ANNEXURE-III

PFI Comments/Suggestions: MVVNL True Up Petition for FY 2023-24

A. OPTIMIZATION OF POWER PURCHASE COST

i. Late Payment Surcharge (LPSC)

1) UPPCL has submitted a sum of Rs. 8959.26 Cr. as part of the Late Payment Surcharge (LPSC) for FY 2023-24 (Table: 2-5 of the Petition). DISCOMs are defaulting on payment timelines to the Generating Companies for which LPSC are levied on DISCOMs. PFI submits that LPS paid to the Generating Stations and Transmission Licensees is not allowed by the Commission in the previous Tariff Orders. In this regard, relevant extract of the Tariff Order dtd. 10/10/2024 is as follows:

"4.5.25. Regarding the LPS paid to the Generating Stations and Transmission Licensees, the Commission is of the view that sufficient working capital has been provided to the Petitioners for the purpose of bearing the expenses towards Power Purchase Cost and other cost components as per the MYT Regulations, 2019. Therefore, it is not prudent to allow the LPS paid to the Generating Stations and Transmission Licensees as a part of Power Purchase Cost. Accordingly, in line with the approach of the Commission in the previous Tariff Orders, LPS paid to the Generating Stations and Transmission Licensees is disallowed."

2) In this regard, PFI submits that other State Electricity Regulatory Commissions like that of Maharashtra (MERC) and Bihar (BERC) have specified Regulatory provisions for not allowing LPSC as a part of Power Purchase Cost. Relevant extract of the Regulations is as follows:

Maharashtra Electricity Regulatory Commission (Multi Year Tariff) Regulations, 2019

37.4 Such Delayed Payment Charge paid or payable by the Distribution Licensee to the Generating Company or the Transmission Licensee shall not be allowed as an expense for such Distribution Licensee.

Bihar Electricity Regulatory Commission (Multi Year Distribution Tariff) Regulations, 2024:

(12) ***"Expenditure"*** means reasonable and prudently required expenditure incurred on the following:

a) Purchase of energy less rebate availed/to be availed and excluding late payment surcharge;

3) **So, Hon'ble UPERC is requested that LPSC of Rs. 8959.26 Cr. in Power Purchase Cost of FY 2023-24 should not be passed on to the consumers and may be borne by Govt. of Uttar Pradesh in the form of Subsidy.**

ii. Power Purchase through Merit Order Despatch

4) As per the applicable UPERC Regulations, the power purchase requirement is to be considered by applying the Merit Order Despatch (MoD). In this regard, relevant extract of the Uttar Pradesh Electricity Regulatory Commission (Multi Year Tariff for Distribution and Transmission) Regulation, 2019 is as follows:

5.4 The Distribution Licensee shall project the realistic power purchase requirement optimised on cost from all Generating Stations and other sources considered for power purchase based on the Merit Order Despatch (MOD)/ Security Constrained Economic Despatch (SCED) principles, Must Run plants and Renewable Energy plants subject to the Renewable Purchase Obligation (RPO) stipulated by the Commission under the relevant Regulations and their subsequent amendments, and the target set, if any, for Energy Efficiency (EE) and Demand Side Management (DSM) schemes, etc.:

Provided that MOD/ SCED principles shall not apply to purchase of power from Renewable Energy sources up to the RPO stipulated by the Commission.

5) Further, PFI has observed that the Hon'ble Commission in Tariff Order dtd. 10/10/2024 has the following observation with respect to MOD.

"4.5.33 Further, the power purchase requirement is determined by first considering the must-run status plants and then the remaining generating stations are considered by applying the Merit Order Dispatch (MOD). The Power Purchase Cost of the must-run generating stations has been allowed as per actuals. For the remaining generating stations, the capacity charges as per actuals have been allowed, however, the energy charges that are allowed are determined by

multiplying actual per unit energy charges with quantum computed by the Commission by applying MOD.”

6) However, PFI has analyzed that UPPCL has procured power from costlier power plants, especially the Private Generating Stations, rather than operating cheaper plants on full capacity as shown in the table below:

Particulars	Approved in TO dtd. 24/05/2023 (PLF %)	Claimed by UPPCL			
		PLF (%)	Power Purchase Quantum (MU)	Variable Charges (Rs/kWh)	Variable Charges (Rs. Cr.)
Costlier Plants					
AURAIYA GPS	6.34%	23%	185	11.23	208
DADRI GPS	0.00%	13%	273	8.43	230
HARDUAGANJ	0.00%	33%	297	5.09	151
HARDUAGANJ EXT. Stage II	48%	59%	3357	3.76	1264
PARICHHA EXT. STAGE-II	25%	59%	2543	3.30	840
PARICHHA EXT.	21.19%	58%	2112	3.29	695
KSK MAHANADI	27%	64%	5589	3.29	1839
LALITPUR	37%	67%	11660	3.26	3801
Cheaper Plants					
ANPARA-A	70%	63%	3431	2.33	799
ANPARA-B	65%	65%	5600	2.01	1124
Rihand-II	89%	76%	1968	1.57	309
Rihand-III	94%	83%	2333	1.55	362
Nabinagar STPP	85%	67%	1223	2.67	326
Meja Thermal Power Plant	58%	68%	6071	3.03	1839
Total Variable Charges (Rs. Cr.)					**13,787**

7) From the above, it can be clearly seen that UPPCL has procured power from costlier Private Generating Stations, above Rs. 3.26/kWh, such as HarduaGanj, Parichha Extension Stage-II, KSK Mahanadi, Lalitpur, despite the availability of Cheaper Power Stations like Anpara-A & B, Rihand-II & III, Nabinagar STPP, etc.

8) Further, UPPCL has procured 185 MU from Auraiya Gas based Power Station (GPS) at Rs. 11.23/kWh even after the availability of power from Dadri GPS at Rs. 8.43

/kWh. Even if the Gas based power was procured during the peak timings, the schedule should have been provided to the cheaper gas power plant rather than costlier power plant.

9) In addition to the above, UPPCL has purchased 297.41 MU from Harduaganj power plant at Rs. 5.09/kWh as shown in table 2-5 of the Tariff Petition. However, the plant was given NIL schedule as per the MoD Stack approved by the Hon'ble Commission for FY 2023-24 (Table: 6-38), as shown in the following figure:

TABLE 6-38: GENERATING STATION-WISE POWER PURCHASE COST APPROVED BY THE COMMISSION FOR FY 2023-24

Sr. No.	Generating Plants	Plant Capacity (MW)	PLF(%) (5 years)	Auxiliary Consumption (%)	UP's Share in %	UP's Share in MW	Units after MOD (MU)	Fixed Charge (Rs. Crore)	Energy Charge Per Unit (Rs./kWh)	Energy Charge (Rs. Crore)	Total Cost (Rs. Crore)	Total Cost (Rs./kWh)
	Long Term Sources											
A	**From State Generating Stations (Thermal)**											
1	ANPARA-A	630	70.31%	8.50%	100.00%	630	3550.43	260.80	2.28	808.22	1069.03	3.01
2	ANPARA-B	1000	82.08%	6.55%	100.00%	1000	6719.49	311.15	2.27	1522.39	1833.54	2.73
3	PANKI	660	0.00%	0.00%	100.00%	660	0.00	0.00	0.00	0.00	0.00	0.00
4	PARICHHA	220	0.00%	0.00%	100.00%	220	0.00	0.00	0.00	0.00	0.00	0.00
5	PARICHHA EXT.	420	35.63%	9.00%	100.00%	420	1192.92	337.21	4.14	493.42	830.62	6.96
6	OBRA-A	94	0.00%	0.00%	100.00%	94	0.00	0.00	0.00	0.00	0.00	0.00
7	OBRA-B	1000	47.31%	9.70%	100.00%	1000	3742.73	325.07	2.98	1115.51	1440.57	3.85
8	HARDUAGANJ	105	0.00%	0.00%	100.00%	105	0.00	0.00	0.00	0.00	0.00	0.00
9	HARDUAGANJ EXT.	500	21.49%	9.00%	100.00%	500	856.66	487.51	4.52	387.26	874.78	10.21

10) Power procurement guidelines as specified in clause 13.1 of UPERC (Multi Year Tariff for Distribution and Transmission) Regulations, 2019 to be followed by Discoms for procurement of power. Thus, PFI has reworked the power purchase cost following the MOD wherein cheaper power plants are operated on maximum availability as given in the table as follows.

Particulars	**Approved PLF (%)**	**Claimed by UPPCL**				**Allowable as per Regulations & past Orders**			
		PLF (%)	**Quantum (MU)**	**VC (Rs./ kWh)**	**VC (Rs. Cr.)**	**PLF (%)**	**Quantum (MU)**	**VC (Rs./ kWh)**	**VC (Rs. Cr.)**
Costlier Plants									
AURAIYA GPS	6.34%	23%	185	11.23	208	0%	0	11.23	0

Particulars	Approved PLF (%)	Claimed by UPPCL				Allowable as per Regulations & past Orders			
		PLF (%)	Quantum (MU)	VC (Rs./ kWh)	VC (Rs. Cr.)	PLF (%)	Quantum (MU)	VC (Rs./ kWh)	VC (Rs. Cr.)
DADRI GPS	0.00%	13%	273	8.43	230	21%	458	8.43	386
HARDUAGANJ	0.00%	33%	297	5.09	151	0%	0	5.09	0
HARDUAGANJ EXT. Stage II	48%	59%	3357	3.76	1264	55%	3180	3.76	1196
PARICHHA EXT. STAGE-II	25%	59%	2543	3.30	840	55%	2409	3.3	795
PARICHHA EXT.	21%	58%	2112	3.29	695	55%	2024	3.29	666
KSK Mahanadi	27%	64%	5589	3.29	1839	55%	4818	3.29	1585
Lalitpur	37%	67%	11660	3.26	3801	55%	9540	3.26	3110
Total			**26015**				**22428**		
Difference in Quantum							**3588**		
Cheaper Plants									
ANPARA-A	70%	63%	3431	2.33	799	70%	3721	2.33	867
ANPARA-B	65%	65%	5600	2.01	1124	82%	7183	2.01	1444
Rihand-II	89%	76%	1968	1.57	309	88%	2282	1.57	358
Rihand-III	94%	83%	2333	1.55	362	94%	2622	1.55	406
Nabinagar STPP	85%	67%	1223	2.67	326	85%	1556	2.67	416
Meja Thermal Power Plant	58%	68%	6071	3.03	1839	76%	6850	3.03	2075
Total			**20626**				**24214**		
Difference in Quantum							**3588**		
Total Variable Charges (Rs. Cr.)					**13787**				**13304**
Difference in VC (Rs. Cr.)									**483**

11) **Accordingly, PFI requests the Hon'ble Commission to not pass Rs. 483 Cr. of power purchase cost to the consumers and the same may be borne by Govt. of Uttar Pradesh in the form of Subsidy.**

12) **Summing the impact of LPSC and excess Distribution losses, proposed allowable Power Purchase Cost of UPPCL is Rs. 64,450 Cr (73,893 - 8,959 - 483) as per**

Regulatory provisions. The differential Power Purchase Cost may be borne by Govt. of Uttar Pradesh in the form of Subsidy. Accordingly, for MVVNL power purchase cost of Rs. 13,539 Cr. should be passed on to the consumers and the differential amount of Rs. 1,983 Cr. may be borne by GoUP through subsidy.

B. OPERATIONS & MAINTENANCE EXPENSES

13) PFI submits that MVVNL in addition to claiming Employee expenses has also claimed Payment to Contractual Person of Rs. 323.43 Cr. and Expenses on Spot Billing Centre of Rs. 177.86 Cr. (Table 2-10 of the Petition). MVVNL has submitted that it is striving to improve its performance and focuses heavily on billing and collection. In order to improve its performance, the Petitioner has initiated the hiring of contractual people for the activities related to metering, billing and collection.

14) PFI submits that Hon'ble Commission does not allow expenses pertaining to Contractual employees as observed from the previous Tariff Orders. In this regard, relevant extract of the Tariff Order dtd. 10/10/2024 is as follows:

"4.7.23. The Commission also observes that the Petitioners have claimed additional employee expenses for manpower hired on a contractual basis for activities like spot billing and revenue collection. Consequently, employee expenses computed by Petitioners for FY 2022-23 are higher than the normative employee expenses determined by the Commission. However, there are no provisions in the MYT Regulations, 2019 for allowance of such expenses. Accordingly, the Commission has not allowed any additional employee expenses for FY 2022-23."

15) It is pertinent to note that, while determining the norms of O&M expenses for MYT, 2019, Hon'ble Commission did not consider the actual expenses of DISCOMs which contains additional employee expenses for manpower hired on a contractual basis for activities like spot billing and revenue collection. So, the actual expenses were never accounted for and DISCOMs were deprived of prudent cost being passed through in ARR. By continuing such disallowance further will mean putting DISCOMs deficit of actual expenses that will further deteriorate their finances and increase their dependency on Loans.

16) **Therefore, PFI requests Hon'ble UPERC to allow the employee expenses pertaining to Contractual Employees and Expenses on Spot Billing Centre of Rs. 501.29 Cr. for FY 2023-24.**

C. SMART METER EXPENSES

17) PFI submits that MVVNL has claimed Smart Meter OPEX of Rs. 46.34 Cr. (Table 2-17 of the Petition). PFI submits that the Hon'ble Commission in the previous Tariff Orders has ruled that the overall O&M cost of the Discoms would also decrease due to improved billing & collection efficiency which would be compensated by the charges paid in OPEX model. Basis this, Hon'ble Commission did not allow any additional O&M expenses on account of Smart Meters OPEX for FY 2023-24.

18) In this regard, relevant extract of the Tariff Order dtd. 10/10/2024 is as follows:

"4.7.35 … With rollout of Smart Meters, the billing and collection efficiency of Discoms will increase thereby reducing the commercial losses. As observed by the Commission in the previous Tariff Orders, it is expected that the overall O&M cost of the Discoms would also decrease due to improved billing & collection efficiency which would be compensated by the charges paid in OPEX model. Further, since the MYT Regulations, 2019 provide for the O&M expenses on the normative basis, the same cannot be allowed as additional O&M expense.

4.7.36 The Commission observes that the Letter No. F.No.14/02/2021-UR&SI-II-Part(1)(E-258136) issued by the Ministry of Power, Government of India to all the SERCs states as follows:

> ***Quote***
>
> *…*
>
> *5. The Smart Metering implementation is self-sustaining. Therefore, no extra cost be passed on to the consumers. "*
>
> ***Unquote***

4.7.37. Thus, the Government of India has also provided in an unambiguous term that Smart Metering implementation will not have any impact on the consumers' Tariff.

4.7.38. In line with the approach in the previous Tariff Orders, the Commission is not allowing any additional O&M expenses on account of Smart Meters Opex for FY 2022-23."

19) **So, Hon'ble UPERC is requested to allow the Smart Metering expenses of Rs. 46.34 Cr. in the Trued-Up ARR of FY 2023-24 for MVVNL which may be borne by Govt. of Uttar Pradesh in the form of Subsidy.**

D. WORKING CAPITAL REQUIREMENT

20) It has been observed by PFI that as per the Audited Accounts of MVVNL, it has paid huge Interest on Working Capital (IoWC) loans of Rs. 1463.89 Cr. (Table No.- 2-38 of the Petition) in FY 2023-24.

21) Further, from the Audited Accounts of MVVNL it has been observed by PFI that Rs. 1149.95 Cr. is outstanding as on 31/03/2024 that is to be paid by the U.P. Government to MVVNL. Due to such huge outstanding, MVVNL is dependent on working capital loans to run its operations resulting in the burden of interest thereof.

22) However, MVVNL has claimed only Rs. 184 Cr. based on the Regulatory provisions. Hon'ble UPERC in Tariff Order dtd. 24/05/2023 for determination of Tariff for FY 2023-24 has determined the IoWC as only Rs. 164.04 Cr. for MVVNL. The relevant extract of the said Tariff Order is as follows:

"6.10.10. The Interest on Working Capital as per MYT Regulations, 2019, approved by the Commission is shown below: -

Particulars	Derivation	Petitioner's Submission	Approved
One Month's O&M expenses	A	136.54	99.78
One and half month's equivalent of expected revenue	B	2,303.44	2,285.06
Maintenance spares @ 40% of R&M expenses for two months	C	29.42	30.22
Less: Total Security Deposits by the Consumers reduced by Security Deposits under section 47(1)(b) of the Electricity Act, 2003	E	806.83	806.83
Net Working Capital Requirement	F =D-E	1,662.56	1,608.22
Interest rate	G	10.65%	10.20%
Interest on working capital	**H = F x G**	**177.06**	**164.04**

23) As above, the Hon'ble Commission determines the IoWC as per the applicable Regulatory Provisions, however, Sections 61 (d) of the Act stipulates that appropriate Commission to specify Tariff Regulations considering various parameters including safeguarding of consumers' interest and at the same time, recovery of the cost of electricity in a reasonable manner. Also, Electricity (Second Amendment) Rules, 2023 dtd. 26/07/2023 stipulates that the prudent costs incurred by the distribution licensee for creating the assets for development and maintenance of distribution system should be allowed. The relevant extract of the said Rules is as follows:

> *"(4) All the prudent costs incurred by the distribution licensee for creating the assets for development and maintenance of distribution system in accordance with sub-section (1) of section 42 of the Act shall be pass through:"*

41) **In view of the above, PFI requests Hon'ble UPERC to consider amending the applicable Regulatory provisions to allow actual interest on Working Capital for the DISCOMs considering the fact that there is huge outstanding subsidy to be paid by the Govt. Such interest on Working Capital is a prudent cost incurred by MVVNL which if not allowed will become financial losses to the stressed DISCOMs. However, for the purpose of True-Up of FY 2023-24, Hon'ble Commission may allow Working Capital as claimed by the DISCOM.**

E. IMPRUDENT BANK & FINANCE CHARGES

24) PFI submits that MVVNL has claimed Bank & Finance Charges of Rs. 13.04 Cr. (Table 2-27 of the Petition). PFI submits that the Hon'ble Commission in the previous Tariff Orders has ruled that Bank and Finance Charges are part of Administrative & General (A&G) expenses. Basis this, Hon'ble Commission did not allow any Bank and Finance charges for FY 2023-24.

25) In this regard, relevant extract of the Tariff Order dtd. 10/10/2024 is as follows:

"4.12.2. The Commission observes that Regulation 45.3 of MYT Regulations, 2019 stipulates that the Interest and Finance charges such as Credit Rating charges, collection facilitation charges, financing cost of Delayed Payment Surcharge and other finance charges are part of the A&G expenses. Accordingly, the same have been disallowed and appropriate treatment has been done in the True Up of A&G expenses as part of O&M expenses."

26) **So, Hon'ble UPERC is requested to allow the Bank and Finance of Rs. 13.04 Cr. in the Trued-Up ARR of FY 2023-24 for MVVNL which may be borne by Govt. of Uttar Pradesh in the form of Subsidy.**

F. LESSER NON- TARIFF INCOME

27) PFI submits that MVVNL has claimed Financing Cost of DPS of Rs. 236.05 Cr. (Table 2-34 of the Petition) while computing Non- Tariff Income. PFI submits that financing cost of DPS is part of A&G expenses as per Regulation 34.3 of MYT Regulations, 2019. The Hon'ble Commission in the previous Tariff Orders has ruled that despite of recovering DPS from consumers which is also allowed in the ARR, the DISCOMs have claimed the financing cost of this surcharge. Therefore, the Commission opined that interest on working capital on this account is already taken care of. Basis this, Hon'ble Commission did not allow any Financing Cost of DPS for FY 2023-24.

28) In this regard, relevant extract of the Tariff Order dtd. 10/10/2024 is as follows:

"4.20.8. Regarding the financing cost of DPS, the Commission, in its Tariff Order dated May 24, 2023, stated as follows:

Quote

4.16.13. Further, despite of recovering Delayed Payment Surcharge from consumers which is also allowed in the ARR, the Petitioners have claimed the financing cost of this surcharge. Therefore, the Commission taking into foregoing is of the view that interest on working capital on this account is already taken care. Also, the financing cost of DPS is part of A&G expenses as per Regulation 34.3 of MYT Regulations, 2019. The A&G expenses for the year has been Trued Up as per normative basis and the methodology specified in aforesaid Regulation….

…

4.16.15. Hence, in view of the above the Commission has disallowed the financing cost of DPS, claimed by the Petitioners for FY 2021-22.

Unquote"

42) PFI submits before Hon'ble UPERC that Hon'ble APTEL in its judgment dtd. 28/ 11 /2013 in Appeal Nos. 14 of 2012 in the matter of NDPL Vs DERC has decided that LPSC received by DISCOMs from the consumers shall be treated as NTI and its Financing Cost must be allowed by Commission. Relevant extract of the said Judgment is as follows:

131. The Submissions made by the Appellant on this Issue are as under:

(a) LPSC is levied on consumers who pay their bill after the due date. LPSC received by the distribution licensee is treated as Non-Tariff Income under Regulation 5.23 of the MYT Regulations and the same is deducted to arrive at the ARR. Regulation 5.23 provides as follows: "5.23. All incomes being incidental to electricity business and derived by the Licensee from sources, including but not limited to profit derived from disposal of assets, rents, delayed payment surcharge, meter rent (if any), income from investments other than contingency reserves, miscellaneous receipts from the consumers and income to licenses business from the Other Business of the Distribution Licensee shall constitute Non-Tariff Income of the Licensee."

(b) As per MYT Regulations, the working capital consists of receivables for two months and O & M expenses for one month and is allowed to the Appellant on normative basis. This is based on the assumption that the consumer would pay as per the due date and therefore any delay in payment by the consumers results in additional working capital requirement, thereby requiring financing cost on such additional working capital.

(c) This Tribunal in Appeal No. 153 of 2009 has held that the distribution licensee is entitled to the cost of financing the entire outstanding principal amount that attracts LPSC at prevalent market lending rates. However, the Commission in the impugned order has allowed interest rate on financing LPSC based on the SBI PLR rate as on April 1, 2007, April 1, 2008 and April 1,2009 for FY 07-08, 08-09, 09-10 respectively.....

133. Let us see the findings of the Delhi Commission in the impugned order which reads as under:

Table 47: Funding of LPSC (Rs Cr)

Particular	*FY 2007-08*
LPSC Collected (@ 18%)	*15.28*
Principle amount on which LPSC was charged	*84.88*
Interest Rate for funding of Principle of LPSC	*9.5%*
Interest now approved on funding of Principle amount of LPSC	*8.06*
Interest approved in the True Up Order for FY 2007-08	*0.69*
Additional Interest now approved	*7.37*

135. The Appellant has submitted that the financing of LPSC is required to meet the requirements of working capital. Delhi Commission has submitted that allowing financing cost for LPSC means allowing of additional working capital for the time period between the due date and the actual date of payment. Hence, financing cost of LPSC has to be at the same rate as that approved for working capital funding. The view taken by the Delhi Commission is correct and need not be interfered with. 136. Accordingly decided against the Appellant.

29) Based on the above, Financing cost of DPS and Income from Contractors/Suppliers to be considered as part of Non-Tariff Income. Also, income from miscellaneous Receipts from consumers is Rs. 86.95 Cr. as per Audited Accounts against Rs. 82.66 Cr. filed in petition for FY 2023-24. Accordingly, PFI reworked on NTI based on the above methodology as given below:

Particulars	**Claimed FY 2023-24**	**Allowable as per Regulations & past Orders**
Fixed Deposit / DP	508.00	508.00
Rents	0.06	0.06
Miscellaneous Receipts from consumers	82.66	86.95
Income from Contractors/Suppliers	91.88	91.88

Particulars	Claimed FY 2023-24	Allowable as per Regulations & past Orders
Financing cost of DPS	-236.05	0.00
Net NTI	**446.55**	**686.89**

43) **As above, NTI for MVVNL for FY 2023-24 has been worked out as Rs. 687 Cr. against the claim of Rs. 447 Cr. Accordingly, basis on the judgement of Hon'ble APTEL, PFI requests the Hon'ble commission to consider Rs. 687 Cr. as Non-Tariff Income in the Trued-Up ARR of FY 2023-24 as per Regulatory provisions and the differential may be borne by GoUP in the form of Subsidy.**

G. DISTRIBUTION LOSSES

30) MVVNL in True Up Petition for FY 2023-24, has claimed 14.96% distribution losses which are lesser than the distribution losses of 15.23%, as per Revamped Distribution Sector Scheme (RDSS), approved in Tariff Order dtd. 10/10/2024 for FY 2023-24. The relevant extract of the Commission's aforementioned Order is as follows:

"5.3. DISTRIBUTION LOSS

Petitioners' Submission

5.3.1. The Petitioners have submitted that UP State-owned Distribution Licensees are in the process of formulation of the RDSS Scheme in the State. Accordingly, based on the actual distribution losses, the Discoms have estimated the loss trajectories for the implementation of the scheme, same has been provided in their Petitions.

5.3.2. It is also submitted that the detailed approach for the distribution losses has been discussed in the True Up section. Accordingly, considering the abovementioned fact and the upcoming GoI, RDSS Scheme, the Petitioners have requested the Commission to consider the distribution loss trajectory as mentioned in the Table below:

Table 5-11: DISTRIBUTION LOSS FOR FY 2023-24 AS SUBMITTED BY PETITIONERS

Distribution Loss	***FY 2023-24***
DVVNL	*17.10%*
MVVNL	*15.23%*
PVVNL	*13.44%*
PuVVNL	*15.56%*

Distribution Loss	*FY 2023-24*
KESCO	*7.95%*

Commission's Analysis

5.3.3 The Commission has deliberated in detail about the consideration of distribution loss trajectories as approved in the Business Plan Order of the Commission vis-à-vis RDSS loss trajectories approved by MoP, under True Up chapter. Accordingly, the Commission decides to approve the distribution loss for FY 2023-24 as per the RDSS loss trajectories for each State Discoms. The detailed analysis will be carried out during True Up proceedings based on actual data and annual Audited Accounts of respective State Discoms accordingly."

31) PFI submits that MVVNL has achieved the Distribution loss as per the trajectory approved by the Hon'ble Commission. So, MVVNL may be incentivize through Gains for overachieving the targets of Controllable factor (Distribution loss targets) set by the Hon'ble Commission.

H. SUMMARY

32) As stipulated above, summary of PFI Comments on True-up of FY 2023-24 for DVVNL is as follows, Hon'ble UPERC is requested to kindly consider the same.

Summary of FY 2023-24 for MVVNL (Rs. Cr.)

Particulars	Claimed by MVVNL	To be allowed in True-Up 2023-24	To be considered in Subsidy by GoUP
Power Purchase Cost	15,522	13,539	1,983
Optimization through LPSC and MoD	*0*	*1,983*	*1,983*
Employee Expenses	1,449	1,449	0
Smart Metering OPEX	46	0	46
Interest on Working Capital	184	184	184
Bank & Finance Charges	13	0	13
Other Expenses	3,017	3,017	0
Less: Non-Tariff Income	447	687	240
Net Revenue Requirement	**19,785**	**17,501**	**2,283**
Less: Revenue from Tariff	**14,580**	**14,580**	**0**
(Gap)/Surplus	**(5204)**	**(5204)**	

PFI Comments/Suggestions: MVVNL ARR Petition for FY 2025-26

A. DISTRIBUTION LOSSES TRAJECTORY NOT ALIGNED WITH ACTUALS

1) MVVNL has claimed Distribution losses for FY 2025-26 in an increasing trend which is not aligned with the objectives set under RDSS. MVVNL in the ARR Petition for FY 2025-26 has claimed Distribution losses of 14.20%, however, in Tariff Order dtd. 10/10/2024 in ARR of FY 2024-25, Hon'ble Commission approved Distribution losses of 14.20%, as per RDSS Trajectory. Relevant extract of the Tariff Order dtd. 10/10/2024, is as follows:

"6.3.2. The Commission has deliberated in detail about the consideration of distribution loss trajectories as approved in the Business Plan Order of the Commission vis-à-vis RDSS loss trajectories approved by MoP, under True Up chapter. Accordingly, the Commission decides to approve the distribution loss for FY 2024-25 as per the RDSS loss trajectories for each State Discoms. The detailed analysis will be carried out during True Up proceedings based on actual data and annual Audited Accounts of respective State Discoms accordingly:

TABLE 6-14: DISTRIBUTION LOSS FOR FY 2024-25 AS APPROVED BY THE COMMISSION

Particular	Projected as per RDSS Trajectory for FY 2024-25	Approved for FY 2024-25
DVVNL	14.20%	14.20%
MVVNL	14.20%	14.20%
PVVNL	11.48%	11.48%
PuVVNL	13.98%	13.98%
KESCO	7.19%	7.19%
Consolidated	13.09%	13.09%

2) MVVNL is a loss-making utility and has been rated C- over the past few years in Annual Integrated Rating & Ranking of Power Distribution Utilities Report by PFC. Continuing the same poor performance trend, MVVNL has projected DL for the Control period for FY 2025-26 to FY 2029-30 with marginal improvement from 13.59% to 12.53% in a span of 6 years. Further, MVVNL has also submitted AT&C loss trajectory for the Control period for FY 2025-26 to FY 2029-30 wherein it has claimed AT&C loss of 21.93% for FY 2025-26 which **translates to 87.09% of**

Collection Efficiency and 90.48% of Billing Efficiency. Relevant extract of MVVNL as per their revised submission is as follows:

*"**1. AT&C Loss and Distribution Loss Trajectories***

As per Regulation 31.1 of the MYT Regulations, 2025:

"The Distribution Licensee shall submit the AT&C loss trajectory and corresponding distribution loss trajectory for the entire Control Period along with the ARR Petition for the first year of the Control Period, after taking into account any agreement between the State Government and the Central Government under any national scheme or programme, wherever applicable."

Accordingly, the Petitioner hereby submits the proposed trajectory for Aggregate Technical & Commercial (AT&C) Loss and Distribution Loss for each of the State DISCOMs for the Control Period (FY 2025-26 to FY 2029-30) as under:

Distribution Loss trajectory (%) of State Discoms						
DISCOM	**FY 25 (Prov)**	**FY 26 (Proj)**	**FY 27 (Proj)**	**FY 28 (Proj)**	**FY 29 (Proj)**	**FY 30 (Proj)**
DVVNL	15.53%	15.53%	15.22%	14.91%	14.62%	14.32%
MVVNL	13.59%	13.59%	13.32%	13.05%	12.79%	12.53%
PVVNL	11.18%	11.18%	10.95%	10.73%	10.52%	10.31%
PuVVNL	16.23%	16.23%	15.90%	15.58%	15.27%	14.97%
KESCO	7.68%	7.68%	7.53%	7.38%	7.23%	7.09%
UPPCL	**13.78%**	**13.78%**	**13.50%**	**13.23%**	**12.97%**	**12.71%**

AT&C Loss trajectory (%) of State Discoms						
DISCOM	**FY 25 (Prov)**	**FY 26 (Proj)**	**FY 27 (Proj)**	**FY 28 (Proj)**	**FY 29 (Proj)**	**FY 30 (Proj)**
DVVNL	28.48%	28.48%	26.06%	23.57%	21.00%	18.35%
MVVNL	21.93%	21.93%	19.92%	17.87%	15.77%	13.62%
PVVNL	13.35%	13.35%	12.70%	12.05%	11.39%	10.74%
PuVVNL	36.08%	36.08%	33.27%	30.34%	27.28%	24.10%
KESCO	10.37%	10.37%	9.77%	9.17%	8.57%	7.97%
UPPCL	**23.44%**	**23.44%**	**22.27%**	**20.34%**	**18.34%**	**16.29%**

3) PFI submits that Hon'ble Commission approves AT&C loss targets for the DISCOMs based on normative 100% Collection Efficiency so that the low recovery of billed dues is to be borne by the respective DISCOM and not the consumers. In this regard, relevant extract of the Tariff Order dtd. 10/10/2024, is as follows:

"3.2.82. In the matter of a declining trend of Thru Rate and Collection Efficiency, the Commission monitors the financial performance indicators of Discoms, including Thru Rate and Collection Efficiency. The Commission mandates performance improvement plans for Discoms

to ensure enhanced financial discipline. The Commission is committed to improve the financial health of Discoms through stringent monitoring and corrective measures. However, it is submitted that, while assessing the revenue of the Discoms, the Commission considers only the normative collection efficiency (either 100% or 98% with allowance of 2% for bad and doubtful debt) and not the actual value as per audited accounts. In this way, the low recovery of billed dues is to be borne by the respective Discom and consumers are not burdened with the unrecovered cost due to inefficiencies of the Discoms in recovering eligible dues from the defaulting consumers."

4) Further, the actual Collection and Billing Efficiency as per Audited Accounts of MVVNL are 98.64% and 85.03% respectively with AT&C loss level of 16.13%, as shown below, however, it is beyond logic that why MVVNL has claimed/ proposed lower Collection Efficiency than the existing for the Control Period.

	FY 2023-24	FY 2022-23
Revenue Collected including subsidy received (O13 = A1 + A2+A3+E+O11 - O12)	18,309	15,490
Billing Efficiency (%) (O14 = O9/O8*100)	85.03	84.92
Collection Efficiency (%) (O15 = O13/O10*100)	98.64	89.25
Energy Realised (MU) (O15a = O15*O9)	23,737	20,708
AT&C Loss (%) (O16 = 100- O14*O15/100)	16.13	24.21

5) It is pertinent to state that, the Government of India has approved the RDSS to support DISCOMs in improving their operational efficiencies. One of the components on which RDSS Scheme focuses is Metering. Under this part, Prepaid Smart metering for consumers, and System metering at Feeder and Distribution Transformer level with communicating feature along with associated Advanced Metering Infrastructure (AMI) it to be done. The Total sanctioned funds under RDSS for MVVNL is Rs. 9,794 Cr. and the awarded cost has been Rs. 12,012 Cr. *(Source: RDSS portal, accessed on 7/07/2025)*. The Hon'ble UPERC has also approved and allowed Capital Expenditure under RDSS and other Govt. schemes. Despite investment in CAPEX schemes for loss reduction and network strengthening, MVVNL has not been able to improve its Distribution over the past few years and has claimed more loss levels in FY 2025-26 over the past year.

6) **In view of above, PFI requests Hon'ble UPERC to determine AT&C losses for the Control Period based on the actual Collection Efficiency of 98.64% for FY 2023-24 and approved Distribution losses of 14.20% for FY 2024-25. PFI has worked out Billing and Collection Efficiency trajectory for the Control period for FY 2025-26 to FY 2029-30 with an annual improvement of 1.5% and 1% respectively over the base values, as mentioned above, and proposes as follows:**

Particulars	FY 2025-26	FY 2026-27	FY 2027-28	FY 2028-29	FY 2029-30
MVVNL Claimed					
Billing Efficiency	86.41%	86.68%	86.95%	87.21%	87.47%
Collection Efficiency	90.35%	92.39%	94.46%	96.58%	98.75%
AT&C Loss	21.93%	19.92%	17.87%	15.77%	13.62%
Distribution Loss	13.59%	13.32%	13.05%	12.79%	12.53%
PFI Proposal					
Billing Efficiency	87.09%	88.39%	89.72%	91.06%	92.43%
Collection Efficiency	99.70%	99.90%	100%	100%	100%
AT&C Loss	13.18%	11.70%	10.28%	8.94%	7.57%
Distribution Loss	12.91%	11.61%	10.28%	8.94%	7.57%

7) **Accordingly, PFI requests the Hon'ble Commission to consider the Distribution loss levels using the methodology worked out by PFI as above and accordingly derives the Power Purchase requirement of MVVNL for FY 2025-26.**

8) For the subsequent points such as Power Purchase, Employee Expenses, Smart Metering OPEX, etc. pertaining to ARR, PFI has relied upon the initial submission made by MVVNL to the Hon'ble Commission as the revised submission does not contain complete calculations and data required for deriving out the expenses.

B. POWER PURCHASE CORRESPONIDNG TO HIGHER DISTRIBUTION LOSSES

9) MVVNL in ARR for FY 2025-26, has claimed 14.20% distribution losses, however the Distribution losses as worked out by PFI for MVVNL for FY 2023-24 in the above Section are 12.91%. Accordingly, Power Purchase Quantum and Cost have been computed as per the reworked Distribution losses of 12.91%, as follows:

Particulars	Claimed by MVVNL	As per Regulatory principles
Retail Sales (MU)	28,311.44	28,311.44
Distribution Losses	14.20%	12.91%
Energy at Discom Periphery for Retail Sales (MU)	32,997.02	32,509.38
Intra-State Transmission Losses	3.18%	3.18%
Energy Available at State periphery for Transmission (MU)	34,080.79	33,577.13
Energy Purchase from Stations connected to InSTS UPPTCL (MU)	23,334.76	23,334.76
Energy Purchase from Stations connected to ISTS PGCIL (MU)	10,746.03	10,242.37
Inter-State Transmission Loss	3.83%	3.83%
Net Energy Received from Stations connected to InSTS Periphery Ex-Bus (MU)	11,173.99	10,650.27
Power Purchase Required & Billed Energy (MU) (Ex-Bus)	34,508.75	33,985.03
Additional Quantum as per approved DL (MU)		523.72
APPC (Rs./kWh)	5.59	5.59
Additional Power Purchase Cost as per approved DL (Rs. Cr.)		**-293.33**

10) **As shown in the table above, MVVNL has procured additional quantum of 523.72 MU due to higher Distribution losses that translate to Rs. 293 Cr. which may be borne by Govt. of Uttar Pradesh in the form of Subsidy.**

C. EMPLOYEE EXPENSES

11) PFI submits that MVVNL has claimed Rs. 1,597.12 Cr. towards employee expenses in ARR for FY 2025-26, which also includes the cost pertains to the contractual employees and expenses towards spot billing Centre.

12) PFI submits that expenses pertaining to Contractual employees and expenses towards spot billing Centre should be allowed in line with the approach submitted in the True-Up Section. While determining the norms of O&M expenses for MYT, Hon'ble Commission did not consider the actual expenses of DISCOMs which contains additional employee expenses for manpower hired on a contractual basis

for activities like spot billing and revenue collection. So, the actual expenses were never accounted for and DISCOMs were deprived of prudent cost being passed through in ARR.

13) **Accordingly, PFI requests Hon'ble Commission to allow the claimed Employee expenses of Rs. 1,597.12 Cr. for FY 2025-26.**

D. RESOURCE ADEQUACY PLAN- NOT APPROVED BY UPERC

14) MVVNL has submitted that it has projected sales for the Control Period based on the Short-term and Medium-term Distribution Resource Adequacy Plans (ST-DRAP and MT-DRAP) (hereinafter referred to as RA Plan), submitted to the Hon'ble Commission on May 2025, in accordance with the UPERC (Conduct of Business) Regulations, 2019.

15) PFI has observed that MVVNL has totally relied upon the RA Plan which has not been approved by the Hon'ble Commission yet. The RA Plan is still in progress. PFI submits that MVVNL has shown the Planned Portfolio in Table: 4-8 of the Petition, however, MVVNL has not considered the impact of Battery or Pump Storage for the Control Period. **Therefore, Power Procurement Plan for this whole Control Period should be prudently checked by Hon'ble UPERC.**

E. SMART METER EXPENSES

16) MVVNL has claimed Smart Meter OPEX of Rs. 521.64 Cr. (Table 4-19 of the Petition). PFI submits that the Hon'ble Commission in the previous Tariff Orders has ruled that the overall O&M cost of the Discoms would also decrease due to improved billing & collection efficiency which would be compensated by the charges paid in OPEX model. Basis this, Hon'ble Commission did not allow any additional O&M expenses on account of Smart Meters OPEX for FY 2023-24.

17) In this regard, relevant extract of the Tariff Order dtd. 10/10/2024 is as follows:

"4.7.35 … With rollout of Smart Meters, the billing and collection efficiency of Discoms will increase thereby reducing the commercial losses. As observed by the Commission in the previous Tariff Orders, it is expected that the overall O&M cost of the Discoms would also decrease due to improved billing & collection efficiency which would be compensated by the charges paid in OPEX model. Further, since the MYT Regulations, 2019 provide for the O&M expenses on the normative basis, the same cannot be allowed as additional O&M expense.

4.7.36 The Commission observes that the Letter No. F.No.14/02/2021-UR&SI-II-Part(1)(E-258136) issued by the Ministry of Power, Government of India to all the SERCs states as follows:

> ***Quote***
>
> *…*
>
> *5. The Smart Metering implementation is self-sustaining. Therefore, no extra cost be passed on to the consumers. "*
>
> ***Unquote***

4.7.37. Thus, the Government of India has also provided in an unambiguous term that Smart Metering implementation will not have any impact on the consumers' Tariff.

4.7.38. In line with the approach in the previous Tariff Orders, the Commission is not allowing any additional O&M expenses on account of Smart Meters Opex for FY 2022-23."

18) **So, Hon'ble UPERC is requested to allow the Smart Metering expenses of Rs. 521.64 Cr. in the form of Subsidy that may be borne by Govt. of Uttar Pradesh.**

F. ENERGY STORAGE

19) India's evolving energy storage policy framework underscores its commitment to enhancing grid flexibility and supporting renewable energy integration. Since 2019, a robust regulatory ecosystem has been crafted to support energy storage deployment through national initiatives around technical standards, legal frameworks, transmission charges, RA planning, market mechanisms, and financial incentives, as well as state-level initiatives.

20) In a significant regulatory development, the MoP clarified Legal Status to ESS on January 29, 2022. The order identifies Energy Storage Systems (ESS) as an essential component of the power system under the Electricity Act of 2003, permitting ESS to

function as a standalone or integrated element within generation, transmission, or distribution networks. The ESS can be operated by various entities, and standalone ESS projects can be licensed independently and granted connectivity under specific rules, encouraging broader ESS applications and ownership models.

21) The Waiver of Inter-State Transmission System (ISTS) Charges for solar, wind (onshore and offshore), and green hydrogen projects was mandated by the Ministry of Power (MoP) on November 23, 2021, with subsequent amendments in November 2021, December 2022, and May and June 2023. This waiver also applies to Hydro Pumped Storage Projects (PSP) and Battery Energy Storage Systems (BESS) commissioned up to June 30, 2025.

22) The Central Electricity Authority (CEA) on 28/06/2023, has established RA planning guidelines at both national and state levels, an important step forward, and has recently come up with state-wise RA reports with up to 5-year or 10-year RA projections. The CEA Resource Adequacy guidelines also outline a framework for incorporating ESS in RA planning.

23) Recent national and state government policies have begun to lay a foundation that will support ESS deployment and its integration into RA planning and procurement, electricity markets, and system operations.

24) The CEA in its Report for Resource Adequacy Plan[5] for the State of Uttar Pradesh for the period from FY 2024-25 to FY 2031-32 has identified that:

- Uttar Pradesh is likely to witness an energy deficit ranging from 1409 MU to 89113 MU in different years from 2023-24 to 2031-32 with the existing and planned capacity addition.
- Uttar Pradesh is likely to have unserved energy in coming years and needs to contract storage-based capacities for meeting energy requirements other than the

[5] https://cea.nic.in/wp-content/uploads/resource_adequacy_st/2024/08/Resource_Adequacy_Report_Uttar_Pradesh_UPPCL.pdf

planned capacities, owing to the high quantum of renewable based capacity i.e., solar and wind that is planned by Uttar Pradesh.

- **The quantum of storage-based capacities is about 25437 MW/ 101748 MWh likely to be required to complement the solar generation.**

25) Many DISCOMs in the country have initiated out the bidding process for ESS and for many of them the tariff discovered has also been adopted by respective SERCs. Few such DISCOMs along with their ESS proposal pertaining to the objective of Energy Arbitrage are as follows:

Category	Energy Storage Tender_ DISCOMs	Capacity
BESS	GUVNL Phase II (March 2024)	500 MWh
	GUVNL Phase III (June 2024)	1000 MWh
	MSEDCL (August 2024)	600 MWh
	UPPCL (August 2024)	1200 MWh
	GUVNL Phase IV (August 2024)	800 MWh
PSP	MSEDCL (Sept 2024)	24000 MWh

26) Various SERCs have approved Energy Storage based on the proposal received from their DISOCMs. Like, in Delhi, DERC has approved a 20 MW/40 MWh standalone BESS project for their DISCOM on 1/05/2024. On 26/09/2024, MERC approved the procurement of 1000 MW of energy storage from pumped hydro storage (PHS) projects in Maharashtra, with an additional greenshoe option of 2000 MW, allowing for potential expansion. The bid results, as outlined in MERC's order, provide a benchmark for competitive energy storage costs in the region. For projects designed to discharge up to 8 hours daily, with a maximum continuous discharge of 5 hours—enabling two cycles per day—the levelized cost of storage is estimated at ₹3.2 per kWh. This price is highly competitive.

27) Standalone and co-located ESS can play an important role in meeting RA requirements under India's emerging RA framework. Going forward, state-level RA frameworks need to be closely aligned with long-term planning and resource procurement processes to support cohesive implementation.

28) **However, in the Tariff Petition for ARR of FY 2025-26, it is noted that none of the UP DISCOMs have submitted any proposal related to ESS.**

29) **In view of the above, PFI submits that Energy Storage is an effective tool for Energy arbitrage for DISCOMs in optimization of their Power Purchase Cost. For instance, in BESS, Batteries can be charged in the off-peak hours and can be discharged in Peak hours, thus, avoiding reliance of DISCOMs on high-cost short term Power from markets or not scheduling the high-cost Power Plants. With steep reduction in Battery prices in CY 2024 and active participation by various DISCOMs, as stipulated above, UP DISCOMs necessitates to also consider Energy Storage as part of their Power Procurement Planning in line with Resource Adequacy Planning formulated by CEA for Uttar Pradesh.**

G. PM Surya Ghar – Muft Bijli Yojna and Demand Side Management

30) PM Surya Ghar: Muft Bijli Yojana, the world's largest domestic rooftop solar initiative, is transforming India's energy landscape with a bold vision to supply solar power to one crore households by March 2027. By March 2025, installations under the scheme are expected to exceed 10 lakhs, with the numbers doubling to 20 lakhs by October 2025, reaching 40 lakhs by March 2026, and ultimately achieving the target of one crore by March 2027[6]. The scheme is projected to add 30 GW of solar capacity through rooftop installations in the residential sector, significantly contributing to India's renewable energy goals.

31) Through this rooftop solar scheme many domestic consumers will have Net metering connections which will have a sizeable impact on the domestic category sales. However, in the Tariff Petition for ARR of FY 2025-26, it is noted that none of the UP DISCOMs have submitted any proposal related to **PM Surya Ghar – Muft Bijli Yojna**.

32) Further, the UP DISCOMs have also not submitted any proposal related to **Demand Side Management (DSM) initiatives**. DSM is a strategic approach to energy conservation that seeks to manage consumer demand for energy rather than simply

[6] https://pib.gov.in/PressReleasePage.aspx?PRID=2081250

supply it. It is a coordinated set of activities and programs undertaken by electric utilities, developers, government agencies, and end-use customers to ensure that electric power service can be delivered to consumers at the lowest cost consistent with reliable supply. DSM also seeks to promote energy conservation and peak load reduction through voluntary or mandatory actions taken by the above-mentioned participants.

33) In view of above, PFI submits that Sales forecast for UP DISCOMs in ARR of FY 2025-26 may be done considering the impact of **PM Surya Ghar – Muft Bijli Yojna and Demand Side Management (DSM) initiatives**.

H. Other Issues pertaining to non-alignment with the MoP Rules

H.1 REVENUE GAP (ELECTRICITY (AMENDMENT) RULES, 2024 DTD. 10/01/2024)

34) MoP vide Electricity (Amendment) Rules, 2024 dtd. 10/01/2024 has specified the following with regard to Revenue Gap between approved Annual Revenue Requirement and estimated Annual Revenue from approved tariff:

> ***"23. Gap between approved Annual Revenue Requirement and estimated annual revenue from approved tariff–*** *The tariff shall be* ***cost reflective*** *and there* ***shall not be any gap*** *between approved Annual Revenue Requirement and estimated annual revenue from approved tariff except under natural calamity conditions:*
>
> *Provided that such gap, Created if any,* ***shall not be more than three percent of the approved Annual Revenue Requirement****.*
>
> *…."*

35) The Rules have clearly specified that the tariff shall be cost reflective and there shall not be any gap between approved Aggregate Revenue Requirement and Estimated Annual Revenue from approved tariff except under natural calamity conditions. And if at all, the Gap is Created it shall not be more than 3% percent of the approved Annual Revenue Requirement.

36) **It is noted from the Tariff Petition of the DISCOM that for ARR of FY 2025-26 there is a Revenue Gap of Rs. 2,137 Cr. at existing Tariff for MVVNL which is 9% of ARR. Thus, the tariff is non-cost reflective.**

37) Hon'ble APTEL in its judgement dated 11/11/2011 in OP 1 of 2011 has laid the significance of cost reflective tariff as follows:

> *"56. It is to be pointed out in this context, that the legislative intent in enacting the Act, 2003 is to secure effective Regulations characterised by tariff rationalisation with timely cost reflective tariff determination based on the principles set out in Section 61 read with the National Tariff Policy. …"*

38) Section 62 of the Act empowers SERCs to determine the Tariff on cost plus basis for the utilities regulated by them engaged in generation, transmission and distribution of electricity. Section 63 empowers SERCs to adopt the Tariff discovered through transparent process of bidding. Determination of cost-reflective tariff of Distribution Licensees by SERCs plays a significant role as it lays the foundation of routing revenue up the supply chain.

39) Hon'ble Supreme Court's in its judgement in PTC India Vs. CERC dated 15/03/2010 has ruled that the term "tariff" includes within its ambit not only the fixation of rates but also the rules and regulations relating to it. Through Sections 61 and 62 of the Act, the Appropriate Commission shall determine the actual tariff in accordance with the provisions of the Act, including the terms and conditions which may be specified by the Appropriate Commission under Section 61 of the said Act. Under the 2003 Act, it becomes clear from Section 62 with Section 64, that although tariff fixation is legislative in character, the same under the Act is made appealable vide Section 111. These provisions, namely Sections 61, 62 and 64 indicate the dual nature of functions performed by the Regulatory Commissions, viz, decision-making and specifying terms and conditions for tariff determination.

40) Similarly, Hon'ble APTEL vide its judgment dated 04/09/2012 in Appeal No. 94 of 2012 has stated that the term 'Regulate' has got a wider scope and implication not merely confined to determination of tariff. Section 61 and 79 not only deal with the

tariff but also deal with the terms and conditions of tariff. The terms and conditions necessarily include all terms related to tariff.

41) Further, Tariff Policy, 2016, also states that in terms of Section 61(g) of the Act, the Appropriate Commission shall be guided by the objective that the tariff progressively reflects the efficient and prudent cost of supply of electricity.

42) **In view of above, PFI submits before UPERC to determine cost-reflective Tariff for FY 2025-26 as per the principles stipulated in MoP rules dated 10/01/2024.**

H.2 TIME OF DAY (ELECTRICITY (RIGHTS OF CONSUMERS) AMENDMENT RULES, 2023 DTD. 14/06/2023)

43) Electricity (Rights of Consumers) Amendment Rules, 2023 dtd. 14/06/2023 stipulates that every consumer category except Agriculture should have Time of Day (TOD) Tariff with effect from 01/04/2025 and shall be made effective immediately after installation of Smart Meters, for the consumers with Smart Meters.

44) **However, DISCOMs have not submitted any status of ToD in their area (tariff category wise).** Hon'ble Commission had directed MVVNL to submit a report on the existing ToD time slabs along with the ARR/Tariff filing each year. MVVNL in Table: 7-1 of the Petition has submitted that the data regarding hourly load profile has been requested to SLDC and the same shall be submitted separately. However, no ToD report is available in the Public Domain. Therefore, the actual implementation of Electricity (Rights of Consumers) Amendment Rules, 2023 dtd. 14/06/2023 related to ToD cannot be ascertained.

45) **Thus, PFI requests UPERC to formulate ToD tariff for all eligible consumers in line with the MoP Electricity (Rights of Consumers) Amendment Rules, 2023 dtd. 14/06/2023 as amended from time to time.**

I. SUMMARY

46) As stipulated above, summary of ARR FY 2025-26 for MVVNL is as follows, Hon'ble UPERC is requested to kindly consider the same.

Summary of ARR FY 2025-26 for MVVNL (Rs. Cr.)

Particulars	Claimed by DISCOM	To be allowed in FY 2025-26	To be met through Subsidy by GoUP
Power Purchase Cost	18,457	18,164	293
For excess DL	*0*	*293*	*293*
Employee Expenses	1,597	1,597	0
Smart Metering OPEX	522	0	522
Other Expenses	3,573	3,573	0
Net Revenue Requirement	**24,149**	**23,334**	**815**
Less: Revenue from Tariff	18,637	18,637	0
(Gap)/Surplus	**(5512)**	**(5512)**	