



ENERGY (C2) DEPARTMENT
SECRETARIAT,
CHENNAI-09



Letter (Ms.) No. 59 /C2/2012 , dated . 07.06.2013

From
Thiru. RAJESH LAKHONI, I.A.S.,
Secretary to Government.

To
The Secretary,
Tamil Nadu Electricity Regulatory Commission,
Chennai 8.

Sir,

Sub: Electricity - Tariff Revision petition of TANGEDCO for the year 2013-14 - Amortisation of Regulatory Assets – Reg.

- Ref:
1. Energy Department Letter (Ms) No.32, dated 25.3.2012
 2. TNERC Tariff Order No.1 of 2012, dated 30.3.2012.
 3. G.O. Ms. No.142, Energy (D1) Department, dated 22.12.2012.
 4. Letter No. Dir/F/CFC/RC/TANGEDCO/EE/Tf. Cell/ AO/ F.Regulatory Assets/D652/2013, dated 18.4.2013.

I am to invite your kind attention to the references cited and request you to recall the discussion had on 30.5.2013. In this connection I am to state that the TNERC in its Tariff Order cited second above has approved the Regulatory Assets of Rs.5422 crores and Rs.14,149 crores for the financial year 2010-11 and 2011-12 respectively. The order mandates amortisation of these regulatory assets along with annual carrying cost of 11% over a period of 5 years commencing from the year 2013-14. The Government in its letter 1st above has agreed in-principle with a request for amortisation of regulatory assets and further informed that the exact details and mechanism will be worked out in conjunction with tariff revision.

2. The Government of Tamil Nadu has agreed to the financial restructuring of the State DISCOMS announced by the Government of India on 5.10.2012. The Government issued orders cited 3rd above and the scheme became operational from 30.9.2012. Accordingly, the Government will take over 50% of TANGEDCOs short term liabilities to the tune of 6382.68 crores in a phased manner. In its annual budget for 2013-14, Rs.3,000 crores has been provided for the takeover during the current financial year. The remaining liabilities i.e. 3382.68 crores would continue to be in the books of TANGEDCO till the time of eventual takeover. However, the interest on these liabilities will be paid by the Government.

3. Now, TANGEDCO has filed the petition for tariff revision for 2013-14 for the amount of Rs.973 crores and the true-up for the year 2010-11 on the audited accounts. TANGEDCO has now requested the Government to provide financial support to compensate the balance regulatory assets to be recovered in the financial year 2013-14 after adjusting the proposed tariff revision (cited 4th above).

4. On this background the following points can be considered by the Commission

- a) The audited accounts are available only for the year 2010-11. It is therefore requested that the amortization may be carried out for the regulatory assets of the year for which audited accounts are available i.e. 2010-11. For the subsequent years, the regulatory assets would be reassessed for amortization, as soon as the audited accounts are available.
- b) The carrying cost of these assets can be linked to the actual cost of cash loss financing after the financial restructuring. At present it is 11%. Hence, the same may be taken as carrying cost.
- c) Since the Government is already taking over Rs.6382.68 crores of the short term liabilities of the TANGEDCO, part of this amount may be accounted for amortization to the extent of 1/5th of the regulatory assets as per the audited accounts of 2010-11.
- d) The balance amount can be adjusted towards amortization of the regulatory assets in subsequent years.
- e) Since the Government is also paying interest on the balance amount, the carrying cost of such amount can be discounted in arriving at the regulatory assets in subsequent years.
- f) The Government in its Letter cited first above has agreed in-principle with a request for amortisation of regulatory assets. The details are to be worked out in conjunction with tariff revision.

Yours faithfully,

Original
7.6.2013
for Secretary to Government.
HKB
7.6.13