

April 14, 2006

To,  
The Secretary,  
MERC, Mumbai.

Sub: Preliminary data requirement regarding REL ARR for FY 06 and FY 07

Dear Madam,

Please find enclosed a preliminary list of additional data requirement and errors/discrepancies regarding REL ARR for FY06 and FY07.

We request the Commission to kindly direct the utility to submit the additional data/clarifications as soon as possible. We will submit additional data requirement, if any, during the technical validation session on April 17, 2006.

Thank you,

Sincerely,

Nikit Abhyankar,  
For, Prayas Energy Group

Cc:  
MD, REL

### **Preliminary list of additional data for REL ARR for FY06 and FY07**

1. Form 1 (F1) of tariff formats (ARR summary sheet) containing integrated data for the utility (addition of Generation, Transmission and Distribution) for FY05, FY06 and FY07.
2. Hourly total load on REL system and hourly unit-wise generation from DTSPS and purchase from TPC (for last 2 years i.e. FY 04-05 and FY 05-06 in soft, worksheet form)
3. Copy of fuel purchase agreements (imported / domestic / washed coal etc.) for DTSPS, including agreement / details of coal washing terms and charges for FY 04-05, 05-06 and 06-07
4. Capital asset details of the utility according to Schedule VI of Electricity (Supply) Act, 1948.
5. Accounting statements and Allocation statements as defined in clause 2.1 (a and c) of Tariff Regulations
6. Comparative statement of ARR for 05-06 as per the principles of MERC Tariff Order 04-05 and as per new Tariff Regulations. (This should include detailed working of capital base and reasonable return as per schedule VI of Electricity Supply Act, 1948)
7. Monthly Actual Maximum Demand on the REL system (in MVA or MW) for last 5 years.
8. Slab wise actual revenue at prevailing tariff (F12) for FY05. As tariff for REL was changed during July 2004, two separate sheets – one for the period between April 2004 through June 2004 and the other for July 2004 through March 2005 should be submitted.
9. A note on consumer complaints and CGRF, which should include the following:
  - a. Total number and type of consumer complaints received by the licensee
  - b. Number and type of complaints resolved at the Customer Care Center / internal grievance redressal mechanism and average time required to resolve complaints and number of complaints pending
  - c. Number and type of complaints received CGRF
  - d. Number and type of complaints resolved at CGRF and average time required to resolve one complaint and no. of complaints pending
  - e. Number of CGRF orders in favour of consumers and those in favour of the utility
  - f. Number of appeals to Ombudsman against CGRF order
10. Scheme wise details of CAPEX (requiring MERC in-principle clearance and otherwise) for FY05, FY06 and FY07 in the format specified in Annexure 1.
11. Details of all contracts in FY 05, FY 06 (such as EPC, consultancy etc) worth more than Rs 5 Cr with any subsidiary / associate company of REL. (as required under the Companies Act)

### **Discrepancies/Errors found in REL ARR for FY06 and FY07**

1. In the power purchase expenses for FY05, there is a discrepancy of about Rs 87 Cr. According to our calculations, total power purchase cost should be about Rs 917 Cr, whereas in Form F2 – FY06 it is shown as 1004 Cr.
2. Similarly, while estimating power purchase expense for FY06, there is a difference of about Rs 17 Cr. Apparently it is on account of using DTPS ex-bus generation for estimating power purchase from TPC.
3. While determining the RPO cost for years FY06 and FY07, REL uses two different methodologies for the two years. Same methodology should be used for both years.
4. Bad debts for FY 05 as approved by the Commission in its Tariff Order are only 5 Cr. However, REL's ARR for FY06 shows bad debts for FY05 as 20 Cr. Moreover, ARR for FY07 indicates bad debts for FY05 as Rs 22.29 Cr. pl. explain the rationale for difference
5. REL has clubbed the bad debt expenses in the A&G expenses. However, tariff formats clearly provide a separate table for submitting bad debts data. Therefore, bad debts should be submitted in the prescribed format (F6).
6. Non-Tariff income for FY05 as approved by the Commission in its Tariff Order is Rs 108 Cr. but it is shown as Rs. 40 Cr. in FY 06 ARR (page 46) Also, actual non-tariff income for FY05 as shown in ARRs for FY06 and 07 is only Rs 39 Cr (addition of non-tariff income for all three function). Please explain reasons for shortfall in non-tariff income compared to MERC projections.
7. While estimating working capital requirement for FY07 for retail supply business (F5 of ARR FY 07), there is double counting of two months equivalent of the expected revenue from sale of electricity (Rs 415 Cr). This inflates the interest on working capital for FY07 (and hence ARR) by Rs 42 Cr.
8. Reasons for declining trends in the plant performance parameters such as heat rate, Auxiliary consumption, secondary oil consumption etc despite using better quality coal since FY06 should be explained.
9. Reasons for declining Calorific Value of Coal at DTPS despite using washed and imported coal should be explained.
10. Methodology of calculation of REC (for DTPS) is different from that specified in the Tariff Regulations 35.1(a). Revised calculations based on tariff regulations should be submitted.
11. In F2.1 for the generation business, REL has calculated two kinds of generation costs – (i) its own generation cost and (ii) REC. However, coal and secondary oil costs considered for the two are different. While calculating REC, REL has used the same fuel costs as approved by MERC in its FY05 Tariff Order. Revised calculations considering prevailing fuel prices must be reworked.

**Annexure 1: Details of CAPEX schemes**

Sr No	CAPEX scheme	Proposal			MERC in-principle clearance					Present Status of the CAPEX Scheme									Other Remarks, if any
		Date of submission	Amount	Phasing of expenditure	Date of clearance	Amount	Phasing of expenditure	Details of physical assets to be created*	Remarks / Conditions, if any	FY 05 (Actual)			FY 06 (Actual)			FY 07 (Projected)			
										Expenditure in FY05	Capitalisation in FY05	Details of physical assets created *	Expenditure in FY06	Capitalisation in FY06	Details of physical assets created *	Expenditure in FY07	Capitalisation in FY07	Details of physical assets created *	

\* These details should indicate type, number and cost of the physical assets.  
 For example, for a CAPEX scheme of Distribution Upgradation, these details should include ckt km of new 11kV lines and their cost, number of new DTs and their cost, voltage wise switchgear equipments and their cost etc.