



TELANGANA STATE ELECTRICITY REGULATORY COMMISSION

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

Present

Sri Ismail Ali Khan, Chairman

Sri H. Srinivasulu, Member

Sri L. Manohar Reddy, Member

Dated: 27-03-2015

O.P.No.15 of 2015

The Co-operative Electric Supply Society Limited, Sircilla.

.... Applicant

The Commission having examined the Aggregate Revenue Requirement / Expected Revenue from Charges (hereinafter referred to as the 'ARR/ERC') filings for the financial year 2015-16 and the additional information and documents made available by the Applicant (hereinafter referred to as the "RESCO"), and the matter having stood over for consideration till this day passed the following:

ORDER

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

2. The RESCO filed its ARR/ERC for the year 2015-16 on 24th December 2014. The ARR/ERC filings by the RESCO were found to be deficient in certain aspects and therefore, clarifications were sought from it. During the discussion they furnished the clarifications and further details as additional information to their original filings for consideration.

3. The Commission analysed the RESCO's filings for 2015-16 and considered the additional information submitted and clarifications provided by the RESCO. The Commission's thereon are detailed herein below:

4. Revenue Requirement

a) Capital Base

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

The RESCO has projected Rs.6,782.09 lakhs under OCFA (excluding consumer contributions) and Rs.1,562.35 lakhs under CWIP in its ARR/ERC filings for 2015-16. Based on the audited accounts for the year 2013-14 and projections for the ensuing year submitted by the RESCO, the OCFA is arrived at Rs.6,646.45 lakhs, after adjustment of consumer contributions Rs.5,152.77 lakhs projected to receive by the RESCO. The CWIP figure has been fixed at Rs.1,531.10Lakhs.

ii. Working Capital consists of:

- 1) Average Cost of Stores, and
- 2) Average Cash and Bank Balances

The RESCO has projected Rs.32.13 lakhs towards average cost of stores and Rs.179.29 lakhs towards average cash and bank balance. The Commission admits Rs.30.67 lakhs towards average cost of stores representing one month's average repairs and maintenance expenses and Rs.174.24 lakhs towards average cash and bank balances.

iii. Accumulated Depreciation:

The amount projected by the RESCO is Rs.5,893.05 lakhs in their filing has been accepted as Rs.5,675.98 lakhs based on the latest audited accounts for the year 2013-14 and the provisional accounts for the 2014-15 pending finalization of accounts and the projections submitted for the ensuing year.

iv. Other items:

The projection of the RESCO towards approved loans Rs.70.10 lakhs has been approved at the same level. The projection of the RESCO towards consumer security deposits Rs.578.08 has been approved Rs.558.58 lakhs.

v. Summary of Capital Base:

With the above changes, the Net Capital Base of Rs.2,014.63 lakhs projected by the RESCO recomputed to Rs.2,077.79 lakhs as per the details given in the following table:

Table – 1
Statement of capital base

(Rs. in lakhs)

Sl. No.	Particulars	Filed by RESCO	TSERC approved
Positive elements			
1	Original Cost of Fixed Assets	6,782.09	6,646.45
2	Capital Works in Progress	1,562.35	1,531.10
3	<i>Working Capital</i>		
	a) Average Cost of Stores	32.13	30.67
	b) Avg. Cash and Bank balance	179.29	174.24
A	Total of positive items of Capital Base	8,555.86	8,382.45
Negative elements			
1	Accumulated Depreciation	5,893.05	5,675.98
2	Approved Loans	70.10	70.10
3	Consumer Security Deposit	578.08	558.58
B	Total of negative Capital Base	6,541.23	6,304.66
	Net Capital Base (A-B)	2,014.63	2,077.79

b) Expenditure Items

i) Wages and Salaries:

The RESCO has projected Rs.1,247.67 lakhs towards Wages and Salaries. After careful examination the Commission has approved Rs.1,190.00 lakhs.

ii) Administration and General Expenses and Repairs and Maintenance:

The RESCO projected Administration and General expenses Rs.110.20 lakhs and Repairs and Maintenance Rs.385.60 lakhs and which have been approved by the Commission Rs.96.17 lakhs and Rs.368.00 lakhs respectively after careful examination of audited accounts of FY 2013-14 and provisional accounts of FY 2014-15.

iii) Contributions to Contingencies reserve:

Since the RESCO has accumulated the maximum admissible to the tune of 5% of Original Cost of Fixed Assets (OCFA) for the Contingencies Reserve, as per the provisions of the Sixth Schedule to the Electricity (Supply) Act, 1948, hence the Rs.12.87 lakhs projection made by the RESCO towards Contingency Reserve Contributions has been disallowed by the Commission.

iv) Other expenditure items:

The RESCO projected rent, rates and taxes Rs. 5.00 lakhs against which the Commission has approved Rs. 4.00 lakhs. Projection towards Interest on approved loans Rs. 10.21 lakhs has been approved Rs. 6.31 lakhs (at 9% interest rate). Projection towards Depreciation Rs. 434.14 lakhs, Contribution to employee funds & gratuity fund Rs. 400.00 lakhs has been approved Rs.404.31 lakhs and Rs. 300.00 lakhs respectively. Projection of Interest on Security Deposit Rs. 33.68 lakhs, Legal charges Rs. 3.00 lakhs and Auditor's fees Rs. 8.00 lakhs has been approved Rs. 32.54 lakhs, Rs. 2.00 lakhs and Rs. 7.00 lakhs respectively.

v) Total expenditure:

Based on the above changes, the total expenditure (excluding power purchase expenses) works out to Rs. 2,410.32 lakhs as against the RESCO's projection of Rs. 2,650.38 lakhs as detailed in the following table:

Table – 2**Statement of Expenses**

(Rs. in lakhs)

Sl. No.	Particulars	Filed by RESCO	TSERC approved
1	Wages and Salaries	1,247.67	1,190.00
2	Admin & General Expenses	110.20	96.17
3	Repairs and Maintenance	385.60	368.00
4	Rent, Rates & Taxes	5.00	4.00
5	Approved Loan Interest	10.21	6.31
6	Depreciation	434.14	404.31
7	Contribution to Employee Funds	400.00	300.00
8	Contribution to Gratuity Fund		
9	Contribution to Contingency Reserve	12.87	0.00
10	Interest on Security Deposit	33.68	32.54
11	Legal Charges	3.00	2.00
12	Auditors' Fees	8.00	7.00
	Total Expenses (excluding PP Cost)	2,650.37	2,410.32

c) Reasonable Return

Based on the changes to the Capital Base (Table-1), the reasonable return works out to Rs.332.80 lakhs as against Rs. 280.79 lakhs projected by the RESCO.

b) Non-tariff Income

An amount of Rs. 560.40 lakhs as projected by the RESCO, Commission considered an amount of Rs. 610.40 lakhs.

c) The Revenue Requirement for the FY 2015-16

The Aggregate Revenue Requirement (excluding power purchase cost) works out to Rs. 2,132.72 lakhs as against Rs. 2,412.67 lakhs projected by the RESCO. This is after taking into account the Reasonable Return of Rs. 332.80 lakhs and Non-Tariff income of Rs. 610.40 lakhs by Commission.

d) Efficiency Gains

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

e) Expected revenue from charges (ERC)

The RESCO has filed the ERC at Rs. [8,602.45 lakhs](#) based on Commission determined Tariff rates which are effective from 01-04-2015. The Commission has revised the category-wise revenue figure amounting to Rs. [8,624.97 lakhs](#) and adopted it for arriving at the surplus amount available with the RESCO towards power purchases cost for Tariff Order purpose. Category-wise sales and revenue projected by the RESCO and as approved by the Commission are given in the table below.

Table – 3**Category -wise Sales and Revenue**

Sl. No.	Category	Filed by RESCO		TSERC approved	
		Sales (MU)	Revenue (Rs. lakhs)	Sales (MU)	Revenue (Rs. lakhs)
1	LT I – Domestic	84.92	2,662.60	84.92	2,683.92
2	LT II - Non-Domestic	13.88	1,088.63	14.16	1,147.62
3	LT III – Industrial	18.42	1,361.17	20.08	1,398.61
4	LT IV - Cottage Industries	40.37	1,586.97	41.17	1,558.73
5	LT V - Irrigation and Agriculture	423.70	247.61	447.89	165.07
6	LT VI - Local Bodies, Street Lighting	6.12	351.14	6.43	368.80
7	LT VI - PWS	24.96	1,230.14	26.21	1,210.11
8	LT VII - General Purpose	1.21	74.19	1.27	92.10
9	LT VIII - Temporary Supply	0.00	0.00	0.00	0.00
	Total	613.57	8,602.45	642.11	8,624.97

f) Amount available with the RESCO for power purchase

The amount available with the RESCO for power purchases has been computed at Rs. 6,492.25 lakhs and the details are given below:

Table – 4**ARR abstract**

Sl. No.	Particulars	Amount Rs. Lakhs	
		Filed by RESCO	TSERC approved
1	Expenditure (Excl. Power cost)	2,650.37	2,410.32
2	Reasonable Return	280.79	332.80
3	Less: Non-Tariff income	560.40	610.40
4	Revenue Requirement (1+2-3)	2,370.76	2,132.72
5	Less: Efficiency Gains	0.00	0.00
6	Net Revenue Requirement (4 - 5)	2,370.76	2,132.72
7	Revenue from sale of Power	8,602.68	8,624.97
8	Revenue Gap: Surplus/(Deficit)	0.00	0.00
9	Amount Available for Power Purchase (7-8-6)	6,231.69	6,492.25
	Energy to be purchased (in MU)	713.29	713.42
	Power purchase price : Rs. /kWh	0.87	0.91

5. Quantum of power purchases by RESCO

The RESCO has projected power purchase of 709.33 MU (gross) for FY 2015-16. The Commission has recomputed it to 713.42 MU (gross) duly considering agricultural sales at 447.89 MU as against the RESCO projection of 423.70 MU.

6. Power purchase price

Based on the above mentioned power purchase volume of 713.42 MU, the power purchase price for the RESCO arrived at as 91 paise per kWh to be supplied by the TSNPDCL during FY 2015-16 for energy purchases made by RESCO from TSNPDCL. In case of additional purchases from DISCOMs for sale to Agricultural & Non-Agricultural category consumers over and above the approved quantities shall be dealt as

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

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

7. Tariffs

The RESCO shall charge Retail Supply Tariff as per the Commission's Order in O.P. No.77 of 2015, dated 27-03-2015 on Retail Supply Tariffs for 2015-16, issued separately, as applicable in the case of TSNPDCL. The RESCO shall also comply with all Directives contained in that Order in so far as those are applicable to it.

8. Commission's Directives for 2015-16:

The Commission directs that the RESCO shall comply with all ongoing directives and further directs that RESCO should devise a special action plan and make concerted efforts on the important issues cited below and file reports on status of compliance thereto at the end of every quarter during FY 2015-16.

- i. The RESCO shall not release new agricultural service without DSM measures.
- ii. The RESCO shall build the sales database for the entire RESCO as directed in earlier Tariff Orders.
- iii. The Commission direct that the RESCO shall collect 100% of outstanding dues, as at 31-03-2015, from consumers.
- iv. The RESCO shall collect 100% current consumption charges and effect immediate disconnection for consumers with pending dues (including arrears) of more than two months' current billing amount.
- v. The RESCO shall regularly pay the full amount due to TSNPDCL for power purchase at the rate fixed by the Commission, failing which the TSNPDCL shall stop power supply to the RESCO immediately.
- vi. The RESCO shall limit agricultural consumption to 447.89 MU in FY 2015-16 the audited Accounts must disclose the category-wise details of units sold and the energy purchased for that year.
- vii. The Commission has approved loss trajectory in MYT order for TSNPDCL for FY 2015-16 i.e. 4.25% for 11 kV and 6.00% for LT voltages, is considered for calculation of power purchase, while the same was proposed at 13.98% by the RESCO. The RESCO shall put in its best efforts to bring down the losses to 11.00% by the end of FY 2015-16.
- viii. The RESCO shall bring down Transformer failure to 6.50% per annum by the end of FY 2015-16.
- ix. The RESCO shall identify and disconnect multiple connections (in Domestic and Commercial categories) to the same premises (meant for the same family / organization).
- x. The RESCO shall conduct energy audit in all Mandal headquarters in its licensed area and file quarterly reports, also indicating there-in the progress made month-wise.

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

This order is signed on this 27th day of March, 2015.

Sd\-
(L. Manohar Reddy)
Member

Sd\-
(H. Srinivasulu)
Member

Sd\-
(Ismail Ali Khan)
Chairman