



Before the Odisha Electricity Regulatory Commission
Plot No-4, Chunokoli, Shailashree Vihar, Bhubaneswar-751021

Case No: _____ of 2023

File No TPSODL/Regulatory /2023/___/_____

In the Matter of Application for a) Truing up of FY 2020-21 (3 Months) b) Truing up of FY 2021-22 under OERC (Terms and Conditions for Determination of Wheeling and Retail Supply Tariff) Regulations 2024 , OERC (Conduct of Business Regulations) 2004 , OERC (Terms and condition of Intra-State Open Access) Regulations 2020, Vesting Order dated 28.12.20, Carved out Balance Sheet as on 01.01.2021 and its Order dated 26.11.2021 and Other Tariff related matters.

And

In the Matter of TP Southern Odisha Distribution Ltd. (Formerly Southco Utility), Corporate Office, represented by its Chief -Regulatory Affairs Regd./Corp Office: Kamapally, Courtpeta, Berhampur, Ganjam, Odisha- 760004

...Petitioner

And

In the Matter of All Stake Holders

...Respondents

In line with Regulation 8 of the Odisha Electricity Regulatory Commission (Terms and Conditions for Determination of Wheeling Tariff and Retail Supply Tariff) Regulations, 2014 "Tariff Regulations of 2014 ", Section 62 of the Electricity Act 2003 and TP Southern Odisha Distribution Ltd (TPSODL) is filing an application before the Hon'ble Commission for Truing up of performance for a) 3 Months of Financial Year 2023-24 and b) 12 Months of FY 2021-22.

The following is prayed to the Hon'ble Commission

A. Prayers



TPSODL prays that the Hon'ble Commission may kindly be pleased to;

1. Approve the a) Truing up of FY 2020-21 (3 Months) and b) Truing up of FY 2021-22
2. Approve the methodology and quantum of Carrying Cost proposed in Section 2.16 Carrying Cost
3. Permit making additional submission required in this matter
4. Grant any other relief as deemed fit & proper in the facts and circumstances of the case.



Index

1.	Introduction and Basis of filing of present petition.....	6
1.1.	Business of TPSODL	6
1.2.	Formation of TPSODL	7
1.3.	Operation of TPSODL and its Asset Base.....	8
1.4.	Opening Balance Sheet of TPSODL.....	9
1.5.	Basis for filing of the present petition.....	11
2.	True up of FY 2020-21 and FY 2021-22	13
2.1.	Sales and Revenue of TPSODL for FY 2020-21 (3 Months) and FY 2021-22.....	13
2.2.	Power Purchase Expenses for FY 2020-21 (3 Months) and FY 2021-22	14
2.3.	Capitalisation of Schemes	17
2.3.1.	Gridco Equity in Kind	18
2.3.2.	Capitalisation from the Opening CWIP including from consumer contribution	19
2.3.3.	Capitalisation for ARR determination purpose	19
2.4.	Interest on Debt Capital	20
2.5.	Other Finance Costs	22
2.6.	Interest on Loans transferred in Opening Balance Sheet	22
2.7.	Interest on Working Capital	22
2.8.	Interest on Security Deposit.....	24
2.9.	Depreciation.....	24
2.10.	O&M Expenditure.....	27
2.10.1.	Employee Related Expenditure	27
2.10.2.	R&M Expenditure	30
2.10.3.	A&G Expenditure.....	31
2.11.	Return on Equity.....	34
2.12.	Income Tax	36
2.13.	Non Tariff Income.....	37
2.14.	Efficiency Gains to due Improvement of Losses.....	40
2.15.	ARR for 3 Months of FY 2020-21 and for FY 2021-22 and Gap working	41
2.16.	Carrying Cost	44
3.	Annexure1 : Actual Power Purchase by TPSODL in FY 2020-21 (3 Months) and FY 2021-22	45
4.	Annexure 2- Asset wise Break up of Depreciation.....	47

Extracts

Extracts 2-1 : Trajectory for Tariff Determination	15
Extracts 2-2: Debt as per Tariff Regulations 2014	20
Extracts 2-3: Interest applicable as per Tariff Regulations 2014	20
Extracts 2-4: Extracts from the Sanction Letter of UBI.....	21
Extracts 2-5: Working Capital and Interest on the same as per Tariff Regulations 2014	22
Extracts 2-6: Depreciation as per Tariff Regulations 2014	25
Extracts 2-7 : Relevant Extracts from the Order in Case No 39 of 2021.....	27
Extracts 2-8: Extracts from letter dated 17 th January 2022	27
Extracts 2-9 : Return on Equity as per Tariff Regulations 2014.....	34



Extracts 2-10 : Income Tax as per Tariff Regulations 2014	36
Extracts 2-11: Elements of Non Tariff Income.....	38
Extracts 2-12 : Carrying cost for Gap/(Surplus).....	44

Tables

Table 1-1 : TPSODL Equipment Statistics (as on 31 st October 2022)	9
Table 1-2 : Opening Balance Sheet of TPSODL as on 1 st January 2021 (Rs Cr)	10
Table 1-3 : Various Orders of the Hon'ble Commission for TPSODL.....	11
Table 1-4 : Basis of filing of the True Up Petition.....	11
Table 2-1 : Sales and Revenue for FY 2020-21	14
Table 2-2 : Sales and Revenue for FY 2021-22	14
Table 2-3 : Normative Power Purchase Cost for FY 2020-21 (3 Months)	16
Table 2-4 : Normative Power Purchase Cost for FY 2021-22	17
Table 2-5 : Capitalisation for FY 2021-22.....	18
Table 2-6 : Additional Capitalisation due Gridco Equity in kind	18
Table 2-7 : Contribution of Gridco towards its share in the Equity capital	19
Table 2-8 : Capitalisation from Opening CWIP for FY 2021-22	19
Table 2-9 : Capitalisation in FY 2021-22.....	19
Table 2-10 : Interest on Long Term Debt for 3 Months of FY 2020-21 and FY 2021-22	21
Table 2-11 : Interest on Working Capital for 3 Months of FY 2020-21.....	24
Table 2-12 : Interest on Working Capital for FY 2021-22.....	24
Table 2-13 : Applicable Depreciation Rates for Assets	26
Table 2-14 : Depreciation for the FY 2020-21 (3 Months)	26
Table 2-15 : Depreciation for the FY 2021-22	26
Table 2-16 : Position of new employees in FY 2020-21 (3 Months) and FY 2021-22	28
Table 2-17 : Employee Expenditure for FY 2020-21 (3 Months) (Rs Cr).....	29
Table 2-18 : Employee Expenditure for FY 2021-22 (Rs Cr)	29
Table 2-19 : R&M Expenditure for FY 2020-21 (3 Months)	30
Table 2-20 : R&M Expenditure for FY 2021-22	31
Table 2-21 : Categorisation of A&G Expenditure.....	32
Table 2-22 : A&G Expenditure for FY 2020-21 (3 Months).....	32
Table 2-23 : A&G Expenditure for FY 2021-22.....	33
Table 2-24 : AT&C Losses for FY 2021-22.....	34
Table 2-25 : Return on Equity for FY 2020-21 (3 Months)	35
Table 2-26 : Return on Equity for FY 2021-22	36
Table 2-27 : Income Tax payment for FY 2020-21.....	37
Table 2-28 : Income Tax payment for FY 2021-22.....	37
Table 2-29 : Non Tariff Income for FY 2020-21 (3 Months).....	39
Table 2-30 : Non Tariff Income for FY 2021-22.....	40
Table 2-31 : Efficiency Gains for FY 2020-21 (3 Months).....	41
Table 2-32 : Efficiency Gains for FY 2021-22 (12 Months).....	41
Table 2-33 : ARR and Resultant Gap for 3 Months of FY 2020-21	42
Table 2-34 : ARR and Resultant Gap for FY 2021-22.....	42
Table 2-35 : Carrying Cost Working for Various years	44
Table 3-1 : Power Purchase Expenses by TPSODL in FY 2020-21 (3 Months)	45
Table 3-2 : Power Purchase Expenses by TPSODL from Gridco for FY 2021-22	45



Table 3-3 : Transmission Charges paid by TPSODL to OPTCL for FY 2021-22	46
Table 4-1 : Breakup of Depreciation for FY 2021-22 on Opening GFA (Rs Cr).....	47
Table 4-2 : Breakup of Depreciation for FY 2021-22 on Assets added after 1st January 2021	47

1. Introduction and Basis of filing of present petition

1.1. Business of TPSODL

1. Tata Power South Odisha Distribution Limited (TPSODL) is incorporated as a joint venture of The Tata Power Company (51%) and Odisha Government (49%) on the Public-Private Partnership (PPP) model. TPSODL which was formed after the successful completion of competitive bidding process was given the license to distribute electricity in the southern part of Odisha comprising districts of Ganjam, Gajapati, Boudh, Kandhamal, Rayagarda, Koraput, Nabarangapur and Malkanagiri, which was earlier served by erstwhile Southco Utility. The map of Odisha and the area served by TPSODL is depicted in the map below

Figure 1 : Area of Distribution in the State of Odisha





2. The core business activities of TPSODL are summarized as follows:

- Operation and maintenance of distribution network
- Expansion of distribution network
- Electricity supply and after sales services
- Connection of new customers to the distribution network
- Meter reading, billing and revenue collection
- Customer complaint resolution
- Restoration of power after interruptions
- General customer care including provision of information on services
- Customer sensitization on energy efficiency, energy losses and safety

1.2. Formation of TPSODL

3. Prior to commencement of distribution of electricity by TPSODL, the same was carried out by Southern Electricity Supply Company of Odisha Limited (the "Southco") which was in turn incorporated on 19th November 1997 under the Companies Act, 1956. Pursuant to the Odisha Electricity Reforms Act 1995 and Odisha Electricity Reforms Rules 1998, all the assets of GRIDCO pertaining to the distribution business in the Southern Zone of GRIDCO were transferred to Southco.
4. On 1st April 1999, 51% (fifty one percent) shares of GRIDCO in Southco were transferred to BSES Limited selected through competitive bidding process. SOUTHCO was continued to be managed by BSES Limited and later by its successor R-Infra Limited.
5. Under Section 19 of the Electricity Act, 2003 (the "Act"), the Hon'ble OERC or Hon'ble Commission revoked the license of Southco with effect from Mar 2015 and appointed CMD, GRIDCO as the administrator under Section 20(d) of Act and vested the management and control of Southco Utility along with their assets, interests and rights with the CMD, GRIDCO Limited. This decision was upheld by the Hon'ble Appellate Tribunal for Electricity (ATE) and Hon'ble Supreme Court .



6. Thereafter, in terms of Section 20 of Electricity Act 2003, the Hon'ble Commission initiated a transparent and competitive bidding process for selection of an investor for sale of utility of Southco and had issued the Request for Proposal on 14.08.2020. In response to the said RFP, two bids were received by the bid due date. After detailed evaluation by independent bid evaluation committee setup by Hon'ble Commission, The Tata Power Company Limited (the "TPCL") was recommended as the successful bidder and the Hon'ble Commission accepted the same under Section 20(1)(a) of the Act.
7. Thereafter, the Hon'ble Commission vide its order dated 28th December 2020 in Case No 83 of 2020 ("Vesting Order") vested the utility of Southco to TPSODL in terms of Section 21 of the Electricity Act 2003. TPSODL commenced its operation on 1st January 2021
8. Hence the business of TPSODL utility is governed by the provisions of license issued by Hon'ble Commission for distribution and retail supply of electricity in Southern Odisha. The Hon'ble Commission under the Electricity Act 2003, regulates the working of the entire power sector of Odisha state, including determination of tariff chargeable to end consumers

1.3. Operation of TPSODL and its Asset Base

9. TPSODL's licensed area is spread over a geographical area of 48751 sq. Km. and it serves a registered consumer base of around 24 lakhs. TPSODL procures power from GRIDCO through Odisha Power Transmission Corporation Limited (OPTCL)'s 220/132/33 kV grid substations at sub transmission voltage level of 33 kV and then distributes the power at 33 kV/11 kV/440 V/230 V depending on the demands of the consumers.
10. In this process, TPSODL operations include several electrical equipment such as Power Sub Stations (PSS), 33 KV Lines, 11 KV lines , 415 V network and all the associated apparatus. The summary of the various electrical equipment operated by TPSODL is provided in the table below:



Table 1-1 : TPSODL Equipment Statistics (as on 31st October 2022)

Sl.No	Description	Units	Circles Names					TPSODL Total	
			Berhampur City Circle	Berhampur Circle	Aska Circle	Bhanjanagar Circle	Rayagada Circle		Jeypore Circle
1	No of 33 KV/11 KV PSS	No	20	31	22	45	53	75	246
A Transforms at PSS									
2	No.of 33/11KV PowerTrans. Capacity	MVA	47	73	58	97	101	159	535
B Distribution Transformers									
3	No.of 33/.4 kv Distribution Transformer	No	16	27	16	13	22	65	159
4	No.of 11/.4 kv Dist.Transformers	No	2194	4582	3432	7510	5527	15898	39143
5	No. of 11/0.23Kv Dist. Transformer Capacity	No	312	709	696	6058	3377	6970	18122
Total Distribution Transformers		No	2522	5318	4144	13581	8926	22933	57424
C HV Lines									
7	33 KV Lines and Cable	Ckt Km	147	383	244	885	814	1409	3882
8	11 KV Lines	Ckt Km	1241	3500	2746	10274	8252	17233	43247
D LV Lines									
9	LT Lines	Ckt Km	556	1088	706	1511	2738	2559	9158
10	LT Cables (ABC)	Ckt Km	1025	3454	2014	7126	3923	13503	31046
Total LT		Ckt Km	1581	4542	2720	8637	6662	16062	40204

11. TPSODL serves a population of 94.4 Lakhs with a customer base of about 24 Lakhs. The area of operation of TPSODL is spread over an area of 48751 Square Km

1.4. Opening Balance Sheet of TPSODL

12. As mentioned earlier, the utility of Southco was vested in TPSODL from 1st January 2021. As per Section 21(a) of the Electricity Act 2003, it is stipulated that *“the utility shall vest in the purchaser or the intending purchaser, as the case may be, free from any debt, mortgage or similar obligation of the licensee or attaching to the utility”*. Accordingly, the Balance Sheet of TPSODL as on 1st January 2021 (i.e on the date of commencement of operation) was *“carved out”* of the Balance Sheet of South Utility by the Hon’ble Commission vide its order dated 26th November 2021.
13. In terms of carving out, only certain assets and liabilities were passed on to TPSODL while the balance was retained with the erstwhile utility. Based on this order, the Opening Balance Sheet of TPSODL carved out was as follows:



Table 1-2 : Opening Balance Sheet of TPSODL as on 1st January 2021 (Rs Cr)

Sr No	Particulars	Balance Sheet of Southco Utility	Balance Sheet carved out for TPSODL as on 1st January 2021	Remaining with erstwhile Utility
I Equity and Liabilities				
A Capital Fund				
1	Equity	37.66	200	37.66
2	Contingencies Reserves	35.86		35.86
3	Capital Subsidy	401.35	148.05	253.3
4	Balance Loss Carried over	-2866		-2866
B Loan Fund				
5	Long Term Borrowings	625.35		625.35
6	Short Term Loans	158.9	158.9	0
C Other Funds				
7	Consumer Security Deposit	269.54	269.54	0
8	Capital Contribution from Consumers	228.73	228.73	0
D Current Liabilities and Provisions				
9	Sundry Creditors/Trade Payables- Power Purchase	1444.95	98.87	1146.13
10	Sundry Creditors/Trade Payables- Goods and Services	28.83	28.83	0
11	Deposites and Retention from Suppliers/Contractors	102.06	102.06	0
12	Advance Payment/Deposit from consumers	153.82	153.82	0
13	Creditors on capital accounts	29.83	29.83	0
14	Interest accrued and due to SBI	0.66	0.66	0
15	Payable to NESCO	16.08	16.08	0
16	Interest accrued and due	11.83		11.83
17	Interest Accrued but not due	143.86		143.86
18	Electricity Duty Payable (subject to realisation from Consumers)	65.96		65.96
19	Electricity Duty Payable (collected)	2.28	2.28	0
20	Payable to REC Limited	0.1	0.1	0
21	Other Liabilities	69.59	69.59	0
22	Provisions	1267.15		1267.15
	Total Liabilities	2228	1507	721
II Assets				
A Fixed Assets				
1	Gross Block	1001.94	999.88	2.06
2	Less Accumulated Deprecation	355	355	0
3	Net Block	646.94	644.88	2.06
4	Capital Work in Progress	73.66	73.66	0
B Current Assets, Loans and advances				
6	Sundry Debtors/Trade Receivables	440.65	266.63	174.02
7	Inventories	7.23	7.23	0
8	Cash and Bank Balances			
9	Cash on Hand	6.16	6.16	0
10	Stamps in hind	0	0	0
11	Balances with Scheduled Bank- Current Account	127.82	127.82	0
12	Balances with scheduled bank - Fixed Deposits	304.16	304.16	0
13	Remittances in Transit	0.26	0.26	0
14	Loans and Advances			
15	Loans and advances to employees	5.73	5.73	0
16	Receivables from Wesco	5.46	5.46	0
17	Advance recoverable in cash or in kind or for value to be received	0.29	0.29	0
18	Capital Subsidy/Grant Receivable	46	46	0
19	Regulatory Assets	545		545
20	Other Deposits (Considered Good)	9.14	9.14	0
21	Other Deposits	5.48	5.48	0
22	Interest accrued on Fixed Deposits	4.45	4.45	0
	Total Assets	2228	1507	721.08



1.5. Basis for filing of the present petition

14. TPSODL has filed several petitions for approval of a) ARR for FY 2022-23, b) Capex approval of FY 2021-22 c) Annual Business Plan (i.e Opex) for FY 2021-22 and d) Capex approval of FY 2022-23. The Hon'ble Commission after following the due regulatory process has approved certain expenditure in these petitions.
15. The Various orders passed by the Hon'ble Commission as applicable to TPSODL are as follows:

Table 1-3 : Various Orders of the Hon'ble Commission for TPSODL

Sr No	Case No	Date of Order	Subject Matter
1	83 of 2020	28 th December 2020	Vesting of Southco Utility in TPSODL
2	08 of 2021	18 th September 2021	Capex Plan for FY 2021-22
3	39 of 2021	29 th October 2021	Annual Business Plan for FY 2021-22
4	108 of 2021	24 th March 2022	Tariff Order for FY 2022-23
5	13 of 2022	14 th July 2022	Capex Plan for FY 2022-23

16. Further, as regards the employee expenditure, TPSODL has sought approval of recruitment of employees from time to time and also sought the approval of arrears that are payable under the 7th Pay Commission. The Hon'ble Commission, based on our submission has approved certain number of employees to be recruited and also approved the payment of arrears.
17. In addition, the OERC (Terms and Conditions for determination of Wheeling Tariff and Retail Supply Tariff) Regulations 2014 ("Tariff Regulations 2014") have been made applicable for determination of the Annual Revenue Requirement (ARR) since the time of commencement of business by TPSODL on 1st January 2021. Based on the various approvals of the Hon'ble Commission in different orders, applicable Tariff Regulations, TPSODL is filing the present petition covering the following:

Table 1-4 : Basis of filing of the True Up Petition

Sr No	Filings	Applicable Tariff Regulations
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1	True up of FY 2020-21 (3 Months i.e from 1 st January 2021 to 31 st March 2021)	Tariff Regulations 2014
2	True up of FY 2021-22	Tariff Regulations 2014



2. True up of FY 2020-21 and FY 2021-22

18. TPSODL commenced its operations 1st January 2021 after taking over from Southco Utility and has now completed about 2 years of service in its licensed area. In this chapter, TPSODL is presenting the actual performance in terms of sales and expenditure for 3 months of FY 2020-21 i.e from 1st January 2021 to 31st March 2021 and for the period of 12 months of FY 2021-22 i.e from 1st April 2021 to 31st March 2022
19. For the 3 months of FY 2020-21, in our humble submission, the Hon'ble Commission had approved the amounts for FY 2020-21 prior to commencement of Operation by TPSODL on 1st January 2021. Moreover, there was no separate amount that has been approved by the Hon'ble Commission for the above 3 month period. Further as regards the amounts approved by the Hon'ble Commission for FY 2021-22, the Hon'ble Commission had passed order on the basis of the ARR filings made by the erstwhile Southco Utility and the amount approved are based on the Balance Sheet and expenses of erstwhile Southco Utility. TPSODL has started their operations with a "Carved Out" Balance Sheet as presented in *Table 1-2 : Opening Balance Sheet of TPSODL as on 1st January 2021*. This balance sheet is substantially different from that used by erstwhile utility. Hence the approved amount in the Tariff Order and comparison of actual expenditure against this amount approved would not be meaningful.
20. In addition, TPSODL had filed a petition for FY 2021-22 as Case No 39 of 2021 with the Hon'ble Commission for approval of the Annual Business Plan. In the order in Case No 39 of 2021, the Hon'ble Commission had approved the revised amount for Employee Expenditure (No of Employees approved), R&M Expenditure and A&G Expenditure.
21. Accordingly, as regards the amounts approved by the Hon'ble Commission for the relevant period, we have presented the same only for O&M Expenditure for FY 2021-22.

2.1. Sales and Revenue of TPSODL for FY 2020-21 (3 Months) and FY 2021-22



22. The Sales of TPSODL is presented for the major categories viz EHT , HT and LT. The sales of FY 2020-21 were relatively low due to impact of Covid 19. The sale has thereafter pickup in FY 2021-22. However in the tables below , TPSODL has presented only the sales for 3 month in FY 2020-21 and for the entire FY 2021-22. The Sales in various categories is as follows:

Table 2-1 : Sales and Revenue for FY 2020-21

Sr No	Category	Demand Charge or Fixed Charge/MMFC	Energy Charge	Total
1	EHT	6.42	34.88	
2	HT	6.62	26.57	
3	LT	56.46	224.43	
5	Total	69.50	285.88	355.38
6	Less Rebate availed by consumers			-2.07
7	Revenue forGap Computation			353.31

Table 2-2 : Sales and Revenue for FY 2021-22

Sr No	Category	Demand Charge or Fixed Charge/MMFC	Energy Charge	Total
1	EHT	54.14	300.03	354.17
2	HT	50.99	192.04	243.02
3	LT	101.12	956.32	1057.44
5	Total	206.24	1448.39	1654.63
6	Less Rebate availed by consumers			-14.71
7	Revenue forGap Computation			1639.92

2.2. Power Purchase Expenses for FY 2020-21 (3 Months) and FY 2021-22

23. The Power Purchase expenses comprises a) Power Purchase expenses towards purchase of power from Gridco b) Transmission Charges paid to OPTCL and c) SLDC Charges.



24. The details of Power Purchase made by TPSODL for the 3 months of FY 2020-21 and FY 2021-22 has been presented in **Annexure1 : Actual Power Purchase by TPSODL in FY 2020-21 (3 Months) and FY 2021-22**. However as per the Vesting Order, the Hon'ble Commission has specified the trajectory for AT&C losses for 10 years commencing FY 2021-22. Notwithstanding the actual loss, the tariff and ARR computations would be based on such trajectory only. The trajectory specified in the Vesting Order is providing in the following extracts

Extracts 2-1 : Trajectory for Tariff Determination

Table 4: 10-year AT&C Loss Trajectory for Tariff Determination

AT&C Loss Trajectory for Tariff Determination (%)									
FY22	FY23	FY24	FY25	FY26	FY27	FY28	FY29	FY30	FY31
25.75	25.75	25.75	25.35	25.00	22.57	20.38	18.40	16.61	15.00

25. The difference between Actual Power Purchase Cost and Normative Power Purchase Cost would be considered as Efficiency Gains and as per the Vesting Order such Efficiency Gains/(losses) would be retained by the Distribution Licensee.
26. In addition, in the erstwhile Southco utility for FY 2020-21, the ARR determination was also on the basis of stipulated Distribution Loss of 25 %. We have considered this loss for computation of the Efficiency Gains due to AT&C Loss for 3 month of operation from 1st January 2021 to 31st March 2021
27. Based on the above losses, it therefore important present the "Normative" Power Purchase for the period under consideration. The Efficiency Gains/Loss is presented in **Section 2.14 Efficiency Gains to due Improvement of Losses**
28. The Normative Power Purchase for consideration in the computation of the Efficiency Gains is therefore as follows:



Table 2-3 : Normative Power Purchase Cost for FY 2020-21 (3 Months)

Sr No	Particulars	Units	Value
A	Estimation of Distribution (or Billing) Loss for True Up		
1	AT&C Loss for Tariff	%	25.75%
2	Collection Efficiency	%	99%
3= (100% -1)/ 2	Billing Efficiency	%	75.00%
4= 100% -3	Distribution Loss	%	25.00%
B	Computation of Normative Power Purchase Quantum		
5	Sales	Mus	718
6= 5/3	Normative PP	MUs	957
C	Computation of Normative Power Purchase Amount		
7	BSP	Rs/Kwh	1.97
8=6x7/10	Normative Power Purchase Costs	Rs Cr	188.9
D	Computation of Normative Transmission Charges		
9	Rate of Transmission Charges	Rs/Kwh	0.25
10= 6x9/10	Normative Transmission Charges	Rs Cr	23.9
E	SLDC Charges		
11	Monthly SLDC Charges	Rs L/Month	5.15
12=11x12	Annual SLDC Charges	Rs Cr	0.1545
G= Sum (c:e)	Total Power Purchase Costs	Rs Cr	212.92

Table 2-4 : Normative Power Purchase Cost for FY 2021-22

Sr No	Particulars	Units	Value
A	Estimation of Distribution (or Billing) Loss for True Up		
1	AT&C Loss for Tariff	%	25.75%
2	Collection Efficiency	%	99%
3= (100% -1)/ 2	Billing Efficiency	%	75.00%
4= 100% -3	Distribution Loss	%	25.00%
B	Computation of Normative Power Purchase Quantum		
5	Sales	Mus	3021
6= 5/3	Normative PP	MUs	4029
C	Computation of Normative Power Purchase Amount		
7	BSP	Rs/Kwh	2.0719
8=6x7/10	Normative Power Purchase Costs	Rs Cr	834.7
D	Computation of Normative Transmission Charges		
9	Rate of Transmission Charges	Rs/Kwh	0.28
10= 6x9/10	Normative Transmission Charges	Rs Cr	113.7
E	SLDC Charges		
11	Monthly SLDC Charges	Rs L/Month	5.90
12=11x12	Annual SLDC Charges	Rs Cr	0.708
G= Sum (c:e)	Total Power Purchase Costs	Rs Cr	949.11

2.3. Capitalisation of Schemes

29. TPSODL has been executing various schemes after the approval of the same from the Hon'ble Commission in the Order dated 18th September 2021 in Case No 08 of 2021. In addition, it has also capitalised certain quantum of Opening Capital Work in Progress (CWIP). Further it has executed consumer funded schemes and capitalised the same in its books.
30. There is no capitalisation that has been considered for the 3 months of FY 2020-21. For the 12 month of FY 2021-22, following is the capitalisation achieved in the various areas



Table 2-5 : Capitalisation for FY 2021-22

Sr No	Head of Capitalisation	Rs Cr
1	Statutory & Safety	22.71
2	Loss Reduction	1.65
3	Reliability	7.62
4	Load Growth	1.18
5	Technology & Civil Infrastructure- Civil	4.90
6	Technology & Civil Infrastructure- Technology	83.50
Total Capitalisation from OERC Approved Capex		121.57

2.3.1. Gridco Equity in Kind

31. It is submitted that for funding the Capex, contribution from Tata Power Company Ltd (TPCL) and Gridco are required in terms of Equity in TPSODL. It is further submitted that Gridco has been contributing its equity in kind. Accordingly, the cash required from Gridco Equity to fund the capex is not available. Hence in order to incorporate the same, the capitalisation needs to be increased. As can be seen from the illustration in the table below , for every Rs 100 crores of Capitalisation, the amount for the purpose of working out the ARR needs to be increased by 17.2 %. Hence an additional amount of Rs 17.2 Crores needs to be provided for included in addition to capitalisation shown in **Table 2-5 : Capitalisation for FY 2021-22.**

Table 2-6 : Additional Capitalisation due Gridco Equity in kind

Sr No	Particulars	Units	Value
a	Capex /Capitalisation of Project	Rs Cr	100
b	Additional Capex/Capitalisation of Asset (in lieu of Equity investment by Gridco)	Rs Cr	17.2
c= a+b	Total Capex/ Capitalisation to be allowed	Rs Cr	117.2
d	Equity contribution by TPC= c x 30% x 51%	Rs Cr	17.9
e	Equity contribution by Gridco= c x30% x 49%	Rs Cr	17.2
f	Equity for Tariff= 30% of c	Rs Cr	35.2
g	Debt for Tariff=70% of c	Rs Cr	82.1

32. M/s Gridco has contributed its share of equity by transferring the following assets.



Table 2-7 : Contribution of Gridco towards its share in the Equity capital

Sl. No.	Name of Distribution Division	Location	Distribution Assets			Acquisition Value	Acquisition Value	Acquisition Value	Valuation Fee	Total (Rs Cr)
			Line (in CKM)		5MVA (Nos.)	33KV Line	11KV Line	5MVA		
			33KV	11KV						
1	GED, Gunupur	Dambasora	1.498	3.191	2	0.34	0.21	7.42	0.02	7.99
2	RED, Rayagada	Jumilipeta	1.498	3.191	2	0.34	0.21	7.42	0.02	7.99
3	BoED, Boudh	Baghiapada	9.178	3.705	2	2.02	0.22	5.30	0.02	7.56
TOTAL						2.71	0.64	20.15	0.06	23.55

2.3.2. Capitalisation from the Opening CWIP including from consumer contribution

33. TPSODL has capitalised an amount of **Rs 41.19 Crores** under this head. The break up of the capitalisation for FY 2021-22 is as follows.

Table 2-8 : Capitalisation from Opening CWIP for FY 2021-22

Sr No	Head of Capitalisation	Rs Cr
1	Assets Created out Opening CWIP - Consumer Contribution	12.34
2	Assets Created out Opening CWIP - Other	30.27
3	Less Adjustment	-1.42
3	Total	41.19

2.3.3. Capitalisation for ARR determination purpose

34. Based on the above presentation, the Capitalisation for the FY 2021-22 works out to as follows:

Table 2-9 : Capitalisation in FY 2021-22

Sr No	Category of Capitalisaion	Amt (Rs Cr)
1	Assets created from OERC approved Capex	121.57
2	Assets created out of Opening CWIP	41.19
3	Asset towards contribution of Gridco Share of Equity	23.55
Total		186.30



35. However for the purpose of computation of Debt and Equity, TPSODL has taken only an amount of **Rs 145.11 Crores** i.e excluding assets created out of Opening CWIP as shown in the table above.

2.4. Interest on Debt Capital

36. The Tariff Regulation 2014 allow 70% of the capitalisation to be funded by loan or Debt. However, in case the loan is higher than 70% (i.e Equity less than 30%), then such higher loan would be considered for the purpose working out the ARR. The extracts of the Tariff Regulations 2014 are as follows:

Extracts 2-2: Debt as per Tariff Regulations 2014

7.43 In case of all new projects, debt-equity ratio shall be 70:30 for determination of tariff. Where equity employed is more than 30%, the amount of equity for the purpose of tariff shall be limited to 30% and the balance amount shall be considered as the normative loan:

Provided that in case of the projects where actual equity employed is less than 30%, the actual debt and equity shall be considered for determination of tariff.

37. As per the Tariff Regulations 2014, the interest rate would be applicable on the actual loan portfolio at the beginning of each Financial year. The extracts from the Tariff Regulations 2014 is as under

Extracts 2-3: Interest applicable as per Tariff Regulations 2014

7.48 The rate of interest on capital loans shall be the weighted average rate of interest calculated on the basis of the actual loan portfolio at the beginning of each Financial Year :

Provided that if there is no actual loan for a particular year but normative loan is still outstanding, the last available weighted average rate of interest shall be considered:

Provided further that if the distribution licensee does not have actual loan, then the rate of interest shall be determined by the Commission from time to time.

38. We have considered a Debt of 70% of Capitalisation for the new Projects. We have tied up Rs 150 Crores from UBI during the FY 2021-22 and the disbursement of the loan commenced in FY 2021-22. This loan of Rs 150 Crores would be utilised for the capex approved by the Hon'ble Commission for FY 2021-22 (Rs 184.65 Crores). The extracts from the Sanction Letter of UBI providing the salient features are as given below:

Extracts 2-4: Extracts from the Sanction Letter of UBI

(RS IN Crores)

Nature of Limit	Amount		Margin	Int./ Comm.	Prime /Collateral Security
	Existing	Proposed			
CAPEX TL	--	150.00	30%	3 Months MCLR i.e 6.90% at present	1 st charge on the entire movable and immovable fixed assets, both present and future, excluding assets transferred from SOUTCO vide vesting orders of OERC. Letter ceding pari-passu charge may be issued by our Bank at the time of sanction of term loan by other lenders in future, subject to maintaining asset coverage of minimum 1.45X.
TOTAL	--	150.00			

39. Considering the above rate, the Interest amount for 3 months of FY 2020-21 and for FY 2021-22 is as follows:

Table 2-10 : Interest on Long Term Debt for 3 Months of FY 2020-21 and FY 2021-22

Sr No	Particulars	Units	FY 2020-21	FY 2021-22
A	Capitalisation for determination of Debt			
1	Capitalisation for the year	Rs Cr	0	121.57
2	Add Capitalisation due to Gridco Contribution in Kind	Rs Cr		23.55
3=1+2	Total Capitalisation for Debt and Equity	Rs Cr		145.11
b	Debt Capital for Capitalisation			
5	Opening Debt	Rs Cr	0	0.0
6=70%x 3	Addition	Rs Cr	0.0	101.58
7	Repayment= Depc	Rs Cr		5.14
8=5+6-7	Closing Debt	Rs Cr	0.0	96.4
9=(5+8)/2	Average Balance	Rs Cr	0.0	48.2
b	Interest on Debt			
10	Rate of Interest	%		6.9%
11	Interest on Debt	Rs Cr		3.33



40. As can be seen from the table above, no capitalisation has been considered for FY 2020-21 (3 Months)

2.5. Other Finance Costs

41. TPSODL had incurred a cost of Rs 0.09 Crores for FY 2020-21 and Rs 1.27 Crores in FY 2021-22 towards Other Finance Costs and the same has been included in the ARR for the respective periods.

2.6. Interest on Loans transferred in Opening Balance Sheet

42. Some loans have been transferred from Southco Utility to TPSODL and TPSODL has paid interest on the same. While some of the loans are Working Capital Loans and normative Interest on Working Capital has been claimed separately, an amount of about Rs 79 Crores pertains to other loans. The Interest on such loans also need to be reckoned for the FY 2020-21 and for FY 2021-22. The interest for these two periods works to Rs 1.14 Crore and Rs 3.96 Crores . At this point, as the ASL amounts need to be reworked , this interest has not been considered in the ARR petition. The same may be allowed at the later stage by the Hon'ble Commission after finalisation of the ASL for TPSODL.

2.7. Interest on Working Capital

43. As per the Tariff Regulations 2014, the computation of Working Capital and also the interest on the same is as given in the table below:

Extracts 2-5: Working Capital and Interest on the same as per Tariff Regulations 2014



7.49 Interest on Working Capital: Working capital shall include—

- (a) Operation and maintenance expenses for one month;
- (b) Receivables for one month;
- (c) Maintenance spares @ 40% of R&M expenses for one month.

7.50 The rate of interest for working capital shall be equal to the SBI Base Rate plus 300 basis points as on 1st January of the preceding year for which tariff is determined: _____

Provided that the Commission while determining the working capital requirement, shall take into account the outstanding receivables with the consumers as per the annual audited accounts of the licensees, and may direct the licensee to fund the requirement of working capital by collection from the outstanding receivables.

44. As regards the funding of the Working Capital from collection of outstanding receivables, the Hon'ble Commission in the Tariff Order for erstwhile Southco utility had observed the following:

412. In view of the fact that all the DISCOMs have huge outstanding receivables from the consumers the commission as per such provision of the Regulation directs the Licensees to fund the requirement of working capital by collection from the outstanding receivables. Therefore, no financing on working capital is allowed to the DISCOMs in the ARR for FY 2020-21.

45. In this regard it is important to submit that as per the Vesting Order, the outstanding receivables prior to 31st December 2020, after deduction of incentive are passed on to Gridco. Hence such clause and reasoning is not applicable to TPSODL as the receivables cannot be retained by TPSODL. In the humble submission of TPSODL therefore, it is entitled to claim normative interest on Working Capital. Accordingly, we have considered that above regulations to work out the Interest on Working Capital and the interest rates as given by SBI on their Website <https://www.sbi.co.in/web/interest-rates/interest-rates/base-rate-historical-data>. The Interest on Working Capital workings for the two periods is as follows:



Table 2-11 : Interest on Working Capital for 3 Months of FY 2020-21

Sr No	Particulars	Unit	Amount
A. Computation of Working Capital			
1	Receivables (1 Month)	Rs Cr	118.46
2	O&M Expenditure (1 Month)	Rs Cr	35.31
3	Maintenance Spares (40% of R&M Expenditure for one month)	Rs Cr	0.04
4	Total	Rs Cr	153.81
B. Applicable Rate of Interest			
5	Interest on Working Capital	%	11.450%
6	SBI Base Rate as on 1st Jan 2020	%	8.45%
C Interest on Working Capital			
7	Interest on Working Capital	Rs Cr	4.403

Table 2-12 : Interest on Working Capital for FY 2021-22

Sr No	Particulars	Unit	Amount
A. Computation of Working Capital			
1	Receivables (1 Month)	Rs Cr	137.89
2	O&M Expenditure (1 Month)	Rs Cr	50.11
3	Maintenance Spares (40% of R&M Expenditure for one month)	Rs Cr	3.02
4	Total	Rs Cr	191.01
B. Applicable Rate of Interest			
5	Interest on Working Capital	%	10.300%
6	SBI Base Rate as on 1st Jan 2021	%	7.30%
C Interest on Working Capital			
7	Interest on Working Capital	Rs Cr	19.675

2.8. Interest on Security Deposit

46. The Interest on Security Deposit incurred by TPSODL for 3 month of FY 2020-21 was Rs 3.15 Crores and for FY 2021- 22 was Rs 11.92 Crores

2.9. Depreciation

47. As per the Regulation 7.56 and 7.57 of the Tariff Regulations 2014, the depreciation would be worked out as follows:



Extracts 2-6: Depreciation as per Tariff Regulations 2014

- 7.56 Depreciation shall be calculated for each year of the Control Period, on the amount of Original Cost of the Fixed Assets :
- Provided that depreciation shall not be allowed on assets funded by consumer contribution (i.e., any receipts from consumers that are not treated as revenue) and capital subsidies/grants:
- Provided further that the Licensee shall submit yearwise details of assets retired and disposed of, which shall be removed from the Original Cost of Fixed Assets:
- Provided further that assets shall normally be not retired before completion of the useful life and the Licensee shall take prior approval of the Commission in case of retiring any asset before its useful life:
- Provided further that the Licensee shall submit yearwise details of the assets which have completed its useful life.
- 7.57 Rate of Depreciation for each year of the Control Period shall be allowed on the pre-up-valued assets at pre-1992 rates as notified by the Govt. of India.
- 7.58 On repayment of entire loan, the remaining depreciable value shall be spread over the balance useful life of the asset.

48. Further, as per the Vesting Order, there is an applicability of two rates of depreciation viz a) Rate applicable for assets as existing on the Effective Date (i.e the date when TPSODL commenced their operations i.e 1st January 2021) and b) Rate as provided in Annexure 3 of the Vesting Order. The relevant extracts under Para 43 (g) of the Vesting Order stipulates the following

(g) The capital investments made by TPSODL shall be allowed recovery of depreciation in line with the rates prescribed in Annexure - 3 till the time applicable regulation is notified by the Commission. The depreciation rates specified in regulations shall prevail over the rates specified in Annexure - 3 as and when applicable regulation is notified by the Commission.

(h) Depreciation on all existing assets transferred to TPSODL shall be determined based on the existing methodology being followed by the Commission.

49. Based on the above there are two rates of Depreciation which are applicable as follows:

Table 2-13 : Applicable Depreciation Rates for Assets

Sr No	Asset Class	Rates for assets created prior to 1st January 2021)	Rates applicable for assets created after 1st January 2021
1	Buildings	1.80%	3.34%
2	P&M	3.80%	5.28%
3	Office Equipments	9.00%	5.28%
4	Furniture and Fixtures	4.55%	6.33%
5	Vehicles	12.86%	9.50%
6	Computers		15%
7	Softwares		15%

50. Considering the above rates, the Depreciation as worked out for FY 2020-21 (3 Months) and for FY 2021-22 are as follows

Table 2-14 : Depreciation for the FY 2020-21 (3 Months)

Sr No	Asset	Amount (Rs Cr)
1	Land	
2	Buildings	0.02
3	Plant and Machinery, Transmission lines and cable network	6.84
4	Vehicles	-
5	Furniture and fixtures	0.01
6	Office equipment	0.03
	Total	6.89

Table 2-15 : Depreciation for the FY 2021-22

Sr No	Description	Amount (FY 2021-22) (Rs Cr)
1	Depreciation on Existing Assets	23.15
2	Depreciation on Assets added after 1st January 2021	5.14
3	Total	28.29



51. The breakup of the Depreciation for above amount is provided in **4 Annexure 2- Asset wise Break up of Depreciation**. The breakup of the Depreciation for FY 2021-22 is presented in **Table 4-1** and **Table 4-2**

2.10. O&M Expenditure

52. TPSODL had filed a petition (Case No 39 of 2021) seeking approval of appropriate expenditure required for addressing the need for improving the . The Hon'ble Commission had approved certain expenditure and also approved recruitment of manpower. The presentation of the expenditure for FY 2021-22 is based on such approval. As regards the expenditure for FY 2020-21 (3 Months), there was no separate approval for TPSODL.

2.10.1. Employee Related Expenditure

Employee Count

53. The Hon'ble Commission had initially in the order in Case No 39 of 2021 had approved the recruitment of 220 personnel upto the period FY 2021-22 i.e (3 month of FY 2020-21 and 12 months of FY 2021-22). The relevant extracts from the order is as follows

Extracts 2-7 : Relevant Extracts from the Order in Case No 39 of 2021

96. The Commission now allows 8% of the total proposed manpower of 2754 (1999+60+695) to be recruited. This will include post facto approval for the 60 persons already recruited without Commission's approval. This would mean additional recruitment of 160 (.08X2754-60) employees

54. However subsequently in the letter of the Hon'ble Commission dated 17th January 2022, it had revised the approval of recruitment form 220 employees to 483 Employees. The extracts of the letter dated 17th January 2022 from the Hon'ble Commission is as follows:

Extracts 2-8: Extracts from letter dated 17th January 2022



Sl. No.	Description	TPWODL Numbers	TPNODL Numbers	TPSODL Numbers	TPCODL Numbers	Total Numbers
1	Govt. Sanctioned Strength	6702	5859	5625	9773	27959
2	Discom Projection of Total Requirement in ABP / Vesting Order	4209	1266	2800	6654	14929
3	Numbers as per ABP Petition	850	636	695	1367	3548
4	No. of Employees Approved in respective ABP Order (8% of proposed manpower)	336	277	220	532	1365
	For FY 2020-21				532	
	For FY 2021-22	336	277	220		
5	Depletion [Retirees + Death+Resignation] (FY 20-21, FY 21-22, FY 22-23) including Contractual	425	411	341	688	1865
	<i>FY 2020-21</i>	172	162	138	266	738

Sl. No.	Description	TPWODL Numbers	TPNODL Numbers	TPSODL Numbers	TPCODL Numbers	Total Numbers
	<i>FY 2021-22</i>	143	114	125	208	590
6	<i>FY 2022-23</i>	110	135	78	214	537
7	Now approved manpower for depletion (for TPCODL 2020-21 and for TPSODL, TPWODL & TPNODL for 2020-21 & 2021-22)	172	162	263	266	1328
8	Total manpower allowed after revision of the ABP order.	508	439	483	798	2693
9	Employee Strength as at 31.12.2021	2662	2510	2345	5711	13228
10	Employee Strength as at 31.12.2021 on revision now	2834	2672	2608	5977	14556
11	No. of Consumers on 31.12.2021	2211026	2054045	2374403	2896629	9536103
12	Percentage of Employees per 1000 consumers as on 31.12.2021	1.28	1.30	1.10	2.06	1.53

55. Against the above approval of 483 employees, TPSODL had recruited 475 employees from commencement of operation from 1st January 2021 till end of FY 2021-22. The recruitment made by TPSODL over the various quarters are as provided in the table below

Table 2-16 : Position of new employees in FY 2020-21 (3 Months) and FY 2021-22

Employee Category	Inception	FY21	FY22 Q1	FY22 Q2	FY22 Q3	FY22 Q4
Management		75	209	300	336	346
Trainees		53	54	55	130	129
FDA		1	1	1	1	2
Consultant		3	6	9	12	12
Total CTC	0	128	263	355	466	475

56. As can be seen from the above table, the quantum of 475 employees is lower than the approved strength of 483. We therefore request the Hon'ble Commission to approve these appointments.

Employee Expenditure

57. The Employee expenditure is captured under three categories viz (a) Employee Expenditure towards erstwhile Employees (b) Employee Expenditure of new Employees and c) Staff Welfare expenditure for all the relevant employees. In addition, TPSODL has also taken the services of outsourced employees for various activities. The expenditure for FY 2020-21 (3 Months) is as provided in the table below.

Table 2-17 : Employee Expenditure for FY 2020-21 (3 Months) (Rs Cr)

Sr No	Particulars	Actuals		
		Erstwhile	New Employees	Actuals
1	Salary (i.e Basic, Allowances, Performance Pay,Employer Contribution to PF)	37.33	7.96	45.28
2	Payment to Trusts			
a	Retirement Cashflows to Trust- Pension			24.20
b	Retirement Cashflows to Trust- Gratuity			3.93
c	Retirement Cashflows for Leave			2.67
d	Retirement Cashflows to Trust- Rehab			0.16
e	Total Payment to Trust			30.96
3	Staff Welfare			1.53
4	Outsourced Employees			13.3
5	Total Employee Expenditure			91.1

58. The Hon'ble Commission is requested to approve the Employee Expenditure for FY 2020-21 (3 Months). Similarly, the expenditure for FY 2021-22 under this head is as follows:

Table 2-18 : Employee Expenditure for FY 2021-22 (Rs Cr)

Sr No	Particulars	Erstwhile Southco Utility		New Employees		Total	
		Approved	Actuals	Approved	Actuals	Approved	Actuals
1	Salary (i.e Basic, Allowances, Performance Pay,Employer Contribution to PF)	160.50	172.42	38.00	38.23	198.50	210.66
2	Payment to Trusts						
a	Retirement Cashflows to Trust- Pension		114.46				114.46
b	Retirement Cashflows to Trust- Gratuity		17.19				17.19
c	Retirement Cashflows to Trust- Leave		4.42				4.42
d	Retirement Cashflows to Trust- Rehab		0.62				0.62
e	Total Payment to Trust	150.02	136.68			150.02	136.68
3	Staff Welfare					4.18	3.32
4	Outsourced Employees					83.8	65.3
5	Total Employee Expenditure					436.5	416.0
6	Less Employee Costs Capitalised						-2.17
7	Total Employee Expenditure					436.5	413.8

Note: Approved amount shown includes the provision to the extent of Rs 17.77 Crs made in Mar 2022 towards HRA and also Medical allowance arrears that was approved subsequently by the Hon'ble Commission

59. As can be seen from the above table, the total actual Employee expenditure is within the approved employee expenditure. We therefore request the Hon'ble Commission to approve the actual Employee Expenditure for FY 2020-21 (3 Months) and FY 2021-22

2.10.2. R&M Expenditure

60. The R&M Expenditure for FY 2020-21 (3 Month period) incurred by TPSODL is as follows:

Table 2-19 : R&M Expenditure for FY 2020-21 (3 Months)

Sr No	Particulars	Actuals (Rs Cr)
1	R&M Buildings and Civil Works	0.07
2	R&M -Plant and Civil Works	0.87
3	R&M -Furnitures, Vehicles etc	0.33
4	Annual Maintenance Contract for R&M type of activity	
5	Total	1.28

61. The Hon'ble Commission is requested to approved the actual R&M Expenditure for FY 2020-21
62. The Hon'ble Commission had in the order for Case No 39 of 2021 had approved the expenditure of Rs 88.57 Crores for FY 2021-22 The observation of Hon'ble Commission with regards to R&M Expenditure is as follows:

103. In view of the fact that the Repair and Maintenance aspect is critical to the overall improvement of the distribution system. The Commission in this context observes that at the time of ARR petition the new operating company has not taken over and consequently the R&M cost projected by the Southco in the ARR was conservatively estimated. With the takeover of the new operating company the requirement under the R&M is now projected at a higher value taking into account the requirement for refurbishment of the network system. The Commission in the ARR order for FY 2021-22 approved the total expenses of Rs.55.36 crore under the head R&M. In the present petition TPSODL has proposed expenses under this head nearly double the cost approved by the



Commission in the ARR. The Commission after analyzing the petition now allows Rs. 88.57 crore that is 60% above the earlier approved cost.

104. The Repair and maintenance expenditure against the above will be assessed by the Commission during the true-up exercise and periodical reviews and expenses will be allowed only after prudence check.

63. The performance of TPSODL for FY 2020-21 (3 Months) and FY 2021-22 is as follows:

Table 2-20 : R&M Expenditure for FY 2021-22

Sr No	Particulars	R&M Expenditure (Rs Cr)	
		Approved	Actuals
1	R&M Buildings and Civil Works		5.97
2	R&M -Plant and Civil Works		20.44
3	R&M -Furnitures, Vehicles etc		0.75
4	Annual Maintenance Contract for R&M type of activity		63.51
5	Total	88.57	90.68

64. As can be seen from the above table, the R&M Expenditure for FY 2021-22 was only marginally higher than the amount approved by the Hon'ble Commission. We wish to submit that TPSODL had inherited a network which required considerable amount of maintenance. Further the safety standards too required to be improved. TPSODL has in the pursuit of improving the reliability had undertaken several initiatives and hence incurred this higher expenditure. We therefore request the Hon'ble Commission to kindly approve of the actual R&M Expenditure for FY 2021-22

2.10.3. A&G Expenditure

65. In addition to Employee Expenditure and R&M expenditure, TPSODL has incurred expenditure for smooth and efficient running of the operations under the head A&G Expenditure. Some of the expenditure under this head is required for meeting the statutory requirement while some activities are undertaken for improvement of billing, collection and customer services and such expenditure may be termed as Special A&G Expenditure. In addition to above, the "Normal A&G" expenditure is required for the functioning of the company. The broad categorisation above may also be presented as follows:

Table 2-21 : Categorisation of A&G Expenditure

Sr No	Head of Expenditure	Activities/Areas involved
1	Statutory A&G Expenses	Rents, Taxes, Insurance, Audit- Finance, Cost, Tax, Electricity Charges, Compensation towards accidents, Security for offices and its areas of operation.
2	Special	Spot Billing, Meter Reading, Collection, Disconnection Squad expenses, Arrear Recovery and Data Entry and Management Expenses
3	Normal	Travelling, Training, Legal Fees, Telephones, Printing, Vehicles and other Sundry Expenses

FY 2020-21

66. The expenditure incurred under this head for FY 2020-21 is as follows:

Table 2-22 : A&G Expenditure for FY 2020-21 (3 Months)

Sr No	Particulars	Actual (Rs Cr)
1	Normal A&G Expenditure	7.22
2	Statutory A&G Expenditure	1.99
3	Special A&G Expenditure	4.32
Total		13.53

67. The Hon'ble Commission is requested to approve of the above expenditure for FY 2020-21

FY 2021-22



68. As regards the A&G Expenditure for FY 2021-22, the Hon'ble Commission in its order in Case No 38 of 2021 has approved the following:

110. On the above submissions the Commission observes that the expenditure on the A&G is a controllable expense and as per the OERC Tariff Determination Regulation additional expenses are allowed in this head for specific measures towards reduction of AT&C losses and improving collection efficiency. We find that the proposals mainly relate to improving metering management and services and customer services which are vital elements in reducing AT&C losses. The TPSODL is a new operating company and we believe that they have planned out their activities diligently for improving the overall distribution business. At this stage we allow the additional A&G expenses of about sixty percent of the approved cost of Rs.45.13 crore in the ARR for FY 2021-22. The Commission now allows the total A&G expenses of Rs.72.20 crore for FY 2021-22. However, the petitioner is directed to produce the required justifications for such additional expenses under the head A&G expenses incurred in the truing up petition for FY 2021-22. The expenses under this head will accordingly be allowed after prudence check.

69. The Actual A&G Expenditure for FY 2021-22 for TPSODL was as follows:

Table 2-23 : A&G Expenditure for FY 2021-22

Sr No	Particulars	Approved (Rs Cr)	Actual (Rs Cr)
1	Normal A&G Expenditure		42.88
2	Statutory A&G Expenditure		18.08
3	Special A&G Expenditure		35.81
	Total	72.2	96.77



70. It is submitted that though the actual expenditure is higher than the approved amount, TPSODL has in the FY 2021-22 taken up several activities and initiatives for improving customer services, improving collection efficiency, reduction of provisional billing, improving the reach to consumers, opening avenues for registration of consumer complaints and handling of customer grievances which have finally culminated into improving over the AT&C loss target committed by TPSODL in their Vesting Order. The performance in terms of AT&C loss for FY 2021-22 for TPSODL was as follows:

Table 2-24 : AT&C Losses for FY 2021-22

Sr No	Particulars	Value
1	Commitment as per Vesting Order	35.29%
2	AT&C Loss achieved for FY 2021-22	32.51%

71. It is therefore submitted that A&G expenditure incurred by TPSODL has been gainfully spent and hence we request the Hon'ble Commission to kindly approve the Actual A&G Expenditure for FY 2021-22

2.11. Return on Equity

72. As per the Vesting Order, the Return on Equity would be available as follows:

58. Return on equity:

(a) As per the terms of the RFP, the Commission shall allow return on equity, as per the Tariff Regulations, to TPSODL on the equity capital of Rs. 200 crores (Indian Rupee Two hundred crores) only which was the reserve price of the utility of SOUTHCO.

(b) Return on equity shall be allowed on the reserve price of the utility as per para 58(a) above and also on the capital investments made by the TPSODL, as per the Tariff Regulations.

73. In addition, the Tariff Regulations 2014 provide for Return on Equity as follows:

Extracts 2-9 : Return on Equity as per Tariff Regulations 2014



Return on Equity :

- 7.51 Return on equity shall be computed in rupee terms, on the equity base determined in accordance with Regulations 7.33 to 7.48.
- 7.52 The Distribution Licensee shall be allowed a return on equity capital at the rate of 16 per cent per annum (post tax), in Indian Rupee terms, on the amount of equity capital determined in accordance with Regulations 7.33 to 7.48.
- 7.53 In case of foreign currency brought as capital, the Commission may consider a separate rate of return if foreign exchange variation is allowed as a pass through.
- 7.54 The tax only to the extent of the tax on return is provided as pass through.

74. On the basis of the above, TPSODL has worked out the Return on Equity (RoE) for the capitalization arising out of the Capex undertaken by TPSODL after Effective Date. For assets capitalised during the year, TPSODL has claimed half or 8% of the ROE on the Equity addition on such capitalisation. The RoE workings are as follows:

Table 2-25 : Return on Equity for FY 2020-21 (3 Months)

Sr No	Particulars	Units	Value
A	Equity		
1	Opening Equity	Rs Cr	200
2	Addition	Rs Cr	0.0
3	Closing Equity	Rs Cr	200.0
B	Return on Equity		
4	On Opening Equity @ 16%	Rs Cr	8.00
5	On addition (16%/2=8%)	Rs Cr	0
6	Total ROE	Rs Cr	8.0

Table 2-26 : Return on Equity for FY 2021-22

Sr No	Particulars	Units	FY 2020-21	FY 2021-22
A	Capitalisation for determination of Equity			
1	Capitalisation for the year	Rs Cr	0	121.566
2	Add Capitalisation due to Gridco Contribution in Kind	Rs Cr	0	23.546
3=1+2	Total Capitalisation for Debt and Equity	Rs Cr	0	145.11
B	Equity			
5	Opening Equity	Rs Cr	200	200.0
6=30%x 3	Addition	Rs Cr	0.0	43.53
7=5+6	Closing Equity	Rs Cr	200.0	243.5
C	Return on Equity			
8	On Opening Equity @ 16%	Rs Cr	8	32
9	On addition (16%/2=8%)	Rs Cr	0	3.48
10=8+9	Total ROE	Rs Cr	8	35.48

2.12. Income Tax

75. As per the Tariff Regulations 2014, the income tax would be allowed as follows

Extracts 2-10 : Income Tax as per Tariff Regulations 2014

Tax on Income :

- 7.63 Income tax of the Distribution Licensee shall be recovered from the beneficiaries. This will exclude income tax on other income streams (non-distribution business).
- 7.64 The actual assessment of income tax should take into account benefits of tax holiday, and the credit for carry forward losses applicable as per the provisions of the Income Tax Act, 1961 shall be passed on to the consumers.



76. TPSODL had commenced its operations on 1st January 2021 and has therefore paid Income Tax for two Financial Years (or two Assessment Years). It is submitted that TPSODL has earned its income from Distribution Business only and not from any other business. Accordingly, all the tax paid has been included in income tax computations. Hence for FY 2020-21 comprising 3 months, the Taxes paid are as follows:

Table 2-27 : Income Tax payment for FY 2020-21

Sr No	Head of Tax Paid	Amt (Rs Cr)
1	Advance Tax Paid	0.00
2	Tax Deducted at Source (TDS)	0.64
3	Tax Collected at Source (TCS)	0.11
4	Self Assessment Tax	4.18
5	Total Tax Paid	4.93

77. Similarly, TPSODL has paid Income Tax of Rs 20.80 Crores (net of refund) for FY 2021-22. The Details of the same comprising of TCS, TDS, Advance Tax and Self Assessment Tax for the FY 2021-22 is as follows:

Table 2-28 : Income Tax payment for FY 2021-22

TDS Deducted and TCS Collected in AY22-23:		Advance Tax	
TDS Deducted in AY22-23:		Challan No. & Date	Amount
Total TDS (Refer Sheet-Total TDS & TCS)	2.84	19806 (14-03-2022)	1.00
TOTAL TDS	2.84	20067 (14-03-2022)	1.00
		19644 (14-03-2022)	1.00
		29663 (14-03-2022)	1.00
TCS in AY22-23:			
Total TCS (Refer Sheet-Total TDS & TCS)	0.30	29762 (14-03-2022)	1.00
TOTAL TCS	0.30	29592 (14-03-2022)	1.00
		29721 (14-03-2022)	1.00
		11 Challans (30-05-2022)	11.0
TOTAL TDS AND TCS IN AY22-23	3.14	Total Advance Tax	18.00

78. TPSODL will furnish further details of payment of the above tax if the Hon'ble Commission directs to do the same

2.13. Non Tariff Income

79. As per the Tariff Regulations 2014, the following are included in the Non Tariff Income



Extracts 2-11: Elements of Non Tariff Income

7.60 The Distribution Licensee shall submit full details of its forecast of Non-Tariff Income to the Commission along with his application for determination of tariff. The indicative list of various heads to be considered for Non-Tariff Income shall be as under —

- (a) Income from rent of land or buildings;
- (b) Income from sale of scrap;
- (c) Income from statutory investments;
- (d) Interest on advances to suppliers/contractors;
- (e) Rental from staff quarters;
- (f) Income from hire charges from contactors and others;
- (g) Income from advertisements, etc.;
- (h) Meter/metering equipment/service line rentals;
- (i) Service charges;
- (j) Revenue from late payment surcharge;
- (k) Recovery for theft and pilferage of energy;
- (l) Miscellaneous receipts;
- (m) Prior period income

80. The Hon'ble Commission in the past tariff Orders, have not been considering a) Meter Rents b) Delayed Payment Charges and c) Power Factor Penalty in the computation of Non Tariff Income . Further, as per the Vesting Order, the treatment of Incentive on Past arrears is as follows

67. As per the RFP, the gains accruing to TPSODL on account of better performance in reducing AT&C loss upto FY 2030-31 and incentive on recovery of Past Arrears shall be allowed to be retained in full by TPSODL.....

81. Accordingly, a) Meter Rent, Delayed Payment Charges, Power Factor Penalty and b) Incentive on Arrear collection have been excluded from computations of the Non Tariff Income. In addition, the interest on Grants for Soubhagya has not been taken as this interest is required to be returned to the Government. Further, the amount written back to the extent of Rs 0.14 Crores pertaining to ASL has not been considered here and will be dealt with in determination of

ASL. Based on the same, the Non Tariff Income for computation of the ARR for FY 2020-21 (3 Months) and for FY 2021-22 is as follows:

Table 2-29 : Non Tariff Income for FY 2020-21 (3 Months)

Sr No	Particulars	As per Books	For Truing up
1	Sale Proceeds of Scraps	0.00	0.00
2	Rental for Meters,Service Lines and Capacitors	2.56	
3	Power Factor & Over Drawal Penalties	0.07	
4	Recoveries-Malpractices	0.10	0.10
5	Fuse Charges	0.01	0.01
6	Disconnection, Dismantle and Reconnection Fees	0.09	0.09
7	Meter Box Charges	0.04	0.04
8	Service Connection Fees	0.57	0.57
9	Other Miscellaneous Operating Income	0.11	0.11
10	Scrap-PS-Channels, Angles	0.00	0.00
11	Scrap-PS-Other Plant & Machinery	0.00	0.00
12	Scrap-O&M-Furniture & Fittings	0.00	0.00
13	Scrap-O&M-Civil Office Building	0.00	0.00
14	Interest-Other Loans & Advances-Staff	0.00	0.00
15	Interest on Investment-Fixed Deposits in Banks Etc	5.76	5.76
16	Interest earned on Grant-Soubhagya	0.00	0.00
17	Interest earned on Grant-BGJY-Soubhagya	0.00	0.00
18	DPS charged on Additional Security Deposit	0.00	0.00
19	Rental for Staff quarters	0.00	0.00
20	Excess on physical verification of Fixed Assets	0.00	0.00
21	Sale of Tender forms	0.07	0.07
22	Penalties Reovered from Contractors	0.00	0.00
23	Incentive Earned on Arrear Collection	9.08	
24	Meter Testing Fees	0.11	0.11
25	Other Miscellaneous Receipts	0.44	0.44
26	Delayed Payment Surcharges from Consumers	4.42	
27	Reliability Surcharges	0.03	0.03
28	Supervision & Inspection Charges	3.65	3.65
29	Cross Subsidy & Open Access Charges	0.61	0.61
30	Interest on Fixed Deposits & STDR in Banks	0.00	0.00
31	Application fees	0.00	0.00
32	Meter Testing Fees (Operating)	0.00	0.00
33	Repair of Lamps and other apparatus	0.00	0.00
34	Sundry Credit balances written back	0.00	0.00
35	Excess on physical verification of materials	0.00	0.00
34	Total	27.72	11.59

Table 2-30 : Non Tariff Income for FY 2021-22

Sr No	Particulars	As per Books	For Truing up
1	Sale Proceeds of Scraps	10.98	10.98
2	Rental for Meters,Service Lines and Capacitors	14.66	
3	Power Factor & Over Drawal Penalties	0.02	0.00
4	Recoveries-Malpractices	0.00	0.00
5	Fuse Charges	0.01	0.01
6	Disconnection, Dismantle and Reconnection Fees	0.25	0.25
7	Meter Box Charges	0.10	0.10
8	Service Connection Fees	7.25	7.25
9	Other Miscellaneous Operating Income	0.66	0.66
10	Scrap-PS-Channels, Angles	0.00	0.00
11	Scrap-PS-Other Plant & Machinery	-0.05	-0.05
12	Scrap-O&M-Furniture & Fittings	0.00	0.00
13	Scrap-O&M-Civil Office Building	0.00	0.00
14	Interest-Other Loans & Advances-Staff	0.00	0.00
15	Interest on Investment-Fixed Deposits in Banks Etc	12.82	12.82
16	Interest earned on Grant-Soubhagya	0.07	
17	Interest earned on Grant-BGJY-Soubhagya	0.04	
18	DPS charged on Additional Security Deposit	0.00	0.00
19	Rental for Staff quarters	0.01	0.01
20	Excess on physical verification of Fixed Assets	0.00	0.00
21	Sale of Tender forms	0.17	0.17
22	Penalties Reovered from Contractors	0.00	0.00
23	Incentive Earned on Arrear Collection	17.25	
24	Meter Testing Fees	0.36	0.36
25	Other Miscellaneous Receipts	1.42	1.42
26	Delayed Payment Surcharges from Consumers	8.51	
27	Reliability Surcharges	0.00	0.00
28	Supervision & Inspection Charges	7.11	7.11
29	Cross Subsidy & Open Access Charges	1.19	1.19
30	Interest on Fixed Deposits & STDR in Banks	0.02	0.02
31	Application fees	0.02	0.02
32	Meter Testing Fees (Operating)	0.00	0.00
33	Repair of Lamps and other apparatus	0.00	0.00
34	Sundry Credit balances written back	0.14	
35	Excess on physical verification of materials	0.18	0.18
34	Total	83.18	42.49

2.14. Efficiency Gains to due Improvement of Losses

82. The Hon'ble Commission has been considering a Distribution Loss of 25 % for the purpose of determination of ARR. Based on the same as explained in Paragraph 24 and Paragraph 26 of this petition, the gains on account of improved AT&C loss has been worked out for the two periods under consideration i.e 3 Month of FY 2020-21 and 12 Months of FY 2021-22. The efficiency gains have been worked out in the tables below:

Table 2-31 : Efficiency Gains for FY 2020-21 (3 Months)

Sr No	Particulars	Units	Value
1	Normative Power Purchase	Rs Cr	212.92
	Actual Power Purchase (prior to Discount)		
2a	Purchase from Gridco	Rs Cr	177.9
2b	Transmission Charges	Rs Cr	22.21
2c	SLDC Charges	Rs Cr	0.1545
2	Total Power Purchase Costs	Rs Cr	200.3
3	Efficiency Gain on account of AT&C loss Improvement	Rs Cr	12.64

Table 2-32 : Efficiency Gains for FY 2021-22 (12 Months)

Sr No	Particulars	Units	Value
1	Normative Power Purchase	Rs Cr	949.11
	Actual Power Purchase (prior to Discount)		
2a	Purchase from Gridco	Rs Cr	816.6
2b	Transmission Charges	Rs Cr	108.97
2c	SLDC Charges	Rs Cr	0.708
2	Total Power Purchase Costs	Rs Cr	926.3
3	Efficiency Gain on account of AT&C Loss Improvement	Rs Cr	22.78

2.15. ARR for 3 Months of FY 2020-21 and for FY 2021-22 and Gap working

83. Based on the above computations, the ARR for FY 2020-21 (3 Months) and FY 2021-22 and the resultant Gap for the two periods is presented in the table below:

Table 2-33 : ARR and Resultant Gap for 3 Months of FY 2020-21

Sr No	Particulars	Amount (Rs Cr)
1a	Power Purchase Costs (Including Transmission Cost and SLDC)	200.29
1b	Less Rebate on Power Purchase	-1.53
1	Net Power Purchase Costs	198.75
2	Interest on Long Term Debt and Other Finance Charges	0.09
3	Interest on Working Capital (Normative)	4.40
4	Interest on Consumer Security Deposit	3.15
5	Depreciation	6.89
6	O&M Expenditure -Employee Expenditure	91.12
7	O&M Expenditure -R&M Expenditure	1.282
8	O&M Expenditure - A&G Expenditure	13.528
9	Provision for Doubtful Debt	3.53
10	Income Tax	4.93
11	Return on Equity	8.00
12	Less Non Tariff Income	-11.59
13	Efficiency Gains on account of AT&C losses	12.64
14	Total ARR	336.72
15	Revenue Earned (Less prompt payment Discount]	353
16	Gap/(Surplus)	-16.59

Table 2-34 : ARR and Resultant Gap for FY 2021-22

Sr No	Particulars	Amount (Rs Cr)
1a	Power Purchase Costs (Including Transmission Cost and SLDC)	926.33
1b	Less Rebate on Power Purchase	-9.7500
1	Net Power Purchase Costs	916.58
2	Interest on Long Term Debt and Other Finance Charges	4.60
3	Interest on Working Capital (Normative)	19.67
4	Interest on Consumer Security Deposit	11.92
5	Depreciation	28.29
6	O&M Expenditure -Employee Expenditure	413.827
7	O&M Expenditure -R&M Expenditure	90.68
8	O&M Expenditure - A&G Expenditure	96.77
9	Provision for Doubtful Debt	16.55
10	Income Tax	20.80
11	Return on Equity	35.48
12	Less Non Tariff Income	-42.49
13	Efficiency Gains on account of AT&C losses	22.78
13	Total ARR	1635.4
14	Revenue Earned (Less prompt payment Discount	1640
15	Gap/(Surplus)	-4.47

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2.16. Carrying Cost

84. The Tariff Regulations 2014 permit recovery of the carrying cost for the Gap/Surplus. The extracts of the Tariff Regulations 2014 in this regard are as follows:

Extracts 2-12 : Carrying cost for Gap/(Surplus)

- 8.3 The Commission may create regulatory assets in case of the Distribution Licensee incurring losses on account of uncontrollable factors:**

Provided that the amortization schedule corresponding to the regulatory asset shall be prepared and put in effect along with creation of the regulatory asset:

Provided that the carrying cost of the regulatory asset shall be determined by Commission from time to time taking into account the State Bank Base Rate prevailing as on 1st January of the preceding year, for the period for which regulatory asset is proposed to be amortized.

85. Based on the above, the carrying cost is as give in the table below

Table 2-35 : Carrying Cost Working for Various years

Sr No	Pariculars	Units	FY 2020-21 (3 Months)	FY 2021-22	Total
1	Regulatory Gap/(Surplus)	Rs Cr	-16.59	-4.47	
2	Applicable Interest Rate	% p.a	8.45%	7.30%	
3	Carrying Cost period	Months	31.5	24	
4	Carrying cost	Rs Cr	-3.68	-0.65	-4.33

Note: The carrying cost period is based on the recovery from the middle of the relevant period to middle of FY 2023-24 as the same can be recovered earliest in FY 2023-24



3. Annexure1 : Actual Power Purchase by TPSODL in FY 2020-21 (3 Months) and FY 2021-22

Table 3-1 : Power Purchase Expenses by TPSODL in FY 2020-21 (3 Months)

Sr No	Month	Energy Drawn by TPSODL from Gridco (Mus)	Amt Billed by Gridco (Rs Cr)	Amt Billed by OPTCL for Transmission Charges (Rs Cr)
1	Jan-21	297	58.5	7.30
2	Feb-21	269	53.2	6.62
3	Mar-21	336	66.2	8.29
Total		902	177.9	22.2

Table 3-2 : Power Purchase Expenses by TPSODL from Gridco for FY 2021-22

Month	Bill No	Bill Date	Energy Billed (MU)	Amount Billed (Rs Cr)
Apr-21	GR/BS/21-22/030	06-05-2021	34.332	6.777
			307.679	63.689
	GR/BS/21-22/036	21-05-2021	0.114	0.022
			-0.113	-0.023
GR/BS/21-22/273		21-01-2022	0.521	0.103
			4.120	0.853
May-21	GR/BS/21-22/055	08-06-2021	338.315	70.031
	GR/BS/21-22/274	21-01-2022	4.626	0.958
Jun-21	GR/BS/21-22/077	05-07-2021	325.389	67.356
	GR/BS/21-22/275	21-01-2022	3.882	0.804
	GR/BS/21-22/315	01-02-2022	0.001	0.000
Jul-21	GR/BS/21-22/102	04-08-2021	336.916	69.742
	GR/BS/21-22/276	21-01-2022	4.224	0.874
Aug-21	GR/BS/21-22/129	04-Sep-21	348.157	72.068
	GR/BS/21-22/277	21-01-2022	4.150	0.859
Sep-21	GR/BS/21-22/155	05-Oct-21	328.344	67.967
	GR/BS/21-22/277	21-01-2022	4.478	0.927
Oct-21	GR/BS/21-22/187	5-Nov-21	353.166	73.105
	GR/BS/21-22/277	21-01-2022	4.405	0.912
Nov-21	GR/BS/21-22/221	7-Dec-21	300.931	62.293
	GR/BS/21-22/277	21-01-2022	-0.010	-0.002
Rev.17-18	GR/BS/21-22/247	1-Jan-22		0.001
Dec-21	GR/BS/21-22/251	5-Jan-22	288.536	59.727
Rev 20-21	GR/BS/21-22/281	21-Jan-22		0.882
Jan-22	GR/BS/21-22/321	7-Feb-22	294.697	61.002
Rev.18-19	GR/BS/21-22/334	22-Feb-22		0.092
Rev.19-20	GR/BS/21-22/338	24-Feb-22		0.108
Feb-22	GR/BS/21-22/366	7-Mar-22	287.425	59.497
Rev.20-21	GR/BS/21-22/375	16-Mar-22		0.001
Mar-22	GR/BS/22-23/007	5-Apr-22	367.255	76.022
Total			3941.538	816.647



Table 3-3 : Transmission Charges paid by TPSODL to OPTCL for FY 2021-22

Sl No	Month	Unit MU	Amt (Rs Cr)
1	April-21	337.2	9.34
2	May-21	333.6	9.34
3	Credit Bill		-0.00
4	June-21	321.4	9.00
5	July-21	333.2	9.33
6	Aug-21	344.1	9.63
7	Sept-21	324.8	9.09
8	Oct-21	348.8	9.77
9	Nov-21	297.3	8.32
10	Dec-21	285.0	7.98
11	Jan-22	290.7	8.14
12	Debit Bill		0.96
13	Feb-22	282.7	7.92
14	Mar-22	362.5	10.15
Total -FY 22		3861.2	108.972

4. Annexure 2- Asset wise Break up of Depreciation

Table 4-1 : Breakup of Depreciation for FY 2021-22 on Opening GFA (Rs Cr)

Sr No	Description	Amount (FY 2021-22) (Rs Cr)
1	Depreciation on Buildings	0.11
2	Depreciation on Plant & Machineries	35.09
3	Depreciation on Vehicles	0.19
4	Depreciation on Furnitures & Fixtures	0.03
5	Depreciation on Office Equipments	0.07
6	Depreciation on Plant and Equipment (IT Equipment's)	0.00
7	Depreciation on Softwares	0.00
8	Total	35.49
9	Less Depreciation on account of Consumer Funding	-12.34
10	Depreciation to be charged for computing the ARR	23.15

Table 4-2 : Breakup of Depreciation for FY 2021-22 on Assets added after 1st January 2021

c	Description	Amount (FY 2021-22) (Rs Cr)
1	Depreciation on Buildings	0.17
2	Depreciation on Plant & Machineries	2.40
3	Depreciation on Vehicles	0.00
4	Depreciation on Furnitures & Fixtures	0.09
5	Depreciation on Office Equipments	0.12
6	Depreciation on Plant and Equipment (IT Equipment's)	1.55
7	Depreciation on Softwares	0.80
8	Total	5.14