

**Before,**

**Hon'ble Bihar Electricity Regulatory Commission**

**Ground Floor, VidyutBhawan-II**

**JawaharLal Nehru Marg,**

**Patna-800 021**

**Case No. 50 of 2015**

**IN THE MATTER OF:**

Approval of Business Plan for the control period FY 2016-17 to FY 2018-19

AND

Determination of Aggregate Revenue Requirement (ARR) for the control period FY 2016-17 to FY 2018-19 and Retail Tariff for sale of electricity by the North Bihar Power Distribution Co. Ltd. to the consumers for the FY 2016-17 in the State of Bihar

AND

South Bihar Power Distribution Company Ltd & North Bihar Power Distribution Company Ltd .....Petitioner

**Additional information/clarification in respect of implementation of the order dated 25.11.2016 passed by the Hon'ble Appellate Tribunal for Electricity**

**MOST RESPECTFULLY SHOWETH:**

**1. Letter of Government of Bihar with respect of BRGF grants**

As per the letter received by the distribution utilities from State Govt., funding from BRGF is classified under equity and not as grant. It is therefore evident that since the amount received is equity and not grant, under the applicable regulations, tariff elements such as return on equity should also to be allowed on this amount. In addition to the return on equity, the equity amount having been utilised for creation of fixed assets, the depreciation admissible under the applicable regulations is also required to be allowed.

In this regard for confirmation, a letter to the State Government has been written regarding classification of BRGF as equity is annexed as **Annexure-A**

Therefore in light of the above documentary evidence, the Petitioner requests the Hon'ble Commission to consider the BRGF amount as equity and allow Return on Equity as well as Depreciation on the same.

**2. Sources of funds for capital expenditure and capitalization**

The assets of the distribution utilities are financed through three sources of funds namely Grant, Equity and Loans. The detailed breakup of the capitalization and capital expenditure for FY 2014-15 and FY 2015-16 has been annexed as **Annexure-B**

### **3. Amortization of Grant against depreciation of assets**

As mentioned earlier, the fixed assets of the distribution utility is funded through Equity, Loans and Grants. The Grants are amortized in the ratio of depreciation, and are not included while claiming depreciation in the estimation of Revenue Requirement and therefore in the Tariff Petition. The Petitioner maintains the asset wise computation statement of amortization of grants and the same is annexed as **Annexure-C** for the reference of the Hon'ble Commission for FY 2014-15 and FY 2015-16.

### **4. Details of grant received and accounted**

The Petitioner maintains adequate records of grants received and accounts for it as per the generally accepted accounting principles. The relevant copies of the order are annexed as **Annexure-D** for FY 2014-15 and FY 2015-16.

### **5. Prior period sale of power**

The Petitioner has filed in a digital format, the requisite details (division wise) for the prior period expenses in respect of the relevant years. It is submitted that the claim of prior period expenses etc., comprises of several thousand entries. The Petitioner has submitted division wise details of prior period sale of power to the Hon'ble Commission vide its letter dated 01.03.2016 and had given the details in an electronic form to the Hon'ble Commission in the tariff proceedings.

Therefore the year wise break-up of prior period sale of power will not be possible for the Petitioner to furnish, as this would entail capturing numerous thousand transactions. The Petitioner is however willing to subject its documents to be inspected by an authorised person designated by the Hon'ble Commission, for such inspection as the Hon'ble Commission may direct to undertake any prudence check.

Normally in case of a billing dispute, a consumer files its complaint in the concerned Supply Division office immediately and the complainant gets its corrected bills. In very few cases, the consumer lodges its complaint after one or more years. Further, it may also be noted that in FY 2013-14 and 2014-15 since Feb 2014, the billing software under R-APDRP Part-A has been implemented, which has resulted in several billing errors. Therefore most of the cases of bill adjustments of prior period are of post BSEB period, and relate to the SBPDCL period. It is also crucial to mention that neither the Statutory Auditor nor the Documentary Auditor, who have undertaken detailed audits, have raised any objections/remarks on such amount pertaining to the expenditure /income in the books of accounts.

The Petitioner has already submitted division wise details, and therefore requests the Hon'ble Commission to consider them as an adequate supporting document.

*Regarding the details of the doubtful debts adjustment in future and as to why the prior period sale is not reduced the explanation is as under:-*

Provision for doubtful debt is made in the accounts as indicated under Q of note (i) i.e. significant accounting policies of the company to the financial statement for the year end date 31.03.2016. The same is reproduced here as ready reference:-

*“As per practice in the previous year, a provision for bad and doubtful debts is made against amount of arrears, i. e. Sundry Debtors excluding the arrears with Govt. Departments/Undertaking and also four months average assessment in case of other Consumers.”*

*Further the reason for non-adjustment of Prior Period Sale against Provision for doubtful debts is as follows:*

*Negative Prior period sale and Provision for doubtful debts both are in the nature of expense and shown in debit side of Income and expenditure statement. Since expense could be adjusted against income only therefore no question arises as to adjustment of negative prior period sale as against Provision for doubtful debts.*

## **6. Recovery of gap/(surplus) of Past periods**

The Hon'ble Commission has issued true-up orders for FY 2006-07 to FY 2011-12 for BSEB and the summary of the true up orders is as detailed below:

<b>Year</b>	<b>Particulars</b>	<b>Amount (INR Crores)</b>
2006-07	Revenue gap/(surplus)	7.23
2007-08	Revenue gap/(surplus)	86.56
2008-09	Revenue gap/(surplus)	123.41
2009-10	Revenue gap/(surplus)	274.67
2010-11	Revenue gap/(surplus)	(639.93)
2011-12	Revenue gap/(surplus)	(149.94)
	<b>Total</b>	<b>(298.00)</b>

The table above clearly depicts that the surplus for the BSEB period was INR 298 Crore. However, this was only a notional surplus, as no cash balance was generated by BSEB.

Subsequently, the Hon'ble Commission issued the true up order for FY 2012-13 for BSPHCL, dt.28.02.2014, through which the Hon'ble Commission estimated and approved a revenue surplus of INR 801.51 Crore. This was against the revenue gap of INR 228.87 Crore estimated and filed by BSPHCL in its true-up petition for

FY 2012-13, based on the actual audited accounts. This difference was primarily due to the disallowance of actual costs by the Hon'ble Commission, filed as per the audited accounts for FY 2012-13, especially for key items such as Depreciation, Interest and Finance Charges, Interest on Working Capital, Return on equity, Prior period expenses, etc.

As a result of the above, the Hon'ble Commission in its Tariff Order for FY 2015-16 estimated the following surplus for both the Discoms available for carry forward to the ARR in FY 2015-16.

<b>Sr. No.</b>	<b>Particulars</b>	<b>Amount (INR Crore)</b>
i.	Net Gap / (Surplus) considered based on true-up for FY 2006-07 to FY 2011-12	(298.00)
ii.	Add: Recovery of revenue Gap / (Surplus) of FY 2012-13	(801.51)
iii.	Add: Carrying cost on revenue Gap / (Surplus) of FY 2012-13 (for 1 year)	(115.82)
iv.	Total Revenue Gap / (Surplus) available for recovery upto 2012-13	(1215.33)
v.	Consolidated net Revenue Gap / (Surplus) for FY 2013-14 of Discoms	307.67
vi.	<b>Net revenue Gap / (Surplus) available for carry forward to ARR in FY 2015-16</b>	<b>(907.66)</b>
vii.	Carrying cost for FY 2014-15 (SBI PLR @ 14.75%) for 1 year	(133.88)
viii.	Carrying cost for FY 2015-16 (SBI PLR @ 14.75%) for 1/2 year	(66.94)
ix.	<b>Total surplus with Carrying cost available for recovery in ARR for FY 2015-16</b>	<b>(1108.48)</b>

It is however pertinent to note that the above surplus was calculated as a result of disallowance of actual costs as per the audited books of accounts in FY 2012-13.

Therefore this surplus amount was only notional as this was incurred as a part of the actual costs by the two Discoms. Consequently there was no cash available or passed on to the two Distribution Licensees in their opening books of accounts. As a side note, it is also to be mentioned that the true-up petition filed by BSPHCL was on account of all the three businesses namely, power generation, transmission and distribution.

Regarding the points raised by Hon'ble Commission in its order dated 22.12.2016, communicated vide letter no.-1693 dated 27.12.2016:- *“The assets and liabilities were transferred and vested with the DISCOMs include Receivables from Consumers also. The receivables from consumers are billed and taken into account based on the tariff rates notified by the Commission for the relevant financial years. Thus the receivables from consumers include the consumer dues for the relevant period which had also been billed at higher tariffs notified based on higher ARR and hence the trued up surplus is also included in the receivables as can be seen in Note 16 of the audited accounts. The claim may be explained in the above context.”* May be explained as below:-

It is a fact act the assets transferred and vested with the DISCOMs by the State Govt. through the transfer scheme dated-30.10.2012 included receivables from consumers. Similarly, liabilities were also vested with the DISCOMs to the extent of such assets without any gap/surplus. The receivables from consumers are not billed again and the amount, if any collected, directly reduces the receivables without affecting the Profit & Loss Account, and as such the question of billing at a higher tariff does not arise. It is relevant to mention that the surplus declared by the Hon'ble Commission was due to disallowance of expenditure to the extent of that surplus from the ARR of the erstwhile BSEB and the same was not passed on to DISCOMs by the State Govt., a copy of the opening Balance Sheet along with

FRP has already been submitted for the Hon'ble Commission's reference. The passage of such notional surplus to the DISCOMs has created a deficit of such amount with DISCOMs which can't be adjusted from the receivables of the consumers for the period of BSEB.

In any event, no such surplus or cash benefit whatsoever has been passed on the SBPDCL. It is therefore prayed to the Hon'ble Commission to eliminate the surplus of INR 801.51 Crore.

## 7. Distribution losses

The details of distribution losses is furnished as below:-

### **BSEB Period-**

<b>Year For BSEB</b>	<b>Loss (%) Approved By BERC in Tariff Order</b>	<b>Actual Loss (%) as per annual audited accounts-</b>
FY 2006-07	<b>41.4</b>	<b>42.61</b>
FY 2007-08	<b>38</b>	<b>39.06</b>
FY 2008-09	<b>37.98</b>	<b>37.98</b>
FY 2009-10	<b>35</b>	<b>38.32</b>
FY 2010-11	<b>32</b>	<b>43.59</b>
FY 2011-12	29	44.05
FY 2012-13	27.5	43.12
<b>Year For SBPDCL</b>	<b>Loss (%) Approved By BERC in Tariff Order</b>	<b>Actual Loss (%) as per annual audited accounts-</b>
FY 2012-13	27.50	47.83



FY 2013-14	23.00	47.69
FY 2014-15	21.40	45.07
FY 2015-16	20.00	43.92
<i>Projected for the control period</i>		
FY 2016-17	-	34.00
FY 2017-18	-	30.00
FY 2018-19	-	22.00

It is pertinent to mention that the distribution losses of the two companies in Bihar have increased post the unbundling. The primary reason can be attributed to the State Govts.' and the Govt. of India's initiative to provide 24X7 Power for all, which has led to an increase in the number of new connections released and has consequently seen an increase in the sale of power for FY 2014-15, 2015-16 and 2016-17. Now as most of the additional power is being supplied to rural areas, the overall losses had initially shot up. However the Discom has since been taking multiple steps to improve its efficiency which is evident by the declining T&D losses from FY 2012-13 to FY 2015-16.

Further, the Discom has also entered into a MoU with the Govt. of Bihar and the Govt. of India for achieving a financial and operational turnaround under the UDAY scheme. Under this, the Discom has set a distribution loss improvement trajectory till FY 2018-19, which the Petitioner has captured above for the reference of the Hon'ble Commissioner, and requests the Hon'ble Commission to approve the same.

## 8. Consumer Details

The details of consumers during FY 2015-16 and FY 2016-17(upto Sep) is as follows:-

Category	FY 2015-16		FY 2016-17	
	Approved(in lacs)	Actual (in lacs)	Approved (in lacs)	Actual (in lacs) (Upto Nov)
KJ	SBPDCL-5.19	SBPDCL-5.28	SBPDCL-6.19	SBPDCL-5.68
DS-I	SBPDCL-17.56	SBPDCL-10.12	SBPDCL-28.05	SBPDCL-10.82

During the Financial year 2014-15,2015-16 and 2016-17, infrastructure work was done in large scale under various projects of Special Plan BRGF Scheme, RGGVY 11<sup>th</sup> Plan Phase II Scheme, RGGVY 12<sup>th</sup> Plan,R-APDRP Scheme and also under the State Plan Schemes. BPL and KJ connections were provided to rural consumers and reliability and quality of power was drastically improved.

Further under State Govt. “SAAT NISCHAI” (7 decision) Survey work has been completed for providing 100% connection to all households, in which approx. ...22 lac of Domestic connection is expected. For this work tender in seven circles of SBPDCL has already been floated and work is going to be started in seven circles, which will be continued in all the districts of SBPDCL.

The no. of consumer additions is only considered for projecting the quantum of power availability. Although the actual additions in consumer profiles remains lower than the quantum approved by the Hon’ble commission. The projected

power requirement approved power quantity and actual power input during FY 2014-15 AND FY 2015-16 may be seen in the following table:-

Sr no.	FY	Projected(MU)	approved(MU)	purchased(MU)
1	2014-15	11834.93	10400.03	11178.11
2	2015-16	12961.69	11267.43	12748.33

From the perusal of above table, it would be clear that actual power purchase during the aforesaid year have always been higher than approved by the commission.

In the context of the above it is respectfully submitted to consider the Distribution losses in a realistic manner.

**CHIEF ENGINEER (COMMERCIAL)  
SBPDCL**