010-11 to FY 2012-13 and accordingly approves the PGCIL charges at Rs. 134.24 crore for each year for the control period FY 2010-11 to 2012-13. Any variation in the charges for MYT Control period will be considered in the true-up.

6.13 NON-TARIFF INCOME

AEGCL has submitted the details of other income vide Table 30 of the Petition as detailed in the Table 6.21 below:

Table 6.21 : Projected Non-tariff income for FY 2010-11 to 2012-13

Sl.No.	Item	FY 2010-11	FY 2011-12	FY 2012-13
1	Income from investments	9.75	9.39	9.02
2	Miscellaneous Receipts	0.03	0.03	0.03
	Total	9.78	9.42	9.05

Commission's Analysis

AEGCL had earned the Income during past three years as detailed in table 6.22 below:

Table 6.22 : Non-Tariff Income

(Rs. lakh)

Sl. No.	Particulars	FY 2007-08	FY 2008-09	FY 2009-10
1	Interest on HBL and other loans to staff	-	-	-
2	(a) Interest on investments from fixed deposits with Banks	71	969	861
	(b) Short term capital gains	-	-	-
3	Rebate received from PGCIL for Prompt Payment	207	206	252
4	Received from PFC & other funding Agencies	5	5	3
5	Income from sale of scrap	241	-	42
6	Other income from Trading	1	-	
7	Miscellaneous receipts	77	13	197
8	Rent from Residential buildings	4	3	8
	Total	606	1196	1363

AEGCL is having Rs. 155.56 crore Liquid Fund invested in Fixed Deposit with Banks (Schedule 7) as per provisional accounts for FY 2009-10. The utility also invested Rs. 35.46 crore in shares in corporations and public limited companies which may be earning substantial returns (Schedule 7-A)

The Commission is of the view that AEGCL should earn about Rs. 12 crore on the Liquid fund investment alone, and assuming another Rs. 3.0 crore towards Rebate from PGCIL and funding agencies such as PFC, miscellaneous receipts and other receipts etc as non tariff income.

The Commission estimates and approves the non-tariff income at Rs. 20.00 crore each year during MYT period i.e FY 2010-11, FY 2011-12 and FY 2012-13. If the investments are withdrawn the consequent reduction in non-tariff income would be considered in the true up.

6.14 TRANSMISSION LOSS

AEGCL has submitted the transmission loss for the years 2010-11 to 2012-13 as detailed in Table 6.23 below:

Table 6.23 : Transmission Loss

	(MU)		
Particulars	2010-11	2011-12	2012-13
Energy injected	4949	5766	6447
Energy sent out (MU)	4726	5521	6173
Energy loss	223	245	274
Transmission loss (%)	4.50	4.25	4.25

It is submitted by AEGCL that it has achieved significant reduction in transmission loss during recent years and shall continue and will be enhanced. However loss reduction is a slow process and becomes increasingly difficult as the loss levels come down. It is therefore assumed that the transmission loss in FY 2009-10 would be maintained at the same level as approved by the Commission and projected the loss levels for 2010-11, 2011-12 and 2012-13 as above.

Commission's analysis

The Commission has approved the loss levels of 6.1% for 2007-08, 5.82% for 2008-09 and 5.5% for 2009-10. The AEGCL has reduced the loss level considerably and maintained transmission loss level at 4.5% for 2010-11 and reduced to 4.25% for 2011-12 and 2012-13.

Since the AEGCL is investing considerable amount on new transmission lines, substations, augmentation etc it must be possible for further reduction.

The Commission, therefore, approves the transmission loss level at 4.5% for 2010-11, 4.25% for 2011-12 and 2012-13 subject to further study on loss levels by the AEGCL. A directive is issued separately on loss reduction measures.

6.15 ENERGY HANDLED

The details of energy projected to be handled by AEGCL and approved by the Commission are given in the table below:

Table 6.24 : Energy handled by AEGCL

(MU)

Sl. No.	Details	FY 2010-11		FY 2011-12		FY 2012-13	
		Filed	Approved	Filed	Approved	Filed	Approved
1	Energy handled by AEGCL	4949	4861	5766	5474	6447	6230
2	Transmission Loss %	4.50%	4.50%	4.25%	4.25%	4.25%	4.25%
3	Transmission Loss (MU)	223	219	245	233	274	265
4	Available to APDCL	4726	4640	5521	5241	6173	5965

6.16 ARR for FY 2010-11 to FY 2012-13

The Commission has examined the estimates and projections of each ARR element submitted by the AEGCL and made assessment of required levels based on the principles issued in the Regulations. The table of ARR elements as filed by the petitioner and approved figures by the Commission are given in Table 6.25.

Table 6.25 : Approved ARR for FY 2010-11 to 2012-13

(Rs. crore)

S.No	Particulars	FY 2010-11		FY 2011-12		FY 2012-13	
		Filed	Approved	Filed	Approved	Filed	Approved
1	Employee Cost	79.11	69.61	85.44	75.18	92.28	81.19
2	R&M Expenses	19.6	8.69	21.56	9.56	23.72	10.51
3	Administrative Expenses	4.01	4.01	4.41	4.25	4.85	4.51
4	Interest on Term Loans	38.08	30.11	71.89	54.23	83.02	72.80
5	Interest on Working Capital	9.06	8.32	11.14	9.58	13.15	11.35
6	Depreciation	12.13	14.69	56.96	23.27	93.23	32.83
7	Other Debits	0.28	-	0.28	-	0.28	-
8	SLDC charges	1.84	1.84	1.92	1.92	2.01	2.01
9	PGCIL charges	134.24	134.24	134.24	134.24	200.00	134.24
10	BST (Pension)	102.86	72.92	119.82	82.14	133.92	93.45
11	Return on Equity	27.29	13.99	27.29	13.99	27.29	13.99
12	Provision for Tax	0	2.79	0	2.79	0	2.79
	Total Expenditure	428.50	361.21	534.95	411.14	673.75	459.67
13	Less: Non-Tariff income	9.78	20	9.42	20	9.05	20
	ARR	418.72	341.21	525.53	391.14	664.70	439.67
14	Add: Gap for 07-08, 08-09	55.62	0				
	Net ARR	474.34	341.21	525.53	391.14	664.70	439.67
15	Energy handled (MU)	4949	4861	5766	5474	6447	6230
16	Per unit charges (Rs.)		0.70		0.71		0.71

6.17 REVENUE INCOME FROM WHEELING OF ENERGY TO DISCOMS

The Revenue receipts at the existing tariff rate of Rs. 0.59 ps/kwh and the probable gap as projected by AEGCL are as detailed below:

Table 6.26 : Projected Revenue and gap from existing tariff

(Rs. lakhs)

Particulars	FY 2010-11	FY 2011-12	FY 2012-13
Energy handled (MU)	4949	5766	6447
Revenue at existing tariff of 0.59 Ps./kwh	29199	34019	38037
ARR for the MYT 2011-13	43224	52361	66269
Revenue Gap	14025	18342	28232

Commission's Analysis:

As per the Commission's assessment the revenue and revenue gap at the existing tariff is arrived at as below:

Table 6.27: Approved Revenue and gap from existing tariff

(Rs. crore)

	FY 2010-11	FY 2011-12	FY 2012-13
Energy handled (MU)	4861	5474	6230
Total ARR for the MYT period	341.21	391.14	439.74
Revenue at existing tariff of 0.59 ps/kwh	286.80	322.97	367.57
Revenue Gap (-)/Surplus	-54.41	-68.18	-72.17

6.18 TRANSMISSION CHARGES

The transmission charges payable by the APDCL and other users of AEGCL transmission system are arrived at based on Annual Revenue Requirement of AEGCL and the energy handled by the transmission system.

After arriving final ARR of AEGCL on account of transmission network, next step is to finalize the transmission tariff for intrastate transmission of power. The actual transmission activities comprise of transmission of power from CSGS by Central Transmission Utility network to AEGCL network, and a number of the State Transmission Utility transmission lines are also engaged in transmission of CSGS power to other constituents of the region. CERC discontinued the concept of UCPTT and directed to share the Annual Fixed Cost of CTU as per percentage share of CSGS entitlements of the constituents. The State Transmission Utility network of the State is not contiguous to transmit power independently within the geographical area of the State due to peculiar locations of some areas of the State. Due to the constraints mentioned above, State Transmission Utility network is not in position to deliver power independently to all its delivery points of APDCL. While determining the transmission tariff of the State, both for long term and short term open access consumer, the Commission considered it appropriate to consider the net Central Transmission Utility Transmission charge as approved by CERC. In the similar

consideration the NERLDC charge payable to NERLDC as approved by the CERC shall be considered while fixing SLDC charge for both long term and short term open access consumers for intra-state consumers.

1. The monthly transmission charge (TC) payable by APDCL or the long term open access consumers shall be as determined as below:

$$\text{TC} = \text{Approved net transmission ARR} / (12 * \text{TCC})$$

Where;

TC=Transmission Charges in Rs./KW/month

TCC= Total gross contracted capacity in KW of the transmission system by APDCL including long term open access consumers.

Net Transmission ARR, as approved for FY 2010-11 is Rs. 341.21 crore

The Commission assumes gross contracted capacity based on power allocation and energy requirement to APDCL from various sources as 1070 MW for FY 2010-11.

TC=Rs. 265.74 / KW/ Month

However, for the year 2010-11 the Commission approves the transmission charges in terms of Rupees per Unit.

The energy to be handled by AEGCL for FY 2010-11 is considered as 4861 MU. As such, Transmission charges for APDCL for 2010-11 will be Rs. 0.70 per unit.

2. For short term open access customers the transmission charges shall be as follows

$$\begin{aligned} \text{Short term rate (ST-Rate) per day} &= \text{Net Transmission ARR} / \text{Annual} \\ &\quad \text{Maximum peak} * 365 \\ &= \text{Rs.8736.65 per MW per day} \end{aligned}$$

Note:

- 1) The Commission assumes Annual Maximum Peak for FY 2010-11 as 1070 MW.
- 2) Any recovery on account of short term open access charges shall be adjusted to net ARR of the transmission system after meeting all contingency expenditure in connection with open access transactions.

Intra-state transmission charges are to be paid by APDCL for the transmission of power purchased from various sources as measured at the metering points at the

boundaries of APDCL. Total purchase volume made by APDCL is 4861 MU for FY 2010-11 and the purchase after transmission loss of 4.5% is 4642 MU.

Energy in MU	Amount in Rs. crore
4642	341.21

6.19 SLDC CHARGES

SLDC charges approved at Rs. 1.84 crore for FY 2010-11 is allocated to APDCL as a single user:

However, the SLDC charges to be charged for any other user are as given below:

- 1) Approved SLDC charge for FY 2010-11 is Rs. 1.84 crore.
- 2) Assumed Total Generation Capacity handled by SLDC for FY 2010-11 is 1070 MW.
- 3) Approved SLDC charges are Rs. 47.10 per MW per day
- 4) Any recovery on account of short term open access charges shall be adjusted to the SLDC charges approved after meeting all contingency expenditure in connection with open access transactions.

6.20 RECOVERY OF TRANSMISSION CHARGES (TC)

1. AEGCL shall recover the full transmission charges approved by the Commission at the target availability of Transmission system as per clause 89(2) and 86(b) of AERC (Terms and Conditions for Determination of Tariff) Regulations, 2006. The payment of transmission charges below the target availability shall be on pro-rata basis.
2. Availability shall be computed in accordance with the relevant provisions of the Regulations. SLDC shall verify the availability figures submitted by AEGCL for claiming the fixed charges.

6.21 EFFECTUATION OF TRANSMISSION TARIFF

1. The approved rate of transmission charges shall be effective from 24th May, 2011 and shall continue until replaced by another order by the Commission.
2. The approved transmission charges of AEGCL for FY 2010-11 under para 6.16 have already been accounted for in APDCL ARR approved for FY 2010-11.

7. Compliance of Directives and New Directives

7.1 COMPLIANCE OF DIRECTIVES ISSUED BY THE COMMISSION

The Commission in its Tariff order dated 24.7.2009 for the year 2008-09 and 2009-10 had issued certain directives to AEGCL, AEGCL has submitted the status of compliance of the directives issued in their ARR and Tariff petition for FY 2010-11 to FY 2012-13.

The status of compliance of the directives issued to AEGCL and Commission's comments on the same are given below for those directives which are not fully complied with.

7.2 **Directive 3:** File Fixed Assets Registers duly authenticated incorporating Gross Fixed Assets (GFA) at the beginning of the relevant financial year, addition, dispositions / sale proceeds, if any, made during the relevant financial year and the written down value of the assets at the end of the relevant financial year.

Further, to maintain proper and detailed fixed assets Registers at field offices to work out depreciation expenses the Commission directs them to submit a report to the Commission citing clearly as to how they are maintaining fixed assets registers for the various assets.

Compliance:

Soft copy of Fixed Asset Register up to 01.04.05 is enclosed vide Annexure DIR-3. The process of updating of Fixed Asset Register for the subsequent years is in progress.

Commission's comments:

The Fixed Asset Register for the subsequent years shall be expedited.

7.3 **Directive 4:** File Physical Verification Report of Fixed Assets by a competent and reliable authority as at the end of each financial year beginning with FY 2005-06 and onwards

Compliance:

Physical Verification Report of Fixed Assets for financial year beginning with FY 2005-06 and onwards is enclosed vide Annexure DIR-4.

Commission's comments:

The physical verification report of fixed assets is not complete and comprehensive. Opening Balance (OB) as per the updated Balance Sheet as on 1.4.2005, Additions, assets retired, and residual values, are to be furnished.

7.4 Directive 8: Capitalization of works: Adhere the following requirements, considering the importance of capitalization of works (i.e., Capital Investment), before accepting inclusion of the value of a Capitalized work in the related Fixed Asset, to be fulfilled:

1. A physical Completion Certificate (PCC) to the effect that the work in question has been fully executed physically and the assets created are put to use to be issued by the concerned engineer not below the rank of Superintendent Engineer;
2. The PCC shall be accompanied by a Financial Completion Certificate (FCC) to the effect that assets created have been duly entered in the Fixed assets Register by transfer from Capital-Work-in-progress Register to concerned Fixed Asset Register. The FCC shall have to be issued by the concerned Finance Officer not below the rank of Senior Accounts Officer;
3. The above-mentioned certificates have to be submitted to the Commission within 60 days of the completion of the work.

Compliance:

Noted.

Commission's comments:

AEGCL should expedite the certificate/reports to Commission.

7.5 Directive 9 : Timely completion of Projects/Schemes:- The projected capital works is huge and big task. Take all possible measures to ensure that the projects/ schemes taken up are completed on schedule. In this regard, the Commission clarifies that it will not allow any interest during construction for delays exceeding one month and three months in respect of completion of projects/ schemes with the completion schedules of up to one year and more than one year, respectively, unless the Commission's prior approval for extension in the completion schedules is obtained.

Compliance:

Noted.

Commission's comments:

There is lot of delay in completion of projects / capital works. AEGCL shall ensure completion of the projects / schemes as per the schedule.

The Commission shall take quarterly review meetings to monitor progress of projects / schemes implementation status and suggest remedial / corrective action to be taken for maintaining schedule.

- 7.6 Directive 12:** Notification of GPF Fund: It was stated by AEGCL that utilities are in the process of creation of a GPF fund amounting to Rs. 385 crore separately from the Pension Trust Fund and providing for funding through a mechanism to be notified by the Government of Assam. The Commission is of the view that ASEB / AEGCL should pursue the matter with the Government of Assam for early issue of necessary notification regarding funding of GPF Fund by Government of Assam. The interest on employees contribution will not be allowed in the ARR till the Directive was complied with.

Compliance:

The matter is under process.

Commission's comments:

AEGCL should expedite the process.

7.7 Directive 13 : Transmission Loss

The AEGCL has filed transmission loss for FY 2008-09 and FY 2009-10 as 5.82% and 5.81%. The Commission after examining the detail energy flow from different sources allowed a transmission loss of 5.82% and 5.50% for FY 2008-09 and 2009-10 respectively. The Commission feels that in view of huge investment made in the transmission infrastructure of AEGCL, the transmission losses should be around 4%. Action should be taken up by AEGCL to bring down the transmission loss to 4% level in FY 2010-11.

The Commission directs the AEGCL to submit voltage wise transmission loss figures for the last three years along with the estimation for 2009-10 and 2010-11.

Compliance:

For the FY '07-08 and '08-09 the Company has achieved less Transmission Loss than Approved by the Commission for the respective financial years and it is expected that with the Investment Plan loss will be further reduced.

Commission's comments:

The loss levels projected are still high. The utility may take all necessary steps to bring down the losses in view of the huge investments proposed during the control period. The loss levels indicated shall be supported by a System Study / Energy Audit.

Commission directs the licensee to submit voltage wise transmission loss study report for last 3 (three) years along with estimation for current and ensuing year within three months of this order.

7.8 FRESH DIRECTIVES**Directive 1: New Transmission Projects**

AEGCL shall submit the details of the new transmission projects planned, such as new transmission lines, new sub-stations etc., yearly expenditure, probable date of completion etc., along with detailed Business Plan for the control period 2010-13 to the Commission within 60 days from the date of issue of this tariff order.

Directive 2: Terminal Benefit Fund

AEGCL has created a fund to meet the terminal benefits of employees of APGCL, AEGCL and APDCL. AEGCL is collecting special charge through transmission tariff to add to this fund. Since these charges are collected from the consumers through transmission charges, AEGCL is directed to maintain a separate account for this fund, if not already being maintained. Without such account being maintained, the Commission will not approve such recovery in future. The fund shall not be used for any other purpose.

Directive-3: Employee's Provident Fund

Under Employees Provident Fund Scheme the provident fund is recovered from the employees. The amount recovered from the employees has to be invested in the trust. The interest to be paid to the employees on provident fund recovered shall be met from the investments made by the trust.

The AEGCL is utilizing the amount recovered from the employees. No account of such amount recovered is maintained and it is not known for what purpose the amount is utilized. The Commission can allow interest on the amounts utilized for capital investment only.

The utility is directed to maintain separate accounts for the amounts recovered from the employees towards Provident Fund and its utilization and duly audited by Statutory Auditors. It is directed to report compliance of the directive by end of September, 2011.

Directive-4: Billing of Transmission charges

AEGCL shall formulate the billing procedure for transmission charges and submit the same for approval of AERC.

Directive-5: APDRP Schemes

The status of implementation of APDRP schemes, amount utilized upto 31st March, 2011 the benefits accrued by way of increase in metered sales, reduction of transmission loss, improvement of quality of supply, revenue etc., shall be reported to the AERC by end of July 2011.

Directive-6: Review of Major Capital Works

A quarterly progress report on major investment works shall be furnished regularly to AERC and the first report for the quarter ending March, 2011 shall be submitted by July 2011.

Directive-7: Cost Benefit Analysis for the Transmission projects for the control period for FY 2010-11 to 2012-13.

AEGCL is directed to submit a detailed cost-benefit analysis for each of the programmed schemes with detailed justification. The analysis shall be duly supported by system studies based on realistic load profile for each year for the control period.

Directive 8: Reactive Power Compensation

AEGCL has been directed to conduct a study on the adequacy of reactive power compensation and a report on it is to be submitted to the Commission within six months from the date of this order.

Directive 9 : Transmission Losses

The Commission now directs AEGCL to devise and develop with the assistance of a consultant to evolve a suitable infrastructure and mechanism, for collection and collection of information required for calculation of actual auxiliary consumption in substations, voltage-wise losses in various parts and availability, in accordance with the Regulations and standards and submit a report thereon within a period of six months from this order.

Directive 10 : Review of Directives

AEGCL shall submit a quarterly report on the status of implementation of the directives and progress on the new transmission projects to the Commission for review.

**Minutes of the 14th Meeting of the State Advisory Committee of the
Assam Electricity Regulatory Commission held on 23rd November, 2010
at the Omeo Kumar Das Institute of Social Change and Development, Upper
Hengrabari, Guwahati - 36.**

Members present are as per list at Annex-1.

At the beginning Smti Gauri Regon, Secretary, AERC, welcomed the members present in the meeting and requested Shri J. Barkakati, Chairperson of the Assam Electricity Regulatory Commission to preside over the meeting.

The Chairperson welcomed the members and highlighted the relevance of the Advisory Committee constituted as per section 87 of the Electricity Act 2003 in the present power scenario of the state where the Commission needs to balance the interests of the consumers at one hand and the power utilities on the other. He explained that some important regulations and petitions were proposed to be discussed in the meeting for suggestions from the members. He stated that on 1st June 2010, the Central Government hiked the price of natural gas from Rs.2186 to Rs.4780/1000 SCM (an increase of 119%) for APM gas and from Rs.4961 to Rs.7834/1000 SCM (increase of 58%) for non-APM gas. The Central Electricity Regulatory Commission has allowed the Central Sector utilities like NEEPCO, NTPC, etc to recover gas price hike for their generators. As a result, NEEPCO/NTPC/GAIL/ OIL/AGCL/ have been raising their bills at revised rates to the state generation/ distribution utilities like APGCL/APDCL w.e.f July 2010. Therefore, APDCL has to now pay an additional amount of Rs. 22 crore per month causing the company monetary hardship. Keeping in mind the varying fuel price, the Commission formulated the Draft AERC (Fuel and Power Purchase Price Adjustment) Regulations, 2010. Copies of these draft regulations have already been notified as previous publication and expected that the members would provide their valuable inputs on these regulations. In this regard, he appraised the members that the Commission allowed fuel surcharge of 13 paisa/unit to be collected from all consumers w.e.f. 1st July, 2010 onwards unless Rs.40.37 crore spent by the state generation and distribution companies against additional fuel cost and power purchase for FY 2008-09 is recovered. As per Section 62(4) of the Electricity Act 2003, no tariff or part of any tariff may ordinarily be amended more frequently than once in a financial year except in respect of any changes expressly permitted under the terms of any fuel surcharge formula as may be specified. The increase in fuel price is one of the major risks faced by the distribution licensees, which may affect their financial position adversely. Therefore, the commission proposes to introduce the aforementioned regulations so as to streamline the recovery of fuel and power purchase price hike in an effective and transparent manner. Meanwhile, he stated that the Commission would also like to discuss the multi-year tariff petitions filed by the utilities and informed that power point

presentations will be given on the above by the utilities and Commission staff. He then requested the Chairman, ASEB, Shri S.C. Das to address the gathering.

Speaking on the occasion Shri S.C. Das thanked the Commission for organizing the meeting at an opportune time and called upon the members to extend their cooperation regarding Fuel and Power Purchase Price Adjustment (FPPPA) proposal. He reiterated that the state generation and distribution utilities were facing acute financial hardship due to increased fuel price. Besides, he informed the forum that from September 2010, the employees of the utilities were drawing pay at the revised rate approved by the Board and as such, the company was facing a cash deficit of Rs. 44 crore per month. He informed that ASEB is momentarily trying to overcome the situation by encashment of fixed deposits of Pension Trust Fund as a short term measure. He expressed concern that if the situation continues, it may lead to default in payment to the central power generators which would seriously impact the power supply situation in the state. He expressed satisfaction that the Commission has been functioning as a watchdog over the last couple of years and some positive developments have taken place in the power sector. The Commission has been setting performance benchmarks for the utilities to achieve efficiency and although some targets have been achieved, there are lots more to be done and achieved. He stated that if the distribution company could not achieve the target T&D loss of 22.65% for FY 2009-10 as in Tariff Order 2008-09 and 2009-10, any excess loss due to this non-compliance will not be passed on to the consumers but has to be borne by the utility. He expressed hope that the Commission would continue with such endeavour to improve efficiency and the utilities would make an all out effort to achieve those targets set by the commission. He appealed to the Commission that the tariff is revised regularly so as not to tax the future consumers with the burden of past expenses and also to ensure proper, efficient functioning of the power utilities. He also appealed to the Commission that it insists that all assurances from the Government of Assam regarding subsidy to consumers, if any, in the future, is received in the written form and mere verbal assurances should not be considered by the Commission.

Thereafter, the following deliberations were made as per agenda.

Agenda Item No. 1 : To confirm minutes of the 13th meeting of the State Advisory Committee

The minutes of the last meeting of the Advisory Committee held on 27.11.2009, was placed before the Committee for confirmation. A detailed discussion was held on the minutes of the last meeting.

The representatives from AASSIA and NESSIA stated that manufacturing units certified by DIC as industry should be treated as industrial units for tariff purpose. However, there were instances where the utility refused to consider such units as industry despite the fact that these units had the certification from DIC as industrial units. Chairperson AERC informed the members that in Tariff Order 2008-10 it was clearly stated that "*categories of industries if running in an industrial area under certificate from competent authorities may be considered*

as industries for tariff purposes". Reacting to this, Shri M.K. Adhikary, DGM, APDCL stated that units established in the industrial areas like Chaigaon, Bamunimaidan etc, were all billed as industry, but, welding and similar micro units set up outside the industrial areas were sometimes billed as commercial units rather than industries perhaps due to confusion among the officers on the matter. The representative from NESSIA appealed to the Chairman, ASEB that something is done in this regard to encourage the micro units set up within the state. Shri S.C Das assured the members that a circular will be issued clarifying the matter and directions given to its field officers accordingly. However, before doing this, he offered that a discussion may be held with the industry department along with members from AASSIA and NESSIA. All members agreed to this proposal.

The representative from NESSIA drew the attention of Chairman ASEB to the fact that the voltage of supply to the consumers need to be specified in their bills so that in case of low voltage, the consumers can claim compensation as per the AERC (Standards of Performance for Distribution Licensee) Regulations 2005. They informed that the format for billing in the AERC (Supply Code and Related Matters), 2005 has provision for specifying the supply voltage, but although other conditions of the billing format were adhered to, the voltage was never shown in the bills. The AASSIA representative stated that it might not be possible for the distribution company to provide supply voltage of each and every individual domestic consumers, but some arrangement may be made to record voltage supply at distribution transformers and the same may be reflected in the bills. The Chairman ASEB, Shri S.C. Das informed that some of the distribution meters are either defective or does not have provision of record the supply voltage and therefore, at present providing monthly supply voltage at the consumer premises is not feasible. The Chairperson, AERC also expressed concern that as per information received from the licensee all the distribution transformers are yet to be metered. The representative from AASSIA expressed deep concern in the matter stating that it was informed time and again by the authorities from ASEB and successor entities that new transformers are being procured and distribution metering being implemented under different development schemes, yet now it is being informed that there are lots left to be accomplished. Shri S.C. Das informed that more than 50 % of Distribution Transformer metering was not done due to paucity of funds and new transformers and DTR metering were being carried out under APDRP, R-APDRP only in the selected project areas. The Chairperson, AERC requested the Chairman ASEB that a report be submitted to the Commission on circle-wise defective meters, number of transformers where metering has been done and number where metering is yet to be done with segregation between the schemes under which these are being funded or otherwise and those completed utilizing the development fund granted by the Commission in Tariff Orders 2006-07 and 2007-08. The Chairman, ASEB suggested that all new transformers should be procured by the utility along with meters and the tender notices to be revised accordingly.

Agenda Item No. 2 : Action taken report on the minutes of the 13th meeting of the State Advisory Committee.

The action taken reports on the minutes of the last meeting submitted by the companies were read out by the Chairperson, AERC for information of the members and copies of the same were also distributed among the members.

The Chairperson, AERC noted that the works related to 3x250 MW NTPC Bongaigaon Thermal Project were progressing well and it was informed by APGCL that the 1st unit of the project will be commission by March 2012.

On a query from Shri H. Dutta, member AERC regarding the time of commissioning of the Lakwa Waste Heat power project, it was informed by representative from Assam Power Generation Corporation Limited that the project would be commissioned by April 2011.

It was informed by APDCL in the meeting that the tariff determined by the Commission for the Champamati Small Hydro-electric Project is inadequate as the project cost was much higher than anticipated and therefore, the tariff may need to be reviewed. The Commission informed that this matter may be considered after a review petition is filed

Agenda Item No. 3 : Appraisal of AERC's order dated 11/06/2010 on Miscellaneous Petition for Fuel and Power Purchase Price Adjustment (FPPPA) for FY 2008-09 submitted by APDCL and APGCL.

The Chairperson, AERC informed that the Assam Power Generation Corporation Ltd. (APGCL) submitted a petition on 23.11.2009 in respect of additional fuel charges paid by APGCL in FY 2008-09 along with first quarter fuel adjustment charge from April, 2009 to June, 2009. Assam Power Distribution Company Ltd. (APDCL) also submitted a petition on 22.12.2009 praying for approval of the FPPPA formula with additional FPPPA rate of 17.86 paise /kWh to be recovered from the consumers. The Commission, after careful consideration of all aspects and examining the documents on record, came to the logical conclusion that the fuel surcharge of 13 paise/unit was made applicable to all consumers w.e.f. 1st July, 2010 onwards until Rs.40.37 crore is recovered as fuel surcharge by the Licensee. He explained that this order considered only the fuel price adjustment due to change in calorific value.

The representative from NESSIA informed that huge arrear dues are yet to be collected from the consumers particularly from different departments of the Government of Assam and the licensee should make some effort to collect these so as to improve its financial position. The Chairperson, AERC informed that data regarding collection arrears was submitted to the Commission by the licensee and till August, 2010, out of Rs.130 crore total default, Rs.42 crore were pending collection from Government Departments. He informed the forum that the Commission therefore suggests that Pre-paid meters be installed in all Government Departments and such a proposal will soon be forwarded to the concerned for compliance.

The Chairman, ASEC informed that while deciding on the tariff for different categories of

consumers the Commission considers the collection efficiency as 99% keeping provision of bad debt at just 1%. Any loss due to non-collection has to be borne by the utility itself. As such, improvement in collection does benefit the utility but such arrear collection should not become a part of the FPPPA adjustment as this has already been accounted for.

The representative from AASSIA stated that while these FPPPA adjustment were being approved for the Central generators like NEEPCO, NTPC etc, ASEB and its successor companies should have protested such increase. The Chairman, ASEB informed that the Central Electricity Regulatory Commission (CERC) has regulations for FPPPA adjustments and these are amended every five years. The Central Sector Generating Stations (CSGS) automatically adjust any increment in their fuel and power purchase price according to the formula and other conditions specified in these regulations. Therefore, at present there seems no other option but to pay the Central sector generators to avoid curtailment in quantum of power supply.

Chairperson, AERC observed that the state of Assam depends to a great extent on these CSGS for uninterrupted power supply as over 66% power necessary for the state is received from these stations. He informed that while the Commission allowed 13 paise/kWh as fuel price adjustment for FY 2008-09, our neighbouring state of Tripura has allowed fuel and power purchase price adjustment of Rs. 1.40/kWh.

The representative from ABITA stated that the calorific value of fuel purchased for generation by the Assam Power Generation Corporation Limited from OIL (at APM) and ONGC (at non-APM) is predetermined. Reacting to this, Chairman, ASEB, observed that the quantum of fuel purchased from OIL and ONGC are different and fuel for the Lakwa Thermal Power Station (LTPS) purchased from OIL is at non APM price. Further, he stated that the fuel market is the sellers' market and even when the calorific value of the fuel is lower than what was agreed to be supplied, the buyer has to buy greater quantum of fuel at the same price to avoid hindering power generation.

The representative from FINER commented that the consumer groups along with the utilities should place objection petitions in CERC also against any future price rise in tariff of CSGS. The Chairman, ASEB agreed to this proposal.

The Chairperson, AERC informed that the Commission is planning to engage consultants for the FPPPA adjustment exercise in the future after the draft AERC (Fuel and Power Purchase Price Adjustment) Regulations, 2010 is finalized.

The representative from AASSIA suggested that since most of the officers of the Commission are on deputation from the utilities, therefore, consultants may be engaged for tariff determination process to facilitate transparency and objectivity. The Chairperson, AERC informed that the Administrative Staff College of India (ASCI), Hyderabad has been engaged as consultants for the tariff exercise for FY 2010-13 after tender notification in both local and national newspapers.

Agenda item no 4 (a): AERC (Renewable Purchase Obligation and its Compliance) Regulations, 2010.

The Chairperson, AERC apprised the members of the Assam Electricity Regulatory Commission (Renewable Purchase Obligation and its Compliance) Regulations, 2010. The draft Regulations were already sent to ASEB, its successor companies, Assam Energy Development Agency and all members of the State Advisory Committee for comments/suggestions and also placed in the official website of the Commission for a period of 21 (twenty one) days as previous publication.. Comments were received from a few members and replies sent from the Commission. These Regulations are now being sent for gazette publication. With operationalisation of the Renewable Energy Certificate (REC) mechanism, an entity such as Distribution Licensee, Captive Generator and Open Access consumer with Renewable Purchase Obligation (RPO) in a state having deficit in renewable energy generation can avail the benefit of renewable energy generated in another state to fulfil its RPO. He informed that every obligated entity shall purchase not less than 1.4%, 2.8%, 4.2%, 5.6% and 7% of its total energy handled during 2010-11, 2011-12, 2012-13, 2013-14 and 2014-15 respectively from renewable energy sources under the Renewable Purchase Obligation or until reviewed by the Commission. He also informed that 0.05 percentage point out of the renewable purchase obligation so specified in the year 2010-11 shall be procured from generation based on solar as renewable energy source and shall be increased at a rate of 0.05 percentage every year thereafter till 2014-15 or until reviewed by the Commission. There were no further comments from the members.

Agenda Item No. 4 (b) : AERC (Procurement of Electricity from projects/ schemes covered under Rooftop PV and Small Solar Power Generation Programme, RPSSGP, category I projects under Jawaharlal Nehru National Solar Mission) Regulations, 2010

The Chairperson, AERC placed before the members the Assam Electricity Regulatory Commission (Procurement of Electricity from Projects / Schemes covered under 'Rooftop PV & Small Solar Power Generation Programme' (RPSSGP) - Category 1 Projects under Jawaharlal Nehru National Solar Mission) Regulations, 2010. He informed that these Regulations have been issued keeping in view the objectives of the Jawaharlal Nehru National Solar Mission (JNNSM) of contributing to the State's long term energy security and ecologically sustainable growth. Also these Regulations would assist the Project Proponents/ Developers to establish such projects in the State by availing the benefits provided by the JNNSM. The draft Regulations were sent to ASEB, its successor companies, Assam Energy Development Agency and all members of the State Advisory Committee for comments/suggestions and also placed in the official website of the Commission for a period of 21 (twenty one) days as previous publication. He informed that these Regulations are now being sent for gazette publication. There were no further comments from the members.

Agenda Item No. 4 (c): Draft AERC (Fuel and Power Purchase Price Adjustment Formula) Regulations, 2010

The Chairperson, AERC observed that the increase in fuel price is one of the major risks faced by the distribution licensees, which may affect their financial position adversely. As per the provisions of the Electricity Act 2003, changes in fuel price can be allowed as a pass through on the consumers' tariff in the same financial year itself. As per the Act, in order to recover the additional burden on account of changes in fuel price, a fuel surcharge formula is to be specified. He informed that the Commission therefore, proposes to introduce the Regulations to recover the change in fuel price for the approved quantity of generation and power purchase for the distribution licensee. He informed that these Regulations are being notified as previous publication upto 10th December, 2010. Opinions / suggestions are awaited on the matter.

Agenda Item No. 5: Power Point presentation on Draft AERC (Fuel and Power Purchase Price Adjustment Formula) Regulations, 2010

Then, the Joint Director (Tariff), Shri D.K. Sharma gave a detailed power point presentation on the features of the Regulations and the formula for FPPPA. The presentation was followed by a discussion as follows:

The representative from FINER stated that as per the Regulations, FPPPA would be recovered in the subsequent quarter. He enquired whether the periods for recovery of the FPPPA would overlap with one another. The Joint Director (Tariff), AERC explained that the formula will be applied at the end of each quarter by the Distribution Licensee without making it necessary to go through the regulatory proceedings. Adjustment in fuel and power purchase costs for the quarter would be calculated in the first month of next quarter and would be charged thereafter. Hence, if a quarter ends in the month of March, 2011 the adjustment in cost would be calculated by April, 2011 end and would be applied thereafter. He explained that the Distribution Licensee can include a prior period expense for recovery in the subsequent quarters if it can prove to the satisfaction of AERC that the details of the expenses claimed were not available for reasons beyond the control of Distribution Licensee at the time of filing.

The NESSIA representative stated that since any FPPPA charge has to be borne by the consumers and will be reflected in their electricity bills, therefore, consumer awareness in the matter is very essential. All members agreed to this aspect and the utilities will be required to act accordingly.

Regarding the Regulations, the utilities prayed for the following modifications as under for consideration of the Commission.

- a) **In (Reg. 4)**, Fuel and Power Purchase Price Adjustment Formula for Power Purchase it is stated that

QPP= Actual Quantity of Power Purchased during the period in KWH

Suggestion from utility:

QPP= Actual Quantity of Power Purchased during the period in KWH **for sale to the APDCL scheduled consumers.**

- b) **In Reg. 5.8**, it is stated that *‘Any variation, during any quarter of a financial year, in quantum or cost of power procured and any procurement from a source other than a previously approved source, in excess of (5) percent of quantum of cost,-----.*

Provided that a variation in power procured on account of changes in the price of fuel, calculated in accordance with Regulation 4, above shall not be included in need for prior approval of the Commission under this regulation 5.8.’

Suggestion from utility:

Any variation, during any quarter of a financial year, in quantum or cost of power procured and any procurement from a source other than a previously approved source, in excess of (5) percent of quantum **or** cost,-----

Provided that a variation in power procured on account of changes in the price of **fuel of allocated/approved generators or** calculated in accordance with Regulation 4, above shall not be included in need for prior approval of the Commission under this regulation 5.8.

- c) **In Reg. 5.3**, it is stated that *‘the formula will be physically made applicable from prospective i.e. for the quarter beginning 1st January, 2011.’*

Suggestion from utility:

The formula will be physically made applicable from prospective i.e. for the quarter **ending 31st December’10.**

- d) **As per Reg 5.11**, *‘The actual variable costs computed exclude the effect of UI charges’*

Suggestion from utility:

UI income if any from CSGS generators under ABT mechanism shall be calculated annually at the end of FY and shall be a part of Non Tariff Income of trading sale.

In the meeting, the Commission decided to reduce the fee in each quarter for verification of all relevant documents pertaining to FPPPA claimed by the Distribution Licensees and Generating Companies from 0.1% of the claimed amount to 0.05% of the claimed amount.

Agenda Item No. 6: Multi Year Tariff Proposals filed by APGCL, AEGCL and APDCL for FY 2010-11, 2011-12 and 2012-13.

Power-point presentations on the Multi Year Tariff Proposals filed by APGCL, AEGCL and APDCL for FY 2010-11, 2011-12 and 2012-13 were given by representatives from the respective utilities. Shri S.K. Saha, CGM, (F&A), APGCL and AEGCL appealed to the Commission that it may consider 8% interest payable to the employees on GPF loan during the next tariff revision. The representative from NESSIA wanted to know as to how the Balance Sheets, Profit & Loss statements were prepared for the APDCL for FY 2007-08 when

there were three different distribution companies at that time. Chairman, ASEB explained that these statements were prepared by clubbing together of the Statements of all the three companies. The APDCL was formed in a similar way as the successor companies were formed from ASEB as per transfer scheme of the Government of Assam. The NESSIA representative further stated that the proposal of connection charge per consumer of Rs. 80 per month for the Jeevan Dhara category is quite high and may dissuade poor rural consumer from taking electricity connection which in turn will defy the objective of the Rajiv Gandhi Gramin Vidyutikaran Yojana (RGGVY). The Chairman, ASEB stated that while it is important that the benefits of electricity dissipate to the less privileged, it is also necessary that the cross subsidy is reduced as per mandate of the Electricity Act 2003. Concession to this category would mean enhancing the tariffs of other cross subsidizing categories. Therefore, the Government may offer direct subsidy to this category to relieve such consumers from paying higher tariff. He reiterated that the cost of the companies has increased with increase in salary to employees and other administrative expenses and regular category-wise tariff increase is essential for meeting these additional expenses of the companies.

Agenda Item No. 7: Any other matter.

The member from NESSIA observed that the demand for power from the HT categories has increased over these years and so has the revenue of the companies. He contended that even then adequate provision has not been made to encourage more consumers and industries in taking HT connection. He stated that the augmentation works of the 132/33 KV Sishugram substation is still pending completion and has caused immense difficulty for consumers seeking power connection for new industries in that area. He stated that entrepreneurs are now opting to set up for non-power based industries in that area.

Chairperson AERC expressed concern in this matter and asked the utilities to submit a detailed report in the matter within one month indicating the tentative date of completion of the substation. Chairperson, AERC requested that the work be completed at the earliest possible time for greater interest of the people of the region.

No other matter was discussed and the meeting ended with a vote of thanks offered by Shri D.K. Sharma, Joint Director (Tariff) to all those present in the meeting.

(J. Barkakati)
Chairperson,
Assam Electricity Regulatory Commission

**List of Persons attending the 14th Meeting of the
State Advisory Committee held on 23rd November, 2010**

1. Shri J. Barkakati, Chairperson, AERC
2. Shri H. Dutta, Member, AERC
3. Shri S.C. Das, IAS, Chairman, ASEB.
4. Shri Swapan Handique MD, AEGCL
5. Shri S. K. Saha, CGM (F&A), AEGCL/APGCL
6. Shri S.C. Nath, CGM (D), LAZ, APDCL
7. Shri M.K. Adhikary, DGM (Com-T), APDCL
8. Shri S. K. Agarwal, Member, FINER
9. Shri Nirmal Das, Administrative Officer, FINER
10. Shri Dhiraj Kakati, Secretary, ABITA
11. Shri Anuj Kumar Baruah, Vice President, AASSIA
12. Shri Gopal Ch. Baishya, President, Grahak Suraksha Sanstha
13. Shri Kumud Ch. Medhi, State Secretary, NESSIA
14. Shri Deepankar Kakati, AEE, Guwahati Municipal Corporation.
 - a. Officers of AERC present :
 15. Smti Gauri Regon, ACS, Secretary, AERC
 16. Shri Deepak Kumar Sharma, Joint Director (Tariff), AERC
 - a. Consultants of AERC present :
 17. Ms Panchamrita Sharma, Consultant (Finance, Database and Consumer Advocacy)
 18. Shri Nipen Deka, Consultant (Technical)
 19. Shri Jagabandhu Sharma, Consultant (Liason)