



**BEFORE**  
**THE UTTAR PRADESH ELECTRICITY REGULATORY COMMISSION,**  
**LUCKNOW**

**PRESENT**

1. Hon'ble Shri Desh Deepak Verma, Chairman
2. Hon'ble Smt. Meenakshi Singh, Member
3. Hon'ble Shri I. B. Pandey, Member

**IN THE MATTER OF: Applicability of Regulatory Surcharges for State Distribution Licensees for FY 2015-16 as per Commissions Orders dated June 6, 2014 and October 1, 2014.**

**AND**

**IN THE MATTER OF:**

1. MD, MVVNL, 4-A, Gokhale Marg, Lucknow - 226001.
2. MD, DVVNL, Urja Bhawan, 220KV Sub-Station, Mathura Bypass Road, Agra - 282007.
3. MD, PVVNL, Victoria Park, Meerut - 250001.
4. MD, PuVVNL, Bhikharipur, 132KV Sub-Station, Poorvanchal Vidyut Bhawan, P.O. Diesel Locomotive Works, Varanasi - 221004.
5. MD, KESCo, KESA House, 14/71, Civil Lines, Kanpur - 208001.

**Order**

**Applicability of Regulatory Surcharge -1 for FY 2015-16**

The Commission in its Tariff Order dated May 31, 2013 had approved the part recovery of the Regulatory Asset resulted on Truing-up of ARRs for FY 2000-01 to FY 2007-08 vide a Regulatory Surcharge at the rate of 3.71% which was applicable till March 31, 2014. The



Commission allowed such regulatory surcharge to be recovered only from the supply areas of DVVNL, MVVNL, PVVNL and PuVVNL.

The Commission specifically mentioned that the above recovery of revenue gap through the Regulatory Surcharge @ 3.71 % approved for FY 2013-14 included only 50% of the total admitted revenue gap for the previous years (FY 2000-01 to FY 2007-08) and the balance 50% i.e. Rs. 1243.96 Crore had to be allowed to be recovered subsequently.

Further for the recovery of the balance revenue gap i.e. Rs. 1243.96 Crore the Commission in its Order dated June 6, 2014 had approved a Regulatory Surcharge of 2.84% for the four State-owned Distribution Licensees for FY 2014-15. However the Commission linked the Regulatory Surcharge applicable for FY 2015-16 with the actual Distribution Loss achieved in FY 2014-15 vis-à-vis the Distribution loss target given by the Commission for FY 2014-15.

The relevant extract of the Commission's Order dated June 6, 2014 is reproduced below for reference:

*"In view of the above, the applicable Regulatory Surcharge for FY 2014-15 shall be 2.84%. However, the Regulatory Surcharge for FY 2015-16 (i.e. from 1st April, 2015 to 31st March, 2016) shall be linked with the actual performance of FY 2014-15. That is in case the Distribution Licensees fail to achieve the target Distribution Losses of FY 2014-15, the Regulatory Surcharge for FY 2015-16 shall be reduced in proportion to the losses under-achieved by the Licensees as compared to the target losses for FY 2014-15. The performance of the Distribution Licensee shall be measured from the actual distribution losses as submitted by the Licensee for FY 2012-13 in its Tariff Petition for FY 2014-15."*

The Commission in the above mentioned Order had given target losses as mentioned in FRP (Financial Restructuring Program). However subsequently in Tariff Orders for FY 2014-15 dated October 1, 2014 the Commission approved the distribution loss targets for FY 2014-15 which were different from the FRP target losses. The approved target Distribution Losses for State-owned Distribution Licensees for FY 2014-15 in Tariff Orders dated October 1, 2014 are shown in the Table below:

**Table 1: Distribution Loss Approved by the Commission for FY 2014-15**

Distribution Licensee	Distribution Loss Target (FY 2014-15)
DVVNL	28.00%



Distribution Licensee	Distribution Loss Target (FY 2014-15)
MVVNL	21.03%
PVVNL	23.00%
PuVNNL	21.72%
KESCO	23.00%

The Distribution Licensees are also required to submit the applicable Regulatory Surcharge for FY 2015-16 based on the actual Distribution Losses achieved in FY 2014-15 by April 15, 2015 and in accordance with the formula prescribed by the Commission.

So far, neither the applicable Regulatory Surcharge for FY 2015-16 nor the actual Distribution Losses achieved in FY 2014-15 have been submitted by Distribution Licensees. However vide Letter No. 82 / PCL / Revenue dated March 31, 2015, UPPCL has submitted that the total Distribution Losses of the Discoms in FY 2012-13 were around 29.01% and they have been successful in reducing these losses by around 2.44% to 26.56% in FY 2013-14. It also submitted that the Ministry of Power, Government of India has fixed long term Distribution Loss reduction trajectory for the State of Uttar Pradesh, with regard to which it has undertaken various initiatives such as (1) Vidyut Chori Roko Abhiyan (VICRA Part I) : New Connection Drive, (2) VICRA Part II : Feeder wise combining abhiyan for AT&C loss reduction, (3) VICRA Part III : OTS and regularization of connections and (4) Target efforts for loss reduction for identified towns, etc. In this regard, it has submitted that the distribution losses submitted for the past period does not capture the total impact of the recent initiatives and has requested the Commission that it will submit the complete loss data for FY 2014-15 by July 2015 as the CS-3 & CS-4 reports for a financial year gets finalized by moth of June-July.

Further, in the ARR / Tariff Petitions for FY 2015-16, the Licensees have submitted the estimated Distribution Loss for FY 2014-15 as shown in the Table below:

**Table 2: Estimated Distribution Loss for FY 2014-15 as submitted by Distribution Licensees**

Distribution Licensee	Distribution Loss Target (FY 2014-15)	Estimated Distribution Loss (FY 2014-15)
DVVNL	28.00%	33.13%
MVVNL	21.03%	23.86%
PVVNL	23.00%	22.60%



Distribution Licensee	Distribution Loss Target (FY 2014-15)	Estimated Distribution Loss (FY 2014-15)
PuVNNL	21.72%	24.23%
KESCO	23.00%	27.66%

The Commission is of the view that since the actual Distribution Losses for FY 2014-15 have not yet been submitted by the Distribution Licensees and there have been various submission of the licensees reporting different loss figures in various forums, hence taking these into view, the Commission has worked out the Regulatory Surcharge applicable for FY 2015-16 based on the estimated Distribution Losses submitted by the Licensees. The applicable Regulatory Surcharge for FY 2015-16 for recovery of the balance revenue gap consequent to True up Orders dated May 21, 2013 and Tariff Orders May 31, 2013 i.e. Rs. 1243.96 Crore as per the formula prescribed in Order dated June 6, 2014 is shown in the Table below:

**Table 3: Applicable Regulatory Surcharge for recovery of the balance revenue gap consequent to True up Orders dated May 21, 2013 and Tariff Orders May 31, 2013 i.e. Rs. 1243.96 Crore**

Particulars	Formula	DVVNL	MVVNL	PVVNL	PuVVNL
Target Distribution Losses for FY 2014-15 as approved in Tariff Orders for FY 2014-15	A	28.00%	21.03%	23.00%	21.72%
Distribution Losses achieved in FY 2014-15	B	33.13%	23.86%	22.60%	24.23%
Actual Distribution Losses FY 2012-13 (As Submitted by the Licensee, which is considered as base)	C	36.56%	24.84%	28.16%	25.66%
Regulatory Surcharge applicable for FY 2014-15	D	2.84%	2.84%	2.84%	2.84%
<b>Regulatory Surcharge applicable for FY 2015-16 (Max of 2.84%)</b>	<b><math>E = D \times \frac{(C-B)}{(C-A)}</math></b>	<b>1.14%</b>	<b>0.73%</b>	<b>2.84%</b>	<b>1.03%</b>

The summary of the Regulatory Surcharge -1 applicable for FY 2014-15 and FY 2015-16 is shown in the Table below:



**Table 4: Summary of the Regulatory Surcharge - 1 applicable for FY 2014-15 and FY 2015-16 is shown in the Table below:**

Distribution Licensee	Regulatory Surcharge - 1 (Applicable for FY 2014-15) (As approved in Order dated June 6, 2014)	Regulatory Surcharge - 1 (Applicable for FY 2015-16) (As approved in this Order)
DVVNL	2.84%	1.14%
MVVNL	2.84%	0.73%
PVVNL	2.84%	2.84%
PuVVNL	2.84%	1.03%
KESCO	0.00%	0.00%

**Note:** The Regulatory Surcharge for FY 2015-16 as approved in this Order would be effective from 1<sup>st</sup> April, 2015

#### **Applicability of Regulatory Surcharge -2 for FY 2015-16**

Further, the Commission in its Tariff Orders dated October 1, 2014 approved a separate Regulatory Surcharge of 2.38% for DVVNL, MVVNL, PVVNL & PuVVNL and 2.23% for KESCO for FY 2014-15 for the recovery of approved Revenue Gap on account of True-up of ARR for FY 2008-09 to FY 2011-12. The Commission also linked the above mentioned Regulatory Surcharge applicable for FY 2015-16 with the actual performance in FY 2014-15 i.e. in case the Distribution Licensees fail to achieve the target consumer addition or the target distribution losses in FY 2014-15, the regulatory surcharge for subsequent year i.e. FY 2015-16 shall be reduced by 10% over the applicable regulatory surcharge for the previous year (i.e. FY 2014-15).

The relevant extract of the Commission's Order for the Distribution Licensees namely DVVNL, PVVNL, MVVNL & PuVVNL, dated October 1, 2014, is reproduced below for reference:

*"In view of the above, the applicable Regulatory Surcharge for FY 2014-15 shall be 2.38%. However, the Regulatory Surcharge for subsequent year shall be linked with the actual performance of the Licensees in previous year i.e. the regulatory surcharge for FY 2015-16 will depend on the performance of the Licensees in FY 2014-15. In case the Distribution Licensees fail to achieve the target consumer addition or the target distribution losses in FY 2014-15, the regulatory surcharge for subsequent year i.e. FY 2015-16 shall be reduced by 10% over the applicable regulatory surcharge for the previous year (i.e. FY 2014-15)."*

Further, the relevant extract of the Commission's Order for the Distribution Licensee namely KESCO, dated October 1, 2014, is reproduced below for reference:



*“In view of the above, the applicable Regulatory Surcharge for FY 2014-15 shall be 2.23%. However, the Regulatory Surcharge for subsequent year shall be linked with the actual performance of the Licensees in previous year i.e. the regulatory surcharge for FY 2015-16 will depend on the performance of the Licensees in FY 2014-15. In case the Distribution Licensees fail to achieve the target distribution losses in FY 2014-15, the regulatory surcharge for subsequent year i.e. FY 2015-16 shall be reduced by 10% over the applicable regulatory surcharge for the previous year (i.e. FY 2014-15).”*

With regard to above, the Commission is of the view that the Distribution Licensees have shown its sincere efforts to the direction given by the Commission. As detailed above, the Distribution Licensees have undertaken various initiatives such as new connection drive, feeder wise loss reduction drive, OTS and regularization of connection, etc. In this regard, it is to be noted that the Commission has given consumer addition target of 35.96 lakh for FY 2014-15 to the Distribution Licensees, in compliance to which the Distribution Licensees has added around 24 lakh consumers in time period of only two months. Thus, considering the remarkable achievement of the Licensees with regard to the consumer addition target, the Commission approves the Regulatory Surcharges for FY 2015-16 at the same level as approved in the Tariff Orders for FY 2014-15 dated October 1, 2014 for the Distribution Licensees namely DVVNL, PVVNL, PuVVNL & MVVNL.

It can be seen from the above that the Commission in its Order dated October 1, 2014 have linked the Regulatory Surcharge of KESCO only to the target Distribution Losses of FY 2014-15. As may be observed from Table 2 above, KESCO has not been able to achieve the target distribution losses in FY 2014-15. Thus considering the same, the applicable regulatory surcharge for FY 2015-16 for recovery of the revenue gap approved by the Commission in its Order dated October 1, 2014 has been reduced by 10%.

The summary of the Regulatory Surcharge-2 applicable for FY 2014-15 and FY 2015-16 is shown in the Table below:



**Table 5: Summary of the Regulatory Surcharge - 2 applicable for FY 2014-15 and FY 2015-16 is shown in the Table below:**

<b>Distribution Licensee</b>	<b>Regulatory Surcharge - 2 (Applicable for FY 2014-15) (As approved in Order dated Oct 1, 2014)</b>	<b>Regulatory Surcharge - 2 (Applicable for FY 2015-16) (As approved in this Order)</b>
<b>DVVNL</b>	2.38%	2.38%
<b>MVVNL</b>	2.38%	2.38%
<b>PVVNL</b>	2.38%	2.38%
<b>PuVVNL</b>	2.38%	2.38%
<b>KESCO</b>	2.23%	2.01%

*Note: The Regulatory Surcharge for FY 2015-16 as approved in this Order would be effective from 1<sup>st</sup> April, 2015*

Further, it is also worthwhile to note that due to non-performance of the Distribution Licensees (i.e. not achieving the target distribution losses for FY 2014-15) the consumers in the Licensees area of DVVNL, MVVNL, PuVVNL & KESCO are getting benefitted by lower Regulatory Surcharges for FY 2015-16. However the consumers in the Licensee area of PVVNL are not getting any benefit in spite of the fact that the losses estimated by the Distribution Licensee for FY 2014-15 is lowest among all the Distribution Licensees and are within the level as approved by the Commission in its Tariff Order for FY 2014-15 dated October 1, 2014. In this regard the Commission is of the opinion that the Distribution Licensee viz. PVVNL should reward the consumers in its Licensee area by increasing the supply hours by 10% in order to safeguard the interest of the consumers.

As detailed in by the Commission in its Orders dated June 6, 2014 and October 1, 2014, the Regulatory Surcharges reduced on account of the under-achieved performance targets shall be considered as deemed recovery. The Commission after accounting the actual recovery and the deemed recovery shall true-up the over / under recovery of the accumulated Regulatory Surcharges while undertaking the Truing up of the relevant year.

The Licensees are directed to depict the Regulatory Surcharges distinctly in the electricity bills of the consumers. The Commission directs the Licensee to maintain separate accounting fields to capture the amounts collected as Regulatory Surcharges in both of its financial and commercial statements. This would enable the Licensee to correctly report the amounts collected towards Regulatory Surcharges.



Further as in the absence of the actual distribution losses the Commission for the purpose of this Order has considered the estimated Distribution Losses for FY 2014-15 as provided in its ARR / Tariff Petitions for FY 2015-16, the applicable Regulatory Surcharges for FY 2015-16 as worked out in this Order are provisional and subject to change based on the actual additional consumer addition and the actual distribution losses for FY 2014-15. The Distribution Licensees are directed to submit the same at the earliest.

It is to be noted that as the efforts for reduction in line losses have been mostly directed at the domestic and agriculture consumers, the revised Regulatory Surcharge-1 & Regulatory Surcharge-2 for FY 2015-16 as approved in this order, would only be applicable for the consumer of LMV-1 & LMV-5 categories only.

**(I. B. Pandey)**  
**Member**

**(Meenakshi Singh)**  
**Member**

**(Desh Deepak Verma)**  
**Chairman**

Place: Lucknow

Dated: 22<sup>nd</sup> April, 2015