ASSAM ELECTRICITY REGULATORY COMMISSION (AERC)

TARIFF ORDER
FY 2014-15

Assam Electricity Grid Corporation Limited (AEGCL)

Petition No. 12/2013

Petition No. 13/2014

ASSAM ELECTRICITY REGULATORY COMMISSION

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

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Abbreviations

A&G	Administration and General
ABITA	Assam Branch of Indian Tea Association
AEGCL	Assam Electricity Grid Corporation Limited
AERC	Assam Electricity Regulatory Commission
APDCL	Assam Power Distribution Company Limited
APGCL	Assam Power Generation Corporation Limited
ARR	Annual Revenue Requirement
ASEB	Assam State Electricity Board
BST	Bulk Supply Tariff
CAG	Comptroller and Auditor General
CERC	Central Electricity Regulatory Commission
CSGS	Central Sector Generating Stations
CTU	Central Transmission Utility
CWIP	Capital Work-In-Progress
EPFI	Employees Pension Fund Investment
FAR	Fixed Asset Register
GFA	Gross Fixed Assets
GoA	Government of Assam
kW	Kilo Watt
kWh	Kilo Watt Hour
MW	Mega Watt
MU	Million Units
MYT	Multi Year Tariff
NERLDC	North Eastern Region Load Despatch Centre
PGCIL	Power Grid Corporation Limited
R&M	Repairs and Maintenance
RoE	Return on Equity
RLDC	Regional Load Despatch Centre
SAC	State Advisory Committee
SLDC	State Load Despatch Centre
SLM	Straight Line Method
STU	State Transmission Utility

ASSAM ELECTRICITY REGULATORY COMMISSION

Guwahati

Present

Shri Naba Kumar Das, Chairperson

Dr. Rajani Kanta Gogoi, Member

Shri Dipak Chakravarty, Member

Petition No. 12/2013
Petition No. 13/2014

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

ORDER

(Passed on 21.11.2014)

(1) AEGCL submitted its Petition for True-up for FY 2011-12 (Petition No.12/2013) on October 10, 2013. As the Petition was filed subsequent to the completion of Hearing, the Commission had decided not to consider the same for determination of ARR for FY 2013-14 to FY 2015-16, as noted in the Tariff Order dated 21.11.2013.

(2) Therefore, the Commission, as part of the present exercise, has considered the True-up for FY 2011-12 and FY 2012-13, Annual Performance Review for FY 2013-14 and approval of ARR and tariff for FY 2014-15.

(3) AEGCL filed a Petition on December 27, 2013 praying for extension of time for submission of the Petition for approval of revised Annual Revenue Requirement (hereinafter called as 'ARR') and Tariff for FY 2014-15 and true-up for FY 2012-13 up to January 31, 2014. Subsequently, AEGCL filed a Petition on January 24, 2014, praying for extension of time for submission of the above Petition up to February 28, 2014. The Commission, vide its Order dated February 4, 2014, granted extension to AEGCL for filing of Petition for approval of revised ARR and Tariff for FY 2014-15 and true-up for FY 2012-13 up to February 28, 2014.

(4) The Assam Electricity Grid Corporation Limited (AEGCL) filed the Petition for True-up for FY 2012-13, approval of the Annual Revenue Requirement (hereinafter called as 'ARR') for FY 2014-15 and corresponding tariff adjustments consequent to the

issuance of MYT Order for FY 2013-14 to FY 2015-16 dated 21.11.2013 including Annual Performance Review for FY 2013-14 (Petition No.13/2014) on February 27, 2014 under Section 62 of the Electricity Act, 2003.

(5) The Commission, on preliminary scrutiny, found that the above Petitions filed by AEGCL were incomplete in some material information. Therefore, additional clarifications on the Petitions were sought for from AEGCL from time to time and replies received. Although, additional clarifications continued to be submitted, the Commission in the larger interest of the consumers as well as the licensee and abiding by the statutory obligation of tariff determination, admitted the Petitions on June 11, 2014. It would be pertinent to mention here that the Petitions filed by AEGCL on October 10, 2013 (Petition No. 12/2013) and February 27, 2014 (Petition No. 13/2014) were clubbed together for final disposal.

(6) Although, the Petitions from AEGCL were admitted on June 11, 2014, the Commission continued to receive additional clarifications from AEGCL on various aspects as late as September 2, 2014.

(7) After the Petitions were 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 due public participation. A copy of the Petitions and other relevant documents were also made available to consumers and other interested parties at the office of the Managing Director of AEGCL and offices of the Deputy General Manager of each circle of AEGCL. A copy of the Petitions was also made available on the website of the Commission and AEGCL.

(8) Accordingly, a Public Notice was issued by AEGCL inviting objections/suggestions from stakeholders to be submitted on or before August 11, 2014. The notice was published in eleven (11) leading newspapers of the State on July 19, 2014.

(9) The Commission received 2 (Two) objections on the Petitions filed by AEGCL and sent communication to the objectors and served personally/by Registered Post informing the date and time of Hearing to take part in the Hearing to be held at Karmabir Nabin Chandra Bordoloi Indoor Stadium, Sarusajai, Guwahati, on September 11, 2014. Also, a comprehensive Notice was published in seven (7) newspapers on September 1, 2014 in Assamese and English language. The Hearing was held as scheduled.

(10) The details are discussed in the relevant sections of this Tariff Order. The Petitions were also discussed in the meeting of the State Advisory Committee (constituted under Section 87 of the Electricity Act, 2003) convened on August 12, 2014 held at NEDFi HOUSE, Dispur, Guwahati.

(11) The Commission, now in exercise of its powers vested under Section 61 and 62 of the Electricity Act, 2003 and all other powers enabling it in this behalf and taking into consideration the submissions made by the petitioners, objections and suggestions received from stakeholders and all other relevant materials on record, has carried out True-up for FY 2011-12 and FY 2012-13, Annual Performance Review for FY 2013-14, determination of revised ARR for FY 2014-15 and transmission tariff for FY 2014-15.

(12) The Commission further directs AEGCL to publish a Public Notice intimating the revised transmission charges 7 (seven) days before the implementation of this order.

(13) The approved rate of transmission charges shall be effective from December 1, 2014 and shall continue until replaced by another Order by the Commission

(14) Before parting, it would be worth mentioning that while passing the Tariff Order some delay could not be avoided and the factors attributed to the same have been stated herein before.

Sd/-	Sd/-	Sd/-
(D. Chakravarty)	(Dr. R.K. Gogoi)	(N. K. Das)
Member, AERC	Member, AERC	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 February 28, 2001. The first proviso of Section 82(1) of the Electricity Act, 2003 has ensured continuity of the Assam Electricity Regulatory Commission under the Electricity Act, 2003.

1.1.2 The AERC came into existence in August, 2001 as a one-man Commission. Considering the multi-disciplinary requirements of the Commission, it was made a multi-Member Commission comprising of three Members (including Chairperson) from January 27, 2006. The Commission has started functioning as a multi-Member Commission on joining of two Members from February 1, 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 June 10, 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 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) 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.

1.2.3 In accordance with the provisions of the Act, the Commission shall 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 Act).

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 Act 2003).

1.3 BACKGROUND

1.3.1 The Government of Assam notified Vide Memo No. PEL151/2003/Pt./165 dated December 10, 2004, the restructuring of the erstwhile Assam State Electricity Board (ASEB) into five entities, namely:

(i) Assam Electricity Grid Corporation Limited (AEGCL) to carry out function as State Transmission Utility (STU).

(ii) Assam Power Generation Corporation Limited (APGCL) to carry out function of generation of electricity in the State of Assam.

(iii) Three Electricity Distribution Companies, namely Lower, Central and Upper Assam Distribution Company Limited, respectively, to carry out functions of distribution and retail sale of electricity In the districts covered under each company area.

1.3.2 AEGCL owns and operates the transmission system previously owned by Assam State Electricity Board (ASEB). AEGCL has started functioning as a separate entity from December 10, 2004. The Government of Assam, vide Notification No. PEL.151/2003/Pt/3/349 dated August 16, 2005, issued order to give effect to the reorganization of the ASEB and finalization of the provisional transfer effected as per the provisions of the Act and the First Transfer Scheme. The Government of Assam notified the opening balance sheet updated and finalized based on the Audited Accounts of ASEB as on March 31, 2005 under Notification No. PEL/114/2006/120 dated August 29, 2007.

1.3.3 The Commission notified the AERC (Terms and Conditions for Determination of Tariff) Regulations, 2006 (hereafter referred as Tariff Regulations) vide Notification No. AERC. 2005/19 dated April 28, 2006, which was published in the Assam Gazette on May 24, 2006. As per Regulation 1.2 of Tariff Regulations, 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 March 18, 2009 (Annexure-1) allowed the Assam State Electricity Board (ASEB) to continue to undertake the limited functions of bulk purchase and bulk supply upto June 15, 2009 in respect to the existing generating capacity and existing contracted capacity for the said period.

1.3.4 The Government of Assam vide Notification dated March 12, 2013 dissolved ASEB under Section 131 of the Act with effect from March 31, 2013 and transferred ASEB's current functions and reassigned its personnel to its successor entities namely APDCL, AEGCL and APGCL in accordance with the Scheme of Reorganization.

1.3.5 As per Regulation 5.3 of the Tariff Regulations, for Multi Year Tariff (MYT) principles, the tariff is to be determined on the basis of the principles enunciated for a period of three years commencing from April 1, 2006 for the transmission business. The Tariff Policy notified by the Government of India on January 6, 2006 also stipulated that the MYT framework is to be adopted for any tariffs to be determined from April 1, 2006.

AEGCL had filed the MYT Petition for the Control Period of three years beginning from FY 2010-11 to FY 2012-13 on February 15, 2010. The Commission, after following the due procedure, issued the Tariff Order on May 16, 2011.

The Commission vide Order dated February 28, 2013 carried out True up for FY 2009-10 and suo-motu proceedings for True up of FY 2010-11, Performance Review for FY 2011-12 and determination of ARR and Tariff of AEGCL for FY 2012-13.

Further, AEGCL had filed the MYT Petition for the Control Period of three years beginning from FY 2013-14 to FY 2015-16 on February 1, 2013. The Commission, after following the due procedure, issued the Tariff Order on November 21, 2013.

1.3.6 In view of the above facts, the present Petition of AEGCL has been processed accordingly.

1.4 PROCEDURAL HISTORY

1.4.1 As per the Tariff Regulations, AEGCL is required to file the proposal for determination of Annual Revenue Requirement and Transmission tariff latest by 1st December every year before the Commission. AEGCL has filed the Petition for approval of True-up for FY 2012-13, Annual Performance Review for FY 2013-14 and approval of Aggregate Revenue Requirement (ARR) for FY 2014-15 and its corresponding tariff adjustments on February 27, 2014.

1.4.2 AEGCL had submitted its Petition for approval of True-up for FY 2011-12 (Petition No. 12 of 2013) on October 10, 2013. In Paragraph 1.6.2 of the Order dated November 21, 2013, the Commission had ruled as under:

"However, as AEGCL had not submitted the Petition as asked for, therefore, the Commission sent reminder letters on March 26, 2013 and April 1, 2013. Subsequently, AEGCL submitted its Petition for truing up for FY 2011-12 and Annual Performance Review for FY 2012-13 on October 10, 2013. However, the Commission has decided not to consider the same for determination of ARR, as it was submitted after completion of Hearing, and the Commission has accordingly, not undertaken true up for FY 2011-12 and Annual Performance Review for FY 2012-13 in this Order."

1.4.3 Therefore, the Commission has decided to undertake True-up for FY 2011-12 as part of the present process.

1.5 ADMISSION OF THE PETITION AND HEARING PROCESS

1.5.1 The Commission conducted preliminary analysis of the Petitions submitted by AEGCL and found that the Petition was incomplete in material particulars. Therefore, additional clarifications on the Petition for True-up for FY 2012-13, Annual Performance Review for FY 2013-14 and approval of Aggregate Revenue Requirement for FY 2014-15 and its corresponding tariff adjustments were sought from AEGCL vide letter dated May 27, 2014 and these were submitted by them on July 24, 2014. However, the Commission admitted the Petition of AEGCL for True-up for FY 2011-12 (Petition No. 12/2013) and Petition for True-up for FY 2012-13, Annual Performance Review of FY 2013-14 and approval of ARR for FY 2014-15 and its corresponding tariff adjustments (Petition No 13 of 2014) on June 11, 2014.

1.5.2 In accordance with Section 64(2) of the Electricity Act, 2003, the Commission directed AEGCL to publish its application in the abridged form and manner to ensure due public participation.

1.5.3 The copies of the Petition and other relevant documents were made available to consumers and other interested parties at the office of the Managing Director of AEGCL, and offices of the Deputy General Manager of each circle of AEGCL.

AEGCL was also directed to make the copy of the Petition available on its website. A copy of the Petition was made available on the website of AEGCL (www.aegcl.co.in) and also on the website of the Commission (www.aerc.nic.in) in downloadable format. A Public Notice was issued by AEGCL inviting objections/suggestions from stakeholders on or before August 11, 2014 which was published in the following eleven (11) newspapers on July 19, 2014.

Date	Name of Newspaper	Language
19.07.2014	Amar Asom	Assamese
	Pratidin	Assamese
	Ajir Dainik Batori	Assamese
	Janasadharan	Assamese
	The Assam Tribune	English
	The Telegraph	English
	The Sentinel	English
	Dainik Jugashankha	Bengali
	Samayik Prasanga	Bengali
	Purbachal Prahari	Hindi
	Dainik Purbodai	Hindi

1.5.4 The time limit for submitting objections/suggestions was stipulated in accordance with the AERC (Conduct of Business) Regulations, 2004. Moreover, the same were also in line with the time limit given by most of the State Electricity Regulatory Commission in India, and the time allowed by the Commission in earlier tariff proceedings.

1.5.5 While examining the revised submission, the Commission felt the need for certain clarifications vis-à-vis data submitted by AEGCL. Technical Validation Session with AEGCL to discuss and sort out shortcomings was conducted in the office of the Commission on August 25, 2014.

1.5.6 The Commission considered the objections received and sent communication to the objectors to take part in the hearing process by presenting their views in person before the Commission. Accordingly, the Commission scheduled a hearing in the matter on September 11, 2014 at Guwahati. In this context, Notices were dispatched to the objectors personally/by Registered Post stating the date and time of hearing.

Also, a comprehensive Notice was published in the following seven (7) newspapers on September 1, 2014 in Assamese and English language. The Hearing was held at the Karmabir Nabin Chandra Bordoloi Indoor Stadium, Sarusajai, Guwhati on September 11, 2014 as scheduled.

Date	Name of Newspaper	Language
01.09.2014	The Assam Tribune	English
	The Sentinel	English
	Amar Asom	Assamese
	Pratidin	Assamese
	Dainik Janambhumi	Assamese
	Dainik Jugasankha	English
	Purbanchal Prahari	English

1.5.7 All the written representations submitted to the Commission and oral submissions made before the Commission in the Hearing and the responses of AEGCL have been carefully considered while issuing this Tariff Order. The major issues raised by different consumers and consumer groups along with the response of the Petitioner, AEGCL and views of the Commission are elaborated in Chapter 3 of this Order.

Further, certain clarifications were received from AEGCL after submission of the Petition, which are listed below:

i) AEGCL submitted additional clarifications against letter No. AERC.439/2014/9 on July 24, 2014.
ii) AEGCL submitted additional clarifications in response to the minutes of the meeting held on August 25, 2014, vide letter No. AEGCL/MD/Tech-338/Pt-IV/ 2014/10 dated September 2, 2014.

1.6 STATE ADVISORY COMMITTEE MEETING

A meeting of the State Advisory Committee (constituted under Section 87 of the Act) was convened on August 12, 2014 at NEDFi HOUSE, Dispur, Guwahati and members were briefed on the Petitions of AEGCL. The minutes of the meeting are appended to this order as **Annexure 1**.

2. Summary of AEGCL's Submission

2.1 ANNUAL REVENUE REQUIREMENT

2.1.1 The Assam Electricity Grid Corporation Limited (AEGCL) submitted the Petition on February 27, 2014 seeking True-up for FY 2012-13, Annual Performance Review for FY 2013-14, approval for Annual Revenue Requirement (ARR) for FY 2014-15 and its corresponding tariff adjustments. Further, the Petition submitted by AEGCL on October 10, 2013 seeking approval of True-up for FY 2011-12 has also been considered as part of the present process. 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.

2.1.2 AEGCL has sought approval for revenue requirement of Rs. 482.72 Crore for FY 2011-12 towards true-up against Rs. 391.14 Crore approved by the Commission. Similarly, AEGCL has sought approval for revenue requirement of Rs. Rs. 457.27 Crore for FY 2012-13 towards True-up against Rs. 439.67 Crore approved by the Commission. AEGCL has also sought approval of Rs. 469.69 Crore for FY 2013-14 towards Annual Performance Review against Rs. 456.03 Crore approved by the Commission and has projected the Annual Revenue Requirement of Rs. 562.57 Crore for FY 2014-15. AEGCL has projected the total Revenue Gap of AEGCL for FY 2011-12, FY 2012-13, and FY 2013-14 after including gains/losses due to controllable/uncontrollable factors at Rs. 91.58 Crore, Rs. 17.60 Crore, and Rs. 13.66 Crore respectively, as shown in the table below. Further, the cumulative revenue gap in FY 2014-15, after including the revenue gap of FY 2011-12 and FY 2012-13 has been projected by AEGCL as Rs. 66.91 crore, as shown in the table below:

Table 2.1: ARR & Revenue Gap for FY 2013-14 to FY 2015-16 as submitted by AEGCL

A. ARR of Transmission (Rs. Crore)

Sl. No.	Particulars	FY 2011-12	FY 2012-13	FY 2013-14	FY 2014-15
1	PGCIL Charges	209.58	190.52	209.30	216.30
2	Operation & Maintenance	123.18	124.35	136.37	152.40

Sl. No.	Particulars	FY 2011-12	FY 2012-13	FY 2013-14	FY 2014-15
	Expenses				
2.1	Employee Cost	100.82	110.90	123.50	138.41
2.2	Repair & Maintenance	18.72	9.99	8.56	8.73
2.3	Administrative & General Expenses	3.64	3.46	4.31	5.26
3	Depreciation	46.64	38.97	40.02	42.60
4	Interest and Finance Charges	32.70	35.83	42.10	47.90
5	Interest on Working Capital	12.27	16.19	14.67	16.27
6	Other Debits	0.21	0.56	0.35	0.21
7	BST for Pension Trust Fund	82.14	93.45	88.47	146.80
8	Net Prior Period Expenses	0	0	1.13	0
9	Less: Other Expenses Capitalised	8.63	13.26	16.52	19.82
10	Return on Equity	13.99	13.99	13.99	13.99
11	Provision for tax/ tax paid	0.06	4.66	0.00	0.00
14	**Total Expenditure**	**520.77**	**518.52**	**529.88**	**616.65**
15	Less: Non-Tariff Income	38.05	61.25	60.19	54.08
16	Net Aggregate Revenue Requirement (14-15)	482.72	457.27	469.69	562.57
17	True-up for FY 2011-12 and FY 2012-13				107.26*
18	**Total Aggregate Revenue Requirement**	**482.72**	**457.27**	**469.69**	**669.83**
19	Revenue at Existing Tariff	391.14	439.67	456.03	495.66
20	**Revenue (Gap)/Surplus**	**(91.58)**	**(17.60)**	**(13.66)**	**(66.91)**

Note: AEGCL has not added the true-up amount for FY 2011-12 and FY 2012-13, while claiming the revised ARR for FY 2014-15, and these amounts have been claimed separately; however, for completeness, the same has been shown as above

B. ARR of State Load Despatch Centre (SLDC)

(Rs. Crore)

Particulars	**FY 2011-12**	**FY 2012-13**	**FY 2013-14**	**FY 2014-15**
Employee Expenses	1.21	1.20	0.00	0.00
Repair & Maintenance Expenses	0.80	0.75	0.00	0.00
Administrative and General Expenses	0.24	0.19	0.00	0.00
Non Tariff Income	0.00	0.00	0.00	0.00
Total ARR	**2.25**	**2.14**	**0.00**	**0.00**

C. Salient features of AEGCL and SLDC Petition for FY 2013-14, FY 2014-15, and FY 2015-16

Sl. No.	**Particulars**	**FY 2011-12**	**FY 2012-13**	**FY 2013-14**	**FY 2014-15**
1	Annual Revenue Requirement (Rs. Crore)	482.72	457.27	469.69	669.83
2	Actual/ Anticipated Transmission (MU)	5747.69	5917.35	6665.88	7340.00
3	Transmission Loss (%)	4.29%	3.88%	4.09%	3.84%
4	**Average Transmission Charge (Rs./Unit)**	**0.84**	**0.77**	**0.70**	**0.91**
5	Annual Maximum Peak of the Transmission Demand (MW)	1135	1286	1362	1471
6	Transmission Charge for Long Term Open Access consumer (Rs./MW/month)	354.48	296.31	287.38	376.46
7	Transmission Charge for Short Term Open Access consumer (Rs./MW/day)	11654.22	9471.79	9448.03	12376.82
8	SLDC charge Rs./MW/day	54.32	45.59	N/A	N/A

Note: *The numbers in the table above have been updated based on AEGCL's revised submission.*

2.2 PRAYERS OF AEGCL

2.2.1 AEGCL, in its Petition No. 12/2013, had stated as under:

"*1.18.2 The Hon'ble Commission is requested to approve above Annual Revenue Requirement and allow AEGCL to pass on the Revised Revenue Gap obtained after treating gains/losses for FY 2011-12."*

2.2.2 AEGCL, in Paragraph 1.18.2 of its Petition No. 13/2014, had stated as under:

"*1.18.2 The Hon'ble Commission is requested to approve above Annual Revenue Requirement and allow AEGCL to pass on the Revised Revenue Gap obtained after treating gains/losses for FY 2012-13."*

2.2.3 Further, AEGCL in its Petition No. 13/2014 had stated as under:

"*Based on the Annual Performance Review of FY 2013-14 AEGCL prays before the Commission to review and allow the Tariff of Rs. 564.69 Cr. as Transmission Tariff for FY 2014-15."*

Note: AEGCL has claimed Rs. 562.57 crore as per revised submission, which tallies with the table above.

3. Brief Summary of Objections Raised, Response of the AEGCL and Commission's Comments

3.1.1 The Commission has received two (2) numbers of objections/suggestions on the Petitions filed by AEGCL, from the following stakeholders:

Sr. No.	Name of the Objector
1	Assam Branch of Indian Tea Association (ABITA), Guwahati
2	All Assam SSI Association

3.1.2 AEGCL has submitted its responses to the objections/suggestions from the above stakeholders.

3.1.3 It is observed that while All Assam SSI Association has submitted objections/suggestions on the Petitions filed by AEGCL, the objections are actually related to APDCL and not AEGCL. Therefore, these objections have not been considered in this Order.

3.1.4 The Commission considered the objections/suggestions received and sent communication to the objectors to take part in the Hearing process by presenting their views in person before the Commission, if they so desired.

3.1.5 The Commission held the Hearing at Karmabir Nabin Chandra Bordoloi Indoor Stadium, Sarusajai, Guwahati, on September 11, 2014.

3.1.6 The objector/s attended the hearings and submitted their views/suggestions. All the written representations submitted to the Commission and oral submissions made before the Commission in the Hearing and the responses of AEGCL have been carefully considered while issuing this Tariff Order.

3.1.7 A meeting of the State Advisory Committee (SAC) was convened on August 12, 2014 at NEDFi HOUSE, Dispur, Guwahati to obtain the views of SAC members on the ARR and Tariff proposals of AEGCL. The suggestions made by the members of SAC have been duly taken into consideration by the Commission while finalizing the Tariff Order.

3.1.8 The objections/suggestions made by the stakeholders and responses of the Petitioner are briefly dealt with in this Chapter. The major issues raised by the stakeholders are discussed below along with the response of the Petitioner (AEGCL) and views of the Commission.

3.1.9 While all the objections/suggestions have been given due consideration by the Commission, only, major responses/objections received related to the ARR and Tariff Petition and also those raised during the course of Hearings have been grouped and addressed issue-wise, in order to avoid repetition.

Issue No. 1: True-up for FY 2011-12 and FY 2012-13

Objections:

Assam Branch Indian Tea Association (ABITA) submitted that AEGCL has proposed truing-up of FY 2011-12 and 2012-13 based on audited accounts. In the Tariff Order for FY 2012-13, the Commission has already conducted a review of FY 2011-12 based on the provisional accounts and determined a revenue gap of Rs. 20.21 Crore. The figures submitted by AEGCL as per audited accounts are not in variation with the provisional numbers submitted at the time of FY 2011-12. Further, AEGCL has not provided any justification for considering higher amounts of each parameter with respect to the reviewed figures by the Commission. Therefore, additional gap as claimed by AEGCL should not be allowed.

Additionally, ABITA submitted that AEGCL did not submit its Petition for annual performance review of FY 2012-13 at the time of submission of MYT Petition for the Control Period from FY 2013-14 to FY 2015-16 due to which the Commission was unable to consider the same at the time of issuance of the Order dated November 21, 2013. In the Petition for true-up of FY 2012-13, AEGCL has considered all parameters as per audited accounts without giving due consideration for controllable and uncontrollable parameters and stating standard rationale for the increase in actual costs with respect to approved costs. The methodology considered by the Commission during true-up of previous years has been completely avoided.

Response of AEGCL:

AEGCL submitted that the true-up of expenses have been claimed as per audited accounts for FY 2011-12 and FY 2012-13. Further, parameter-wise justification has been provided along with the petition for truing-up for FY 2011-12 based on audited accounts.

AEGCL submitted that the methodology considered by the Commission has not been avoided except in the case of depreciation, wherein AEGCL has requested the Commission to consider a different approach.

Comments of the Commission:

The Commission has taken note of the objection in this regard. Performance review is done for the purpose of performance monitoring on the basis of provisional accounts while truing up is done on the basis of audited accounts. AEGCL has submitted parameter-wise justification based on additional clarifications sought by the Commission, and has followed the approach stipulated by the Commission in previous Tariff Orders. On the issue of depreciation, AEGCL has submitted the computation of depreciation as per AERC (Terms and Conditions for Determination of Tariff) Regulations, 2006 as required. The Commission's analysis and decisions on truing up of each head of expense and revenue for FY 2011-12 and FY 2012-13, are detailed in Chapter 4 of this Order.

Issue No. 2: Annual Performance Review for FY 2013-14 and Review of Tariff for FY 2014-15

Objections:

ABITA submitted that AEGCL has also proposed review of ARR for FY 2013-14 and subsequent review of the ARR for FY 2014-15 as part of Annual Performance Review. However, AEGCL has not provided any details or justification in support of the review of ARR for FY 2013-14 and FY 2014-15. In absence of any details substantiating the claim of AEGCL, the Commission is requested to disallow any increase in the ARR for FY 2013-14. Further, the Commission had approved the ARR for the Control Period from FY 2013-14 to FY 2015-16 based on the provisional numbers of FY 2011-12 and partial year information for FY 2012-13, therefore , the review of FY 2013-14 and FY 2014-15 is not required to be undertaken as most of the parameters considered as part of ARR of transmission utility are of controllable nature.

Response of AEGCL:

AEGCL submitted that the justification in support of the review of ARR for FY 2013-14 and FY 2014-15 has been provided to the Commission.

Comments of the Commission:

AEGCL has submitted justification for review of ARR for FY 2013-14 and FY 2014-15 in response to additional clarifications sought by the Commission, which have been appropriately considered by the Commission in the APR for FY 2013-14 and determination of revised ARR and tariff for FY 2014-15.

Issue No. 3: Provisional Accounts

Objections:

ABITA submitted that AEGCL has submitted Rs. 34.42 Crore towards non-tariff income for FY 2013-14, as compared to the approved amount of Rs 46.04 Crore. The actual non tariff income of FY 2012-13 as per audited accounts is Rs 61.25 Crore. Therefore, the amount of Rs 34.42 Crore claimed for FY 2013-14 by AEGCL cannot be relied upon. In fact, AEGCL has shown PGCIL charges as Rs 212.51 Crore, equal to that approved by the Commission. This clearly indicates that the provisional accounts are incorrect and have been modified in order to claim a higher amount in the review. In view of the same, the Commission is requested to disallow any request for review of FY 2013-14 and FY 2014-15 until audited accounts are available for prudence check.

Response of APDCL:

No response.

Comments of the Commission:

Provisional accounts are considered only for the purpose of performance monitoring. Actual performance will be considered on the basis of audited accounts at the time of true-up after due prudence check. In this Order, the Commission has reviewed the ARR of FY 2013-14, based on the trued-up values for FY 2011-12 and FY 2012-13, and revised the ARR and tariff for FY 2014-15, after incorporating the consequent changes.

Issue No. 4: Operation and Maintenance Expenses

Objections:

ABITA submitted that during review for FY 2011-12, the Commission had approved employee cost of Rs. 100.82 Crore, which was 34.1% higher than approved employee cost of Rs. 75.18 Crore for FY 2011-12. Considering the actual employee cost of Rs. 81.42 Crore approved by the Commission for FY 2010-11, the employee cost is higher by approximately 24% on year-on-year basis. The Commission is requested to revisit employee cost and direct AEGCL to provide element-wise explanation for such wide variations in the employee cost. The increase in employee cost should be linked to an appropriate index, i.e., CPI inflation for industrial workers and any increase over and above the approved cost should not be allowed to be passed on. Therefore, CPI increase of 8.39% should be applied to the actual employee cost of FY 2010-11 for approving the employee cost of FY 2011-12. ABITA also submitted that actual employee cost of Rs. 110.90 Crore for FY 2012-13 against the approved employee cost of Rs. 81.19 Crore is substantially higher. Such high cost for transmission utility is also unwarranted considering that it is still not being able to spend the capital cost approved by the Commission. As per the principles of the MYT framework, employee cost is controllable and any gain or loss is to the account of AEGCL. Therefore, proper assessment of employee cost and linkage with a reasonable factor for increase, i.e., CPI inflation for industrial workers, is required. Any variation (higher or lower) should be to the account of AEGCL. An escalation of 10.44% has been considered, which is equal to the increase in the CPI index during FY 2012-13 on the FY 2011-12 employee cost as computed above. The Commission is requested to approve the employee cost of Rs. 97.46 crore, which is arrived after escalating employee cost of Rs. 88.25 crore as proposed by ABITA for FY 2011-12 by 10.44%, which is the CPI increase during FY 2012-13.

As regards R&M expenses and A&G expenses, the actual expense of Rs. 9.99 Crore and Rs. 3.46 Crore, respectively, should be approved as AEGCL has not been able to spend the approved cost of Rs. 10.51 Crore and Rs. 4.51 crore, respectively, in FY 2012-13.

Additionally, ABITA submitted that these parameters were approved by the Commission after reviewing the actual cost under each head for base year of

FY 2011-12. Since there has been no major revision in the provisional numbers of FY 2011-12 and also considering the controllable nature of these expenses, ABITA requested the Commission not to allow any revision in the O&M expenses.

Response of AEGCL:

AEGCL submitted that the increase in employee cost is due to the impact of Dearness Allowance, which was higher than estimated in the Tariff Order. Further, considerable impact is due to new recruitments at different levels to address the problem of mass ageing of entire workforce to take up operation and maintenance of new assets created and likely to be created in the coming days. Further, AEGCL submitted that hike in employee cost considered by the Commission was 8%, whereas, the actual increase on account of dearness allowance and annual increment was 18% apart from the additional cost for recruitment and arrears due to retirement of personnel.

Additionally, AEGCL submitted that employee cost is fixed in nature and uncontrollable. Therefore, this may be allowed as per actuals based on audited accounts.

Comments of the Commission:

The Commission has noted the objections in this regard and the AEGCL's justification for the higher O&M expenses, and has allowed the actual O&M expenses for FY 2011-12 and FY 2012-13, under the truing up. The computations in this regard have been elaborated in Chapter 4 of this Order.

Issue No. 5: Other Debits

Objections:

ABITA submitted that the other debits claimed by AEGCL are not explained and also do not form a component of the ARR as per the Tariff Regulations. As per the audited accounts, the other debits primarily comprise of Miscellaneous Losses written off and write off of deferred revenue expenditure, which do not form part of ARR of the transmission utility. Therefore, Other Debits should be excluded while determining the trued up ARR of FY 2011-12.

Response of AEGCL:

AEGCL submitted that other debits have been approved by the Commission.

Comments of the Commission:

Other debits claimed by AEGCL have been disallowed as all legitimate revenue expenditure has been allowed under respective heads.

Issue No. 6: Prior Period Charges/Credits

Objections:

ABITA submitted that as per the audited accounts of FY 2011-12 and FY 2012-13, there are prior period charges/credits, which comprise of prior period expenses and income. While prior period expenses are controllable, the prior period income received/booked in the audited accounts needs to be accounted for, as it has been considered due to the short accounting in the previous years. AEGCL has not included these charges amounting to Rs. 12.54 crore in the truing up exercise for FY 2012-13. The Commission is requested to consider the same and adjust the trued up ARR of FY 2011-12 and FY 2012-13.

Response of AEGCL:

AEGCL submitted that the amount of Rs. 12.54 Crore is reflected in FY 2011-12 rather than FY 2012-13. Further, prior period charges/credits are on account of errors in booking certain expenses as per Accounting Standard AS-5. In FY 2011-12, prior period depreciation amounting to Rs. 14.37 Crore was accounted for mistakenly.

Comments of the Commission:

The Commission has analysed each head of prior period expense and prior period income and has considered the same under the truing up for FY 2011-12 and FY 2012-13, as appropriate. The computations in this regard have been elaborated in Chapter 4 of this Order.

Issue No. 7: Interest on Term-Loans

Objections:

ABITA submitted that interest on term-loans had been approved on the higher side by the Commission due to approval of higher capital expenditure and capitalization during the Control Period. However, AEGCL has not been able to undertake the approved capital expenditure, resulting in lower requirement of debt and corresponding interest expense. The Commission, in the review for FY 2010-11 and FY 2011-12, had disallowed the interest on GPF as the Trust was not created as per the statutory requirement nor was the fund invested in any authorized securities. AEGCL is again silent on the issue implying that the directives have still not been complied with and therefore, the interest on GPF should be disallowed for FY 2012-13 as well. Further, penal interest and interest on State Government loans have not been considered as part of term deposit. Therefore, ABITA requested that the Commission consider interest on term loans as Rs. 4.44 Crore after excluding interest on GPF, penal interest and interest on State Government loan.

Response of AEGCL:

AEGCL submitted that accumulation of GPF is utilized as internal resources. GPF is shown as unsecured loan and interest on GPF is part of interest and finance charges. As per terms of sanction, interest on Government of Assam loan and penal interest has been provided. Therefore, the submission of ABITA may not be accepted.

Comments of the Commission:

The Commission has taken note of the objection and AEGCL's reply. The Commission has adopted a consistent approach while approving the interest expenses for FY 2011-12 and FY 2012-13, and has disallowed the penal interest and interest on GPF. The computations in this regard have been elaborated in Chapter 4 of this Order.

Issue No. 8: Depreciation

Objections:

ABITA submitted that depreciation as claimed by AEGCL is not aligned to the methodology followed by the Commission in the previous Orders. AEGCL has not reduced the amount of depreciation towards grants and therefore, the depreciation proposed for FY 2012-13 is Rs 60.25 Crore as against the approved amount of Rs 32.83 Crore The revised depreciation considering the revised opening block of GFA and depreciation rates as specified in the Regulations works out to Rs 32.43 Crore.

Response of AEGCL:

AEGCL submitted that depreciation has been charged on the entire assets, irrespective of whether it was financed by loan or grant. As per memo No. PEL.133/2003/pt/463 dated 03.03.2009 of Government of Assam, the grant received from the State Government is in the nature of promoter's contribution, i.e., equity.

Therefore, depreciation has been considered on the assets created out of capital grant/promoter's contribution.

Comments of the Commission:

The Commission has taken note of the objection and AEGCL's reply. The Commission has adopted a consistent approach while approving the depreciation for FY 2012-13, and has not allowed depreciation on assets funded out of grants. The computations in this regard have been elaborated in Chapter 4 of this Order.

Issue No. 9: PGCIL Charges and BST

Objections:

ABITA submitted that PGCIL charges and BST (pension) should be allowed as per actual.

Response of AEGCL:

No response.

Comments of the Commission:

For FY 2011-12 and FY 2012-13, PGCIL charges have been allowed on the basis of actual as per audited accounts, as elaborated in Chapter 4 of this Order.

Issue No. 10: Return on Equity

Objections:

ABITA submitted that Return on Equity should be considered as approved as there is no addition in equity during FY 2012-13.

Response of AEGCL:

No response.

Comments of the Commission:

The Return on Equity has been considered as per the provisions of AERC (Terms and Conditions for Determination of Tariff) Regulations, 2006, as elaborated in Chapter 4 of this Order.

Issue No.11: Provision for Tax

Objections:

ABITA submitted that tax is to be considered as per actuals in the audited accounts.

Response of APDCL:

No response.

Comments of the Commission:

The Commission has considered the actual income tax paid for FY 2011-12 and FY 2012-13, as per the Income Tax Return filed by AEGCL, as elaborated in Chapter 4 of this Order.

Issue No. 11: Capital Expenditure

Objections:

ABITA submitted that AEGCL has not provided any details of the capital works, which have been implemented or taken up during FY 2013-14, in order to ascertain the performance with respect to implementation of the approved capital expenditure and capitalization. In the absence of such details, the review of parameters like depreciation, interest on term loans, etc., is futile, as these components are directly linked to the capitalization of assets during a particular year.

ABITA further submitted the comparison of actual capitalization during FY 2011-12 and FY 2012-13 with the approved capitalization for FY 2013-14 and FY 2014-15, and submitted that the performance of AEGCL with respect to the implementation of projects is very poor. Therefore, it submitted that AEGCL will find it difficult to meet the approved capital expenditure and capitalization targets for FY 2013-14 and FY 2014-15, which shall result in reduction in the depreciation, interest cost, etc., vis-a-vis the approved expenses. Hence, AEGCL has not provided details of the progress of capital expenditure and capitalization during FY 2013-14.

Response of APDCL:

AEGCL submitted that the details of capital works have already been submitted in the MYT Petition for the Control Period from FY 2013-14 to FY 2015-16. Therefore, the submission of ABITA may not be accepted.

Comments of the Commission:

The Commission has taken note of the objection and AEGCL's reply. Capital

Expenditure and Capitalisation have been considered after considering the past trend in this regard, as elaborated in the succeeding Chapters of this Order.

Issue No. 12 : Annual Revenue Requirement for FY 2011-12, FY 2012-13, FY 2013-14 and FY 2014-15

Objections:

ABITA submitted a revenue surplus of Rs. 5.12 Crore for FY 2011-12, against the gap of Rs. 96.63 Crore proposed by AEGCL, and requested the Commission not to allow any revenue deficit as per the unjustified claims of AEGCL.

Similarly, for FY 2012-13, ABITA submitted that there is a revenue surplus of Rs. 57.78 crore as against revenue gap of Rs. 25.12 Crore claimed by AEGCL. Since the ARR of a transmission company is primarily controllable, AEGCL should make efforts to work within the approved ARR. Therefore, the Commission is requested to disallow true-up of controllable parameters and only give effect to the under-achievement in the capital expenditure and capitalization approved for the Control Period.

ABITA also projected the revised ARR for FY 2013-14 and FY 2014-15 as Rs. 456.03 crore and Rs. 495.66 crore, respectively, against the claim of AEGCL for Rs. 469.69 crore and Rs. 564.69 crore, respectively.

Response of AEGCL:

AEGCL submitted that the submission by ABITA may not be accepted due to reasons mentioned in the preceding paragraphs.

Comments of the Commission:

The Commission has approved the true-up for FY 2011-12 and FY 2012-13, after detailed prudence check of the actual expenses and revenue, as elaborated in Chapter 4 of this Order. The APR of FY 2013-14 and revised ARR and Tariff for FY 2014-15 have been approved based on detailed analysis of each head of expense and revenue, as elaborated in Chapters 5 and 6 of this Order, respectively.

Issue No.13: Revenue Surplus/Gap

Objections:

On the basis of its projections shown above, ABITA submitted that there is a net surplus of Rs. 62.70 Crore which is required to be adjusted in the tariff for FY 2014-15. Therefore, ABITA requested the Commission to make suitable judgement and not allow unjustified large revisions in tariff of AEGCL.

Response of AEGCL:

AEGCL submitted that the submission by ABITA may not be accepted due to reasons mentioned in the preceding paragraphs.

Comments of the Commission:

The Commission has approved a revenue gap of Rs. 30.00 crore for FY 2011-12 and a revenue surplus of Rs. 53.02 crore for FY 2012-13, after final true-up based on prudence check of audited accounts for these two years. The net surplus of Rs. 23.01 crore has been used to reduce the revenue requirement for FY 2014-15. The computations in this regard have been elaborated in the succeeding Chapters of this Order.

4. Truing up for FY 2011-12 and FY 2012-13

4.1 METHODOLOGY FOR TRUING UP

4.1.1 The Assam Electricity Grid Corporation Limited (AEGCL) submitted the Petition on February 27, 2014 seeking True-up for FY 2012-13, Annual Performance Review for FY 2013-14, approval for revised Annual Revenue Requirement (ARR) for FY 2014-15 and its corresponding tariff adjustments. Further, Petition submitted by AEGCL on October 10, 2013 seeking approval of True-up for FY 2011-12 has also been considered as part of the present process. 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.

4.1.2 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 beginning of the year and hence, the projections might vary over the course of the year.

4.1.3 The actual cost/values for certain elements/parameters may vary as against the approved cost during the year due to various controllable and uncontrollable factors. The licensee 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 fixed costs being higher than the approved fixed costs, there is no mechanism during the year to recover the additional fixed costs over and above the approved fixed costs as the tariff for the licensee cannot be amended more than once as per Regulation 5.1 of the AERC (Terms and Conditions for Determination of Tariff) Regulations, 2006, 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"

4.1.4 Under the truing up mechanism, AEGCL analysed the difference between actual expenditure and the expenditure approved by the Commission for FY 2011-12 and FY 2012-13 and requested for recovery of the actual expenditure through truing up.

4.1.5 The Commission analyses the actual expenditure for the previous year/years based on the audited Annual Accounts of the licensee and allows/disallows the recovery of the actual expenditure through the present year's tariff, subject to prudence check.

4.1.6 Based on above methodology, AEGCL submitted the truing up Petition for FY 2011-12 and FY 2012-13, supported by audited Annual Accounts.

4.1.7 The Commission approved the ARR and Tariff for FY 2011-12 and FY 2012-13 in the MYT Order dated 16.05.2011, based on the costs and revenue estimated by AEGCL.

4.1.8 The Commission has carried out the truing up for FY 2012-13 based on the submissions of the Petitioner in accordance with AERC (Terms and Conditions for Determination of Tariff) Regulations, 2006 and prudence check.

4.2 TRUING UP FOR FY 2011-12

4.2.1 Revenue from operations

The actual revenue earned by AEGCL from operations for FY 2011-12 was Rs. 391.14 crore, including Rs. 1.92 crore billed towards SLDC charges for FY 2011-12. The same amount is reflected in the audited accounts of AEGCL for FY 2011-12.

The Commission approves the actual revenue of Rs. 391.14 crore in the Truing up for FY 2011-12.

4.2.2 Non-Tariff Income

The Commission had approved the non-tariff income at Rs. 20 crore in the Tariff Order for FY 2011-12, whereas AEGCL has submitted non-tariff income of Rs. 38.05 crore for FY 2011-12. The actual non-tariff income as per the Audited Annual Accounts is reported as Rs. 38.05 crore.

The Commission accordingly approves the Non-Tariff Income at Rs. 38.05 crore in the truing up for FY 2011-12.

4.2.3 PGCIL Charges

The Commission had approved PGCIL network charges at Rs. 134.24 crore in the Tariff Order for FY 2011-12, against which AEGCL has claimed PGCIL network charges of Rs. 209.58 crore.

The PGCIL charges are to be paid in accordance with the Orders issued by the CERC. The actual expenditure incurred by AEGCL towards PGCIL charges as per the Audited Annual Accounts is Rs. 209.58 crore.

Therefore, the Commission approves PGCIL charges at Rs. 209.58 crore in the truing up for FY 2011-12.

4.2.4 O&M Expenses

(1) Employee Cost

The Commission had approved Rs. 75.18 crore towards employee cost in the Tariff Order for FY 2011-12, whereas AEGCL has claimed Rs. 100.82 crore towards employee cost for FY 2011-12. AEGCL has submitted that the increase is mainly due to impact of dearness allowance and new recruitments at different levels due to mass ageing of workforce.

The actual employee cost as per the Audited Annual Accounts for FY 2011-12 is Rs. 100.82 crore. The Commission sought clarifications from AEGCL regarding head-wise details of employee cost for FY 2011-12 and details of number of cadre-wise personnel retired, approved cadre-wise personnel under new recruitment and corresponding employee cost. The Commission also directed AEGCL to submit the justification for increase in employee cost for FY 2011-12 vis-à-vis approved expenses and rates of dearness allowance. AEGCL submitted the required details and submitted that the increase in employee cost considered by the Commission was 8%, whereas the actual increase on account of dearness allowance and annual increment works out to 12% apart from the additional cost for new recruitment and arrears due to ROP, 2010.

Therefore, the Commission accepts AEGCL's submission and justification and approves Rs. 100.82 crore towards employee cost in the truing up for FY 2011-12.

(2) Repairs and Maintenance Expenses

The Commission had approved Rs. 9.56 crore towards R&M expenses in the Tariff Order for FY 2011-2, whereas AEGCL has claimed Rs. 18.72 crore towards R&M expenses for FY 2011-12. AEGCL has submitted that the assets of AEGCL are old and require regular maintenance to ensure uninterrupted operations. AEGCL added that it has been undertaking necessary expenditure for R&M activities regularly.

It is observed that the R&M expense as per the Audited Annual Accounts is Rs. 18.72 crore. The Commission, in a query, directed AEGCL to submit head-wise break up of actual R&M expenses for FY 2011-12. As the R&M expenses include one-time expenses also, **the Commission approves the R&M expenses of Rs. 18.72 crore in the truing up for FY 2011-12.**

(3) Administrative and General Expenses

The Commission had approved Rs. 4.25 crore towards A&G expense in the Tariff Order for FY 2011-12 whereas AEGCL has claimed A&G expenses of Rs. 3.56 crore for FY 2011-12 after capitalisation of A&G expense of Rs. 0.08 crore.

It is observed that the actual A&G expense incurred by AEGCL as per the Audited Annual Accounts is Rs. 3.56 crore. As the actual A&G expenses are lower than the approved A&G expenses, **the Commission approves the net A&G expenses of Rs. 3.56 crore in the truing up for FY 2011-12.**

4.2.5 Interest and Finance Charges

The Commission had approved Rs. 54.23 crore towards interest and finance charges in the Tariff Order for FY 2011-12, whereas AEGCL has claimed Rs. 32.70 crore towards interest and finance charges. It is observed that the actual expenditure incurred by AEGCL towards net interest and finance charges as per Audited Annual Accounts for FY 2011-12 is Rs. 24.15 crore.

In response to the Commission's query, AEGCL submitted the source-wise details of opening balance of loan, loan drawn during the year and loan repaid during the year, closing balance of loan, applicable interest rate and interest expenses for FY 2011-12. The Commission has examined the source-wise interest expenditure incurred as per Audited Annual Accounts. The payment of penal interest and interest on General Provident Fund has not been approved, in accordance with the approach followed by the Commission in the previous Tariff Orders. Further, the audited accounts of AEGCL for FY 2011-12 reveal that the outstanding balance of loan indicated against Government of Assam, includes Rs. 21.30 crore of overdue repayment, and also includes Rs. 45.80 crore of grants from Government of Assam that had been incorrectly included by AEGCL under loans from Government of Assam. Hence, the

Commission has corrected the opening and closing loan balances against Government of Assam, and re-computed the interest expenses against Government of Assam loan by considering the interest rate of 10% considered in the MYT Order dated November 21, 2013. The interest on ADB loan has been approved as per the audited accounts.

The interest and finance charges approved after truing up for FY 2011-12, are shown in the Table below:

Table 4.1: Approved Interest and Finance Charges for FY 2011-12 (Rs. crore)

Sl. No.	Particulars	FY 2011-12
1	Interest on State Government Loans	19.15
2	Interest on ADB Loans	3.48
3	Total Finance Charges	0.16
4	Less: Interest Capitalised	8.55
	Total	**14.24**

4.2.6 Interest on Working Capital

The Commission had approved Rs. 9.58 crore towards normative interest on working capital in the Tariff Order for FY 2011-12, whereas AEGCL has claimed Rs.12.27 crore towards Interest on Working Capital for FY 2011-12, at the interest rate of 14.06%.

The Commission has trued up the normative interest on working capital based on the approved O&M expenses, receivables, etc., as detailed in Table 4.2 below:

Table 4.2: Approved Interest on Working Capital for FY 2011-12 (Rs. crore)

Sr. No.	Particulars	FY 2011-12
1	O&M Expense for one month	10.26
2	Maintenance Spares @ 1% GFA	10.58
3	Two months receivables	65.19
4	Total Working Capital	86.03
5	Interest @ 13.00%	11.18

Therefore, the Commission approves Rs. 11.18 crore towards interest on working capital in the truing up for FY 2011-12.

4.2.7 Depreciation

The Commission had approved Rs. 23.27 crore towards depreciation in the Tariff Order for FY 2011-12. AEGCL had initially submitted Rs. 60.25 crore towards depreciation for FY 2011-12 by taking into consideration the opening balance of assets and the capitalisation and the depreciation rates as per the Companies Act, 1956 . However, the Commission directed AEGCL to submit the computation of depreciation for FY 2011-12 as per the AERC Tariff Regulations, 2006. Consequently, AEGCL has claimed Rs. 46.64 crore towards depreciation for FY 2011-12.

As specified in the AERC Tariff Regulations, 2006, depreciation is calculated on 90% at the rate specified in the Regulations. Additions during the year have been considered on pro-rata basis. Further, the depreciation on the assets funded out of grants has been reduced from the total depreciation. **The depreciation approved in the truing up for FY 2011-12 is given in the Tables below:**

Table 4.3: Depreciation approved for FY 2011-12 (Rs. crore)

Sr. No.	Nature of Asset	GFA as on 01.04.2011	Additions during FY 2011-12	Rate of Depreciat-ion	Depreciation as per AERC Regulations
1	Land & Rights	12.50	2.55		
2	Buildings	17.57	0.87	1.80%	0.29
3	Hydraulics	2.65	0.00	2.57%	0.06
4	Other Civil Works	6.40	0.52	1.80%	0.11
5	Plant & Machinery	419.19	85.32	3.60%	14.96
6	Lines & Cable Network	592.72	32.43	2.57%	14.08
7	Vehicles	3.29	0.50	18.00%	0.57
8	Furniture & Fixtures	2.11	0.13	6.00%	0.12
9	Office Equipment	1.28	0.17	6.00%	0.07
	Total	1057.71	122.49		30.27
	Average of Opening Balance & Closing Balance of assets for FY 2011-12, excluding land cost	1105.18		2.74%	

Particulars	As on 1.04.2011
Grants Available	529.97
GFA (excluding Land & Rights)	1045.21

CWIP		137.33
Total		**1182.54**
Cumulative grants apportioned in the ratio of GFA and CWIP	GFA	468.42
	CWIP	61.55
Depreciation calculated as per the Regulation on the GFA		30.27
Weighted average rate of depreciation		2.74%
Depreciation to be deducted on the assets built on the grants component		12.83
Depreciation approved		17.44

The Commission accordingly approves depreciation of Rs. 17.44 crore in the truing up for FY 2011-12.

4.2.8 Other Debits

Based on Audited Annual Accounts, AEGCL has claimed expenditure of Rs. 0.21 crore towards other debits for FY 2011-12. The Commission had not approved such expenditure in the Tariff Order for FY 2011-12. In response to a query from the Commission, AEGCL submitted head-wise details of expenditure considered towards other debits. AEGCL has considered "miscellaneous losses and write-off" and "deferred revenue expenditure written off" under Other Debits. **Since, all prudent revenue expenditure have been allowed under respective heads, the Commission has not allowed the Other Debits claimed by AEGCL.**

4.2.9 SLDC Charges

The Commission had approved SLDC charges of Rs. 1.92 crore in the Tariff Order for FY 2011-12. In response to a query from the Commission, AEGCL submitted details of actual SLDC charges incurred for FY 2011-12 at Rs. 2.25 crore. However, as per the audited accounts of AEGCL for FY 2011-12, the actual SLDC charges have not been shown separately and are included in the employee expenses, R&M expenses, and A&G expenses of AEGCL, which have already been allowed at actuals, as elaborated in the earlier paragraphs of this Chapter. Hence, **the Commission has considered the separate SLDC charges as Nil in the truing up for FY 2011-12.**

4.2.10 Special Charges for Terminal Benefits

The Commission had approved special charges on Bulk Supply Tariff at 15 paise per unit on transmission charges amounting to Rs. 82.14 crore for FY 2011-12. The Audited Accounts of AEGCL report the BST for Pension Trust Fund at Rs. 82.14 crore. AEGCL has also considered the same under the true-up for FY 2011-12. **The Commission approves the BST for Pension Trust Fund at Rs. 82.14 crore as claimed by AEGCL for FY 2011-12.**

4.2.11 Net Prior Period Expenses/Credits

AEGCL has not claimed any prior period expenses or prior period credits under the true up exercise. However, the Commission has analysed each head of prior period expenses or prior period credit as reported in the Audited Annual Accounts for FY 2011-12, as shown in the Table below:

Table 4.4: Prior period expenses/credits approved for FY 2011-12 (Rs. crore)

Sl. No.	Particulars	FY 2011-12	
		Audited	**Approved under True-up**
	Income relating to Previous Years		
1	Excess provision in Prior Periods	0.00	0.00
2	Excess provision for depreciation in Prior Periods	0.30	0.00
3	Other income relating to Prior Periods	12.54	12.54
4	Excess provision for interest and finance charges in Prior Periods	7.19	0.00
	Total	**20.03**	**12.54**
	Expenditure relating to Previous Years		
1	Employee cost relating to Prior Periods	0.00	0.00
2	Depreciation under provided in Prior Periods	14.37	0.00
3	Other Expenses relating to Prior Periods	0.83	0.00
4	Interest and other finance charges relating to Prior Periods	2.16	0.00
	Total	**17.36**	**0.00**
	Net Prior Period Expenses/(Credits)	**(2.67)**	**(12.54)**

As can be seen from the Table above, as regards the various heads of prior period income, the Commission has considered only the Other Income, while the excess provision for depreciation and excess provision for interest and finance charges related to prior periods have not been considered by the Commission under the true-up, as these expenses have not been allowed in the earlier Tariff Orders by the Commission on account of only normative expenses being allowed.

As regards the various heads of prior period expense, the Commission has not considered the employee cost, depreciation, interest and finance charges, and other expenses related to prior periods, since, the Commission has already allowed the legitimate expenses under these heads in the previous Tariff Orders.

Therefore, the Commission considers net prior period credit of Rs. 12.54 crore in the truing up for FY 2011-12.

4.2.12 Return on Equity

The Commission considers Rs. 13.99 crore as approved in the Tariff Order for FY 2011-12 and as claimed by AEGCL, as there has been no equity addition during the year.

4.2.13 Income Tax

The Commission had approved Rs. 2.79 crore as provision for tax in the Tariff Order for FY 2011-12. AEGCL has claimed Rs. 0.06 crore towards Income Tax as per the Audited Annual Accounts. In response to a query from the Commission, AEGCL submitted documentary evidence in the form of Income Tax challans for the Income Tax paid and the ITRV Form for FY 2011-12.

Therefore, the Commission approves the actual income tax of Rs. 0.06 crore paid by APDCL in the truing up for FY 2011-12.

4.2.14 Total ARR after Truing up for FY 2011-12

Considering the above heads of expense and revenue as per the Audited Annual Accounts and after due prudence check, the net revenue requirement of AEGCL for FY 2011-12 is approved as Rs. 421.14 crore after the truing up for FY 2011-12 with a revenue gap of Rs. 30.00 crore, as shown in the Table below:

Table 4.5: ARR approved in the Truing up for FY 2011-12 (Rs. crore.)

Sl. No.	Particulars	As per Tariff Order FY 2011-12	Claimed by AEGCL in Truing up	Approved in the Truing up for FY 2011-12
1	PGCIL Charges	134.24	209.58	209.58
2	Operation & Maintenance Expenses	88.99	123.18	123.10
2.1	Employee Cost	75.18	100.82	100.82
2.2	Repairs & Maintenance Expenses	9.56	18.72	18.72
2.3	Administrative & General Expenses	4.25	3.64	3.56
3	Interest & Finance Charges	54.23	32.70	14.24
4	Interest on Working Capital	9.58	12.27	11.18
5	Depreciation	23.27	46.64	17.44
6	Other Debits	0.00	0.21	0.00
7	SLDC charges	1.92	2.25	0.00
8	BST for Pension Trust Fund	82.14	82.14	82.14
9	Net Prior Period Expenses	0	0	(12.54)
10	Less: Expenses Capitalised		8.63	
11	Return on Equity	13.99	13.99	13.99
12	Provision for Tax	2.79	0.06	0.06
13	**Total Expenditure**	**411.15**	**520.77**	**459.19**
14	Less: Non – Tariff Income	20.00	38.05	38.05
15	**Net ARR**	**391.15**	**482.72**	**421.14**
16	Revenue from Operations	322.97	391.14	391.14
17	**(Gap)/Surplus**	**-**	**(91.58)**	**(30.00)**

The deficit of Rs. 30.00 crore approved in the truing up for FY 2011-12 has been considered in the ARR for FY 2014-15.

4.3 TRUING UP FOR FY 2012-13

4.2.15 Revenue from operations

AEGCL has claimed Rs. 439.67 crore towards revenue from operations for FY 2012-13. This revenue, however, excludes the revenue earned by AEGCL on account of trued up revenue gap for FY 2009-10 and FY 2010-11. The actual revenue earned by AEGCL from operations for FY 2012-13 was Rs. 536.45 crore, including Rs. 2.01 crore towards SLDC charges for FY 2012-13, as per the audited accounts. For correct comparison, the Commission has considered the actual revenue, including the amounts of Rs. 37.72 crore and Rs. 59.06 crore earned on account of trued up revenue gap for FY 2009-10 and FY 2010-11, respectively, , totalling to Rs. 96.78 crore, and has also considered the same in the ARR of FY 2012-13 as a contra-entry, as approved by the Commission, while approving the ARR and Tariff for FY 2012-13, in the Order dated February 28, 2013.

Accordingly, the Commission approves the actual revenue of Rs. 536.45 crore in the Truing up for FY 2012-13.

4.2.16 Non-Tariff Income

The Commission had approved the non-tariff income at Rs. 20 crore in the Tariff Order for FY 2012-13, whereas AEGCL has submitted non-tariff income of Rs. 61.25 crore for FY 2012-13. The actual non-tariff income as per the Audited Annual Accounts is reported as Rs. 61.25 crore.

The Commission accordingly approves the Non-Tariff Income at Rs. 61.25 crore in the truing up for FY 2012-13.

4.2.17 PGCIL Charges

The Commission had approved PGCIL network charges at Rs. 134.24 crore in the Tariff Order for FY 2012-13, against which AEGCL has claimed PGCIL network charges of Rs. 190.52 crore.

The PGCIL charges are to be paid in accordance with the Orders issued by the CERC. The actual expenditure incurred by AEGCL towards PGCIL charges as per the Audited Annual Accounts is Rs. 190.52 crore.

Therefore, the Commission approves PGCIL charges at Rs. 190.52 crore in the truing up for FY 2012-13.

4.2.18 O&M Expenses

(1) Employee Cost

The Commission had approved Rs. 81.19 crore towards employee cost in the Tariff Order for FY 2012-13, whereas AEGCL has claimed Rs. 110.90 crore towards employee cost for FY 2012-13. AEGCL has submitted that the increase is mainly due to impact of dearness allowance and new recruitments at different levels due to mass ageing of workforce.

The actual employee cost as per the Audited Annual Accounts for FY 2012-13 is Rs. 110.90 crore. The Commission sought clarifications from AEGCL regarding head-wise details of employee cost for FY 2012-13 and details of number of cadre-wise personnel retired, approved cadre-wise personnel under new recruitment and corresponding employee cost. The Commission also directed AEGCL to submit the justification for increase in employee cost for FY 2012-13 vis-à-vis approved expenses and rates of dearness allowance. AEGCL submitted the required details and submitted that the increase in employee cost considered by the Commission was 8%, whereas the actual increase on account of dearness allowance and annual increment works out to 12% apart from the additional cost for new recruitment and arrears due to ROP, 2010.

Therefore, the Commission accepts AEGCL's submission and justification and approves Rs. 110.90 crore towards employee cost in the truing up for FY 2012-13.

(2) Repairs and Maintenance Expenses

The Commission had approved Rs. 10.51 crore towards R&M expenses in the Tariff Order for FY 2012-13, whereas AEGCL has claimed Rs. 9.99 crore towards R&M expenses for FY 2012-13. AEGCL has submitted that the assets of AEGCL are old and require regular maintenance to ensure uninterrupted operations. AEGCL added that it has been undertaking necessary expenditure for R&M activities regularly.

It is observed that the R&M expense as per the Audited Annual Accounts is Rs. 9.99 crore. As the actual R&M expenses are lower than the approved R&M expenses, **the Commission approves the R&M expenses of Rs. 9.99 crore in the truing up for FY 2012-13.**

(3) Administrative and General Expenses

The Commission had approved Rs. 4.51 crore towards A&G expense in the Tariff Order for FY 2012-13 whereas AEGCL has claimed A&G expenses of Rs. 3.46 crore for FY 2012-13.

It is observed that the actual A&G expense incurred by AEGCL as per the Audited Annual Accounts is Rs. 3.56 crore. As the actual A&G expenses are lower than the approved A&G expenses, **the Commission approves the net A&G expenses of Rs. 3.46 crore in the truing up for FY 2012-13.**

4.2.19 Interest and Finance Charges

The Commission had approved Rs. 72.80 crore towards interest and finance charges in the Tariff Order for FY 2012-13, whereas AEGCL has claimed Rs. 35.83 crore towards interest and finance charges. It is observed that the actual expenditure incurred by AEGCL towards net interest and finance charges as per Audited Annual Accounts for FY 2012-13 is Rs. 22.70 crore.

In response to the Commission's query, AEGCL submitted the source-wise details of opening balance of loan, loan drawn during the year and loan repaid during the year, closing balance of loan, applicable interest rate and interest expenses for FY 2012-13. The Commission has examined the source-wise interest expenditure incurred as per Audited Annual Accounts. The payment of penal interest and interest on General Provident Fund has not been approved, in accordance with the approach followed by the Commission in the previous Tariff Orders. Further, the audited accounts of AEGCL for FY 2012-13 reveal that the outstanding balance of loan indicated against Government of Assam, includes Rs. 21.30 crore of overdue repayment. Hence, the Commission has corrected the opening and closing loan balances against Government of Assam, and re-computed the interest expenses against Government of Assam loan by considering the interest rate of 10% considered in the MYT Order dated November 21, 2013. The interest on ADB loan has been approved as per the audited accounts.

The interest and finance charges approved after truing up for FY 2012-13 is shown in the Table below:

Table 4.6: Approved Interest and Finance Charges for FY 2012-13 (Rs. crore)

Sl. No.	Particulars	FY 2012-13
1	Interest on State Government Loans	19.17
2	Interest on ADB Loans	4.44
3	Total Finance Charges	0.42
4	Less: Interest Capitalised	13.13
	Total	**10.90**

4.2.20 Interest on Working Capital

The Commission had approved Rs. 11.35 crore towards normative interest on working capital in the Tariff Order for FY 2012-13, whereas AEGCL has claimed Rs.16.19 crore towards Interest on Working Capital for FY 2012-13, at the interest rate of 14.48%.

The Commission has trued up the normative interest on working capital based on the approved O&M expenses, receivables, etc., and the SBI PLR of 14.75%, as detailed in Table 4.2 below:

Table 4.7: Approved Interest on Working Capital for FY 2012-13 (Rs. crore)

Sr. No.	Particulars	FY 2012-13
1	O&M Expense for one month	10.36
2	Maintenance Spares @ 1% GFA	11.80
3	Two months receivables	89.41
4	Total Working Capital	111.57
5	Interest @ 14.75%	**16.46**

Therefore, the Commission approves Rs. 16.46 crore towards interest on working capital in the truing up for FY 2012-13.

4.2.21 Depreciation

The Commission had approved Rs. 32.83 crore towards depreciation in the Tariff Order for FY 2012-13. AEGCL had initially submitted Rs. 62.33 crore towards depreciation for FY 2012-13 by taking into consideration the opening balance of assets and the capitalisation and the depreciation rates as per the Companies Act, 1956 . However, the Commission directed AEGCL to submit the computation of depreciation for FY 2012-13 as per the AERC Tariff Regulations, 2006. Consequently, AEGCL has claimed Rs. 38.97 crore towards depreciation for FY 2012-13.

As specified in the AERC Tariff Regulations, 2006, depreciation is calculated on 90% at the rate specified in the Regulations. Additions during the year have been considered on pro-rata basis. Further, the depreciation on the assets funded out of grants has been reduced from the total depreciation. **The depreciation approved in the truing up for FY 2012-13 is given in the Tables below:**

Table 4.8: Depreciation approved for FY 2012-13 (Rs. crore)

Sr. No.	Nature of Asset	GFA as on 01.04.2012	Additions during FY 2012-13	Rate of Depreciat-ion	Depreciation as per AERC Regulations
1	Land & Rights	15.05	3.20		
2	Buildings	18.44	0.04	1.80%	0.30
3	Hydraulics	2.65	0.00	2.57%	0.06
4	Other Civil Works	6.92	0.73	1.80%	0.12
5	Plant & Machinery	504.51	3.50	3.60%	16.40
6	Lines & Cable Network	625.15	13.05	2.57%	14.61
7	Vehicles	3.79	0.38	18.00%	0.64
8	Furniture & Fixtures	2.24	0.12	6.00%	0.12
9	Office Equipment	1.45	0.16	6.00%	0.08
	Total	1180.20	21.18		32.34
	Average of Opening Balance & Closing Balance of assets for FY 2012-13, excluding land cost	1174.14		2.75%	

Particulars		**As on 1.04.2012**
Grants Available		770.42
GFA (excluding Land & Rights)		1165.15
CWIP		211.56
Total		**1376.71**
Cumulative grants apportioned in the ratio of GFA and CWIP	GFA	652.03
	CWIP	118.39

Depreciation calculated as per the Regulation on the GFA	32.34
Weighted average rate of depreciation	2.75%
Depreciation to be deducted on the assets built on the grants component	17.96
Depreciation approved	14.38

The Commission accordingly approves depreciation of Rs. 14.38 crore in the truing up for FY 2012-13.

4.2.22 Other Debits

Based on Audited Annual Accounts, AEGCL has claimed expenditure of Rs. 0.56 crore towards other debits for FY 2012-13. The Commission had not approved such expenditure in the Tariff Order for FY 2012-13. In response to a query from the Commission, AEGCL submitted head-wise details of expenditure considered towards other debits. AEGCL has considered "miscellaneous losses and write-off" and "deferred revenue expenditure written off" under Other Debits. **Since, all prudent revenue expenditure have been allowed under respective heads, the Commission has not allowed the Other Debits claimed by AEGCL.**

4.2.23 SLDC Charges

The Commission had approved SLDC charges of Rs. 2.01 crore in the Tariff Order for FY 2012-13. In response to a query from the Commission, AEGCL submitted details of actual SLDC charges incurred for FY 2012-13 at Rs. 2.14 crore. However, as per the audited accounts of AEGCL for FY 2012-13, the actual SLDC charges have not been shown separately and are included in the employee expenses, R&M expenses, and A&G expenses of AEGCL, which have already been allowed at actuals, as elaborated in the earlier paragraphs of this Chapter. Hence, **the Commission has considered the separate SLDC charges as Nil in the truing up for FY 2012-13.**

4.2.24 Special Charges for Terminal Benefits

The Commission had approved special charges on Bulk Supply Tariff at 15 paise per unit on transmission charges amounting to Rs. 93.45 crore for FY 2012-13. The

Audited Accounts of AEGCL report the BST for Pension Trust Fund at Rs. 93.45 crore. AEGCL has also considered the same under the true-up for FY 2012-13. **The Commission approves the BST for Pension Trust Fund at Rs. 93.45 crore as claimed by AEGCL for FY 2012-13.**

4.2.25 Net Prior Period Expenses/Credits

AEGCL has not claimed any prior period expenses or prior period credits under the true up exercise. However, the Commission has analysed each head of prior period expenses or prior period credit as reported in the Audited Annual Accounts for FY 2012-13, as shown in the Table below:

Table 4.9: Prior period expenses/credits approved for FY 2012-13 (Rs. crore)

Sl. No.	Particulars	FY 2012-13	
		Audited	**Approved under True-up**
	Income relating to Previous Years		
1	Excess provision in Prior Periods	0.02	0.00
2	Excess provision for depreciation in Prior Periods	0.00	0.00
3	Other income relating to Prior Periods	20.80	20.80
4	Excess provision for interest and finance charges in Prior Periods	2.59	0.00
	Total	**23.41**	**20.80**
	Expenditure relating to Previous Years		
1	Employee cost relating to Prior Periods	0.00	0.00
2	Depreciation under provided in Prior Periods	0.78	0.00
3	Other Expenses relating to Prior Periods	2.16	0.00
4	Interest and other finance charges relating to Prior Periods	1.14	0.00
	Total	**4.08**	**0.00**
	Net Prior Period Expenses/(Credits)	**(19.33)**	**(20.80)**

As can be seen from the Table above, as regards the various heads of prior period income, the Commission has considered only the Other Income, while the excess provision related to prior periods and excess provision for interest and finance charges related to prior periods have not been considered by the Commission under the true-up, as these expenses have not been allowed in the earlier Tariff Orders by the Commission on account of only normative expenses being allowed.

As regards the various heads of prior period expense, the Commission has not considered the depreciation under-provided, interest and finance charges, and other expenses related to prior periods, since, the Commission has already allowed the legitimate expenses under these heads in the previous Tariff Orders.

Therefore, the Commission considers net prior period credit of Rs. 20.80 crore in the truing up for FY 2012-13.

4.2.26 Return on Equity

The Commission considers Rs. 13.99 crore as approved in the Tariff Order for FY 2012-13 and as claimed by AEGCL, as there has been no equity addition during the year.

4.2.27 Income Tax

The Commission had approved Rs. 2.79 crore as provision for tax in the Tariff Order for FY 2012-13. AEGCL has claimed Rs. 4.66 crore towards Income Tax as per the Audited Annual Accounts. In response to a query from the Commission, AEGCL submitted documentary evidence in the form of Income Tax challans for the Income Tax paid and the ITRV Form for FY 2012-13, which show that the actual income tax paid for FY 2012-13 is Rs. 4.66 crore.

Therefore, the Commission approves the income tax of Rs. 4.66 crore in the truing up for FY 2012-13.

4.2.28 Total ARR after Truing up for FY 2012-13

Considering the above heads of expense and revenue as per the Audited Annual Accounts and after due prudence check, the net revenue requirement of AEGCL for FY 2012-13 is approved as Rs. 483.43 crore after the truing up for FY 2012-13 with a revenue surplus of Rs. 53.02 crore, as shown in the Table below:

Table 4.10: ARR approved in the Truing up for FY 2012-13 (Rs. crore.)

Sl. No.	Particulars	As per Tariff Order FY 2012-13	Claimed by AEGCL in Truing up	Approved in the Truing up for FY 2012-13
1	PGCIL Charges	134.24	190.52	190.52
2	Operation & Maintenance Expenses	96.21	124.35	124.35
2.1	Employee Cost	81.19	110.90	110.90
2.2	Repairs & Maintenance Expenses	10.51	9.99	9.99
2.3	Administrative & General Expenses	4.51	3.46	3.46
3	Interest & Finance Charges	72.80	35.83	10.90
4	Interest on Working Capital	11.35	16.19	16.46
5	Depreciation	32.83	38.97	14.38
6	Other Debits	0.00	0.56	0.00
7	SLDC charges	2.01	2.14	0.00
8	BST for Pension Trust Fund	93.45	93.45	93.45
9	Net Prior Period Expenses	0.00	0.00	(20.80)
10	Less: Expenses Capitalised		13.26	
11	Return on Equity	13.99	13.99	13.99
12	Provision for Tax	2.79	4.66	4.66
13	**Total Expenditure**	**459.67**	**518.52**	**447.90**
14	Less: Non – Tariff Income	20.00	61.25	61.25
15	**Gross ARR**	**439.67**	**457.27**	**386.65**
16	**Add Revenue Gap on account of true-up for FY 2009-10 and FY 2010-11**	**96.78**		**96.78**
17	**Net ARR**	**536.45**	**457.27**	**483.43**
18	Revenue from Operations	536.45	439.67	536.45
19	**(Gap)/Surplus**	**0.00**	**(17.60)**	**53.01**

The surplus of Rs. 53.01 crore approved in the truing up for FY 2012-13 is considered in the ARR for FY 2014-15.

5. Annual Performance Review for FY 2013-14

5.1 METHODOLOGY FOR PERFORMANCE REVIEW

The Tariff Order for the Control Period from FY 2013-14 to FY 2015-16 was issued by the Commission on November 21, 2013. Before issuing the next Tariff Order, it is important for the Commission to review the technical as well as financial performance of the AEGCL vis-à-vis the last Tariff Order issued by the Commission. It is also pertinent and desirable that the Commission reviews its own estimation and directives to ensure better and effective implementation of its next Tariff Order.

The Performance Review exercise examines the provisional financial statements for FY 2013-14 with the approved estimates in the Tariff Order for the Control Period from FY 2013-14 to FY 2015-16. The exercise also attempts to gauge the effectiveness of the Tariff Order by evaluating the extent of implementation of the directives in the Tariff Order. These aspects are discussed in the following paragraphs.

As FY 2013-14 is already over, in reply to the Commission's query, AEGCL has submitted the actual performance parameters and provisional Annual Accounts for FY 2013-14, which have been considered by the Commission in the APR for FY 2013-14.

5.1.1 Revenue from operations

The Commission had approved a sum of Rs. 456.03 crore in the Tariff Order for FY 2013-14 towards revenue from operations for FY 2013-14. AEGCL has claimed Rs. 456.03 crore towards revenue from operations for FY 2013-14. **As per the Provisional Accounts for FY 2013-14, AEGCL has received a sum of Rs. 456.03 crore towards wheeling and SLDC charges from APDCL**.

5.1.2 Non-Tariff Income

The Commission had approved the Non-Tariff Income at Rs. 46.04 crore in the Tariff Order for FY 2013-14 whereas AEGCL has claimed Non – Tariff Income at Rs. 60.19

crore for FY 2013-14. In response to a query from the Commission, AEGCL submitted head-wise break-up of other income for FY 2013-14. Non – Tariff Income as per the Provisional Accounts for FY 2013-14 is reported as Rs. 64.73 crore. Hence, **the Commission has considered the non-tariff income as Rs. 64.73 crore, based on the provisional accounts for FY 2013-14**.

5.1.3 PGCIL Charges

The Commission had approved PGCIL network charges at Rs. 212.51 crore in the Tariff Order for FY 2013-14, whereas AEGCL has claimed PGCIL network charges at Rs. 209.30 crore.

In response to a query from the Commission, AEGCL submitted documentary evidence of bills raised by PGCIL for FY 2013-14. **The expenditure incurred by AEGCL as per the Provisional Accounts is Rs. 209.30 crore**.

5.1.4 O&M Expenses

The Commission, in the MYT Order for FY 2013-14 to FY 2015-16, had approved the escalation rate for projecting the O&M expenses as 8% for employee expenses, 10% for R&M expenses, and 6% for A&G expenses. The Commission has observed that the actual O&M expenses for APGCL have been increasing at the rates higher than 8%, and hence, finds the need to revise the escalation factor for projecting the O&M expenses. The Commission is of the view that as the O&M expenses are dependent on the prevailing rate of inflation based on WPI and CPI, the escalation factor for projecting the O&M expenses need to be derived based on the CPI and WPI. The Commission has computed the year-on-year inflation for FY 2013-14 as 8.42%, based on the weighted average of CPI and WPI in the ratio of 60:40.

Table 5.1: Escalation rate for O&M expenses

Particulars	WPI		CPI		Consolidated Index	
	FY 13	FY 14	FY 13	FY 14	FY 13	FY 14
April	164	171	205	226	188	204
May	164	171	206	228	189	205
June	165	173	208	231	191	208
July	166	176	212	235	194	211
August	167	179	214	237	195	214
September	169	181	215	238	197	215
October	169	181	217	241	198	217

Particulars	WPI		CPI		Consolidated Index	
	FY 13	FY 14	FY 13	FY 14	FY 13	FY 14
November	169	182	218	243	198	218
December	169	180	219	239	199	215
January	170	179	221	237	201	214
February	171	180	223	238	202	215
March	170	180	224	239	202	216
Average	**168**	**178**	**215**	**236**	**196**	**213**
Weighted Average of Inflation						**8.42%**

(1) Employee Cost

The Commission had approved Rs. 99.65 crore towards employee cost in the Tariff Order for FY 2013-14, whereas AEGCL has claimed Rs. 124.40 crore towards employee cost for FY 2013-14. It is observed that AEGCL has not claimed SLDC expenses separately for FY 2013-14, thus, the employee expenses of SLDC function are included in the above-stated employee expenses. As the Commission has approved the SLDC expenses separately for FY 2013-14, the Commission has excluded the employee expenses component of SLDC function of Rs. 1.20 crore, from the employee expenses, in order to avoid double-counting. Thus, the effective employee expenses claimed by AEGCL is Rs. 123.50 crore for FY 2013-14.

AEGCL has submitted that the increase in employee cost is mainly due to impact of dearness allowance and new recruitments due to retirement. The Commission sought clarifications from AEGCL regarding head-wise details of employee cost for FY 2013-14 and details of number of cadre-wise personnel retired, approved cadre-wise personnel under new recruitment and corresponding employee cost. It is also observed that the employee cost as per the Provisional Accounts for FY 2013-14 is Rs. 124.40 crore.

The actual employee cost approved by the Commission after the truing up for FY 2012-13, after deducting the employee expenses component of SLDC function of Rs. 1.20 crore, has been escalated by 8.42% to arrive at the employee expenses allowable for FY 2013-14.

Therefore, the Commission provisionally approves Rs. 118.93 crore towards employee cost in the Annual Performance Review for FY 2013-14.

(2) Repairs and Maintenance Expenses

The Commission had approved Rs. 11.57 crore towards R&M expenses in the Tariff Order for FY 2013-14 whereas AEGCL has claimed Rs. 9.66 crore towards R&M expenses for FY 2013-14. It is observed that AEGCL has not claimed SLDC expenses separately for FY 2013-14, thus, the R&M expenses of SLDC function are included in the above-stated R&M expenses. As the Commission has approved the SLDC expenses separately for FY 2013-14, the Commission has excluded the R&M expenses component of SLDC function of Rs. 1.10 crore, from the R&M expenses, in order to avoid double-counting. Thus, the effective R&M expenses claimed by AEGCL is Rs. 8.56 crore.

AEGCL has submitted that projected increase of R&M expense is attributed to the regular maintenance activities against majority of the machineries getting depreciated and requiring emergency O&M activities. AEGCL added that to maintain healthy and stable grid, emergency maintenance is required and AEGCL is maintaining system availability above 99%.

In response to a query, AEGCL submitted head-wise break up of R&M expenses for FY 2013-14.It is observed that R&M expense as per the Provisional Accounts is Rs. 9.66 crore. The provisional R&M expenses are lower than the R&M expenses approved in the Tariff Order. **Therefore, the Commission provisionally approves R&M expenses of Rs. 8.56 crore in the Annual Performance Review for FY 2013-14**.

(3) Administrative and General Expenses

The Commission had approved Rs. 4 crore towards A&G expense in the Tariff Order for FY 2013-14, whereas AEGCL has claimed Rs. 4.37 crore towards A&G expense for FY 2013-14. It is observed that AEGCL has not claimed SLDC expenses separately for FY 2013-14, thus, the A&G expenses of SLDC function are included in the above-stated A&G expenses. As the Commission has approved the SLDC expenses separately for FY 2013-14, the Commission has excluded the A&G expenses component of SLDC function of Rs. 0.07 crore, from the A&G expenses, in order to avoid double-counting. Thus, the effective A&G expenses claimed by AEGCL is Rs. 4.29 crore.

The Commission, in a query, directed AEGCL to submit head-wise break up of actual A&G expense for FY 2013-14. It is observed that the actual A&G expense incurred by AEGCL as per the Provisional Accounts is Rs. 4.36 crore. In order to arrive at

A&G expense for FY 2013-14, the Commission considers it reasonable to consider the A&G expense approved in the truing up for FY 2012-13 as base expense and escalate this base expense by weighted average rate of CPI and WPI in a 60:40 ratio. Therefore, A&G expenses approved for FY 2012-13 after truing up, after excluding the A&G expenses component of SLDC function of Rs. 0.07 crore, have been escalated by 8.42% to arrive at A&G expense for FY 2013-14 in Annual Performance Review.

Therefore, the Commission provisionally approves A&G expense of Rs. 3.68 crore in the Annual Performance Review for FY 2013-14.

5.1.5 Interest and Finance Charges

The Commission had approved Rs. 40.65 crore towards Interest and Finance Charges in the Tariff Order for FY 2013-14, whereas AEGCL has claimed Rs. 42.10 crore towards Interest and Finance Charges for FY 2013-14. It is observed that the expenditure incurred by AEGCL towards Interest and Finance Charges as per Provisional Accounts for FY 2013-14 is Rs. 25.60 crore.

In response to a query from the Commission, AEGCL submitted the source-wise details of opening balance of loan, loan drawn during the year and loan repaid during the year, closing balance of loan, applicable interest rate and interest expenses for FY 2013-14 and documentary evidence for the source-wise relevant interest rate in FY 2013-14. The Commission has examined the source-wise expenditure incurred as per Provisional Accounts. It is noted that as per Provisional Accounts, Interest on ADB Loans of Rs. 6.03 crore for FY 2013-14 has been fully capitalised and hence, interest on ADB loans have been considered as Nil in the provisional accounts. However, the interest on ADB loans have to be considered as a contra-entry, since the capitalisation of the interest is being considered. Hence, the Commission has considered the interest on ADB loan as per the provisional accounts. Also, the closing balance of Government of Assam loan as considered for FY 2012-13 has been considered as the opening balance of loan for FY 2013-14, and the amount of Rs. 21.93 crore against overdue repayment as reported in the provisional accounts for FY 2013-14 has been adjusted against the closing balance of loan reported by AEGCL, and the interest on Government of Assam loan has been calculated at the rate of 10%, as discussed earlier. The payment of penal interest and interest on General Provident Fund is not approved, in accordance with the Commission's approach in previous Tariff Orders.

The interest and finance charges provisionally approved for FY 2013-14 are shown in the Table below:

Table 5.2: Approved Interest and Finance Charges for FY 2013-14 (Rs. crore)

Sr. No.	Particulars	FY 2013-14
1	Interest on State Government Loans	21.27
2	Interest on ADB Loans	6.03
3	Total Finance Charges	0.07
4	Less: Interest Capitalised	10.47
	Total Interest and finance charges	**16.90**

5.1.6 Interest on Working Capital

The Commission had approved Rs. 14.52 crore towards interest on working capital in the Tariff Order for FY 2013-14, whereas AEGCL has claimed Rs.14.67 crore towards Interest on Working Capital for FY 2013-14 at the rate of 14.65%. In response to a query from the Commission, AEGCL submitted detailed computation of interest on working capital for FY 2013-14.

Based on the O&M expenses, receivables, etc., provisionally approved in earlier paragraphs and the SBP PLR of 14.50%, the provisional interest on working capital for FY 2013-14 is arrived at as detailed in Table 5.2:

Table 5.3: Approved Interest on Working Capital for FY 2013-14 (Rs. crore)

Sr. No.	Particulars	FY 2013-14
1	O&M Expense for one month	10.93
2	Maintenance Spares @ 1% GFA	12.01
3	Two months receivables	76.01
4	Total Working Capital	98.95
5	**Interest @ 14.50%**	**14.35**

Therefore, the Commission provisionally approves Rs. 14.35 crore towards interest on working capital in the Annual Performance Review for FY 2013-14.

5.1.7 Depreciation

The Commission had approved Rs. 13.91 crore towards depreciation in the Tariff Order for FY 2013-14. In response to a query from the Commission, AEGCL submitted the computation of depreciation for FY 2013-14 as per the AERC Tariff Regulations, 2006. Consequently, AEGCL has claimed Rs. 40.02 crore towards depreciation for FY 2013-14.

As specified in the AERC Tariff Regulations, 2006, depreciation is calculated on 90% at the rate specified in the Regulations. Additions during the year have been considered on pro-rata basis. Further, depreciation is not to be allowed on assets funded out of grants. Accordingly, t**he depreciation provisionally approved by the Commission for FY 2013-14 is given in the Tables below:**

Table 5.4: Depreciation approved for FY 2013-14 (Rs. crore)

Sr. No.	Nature of Asset	GFA as on 01.04.2013	Additions during FY 2013-14	Rate of Depreciation	Depreciation as per AERC Regulations
1	Land & Rights	18.25	2.92		
2	Buildings	18.48	0.53	1.80%	0.30
3	Hydraulics	2.65	0.00	2.57%	0.06
4	Other Civil Works	7.65	0.86	1.80%	0.13
5	Plant & Machinery	508.01	42.73	3.60%	17.15
6	Lines & Cable Network	638.20	12.78	2.57%	14.91
7	Vehicles	4.17	0.00	18.00%	0.68
8	Furniture & Fixtures	2.36	0.16	6.00%	0.13
9	Office Equipment	1.61	0.28	6.00%	0.09
	Total	1201.38	60.26		33.46
	Average assets OB & CB for FY 2011-12 excluding land cost	1211.80		2.76%	

Particulars		**As on 1.04.2013**
Grants Available		950.99
GFA (excluding Land & Rights)		1183.13
CWIP		473.56
Total		**1656.69**
Cumulative grants apportioned in the	GFA	679.15

Particulars		As on 1.04.2013
ratio of GFA and CWIP	CWIP	271.84
Depreciation calculated as per the Regulation on the GFA		33.46
Weighted average rate of depreciation		2.76%
Depreciation to be deducted on the assets built on the grants component		18.75
Depreciation approved		14.71

The Commission, accordingly, provisionally approves depreciation of Rs. 14.71 crore in the Annual Performance Review for FY 2013-14.

5.1.8 Other Debits

AEGCL has claimed expenditure of Rs. 0.35 crore towards other debits for FY 2013-14. It is observed that the Provisional Accounts report Other Debits of Rs. 0.35 crore. The Commission had not approved such expenditure in the Tariff Order for FY 2013-14. In response to a query from the Commission, AEGCL submitted head-wise details of expenditure considered towards other debits. **Since all prudent revenue expenditure has been allowed under respective heads, the Commission disallows such expenditure.**

5.1.9 Special Charges for Terminal Benefits

The Commission had approved special charges on Bulk Supply Tariff at 15 paise per unit on transmission charges amounting to Rs. 88.47 crore for FY 2013-14. In response to a query from the Commission, AEGCL submitted energy accounting data from April 2013 to March 2014. AEGCL added that Cost Audit is in progress and the report is awaited. The **Commission provisionally considers Rs. 88.47 crore under this head, as claimed by AEGCL and as reported in Provisional Accounts for FY 2013-14**.

5.1.10 Net Prior Period Expenses/Credits

AEGCL has claimed net prior period expense of Rs. 1.13 crore for FY 2013-14. The Commission has analysed each head of prior period expenses or prior period credit as reported in the provisional Annual Accounts for FY 2013-14, as shown in the

Table below:

Table 5.5: Prior period expenses/credits approved for FY 2013-14 (Rs. crore)

Sl. No.	Particulars	FY 2013-14	
		Provisional Accounts	Provisional Approval
	Income relating to Previous Years		
1	Excess provision in Prior Periods	0.00	0.00
2	Excess provision for depreciation in Prior Periods	0.00	0.00
3	Other income relating to Prior Periods	5.09	5.09
4	Excess provision for interest and finance charges in Prior Periods	0.00	0.00
	Total	**5.09**	**5.09**
	Expenditure relating to Previous Years		
1	Employee cost relating to Prior Periods	0.04	0.00
2	Depreciation under provided in Prior Periods	0.33	0.00
3	Other Expenses relating to Prior Periods	5.40	0.00
4	Interest and other finance charges relating to Prior Periods	0.56	0.00
	Total	**6.33**	**0.00**
	Net Prior Period Expenses/(Credits)	**1.24**	**(5.09)**

As can be seen from the Table above, the Commission has considered only the Other Income relating to prior periods.

As regards the various heads of prior period expense, the Commission has not considered the employee cost, depreciation, interest and finance charges, and other expenses related to prior periods, since, the Commission has already allowed the legitimate expenses under these heads in the previous Tariff Orders.

Therefore, the Commission provisionally approves prior period credit of Rs. 5.09 crore in the Annual Performance Review for FY 2013-14.

5.1.11 Return on Equity

The Commission considers Rs. 13.99 crore as provided in the Tariff Order for FY 2013-14 and as claimed by AEGCL, as there is no equity addition during the year.

5.1.12 Provision for Tax

The Commission had approved Rs. 2.80 crore as provision for tax in the Tariff Order for FY 2013-14. AEGCL submitted that since loss for the year is Rs. 11.24 crore as per Provisional Accounts, it has not made provision for tax. In response to a query from the Commission, AEGCL submitted that there is no liability on account of income tax for FY 2013-14.

Therefore, the Commission is not considering any provision for tax in the Annual Performance Review for FY 2013-14.

5.1.13 Total ARR after Annual Performance Review for FY 2013-14

Considering the above heads of expense and revenue as per the provisional Annual Accounts and after provisional approval as elaborated above, the net revenue requirement of AEGCL for FY 2013-14 is provisionally approved as Rs. 419.06 crore with a revenue surplus of Rs. 36.97 crore, as shown in the Table below:

Table 5.5: ARR approved in the Annual Performance Review for FY 2013-14 (Rs. crore)

Sl. No.	Particulars	As per Tariff Order FY 2013-14	AEGCL Claim in Annual Performance Review	Provisionally approved in the APR for FY 2013-14
1	PGCIL Charges	212.51	209.30	209.30
2	Operation & Maintenance Expenses	115.22	136.37	131.17
2.1	Employee Cost	99.65	123.50	118.93
2.2	Repairs & Maintenance Expense	11.57	8.56	8.56
2.3	Administrative & General Expense	4.00	4.31	3.68
3	Interest & Finance Charges	40.65	42.10	16.90
4	Interest on Working Capital	14.52	14.67	14.35
5	Depreciation	13.91	40.02	14.71

Sl. No.	Particulars	As per Tariff Order FY 2013-14	AEGCL Claim in Annual Performance Review	Provisionally approved in the APR for FY 2013-14
6	Other Debits	0.00	0.35	0.00
7	BST for Pension Trust Fund	88.47	88.47	88.47
8	Net Prior Period Expenses	0.00	1.13	(5.09)
9	Less: Other Expenses Capitalised		16.52	
10	Return on Equity	13.99	13.99	13.99
11	Provision for Tax	2.80	0	0.00
12	**Total Expenditure**	**502.07**	**529.88**	**483.79**
13	Less: Non – Tariff Income	46.04	60.19	64.73
14	**Net ARR**	**456.03**	**469.69**	**419.06**
15	Revenue from Operations	456.03	456.03	456.03
16	**(Gap)/Surplus**	**-**	**(13.66)**	**36.97**

The review reveals a surplus of Rs. 36.97 crore for FY 2013-14. It is only indicative in the absence of Audited Annual Accounts for FY 2013-14. Hence, this is not carried forward to ARR for FY 2014-15. It will be considered in the truing up process for FY 2013-14, after the Audited Annual Accounts are made available.

5.1.14 SLDC Charges

AEGCL incurs costs towards SLDC function, which are mainly meant to recover SLDC's employee cost, R&M expenses and A&G expenses. These costs are to be considered separately to avoid double-counting as done in the Tariff Order dated November 21, 2013. Since, AEGCL has not separately submitted SLDC charges for FY 2013-14, the Commission regards it appropriate to consider SLDC charges as approved in the Tariff Order for FY 2013-14.

Therefore, the Commission approves Rs. 2.07 crore towards SLDC charges in the Annual Performance Review for FY 2013-14.

6. Determination of ARR and Tariff for FY 2014-15

6.1 INTRODUCTION

This chapter deals with the determination of revised Aggregate Revenue Requirement for FY 2014-15 and corresponding tariff adjustments for FY 2014-15. The Commission has considered the ARR approved in the MYT Order dated November 21, 2013 for FY 2014-15 and the adjustment on account of true up for FY 2011-12 and FY 2012-13 while determining the revenue (gap)/surplus for FY 2014-15. This chapter also deals with determination of transmission tariff for FY 2014-15 for AEGCL.

6.2 APPROVED ARR FOR FY 2014-15

The ARR for FY 2014-15 as approved by the Commission in the MYT Order dated November 21, 2013 is summarised in Table 6.1. Detailed explanation has already been provided in the MYT Order.

Table 6.1: Approved ARR for FY 2014-15 (Rs. crore)

Sl. No.	Particulars	Approved in MYT Order
1	Employee Expenses	107.62
2	R&M Expenses	12.72
3	Administrative Expenses	4.24
4	Interest on Term Loans	44.43
5	Interest on Working Capital	16.02
6	Depreciation	14.22
7	Other Debits	0.00
9	PGCIL Charges	233.76
10	BST (Pension)	96.50
11	Return on Equity	13.99
12	Provision for Tax	2.80
	Total Expenditure	**546.30**
13	Less: Non-Tariff income	50.64
	Aggregate Revenue Requirement	**495.66**

6.3 OPERATION AND MAINTENANCE EXPENSES

O&M expenses comprise of the following heads:

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

The Commission, in the MYT Order for FY 2013-14 to FY 2015-16, had approved the escalation rate for projecting the O&M expenses as 8% for employee expenses, 10% for R&M expenses, and 6% for A&G expenses. The Commission has observed that the actual O&M expenses for APGCL have been increasing at the rates higher than 8%, and hence, finds the need to revise the escalation factor for projecting the O&M expenses. The Commission is of the view that as the O&M expenses are dependent on the prevailing rate of inflation based on WPI and CPI, the escalation factor for projecting the O&M expenses need to be derived based on the CPI and WPI. The Commission has computed the year-on-year inflation for FY 2013-14 as 8.42%, based on the weighted average of CPI and WPI in the ratio of 60:40.

Table 6.2: Escalation rate for O&M expenses

Particulars	WPI		CPI		Consolidated Index		
	FY 13	FY 14	FY 13	FY 14	FY 13	FY 14	FY 15
April	164	171	205	226	188	204	
May	164	171	206	228	189	205	
June	165	173	208	231	191	208	
July	166	176	212	235	194	211	
August	167	179	214	237	195	214	
September	169	181	215	238	197	215	
October	169	181	217	241	198	217	
November	169	182	218	243	198	218	
December	169	180	219	239	199	215	
January	170	179	221	237	201	214	
February	171	180	223	238	202	215	
March	170	180	224	239	202	216	
Average	**168**	**178**	**215**	**236**	**196**	**213**	
Weighted Average						**8.42%**	**8.42%**

Accordingly, the Commission has considered the weighted average rate of inflation at 8.42% for FY 2014-15.

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

(1) EMPLOYEE COST

The Commission had approved employee cost of Rs. 107.62 crore towards employee cost for FY 2014-15 in the MYT Order. AEGCL has submitted revised employee cost of Rs. 139.33 crore for FY 2014-15. AEGCL submitted that the increase in employee cost considered by the Commission in the MYT Order for FY 2014-15 was 8%. However, the actual increase on account of dearness allowance and annual increment works out to 12% apart from additional cost for new recruitment and arrears due to ROP, 2010.

AEGCL requested the Commission to approve the projected employee expenses of Rs. 139.33 crore for FY 2014-15.

Commission's Analysis

It is observed that AEGCL has not claimed SLDC expenses separately for FY 2014-15, thus, the employee expenses of SLDC function are included in the above-stated employee expenses. As the Commission has approved the SLDC expenses separately for FY 2014-15, the Commission has excluded the employee expenses component of SLDC function, from the employee expenses, in order to avoid double-counting. Thus, the effective employee expenses claimed by AEGCL is Rs. 138.41 crore for FY 2014-15.

The Commission is of the view that escalation by weighted average inflation rate of 8.42% should meet the requirement of the employee costs. Hence, the Commission has escalated the employee costs considered under review for FY 2013-14, by 8.42%, for approving the employee expenses for FY 2014-15.

Accordingly, **the Commission approves the employee cost of Rs. 128.95 crore for FY 2014-15.**

(2) REPAIR AND MAINTENANCE (R&M) EXPENSES

The Commission had approved Rs. 12.72 crore towards R&M expense in the MYT Order for FY 2014-15. AEGCL has estimated R&M expenses of Rs. 9.85 crore for

FY 2014-15. AEGCL submitted that R&M expense has been revised because augmentation of transmission lines and grid sub-station has been undertaken. AEGCL added that total length of 287.60 ckm transmission lines in 220 kV, 129.25 ckm in 132 kV and transformer capacity addition of 999 MVA is to be undertaken during FY 2014-15.

Commission's Analysis

It is observed that AEGCL has not claimed SLDC expenses separately for FY 2014-15, thus, the R&M expenses of SLDC function are included in the above-stated R&M expenses. As the Commission has approved the SLDC expenses separately for FY 2014-15, the Commission has excluded the R&M expenses component of SLDC function, from the R&M expenses, in order to avoid double-counting. Thus, the effective R&M expenses claimed by AEGCL is Rs. 8.73 crore for FY 2014-15.

This is an item of expenditure, which has to be controlled and should be done as such. In view of the vintage of assets and the need to maintain quality supply to the consumers, the Commission accepts the revised R&M expenses estimated by AEGCL, after accounting for approved R&M expense towards SLDC function, in the Tariff Order for FY 2014-15.

Accordingly, **the Commission approves the R&M expenses of Rs. 8.73 crore for FY 2014-15.**

(3) ADMINISTRATION AND GENERAL (A&G) EXPENSES

The Commission had approved A&G expenses of Rs. 4.24 crore for FY 2014-15 in the MYT Order. AEGCL has estimated A&G expenses of Rs. 5.34 crore. AEGCL submitted that augmentation of grid sub-stations have been taken up and creation of Bongaigaon circle has resulted in an estimated 22% rise in A&G expenses for FY 2014-15.

Commission's Analysis

It is observed that AEGCL has not claimed SLDC expenses separately for FY 2014-15, thus, the A&G expenses of SLDC function are included in the above-stated A&G expenses. As the Commission has approved the SLDC expenses separately for FY 2014-15, the Commission has excluded the A&G expenses component of SLDC function, from the A&G expenses, in order to avoid double-counting. Thus, the effective A&G expenses claimed by AEGCL is Rs. 5.26 crore for FY 2014-15.

For arriving at reasonable A&G expenses for FY 2014-15, the Commission has escalated the provisionally approved A&G expenses in the Annual Performance Review for FY 2013-14, after accounting for approved A&G expense towards SLDC function, by the weighted average inflation rate of 8.42%. This is an item of expenditure which has to be controlled and should be done as such.

Accordingly, **the Commission approves the A&G expense of Rs. 3.98 crore for FY 2014-15.**

6.4 CAPITAL INVESTMENT

For FY 2014-15, the Commission had approved grants of Rs. 1124.04 crore and loans of Rs. 124.89 amounting to total capital investment of Rs. 1248.93 crore in the MYT Order for FY 2014-15. AEGCL submitted that the funding of Capital Expenditure is envisaged through various sources categorized under the headings Grants and Loans. AEGCL also submitted the breakup of funding for the projected Capital Expenditure during FY 2014-15 as shown in the Table below:

Table 6.3: Funding for Capital Expenditure as projected by AEGCL (Rs.crore)

Description	FY 2014-15 (as on 31.03.2015)
State Government Loan	325.46
State Government Grant	760.93
ADB Loan	66.23
ADB Grant	595.98
Total Funds	**1748.60**

In Form T17, AEGCL submitted that estimated capital expenditure for FY 2014-15 is Rs. 381.71 crore..

Commission's Analysis

The Commission observes that the actual capital expenditure and capitalisation achieved in FY 2013-14 is significantly lower than the capital expenditure approved by the Commission for FY 2013-14. In view of this, the capital expenditure and capitalisation approved for FY 2014-15 needs to be reviewed on the basis of actual achievement in the previous years. The Commission has arrived at capital expenditure for FY 2014-15 by considering the average of actual capital expenditure for FY 2011-12, FY 2012-13 and FY 2013-14 as per Audited Annual Accounts for FY 2011-12 and FY 2012-13 and Provisional Accounts for FY 2013-14, i.e., average of Rs. 188.09 crore, Rs. 269.91 crore, and Rs. 332.70 crore, which works out to Rs. 263.57 crore. **Therefore, the Commission approves the revised capital expenditure of Rs. 263.57 crore for FY 2014-15.**

6.5 CAPITALISATION

The Commission had approved Capital Work-In-Progress (CWIP) of Rs. 1324.02 crore for FY 2014-15. AEGCL has submitted the details of CWIP along with details of the projected capitalisation in Form T17. The addition of assets during the particular year is given vide Form T15. CWIP and expenditure capitalised as estimated by AEGCL is given in the Table below:

Table 6.4: CWIP and capitalisation as projected by AEGCL for FY 2014-15

(Rs. crore)

Description	FY 2014-15
Opening Balance of CWIP	**756.49**
Add:	
(i) Capital expenditure	381.71
(ii) Interest and finance charges capitalized	19.82
(iii) Other expenses capitalized	-
Total capital expenditure for the year ((i)+(ii)+(iii)	**401.53**
Less: Expenditure capitalized	291.80
Closing Balance of CWIP	**866.22**

Commission's Analysis

As explained earlier, the Commission has approved capital expenditure by considering the average of actual capital expenditure for FY 2011-12, FY 2012-13 and FY 2013-14. The revised capitalization for FY 2014-15 has also been computed by considering the actual capitalization in FY 2011-12, FY 2012-13 and FY 2013-14. Therefore, the Commission has considered the average of the rate of capitalization in FY 2011-12, FY 2012-13 and FY 2013-14, i.e., average of of 36.67%, 4.28%, and 7.38%, which works out to 16.11%, of the approved capital expenditure and CWIP for

FY 2014-15, as shown in the Table below:

Table 6.5: CWIP and capitalisation approved for FY 2014-15 (Rs. crore)

Description	FY 2014-15
Opening Balance (CWIP)	756.49
Capital expenditure	263.57
Interest capitalization in interest on long-term loans	19.82
Total capital expenditure	1039.88
Less: Expenditure capitalized	**167.51**
Closing Balance (CWIP)	872.37

6.6 DEPRECIATION

The Commission had approved depreciation of Rs. 14.22 crore for FY 2014-15 in the MYT Order. AEGCL estimated depreciation of Rs. 42.60 for FY 2014-15. AEGCL submitted that due to addition of new assets, depreciation has increased by 6.45% and added that depreciation has been computed as per AERC Tariff Regulations, 2006. As mentioned in Chapter 3, AEGCL has submitted that as per Government of Assam memo No. PEL.133/2003/pt/463 dated 03.03.2009, grant received from the State Government is in the nature of promoters' contribution and therefore, depreciation has been provided on the assets created out of capital grant/promoters' contribution.

Commission's Analysis

Depreciation has been calculated on 90% of the assets at the rate specified in the AERC Tariff Regulations, 2006. As regards treatment of depreciation on assets created out of grants/promoters' contribution, AEGCL may receive one-time grants or capital subsidies are generally given by the Government for creation of fixed assets. Replacement of these old fixed assets are generally included in the normal capital expenditure plan and the funding of the same is claimed by AEGCL through the ARR and tariff, irrespective of the source of funding of the original fixed assets. Since, depreciation is to be used as a source of funds for repayment of the loans, depreciation should not be allowed on assets funded out of grants/ contribution, as there is no repayment obligation. Therefore, allowing depreciation on fixed assets created out of contribution or grants will result in making available undue surplus to AEGCL.

Additions during the year have been considered on pro-rata basis.. Depreciation on the assets created out of capital grant/consumers' contribution has not been allowed.

The Commission has approved depreciation for FY 2014-15 as Rs. 13.80 crore in accordance with AERC Tariff Regulations, 2006, as given in the Tables below:

Table 6.6: Depreciation approved for FY 2014-15 (Rs. crore)

Sr. No.	Nature of Asset	GFA as on 1.04.2014	Additions during FY 2014-15	Rate of Depreciat-ion	Depreciation as per AERC Regulations
1	Land & Right	21.17	66.56		
2	Buildings	19.01	2.91	1.80%	0.33
3	Hydraulics	2.65	0.00	2.57%	0.06
4	Other Civil Works	8.51	93.56	1.80%	0.90
5	Plant & Machinery	550.74	4.48	3.60%	17.92
6	Lines & Cable Network	650.98	0.00	2.57%	15.06
7	Vehicles	4.17	0.00	18.00%	0.68
8	Furniture & Fixtures	2.52	0.00	6.00%	0.14
9	Office equipment	1.89	0.00	6.00%	0.10
	Total	1261.64	167.51		35.18
	Average assets OB & CB for FY 2014-15 excluding land cost	1290.94		2.72%	

Particulars		**As on 01.04.2014**
Grants Available		1262.79
GFA (excluding lands & Rights)		1240.47
CWIP		756.49
Total		1996.96
Cumulative grants apportioned in the ratio of GFA and CWIP	GFA	784.42
	CWIP	478.37
Depreciation calculated as per the Regulation on the GFA		35.18

Particulars	As on 01.04.2014
Weighted Average Rate of Depreciation	2.72%
Depreciation to be deducted on the assets built on the grants component on 90% asset value	21.37
Depreciation approved	**13.80**

6.7 INTEREST AND FINANCE CHARGES

The Commission had approved interest and finance charges of Rs. 44.43 crore for FY 2014-15 in the MYT Order. AEGCL has estimated interest and finance charges at Rs. 47.90 crore for FY 2014-15. AEGCL submitted that the increase in interest expenses is due to new loans received from Government of Assam.

Commission's Analysis

In reply to a query from the Commission, AEGCL provided source-wise estimated details of opening loan, loan drawn during the year and loan repaid during the year, closing balance of loan, applicable interest rate, and interest expenses for FY 2014-15.

The Commission has considered the interest on ADB loan and the other finance charges as projected by AEGCL. Also, the closing balance of Government of Assam loan as considered for FY 2013-14 has been considered as the opening balance of loan for FY 2014-15, and the amount of Rs. 21.93 crore against overdue repayment as reported in the provisional accounts for FY 2013-14, has been adjusted against the closing balance of loan reported by AEGCL, and the interest on Government of Assam loan has been calculated at the rate of 10%, as discussed earlier. The payment of penal interest and interest on GPF has not been approved in accordance with the approach adopted in previous Tariff Orders. **The interest and finance charges are approved as shown in the Table below:**

Table 6.7 : Approved Interest and Finance Charges (Rs. crore)

Sr. No	Particulars	FY 2014-15
1	Interest on State Government Loan	26.85
2	Interest on ADB Loans	6.95

Sr. No	Particulars	FY 2014-15
3	Interest on Bonds	-
4	Interest on PFC Loans	-
5	Bank Charges	0.07
	Less: Interest Capitalised	19.82
	Total	**14.05**

6.8 INTEREST ON WORKING CAPITAL

The Commission had approved interest on working capital of Rs. 16.02 crore for FY 2014-15 in the MYT Order. AEGCL has submitted expense of Rs. 16.27 crore towards interest on working capital on account of increase in working capital and increase in SBI PLR. AEGCL submitted that for interest computation, it has considered the short-term Prime Lending Rate (PLR) of SBI, which is 14.45%. AEGCL has claimed Interest on Working Capital as shown below:

Table 6.8: Projected Interest on Working Capital (Rs. crore)

Particulars	FY 2014-15
One Month O&M expenses	12.88
Spares @ 1% of GFA	17.11
Receivables - Two months of Transmission Charges	82.61
Total Working Capital	112.59
Interest rate (SBI PLR)	14.45%
Interest on Working Capital	**16.27**

Commission's Analysis

The interest on working capital has been examined and approved as shown in the Table below. The rate of interest has been considered at 14.75% as per SBI PLR.

Table 6.9: Approved Interest on Working Capital (Rs. crore)

Sr. No.	Particulars	FY 2014-15
1	One month O&M Expenses	11.81
2	Maintenance spares @1% GFA	12.62
3	Two months receivables	76.73
4	Total Working Capital	101.15
5	Interest rate	14.75%
6	**Interest on Working Capital**	**14.92**

6.9 RETURN ON EQUITY

The Commission approves Return on Equity of Rs. 13.99 crore as approved in the MYT Order for FY 2014-15 and as estimated by AEGCL.

6.10 PROVISION FOR INCOME TAX

The Commission had approved Rs. 2.80 crore for FY 2014-15. AEGCL has not submitted provision for income tax for FY 2014-15.

Commission Analysis

In view of the above, the Commission does not approve the provision for income tax for FY 2014-15.

6.11 OTHER DEBITS

AEGCL has considered other debits of Rs. 0.21 crore for FY 2014-15. As all prudent revenue expenses have been allowed under respective heads, **the Commission does not approve expenditure towards other debits**.

6.12 SPECIAL CHARGES FOR TERMINAL BENEFITS

The Commission had approved special charges on Bulk Supply Tariff of Rs. 96.50 crore for FY 2014-15 in the MYT Order. AEGCL has proposed special charges on Bulk Supply Tariff of Rs.146.80 crore for FY 2014-15, for the purpose of funding the Pension Fund, @ 20 Paise per unit on the energy wheeled by AEGCL.

Commission's Analysis

The Commission, having recognized the imperative need to provide to the pension fund had 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 reproduced 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, vide its Order dated May 16, 2011 approved 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. The relevant extract of the Order is reproduced below:

> *"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."***

(emphasis added)

As the budgetary support from the State Government for the shortfall in fund requirement is still not forthcoming, the Commission approves AEGCL's request for additional 5 paise per kWh in addition to the existing 15 paise per kWh on the energy wheeled by AEGCL.

Accordingly, the Commission approves the BST for terminal benefits at Rs. 133.42 crore for FY 2014-15.

6.13 PGCIL CHARGES

The Commission had approved PGCIL charges of Rs. 233.76 crore for FY 2014-15 in the MYT Order. AEGCL has estimated Rs. 216.30 crore towards Transmission Charges payable to PGCIL for FY 2014-15.

Commission Analysis

The Commission has considered PGCIL charges as estimated by AEGCL. **Therefore, the Commission approves PGCIL charges of Rs. 216.30 crore for FY 2014-15.**

6.14 NON-TARIFF INCOME

The Commission had approved Non-Tariff income of Rs. 50.64 for FY 2014-15 in the MYT Order. AEGCL has estimated Rs. 54.08 crore towards Non-Tariff income for FY 2014-15. AEGCL has submitted the details of Non-Tariff income as detailed in the Table below:

Table 6.10: Non Tariff income (Rs. crore)

Sr. No.	Particulars	FY 2014-15
1	Income from Investments	24.03
2	Miscellaneous Receipts	30.05
	Total	**54.08**

Commission's Analysis

As the actual Non-Tariff Income received by AEGCL for FY 2013-14 is higher, at

Rs. 64.73 crore, the Commission considers it prudent to consider Non-Tariff Income as per the actuals in FY 2013-14.

Accordingly, the Commission approves the Non Tariff Income at Rs. 64.73 crore for FY 2014-15.

6.15 TRANSMISSION LOSS

The Commission had approved transmission loss of 3.84% for FY 2014-15 in the MYT Order. AEGCL has projected the transmission loss for FY 2014-15, as detailed in the Table below:

Table 6.11: Transmission Loss

Particulars	FY 2014-15
Energy Injected (MU)	7340
Energy Sent Out (MU)	7058
Transmission Loss (MU)	282
Transmission Loss (%)	**3.84%**

Commission's Analysis

The actual transmission losses for FY 2011-12, FY 2012-13 and FY 2013-14 have been 4.29%, 3.88% and 4.09%, respectively, as against approved loss of 4.25%, 4.25% and 4.08%, respectively.

It is observed that AEGCL could not achieve the target of loss reduction set by the Commission for FY 2011-12 and FY 2013-14. In response to a query from the Commission, AEGCL submitted that transmission loss will decrease to 3.84% on account of refurbishment of old and obsolete equipments, augmentation and addition of 504 MVA sub-station capacity in nine sub-stations, completion of 7 ckm 400 kV line along with 630 MVA 400/220 kV sub-station at Kukurmara and anticipated commissioning of 288 Ckm, 200 kV transmission line, 130 Ckm 132 kV transmission line along with 550 MVA 220/132 kV sub-station and 449 MVA 132/33 kV sub-station.

The Commission, therefore, approves the transmission loss level at 3.84% for

FY 2014-15. The Commission is of the opinion that the proposed loss for FY 2014-15 should be achievable, given the level of investments being made by AEGCL.

6.16 ENERGY HANDLED

The Commission had approved energy handled by AEGCL at 6433 MU for FY 2014-15. The details of **energy projected to be handled by AEGCL and approved by the Commission, as approved by the Commission in the energy balance of APDCL for FY 2014-15, in the Tariff Order for FY 2014-15 dated November 21, 2013 are given in the Table below:**

Table 6.12: Energy Handled by AEGCL (MU)

Particulars	**FY 2014-15**	
	AEGCL Petition	**Approved**
Energy handled by AEGCL	7340	6671
Transmission Loss (%)	3.84%	3.84%
Transmission Loss	282	256
Available to APDCL	7058	6415

6.17 ARR FOR FY 2014-15

As discussed in earlier paragraphs, the Commission has examined the estimates and projections of each ARR component submitted by AEGCL and approved the expenses in accordance with the AERC Tariff Regulations, 2006. The summary of the ARR as filed by the Petitioner and as approved by the Commission after considering the Revenue (Gap)/Surplus on account of true-up for FY 2011-12 and FY 2012-13 are given in the Table below:

Table 6.13: Approved ARR for FY 2014-15 (Rs. crore)

Sr. No.	Particulars	FY 2014-15	
		AEGCL Petition	Approved
1	PGCIL Charges	216.30	216.30
2	O&M Expenses	152.40	141.66
2.1	Employee Expenses	138.41	128.95
2.2	R&M Expenses	8.73	8.73
2.3	Administrative Expenses	5.26	3.98
3	Interest and Finance Charges	47.90	14.05
4	Interest on Working Capital	16.27	14.92
5	Depreciation	42.60	13.80
6	Other Debits	0.21	0.00
7	BST (Pension)	146.80	133.42
8	Less: Other Expenses Capitalised	19.82	0.00
9	Return on Equity	13.99	13.99
10	Provision for Tax	0.00	0.00
11	**Total Expenditure**	**616.65**	**548.14**
12	Less: Non-Tariff income	54.08	64.73
13	**Aggregate Revenue Requirement**	**562.57**	**483.41**
14	Add: (Gap)/Surplus for FY 2011-12 and FY 2012-13	109.18	(23.01)
15	**Net Aggregate Revenue Requirement**	**671.75**	**460.40**
16	Energy handled (MU)	7340	6671
17	**Per Unit Charge (Rs./kWh)**	**0.92**	**0.69**

Thus, the Commission has approved the consolidated revenue requirement for AEGCL for FY 2014-15, after considering the revenue gap/surplus of previous years, as Rs. 460.40 crore.

6.18 TRANSMISSION CHARGES

The Transmission Charges payable by APDCL and other users of AEGCL transmission system are arrived at based on ARR of AEGCL and the energy handled by the transmission system.

After determination of the final ARR of AEGCL on account of transmission network, the next step is to finalize the transmission tariff for intra-State transmission of power. The actual transmission activities comprise of transmission of power from CSGS by Central Transmission Utility (CTU) network to AEGCL network, and a number of the State Transmission Utility (STU) transmission lines are also engaged in transmission of CSGS power to other constituents of the region. The STU network 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, STU 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 consumers, the Commission considered it appropriate to consider the net CTU Transmission Charges as approved by CERC. Based on similar considerations, the charges payable to NERLDC as approved by the CERC shall be considered while fixing SLDC charges for both long-term and short-term open access consumers for intra-State consumers.

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

   TC=Approved Transmission ARR/ (12 * 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 2014-15, is Rs. 460.40 crore

   The Commission has considered gross contracted capacity based on power allocation and energy requirement to APDCL from various sources as 1471 MW for FY 2014-15, as proposed by AEGCL.

   TC = Rs. 260.82 /kW/month
   In line with MYT Order dated 16 May 2011, for FY 2014-15, the Commission approves the transmission charges in terms of Rupees per Unit.

   The energy to be handled by AEGCL for FY 2014-15 is considered as 6671 MU. As such, Transmission charges for APDCL for FY 2014-15 will be Rs. 0.69 per unit.

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

   Short Term Rate (ST-Rate) per day = Net Transmission ARR / Annual Maximum peak * 365

   = Rs. 8574.88 per MW per day

   Note:

   1) The Commission has considered Annual Maximum Peak for FY 2014-15 as 1471 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.

6.19 SLDC CHARGES

The expenses considered are mainly meant to recover SLDC's R&M expenses, employee expenses, and A&G expenses. As AEGCL has not estimated SLDC charges for FY 2014-15**, the Commission approves the SLDC charges at Rs. 2.12 Crore for FY 2014-15.**

SLDC charges approved at Rs. 2.12 Crore for FY 2014-15 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 2014-15 is Rs. 2.12 Crore.
2) Assumed Total Generation Capacity handled by SLDC for FY 2014-15 is 1471 MW.
3) **Approved SLDC charges are Rs. 39.48 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 Regulations 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 December 1, 2014 and shall continue until replaced by another Order by the Commission.
2. The approved net ARR of AEGCL for FY 2014-15 has already been accounted for in APDCL's ARR approved for the Control Period.

7. Compliance of Directives & New Directives

7.1 COMPLIANCE OF DIRECTIVES ISSUED BY THE COMMISSION ISSUED BY THE COMMISSION IN THE MYT ORDER DATED NOVEMBER 21, 2013

The Commission, in its MYT Tariff Order dated 21.11.2013 for FY 2013-14 to FY 2015-16, had issued certain directives to AEGCL. AEGCL has submitted compliance of directives vide its letter dated 02.09.2014.

The Commission's comments on the status of compliance are discussed in this Chapter and further directives have been issued, wherever necessary.

Directive-1: Creation of Tariff Regulatory Cell

AEGCL shall create/constitute a Tariff Regulatory Cell (under an Officer of status/rank not below that of General Manager or equivalent) within three months from the date of issue of this Order. The Cell so constituted/created shall be provided with necessary authority and resources so as to look after all the tariff regulatory matters primarily to provide correct and timely information to the Commission as well as stakeholders, and should be the primary source of all data and submissions being filed before the Commission, so as to ensure consistency and timeliness of the data submitted and proper co-ordination with the Commission in the tariff determination process.

Compliance:

AEGCL submitted that Tariff Regulatory Cell was formed by AEGCL on 27.03.2014 with CGM (F&A) as Chairperson of the Cell. AEGCL also submitted copy of the Office Order.

Commission's comments:

Noted.

<u>Directive-2</u>: Submission of Actuarial Valuation of employers' contribution to terminal liabilities

As directed in the Tariff Order for FY 2010-11 to FY 2012-13, AEGCL should submit the study report on actuarial valuation for the purpose of estimating employers' contribution towards pension and gratuity.

Compliance:

AEGCL submitted the following details:

Table 7.1: Liability and Cash Flow Estimation of Terminal Benefit of Employees as submitted by AEGCL

NET PRESENT VALUE FOR ASEB PAST UNFUNDED SERVICE (AS ON 30/09/2012)		
		Amount (Rs. crore)
1	Pension	
a	Existing Employees	2027.64
b	Pensioners	1247.59
c	Family Pensioners	452.96
2	DCRG	416.7
3	LEB	273.61
4	GPF	227.51
	Total	**4646.01**

Table 7.2: Projected Cash Flow for Terminal Benefits as submitted by AEGCL

Year	Existing Employees	Pensioners (Rs. crore)	F/Pension (Rs. crore)	Gratuity(Rs. crore)	LDB	GPF	Total
2012	5.61	94.90	40.75	4.76	2.35	44.60	192.97
2013	14.94	97.23	41.12	29.47	15.05	49.00	246.80
2014	27.00	99.69	41.50	37.38	20.43	59.80	285.80

Year	Existing Employees	Pensioners (Rs. crore)	F/Pension (Rs. crore)	Gratuity(Rs. crore)	LDB	GPF	Total
2015	39.56	102.38	41.91	37.66	21.02	65.00	307.53
2016	55.12	105.19	42.33	45.64	26.44	61.30	336.01
2017	72.63	108.17	42.78	48.30	28.34	64.00	364.22
2018	88.86	111.35	43.25	42.56	25.99	53.90	365.90
2019	104.75	114.68	43.73	40.67	25.31	47.90	377.05
2020	118.09	117.51	44.24	33.39	21.17	35.20	369.60
2021	128.47	121.13	44.72	24.08	15.71	27.30	361.41
2022	136.46	124.67	45.19	18.34	12.34	21.40	358.40
2023	142.73	127.58	45.53	13.72	9.66	18.40	357.62
2024	147.16	130.67	45.50	9.24	6.44	15.60	354.61
2025	150.52	134.16	45.36	8.05	5.03	0.00	343.13
2026	153.55	135.02	44.06	7.07	4.66	0.00	344.36
2027	156.28	135.85	43.24	5.39	3.73	0.00	344.50
2028	158.36	128.78	39.12	3.57	2.46	0.00	332.29
2029	159.57	124.63	35.72	2.10	1.57	0.00	323.60
2030	160.63	111.79	28.07	1.26	0.98	0.00	302.73
2031	161.60	105.18	24.10	1.47	1.20	0.00	293.56
Total	**2181.90**	**2330.57**	**822.22**	**414.12**	**249.89**	**563.40**	**6562.10**

Commission's comments:

Noted. AEGCL is directed to submit the full study report on actuarial valuation for the purpose of estimating employers' contribution towards pension and gratuity.

Directive-3: Computation of Depreciation in accordance with AERC Tariff Regulations

While projecting the depreciation in the ARR of the tariff Petition, AEGCL should strictly follow the depreciation rates in the AERC Tariff Regulations, 2006 instead of following the Companies Act.

Compliance:

AEGCL submitted that it has been following depreciation rates as per AERC Tariff Regulations, 2006 for projecting depreciation in the ARR of Tariff Petition for FY 2014-15 onwards.

Commission's comments:

It has been observed that AEGCL does not submit the calculations of depreciation strictly in accordance with the AERC Tariff Regulations, 2006, and claims depreciation on assets funded through grants and consumer contribution also. The Commission directs AEGCL to ensure that in subsequent Petitions, the depreciation is computed strictly in accordance with the AERC Tariff Regulations, 2006.

7.3 New Directives

Directive 1: Plan for reduction of transmission losses

AEGCL should submit a medium/long-term plan for reducing the transmission losses in line with the industry norms. The plan and implementation programme should be submitted to the Commission at the earliest.

Directive-2: Filing of complete Petitions within the scheduled dates

It has been observed that the Petitions are not being filed on time, and even after filing of the Petitions, the necessary data and clarifications are not submitted on time, leading to delays in the tariff determination process. The Commission directs AEGCL to ensure that the Petitions are filed on time, and all the necessary data and clarifications are submitted along with the Petition itself.

Sd/-	Sd/-	Sd/-
(D. Chakravarty)	(Dr. R.K.Gogoi)	(N. K. Das)
Member, AERC	Member, AERC	Chairperson, AERC

Annexure-1

Minutes of the 18th Meeting of the State Advisory Committee of the Assam Electricity Regulatory Commission held on August 12, 2014 at NEDFi House, Dispur, Guwahati

The 18th meeting of the State Advisory Committee was held at 11.00 am on 12th August, 2014, at NEDFi HOUSE, Dispur, Guwahati.

A list of members and officers present is appended at **Appendix – 1.**

At the very outset, the Secretary, AERC, welcomed all the Members of the State Advisory Committee, Special Invitees and officers present, to the 18th Meeting of the Committee. He then requested the Chairperson, AERC, Shri Naba Kumar Das, IAS (Retd) to preside over the meeting.

The Chairperson, AERC, on behalf of the Commission, extended a hearty welcome to all the Members of the State Advisory Committee, which had been recently reconstituted as per Section 87 of The Electricity Act, 2003. He stated that the State Advisory Committee is an important body with an objective to advise the Commission on manifold issues such as on all major questions of policy, matters related to quality, continuity and extent of service provided by the licensees, compliance by licensees with the conditions and requirements of their licence, protection of consumer interest; and electricity supply and overall standards of performance by utilities.

The Chairperson informed the members that Power Point presentations would be made by the representatives of the power utilities on the overall power scenario of the State and also on the petitions submitted by each of the three utilities for revision of tariff. He requested the members to take this opportunity to raise various issues and problems being faced by the consumers and offer suggestions so that effective strategies could be worked out to improve the power position of the State. He then proceeded for discussing the agenda items one by one which are briefly recorded below.

1. **Agenda No. 1: Confirmation of the Minutes of the 17th meeting of the State Advisory Committee (SAC) held on 09.08.2013.**

The Minutes of the 17th Meeting of the Committee was already circulated among the Members and Special Invitees. Hence, it was taken as read. No comment was received on the minutes. With the approval of the members, the Minutes of the 17th meeting of the SAC was confirmed.

2. **Agenda No. 2: Action taken on the Minutes of the 17th Meeting of SAC.**

With regard to submission of Action Taken Reports on the Minutes of the aforesaid meeting, the Chairperson apprised the members that most of the actions were required to be taken by the two Utilities i.e. APGCL (Generation) and APDCL (Distribution) and hence, the officers representing these two Utilities would brief the members on the actions taken by them.

Regarding the matter of drafting Regulations for Peak Power Management which was discussed in the last meeting of the Advisory Committee, the Chairperson informed that the Commission has been looking into the matter; however, a firm conclusion is yet to be reached. He stated that the Commission was also contemplating whether some kind of peak power tariff (in categories not having TOD tariff) could be introduced in the course of finalising the tariff proposal in order to encourage consumers to adopt Demand Side Management practices. The Chairperson also raised the matter relating to payment of fixed charges to generating stations irrespective of whether power is available or not from the stations for discussion. He stated that this issue being a policy matter has to be taken up by the Commission along with the Government of Assam with the CERC and the Government of India.

A Power Point presentation was made by a representative of APGCL, showing actions taken by APGCL on the points concerning the Company as mentioned in the Minutes of the 17th Meeting of the Committee and these are briefly narrated below:

In the matter of Margherita Thermal Power Project, it was stated that the Board of APGCL by a resolution had decided to implement the Project as a Joint Venture with NEEPCO. It was informed that in this regard, a draft MOU had already been signed between APGCL and NEEPCO on 14.07.2014 and the members expressed hope that a decision would soon be taken for implementation of the Project.

So far the reduction of Auxiliary Power consumption in LTPS and NTPS is concerned, it was informed that there is a study report from National Productivity Council regarding the issue. Based on this report, APGCL had taken number of actions as a result of which, Auxiliary Energy Consumption of LTPS has been reduced to 8.8 % in FY 2013-14 from 11.5 % in FY 2012-13. Similarly, the Auxiliary Energy Consumption of NTPS is also expected to come down to 4.5% from the present 5.5% after completion of works related to shifting of distribution feeders from the NTPS 132 KV substation.

Regarding Station Heat Rate, it was stated that APGCL was incurring losses every year due to higher heat rates of the NTPS and LTPS stations than what have been approved by the Commission in its Regulations. In this connection, he referred to the proposed amendment to the Regulations by the Commission after submission of a report from IIT, Guwahati who was assigned the task of studying the Heat Rate of LTPS and NTPS. Therefore, the matter is now with the Commission for necessary action.

Regarding the ongoing/ new projects in the state, it was informed that APGCL had already submitted detailed report to the Commission. It was further informed that both units of 1.5 MW each of the Myntriang Small Hydro Project were commissioned in March 2014.

The MD, APDCL, taking permission from the Chair raised certain issues concerning the APDCL in the Meeting as stated below.

1. Regarding Load shedding, MD, APDCL stated that due to shortage of power, load shedding had to be resorted to from time to time across the state. Although, power can be purchased from the exchanges to meet the power shortage, however, such power is expensive. In this connection, he referred to the direction given by the State Advisory Committee to APDCL in the last Meeting of the Committee for constituting committees for load shedding. He informed the members that in pursuance of the above direction, APDCL had constituted two tier power committees to look into the matter of Load Shedding. The level –I committee is chaired by the MD, APDCL with all CGM(D) of the regions and CGM (Com) as members. The level-II committee is headed by GM of the respective zones with all the DGMs of the circles and R.E of the Grid S/s as members. It was informed that in case of shortage of power, the company follows the principle of preferential load and priority is given to essential services like hospitals, airports and agencies controlling the law and order situations as far as practicable. SLDC is entrusted with the implementation of the decision of the Committee and to take action accordingly.
2. Regarding installation of Prepaid Meters, it was informed that it has been made compulsory to install prepaid meters in all multi-storied buildings. It was informed that the financial and technical parameters for installation of prepaid meters in Government establishments are being examined by the Company and the State Government and it is likely to be installed from March 2015. MD, APDCL informed the members that APDCL has been taking all possible steps in this regard.
3. So far the clearance of outstanding arrears of Power Consumption bills in respect of the Government Departments is concerned, the matter had been taken up with the State Power Department and other Government Departments including at the level of the Chief Secretary and Chief Minister of Assam. The Central payment

mechanism has been proposed to be withdrawn w.e.f. April 2015 and payment responsibility will be entrusted to the concerned department.

4. It was informed that APDCL has been requesting the Central Government to allocate 500 MW firm power from Bhutan Hydroelectric projects and efforts are on to procure power from some of the power projects in Bhutan which are under construction.

5. Regarding reduction of losses, it was informed that various steps were being taken like i) cutting down extra 33/11 KV lines, commissioning of new 33/11 KV substations & installation of adequate number of DTRs ii) refurbishing of old 33/11 KV substations iii) timely completion of R-APDRP works iv) replacement of stopped/ defective meters. The Company has also tried to recover their old outstanding dues through waiver of surcharge. It was informed that the Company appointed franchisees for collection of revenue, however, there were discrepancies in depositing money by some franchisees. A new scheme has been proposed by which the bills will be prepared by the Company and the consumers will deposit the money only in the APDCL collection centres. The proposal has been placed before the APDCL Board for taking a decision in this regard.

   Intervening on the matter, some members voiced their concern regarding functioning of some of the franchisees particularly in respect of revenue collection as there was no transparency in the matter. They complained that although huge amounts of revenue were collected by the franchisees, yet they did not deposit the fund to the APDCL**. Moreover, they wanted to know whether approval of the Commission was taken in the matter of appointment of Franchisees.**

   The MD, APDCL assured that with the introduction of the new system already discussed there would be more transparency regarding the functioning of franchisees.

   The Chairperson informed the members that although there is no provision in the Act requiring approval of the Commission for appointment of franchisees, however, the Commission has been directing APDCL to submit information on franchisees from time to time, whenever complaints were received. Endorsing the views of the Chairperson, Dr. R.K. Gogoi, Member, AERC, informed that since franchisee is an intermediary, no permission is required from the Commission for appointing franchisees, yet the Commission gathered information on the issue from the Utility from time to time and issued directives on the issue.

However, as suggested by the members, the Commission decided to look into the present system of functioning of the franchisees so that it can be improved.

Some of the members were of the opinion that members representing consumer interests should be included in the Load Shedding Committees. **The Chairman, APDCL assured the members that the matter would be looked into**.

The members insisted that the timing of load-shedding should be publicised for information of the consumers.

The MD, APDCL informed that in an integrated system, the power position is unpredictable and changes day to day even hour to hour. Therefore, it is difficult to follow a definite load shedding schedule all over the State. As a result, it is not possible to inform the public about the expected time of load shedding. However, in case of scheduled load shedding against shutdowns for maintenance of stations, lines etc., prior information is given in local newspapers. He, however, stated that the information regarding load shedding is hosted in the APDCL website daily.

3. **Agenda No. 3: Appraisal on Tariff proposal by the respective Utilities**

Speaking on the occasion Shri K.V. Eapen, IAS, Chairman, APDCL, APGCL and AEGCL gave an overall view on the functioning of the above mentioned three Companies as follows:

He stated that it has been 10 years since unbundling of the state electricity board into three separate entities for generation, transmission and distribution was initiated and therefore, it was important to examine the developments that have taken place over the years. He informed that in the d**istribution sector**, the position is critical as there is a shortfall of power of about 200 MW during off peak hour and 400 MW during peak hours at this time. He further informed that the Central Sector Generating Stations were able to provide hardly 60 per cent of the total state power allocation to the Company. Thus, there has been an unprecedented shortfall and the Company has to purchase power from the exchanges or through bilateral trade which involves huge financial burden affecting the financial health of the Company. Moreover, the power purchase cost from the existing generating stations has also been increasing due to increase in fuel cost. On the other hand, with implementation of Rajiv Gandhi Vidyutikaran Yojana, consumption increased tremendously leading to manifold increase in demand. However, the recovery rate from the consumers is not commensurate with the cost of supply of power. Expansion of rural LT network has also to some extent led to the increasing loss suffered by the Utility. However, he stated that in spite of all difficulties, it is the responsibility of the Company being a public utility to extend the rural LT network and it would continue to do so.

He further informed that in order to improve the quality of power, APDCL had taken up some schemes which are likely to yield good results.

On the **generation sector,** he stated that the machines of Namrup Thermal Power Plant are extremely old and although these are still functioning despite completion of their life cycles, this would not be sustainable for long. He stated that as per discussions in the last meeting of the Advisory Committee, the Generation Company had taken several steps for increasing the generation of power. He informed that the Company was in the process of setting up of a coal-based Power Station at Margherita with 660 MW capacity in collaboration with NEEPCO. While the Generation Company had already cleared the proposal, it was expected that NEEPCO would clear the proposal by the end of this year. Moreover, it was further informed that the Generation Company was actively examining the setting up of a 70 MW Solar Power Project at Amguri. He thanked the Commission for giving importance to the Station Heat Rate issue and informed that the Company has been successful in reducing the Auxiliary Energy Consumption of both the power stations. He hoped that with steady performance of the stations, regular flow of gas and availability of water, the APGCL would be able to generate 300 MW of power from its thermal and hydel stations for internal consumption. Due to all these factors, the position has marginally improved in the last few days. However, he stated that there would be some disruption in the availability of power when the OTPC, Palatana would be shut down for regular maintenance from 20th August to 5th September, 2014. Therefore, during this period, the Distribution Company will have to manage with its own generation resources and through power purchase.

He informed that in the **transmission sector,** the Company had handled only 720 MW in 2004 but now with financial assistance received from ADB, NLCPR etc., the transmission handling capacity had been enhanced to a little over 1600 MW. All the projects which are presently under execution will enhance the capacity to handle transmission of almost 1700 MW of Power by the end of this year and it is expected that by the end of 12th plan period, the capacity will be almost 2000 MW.

He further stated that the tariff proposal submitted by the Company is an extremely rational and thought out proposal. He informed the members that there are some factors which are within the control of the Company and some are beyond their control and all these have been taken into consideration while preparing the detailed Tariff proposal. Hence, he requested the Members of the Advisory Committee and the Hon'ble Commission to take a realistic view of the problems being encountered by the power sector and support their Tariff proposals.

3.1. Generation (APGCL)

A Power Point Presentation was made by a representative of APGCL, the salient points of which are recorded below:

Although APGCL is capable of generating 300 MW of power yet they have not been able to generate power to that extent because of paucity of gas and sometimes water. However, the thermal stations namely Namrup and Lakwa Stations have occasionally, generated power to their fullest capacity. Further, the Karbi Langpi HEP is also generating energy upto their full load of 100 MW as per availability of water.

With regard to Truing up for FY 2012-13, the approved gross generation was 1803.08 MU against which the Utility was able to generate 1765.26 MU. This lower generation was mainly due to bad hydrology, which includes non-availability of water. Moreover, the Auxiliary Consumption was also higher than the norms set by Commission. Against total approved income of Rs 382.50 Cr, the Utility had recovered Rs 459.56 Cr primarily due to the FPPPA charges levied. On the other hand, although the total fuel cost approved was Rs 157.32 Cr, the Utility had to spend Rs 364.54 Cr due to fuel price rise and low gross station heat rate. In the matter of Return on Equity, it was stated that the Government of Assam through a letter had issued a guideline stating that the grant should be considered as promoter's contribution.

With regard to the Annual Performance Review for FY 2013-14, it was stated that there were differences in some parameters like fuel cost and depreciation from what was approved in the ARR by the Commission in its Tariff Order due to higher Station Heat Rates and addition of the Myntriang Small hydro project.

With **regard to Tariff Proposal for FY 2014-15**, **it was informed that** difference from the approved ARR for the year occurred mainly on account of the Fuel Cost, which was more than double the earlier price of fuel. Therefore, it was stated that price of fuel was a major factor for submission of the Revised Tariff proposal.

One member expressed concern that the power generation of the APGCL was always less than estimated. He requested the utility to try to generate power to their maximum capacity. MD, APGCL informed that low generation was due to non-availability of gas as per requirement. It was informed that the utility has taken up the matter with the supplying agencies to supply the required quantity of gas with standard calorific value.

3.2 <u>Transmission (AEGCL)</u>

A Power Point Presentation was also made on behalf of AEGCL, the main points of which are briefly noted below:

With regard to Annual Performance Review for FY 2011-12, the representative of the Utility stated that differences had occurred from the approved figures in Tariff Order for the year regarding payment to Power Grid, Employee Cost and also on account of Interest and Finance Charge**. He also informed that In the Annual Performance Review for FY 2012-13,** differences had occurred mainly due to payments made to Power Grid and again in Employee Costs.

With regard to **the Annual Performance Review for FY 2013-14**, it was informed that the differences occurred on account of Employee Cost due to DA payment to employees and new recruitment and also on account of depreciation which increased due to capitalisation of new assets.

One Member wanted to know whether there was proper estimation of the expenditure made by the Company. In reply, the representative of AEGCL stated that the expenditure of the Transmission Company is mostly fixed and variations occurred mostly on payment to Power Grid which accounted for 40% of the total cost and depended on the annual power procurement. However, sometimes deviations were observed in other heads as well due to reasons explained above.

Some members stated that although they were insisting on balance sheets and audited accounts of the Company to be made public, yet this was not done by AEGCL. The Chairperson advised the Utilities to make sure that the balance sheets and audited statement of accounts are made public and hosted in their websites.

3.3 <u>Distribution (APDCL)</u>

Regarding the tariff proposal of APDCL (Distribution), a Power Point Presentation was made on the proposals and some of the salient points are furnished below.

In true up of the ARR for FY 2011-12, the utility claimed a revenue gap of Rs 516.88 Cr. Similarly, in true up of ARR for FY 2012-13, a revenue gap is shown as Rs.196.27 Cr. In both the years, deviation was mainly on account of cost of Power Purchase, Interest and Finance Charge, etc. for which the amount of variation claimed comes to approximately Rs

591 Cr and Rs 402 Cr respectively. Again, in Annual Performance Review for FY 2013-14, total revenue gap claimed is Rs.583.72 Cr.

A member stated that there should be correct estimation of the actual power requirement and availability as power purchase is the main component of tariff. Another member requested the Commission that the State Government must be approached to sustain the subsidy granted to BPL and Domestic-A consumers and even increase the same, if necessary this year, to provide some respite to these consumers from tariff hike.

Some members also suggested that the cross subsidy of industries need to be reduced further as stipulated in the National Tariff Policy and if possible, completely removed.

The Chairperson, AERC stated that cross subsidy has been reduced to the extent possible in the tariff orders and is likely to remain until it is possible to charge consumers as per the cost of supply.

4. **Agenda No. 4: Presentation on Smart Grid Pilot Project by R-APDRP, APDCL**

A Power Point Presentation on Smart Grid Pilot Project was made by the Representative of R-APDRP, APDCL and the salient points of which are mentioned below.
The Smart Grid Pilot Project is a Government of India project which was launched in 14 States including Assam. The Commission gave in-principle approval to the investment proposal for the project amounting to Rs 29.93 Cr. In Assam, three areas under Paltanbazar, Ulubari and Narangi Substations have been selected under the Pilot Project Scheme. Some of the expected benefits of the project were reduction of AT&C losses, lowering peak loads, increase in efficiency of the network, etc. It was informed that the consumers whose residences will be fitted with smart meters will not be able to use any excess load during peak hours than the permissible limit and their extra load could be remotely switched off automatically by the licensee.

On a query by a member, it was clarified that there would be no load shedding for the customers availing smart meters. It was further suggested that a consumer availing smart grid facility may be allowed enhanced connected load on demand, without going through the normal procedures. The members also suggested that while implementing the project, the consumers should not be burdened financially.

5. **Agenda No. 5: Discussion on the following Draft Regulations and amendment.**

i) Draft AERC (Co-generation and Generation of Electricity from Renewable Sources of Energy) Regulations, 2014

On behalf of AERC, a Power Point presentation was made on the Draft Regulations.

It was informed that as per Electricity Act 2003, the State Electricity Regulatory Commission is required to promote cogeneration and generation of electricity from renewable energy by providing suitable measures for connectivity with grid and sale of electricity to any person and also specify the percentage of renewable energy to be procured by licensees. In pursuance of the above, the Commission notified the AERC (Co-generation and Generation of Electricity from Renewable Sources of Energy) Regulations 2009, covering all the matters mentioned under section 86(1)(e) of EA 2003.

However, during the last four years, there were a number of developments in renewable energy based power generation scenario in the country particularly, in Solar Power. The present amendment of the AERC (Co-generation and Generation of Electricity from Renewable Sources of Energy) Regulations, 2009 has been proposed duly taking into consideration all the above developments. Once these new Regulations are notified in the official gazette, the (Co-generation and Generation of Electricity from Renewable Sources of Energy) Regulations, 2009 shall stand repealed.

ii) Draft AERC (Grid Interactive Solar PV Systems) Regulations, 2014

A Power Point presentation was made on the above Draft Regulations from AERC.

It was informed that Grid Interactive solar power plants can contribute a significant amount of energy for meeting day time load in urban homes, reducing day time peak system demand. In fact, 40% to 70% of day time electrical load in offices, educational institutions, commercial establishments, etc. can be met from grid interactive solar systems. In these systems, the advantage is that it runs without battery or with low capacity battery backup. Therefore, the establishment cost as well as running cost is much lower. An efficient Solar PV System also needs low maintenance. It was also informed that one of the disadvantages of this System is that energy is available only when sun shines. Also, benefit from the grid interactive system would be less in places where power supply is irregular.

A member suggested that such systems may be installed by the Government of Assam in the Bharalu, Deepar Beel and such other waterbodies. These systems may also be installed in unused/ barren land masses to prevent encroachment and a proposal in this regard may be forwarded to the Government by the Commission. It was however, suggested that the issue of safety and security of the systems (lines/ panels) had to be ensured. Another member of the Committee suggested that rooftops in hospitals, hotels and such other commercial establishments and industries may be made mandatory and incentives provided to such consumers.

The Chairperson, AERC informed the members that a policy paper on solar PV System is being prepared. This draft would be submitted to the State Government for examination. The Government may then choose to notify the same for public opinion and the above suggestions regarding incentives and others may be forwarded to the State Government directly at that time. He suggested that brainstorming sessions may also be held by APDCL along with the concerned officials of the State Government before the policy paper is finally adopted. While noting the suggestions offered by the members, the Chairperson observed that installation of the solar PV systems should not be confined within Guwahati, instead, the policy should contain provisions to encourage consumers for installation of such systems throughout the state.

The Chairperson however, stated that the Draft Regulations may require some amendments depending on the comments received from some stakeholders.

iii) **Draft AERC (Terms and Conditions for Appointment of Consultants) Regulations, 2014.**

A Power Point presentation was made on the Draft AERC (Terms and Conditions for Appointment of Consultants) Regulations, 2014. It was explained that these Regulations have been drafted in line with CERC (Appointment of Consultant) Amendment Regulations, 2010 and the Regulations when finally notified, would supersede the AERC (Terms and Conditions of Appointment of Consultants) Regulations, 2005.The engagement of four categories of Consultants in AERC have been suggested in the Draft Regulations such as, (i) Corporate Consultants (ii) Individual Consultants (iii) Staff Consultants and (iv) Professional experts. All matters regarding appointment/engagement of Consultants will be governed by these Regulations.

iv) Draft amendments to Annexure II & III of AERC (Terms & Conditions for Determination of Tariff) Regulations, 2006.

Amendments have been proposed in normative Station Heat Rate and Auxiliary Energy consumption for the power stations of the state.

Some Members opined that the modified rates fixed is high and should have been less. On behalf of AERC, it was explained that the normative Station Heat Rates were decided based on a study report of IIT Guwahati and so far as Auxiliary Energy Consumption is concerned, recommendation of CEA norms for gas based power stations were being considered.

6. **Agenda No 6: Status of implementation of DSM activities of APDCL.**

A Power Point Presentation was made regarding status of implementation of DSM activities by a representative of APDCL.

In the Presentation, it was stated that the one of the main functions of DSM is to reduce the electricity consumption through various ways. For successful implementation of DSM, the Company has taken some programmes, some of which are in the pipeline and some are ongoing. The Utility also has taken up some Energy Efficiency Schemes and Energy Saving Schemes. Moreover, for efficient functioning, some officers of APDCL are proposed to be trained on DSM and Energy Efficiency.

Appendix – 1

List of members present in the meeting of the 18th State Advisory Committee Meeting held on August 12, 2014

1. Shri Naba Kumar Das, IAS (Retd), Chairperson, AERC
2. Dr. Rajani Kanta Gogoi, Member, AERC
3. Shri D.Chakravarty, Member, AERC
4. Shri K.V. Eapen, Chairman, APDCL, AEGCL & APGCL
5. Shri R.L. Barua, MD, APDCL
6. Shri P. Bujarbaruah, MD, APGCL
7. Shri G.K.Das, MD, AEGCL
8. Smt. Sailen Barua, President, NESSIA, R.G.B Road, Guwahati-24
9. Shri Kumud Ch. Medhi, General Secretary, NESSIA, Guwahati-7.
10. Shri M.P. Agarwal, Chairman, All India Manufacturers' Organisation.
11. Dr. Shree Birendra Kumar Das, President, Grahak Suraksha Sanstha, Guwahati.
12. Shri Bharat Saikia, Secretary, Grahak Suraksha Sanstha, Guwahati
13. Shri Debasish Chakravarti, Secretary, ABITA Zone 1
14. Shri Anuj Kumar Baruah, AASSIA, President,Bamunimaidam, I/E Guwahati
15. Shri A.K. Dutta, AASSIA, General Secretary,Bamunimaidam, Guwahati-21.
16. Shri Anil Rai, FINER, Member
17. Smt. Utpala Saikia, Deputy Secretary, Power Deptt., Dispur.
18. Shri Dipak Kr. Deka, GM, AIDC

Officers of AERC

1. Shri D.K. Sarmah, Secretary & Joint Director, AERC
2. Shri T. Mahanta, Deputy Director (Engg) AERC
3. Shri A. Purkayastha, Deputy Director (Finance) AERC
4. Ms. Panchamita Sarma, Consultant (Finance, Database and Consumer Advocacy Cell) AERC.
5. Shri N.K. Deka, Consultant (Technical), AERC