TAMIL NADU ELECTRICITY REGULATORY COMMISSION

(Constituted under Section 82 (1) of Electricity Act 2003)

(Central Act 36 of 2003)

PRESENT:

Thiru. K.Venugopal	–	Member
Thiru. S.Nagalsamy	–	Member

R.P. No. 2 of 2012

Tamil Nadu Generation and Distribution Company (TANGEDCO) Limited
No.144, Anna Salai,
Chennai - 600 002 ... Petitioner

(Thiru Jitendra Bhanushali,
Consultant for the Petitioner)

Vs

Nil … Respondent

Date of Hearing : 6-7-2012

Date of Order : 4-12-2012

The above Review Petition came up before the Commission for final hearing on 6-7-2012. The Commission upon perusing the above Review Petition No. 2 of 2012 and connected records and upon hearing Thiru Jitendra Bhanushali, Consultant for TANGEDCO , passed the following order:

ORDER

1. Prayer of the Petitioner:

The prayer of the Review Petitioner are-

(a) to admit its Review Petition in accordance with section 94 (1) (f) of the Electricity Act 2003 and clause 43 (1) of TNERC (Conduct of Business) Regulations, 2004;

(b) to condone the delay in submission of the petition for the reasons stated therein and in the interest of justice;

(c) to review the Tariff Order dated 30th March 2012 in light of the facts submitted in the Petition;

(d) to revise & approve the T&D Losses for FY 2010-11, FY 2011-12, FY 2012-13 based on 5% agriculture sampling and including wheeling units in accordance with that approved for FY 2010-11 and FY 2011-12 in last tariff order;

(e) to approve Grid Availability Charges and Restoration charges as prayed in the tariff petition;

(f) to allow Return on Equity for the Distribution Function;

(g) to allow the fixed and variable cost for thermal and Gas stations as prayed in this review petition;

(h) to allow Prior-Period Expenses for the Distribution Function;

(i) to clarify the indistinctness in the tariff schedule as mentioned in the review petition;

(j) to grant any other relief/s as it deems fit in to the matter;

(k) Pass any other order as the Hon'ble Commission may deem fit and appropriate under the circumstances of the case and in the interest of justice.

2. Facts of the Case:-

The Commission in accordance with Electricity Act 2003, Tariff Policy, National Electricity Policy , TNERC (Terms and Conditions for determination of Tariff) Regulations, 2005 , TNERC Multi Year Tariff Regulations 2009 and the directives given by Hon'ble APTEL in Order O.P. 1 of 2011 dated November 11, 2011, issued Tariff Order No. 1 of 2012 dated March 30, 2012 for determining Tariff for Generation and Distribution for FY 2012-13. The present Review Petition No. 2 of 2012 has been filed by TANGEDCO praying for the review of the said T.O No. 1 of 2012 dated March 30, 2012 on certain issues mentioned in the Review Petition.

3. <u>Contentions of the Petitioner:-</u>

A. *Revision of T & D Loss trajectory* :-

3.1. T&D loss calculated by the Commission in Order dated March 30, 2012 is without considering wheeling units both in sales and energy requirement and with 5% agriculture sampling.

3.2. The Commission in previous Tariff Order adopted different approach while setting the T&D Loss trajectory as the same was calculated on the basis of total energy injected into the system and total energy drawal from the system and 5% agriculture sampling data was also not available.

3.3. T&D loss trajectory should be revised considering the different approach adopted by the Commission in present Tariff Order.

B. *Agriculture Consumption :-*

3.4. 5% agriculture sampling data has resulted in less agriculture consumption as compared to agriculture consumption in previous Orders due to which T&D Loss has increased.

C. *Inclusion of wheeling units and Puducherry sales in total sales and power purchase for assessment of Distribution loss :-*

3.5. For calculation of T&D loss from FY 2010-11 to FY 2012-13, the wheeling units and power supplied to Puducherry (Page 115 of tariff order No 1 of 2012 dated 30.03.2012) have not been considered in the Energy Balance Statement, i.e., neither in Power Purchase nor in Energy Sales during respective year.

D. *Disallowance of high power purchase cost :-*

3.6. If the loss is computed on gross energy handled in the system including wheeled energy and considering the effect of reduction in agriculture consumption based on sample study, due to lesser hours of supply in restriction and control measure and good monsoon, actual energy requirement for 2012-13 is required to be reconsidered based on approved increase in sales then the proposal for disallowance of additional Power Purchase Cost to higher loss will not arise.

E. ***Cross-subsidy surcharge* :-**

3.7. There is an inconsistency between the Voltage wise loss approved by the Hon'ble Commission in Tariff Order for TANTRANSCO and TANGEDCO whereby different losses have been considered at same voltage level.

3.8. The difference of voltage wise loss is within the TANGEDCO tariff Order, whereby different voltage level losses have been considered in Table no. 231 and 239.

3.9. The Commission to review and modify the Cross Subsidy Surcharges by considering the voltage wise loss as specified in Table no.231 of the Tariff Order for calculation. Accordingly, Table No. 239 (Page 317 of tariff order No 1 of 2012 dated 30-03-2012) related to calculation of Cross Subsidy Surcharges for HT categories approved by the Commission will also be revised in line with the Table no. 231 (Page 305 of tariff order No 1 of 2012 dated 30-03-2012) of the Order and the revised voltage wise T&D loss to be arrived by the Commission based on the actual energy requirement for increase in approved sale by the Commission.

3.10. The Commission to revise the total loss & loss load factor and % of deemed demand as mentioned in Page 56 and 57 of TNERC order No 2 dated 15-05-2006 based on the correct loss component after considering the revised losses. The format for specifying the revised loss component is also provided .

3.11. The Cross Subsidy calculated for Cinema theatre and studios as specified in Table no. 238 of the Tariff Order (Page 318 of tariff order No 1 of 2012 dated 30-03-2012), which are shown separately may be removed as these two categories have been clubbed with Commercial Category.

F. ***Grid Availability charges :-***

3.12. At the time of filing petition there is no separate category of temporary supply and hence it was prayed to fix energy charges plus the energy equated demand charges applicable to HT commercial tariff as Grid Availability charges. The Hon'ble Commission in Tariff Order dated 30-3-2012 approved the separate tariff category to HT temporary supply. (Page 324 of tariff order No 1 of 2012 dated 30-03-2012)

3.13. The prayer is to fix Rs. 10.45 per Unit as Grid Availability Charges which is energy charges plus equated demand charges applicable to HT Temporary supply.

G. *Reconnection charges :-*

3.14. The Commission has not offered any comments on revising the reconnection charges from Rs. 3000 per service to Rs. 5000 per service considering the inflation in last few years.

3.15. The Commission to revise the reconnection charges from Rs. 3000 per service to Rs. 5000 per service.

H. *Power purchase cost* :-

3.16. The approved Power Purchase Cost in Table No. 215 and Table No. 185 is Rs. 5404 Crores for FY 2010-11 whereas the approved Power Purchase Cost has been considered as Rs. 5358 Crore in Table No. 220 of the Order resulting in a difference of Rs. 46 Crore.

I. *Return on Equity :-*

3.17. In the Order dated March 30, 2012, RoE is not allowed on entire equity which has been provided in the Balance Sheet as per the Transfer Scheme notification.

3.18. The precarious financial position faced by TANGEDCO is for past few years whereas the equity has already been infused in the system from the time the erstwhile Tamil Nadu Electricity Board (TNEB) prevails.

3.19. The basic intention of allowing RoE is that the RoE earned during the year or previous years can be invested to fund some of the equity portion of the capital expenditure in the subsequent years.

3.20. As per provisions in the Act and Regulations, TANGEDCO has full liberty to invest equity in any project up to 30%. The return on equity earned (through MYT) during the year can be invested to fund some of the equity portion of the capital expenditure in the subsequent years.

3.21. The cost of debt is lower than the cost of the equity. The interest on loan has a weighted average rate of interest of 11.37% whereas TANGEDCO is entitled to a RoE of 14% (Post Tax).

3.22. The total interest expenses as approved by the Commission have been actually incurred by TANGEDCO for the fact which is already mentioned in the petition. Even in the Tariff Order dated 31st July 2010, the Hon'ble Commission has allowed ROE for Year 2010-11 to 2012-13, even though the same precarious financial situation was faced by TANGEDCO in the given year.

3.23. Any disallowance of such capital cost would render the TANGEDCO unsustainable as it does not have surplus funds for augmentation / expansion of distribution system in future. Therefore, Return on equity should be allowed by considering equity invested by TANGEDCO in distribution function.

J. *Station Heat Rate :-*

3.24. Station Heat Rate (SHR) of TTPS and NCTPS approved in Tariff Order dated March 30, 2012 is much lower as compared to that in Tariff Order dated July 31, 2010.

3.25. The SHR approved in previous Tariff Order as compared to present Tariff Order is tabulated below:

Station	TNERC Tariff Regulations 2005	As per Order 31-07-10	Petition (FY 2012-13)	Tariff Order (FY 2012-13)
ETPS	3200	3200	3600	3200
TTPS	2453	2500	2651	2453
MTPS	2500	2500	2532	2500
NCTPS	2393	2466	2485	2393

3.26 Station-wise justification along with previous 5 years data of SHR is provided in order to support this argument.

K. *Specific Fuel Oil consumption :-*

3.27. As regards Specific fuel oil consumption for Ennore Thermal Power Station (ETPS), the Commission in Tariff Order dated March 30, 2012 ruled as under:

> *"The Commission observed that for ETPS, TANGEDCO has claimed secondary fuel oil consumption of 12 ml/ kWh. The*

Commission has decided to approve the same since it is within limits specified in the Regulations".

3.28 The secondary fuel oil consumption should be approved at 12 ml/ kWh for ETPS in FY 2012-13.

L. *Variable cost- escalation in landed cost :-*

3.29 Provision of 5% escalation over the coal and fuel price of FY 2011-12 through FPCA Mechanism may be allowed.

3.30. The Commission in its Order dated March 30, 2012 has calculated the weighted average price of coal and fuel oil on the basis of data submitted by TANGEDCO upto November 2011 and adopted the same as landed price of coal & weighted average price of fuel oil for FY 2011-12 and 2012-13.

M. *Variable cost – secondary oil cost at net generation :-*

3.31. The Secondary fuel cost at gross generation has been considered by the Commission instead of considering at ex-bus bar.

3.32. Clause-43 (ii) of TNERC Tariff Regulations, 2005 states as under:

> *"the Energy (variable) charges shall be worked out on the basis of ex-bus energy delivered / sent out from the Generating Station, whereby Rate of Energy Charges shall be the sum of the cost of normative quantities of primary and secondary fuel for delivering ex-bus one kWh of electricity in Rs/kWh".*

3.33. Ex-bus energy is the Net energy generated by the plant after considering the auxiliary consumption. However, while calculating the energy charges for thermal station, the variable cost per unit calculated in the Tariff Order is as per following method:

a. Coal / Gas Cost at ex-bus bar (after considering auxiliary consumption);
b. Secondary Oil cost at gross generation (Without considering auxiliary consumption).

N. *Review of fixed charges* :-

3.34. The actual capacity charges for all Thermal and Gas Turbine Power Stations during FY 2010-11 and FY 2011-12 may be allowed.

3.35. The reasons listed for lower PLF with respect to each station are provided below:

S. No	Stations	Reasons for lower PLF
1	Ennore TPS	All Units of ETPS have already served their lifetime and on completion of R&M Works, the Units have further served 5-10 years. CEA has advised to decommission the Units of ETPS. Since nearly Rs. 200 Crore have been already spent for R&M Works of ETPS and hence it is difficult to improve PLF of ETPS
2	Tuticorin TPS	Unit-V was forced shutdown, Unit-III could be maintained only around 190 MW due to defective 14 Nos of ESP fields, Unit-I was forced shutdown for 12 days during August 2010 due to formation of heavy & hot clinkers and subsequent mouth choking at feed gate of bottom ash hopper, Complete revamping of ESP in Unit-III was carried out during COH in FY 12
3	Tirumakottai GTPS	Target PLF was fixed at 69% for FY 12. The actual PLF achieved during FY 12 is 74.47%. In the order the PLF has been mentioned as 65%.
4	Valuthur GTPS	Valuthur GTPS (Phase-II) was entirely shut down during FY 2010-11 due to damages and dismantling of GTPS and Valuthur GTPS (Phase-I) was under outrage from May 17 to August 22, 2010 Even after recommissioning Valuthur GTPS (Phase-II) was not run on full load due to leakage and teething problems

O. ***Clarification on definition of allied activities of agriculture :-***

3.36. The Commission may clarify as to what can be construed as allied activities of agriculture in LT Tariff IV and what construed as commercial lines in LT tariff III A(1).

P. ***Penalty for non availing supply at specified voltage :-***

3.37. The Commission has not issued order for penalty for non-availing of supply at specified voltage (5000 KVA to 10000 KVA) in the tariff order dated 30th March 2012.

TANGEDCO further requested to consider the penalty of non availability of supply at specified voltage due to line loss by renaming the clause 10.1.1 of HT Tariff I-A as 10.1.1(a) and by adding the new sub-clause under HT Tariff I-A as follows:-

10.1.1.(b): The following consumers who do not avail themselves of supply at voltage levels indicated in Clause 10.1.1. (a) (Page 317of Tariff order No 1 of 2012 dated 30-03-2012) above shall be charged an extra levy of 10 paisa per

KWH over and above the normal tariff for the entire energy consumed till they avail supply at the specified voltage:-

(i) Existing HT consumers of all categories whose sanctioned demand exceeds 5000 KVA.

(ii) New HT consumers of all categories whose service have been effected under the categories of supply (notified by the Commission vide Notification No. TNERC/SC/7-30, dated 17th Feb 2012 and TNERC/DC/8-15, dated 17th Feb 2012 and published in TN Govt. Gazette dated 21st March 2012) when the sanctioned demand eventually exceeds the limit stipulated in the said categories of supply.

Q. ***Multi tenements :-***

3.38. The main objective of the tariff revision especially for the domestic sector and particularly for affluent consumers who exceed 500 units bimonthly is to get a reasonable rate for the energy supplied and to force domestic consumers to use energy efficient appliances and conserve energy.

3.39. Both these objectives could be defeated, if more than one service connection and multiple meters, without collecting development charges and service connection charges are permitted. In certain circumstances, in order to avoid the 500 plus slab, consumers may split their loads and have more than one meters necessary in the same premises and it may also lead to corrupt practices, collusion and revenue loss to TANGEDCO. Therefore, under definition of multi-tenements under LT Tariff IA , only poor existing multi-tenements may be considered.

R. ***Prior period charges :-***

3.40. The disclosure of prior period items by TANGEDCO is in line with Accounting Standard (AS)-5 on Prior Period and Extraordinary Items, which emphasizes that Prior period items should be separately disclosed in the current statement of profit and loss together with their nature and amount.

3.41. The term ‘prior period items’, refers only to income or expenses which arise in the current period as a result of errors or omissions in the preparation of the financial statements of one or more prior periods. The items covered under the

Prior Period Charges in the present petition had been missed out in the previous audited accounts and hence not claimed at the time of submission of ARR for FY 2009-10. Therefore, prior period items are the expenses which are legitimate in nature and have not been claimed in the previous year accounts or ARR, due to "Error of omission" or "Error of Commission" and same has been identified in Year 2011 has been accounted in that year.

3.42. The occurrence of prior period expenses are due to the outcome of the litigation cases of which unfavourable judgement against TANGEDCO has been issued resulting in additional expenditure which were not foreseen as well as claimed earlier. Therefore Prior period expenses may be approved by the Commission.

4. Hearing on 6-7-2012:-

4.1. The hearing for admission of the Petition was held on July 6, 2012. During the hearing the Petitioner was given opportunity to present the arguments in support of the case for admission of Review Petition.

4.2 The petitioner requested for reconsidering the T & D losses

4.3. As regards Grid Availability charges, TANGEDCO stated that it was a part of their tariff petition. As regards Restoration charges, TANGEDCO admitted that the same is also a part of the Miscellaneous petition .The Petitioner was not able to prove any mistake of fact or any ignorance of material fact.

4.3. The Commission also noted that these issues were not part of their Tariff Petition and hence, the Order on the said Petition did not cover these issues. Hence, there was no error apparent on face of the record. As regards the issue of discrepancy in Power Purchase Cost, the Petitioner agreed that the same can be dealt with, while truing-up of FY 2010-11. The Petitioner has further stated that it is not able to bifurcate the equity and loans and there is a mixed funding towards capital and revenue expenditure. The petitioner has also stated that specific fuel oil consumption and escalation of landed cost would not have any impact on FSA.

4.4. The Petitioner stated that there is an error in calculation and FSA will increase with increase in variable cost while calculating the cost of secondary fuel oil at net generation The Petitioner submitted that the PLF of various generating stations was lower due to force majeure conditions with regard to reviewing the fixed charges .

4.5. The Petitioner sought some clarifications on the definitions in the Tariff Schedule such as allied services. They have also requested for removing the word " commercial lines" in Tariff 3A 1. The Petitioner requested the Commission to apply LT Tariff-I A to existing multi-tenaments having area limited to 250 square feet only. The Petitioner submitted that in accordance with accounting standard AS-5, prior period expense is the cost pertaining to the previous year which has been recognised in next financial year. The Petitioner further submitted that this expense is pertaining to previous year which has already been incurred by TANGEDCO and is reflected on the balance sheet also.

5. Scope for review:

5.1. Regulation-43 of TNERC Conduct of Business Regulations, 2004 states as under:

> *"43. (1) The Commission may on its own or on the application of any of the persons or parties concerned within 30 days of the making of any decision, direction or order, review such decision, directions or orders on the ground that such decision, direction or order was made under a mistake of fact, ignorance of any material fact or any error apparent on the face of the record.*
>
> *(2) An application for such review shall be filed in the same manner as a petition under Chapter II of these Regulations."*

It is therefore clear that the scope of review is very much limited and a review of an order will lie only when the order was made under a mistake of fact or ignorance if any material fact or any error apparent on the face of the record. The point for consideration in this petition is whether the Tariff Order No. 1 of 2012 has been passed under a mistake of fact or ignorance of material fact or there is any apparent error on the face of the order.

6. Findings of the Commission:-

A. Transmission & Distribution Loss :-

a) Revision of T & D loss trajectory :-

6.1. The Commission in its Order dated March 30, 2012 has already detailed the methodology adopted for calculation of T&D loss. The relevant extracts in

Paragraph No. 3.1.35 and 3.1.36 in page number 114 of the Tariff Order dated 30.3.2012 are as under

"3.1.35 The Commission observed that TANGEDCO has not submitted T&D loss for FY 2011-12 and FY 2012-13 in its Petition but the same was submitted later. Since the actual energy available during FY 2010-11 and first ten months of FY 2011-12 has been submitted by TANGEDCO, the Commission has re-estimated the T&D loss on the basis of energy sales from FY 2010-11 to FY 2011-12 and the energy available during FY 2010-11 and FY 2011-12 approved by the Commission in this Order.

3.1.36 ***As regards FY 2012-13, the Commission has maintained the T&D loss, i.e., 16.80% approved for FY 2012-13 in the previous Tariff Order.*** *The Commission has grossed up the total sales approved for FY 2012-13 by the T&D loss approved for FY 2012-13 in order to arrive at energy requirement during FY 2012-13."* ***(Emphasis Added)***

6.2. Further the Commission directed TANGEDCO to correctly assess T&D loss, the relevant extracts in Paragraph no. 3.1.43 in page number 116 of the Tariff Order dated 30-3-2012 are as under:

"3.1.43 The Commission directs TANGEDCO to complete the exercise being done by TANGEDCO for accurate measurement of T&D Loss and unmetered agricultural consumption before October 31, 2012 and submit the findings before the Commission before December 1, 2012."

6.3 From the above, it can be seen that the Commission has already directed TANGEDCO regarding accurate measurement of T&D Loss before October 31, 2012. Also, the Commission observes the following:

i. The Commission in Tariff Order dated March 15, 2003 determined T&D loss as 18% for FY 2002-03 and FY 2003-04. The Commission in Tariff Order dated July 31, 2010 determined T&D loss as 18% in FY 2009-10 and considered 0.4% of reduction every year up to FY 2012-13. Therefore Commission has not considered any reduction in T&D loss from FY 2003-04 to FY 2009-10 and y-o-y reduction by 0.4% during FY 2011-12 and FY 2012-13 considering FY 2009-10 as the base year.

ii. TANGEDCO has not estimated the unmetered consumption correctly in accordance with the direction of Hon'ble APTEL given in Appeal No. 192 and 206 of 2010. The Commission further observed that the Petitioner was not able to reply the query regarding metering plan even during the hearing for admission of Review Petition.

6.4 The Commission has already recorded the methodology adopted for calculation of T&D loss and directed TANGEDCO to correctly assess T&D loss with appropriate justification for the approval of the Commission. This issue is also dealt with in detail in Paras 6.10 to 6.12 of this Order .

b) Agriculture Consumption :-

6.5 During the exercise for Tariff determination of FY 2012-13, the Commission observed that TANGEDCO submitted the methodology adopted for calculation of agricultural consumption in which TANGEDCO considered 5% agriculture sampling data. The Commission also recorded the same in page number 109 of the Tariff Order for FY 2012-13 which is reproduced as under:

> "*In response to the data gap raised, TANGEDCO submitted the methodology adopted for arriving at the agricultural consumption and line loss as below:*
>
> > ***The agricultural consumption is calculated every month based on the sample meter reading furnished by the field in the absence of 100 % metering. The sample meters to a value of 5 % are provided/ available in each area/circle in which readings are taken every month by the field staff. As sample meter readings are available in each area/circlewise on monthly basis, the areawise geographical condition and seasonal condition are taken care for arriving at computed consumption****. This calculated agricultural consumption in each area/circles are combined /added to arrive at the total agricultural consumption in the State. Since 5 % sample meters are available in each and every area/circle and the readings are taken in all the sample meters every month by the field staff, the computed consumption of the total agricultural consumption in the State based on sample meter*

readings is a reasonable and scientific agricultural consumption data. However Anna University has already been appointed for suggesting a suitable scientific methodology for arriving at the agricultural consumption in Tamil Nadu in the absence of 100 % metering.

The agricultural consumption thus computed for 2010-11, based on the actual sample meter readings taken from the field is enclosed herewith. For the year 2011-12, the same is arrived with the actual sample meter readings received from the field for the period up to December 2011 and projected for the balance period of three months. Similarly, for the year 2012-13, the projected values are enclosed considering the addition of new agricultural services proposed to be effected during that period." ***(Emphasis Added)***

6.6 As regards the issue of consideration of sampling data for assessment of agriculture consumption, Hon'ble APTEL in its Judgement dated July 28, 2010 in Appeal No. 192 and 206 of 2010 has directed the Commission as under:

> *"10.7. We agree that T&D losses have been assumed without the metered data or on the basis of any scientific study to assess the unmetered consumption. The first respondent despite instructions from the State Commission has not come out with a proper study. However, the State Commission has revised the agriculture consumption based on its own assumption and CEA formula to work out the total consumption and the power purchase requirements. The State Commission in the impugned order has directed the first respondent to come out with a study on assessment of unmetered consumption. The State Commission should monitor and get the same expedited.*
>
> *10.8. The State Commission is also directed to review the progress of installation of consumer meters and energy accounting and audit meters and ensure that the 100% metering is achieved well within the approved time frame."*

6.7. As regards the fixation of T&D loss trajectory from FY 2010-11 to FY 2012-13, Hon'ble APTEL in the same judgement ruled as under:

> *"13.5. The fifth issue is regarding determination of transmission & distribution (T&D) losses.* ***We find that even though the agriculture consumption has been revised by the State Commission according to its assumptions but the base level T&D losses of 18% as estimated by the respondent no. 1 have been retained. These T&D losses, in our opinion, are not correctly assessed. However, the T&D loss trajectory fixed by the State Commission for the Control Period appear to be following good industry practice and, therefore, we do not feel prudent to interfere with the same****. The progress of installation of meters by the first respondent is far from satisfactory. We have given some directions to the State Commission regarding completion of study on assessment of un-metered consumption and also installation of consumer meters and energy accounting and audit meters in para 10.7 and 10.8 for necessary action."*
> ***(Emphasis added)***

6.8. Despite the directives given by the Commission and Hon'ble APTEL, the Petitioner has not submitted the requisite 100% metering plan.

The Commission in its Order dated March 30, 2012 has considered 5% sample data for assessment of agriculture consumption submitted by TANGEDCO and calculated the actual T&D loss from FY 2010-11 to FY 2012-13 and compared the same with the target T&D loss fixed for the respective year.

The Commission for the purpose of calculation of sales on account of Agriculture consumption has referred to the revised data submitted by TANGEDCO in reply to data gaps. The Commission has arrived at specific consumption for FY 2012-13 at 951 kWh/HP/Annum based on actuals of FY 2011-12 (submitted by TANGEDCO), which will be trued up based on actuals of FY 2012-13, subject to prudence check. The Commission has calculated the average capacity of pumpset at the middle of the year by dividing the connected load at the middle of the year by number of service connections on account of agriculture consumption at the middle of the year. The Commission has further multiplied the average capacity of pumpset, the revised average specific consumption on account of agriculture consumers and number of service connections at the middle of the year. Hence, data used by the Commission for estimation of agriculture consumption is taken from the submission of the TANGEDCO.

6.9. The Commission has therefore considered the sampling data for agriculture consumption in accordance with the methodology adopted by TANGEDCO.

c) Inclusion of wheeling units and Puducherry sales in total sales and power purchase for assessment of Distribution Loss:-

6.10. During detailed analysis of the Tariff Petition filed by TANGEDCO, the Commission observed that TANGEDCO has claimed power purchase cost of Rs. 387 Crore, Rs. 531 Crore and Rs. 727 Crore on account of charges for energy wheeled through captive, biomass and cogeneration power plants during FY 2010-11, FY 2011-12 and FY 2012-13, respectively. However, Power Purchase quantum (in MU) was not reflected in TANGEDCO's submission. During discussion with TANGEDCO officials, the Commission further noticed that though TANGEDCO has not included the energy quantum in power purchase but have shown Energy sales (in MU) on account of wheeling through captive, wind, biomass and cogeneration power plants in total sales. This error in the submission of TANGEDCO led to the understatement of T&D losses.

The Commission further noticed that TANGEDCO has not reduced wheeling loss from the Energy quantum injected by Wind energy sources for the purpose of arriving at energy available for sales to the consumers. This error in the submission of TANGEDCO considered T&D loss of 0%, which again led to the understatement of T&D loss.

6.11. The Commission has already mentioned the treatment for exclusion of wheeled units in detail in the Order dated March 30, 2012. TANGEDCO in the review petition has submitted that wheeling sales and Puducherry sales may be included in total sales and power purchase for assessment of Distribution Loss. The Commission has already detailed the reasons for the same in its Order dated July 30, 2010.

6.12. The Commission recognizes that if the concept of energy handled by TANGEDCO is considered for purpose of T&D loss, i.e., wheeling sales and corresponding power purchase quantum is added to sales and power purchase quantum, respectively, the distribution loss will reduce as compared to the method in which wheeling sales and corresponding power purchase quantum has not been considered. The Commission is of the opinion that the concept of energy handled requires the segregation of losses pertaining to the Transmission, wheeling and Retail supply activity, separately, and also at various voltage levels. And this requires proper energy accounting at various voltage levels. The Commission noted that it has used the data as provided in the submissions of TANGEDCO. However, the Commission will consider the said issue, subject to prudence check, if voltage wise data of wheeled energy and proper justification is provided by TANGEDCO in the next tariff Petition.

d) Disallowance of high power purchase cost :-

6.13. Paras 8.1.13, 8.1.14, 8.1.15 and 8.1.16 of Commission's Tariff Order dated 30-3-2012 for FY 2012-13 is reproduced below:

> *"8.1.13 Regulation (vii) of TNERC (Terms and Conditions for Determination of Tariff for Intra state Transmission / Distribution of Electricity under MYT Framework) Regulations, 2009, states as under:*
>
> *"vii).True up of variations in revenue and cost The variations on account of controllable factors like sales and power purchase shall be reviewed at the end of each year of the control period based on audited accounts of the licensee and prudence checks by the Commission."*
>
> *8.1.14 Hence the above mentioned Regulations provides for true-up based on Audited accounts and same will be revisited by the Commission in final truing up of FY 2010-11 and FY 2011-12, based on Audited Accounts.*
>
> *8.1.15 The Commission proposes to deal with the disallowance of additional power purchase on account of higher T&D loss for FY 2010-11 and FY 2011-12 at the time of final truing up, based on Audited Accounts.*
>
> *8.1.16 The Commission is also not doing provisional truing up on account of AT&C losses, as same can only be undertaken based on Audited accounts. The Commission will examine this aspect in final truing up of respective years."*

6.14. The Commission has clearly ruled that the issue of disallowance of high power purchase cost shall be revisited at the time of truing up and the impact of the same has not been considered in the Tariff Order of FY 2012-13 and hence, cannot be reviewed by the Commission. The Commission would also like to clarify that the truing up exercise shall examine the increase of T&D loss on account of change in methodology read with the justification provided by TANGEDCO, subject to prudence check and shall not consider other controllable factors that may lead to increase in T&D loss.

B. Cross subsidy surcharge :-

6.15. The Commission notes that the matter related to levy of Cross subsidy surcharge (CSS) is subjudice and the consumers are paying 50% of CSS, based on the interim Order of the Hon'ble High Court of Madras. The Commission also notes that the viability of Open access transactions are based on CSS and other charges. The Open access consumers for FY 2012-13 have availed Open Access based on the charges determined in the Tariff Order. Hence, these charges may not be retrospectively altered or modified, after such transactions are already over.

The Commission is of the opinion that considering the power deficit scenario in Tamil Nadu, any additional power brought into the Grid through open access transactions should be encouraged.

The Commission rules that the Status quo shall be maintained by TANGEDCO and this Cross Subsidy Surcharge will be revisited at the time of next tariff determination process. The Commission understands that the TANGEDCO is presently levying Energy Loss as approved in Page number 37 of Tariff Order no 2 of 2012. The Commission rules that the same may be continued to be levied for FY 2012-13.

C. Grid Availability charges :-

6.16. Clause 8.5.6 of Tariff Policy states as under:

> *"8.5.6 In case of outages of generator supplying to a consumer on open access, standby arrangements should be provided by the licensee on the payment of tariff for temporary connection to that consumer category as specified by the Appropriate Commission."*

In accordance with the mandate of Tariff Policy, the Commission has determined separate tariff for temporary connection according to which an open access consumer will be charged for the standby arrangements provided by the generator in case of outage. Therefore the Commission does not find any merit in the argument of the Petitioner and the Commission has already determined the Tariff for Temporary connection in accordance with Tariff Policy.

D. Reconnection charges :-

6.17. The Commission is of the view that the issue of reconnection charges falls under the purview of Tamil Nadu Electricity Supply Code and will be separately dealt in the order for miscellaneous charges since the issue of reconnection charges does not fall under the purview of Tariff determination exercise.

E. Power purchase cost :-

6.18. The Commission has noted the difference of Rs. 46 Crore among the Tables within the Tariff Order on account of typographical error, as mentioned below:-

S. No	Table Number in TO	Amount (Rs. Crore)
1	185 and 215	5404
2	220	5358
Difference		**46**

Since this is a typographical error in the Order and an error apparent on the face of the record, the above issue qualifies for review. However the same will be considered at the time of truing-up of FY 2010-11 based on the audited accounts during next Tariff determination exercise.

E. Return on Equity :-

6.19. It may be stated that the Commission in Para 5.4 of the Tariff Order dated 30-3-2012 made observations as under:

"5.4 Diversion of Capital Funds for Revenue Expenditure:

In page no. 40 of Policy Notes-FY 2011-12, Energy Department, Government of Tamil Nadu has noted that:

"The Board's borrowings are being utilized to meet Capital Expenditure, Loan repayments and managing revenue deficit"

The Commission has observed in many places in this Order that there is a mix up between the capital account and the revenue account. Equity as well as capital borrowings have been diverted from time to time to meet the revenue expenses. Equity being the owner's investment, the Commission has taken a view that the return on equity shall not be permitted if equity has been diverted for meeting revenue expenses. Further, borrowings are also more than the investment shown for capital expenditure. This clearly brings out the fact that capital borrowings have also been diverted for revenue expenditure. This is also recognized by the policy paper which has been published in the Government of Tamil Nadu Website.

The Regulations of the Commission are for normal situations and does not cover a situation which is encountered now. Therefore, the Commission has to take a practical view on this issue. The option available to the Commission is to disallow the interest costs on the entire borrowings in excess of capital works which will be in line with the Regulation but such a move would create a lot of confusion and may also affect the borrowing ability of the TANGEDCO / TANTRANSCO. The proposal regarding revaluation of assets in the two Transfer Schemes already issued by the Government of Tamil Nadu may address the balance sheet problems but will not generate additional cash to repay the existing loans which were borrowed. Loans would be carried forward for final settlement. The accumulated losses of some of Utilities is under consideration by two committees constituted by the Government of India Viz., Shunglu Committee and Chaturvedi Committee. Shunglu Committee has already submitted its report which is available in the website of Planning Commission. The report of the Chaturvedi Committee is not available in public domain yet. Under these circumstances, Commission is allowing the interest on entire borrowing duly considering the loans shown in the Transfer Schemes and provisionally allows such interest, subject to final adjustment when the audited accounts are made available. This is also further subject to the actions taken by the appropriate authorities as well as the TANGEDCO / TANTRANSCO with regard to handling of the past liabilities based on the outcome of the above referred two reports and implementation thereof.

The Commission is of the opinion that rise in borrowing towards revenue expenditure is a clear indication of deteriorating financial health of the Utility. Hence, the Commission directs the Utility to file their Tariff Petition on a timely basis every year.

In the reply to query raised by the Commission about details of borrowings to meet revenue expenditure, the TANGEDCO has cited its precarious financial position and reiterated that it has no other option than to resort to borrowing to meet its daily revenue expenditure, in absence of any tariff increase in past so many years.

The Commission further notes that Regulation 21 of TNERC Tariff Regulations, 2005 clearly provides for funding only to the extent of capitalisation of the asset added during the year. However, considering the financial crisis that TANGEDCO is presently going through, if only the interest expenditure is allowed to the extent of capital expenditure, it may lead to the further difficulty for TANGEDCO to borrow funds from the market. Even if TANGEDCO is able to raise funds, it may be at very high interest rates.

The Commission is of the opinion that interest expenses disallowed would only contribute to postponement of the problem to be solved, which may not be in the interests of any of the stakeholders."

Hence, from the above extracts it is clear that in order to instill the Lender's confidence, full interest expenses have been allowed. However, the Commission is also of the opinion that if in any business there is a loss incurred, this loss is absorbed by equity holders, which in present case is TANGEDCO.

The Commission clearly tabulated the amount of capitalisation and the loan borrowings from FY 2010-11 to FY 2012-13 in Table-104 in the Order dated March 30, 2012. The Commission has also recorded the reasons for not allowing Return on Equity (RoE) in the Tariff Order for FY 2012-13. The relevant extracts have been reproduced below:

"Table 1: Funding of Capitalisation (in Rs Crore)

S. No	***Particulars***	***FY 2010-11***	***FY 2011-12***	***FY 2012-13***
1	*Capitalisation as per WIP Statement*	*682*	*1982*	*1793*
2	*Capitalisation as per Form 11*	*682*	*1081*	*1108*
3	*Loan Borrowing during the year*	*16628*	*15153*	*13510*

5.6.7 *It is clear from the above table that the equity infused, if any, is utilised for revenue expenditure, since entire capitalisation requirement is met through loan borrowings. The Commission is of the view that equity if infused as a part of capitalisation can only attract return on Equity. Hence, the Commission has disallowed return on equity as claimed for Distribution function of TANGEDCO."*

The Commission has considered the funding of capital expenditure in accordance with TNERC Tariff Regulations, 2005. The Commission has clearly specified in the Order that loan borrowings are more than the total capitalisation during any particular Financial Year. Therefore equity as well as ROE cannot be allowed as it has been utilised to meet revenue expenditure. Since the Commission has already recorded the reasons for not allowing ROE, the issue regarding RoE raised by the petitioner is not admitted for review.

F. Station Heat Rate :-

6.20 The Commission has clearly observed in the Order dated March 30, 2012 that the relaxed norms were applicable only for FY 2010-11 and not for FY 2011-12 and FY 2012-13. The relevant extracts from the paragraph number 6.1.48 and 6.1.49 in the page number 221 of the Tariff Order dated 30-3-2012 have been reproduced below:

"…

For FY 2010-11, the Commission has allowed the SHR for various Thermal Power Stations in accordance with the relaxed norms approved in the Previous Tariff Order.

6.1.48 *As regards SHR in FY 2011-12 and FY 2012-13, the Commission has allowed the SHR for various Thermal Power Stations in accordance with the norms specified in Regulation-37 (iii) of the TNERC Tariff Regulations, 2005."*

6.21 As regards Station Heat Rate in FY 2010-11, Tariff Order dated July 31, 2010 states as under:

"Considering that the Commission has prescribed a norm of 2500 kcal /kWh for new plants, the Commission approves relaxation of norms for TTPS and NCTPS upto 2500 kcal / kWh in terms of Clause 90 of the Tariff Regulations 2005 for the year 2010-11.

However, the Commission notes that it may consider relaxation of SHR norms, if the TANGEDCO establishes the need for relaxation of SHR along with supporting data and justification at the time of truing up, subject to prudence check. Performance evaluation of the plant and life extension analysis studies may also be required to establish the degradation in the Station Heat Rate, since the Commission has already specified in the order that relaxed norms are applicable only for FY 2010-11 and not for FY 2011-12 and FY 2012-13.

G. *Specific Fuel Oil consumption :-*

6.22 The Commission has considered the secondary fuel oil consumption for FY 2012-13 at 10 ml/ kWh in accordance with the submission of TANGEDCO in the Petition. The Petitioner requested the Commission to allow the specific fuel oil consumption at 12 ml/ kWh and 10 ml/ kWh during FY 2010-11 and FY 2012-13 respectively. Table-161 in page number 225 and 226 of the Tariff Order in which specific fuel oil consumption for different stations from FY 2010-11 to FY 2012-13 is tabulated below:

"Table 2: Specific fuel oil consumption

(ml/ kWh)

Particulars	*FY 2010-11*			*FY 2011-12*		
	Last Order	*Petition*	*Commission*	*Last Order*	*Petition*	*Commission*
ETPS	*6*	*12*	*12*	*6*	*10*	*10*

Particulars	*FY 2012-13*		
	Last Order	*Petition*	*Commission*
ETPS	*6*	*10*	*10*

…"

Since the Commission has considered the specific fuel oil consumption in accordance with the submission of TANGEDCO, this issue is not admitted for review.

H. Variable cost escalation in landed cost :-

6.23 The Commission has approved the landed cost of coal on basis of weighted average price of coal on the basis of the data submitted by TANGEDCO.

For FY 2011-12, TANGEDCO submitted actual month-wise consumption of Indian and Imported Coal along with prices up to the month of November 2011. The Commission calculated the weighted average price of coal on the basis of data submitted by TANGEDCO up to November 2011 and adopted the same as landed price of coal for FY 2011-12 and FY 2012-13. As regards the escalation in landed cost of fuel, the Commission has already approved Fuel Price Cost Adjustment (FPCA) Formulae in Page number 294 of its Order dated March 30, 2012 which is reproduced below:

"...

9.4.6 The Commission is of the opinion that the Fuel Price Adjustment charge formula would enable the TANGEDCO to recover the actual cost of the fuel incurred and the actual cost of the power purchase, if the same is at variance from the figures approved by the Commission in this Tariff Order.

Section 62 (4) of the Electricity Act 2003 also mandates that the Commission to provide for mechanism to pass through of variation of Fuel and Power Purchase cost by specifying the Fuel surcharge formula

9.4.6.6. In most of the comparable States like Maharashtra, Gujarat, Andhra Pradesh, Kerala, etc, FPCA mechanism is in place.

9.4.6.7. The Commission in this Order is approving FPAC formulae to reflect change in fuel cost for TANGEDCO's own Thermal Stations and Power Purchase from other sources which are due to reasons beyond the control of TANGEDCO,..."

The Commission notes that if there is variation of actual cost of fuel as compared to what has been approved by the Commission in Paragraph 6.1.43 in page number 219 of Tariff Order dated 30-3-2012, the differential amount of power purchase cost would be passed through as a part of FPCA mechanism. It has also been mentioned that any under/ over recovery in cost pertaining to FPCA will be trued up on the basis of Audited Accounts. Thus the Commission has consciously not considered the escalation over the fuel price in FY 2011-12 and introduced FPCA mechanism.

I. Variable cost – Secondary oil cost at net generation :-

6.24 The Commission observed that the same has been calculated at gross generation without considering auxiliary consumption. In Tariff Order dated March 30, 2012, the cost of secondary oil has been calculated by multiplying specific fuel oil consumption (ml/ kWh) with weighted average price of oil (Rs./ kl). Therefore it has been calculated at gross generation.

For calculation of secondary oil cost at net generation in respect of each generation station, the Commission has divided the product of specific fuel oil consumption (ml/ kWh) and weighted average price of oil (Rs./ kl) by (1-auxiliary consumption percentage).

After considering cost of secondary oil at net generation, the variable cost for various thermal power stations is as under:

ETPS:

S. No	Description	Unit	FY 2012-13	
			Approved in TO	Revised
1	Capacity	MW	450	450
2	Gross Station Heat Rate	Kcal/kWh	3200	3200
3	Specific fuel oil consumption	ml/kWh	10	10.33
4	Average calorific value of oil	Kcal/l	10491	10491
5	Average calorific value of Coal	Kcal/Kg	3088	3088
6	Weighted average price of oil	Rs./Kl	40361	40361
7	Average landed cost of coal	Rs./MT	2261	2261

S. No	Description	Unit	FY 2012-13	
			Approved in TO	Revised
8	Rate energy charges from Oil	Paisa/kWh	41.69	49.05
9	Heat contributed from Oil	Kcal/kWh	108.37	108.37
10	Heat contributed from Coal	Kcal/kWh	3091.63	3091.63
11	Specific consumption of coal	Kg/kWh	1	1
12	Rate of energy from Coal	Paisa/kWh	266.36	266
13	**Variable Cost**	**Paisa/kWh**	**308.05**	**315.41**

MTPS:

S. No	Description	Unit	FY 2012-13	
			Approved in TO	Revised
1	Capacity	MW	840	840
2	Gross Station Heat Rate	Kcal/kWh	2500	2500
3	Specific fuel oil consumption	ml/kWh	2	2
4	Average calorific value of oil	Kcal/l	10544	10544
5	Average calorific value of Coal	Kcal/Kg	3525	3525
6	Weighted average price of oil	Rs./Kl	36900	36900
7	Average landed cost of coal	Rs./MT	3395	3395
8	Rate energy charges from Oil	Paisa/kWh	7.38	8.11
9	Heat contributed from Oil	Kcal/kWh	21.09	21
10	Heat contributed from Coal	Kcal/kWh	2478.91	2478.91
11	Specific consumption of coal	Kg/kWh	0.7	1
12	Rate of energy from Coal	Paisa/kWh	262.36	262.36
13	**Variable Cost**	**Paisa/kWh**	**269.74**	**270.47**

TTPS:

S. No	Description	Unit	FY 2012-13	
			Approved in TO	Revised
1	Capacity	MW	1050	1050
2	Gross Station Heat Rate	Kcal/kWh	2453	2453
3	Specific fuel oil consumption	ml/kWh	2	2
4	Average calorific value of	Kcal/l	10547	10547

S. No	Description	Unit	FY 2012-13	
			Approved in TO	Revised
	oil			
5	Average calorific value of Coal	Kcal/Kg	3485	3485
6	Weighted average price of oil	Rs./Kl	37653	37653
7	Average landed cost of coal	Rs./MT	3814	3814
8	Rate energy charges from Oil	Paisa/kWh	7.53	8.23
9	Heat contributed from Oil	Kcal/kWh	21.09	21.09
10	Heat contributed from Coal	Kcal/kWh	2431.91	2432
11	Specific consumption of coal	Kg/kWh	0.7	1
12	Rate of energy from Coal	Paisa/kWh	290.85	290.85
13	**Variable Cost**	**Paisa/kWh**	**298.39**	**299.08**

NCTPS:

S. No	Description	Unit	FY 2012-13	
			Approved in TO	Revised
1	Capacity	MW	630	630
2	Gross Station Heat Rate	Kcal/kWh	2393	2393
3	Specific fuel oil consumption	ml/kWh	2	2
4	Average calorific value of oil	Kcal/l	10340.6	10340.6
5	Average calorific value of Coal	Kcal/Kg	3728	3728
6	Weighted average price of oil	Rs./Kl	39997	39997
7	Average landed cost of coal	Rs./MT	2939	2939
8	Rate energy charges from Oil	Paisa/kWh	8.00	8.74
9	Heat contributed from Oil	Kcal/kWh	20.68	20.68
10	Heat contributed from Coal	Kcal/kWh	2372.32	2372.32
11	Specific consumption of coal	Kg/kWh	0.64	0.64
12	Rate of energy from Coal	Paisa/kWh	204.37	204.37
13	**Variable Cost**	**Paisa/kWh**	**212.37**	**213.11**

6.25 The Commission has observed that there is an error in calculation of variable cost of various thermal generating stations. The tables based on revised calculation of variable cost of various thermal generating stations has been provided. The difference will get recovered through Fuel Adjustment Mechanism which is already in place or at the time of true-up mechanism.

J. Review of fixed charges :-

6.26 The Commission observed that the PLF of various generating stations is less than the target set by the Commission. The Commission has allowed the recovery of capacity charges in accordance with Regulation-42 of TNERC Tariff Regulations, 2005. The relevant extracts from Page number 215, 216 and 217 of Tariff Order for FY 2012-13 are reproduced below:

"…

6.1.32 Regulation-42 of TNERC Tariff Regulations, 2005 states as under:

"42. Recovery of Capacity Charges

1. *Full capacity charges (Fixed Charges) shall be recoverable at target availability specified in clause (1) of Regulation 37.*
2. *Recovery of capacity charges below the level of target availability will be on pro rata basis. At zero availability, no capacity charges shall be payable.*

…"

6.1.33 The above capacity charges as determined by the Commission are to be recovered when TANGEDCO is able to meet the target in terms of PLF set by the Commission in Previous Tariff Order. The Commission observed that during FY 2010-11 TANGEDCO was not able to achieve the Target PLF in respect of following generating Stations:

S. No	***Power Stations***	***Years for which capacity charges fully not recovered***
1	*ETPS*	*FY 11 and FY 12*
2	*TTPS*	*FY 11*
3	*KGTPS*	*FY 11*
4	*VGTPS*	*FY 11 and FY 12*

6.1.34 The Commission is of the view that these Stations fall outside the Merit Order Despatch. The non-availability of these Power

Stations leads to costly power purchase which gets reflected in power purchase cost in the ARR. Therefore, the Commission has decided to allow the capacity charges on Pro-rata basis. For Ennore TPS, the target PLF was 50% whereas for Kuttalam GTPS and Valuthur GTPS, the target PLF was 70%. The Capacity charges as allowed by the Commission are tabulated below:

Table 3: Capacity charges allowed for FY 2010-11

(Rs. Crore)

S. No	***Power Stations***	***FY 2010-11***			
		Target PLF	***Capacity charges***	***Actual PLF***	***Allowable Capacity Charges***
I	*Thermal*				
1	*ETPS*	*50%*	*176.3*	*35.42%*	*124.9*
2	*TTPS*	*80%*	*185.9*	*77.33%*	*179.7*
II	*Gas Turbine*				
1	*KGTPS*	*70%*	*44.9*	*19.29%*	*12.4*
2	*VGTPS*	*70%*	*48.1*	*67.54%*	*46.4*

Table 4: Capacity Charges allowed for FY 2011-12

(Rs. Crore)

S. No	***Power Stations***	***FY 2011-12***			
		Target PLF	***Capacity charges***	***Actual PLF***	***Allowable Capacity Charges***
I	*Thermal*				
1	*ETPS*	*50%*	*184.9*	*26%*	*95.5*
II	*Gas Turbine*				
1	*TGTPS*	*69%*	*41.5*	*65%*	*39.0*
2	*VGTPS*	*70%*	*73.1*	*67%*	*70.2*

…"

Also the Commission is of the view that the consumers cannot be burdened by allowing the fixed cost beyond the stipulation of the Regulations, for the generating stations which were not available during the year and also allowing the cost of power purchase due to the energy purchased in place of non-availability of own generating stations.

However the Commission observed that in case of TGTPS, there is a computation error and the PLF during FY 2011-12 has been considered as 65% instead of 73.23% (calculated on the basis of net generation of 692 MU, i.e., 9 months actual and 3 months projection as submitted by TANGEDCO in reply to data gaps during Tariff determination exercise).

The difference between the capacity charges allowed in the Tariff Order dated March 30, 2012 and capacity charges allowed on achieving the target PLF is tabulated below:

S. No	Particulars	Amount (Rs. Crore)
1	Corrected	41.5
2	Allowed in TO	39.0
Difference		**2.50**

The same will be considered at the time of truing-up of FY 2011-12 during next tariff determination exercise.

6.27 The Commission has consciously calculated the capacity charges on pro-rata basis in accordance with TNERC Tariff Regulations, 2005. However in case of TGTPS, there is a computation error which has been rectified and will be taken up at the time of truing-up exercise of FY 2011-12.

K. Clarification on definition of allied activities of agriculture :-

6.28. The Commission observes that clarification of any terminology/ definition in Tariff Order does not fall under the purview of Review and same should not be part of Review Petition. The applicability of LT III-A (1) and LT IV as given in page number 333, 335 and 336 of the Tariff Order is reproduced below:

Low Tension Tariff - III - A (1):

"10.17.7 This tariff is also applicable for sericulture, floriculture, horticulture, mushroom cultivation, cattle farming, poultry and bird farming, dairy units and fish/prawn culture who have not been covered under LT Tariff IV and ***which are run on commercial lines****..." **(Emphasis added)***

Low Tension Tariff - IV:

"10.20.1 This tariff is applicable to all agricultural and allied activities such as cultivation of food crops, vegetables, seeds, trees and other plants. Sericulture, floriculture, horticulture, mushroom cultivation, cattle farming, poultry and other bird farming, fish/prawn culture carried ***out as allied activities of agriculture*** *shall be construed as agricultural activities..."* ***(Emphasis added)***

L. Penalty for non-availing supply at specified voltage :-

6.29. The Commission notes that this issue was not considered in the Tariff Order, as this issue needs to be dealt with separately as per provisions of Tamil Nadu Electricity Supply Code and does not comes under purview of tariff determination exercise.

M. Multi - tenements :-

6.30 The Commission observed that the issue of change in definition of Multi-tenements does not fall under the purview of review. Therefore, the Commission has not considered the request of the Petitioner regarding the change in the definition of Multi-tenements.

N. Prior period charges :-

6.31. The Commission has already mentioned the reasons for not allowing the same in Tariff Order. The relevant extracts from page number 193 and 194 of the Tariff Order are reproduced below:

"Commission's View

5.9.2 The Commission observed that debits and credits pertaining to prior period for FY 2010-11 actually pertains to FY 2009-10 and is of the opinion that prior period charges should be addressed in the financial restructuring plan by TANGEDCO. The Commission is also allowing entire expenditure for Power purchase, employee cost, Interest and finance charges, etc, based on prudence check. Hence, the Commission is of the opinion that allowing these *expenses again under this head would be a double accounting of these expenses. Hence, the Commission is not allowing expenses as claimed by TANGEDCO under his head for FY 2010-11 and FY 2011-12.*

5.9.3 If there is any variation between various expense heads approved by the Commission and actual expenses, TANGEDCO can approach the Commission with appropriate justification for truing up based on Audited Accounts and the Commission would revisit the expenses based on prudence check."

6.32. As regards Prior Period Charges, the Commission has already provided flexibility in the Order that in case of any variation between approved expenses and actual expenses, TANGEDCO can approach the Commission with appropriate justification for truing-up, as per Regulations.

6.33 **Issue-wise Summary of Findings in this Review Order:**

The issues raised in the Review Petition are neither a mistake of fact nor on ignorance of any material fact and there is no error apparent on the face of the record except the issues mentioned in Paragraphs 6.18, 6.25 and 6.27. The issue wise summary of findings is as follows:-

S.No	Issue as submitted by TANGEDCO	Admitted/Not admitted for review.	Review Order paragraph reference number
1	T&D loss		
	(a) Revision of T&D loss trajectory on account of change in methodology	Not admitted	6.04
	(b) Revision of T&D loss trajectory on estimation of Agriculture consumption	Not admitted	6.09
	(c)Inclusion of wheeling units and Puducherry sales in total sales and power purchase for assessment of Distribution loss:	Not admitted	6.11
	(d)Disallowance of high power purchase cost	Not admitted	6.14
2	Revision of Cross subsidy surcharge	Not admitted	6.15
3	Grid Availability Charges	Not admitted	6.16

S.No	Issue as submitted by TANGEDCO	Admitted/Not admitted for review.	Review Order paragraph reference number
4	Reconnection Charges	Not admitted	6.17
5	Power Purchase Cost : Difference of Rs 46 Crore on account of typographical error	Admitted, to be taken care at the time of true-up exercise.	6.18
6	Return on Equity (RoE)	Not admitted	6.19
7	Relaxation of Station Heat Rate (SHR)	Not admitted	6.21
8	Specific Fuel Oil Consumption	Not admitted	6.22
9	Variable Cost-Escalation in landed cost	Not admitted	6.23
10	Variable Cost-Secondary Oil Cost at Net Generation	Admitted, to be covered as a part of FPCA mechanism/ true-up exercise.	6.25
11	Review of Fixed Charges	Admitted incase of TGTPS, there is a computation error which has been rectified and will be taken up at the time of truing-up exercise of FY 2011-12.	6.27
12	Clarification on definition of allied activities of agriculture	Not admitted	6.28
13	Penalty for non-availing supply at specified voltage	Not admitted	6.29
14	Amendment in definition of Multi-tenements	Not admitted	6.30
15	Prior period charges	Not admitted	6.32

7. ORDER:

The Review Petition is dismissed except to the extent indicated in paragraph 6.18, 6.25 and 6.27 above.

8. **Appeal:**

An appeal against this Order lies with the Appellate Tribunal for Electricity as per section-111 of the Electricity Act, 2003 within a period of 45 days.

(Sd.........)	(Sd.........)
(S.Nagalsamy)	**(K.Venugopal)**
Member	**Member**

/ True Copy /

Secretary
Tamil Nadu Electricity
Regulatory Commission