<u>ANNEXURE-V</u>

<u>PFI Comments/Suggestions: KESCO True Up Petition for FY 2023-24</u>

A. HIGHER DISTRIBUTION LOSSES

1) KESCO in True Up Petition for FY 2023-24, has claimed 9.60% distribution losses, however the approved distribution losses, as per Revamped Distribution Sector Scheme (RDSS), in Tariff Order dtd. 10/10/2024 were 7.95% for FY 2023-24. In this regard, 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%*
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."

2) As above, KESCO in the APR Order of FY 2023-24, dtd. 10/10/ submitted Distribution losses of 7.95% as agreed in the RDSS trajectory. This submission was made by DVVNL nearly after completion of FY 2023-24. However, KESCO in True-Up of FY 2023-24 KESCO have claimed actual losses of 9.60%.

3) Further, UPERC MYT Regulations 2019 stipulates that the Power Purchase requirement for the DISCOMs shall be allowed at the Distribution losses approved by the Commission. Relevant extracts of the UPERC MYT Regulations 2019 are as follows:

"43. Distribution loss

43.1 The power purchase requirement of the Distribution Licensee at the Transmission-Distribution interface point, shall be computed by grossing up the sales with the distribution losses approved by the Commission:

4) Accordingly, as per the Regulatory provisions and practice adopted by the Hon'ble Commission in past Tariff Orders, Power Purchase Quantum and Cost should be allowed as per the approved Distribution losses of 7.95%

5) In view of the above, PFI has reworked on power purchase quantum and cost after considering 7.95% loss, as follows:

Particulars	**Claimed by KESCO**	**Allowable as per Regulations & past Orders**
Retail Sales (MU)	3,877.51	3,877.51
Distribution Losses	9.60%	7.95%
Energy at Discom Periphery for Retail Sales (MU)	4289.28	4212.40
Intra-State Transmission Losses	3.22%	3.22%

Particulars	Claimed by KESCO	Allowable as per Regulations & past Orders
Energy Available at State periphery for Transmission (MU)	4,431.99	4,352.55
Energy Purchase from Stations connected to InSTS UPPTCL (MU)	2,909.53	2,909.53
Energy Purchase from Stations connected to ISTS PGCIL (MU)	1,522.46	1,443.02
Inter-State Transmission Loss	6.29%	6.29%
Net Energy Received from Stations connected to InSTS Periphery Ex-Bus (MU)	1,624.65	1,539.88
Power Purchase Required & Billed Energy (MU) (Ex-Bus)	4,534.18	4,449.41
Additional Quantum as per approved DL (MU)		84.78
APPC (Rs./kWh)	6.03	6.03
Additional Power Purchase Cost as per approved DL (Rs. Cr.)		**-51.12**

6) **As shown in the table above, KESCO has procured an additional quantum of 85 MU due to higher Distribution losses than approved. This translates to Rs. 51 Cr. which should not be passed on to the consumers and may be borne by Govt. of Uttar Pradesh in the form of Subsidy.**

B. OPTIMIZATION OF POWER PURCHASE COST

i. Late Payment Surcharge (LPSC)

7) 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."

8) 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;

9) **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. <u>Power Purchase through Merit Order Despatch</u>

10) As per the applicable UPERC Regulations, the power purchase requirement is to be considered by applying the Merit Order Dispatch (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.

11) 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."

12) However, PFI has analyzed that UPPCL has procured more power from costlier power plants corresponding to higher PLF than approved by Hon'ble Commission in Tariff Order dtd. 24/05/2023, especially the State Generating Stations and some Private Power Plants, 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

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.)
Total Variable Charges (Rs. Cr.)					**13,787**

13) From the above, it can be clearly seen that UPPCL has procured power from costlier Generating Stations, above 3.26 Rs./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.

14) 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.

15) 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

16) 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. PFI has considered same PLF for cheaper Plants as approved by Hon'ble Commission in Tariff Order dtd. 24/05/2023 and for costlier Plants PLF has been restricted to 55% or actuals, whichever is less.

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
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

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.)
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**

17) **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**.

18) **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 KESCO power purchase cost of Rs. 2,257 Cr. should be passed on to the consumers and the differential amount of Rs. 331 Cr. may be borne by GoUP through subsidy.**

C. OPERATIONS & MAINTENANCE (O&M) EXPENSES

19) PFI submits that KESCO in addition to claiming Employee expenses has also claimed Payment to Contractual Person of Rs. 6.31 Cr. and Expenses on Spot Billing Centre of Rs. 22.49 Cr. (Table 2-10 of the Petition). KESCO has submitted that it is striving to improve its performance and focusing 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.

20) 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."

21) 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.

22) **Therefore, PFI requests Hon'ble UPERC to allow the employee expenses pertaining to Contractual Employees and Expenses on Spot Billing Centre of Rs. 28.80 Cr. in True-Up of FY 2023-24.**

D. SMART METER EXPENSES

23) PFI submits that KESCO has claimed Smart Meter OPEX of Rs. 18.88 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.

24) 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."

25) **So, Hon'ble UPERC is requested to allow the Smart Metering expenses of Rs. 18.88 Cr. in the Trued-Up ARR of FY 2023-24 for KESCO which may be borne by Govt. of Uttar Pradesh in the form of Subsidy.**

E. WORKING CAPITAL REQUIREMENT

26) It has been observed by PFI that as per the Audited Accounts of KESCO, it has paid huge Interest on Working Capital (IoWC) loans of Rs. 259.07 Cr. (Table No.- 2-38 of the Petition) in FY 2023-24.

27) Further, from the Audited Accounts of KESCO it has been observed by PFI that Rs. 323.99 Cr. is outstanding as on 31/03/2024 that is to be paid by the U.P. Government to KESCO. Due to such huge outstanding, KESCO is dependent on working capital loans to run its operations resulting in the burden of interest thereof.

28) However, KESCO has claimed only Rs. 27 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. 25.73 Cr. for KESCO. 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: -

TABLE 6-205: INTEREST ON WORKING CAPITAL OF KESCO APPROVED BY THE COMMISSION FOR 2023-24 (Rs. Crore)

Particulars	Derivation	Petitioner's Submission	Approved
One Month's O&M Expenses	A	26.12	25.02
One and half month's equivalent of expected revenue	B	412.93	417.70
Maintenance spares @ 40% of R&M expenses for two months	C	6.70	6.10
Less: Security Deposit from consumers, if any	E	196.59	196.59
Net Working Capital Requirement	F =D-E	249.16	252.22
Interest rate (SBI MCLR (1 Year) on Oct 01, 2019 Plus 250 basis points)	G	10.65%	10.20%
Interest on working capital	**H = F x G**	**26.54**	**25.73**

29) 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:"

30) **In view of the above, PFI requests Hon'ble UPERC to consider amending the applicable Regulatory provisions and to allow actual interest on Working Capital for the DISCOMs of Rs. 1,622.52 Cr. considering the fact that there is huge difference in the approved interest on Working Capital in the T.O. dated 24/05/2023 and the actual interest on Working Capitalhuge outstanding subsidy to be paid by the Govt. Such interest on Working Capital is a prudent cost incurred by KESCO 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.**

F. IMPRUDENT BANK & FINANCE CHARGES

31) PFI submits that KESCO has claimed Bank & Finance Charges of Rs. 1.98 Cr. (Table 2-25 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.

32) 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."

33) **So, Hon'ble UPERC is requested to allow the Bank and Finance of Rs. 1.98 Cr. in the Trued-Up ARR of FY 2023-24 for KESCO which may be borne by Govt. of Uttar Pradesh in the form of Subsidy.**

G. LESSER NON- TARIFF INCOME (NTI)

34) PFI submits that KESCO has claimed Rs. 61.23 cr. as Non-Tariff Income (Table 2-34 of the Petition), which does not include the cost pertains to Provision Written Back of Rs. 20.60 Cr as per the audited account of FY 2023-24. PFI submits that provision written back shall be part of Any other Non-Tariff Income as per Regulation 47.2 of MYT Regulations, 2019.

35) In this regard, relevant extract of the MYT Regulations, 2019 is as follows:

47.2 The Non-Tariff Income shall include:

a) Income from rent of land or buildings;
b) Income from sale of scrap;
c) Income from investments;
d) Interest income on advances to suppliers/contractors;
e) Interest income on loans / advances to employees;
f) Income from rental from staff quarters;
g) Income from rental from contractors;
h) Income from hire charges from contactors and others;
i) Income from delayed payment surcharge, supervision charges, etc.;
j) Supervision charges for capital works;
k) Income from recovery against theft and/or pilferage of electricity;
l) Income from advertisements;
m) Income from sale of tender documents;
n) Excess found on physical verification;
o) Prior Period Income;
p) Miscellaneous receipts; and
q) Any other Non-Tariff Income:

Provided that the interest earned from investments made out of Return on Equity corresponding to the regulated Business of the Distribution Business shall not be included in Non-Tariff Income.

36) Based on the above, income from provision written back to be considered as part of NTI. Accordingly, PFI reworked on NTI based on the above methodology, as given below:

Particulars	Allowable as per Regulations & past Orders
Fixed Deposit / DP	43.35
Rents	0.10
Miscellaneous Receipts from consumers	11.68
Penalty from Contractors	2.10
Sale of Scrap	2.98
Sale of Tender Forms	0.26
Provision Written Back	20.60
Financing cost of DPS	0.00
Net NTI	**81.07**

37) **As above, NTI for KESCO for FY 2023-24 has been worked out as Rs. 81.07 Cr. against the claim of Rs. 61.23 Cr. Accordingly, basis on the judgement of Hon'ble APTEL, PFI requests the Hon'ble commission to consider Rs. 81.07 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.**

H. SUMMARY

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

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

Particulars	Claimed by DVVNL	To be allowed in True-Up 2023-24	To be considered in Subsidy by GoUP
Power Purchase Cost	2,587	2,205	382
For excess losses than target	*0*	*51*	*51*
Optimization through LPSC and MoD	*0*	*331*	*331*
Employee Expenses	199	199	0

Particulars	Claimed by DVVNL	To be allowed in True-Up 2023-24	To be considered in Subsidy by GoUP
Smart Metering OPEX	19	0	19
Interest on Working Capital	27	27	0
Bank & Finance Charges	2	0	2
Other Expenses	403	403	0
Less: Non-Tariff Income	61	81	20
Net Revenue Requirement	**3,176**	**2,754**	**423**
Less: Revenue from Tariff	**3,178**	**3,178**	**0**
(Gap)/Surplus	**1**	**1**	

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

A. DISTRIBUTION LOSSES TRAJECTORY NOT ALIGNED WITH ACTUALS

1) KESCO has claimed Distribution Losses (DL) for FY 2025-26 in an increasing trend which is not aligned with the objectives set under RDSS. KESCO in the ARR Petition for FY 2025-26 has projected Distribution losses of 7.69% (as per revised submissions), however, in Tariff Order dtd. 10/10/2024 in ARR of FY 2024-25, Hon'ble Commission approved Distribution losses of 7.19%, 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) KESCO has improved its rating from C- to B- over the past few years in Annual Integrated Rating & Ranking of Power Distribution Utilities Report by PFC. However, KESCO has projected DL for the Control period for FY 2025-26 to FY 2029-30 with

marginal improvement from 7.68% to 7.09% in a span of 6 years. Further, KESCO has also submitted AT&C loss trajectory for the Control period for FY 2025-26 to FY 2029-30 wherein it has claimed 10.37% AT&C loss for FY 2025-26 which **translates to 97.09% of Collection Efficiency and 92.32% of Billing Efficiency**. Relevant extract of KESCO 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 KESCO for FY 2024-25 are 92.85% and 92.32% respectively with AT&C loss level of 14.29%, as shown below, however, it is beyond logic that why KESCO has claimed/ proposed lower Collection Efficiency than the existing for the upcoming Control Period. Relevant extracts of Audited Accounts for KESCO for FY 2024-25 is as follows:

	FY 2024-25	FY 2023-24
Revenue Collected including subsidy received (O13 = A1 + A2 + A3 + E + O11 - O12)	3087.89	3415.82
Billing Efficiency (%) (O14 = O9/O8*100)	92.32	90.40
Collection Efficiency (%) (O15 = O13/O10*100)	92.85	107.49
Energy Realised (MU) (O15a = O15*O9)	3916.39	4168.07
AT&C Loss (%) (O16 = 100 - O14*O15/100)	14.29	9.60

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 KESCO is Rs. 1,692 Cr. and the awarded cost has been Rs. 1,179 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, KESCO 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 92.85% for FY 2024-25 and approved Distribution losses of 7.19% 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**
KESCO Claimed					
Billing Efficiency	92.32%	92.47%	92.62%	92.77%	92.91%
Collection Efficiency	97.09%	97.58%	98.07%	98.56%	99.05%
AT&C Loss	10.37%	9.77%	9.17%	8.57%	7.97%
Distribution Loss	7.68%	7.53%	7.38%	7.23%	7.09%
PFI Proposal					
Billing Efficiency	94.20%	95.62%	97.05%	98.51%	99.98%
Collection Efficiency	94.15%	95.47%	96.80%	98.16%	99.53%
AT&C Loss	11.31%	8.72%	6.05%	3.31%	0.48%
Distribution Loss	5.80%	4.38%	2.95%	1.49%	0.02%

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 KESCO 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 KESCO 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) KESCO in ARR for FY 2025-26, has claimed 7.68% distribution losses, however the Distribution losses as worked out by PFI for KESCO for FY 2025-26 in the above Section are 5.80%. Accordingly, Power Purchase Quantum and Cost have been computed as per the reworked Distribution losses of 5.80%, as follows:

Particulars	Claimed by KESCO	As per Regulatory principles
Retail Sales (MU)	4,522.34	4,522.34
Distribution Losses	7.19%	5.80%
Energy at Discom Periphery for Retail Sales (MU)	4872.69	4800.68
Intra-State Transmission Losses	3.18%	3.18%
Energy Available at State periphery for Transmission (MU)	5032.73	4958.35
Energy Purchase from Stations connected to InSTS UPPTCL (MU)	3,445.84	3,445.84
Energy Purchase from Stations connected to ISTS PGCIL (MU)	1,586.89	1,512.51
Inter-State Transmission Loss	3.83%	3.83%
Net Energy Received from Stations connected to InSTS Periphery Ex-Bus (MU)	1650.09	1572.75
Power Purchase Required & Billed Energy (MU) (Ex-Bus)	5,095.93	5,018.59

Particulars	Claimed by KESCO	As per Regulatory principles
Additional Quantum as per approved DL (MU)		77.34
APPC (Rs./kWh)	6.61	6.61
Additional Power Purchase Cost as per approved DL (Rs. Cr.)		**-51.12**

10) **As shown in the table above, KESCO has procured additional quantum of 525 MU due to higher Distribution losses that translate to Rs. 51.12 Cr. which may be borne by Govt. of Uttar Pradesh in the form of Subsidy.**

C. EMPLOYEE EXPENSES

11) PFI submits that KESCO has claimed Rs. 219.52 Cr. towards employee expenses in ARR for FY 2025-26, which is computed based on expenses claimed in True-Up that 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. 219.52 Cr. for FY 2025-26.**

D. RESOURCE ADEQUACY PLAN- NOT APPROVED BY UPERC

14) KESCO 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 KESCO 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 KESCO has shown the Planned Portfolio in Table: 4-8 of the Petition, however, KESCO 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) KESCO has claimed Smart Meter OPEX of Rs. 62.87 Cr. (Table 4-20 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. 62.87 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) 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) CEA in its Report for Resource Adequacy Plan[9] for the State of Uttar Pradesh for the period from FY 2024-25 to FY 2031-32 has identified that:

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

- 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 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 the 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 FY 2024-25 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 lakh by October 2025, reaching 40 lakhs by March 2026, and ultimately achieving the target of one

crore by March 2027[10]. 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 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)

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

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. 377 Cr. at existing Tariff for KESCO 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 KESCO to submit a report on the existing ToD time slabs along with the ARR/Tariff filing each year. KESCO in Table: 6-1 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 KESCO is as follows, Hon'ble UPERC is requested to kindly consider the same.

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

Particulars	Claimed by DISCOM	To be allowed in FY 2025-26	To be met through Subsidy by GoUP
Power Purchase Cost	3,220	3,169	51
For excess DL	*0*	*51*	*51*

Particulars	Claimed by DISCOM	To be allowed in FY 2025-26	To be met through Subsidy by GoUP
Employee Expenses	220	220	0
Smart Metering OPEX	62.87	0	63
Other Expenses	483	483	0
Net Revenue Requirement	**3,986**	**3,872**	**114**
Less: Revenue from Tariff	3,566	3,566	0
(Gap)/Surplus	**(419)**	**(419)**	

PRAYERS BEFORE HON'BLE UPERC FOR ARR OF FY 2025-26:-

1) **To consider the comments / suggestions of Power Foundation of India (PFI) on ARR of FY 2025-26 for UP DISCOMs.**

2) **To consider the Distribution loss levels for the upcoming Control period from FY 2025-26 to FY 2029-30 using the methodology worked out by PFI and accordingly derives the Power Purchase requirement of UP DISCOMs for FY 2025-26.**

3) **To have prudence check while approving Power Procurement Plan of UP DISCOMs for this Control Period.**

4) **To allow the proposed Employee expenses corresponding to contractual manpower and spot billing Centre for FY 2025-26**

5) **To allow any additional O&M expenses on account of Smart Meters OPEX through the form of subsidy to be borne by GoUP.**

6) **Differential as per Regulatory principles and as claimed by UP DISCOMs may not be passed on to the consumers rather it should be borne by Govt. of Uttar Pradesh through Subsidy**

7) **To consider the submission in ARR for FY 2025-26 as submitted by PFI.**

8) **To consider the additional submissions, if any, made by PFI for UP DISCOMs ARR for FY 2025-26.**