No. PFI/Prog/MERC/2025/15
Dated: 17th February 2025

To,

The Secretary
Maharashtra Electricity Regulatory Commission,
13th Floor, Centre No.1,
World Trade Centre, Cuffe Parade,
Mumbai-400 005

Subject: PFI Comments: MSEDCL True-up Petitions FY 2022-23 & FY 2023-24 and ARR & MYT Petition for FY 2025-26 to FY 2029-30

Reference: MSEDCL Public Notice dtd. 24/01/2025

Dear Sir,

Power Foundation of India (PFI) is a Policy Research and Advocacy entity and a registered society under the aegis of Ministry of Power, Government of India. PFI is supported by leading Central Power Sector Organizations to undertake evidence-based policy research and facilitate informed decision making by the Regulators, Ministry and concerned stakeholders. PFI is also committed to address challenges in Power Sector for the benefit of consumers, investors and ensuring sustainable development of the Sector.

With reference to the above-mentioned Public Notice, PFI has analyzed the Petition filed by MSEDCL (*Case No. 217 of 2024*) before Hon'ble MERC on True-Up of FY 2022-23 & FY 2023-24, Provisional True-Up of FY 2024-25 and MYT of FY 2025-26 to FY 2029-30. Our comments/ suggestions on the said Petition are enclosed herewith for your consideration as ***Annexure–I (True-Up) and Annexure-II (MYT)*** which have also been emailed to secretary@merc.gov.in. Further, as per the Public Notice PFI comments have also been uploaded on *"E-Public Consultation"* Tab on MERC Website.

Warm Regards,

Encl: Annexure – I

Copy to:

1. Hon'ble Chairperson, MERC (chairperson@merc.gov.in)
2. Hon'ble Member, MERC (anandmlimaye@merc.gov.in)
3. Hon'ble Member, MERC (sjbivani@merc.gov.in)
4. Director (Commercial), MSEDCL (directorcomm@mahadiscom.in)
Office of The Superintending Engineer, Tariff Regulatory Cell, 5th Floor, Prakashgad, Plot No. G-9, Bandra (East), Mumbai - 400 051

Yours Sincerely,

(Executive Director), PFI 17/2

ANNEXURE-I

**PFI Comments/Suggestions on MSEDCL Petition (Case No. 217 of 2024)
True-Up of FY 2022-23 & FY 2023-24**

A. EXCESS AGRICULTURE SALES AND IMPROPER ENERGY ACCOUNTING

1) MSEDCL in Table-3 of the True-up Petition of FY 2022-23 & FY 2023-24 has claimed 36,635 MU and 39,561 MU of Agricultural (Ag) Sales in relevant financial year. PFI notes that there is a significant deviation in Ag sales claimed by MSEDCL for FY 2022-23 and 2023-24 with respect to the sales approved in Tariff Order in Case No. 226 of 2022, as tabulated below:

Ag Sales (MU)	Approved	Claimed	Deviation	Deviation (%)
FY 2022-23	27167	36635	(9,468)	35%
FY 2023-24	28177	39561	(11,384)	40%

2) PFI notes that the reason for such major deviation is that MSEDCL has not considered the directions of Hon'ble Commission for Ag sale estimation provided in MYT Order in Case 322 of 2019, Case No. 84 of 2020 & Case No. 226 of 2022. MSEDCL has submitted that as per the approved methodology, estimated Ag Sale of unmetered consumers has considerably reduced affecting the overall distribution losses of MSEDCL and so, it has computed Ag Sales with some different methodology, summarized as follows:

a) MSEDCL has considered **9.10% Technical loss as against 18% approved** by Hon'ble MERC for FY 2022-23 and FY 2023-24.

b) Based on 9.10% loss levels, **MSEDCL has considered Ag Feeder Index as 1319** for FY 2022-23 as against 1189 considered by Hon'ble Commission based on 18% losses.

c) MSEDCL has submitted that in Sept 2023, it added 1168 additional feeders and considering the additional Feeders, **Ag Feeder Index for FY 2023-24 is 1518** (with 9.10% losses) as against 1286 considered by Hon'ble MERC with 18% losses.

3) PFI submits that above-mentioned submissions made by MSEDCL is misleading on account of following reasons:

a) **Loss levels at 9.10% :** MSEDCL has clearly mentioned that the technical loss calculations of MERC selected feeders are still in process and accurate calculation of technical losses of Ag Feeders is not yet done for which some technical data is required. So, the Abstract of Loss Calculations as submitted by MSECL in Table-6 of the Petition depicting that only 5% of the Feeders have loss levels above 18% is not reliable as the same is based on incomplete and inaccurate data as inferred from the submission of MSEDCL. Relevant extract of the Petition is as follows:

"2.4.10 In furtherance, as per the above directives of Hon. MERC regarding consideration of 18% loss for estimation of Feeder Ag index and thereby Ag sale estimation by applying the same index to all unmetered Ag consumers widespread across Division jurisdiction.

2.4.11 Due to this revised methodology, an estimated Ag sale of unmetered consumers has considerably reduced affecting the overall distribution losses of MSEDCL.

2.4.12 To estimate the distribution losses correctly, MSEDCL has initiated computation of technical losses with advanced software "CYME DIST" for these 502 feeders...

...

2.5.6.4 MSEDCL has planned to complete the technical loss calculations of MERC selected feeders. For accurate calculation of technical losses & energy losses index / percentage level of 11KV AG Feeders, following technical data is required / considered."

...

Table 6 Abstract of Loss calculations

Feeder Technical Losses	Below 3%	3% to 6%	6% to 8%	8% to 10%	10% to 12%	12% to 15%	15% to 18%	Above 18%	Grand Total
Count of feeders	33	159	108	57	72	49	30	27	535
%	6.2%	29.7%	20.2%	10.7%	13.5%	9.2%	5.6%	5.0%	100%

b) **Ag Feeder Index for FY 2022-23 :** MSEDCL has considered Ag Feeder Index as 1319 for FY 2022-23 based on 9.10% losses as against 1189 considered by Hon'ble Commission based on 18% losses. However, based on the above submission of PFI, 9.10% of losses as claimed by MSEDCL cannot be relied upon as the data is incomplete and inaccurate. **So, PFI requests Hon'ble Commission**

to consider Ag Feeder Index based on 18% losses as approved in earlier Orders and accordingly consider 1189 as Ag Feeder Index for FY 2022-23.

c) **Ag Feeder Index for FY 2023-24 :** MSEDCL has submitted that in Sept 2023, it added 1168 additional feeders and considering the additional Feeders, **Ag Feeder Index for FY 2023-24 is 1518** (with 9.10% losses) as against 1286 considered by Hon'ble MERC with 18% losses. However, PFI submits that additional Feeders as claimed by MSEDCL have been added from September 2023 (H2 of FY 2023-24) for which the data is not received in complete sense yet. Furthermore, MSEDCL has submitted that Technical loss computations have not been completed even for MERC approved Feeders, so there is no sense to consider additional Feeders. Hon'ble Commission in *MTR Order Case No. 226 of 2022* had categorically directed MSEDCL that merely increasing sample size of feeders without ensuring appropriate steps for verification, validation, mapping of DTC, indexing of consumers and updation of records of the connected load of such consumers connected on the feeder in the register aligned with ground reality upon field survey, will not be proper. **So, PFI requests Hon'ble Commission to consider Ag Feeder Index based on 18% losses as approved in earlier Orders and accordingly consider 1286 as Ag Feeder Index for FY 2023-24**.

4) PFI submits that this is a serious non-compliance of Hon'ble MERC's directions and methodology adopted in past Orders. MSEDCL should have considered the approved norms (Ag Sales Index) while computing the Ag Sales for FY 2022-23 and FY 2023-24. PFI submits that Hon'ble MERC in *MYT Order in Case No. 322 of 2019*, has categorically dealt with the process/methodology for selection of feeders for AG Index methodology and directed that any deviation from the same is not appropriate. The same has also been reiterated by Hon'ble Commission in *MTR Order Case No. 226 of 2022*, relevant extract of which are as follows:

"3.2.17 Under MYT Order in Case 322 of 2019 in Para 4.2.20 to Para 4.2.26, the Commission has extensively deliberated on the need for Feeder Input based estimation of AG Sales, the methodology and meticulous process to be followed for selection of feeders and care to be taken for implementation of such Feeder input-based AG estimation. ***Merely increasing sample size of feeders without ensuring appropriate steps for verification, validation, mapping of***

DTC, indexing of consumers and updation of records of the connected load of such consumers connected on the feeder in the register aligned with ground reality upon field survey, will not be proper.

...

3.2.19 Thus, considering the directives of the Commission in MYT Order and subsequent clarifications in the Order in Review Petition, MSEDCL, was required to undertake the AG sales estimation for MTR Petition based on the methodology specified by the Commission in MYT Order based on recommendations of AGWG. ***However, the Commission notes that, MSEDCL has not considered the methodology specified by the Commission in MYT Order for estimation of Ag sales.***

3.2.20 The Commission observes that the process/methodology for selection of feeders for AG Index methodology has been amply elaborated with associated conditions under MYT Order in Case 322 of 2019 and any deviation from the same is not appropriate*. ... The Commission observes that these 502 feeders were so selected upon extensive exercise of field survey, mapping of DTs and AG consumers and connected load thereon based on rigorous stratified random sample-based feeder selection approach. Any addition to the sample feeders will have to strictly follow all the steps outlined under MYT Order in Case 322 of 2019 and part substitution/ replacement of such identified 502 feeders without valid reasons/justification is not envisaged. ...*

3.2.21 Further, the Commission also notes that while MSEDCL has filed Appeal before the Hon'ble APTEL against the methodology of Ag sales estimation as approved by the Commission in its MYT Order in Case No. 322 of 2019, there is no stay order or any relief granted for operation of such Feeder based AG Index methodology by the Hon'ble APTEL *on the relevant provisions of the MYT Order or the subsequent order on the review petition filed by MSEDCL. In the absence of stay from the Hon'ble APTEL, MSEDCL is expected to implement the directives of the Commission judiciously and in letter and spirit.*

...

3.2.29 ...Hence, the Commission is not inclined to consider this additional submission and is of the considered view to consider the feeder input based AG Index as approved under its MYT Order in Case 322 of 2019 for estimation of AG sales in present MTR purpose as well. ...

3.2.30 ***In view of the above, the Commission has disallowed the claim of MSEDCL regarding increase in AG sales and has approved the AG sales based on AG Index and methodology in line with the MYT order in Case No.322 of 2019 dated 30 March 2020.****"*

5) As above, Hon'ble MERC has categorically mentioned that any deviation from the process/methodology defined/approved by the Commission for selection of feeders for Ag Index methodology is not appropriate and the Commission has disallowed the claim of MSEDCL regarding increase in AG sales for True-Up of FY 2019-20 and approved the AG sales based on AG Index and methodology in line with the MYT order in Case No.322 of 2019 dated 30/03/2020.

6) It is also pertinent to note that although MSEDCL has filed Appeal before the Hon'ble APTEL against the methodology of Ag sales estimation as approved by the Hon'ble MERC in MYT Order in Case No. 322 of 2019, there is **No Stay Order** or any relief granted for operation of such Feeder based Ag Index methodology by the Hon'ble APTEL on the relevant provisions of the MYT Order or the subsequent order on the review petition filed by MSEDCL. So, there is no basis or logic to deviate from the methodology of Ag sales estimation as approved by Hon'ble MERC.

7) PFI notes that, following the aforementioned methodology, Hon'ble MERC prudently determined the Ag Sales in the earlier True-Up Orders, latest one being True-Up of FY 2021-22 wherein the Commission approved 26,775 MU of Ag Sales as against 35,543 MU claimed by MSEDCL *(75% of the claimed)* and disallowed 8768 MU as claimed by MSEDCL.

8) Therefore, in line with Hon'ble MERC methodology, PFI has computed Ag Sales for FY 2022-23 and FY 2023-24 using the approved Ag consumption norm of 1181 units/HP/annum for FY 2022-23 and 1286 units/HP/annum for FY 2023-24, as tabulated below:

Particulars	FY 2022-23	FY 2023-24
Ag Consumption Norm (Units/HP/year)	1189	1286
Load (HP)	23,464,359	24,065,764
Sales worked out by PFI (MU)	27,899	30,949
Ag Sales Claimed by MSEDCL (MU)	36,635	39,561
Disallowance in Ag Sales proposed by PFI (MU)	8,736	8,612
Ag Sales worked out by PFI as % of claimed	**76%**	**78%**

9) **Based on above, PFI submits before Hon'ble MERC to allow only 27,899 MU and 30,949 MU in True-Up of FY 2022-23 and FY 2023-24 respectively as against 36,635 MU and 39,561 MU as claimed by MSEDCL.**

10) Further, PFI has also noted that MSEDCL has claimed an increased no. of unmetered connections for FY 2022-23 (16,41,165) and FY 2023-24 (17,22,080) from FY 2021-22 (15,60,524). PFI submits that this is again a serious non-compliance of **MoP *Electricity (Rights of Consumers) Rules, 2020* dtd. 31/12/2020 which states that no connection shall be given without a meter and such meter shall be the smart prepayment meter or pre-payment meter. Relevant extract of the said Rules is as follows:**

*"**5. Metering –** (1) No connection shall be given without a meter and such meter shall be the smart prepayment meter or pre-payment meter. Any exception to the smart meter or prepayment meter shall have to be duly approved by the Commission. The Commission, while doing so, shall record proper justification for allowing the deviation from installation of the smart pre-payment meter or prepayment meter."*

11) Further, PFI notes that proposing new unmetered connections is also a non-compliance of Hon'ble Commission's directions as the Commission in Case No. 226 of 2022 dtd. 31/03/2023 strictly directed the DISCOM that no new unmetered connection shall be released to consumers including Ag consumers. In this regard, relevant extract of the Tariff Order dtd. 31/03/2023 is as follows:

"3.2.31 Further, the Commission has observed that MSEDCL has claimed an increased no. of unmetered connections for FY 2020-21 (75,14,426) and FY 2021-22 (79,03,903) from FY 2019-20 (73,67,595) which is strictly not acceptable. The Commission in past vide MYT Order of 3rd Control period in Case No. 19 of 2012 had directed MSEDCL to reduce unmetered AG connections and convert these connections to metered Ag connections. Further, strictly no new unmetered connection shall be released to consumers including Ag consumers. MSEDCL was expected to follow the directions of the Commission in letter and spirit. Accordingly, the Commission is of the view that, releasing unmetered connections instead of converting unmetered to metered connection, is non-compliance of the Commission's directions. The Commission expresses its displeasure for non-compliance by MSEDCL on the directions of the Commission and directs MSEDCL to initiate the internal enquiry on the issue of releasing the

un-metered Ag connections during FY 2020-21 and FY 2021-22 and submit the Zone-wise compliance report to the Commission within six months from the date of this Order.

3.2.32 In view of the above, the Commission has disallowed the claim of MSEDCL regarding increase in AG sales and has approved the AG sales based on AG Index and methodology in line with the MYT order in Case No. 322 of 2019 dated 30 March 2020"

12) In view of above, PFI requests Hon'ble Commission to **take stern measures against MSEDCL for non- compliance of such repeated Directions of Hon'ble Commission and initiate proceedings in terms of the provisions stipulated under Section 142 of the Electricity Act, 2003.** Based on the Ag Sales as worked out by PFI, Total Sales for FY 2022-23 and FY 2023-24 as per PFI working are as follows:

Energy Sales (inc. D.F.)	FY 2022-23		FY 2023-24	
	Claimed*	PFI working	Claimed	PFI working
LT Ag Sales	36635	27899	39561	30949
LT Sales other than Ag Sales	44915	44915	48022	48022
HT Sales exc. EHV level sales	31136	31136	32795	32795
EHV Sales	12780	12780	13612	13612
Total Sales	**1,25,466**	**1,16,730**	**1,33,990**	**1,25,378**

**Claimed Sales for FY 2022-23 are taken from Energy Balance, Table-13 of the Petition*

13) Based on the above worked out Sales, Distribution losses and sharing of efficiency Gains/(losses) on over/under achievement of Distribution losses are worked out by PFI in the subsequent Sections.

14) **PFI submits that due to lack in transparency of information submitted by MSEDCL, Proper Energy Accounting and Actual Distribution losses cannot be ascertained. Thus, the inefficiencies of MSEDCL are borne by honest metered consumers even though Tariff is Fixed at Normative Distribution Loss Level.**

15) **Unmetered connections, Defective meters lead to improper Energy Accounting resulting to Loss in Revenue and Scheduling Costly Power which increase the Revenue Gap during True-up that is socialized to consumers at large in the ARR by Hon'ble Commission even though Tariff is fixed at Normative Distribution Loss Level as claimed by DISCOM. Distribution Loss, Metering, Billing and Collection are controllable events in the hands of DISCOMs so true-up should not be allowed for masked inefficiencies.**

B. HIGHER DISTRIBUTION LOSSES AND POOR PERFORMANCE

16) In the True-up of FY 2023-24, MSEDCL has claimed 16.49% and 17.95% of Distribution losses as against target of 14.00% and 13.00% approved by Hon'ble Commission for FY 2022-23 and FY 2023-24 respectively.

17) **It is strange to note that Distribution losses claimed by MSEDCL for FY 2023-24 are higher than that claimed in FY 2022-23. Normally, any utilities including DISCOMs perform better on yearly basis but MSEDCL is taking its performance trajectory downwards in future years which is noted from the fact that MSEDCL has claimed higher Distribution Loss in FY 2023-24 (17.95%) as compared to FY 2022-23 (16.49%).**

18) PFI notes that MSEDCL is a loss-making utility, and its performance is deteriorating year on year. As per last few years Power Finance Corporation reports for ***Integrated Rating Report of DISCOMs***, MSEDCL has been ranked nearly at bottom position, as follows:

A) <u>PFC 12th Annual Integrated Rating & Ranking: Power Distribution Utilities (FY 2022-23) – MSEDCL RANK 47 out of 53</u>

- Adjusted Quick Ratio is low at 0.44 in FY23.
- Trade Payables to Genco & TransCos are also high (~24k Cr in FY23) with Days Payable at 113 days v/s LPS norm of 45 days.
- Days Receivable remain very high at 202 days (50,000 Cr) in FY23. Need to liquidate aged and old receivable. Billing Efficiency is low at 84.9% in FY23 – Need to considerably improve.

B) PFC 11th Annual Integrated Rating & Ranking: Power Distribution Utilities (FY 2021-22) <u>– MSEDCL RANK 30 out of 51</u>

- Days Payable high – currently at 177 days as compared to LPS norm of 45 days
- Days Receivable high – currently at 202 days (for max. score, expected less than or equal to 60 days)
- Government dues high – currently 22% of total amount billed to Government in the past 3 years is due

C) **PFC 10th Annual Integrated Rating & Ranking: Power Distribution Utilities (FY 2020-21) – MSEDCL RANK 41 out of 52**

- Days Payable high – currently at 171 days as compared to LPS norm of 45 days
- Days Receivable high – currently at 231 days (for max. score, expected less than or equal to 60 days)
- Government dues high – currently 22% of total amount billed to Government in the past 3 years is due

19) Further, PFI notes from the above-mentioned reports that operational and financial parameters of MSEDCL are deteriorating year on year as follows:

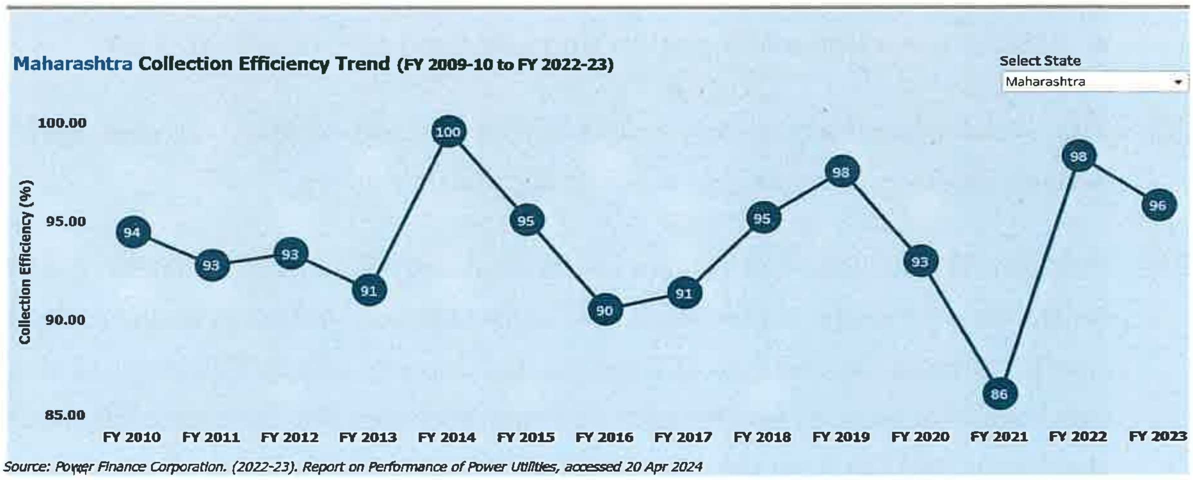
a) AT&C Loss has **INCREASED** from 16.8% in FY 2021-22 to 19% in FY 2022-23
b) ACS-ARR Gap (on Cash basis) has **INCREASED** from 0.17 Rs/kWh in FY 2021-22 to 1.56 Rs/kWh in FY 2022-23
c) MSEDCL is a loss-making utility and was rated as 'C' in FY 2022-23

20) The above parameters clearly reflect the Score-card of MSEDCL and their non-serious efforts in becoming an efficient distribution utility.

21) Further, PFI has compiled various operational and financial parameters of MSEDCL for the past 14 years. It has been observed by PFI that MSEDCL is one of the major non-performing Distribution Utilities in the country. Billing Efficiency of MSEDCL has been around 85% for the past 12 years and even the Collection Efficiency has been poor. MSEDCL is the biggest DISCOM in India in terms of consumer base claiming ARR of Rs. 1,23,703 Cr. for FY 2023-24 which is more than the combined ARR of Delhi, Punjab & Madhya Pradesh. However, despite financial and operational support MSEDCL has not been able to improve its performance. **Given below are some key parameters depicting the poor performance of MSEDCL.**

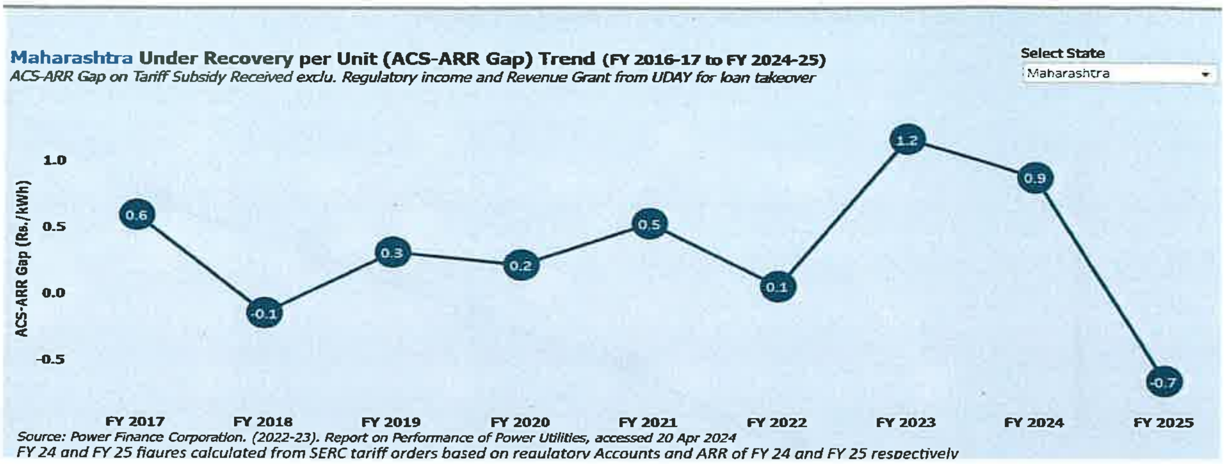
a) Billing Efficiency has been around 85% for the past 12 years

b) Wide variations in Collection Efficiency due to Arrears Realization of under-collection efficiency of past years

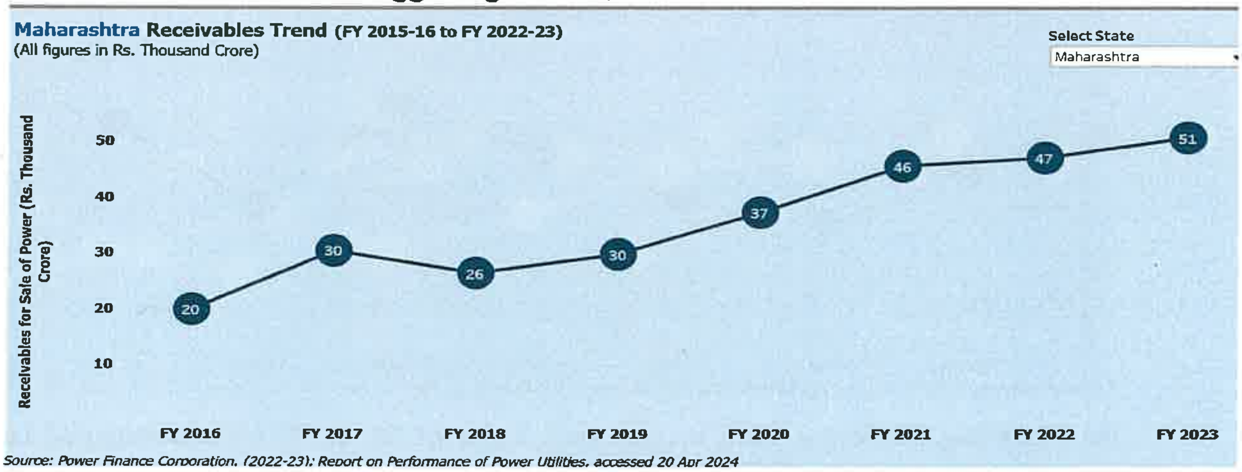


c) Increasing AT&C Losses

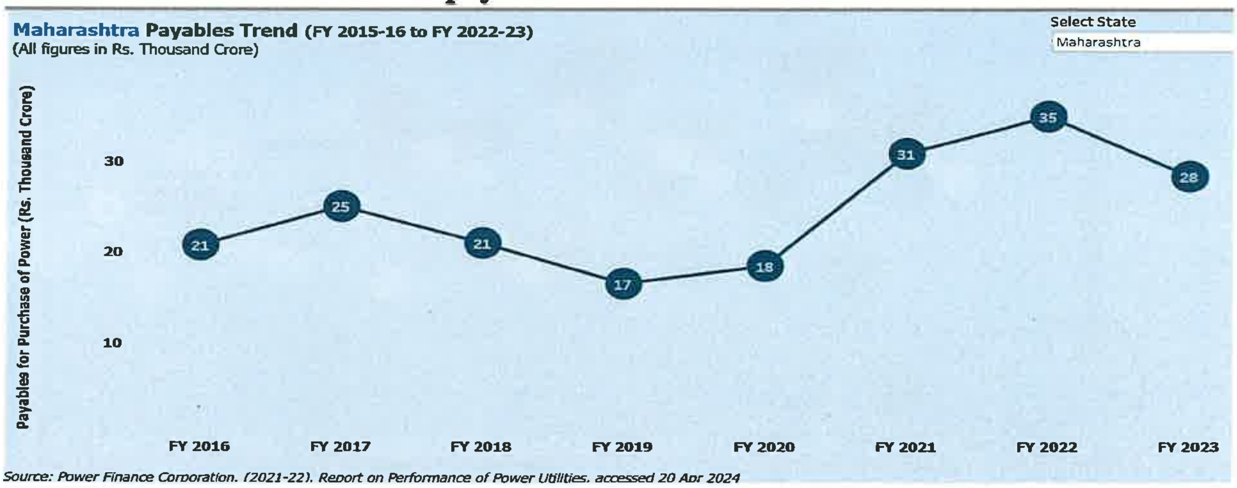
d) Increasing ACS-ARR Gap



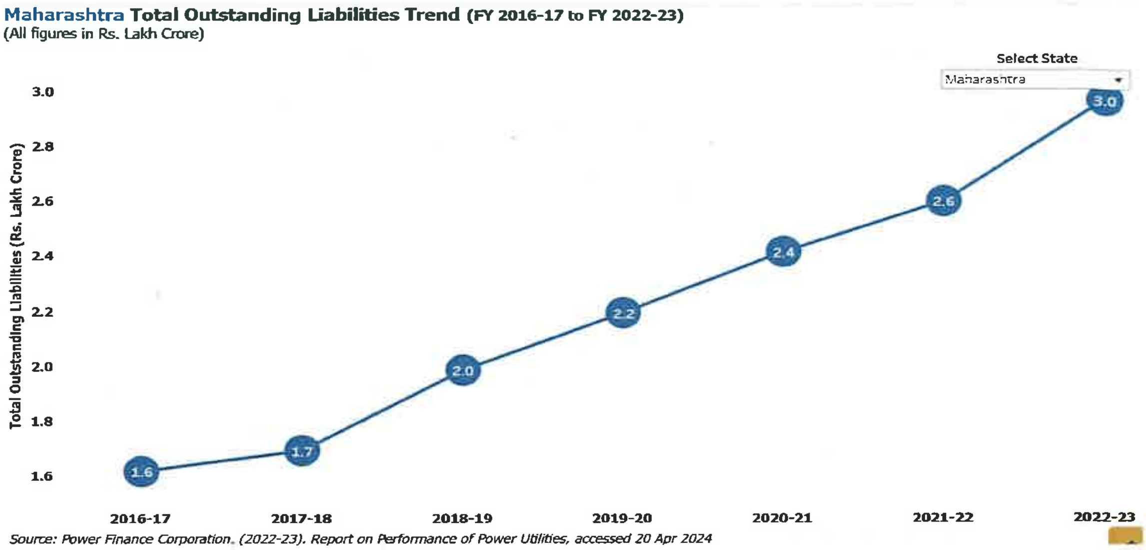
e) Receivables have been increasing consistently and have gone from Rs. 20,000 Cr. in FY 2015-16 to a staggering Rs. 51,000 Cr. in FY 2022-23

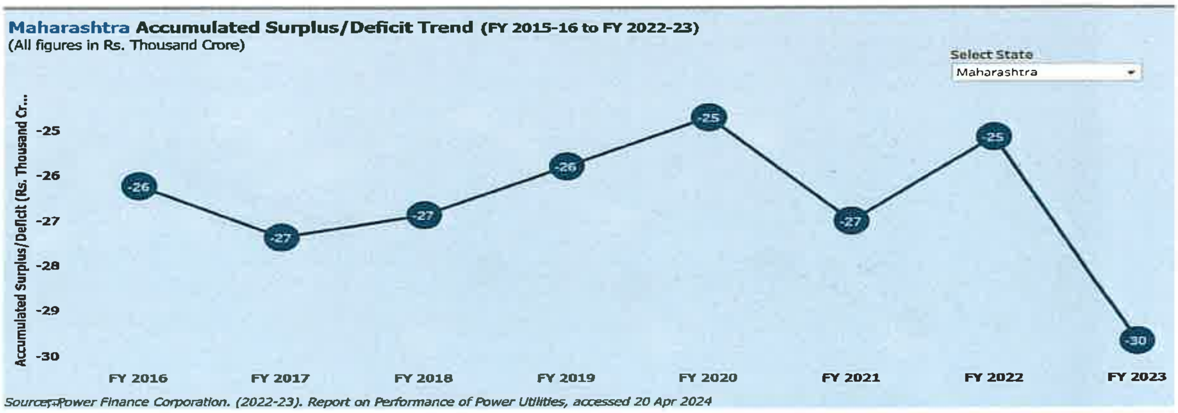


f) Payables for MSEDCL are very high and as per to PFC 12th Integrated Report, MSEDCL accounts for 10% of payables for the whole sector

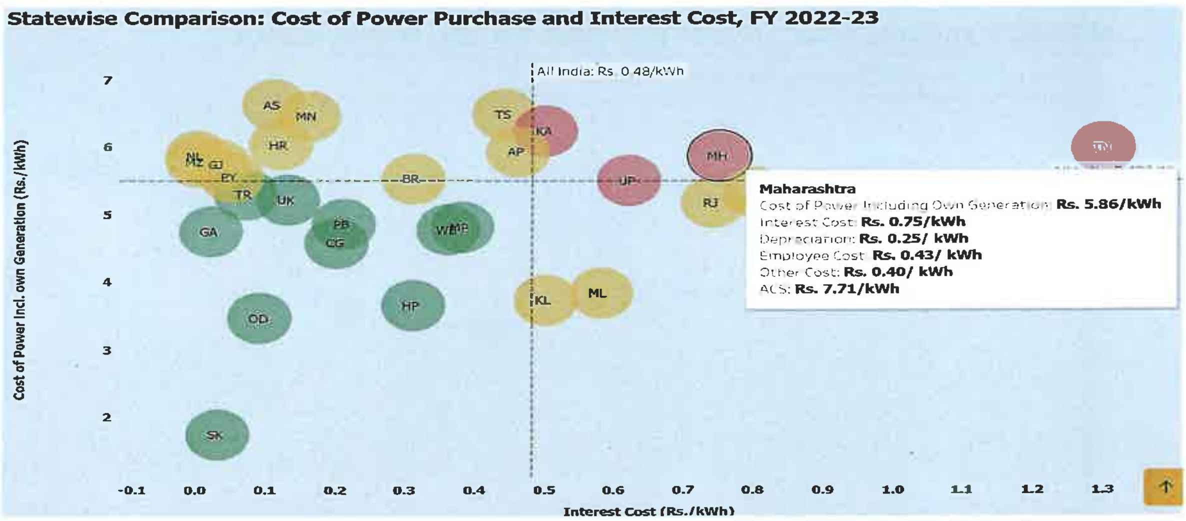


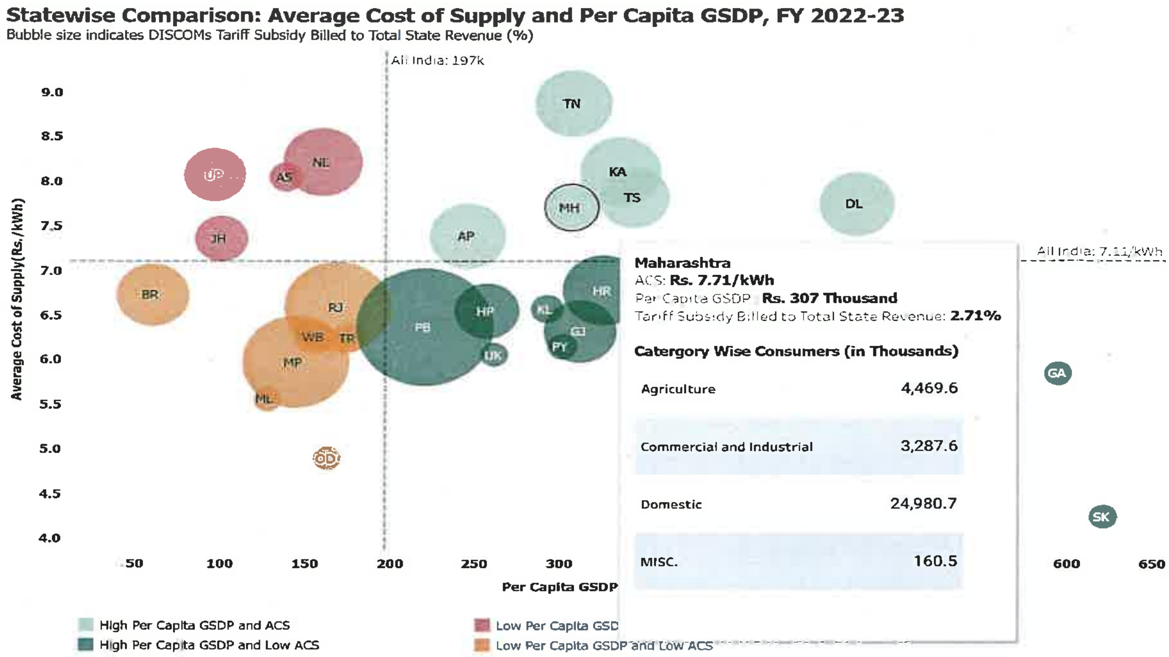
g) Increasing outstanding Liabilities and accumulated Deficit of MSEDCL





h) Very high Interest cost on per unit basis of Rs. 0.75/kWh compared to the national average of Rs. 0.48/kWh





22) Despite huge financial assistance under RDSS and other Govt. schemes, MSEDCL is not able to improve their operations and are struggling with their inefficiencies. **MSEDCL has not put in effort to meter at least 100% Distribution Transformers and have again proposed huge unmetered Agriculture connections in FY 2022-23 and FY 2023-24. As per the Report by CEA, as on 31/03/2024, 68.12% of the total Urban DT and only 24.46% of the total Rural DTs are metered by MSEDCL.**

23) PFI notes that one of the reasons which MSEDCL could use to hide its consistent inefficient performance is unmetered Agricultural consumers / DTs. In this regard, PFI has compiled the Ranks of other major Agricultural States and even GDP wise lesser States as compared to the State of Maharashtra and notes that Distribution utilities of the States of Bihar and Haryana have shown tremendous improvement in past few years whereas MSEDCL has shown negative trend in its operational and financial performance over last few years. Even DISCOMs of other major Agricultural driven States like Punjab, Madhya Pradesh and Andhra Pradesh are performing far better than MSEDCL. The comparative table for ready reference of Hon'ble Commission is as follows:

DISCOM	Parameter	10th Integrated Report (FY 2020-21)	11th Integrated Report (FY 2021-22)	12th Integrated Report (FY 2022-23)
MP West	Rank	24	27	15
	AT&C Losses (%)	30.30%	11.60%	12.60%
Punjab	Rank	16	11	20
	AT&C Losses (%)	18.50%	11.70%	11.30%
Andhra Pradesh East	Rank	50	22	16
	AT&C Losses (%)	20.90%	7.80%	5.90%
Andhra Pradesh South	Rank	51	40	28
	AT&C Losses (%)	38.70%	13.60%	8.10%
Andhra Pradesh Central	Rank	NA	35	31
	AT&C Losses (%)	NA	10.00%	11.50%
Bihar North	Rank	34	44	37
	AT&C Losses (%)	27.80%	27.60%	21.30%
Bihar South	Rank	39	45	38
	AT&C Losses (%)	37.60%	35.20%	28.00%
Haryana (UHBVNL)	Rank	14	10	11
	AT&C Losses (%)	17.20%	14.40%	10.30%
Haryana (DHBVNL)	Rank	12	9	12
	AT&C Losses (%)	16.90%	13.60%	13.20%
MSEDCL	**Rank**	41	**30**	**47**
	AT&C Losses (%)	27.20%	**16.80%**	**19.00%**

24) As above, MSEDCL has been given ample time and support to improve its operational efficiency, however, it has failed to do so. In such a scenario, Distribution losses of the MSEDCL cannot be ascertained accurately and proper Energy Accounting cannot be done. **PFI requests Hon'ble MERC to take stern suitable measures in terms of the provisions stipulated under Section 142 of the Electricity Act, 2003 for non-compliance of repeated Directions by MSEDCL.**

25) PFI submits before Hon'ble Commission that despite investment in CAPEX schemes for loss reduction and network strengthening, MSEDCL has not been able to improve its Distribution over the past few years and has claimed the same loss levels, i.e., ~ 17%. Furthermore, it has been observed by PFI that the Trued-Up loss levels of MSEDCL are much higher than they claimed and follow an increasing trend as shown in the Table below:

Particulars	**FY 2019-20**	**FY 2020-21**	**FY 2021-22**	**FY 2022-23**	**FY 2023-24**
Approved	18.26%	18.00%	16.00%	14.00%	13.00%
Claimed	17.09%	16.91%	16.57%	**16.49%**	**17.95%**
True-Up	21.26%	22.72%	23.54%	*Not done*	*Not done*

26) **PFI submits before Hon'ble Commission to take strict action against the poor performance and inefficiencies of MSEDCL which has continued to operate at high Distribution loss levels and the honest consumers are bearing the brunt of such poor operational efficiencies of DISCOM.** PFI notes that despite such consistent higher loss levels and inefficient operations, MSEDCL has claimed Return on Equity (RoE) for FY 2022-23 and FY 2023-24 and additional RoE for FY 2023-24 on their operations.

27) It is pertinent to note that Hon'ble Haryana Electricity Regulatory Commission (HERC) in Tariff Order for FY 2014-15[1] did not allow any Return on Equity to Haryana DISCOMs on account of inefficiencies on the part of DISCOMs and not meeting the approved Distribution loss Target. The relevant extract of HERC Tariff Order is as follows:

" Return on Equity (ROE):

... Additionally, the Commission has also taken note of that the Discoms failed to achieve the distribution loss reduction trajectory set by the Commission and on the contrary re-stated the loss – levels on one plea or the other including sales, so far, attributed to discovery of 'ghost consumers' i.e. consumers who exists only on the books of the Discoms. In these circumstances, the Commission does not consider it appropriate to allow any return on equity in the FY 2014-15, to the distribution licensees and reiterates that the distribution / AT&C loss trajectory as per the FRP which has in principle approval of the Commission shall not be re-visited."

28) Despite huge financial assistance under RDSS and other Govt. schemes MSEDCL is not able to improve their Distribution losses and operations and are struggling with inefficiencies which are loaded on to the benign consumers. **Thus, PFI requests Hon'ble Commission to not allow RoE or any additional RoE of Rs. 2,147.95 Cr and Rs. 2,262.70 as claimed for FY 2022-23 and FY 2023-24 respectively.**

29) Further, PFI based on the worked-out Sales, as above, has computed Distribution losses of MSEDCL, as per the methodology approved by Hon'ble Commission in Case No. 226 of 2022, as tabulated below.

[1] https://herc.gov.in/WriteReadData/Orders/O20140529b.pdf

Particulars	FY 2022-23		FY 2023-24	
	Claimed	PFI working	Claimed	PFI working
LT Ag Sales	36635	27899	39561	30949
LT Sales other than Ag Sales	44915	44915	48022	48022
HT Sales (exc. EHV level sales)	31136	31136	32795	32795
Total Sales inc. D.F (exc. EHV Sales)	112687	103951	120378	111766
OA Sales	6345.76	6345.76	7578.3	7578.3
Retail Energy Sale to Consumers (exc. EHV Sales)	119032	110296	127956	119344
Total Energy Available for Sale at 33kV	141488	141488	154769	154769
Energy Available for Sale inc. Surplus traded (exc. OA Sales)	134931	134931	146707	146707
Distribution Loss (Excl. EHV Sales & OA Sales)	22244	31191	26329	35425
Distribution Loss (%)	**16.49%**	**23.12%**	**17.95%**	**24.15%**

**Claimed data is as per the Petition, computations not matching with the MERC's approved formula*

30) Thus, the Distribution losses of MSEDCL are 23.12% and 24.15% as against their claim of 16.49% and 17.95% for FY 2022-23 and FY 2023-24 respectively. **PFI requests Hon'ble Commission to consider the Distribution losses as worked out by PFI in above table. Further MSEDCL may be directed to submit action plan for meeting their targeted loss levels.**

31) PFI has worked out Sharing of efficiency Gains/(losses) due to under/over achievement of normative Distribution losses on account of Power Purchase Cost has been dealt in the subsequent Sections.

C. PENALTY : NOT MET RENEWABLE PURCHASE OBLIGATION TARGET

32) MSEDCL has submitted 5,389.61 MU of RPO shortfall in FY 2022-23 which increases to 12,372.20 MU (130% increase over FY 23) in FY 2023-24. Further the cumulative RPO shortfall at the end of FY 2022-23 is 24,784 as submitted in Table-25 of the Petition and 37,156 MU at the end of FY 2023-24. Relevant extract of the Petition is as follows:

"2.9.11.3 Cumulative shortfall for FY 2023 & 2024

Table 25 RE Contracted and Commissioned Capacity as on Nov'2024

Particulars	Standalone Shortfall		Cumulative RPO (Surplus)/ Short fall till end of FY (in MUs)
	Solar (in MUs)	Non-Solar (in MUs)	
(Surplus)/ Shortfall Till FY 2019-20	4,321	6,115	10,436
FY 2020-21	60	3,883	14,379
FY 2021-22	1,177	3,838	19,394
FY 2022-23	1,174	4,216	24,784
FY 2023-24	5,124	7,248	37,156
Total (in MUs)	11,856	25,300	37,156
In MW	**4,834**	**12,034**	**16,868**

- *From above table, it is to submit that; there is cumulative shortfall of 37,156 MUs towards fulfilment of RPO targets. Out of 37,156 MUs, there is shortfall of 11,856 MUs towards fulfilment of Solar RPO targets and shortfall of 25,300 MUs towards fulfilment of Non-Solar RPO targets"*

33) PFI notes that the Government of India (GoI) has set a target of non-fossil energy capacity of 500 GW by 2030 and a target of achieving 50% of the cumulative electric power installed capacity from non-fossil fuel-based sources by 2030[2]. These targets also contribute to India's long-term goal of reaching net-zero emissions by 2070. Over the last few years India has experienced significant development in the Renewable Energy (RE) Sector. Progressive National and State level policies have contributed significantly to this development and this contribution is also fulfilled through RPO targets specified by State Electricity Regulatory Commissions (SERCs) under Section 86 (1) (e) of the Electricity Act, 2003. However, MSEDCL has failed to achieve the RPO targets specified by MERC over the last few years and has submitted such a huge shortfall.

34) It is pertinent to note that ***MERC (Renewable Purchase Obligation, its Compliance and Implementation of Renewable Energy Certificate Framework) Regulations, 2019*** stipulates penalty in case of shortfall in the meeting the specified RE targets. Relevant extract of the MERC RPO Regulations 2019 is as follows:

"12.3 *Any shortfall in meeting the minimum percentage of RE as specified in Regulation 7 may be carried forward from FY 2020-21 and FY 2021-22 to FY 2022-23 and from FY 2023-24 to*

[2] Press Information Bureau
https://pib.gov.in/PressReleaseIframePage.aspx?PRID=2073038#:~:text=As%20part%20of%20the%20updated,fuel%20sources%20by%202030%2C%20and

FY 2024-25 and Obligated Entity shall meet such shortfall on cumulative basis by 31 March 2023 and 31 March 2025, respectively;

Provided that Distribution Licensee shall be subjected to reduction in Annual Revenue Requirement at a rate of Rs 0.10 per kWh for cumulative shortfall in total RE procurement target for each year;

... Provided further that any cumulative shortfall in RE procurement as on 31 March 2023 and/or 31 March 2025 shall not be carried forward for next year and be adjusted by imposing reduction in ARR for Distribution Licensees ...;

..

12.4 Incentives and Penalties for Distribution Licensees shall be determined and approved/levied by the Commission in ARR determination process."

35) As above, the RPO Regulations provides for carry forward the RPO shortfall from FY 2020-21 and FY 2021-22 to FY 2022-23 and DISCOM shall meet such shortfall on cumulative basis by 31 March 2023. The Regulations specifically mentions that any cumulative shortfall in RE procurement as on 31st March 2023 shall not be carried forward for next year and be adjusted by imposing reduction in ARR for Distribution Licensee at a rate of Rs 0.10 per kWh.

36) **In view of above, PFI requests Hon'ble MERC to impose penalty on MSEDCL for not meeting the cumulative RPO shortfall of 24,784 MU till the end of FY 2022-23. The net penalty for this non-compliance is Rs. 247.85 Cr. which may be reduced from the ARR of FY 2022-23.**

37) It is submitted before Hon'ble MERC that various other progressive Regulators like DERC do not allow in general carry forward of RPO shortfall in their Regulations. By allowing carry forward of shortfall, Energy Accounting gets altered. For instance, in a particular financial year, Electricity has been supplied to consumers, Revenue has been billed and collected from consumers and such Electricity has also been utilized in Distribution Loss for that financial year itself. Now by carrying forward such Electricity from one Financial Year to another, it leads to mismatch in Energy Account of both the years. There are only two modes to comply with RPO targets i.e., purchase of Physical Green Energy & purchase of RECs. Time-extension for purchase of RECs can only be provided but physical power should be closed during

True-up itself and no carry-forward or adjustment of shortfall be done. Other SERCs including DERC allow carry forward on case-to-case basis through separate filings and only in case of genuine difficulties, quoted as follows:

Delhi Electricity Regulatory Commission (Renewable Purchase Obligation and Renewable Energy Certificate Framework Implementation) Regulations,2021

...

10. TREATMENT OF SURPLUS/SHORTFALLFOR RPO COMPLIANCE *(1) In case of genuine difficulty in complying with the targets Renewable Purchase Obligation because of nonavailability of RECs or delay in COD of tied up Renewable Power Plants etc., the Obligated Entity shall file Petition before the Commission for carry forward of RPO compliance insubsequent year(s).*

38) MSEDCL has not provided any case-to-case analysis about the reasons for its RPO shortfall. Further, they have not submitted their steps taken to meet RPO by procuring RECs. They have not even procured any RECs in FY 2022-23 and FY 2023-24. **Thus, the RPO shortfall in FY 2023-24 should also be trued-up with penalty @ 10 paise /kWh translating to Rs. 123.72 Cr. (12,372.20 MU X 10paise/kWh). Further, Hon'ble MERC is requested to amend the MYT Regulations 2024 for 5th Control Period wrt to No carry forward of RPO, as per above**.

D. NO SHARING OF UNDER ACHIEVEMENT OF DISTRIBUTION LOSSES

39) Despite the fact that actual distribution loss for FY 2022-23 & FY 2023-24 are higher than that approved in the MTR Order, MSEDCL has claimed sharing of losses due to under achievement of Distribution losses. MSEDCL has claimed losses of Rs. 956 Cr. and Rs. 2011 Cr. to be shared with consumers in FY 2022-23 and FY 2023-24 respectively in the ratio of 1/3 of the total losses.

40) In this regard, PFI submits before Hon'ble Commission that this is totally against the prudent determination of Tariff principles wherein only prudent cost is allowed to be passed on to the consumers and inefficiencies on part of DISCOM to be absorbed 100% by the DISCOMs itself.

41) In progressive States like Delhi and Karnataka ***(quoted by MSEDCL itself in para 6.3.7 @ page no. 209 of MYT Petition)*** excess losses than the approved losses is 100% borne by

DISCOM only without any sharing with the consumers. Relevant extracts of applicable Regulations of Delhi and Karnataka are as follows:

a) DERC (Terms and Conditions for Determination of Tariff) Regulations, 2017

"161. Any financial impact on account of underachievement with respect to Distribution loss targets shall be to the Distribution Licensee's account."

b) KERC (Multi Year Transmission, Distribution and Retail Supply Tariff) Regulations, 2024:

"50. Incentive / Penalty relating to over / under achievement of distribution loss targets: 50.1 In case the actual distribution loss exceeds the normative loss level approved by the Commission, such excess loss beyond the approved band shall be to the account of distribution Licensee and the distribution Licensee shall be liable for penalty for the excess energy procured at the interface points at the rate of average purchase cost at interface points"

42) In view of above, **PFI requests Hon'ble MERC to not consider any impact of losses due to under achievement of Distribution losses on account of consumers and 100% of the losses to be borne by DISCOM only because as stipulated in earlier section, in detail, that MSEDCL has not put in place serious efforts to improve their operational and financial performance.**

43) The said inefficiencies of MSEDCL may be borne by Maharashtra State Government in the form of subsidy. PFI observes from the Tariff Order dtd. 1/04/2024 of BERC that the Government of Bihar has extended a subsidy to the DISCOMs to meet their financial losses arising due to higher AT&C loss beyond the trajectory fixed by the Commission. **The Government of Bihar (GoB) provides 2 types of subsidies to Bihar DISCOMs i.e., Tariff Subsidy and AT&C Loss Subsidy.** Tariff Subsidy is the subsidy received from GoB related to consumers towards tariff to reduce the burden of cost of electricity and the same is credited to the consumer accounts. AT&C Loss subsidy is a subsidy to the Discoms to meet their financial losses arising due to higher AT&C losses beyond the trajectory fixed by the Commission for meeting the power purchase requirement as per the actual Distribution losses.

44) Relevant extract of the said Tariff Order of BERC is as follows:

"Treatment of Subsidy from GoB for Power Purchase

The Government of Bihar has extended a subsidy to the Discoms to meet their financial losses arising due to higher AT&C loss beyond the trajectory fixed by the Commission. This Financial support is primarily to facilitate the Discoms to pay the power purchase bills and accordingly the Government has arranged a subsidy of Rs.4276.92 Crore for FY 2022-23 for both Discoms combinedly.

On a query SBPDCL, vide letter No.41 dated 08.01.2024, has provided the details of subsidy and stated that both the Discoms have received a Combined Tariff Subsidy of Rs.7800.86 Crore and AT&C Loss Subsidy of Rs.1093.94 Crore for FY 2022-23. Further, the Discoms have also received arrear AT&C Loss Subsidy of Rs.3182.98 Crore pertaining to FY18, FY19, FY20 and FY21. The AT&C Loss subsidy is revenue in nature and therefore recognized as revenue in the books of account. The summary of Discom wise Tariff Subsidy and AT&C Loss Subsidy received and allocated is represented below:

Nature of Subsidy	Total Subsidy Received (Rs Crore)	Allocation of Subsidy	
		NBPDCL (Rs Crore)	SBPDCL (Rs Crore)
Tariff Subsidy	7,800.96	3,623.04	4,177.92
AT&C Loss Subsidy	1,093.92	1,021.92	3,255.00
Arrear AT&C Loss Subsidy (FY18 to FY21)	3,183.00		
Total	**12,077.88**	**4,644.96**	**7,432.92**

The audited accounts of Discoms also depict the subsidy amount of Rs.1021.92 Crore for NBPDCL and Rs. 3255.00 Crore for SBPDCL totaling to Rs.4276.92 Crore for FY 2022-23."

45) PFI has computed the losses of MSEDCL as per proposed Distribution Loss, as tabulated below based on Merit Order Despatch :

Particulars	FY 2022-23		FY 2023-24	
	Claimed by MSEDCL	PFI Working	Claimed by MSEDCL	PFI Working
Actual Distribution Loss	16.49%	23.12%	17.95%	24.15%
MYT approved Loss	14.00%	14.00%	13.00%	13.00%
Sales Excl. EHV sales in MU	112,687	103951	120,378	111766

Particulars	FY 2022-23		FY 2023-24	
	Claimed by MSEDCL	PFI Working	Claimed by MSEDCL	PFI Working
EHV Sales in MU	12,780	12,780	13,612	13,612
Total Sales in MU	125,466	116,730	133,990	125,378
In-STS loss	3.22%	3.22%	3.19%	3.19%
Power Requirement at Ex-Bus Periphery (Actual) in MU	152,622	152,906	165,601	166,260
Power Requirement at Ex-Bus Periphery (Normative) in MU	148,593	138,097	156,985	146,760
Additional Power purchase due to higher distribution loss in MU	**4,030**	**14,809**	**8,616**	**19,500**
Rate of PP (At average Variable Cost) Rs./kWh	3.56	6.35	3.50	5.21
Additional Power purchase Cost due to lower distribution loss	1,434	9,404	3,017	10,159
Efficiency gain/(loss) to be borne by MSEDCL	**(956)**	**(9,404)**	**(2,011)**	**(10,159)**
Efficiency gain/(loss) to be borne by the consumers	(478)	-	(1,006)	-

46) The computation of APPC for FY 2022-23 and FY 2023-24 based on Form 2.1 of the True-up Petition, proposed by PFI based on legitimate Cost of Power Purchase on account of Merit Order Despatch principle is as follows:

FY 2022-23

Sr. No.	Source	Energy Charges (Rs./kWh)	Energy Quantum (MU)
1	Kawas	18.43	2
2	Gandhar	14.67	3
3	APML 440 MW	9.13	1,584
4	APML 125 MW	8.83	642
5	MPEB	8.70	10
6	JSW	6.16	647
7	CGPL	5.82	1,482
8	APML 1200 MW	5.81	9,567
APPC, based on MoD for FY 2022-23 of above-mentioned Plants as per Form 2.1(a) is Rs. 6.35/kWh till Distribution Loss Quantum			

FY 2023-24

Sr. No.	Source	Energy Charges (Rs./kWh)	Energy Quantum (MU)
1	Kawas	16.19	55
2	Gandhar	12.38	59
3	MPEB	7.96	11

Sr. No.	Source	Energy Charges (Rs./kWh)	Energy Quantum (MU)
4	NTPC Solapur	6.09	4,159
5	Parli - 6	5.43	1,241
6	Parli - 7	5.43	1,241
7	Parli Replacement U 8	5.32	1,136
8	GTPS Uran	5.29	1,724
9	Khargone	4.88	618
10	APML 1200 MW	4.63	9,053
APPC, based on MoD for FY 2023-24 of above-mentioned Plants as per Form 2.1(a) is Rs. 5.21/kWh till Distribution Loss Quantum			

47) **In view of above, PFI submits before Hon'ble Commission to consider 100% of the inefficiency due to higher Distribution losses than the normative, on account of DISCOMs only and no losses to be passed on to the consumers as consumers are not responsible for the operational and financial inefficiencies of MSEDCL. As worked out by PFI, losses on account of higher Distribution losses than the normative losses are Rs. 9,404 Cr. for FY 2022-23 and Rs. 10,159 Cr. for FY 2023-24 which may be deducted from the ARR of MSEDCL and borne by Government of Maharashtra and not to be socialized in ARR so as to be borne by Honest Consumers of the State of Maharashtra.**

E. DISALLOWANCE OF RETURN ON EQUITY (ROE)

48) MSEDCL has claimed **RoE and additional RoE of Rs. 2,147.95 Cr and Rs. 2,262.70 for FY 2022-23 and FY 2023-24 respectively.** In the earlier Sections, PFI has submitted that MSEDCL has completely failed to improve its operational performance over the last few years and achieved targeted Distribution losses.

49) Based on detailed facts and reasons submitted by PFI in earlier section of higher Distribution Loss, PFI requests Hon'ble Commission to not allow any Return on Equity (RoE) as per the Regulatory principles adopted by Hon'ble HERC. **So, Rs. 2,147.95 Cr and Rs. 2,262.70 as claimed by MSEDCL for FY 2022-23 and FY 2023-24 respectively as a Return on their operations may be disallowed by the Hon'ble Commission.**

F. NON- TARIFF INCOME (NTI)- LATE PAYMENT SURCHARGE (LPSC)

50) PFI notes that MSEDCL has not considered Late Payment Surcharge/ Delayed payment Surcharge (LPSC) received from consumers in Non- Tariff Income claimed for FY 2022-23 and FY 2023-24. However, LPSC received by MSEDCL has been provided in their Audited Accounts as Rs. 2714.79 Cr. (2332.07 + 382.72) and Rs. 2424.17 Cr. (2113.67 + 310.5) for FY 2022-23 and FY 2023-24 respectively, as shown below:

NOTE - 31

OTHER INCOME

(₹ in Lakhs)

PARTICULARS	FOR THE YEAR ENDED 31-MAR-24	FOR THE YEAR ENDED 31-MAR-23
Interest Income		
(a) Interest from non current financial Investment valued at Amortised Cost	2,905.49	2,600.72
(b) Interest from Consumers	2,33,207.01	2,11,366.61
(c) Other	4,654.64	3,003.81
Other Non Operating Income		
Contribution, Grants and Subsidies towards Cost of Capital Assets [refer Note no. 39(19)]	1,16,791.32	1,13,503.21
Revenue from Subsidy & Grant	7,378.76	-
Delayed Payment Charges	38,272.45	31,049.81
Income from Fair Valuation of Guarantee/Liabilities	617.11	1,078.12
Miscellaneous Income	35,553.23	49,281.24
Total :::::	**4,39,380.01**	**4,11,883.52**

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

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

a) LPSC is levied on consumers who pay their bill after the due date. LPSC received by the distribution licensee is treated as Non-Tariff Income under Regulation 5.23 of the MYT Regulations and the same is deducted to arrive at the ARR. Regulation 5.23 provides as follows:

b) "5.23. All incomes being incidental to electricity business and derived by the Licensee from sources, including but not limited to profit derived from disposal of assets, rents, delayed payment surcharge, meter rent (if any), income from investments other than contingency reserves, miscellaneous receipts from the consumers and income to licenses business from *the Other Business of the Distribution Licensee shall constitute Non-Tariff Income of the Licensee."*

c) *This Tribunal in Appeal No.* ***153 of 2009*** *has held that the distribution licensee is entitled to the cost of financing the entire outstanding principal amount that attracts LPSC at prevalent market lending rates....*

...

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

Table 144: Funding of LPSC (Rs Cr)

Particular	***FY 2009-10***
LPSC Collected (@ 18%)	*16.09*
Principle amount on which LPSC was charged	*89.39*
Interest Rate for funding of Principle of LPSC	*9.5%*
Interest approved on funding of Principle amount of LPSC	*8.49*

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

136. Accordingly decided against the Appellant."

52) Based on the above, PFI requests Hon'ble MERC to consider LPSC as part of Non-Tariff Income, netting off the Financing cost associated with the same. PFI based on the methodology shown in the aforementioned APTEL Judgement has computed NTI for MSEDCL based on their Audited Accounts for FY 2022-23 and FY 2023-24, as shown below:

Particulars	**FY 2022-23**	**FY 2023-24**
LPSC as per Accounts	2424.17	2714.79
LPSC Rate (18%)	13467.61	15082.17
WC Rate of East DISCOM	9.29%	10.06%
Financing Cost of LPSC	1251.14	1517.27
Net LPSC in NTI	**1173.03**	**1197.52**

53) **As above, LPSC for MSEDCL worked out as Rs. 1173 Cr. and Rs. 1198 Cr. for FY 2022-23 and FY 2023-24 respectively. Basis the judgement of Hon'ble APTEL, PFI requests Hon'ble MERC to consider the same while doing True-Up of FY 2022-23 and FY 2023-24.**

G. OTHER IMPRUDENT EXPENSES

a) Incentives and Discounts

54) MSEDCL has claimed Incentives and Discounts of Rs. 477.3 Cr. and Rs. 561.63 Cr. in FY 2022-23 and FY 2023-24 respectively for incentives/discounts paid to the consumers for timely and digital payment of bills.

55) However, considering the poor performance of MSEDCL, as mentioned above, PFI submits before Hon'ble MERC that Collection Efficiency of MSEDCL has been poor around 90% for the past 12 years. Despite financial and operational support, DISCOM has not been able to improve its performance. Some key parameters showing negative performance of MSEDCL are as follows:

A) PFC 12th Annual Integrated Rating & Ranking: Power Distribution Utilities (FY 2022-23)

- Adjusted Quick Ratio is low at 0.44 in FY23.
- Trade Payables to Genco & TransCos are also high (~24k Cr in FY23) with Days Payable at 113 days v/s LPS norm of 45 days.
- Days Receivable remain very high at 202 days (50,000 Cr) in FY23. Need to liquidate aged and old receivable. Billing Efficiency is low at 84.9% in FY23 – Need to considerably improve.

B) PFC 11th Annual Integrated Rating & Ranking: Power Distribution Utilities (FY 2021-22)

- Days Payable high – currently at 177 days as compared to LPS norm of 45 days
- Days Receivable high – currently at 202 days (for max. score, expected less than or equal to 60 days)
- Government dues high – currently 22% of total amount billed to Government in the past 3 years is due

56) **In view of above, PFI submits that despite spending in Discounts/incentives to consumers, MSEDCL has not been able to improve its Collection Efficiency and so, the efforts go into vain. Therefore, PFI submits before Hon'ble Commission to disallow Rs. 477.3 Cr. and Rs. 561.63 Cr. in FY 2022-23 and FY 2023-24 respectively for incentives/discounts.**

b) COMPENSATION FOR INJURIES AND DEATH

57) MSEDCL has claimed Compensation for injuries, death of others as part of other Expenses of Rs. 19.13 Cr. (2.92 + 16.21) and Rs. 15.34 Cr. for FY 2022-23 and FY 2023-24 respectively. PFI submits before the Hon'ble MERC that as per the Regulatory Provisions, the compensation made by the DISCOMs on account of their own fault should not be passed through in the ARR. Any inefficiencies in the form of Compensation should be disallowed because conjoint reading of Section 57, 59 and 61 (d) of the Act do not stipulate compensation as cost of Electricity.

58) Hon'ble MERC is requested to consider the prudent cost while approving the other expenses of MSEDCL. **So, PFI submits before Hon'ble MERC that Rs. 19.13 Cr. and Rs. 15.34 Cr. claimed by MSEDCL in FY 2022-23 and FY 2023-24 respectively against the Compensation for injuries and damage should not be allowed to pass through in the True-up.**

H. SUMMARY OF DISALLOWANCES – True up FY 2022-23 & FY 2023-24

59) In view of above, Summary of Disallowances worked out by PFI for MSEDCL is as follows. Hon'ble MERC is requested to kindly consider the same in its True-up Order

(Rs. Cr.)

Sr. No.	Particulars	FY 2022-23			FY 2023-24		
		Claimed	PFI working	Disallow-ance	Claimed	PFI working	Disallow-ance
1	Losses on account of under achievement of DL	(956)	(9,404)	**(8,448)**	(2,011)	(10,159)	**(8,149)**
2	Return on Equity	2,148	0	**(2,148)**	2,263	0	**(2,263)**
3	Incentives and Discounts	477	0	**(477)**	562	0	**(562)**
4	Penalty : RPO shortfall	0	(248)	**(248)**	0	(124)	**(124)**
5	Compensation for injuries and death	19	0	**(19)**	15	0	**(15)**
6	Other expenses	109,714	109,714	0	122,874	122,874	0
7	**ARR**	**111,402**	**100,062**	**(11,340)**	**123,703**	**112,591**	**(11,112)**
8	Non- Tariff Income	653	1,173	**520**	505	1,198	**693**
Disallowances proposed by PFI		**11,860**			**11,805**		

PRAYERS BEFORE HON'BLE MERC: TRUE-UP OF FY 2022-23 & FY 2023-24

1) **To consider the comments / suggestions of Power Foundation of India (PFI) on True-Up of FY 2022-23 to FY 2023-24 for MSEDCL.**

2) **To consider Agricultural (Ag) Feeder Index based on 18% losses as approved in earlier Orders by Hon'ble MERC and accordingly consider 1189 as Ag Feeder Index for FY 2022-23 and 1286 for FY 2023-24 for approving the Ag Sales in True-Up of FY 2022-23 & FY 2023-24.**

3) **To consider the Distribution losses of 23.12% and 24.15% for FY 2022-23 and FY 2023-24 respectively against the claim of MSEDCL, i.e., 16.49% for FY 2022-23 and 17.95% for FY 2023-24, as per the revised Ag Sales.**

4) **To take stern measures against MSEDCL for non-compliance of repeated Directions of Hon'ble MERC with respect to no new unmetered connection to new consumers including Ag consumers and containing the Distribution losses within the approved normative losses. Hon'ble MERC may initiate proceedings in terms of the provisions stipulated under Section 142 of the Electricity Act, 2003 for such non- compliance.**

5) **To take strict action against the poor performance and inefficiencies of MSEDCL which has continued to operate at high Distribution loss levels and the honest consumers are bearing the brunt of such poor operational efficiencies of the DISCOM.**

6) **To not allow RoE or any additional RoE of Rs. 2,147.95 Cr and Rs. 2,262.70 as claimed for FY 2022-23 and FY 2023-24 respectively**

7) **To impose penalty of Rs. 247.85 Cr. on MSEDCL for not meeting the cumulative RPO shortfall till the end of FY 2022-23 and penalty of Rs. 123.72 Cr. for FY 2023-24.**

8) **To consider 100% of the inefficiency due to higher Distribution losses than the normative, on account of DISCOM only and no losses to be passed on to the consumers. Accordingly, disallow Rs. 9,404 Cr. for FY 2022-23 and Rs.**

10,159 Cr. for FY 2023-24 from the ARR of MSEDCL for higher Distribution losses than the normative which may be borne by Government of Maharashtra and not to be socialized in ARR

9) **To consider LPSC as part of Non- Tariff Income, after netting off the Financing cost associated with the same.**

10) **To disallow Rs. 477.3 Cr. and Rs. 561.63 Cr. in FY 2022-23 and FY 2023-24 respectively against the claimed incentives/discounts for timely and digital payment of bills to consumers. The same should be borne by MSEDCL directly.**

11) **To disallow Rs. 19.13 Cr. and Rs. 15.34 Cr. claimed in FY 2022-23 and FY 2023-24 respectively for the Compensation for injuries and damage paid to consumers on account of DISCOM's own fault and the same should not be passed through in the ARR. Any inefficiencies in the form of Compensation should be disallowed by Hon'ble MERC in terms of Section 57 of the Act.**

12) **To consider the disallowances for the True-Up of FY 2022-23 and FY 2023-24 as submitted by PFI in Summary of Disallowances Section.**

13) **To consider the additional submissions, if any, made by PFI for True-Up of FY 2022-23 and FY 2023-24 of MSEDCL.**

ANNEXURE-II

PFI Comments/Suggestions on MSEDCL Petition (Case No. 217 of 2024) ARR from FY 2025-26 to FY 2029-30

A. DISTRIBUTION LOSSES TRAJECTORY NOT ALIGNED WITH RDSS

60) In True-Up of FY 2022-23 and FY 2023-24, MSEDCL has claimed Distribution losses in increasing trend, i.e., 16.49% and 17.95% for FY 2022-23 and FY 2023-24 respectively. Further, in Annual Performance Review of FY 2024-25, MSEDCL has claimed DL of 16.71%. However, for all these years, the normative losses are much lower than the claimed. PFI in the True-Up has submitted that MSEDCL is a loss-making utility, and its performance is deteriorating year on year. Despite investment in CAPEX schemes for loss reduction and network strengthening, MSEDCL has not been able to improve its Distribution over the past few years and has claimed the same loss levels, i.e., ~ 17%. Furthermore, it has been observed by PFI that the Trued-Up loss levels of MSEDCL are much higher than they claimed and follow an increasing trend as shown in the Table below:

Particulars	FY 2019-20	FY 2020-21	FY 2021-22	FY 2022-23	FY 2023-24
Approved	18.26%	18.00%	16.00%	14.00%	13.00%
Claimed	17.09%	16.91%	16.57%	**16.49%**	**17.95%**
True-Up	21.26%	22.72%	23.54%	*23.12%*	*24.15%*

**FY 2022-23 & FY 20-23-24 as per the submission by PFI in True-UP*

61) Continuing the same poor performance trend, MSEDCL has projected DL for the Control period for FY 2025-26 to FY 2029-30. MSEDCL has submitted that Distribution loss is forecasted from FY 2024-25 to FY 2034-35 based on the Time Series Model (SARIMA) trained on monthly data of distribution losses from FY 2010-11 to FY2023-24, excluding the COVID-19 Years. However, it is pertinent to note that the losses projected by PFI for the Control Period are not in alignment with the AT&C loss trajectory approved under Revamped Distribution Sector Scheme (RDSS).

62) 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 MSEDCL is Rs. 30,729 Cr. out of which total Gross Budgetary sanctioned is Rs. 11,875 Cr. (Source: RDSS portal). The Hon'ble MERC vide Order dated 31/02/2023 in Case No. 226 of 2022 has also allowed Capital Expenditure under RDSS and other Govt. schemes.

63) PFI submits that as per Rules issued by Ministry of Power, GoI, namely Electricity (Second Amendment) Rules, 2023 vide notification dtd. 26/07/2023, the Distribution losses trajectory should be in line with the Trajectory approved under any Central Scheme i.e., RDSS and any deviation from the same is not allowed. Relevant extract of such Rules is as follows:

*""**20. Framework for Financial Sustainability:** (1) The Aggregate Technical and Commercial loss reduction trajectory to be approved by the State Commissions for tariff determination shall be in accordance with the trajectory agreed by the respective State Governments and approved by the Central Government under any national scheme or programme, or otherwise.*

(2) The trajectory for both collection and billing efficiency, for distribution licensee shall be determined by the State Commission in accordance with the trajectory approved under sub-rule (1)."

64) **In view of above, PFI requests Hon'ble MERC to consider the losses for the Control Period based on the targets set under RDSS as approved by Ministry of Power, GoI, in its letter dtd. 30/05/2023 (copy enclosed herewith).**

65) It is pertinent to state that in the said letter MoP has provided AT&C loss trajectory, therefore, for computing Power Purchase requirement actual Collection efficiency for FY 2023-24 with an improvement of 0.5% every year till FY 2029-30 has been considered and thereafter Distribution losses for each year of the Control period have been determined as follows. Further, in the said MoP letter there is no AT&C target beyond FY 2027-28, therefore, marginal improvement of 0.5% for the balance 2 year of the Control period have been considered.

Particulars	FY 2025-26	FY 2026-27	FY 2027-28	FY 2028-29	FY 2029-30
MSEDCL Claim (Distribution Loss)	15.06%	14.98%	14.78%	14.54%	14.30%
RDSS (AT&C)	12.00%	11.00%	10.00%	9.50%	9.00%
Collection Efficiency	96.82%	97.32%	97.82%	98.32%	98.82%
PFI Proposed (Distribution Loss)	9.11%	8.55%	7.99%	7.95%	7.91%

B. REVISED POWER PURCHASE QUANTUM AND LESSER INCOME FROM SALE OF SURPLUS POWER

66) PFI has observed that MSEDCL has claimed 3.28% of InSTS losses in FY 2025-26 despite the fact that in FY 2023-24 the actual InSTS losses are 3.19%. Therefore, PFI has considered efficiency in STU network also and has considered 0.01% reduction in InSTS losses for every year of the Control period. Similarly, 0.01% reduction in ISTS losses has also been considered from the actual of FY 2023-24.

67) MSEDCL has submitted that it envisages to be energy surplus in each year of the Control Period due to constraints in operating the generating plants below the Technical minimum level and intends to sell the surplus energy over Energy Exchanges. However, the Surplus rate considered by MSEDCL is Rs. 3.00/kWh only.

68) PFI notes that said rate of surplus power considered by MSEDCL is on the lower side considering the fact that MSEDCL will be surplus during non- Solar hours of the time period in the upcoming Control period based on their upcoming PPAs/PSAs from Renewable Energy sources. **Therefore, PFI has analyzed the block wise Power markets of Day ahead market of IEX since major Trading happens at the said exchange.** From the said analysis it is noted that the weighted average rate arrives at Rs 4.59/kWh which should be considered at marginal escalation of 2% for every year of the Control period for projecting Revenue from sale of surplus Power. The detailed calculations for Rs 4.59/kWh is as follows:

Row Labels	00:00 - 00:15	00:15 - 00:30	00:30 - 00:45	00:45 - 01:00	01:00 - 01:15	01:15 - 01:30	01:30 - 01:45	01:45 - 02:00	02:00 - 02:15	02:15 - 02:30
Qtr1	3630.818022	3585.590989	3487.576813	3410.174286	3284.827473	3213.303516	3158.719231	3100.731978	3053.892418	3025.926154
Qtr2	9638.347473	9554.901868	9254.83	9015.326374	8470.433077	8134.130989	7704.978791	7278.724505	6348.892747	6139.261868
Qtr3	6766.597826	6558.7475	6334.770978	6089.197826	5578.466739	5269.053696	4874.267826	4651.881413	4242.634239	4114.476087
Qtr4	3446.013043	3427.835652	3348.629674	3247.270109	2979.012283	2940.15587	2880.692826	2825.147174	2797.35413	2772.845109
Grand Total	5866.26847	5777.460383	5602.272896	5436.272158	5073.816339	4884.873825	4650.41776	4460.156202	4107.465519	4010.015464

Row Labels	02:30 - 02:45	02:45 - 03:00	03:00 - 03:15	03:15 - 03:30	03:30 - 03:45	03:45 - 04:00	04:00 - 04:15	04:15 - 04:30	04:30 - 04:45	04:45 - 05:00	05:00 - 05:15	05:15 - 05:30
Qtr1	3000.809451	2962.798352	2935.93011	2930.406374	2922.171538	2921.777582	2950.95978	3051.110659	3091.257912	3143.745604	3341.395165	3437.667033
Qtr2	5908.386374	5578.943077	5259.172418	5042.331978	4917.280549	4722.457253	4793.649341	4875.674286	4857.206923	4854.566703	4512.326923	4694.155934
Qtr3	4016.520978	3952.88	3946.063696	3915.766087	3843.706196	3776.74087	3808.948913	3844.351848	3864.279022	3875.415109	3344.13913	3479.519783
Qtr4	2770.659022	2741.665217	2712.741087	2688.194891	2671.394891	2657.346196	2659.567065	2672.968043	2682.981413	2721.384674	2867.364348	2950.309457
Grand Total	3921.195027	3806.548169	3711.37806	3642.304918	3586.829071	3517.927268	3551.537978	3609.10071	3622.017104	3646.863388	3514.062923	3638.087923

Row Labels	05:30 - 05:45	05:45 - 06:00	06:00 - 06:15	06:15 - 06:30	06:30 - 06:45	06:45 - 07:00	07:00 - 07:15	07:15 - 07:30	07:30 - 07:45	07:45 - 08:00	08:00 - 08:15	08:15 - 08:30
Qtr1	3568.406154	3738.199011	4183.88978	5018.959231	5951.19978	6587.011758	7017.590989	7721.425714	8089.643736	8102.531099	7901.487692	7833.678022
Qtr2	4855.178242	4871.74967	4878.86967	5130.420769	4816.708352	4564.883956	4143.446813	3897.528791	3712.628571	3436.107802	3311.585495	3173.210989
Qtr3	3580.202065	3690.156413	4144.456957	4312.830978	4283.454891	4160.763804	3820.781957	3661.411413	3439.507174	3253.473478	3015.884022	2909.736196
Qtr4	3063.856196	3134.270109	3364.808587	3443.594239	3532.107065	3784.640761	4209.601413	4414.272283	4661.845217	4682.161196	4586.505435	4520.77163
Grand Total	3764.479617	3856.154563	4140.883989	4473.18224	4641.834262	4769.944617	4793.578443	4918.819016	4970.850273	4863.646257	4698.933033	4604.463443

Row Labels	08:30 - 08:45	08:45 - 09:00	09:00 - 09:15	09:15 - 09:30	09:30 - 09:45	09:45 - 10:00	10:00 - 10:15	10:15 - 10:30	10:30 - 10:45	10:45 - 11:00	11:00 - 11:15	11:15 - 11:30	11:30 - 11:45
Qtr1	7513.936374	7287.280989	7135.614505	7094.663846	6962.430549	6813.957363	6659.493407	6531.735275	6113.084286	5858.773187	5358.514066	5000.77	4706.745275
Qtr2	3050.846703	2831.345495	2897.503956	2913.846484	2959.815495	2882.83978	2715.736593	2794.067143	2810.429121	2793.938791	2630.76044	2631.257363	2651.025165
Qtr3	2751.117826	2593.257391	2544.139891	2513.190326	2492.241196	2430.91163	2275.823478	2291.715543	2267.351522	2242.481848	2167.303261	2160.084022	2101.892717
Qtr4	4444.791739	4265.103152	4093.416848	3974.432717	3776.355761	3560.065217	2993.940978	2861.67413	2776.632826	2717.061739	2518.581739	2475.752391	2425.234457
Grand Total	4435.570874	4239.792842	4163.030055	4119.223388	4042.719426	3916.880902	3655.640055	3614.098005	3486.574536	3398.018579	3164.277049	3062.872787	2967.357404

Row Labels	11:45 - 12:00	12:00 - 12:15	12:15 - 12:30	12:30 - 12:45	12:45 - 13:00	13:00 - 13:15	13:15 - 13:30	13:30 - 13:45	13:45 - 14:00	14:00 - 14:15	14:15 - 14:30	14:30 - 14:45	14:45 - 15:00	15:00 - 15:15	15:15 - 15:30
Qtr1	4503.213187	4079.611648	3856.412637	3730.013956	3598.637582	3206.972747	3132.231429	3237.652747	3265.724725	3332.123187	3374.809231	3412.262527	3471.003187	3570.384066	3665.043956
Qtr2	2639.662088	2593.644176	2615.561538	2620.105714	2600.223297	2382.407363	2413.908681	2659.678571	2850.828022	3053.527143	3176.989231	3326.710769	3482.75044	3502.051648	3621.027253
Qtr3	2057.653152	1964.556848	1946.187935	1906.763043	1871.349891	1778.026522	1772.650435	1888.365543	1984.210543	2206.405978	2313.794239	2384.745761	2515.78587	2684.520326	2812.856848
Qtr4	2371.403478	2250.266087	2239.093587	2207.45087	2180.161957	2035.887391	2018.389239	2121.209457	2189.987065	2371.163043	2484.096848	2597.639565	2689.74163	2829.869674	2919.016739
Grand Total	2889.275574	2718.661175	2661.190027	2613.02888	2559.659645	2348.398005	2331.897268	2474.147678	2570.034098	2738.334781	2835.026339	2927.939945	3037.431995	3144.577951	3252.362978

Row Labels	15:30 - 15:45	15:45 - 16:00	16:00 - 16:15	16:15 - 16:30	16:30 - 16:45	16:45 - 17:00	17:00 - 17:15	17:15 - 17:30	17:30 - 17:45	17:45 - 18:00	18:00 - 18:15	18:15 - 18:30	18:30 - 18:45	18:45 - 19:00
Qtr1	3878.711648	4071.994505	4424.153407	4755.683626	5731.293956	6294.426264	6421.769341	6544.842418	6611.056923	6880.403516	6840.718132	7123.809341	7662.846044	7945.705604
Qtr2	3687.936374	3811.380989	3832.29956	3897.482747	4064.834945	4136.863187	3945.962967	4021.414176	4003.783516	4054.126264	3899.991538	4206.229121	4872.088791	5529.359011
Qtr3	2955.502283	3010.610435	3039.572935	3142.505978	3272.033043	3320.100761	3407.256413	3373.122283	3460.729348	3628.512174	3909.386848	4277.254022	4975.314348	5574.3175
Qtr4	3051.766087	3169.613913	3315.827283	3500.078261	3751.019022	4316.35663	5770.170761	6529.759239	7265.283587	7625.198261	8506.44163	8567.762935	8485.120978	8088.480109
Grand Total	3391.348798	3513.573251	3650.36623	3821.190956	4201.006885	4513.118634	4884.66377	5116.378279	5335.365219	5547.496093	5791.422951	6045.833497	6500.106885	6784.722022

Row Labels	19:00 - 19:15	19:15 - 19:30	19:30 - 19:45	19:45 - 20:00	20:00 - 20:15	20:15 - 20:30	20:30 - 20:45	20:45 - 21:00	21:00 - 21:15	21:15 - 21:30	21:30 - 21:45	21:45 - 22:00	22:00 - 22:15
Qtr1	8039.987692	8085.352747	7713.444945	7268.207253	6305.227363	6010.005385	5718.831758	5383.326484	4758.141868	4544.100989	4350.828901	4188.659231	3842.432747
Qtr2	6632.315495	7387.545824	7705.227363	7900.586923	7915.035604	8000.541648	8258.41033	8504.710989	8900.909121	9082.184835	9200.594725	9125.176923	9285.378571
Qtr3	8087.197826	8455.644783	8784.606848	8905.514022	8808.921196	8819.29087	8834.908478	8976.070761	9032.765326	9056.805761	8943.972391	8948.490109	8682.177065
Qtr4	6075.855435	5527.913696	5171.093587	4792.647174	4376.136087	4348.2225	4294.824674	4262.293261	4123.355435	4110.439565	4093.512609	4043.087609	3757.932826
Grand Total	7208.143415	7362.079645	7341.59459	7214.729781	6849.915847	6793.363415	6775.586011	6780.712842	6703.105874	6697.755683	6646.525055	6575.913224	6391.04082

Row Labels	22:15 - 22:30	22:30 - 22:45	22:45 - 23:00	23:00 - 23:15	23:15 - 23:30	23:30 - 23:45	23:45 - 24:00	Grand Total
Qtr1	3843.312637	3798.26989	3720.974725	3645.076264	3621.724286	3690.175385	3684.452637	4887.798513
Qtr2	9424.121758	9468.54044	9570.406923	9586.953077	9622.283077	9729.626813	9733.661978	5265.091173
Qtr3	8699.56337	8416.983913	8409.677065	8304.444239	8228.2	8018.550543	7826.254022	4488.820059
Qtr4	3775.810761	3779.49663	3768.561413	3658.809239	3657.339674	3635.425217	3617.685761	3708.97613
Grand Total	6434.620082	6364.360519	6365.884344	6297.087404	6280.530929	6266.032158	6212.816639	4585.000576

69) In view of above, the revised Power Purchase requirement along with Surplus Power and Revenue from sale of Surplus Power has been computed as per the Table tabulated below. **PFI requests Hon'ble MERC to consider the Surplus Power and Revenue from sale of such Surplus Power as worked out by PFI**.

Particulars	UoM	FY 2025-26	FY 2026-27	FY 2027-28	FY 2028-29	FY 2029-30
Sales	MU	143,182	151,665	159,661	167,648	176,167
Distribution Loss	%	9.11%	8.55%	7.99%	7.95%	7.91%
Distribution Loss	MU	14350.78	14178.08	13872.73	14486.30	15138.74
Energy Requirement at DISCOM periphery	MU	157,533	165,843	173,533	182,135	191,306
InSTS loss	%	3.17%	3.16%	3.15%	3.14%	3.13%
InSTS loss	MU	5157.29	5411.64	5644.09	5904.43	6181.34
Energy Requirement at State periphery	MU	162,690	171,254	179,177	188,039	197,487
ISTS loss	%	3.52%	3.51%	3.50%	3.49%	3.48%
ISTS loss	MU	5935.64	6229.69	6498.66	6799.88	7120.34
Energy Requirement by MSEDCL	MU	168,626	177,484	185,676	194,839	204,607
Energy available for MSEDCL, as claimed	MU	187,716	198,326	207,948	218,728	230,279
Surplus Energy	MU	19,090	20,842	22,272	23,889	25,672
Rate of Surplus Power	Rs./kWh	4.59	4.68	4.78	4.87	4.97
Revenue from Sale of Surplus Power	Rs. Cr.	8762.39	9757.70	10636.05	11636.04	12754.60
Revenue from Sale of Surplus Power claimed by MSEDCL	Rs. Cr.	683.99	3316.33	3652.02	5253.77	7001.45
Lesser revenue claimed by MSEDCL	Rs. Cr.	**8078.40**	**6441.37**	**6984.03**	**6382.27**	**5753.15**

70) **As per the Report by CEA, as on 31/03/2024, 68.12% of the total Urban DT and only 24.46% of the total Rural DTs are metered by MSEDCL. PFI requests Hon'ble MERC that MSEDCL may be directed to submit action plan for 100% metering of Distribution Transformers in FY 2025-26. The approval of such action plan by Hon'ble MERC should be 100% metering of Distribution Transformers within the target date of maximum two years. Equivalent Power Purchase Cost without Carrying Cost to be allowed during True-up of FY 2025-26 only when 100% Distribution Transformers are metered. If not done so, then inefficiencies of MSEDCL should not be allowed to pass through to the end consumers and the Govt. of Maharashtra should bear the same in the form of subsidy.**

C. PROVISIONAL DISALLOWANCE OF RETURN ON EQUITY

71) PFI submitted in detail our Comments on True-Up of FY 2022-23 and FY 2023-24 that based on consistent non performing operational and Financial parameters of MSEDCL its Return on Equity (RoE) be disallowed in line with the approach adopted by other SERCs. On similar grounds, MERC should not consider RoE of MSEDCL for projecting of ARR of the Control Period from FY 2025-26 to FY 2029-30. Based on the performance of MSEDCL, appropriate RoE to be allowed during True-Up of relevant FY of this control period.

D. Resource Adequacy Plan- Not approved by MERC

72) MSEDCL 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 October 15, 2024, in accordance with the MERC (Framework for Resource Adequacy) Regulations, 2024.

73) PFI has observed that MSEDCL has totally relied upon the RA Plan which has not been approved by the Hon'ble Commission yet. The RA Plan is still in process and no comments were sought from the Stakeholders on the draft.

74) PFI submits that MSEDCL has shown the Planned Portfolio in Table-135 of the Petition, however, MSEDCL has not considered the impact of PSP Storage in the Control Period.

75) **PFI submits that MSEDCL submissions are contradictory in nature.** For instance, in their Resource Adequacy Plan submitted before Hon'ble MERC they have considered the impact of Pump Storage (PSP) and Battery Storage based on the MERC Order dtd. 26/09/2024 in Case No. 156 of 2024 for the Control Period for FY 2025-26 to FY 2029-30 whereas in MYT Petition MSEDCL has considered only 324 MW of Sardar Sarovar Project. **Therefore, Power Procurement Plan for this whole Control Period should be prudently checked by Hon'ble MERC.**

E. No Provision for Bad and Doubtful Debts

76) It has been observed by PFI that MSEDCL has claimed Provision for Bad and Doubtful Debts for the control Period from FY 2025-26 to FY 2029-30.

77) PFI submits that various SERCs do not allow provision of Bad Debts in ARR. The said claim is allowed only during True-Up after prudence check. For instance, Regulation 37 of the *MPERC (Terms and Conditions for Determination of Tariff for Supply and Wheeling of Electricity and Methods and Principles for Fixation of Charges) Regulations, 2021* specifies the methodology for computation of Bad and Doubtful Debts. **Any expenses against bad and doubtful debts should be considered only at time of true-up based on actual bad debt written off after prudence check.**

F. SUMMARY OF DISALLOWANCES

78) Based on the above, the Summary of Disallowances worked out by PFI for MSEDCL is as follows. Hon'ble MERC is requested to kindly consider the same.

(Rs. Cr.)

Sr. No.	Particulars	FY 2025-26	FY 2026-27	FY 2027-28	FY 2028-29	FY 2029-30
1	**Revised Distribution Loss trajectory and impact on Revenue on account of sale of Surplus power**					
	MSEDCL Claim	684	3,316	3,652	5,254	7,001
	PFI Proposal	8,762	9,758	10,636	11,636	12,755
	Disallowance	(8,078)	(6,441)	(6,984)	(6,382)	(5,753)
2	**Return on Equity**					
	MSEDCL Claim	**2,776**	**3,235**	**3,485**	**3,571**	**3,646**
	PFI Proposal	0.00	0.00	0.00	0.00	0.00
	Disallowance	(2,776)	(3,235)	(3,485)	(3,571)	(3,646)
3	**Provision of Bad Debts**					
	MSEDCL Claim	**1,103**	**1,150**	**1,199**	**1,251**	**1305.32**

Sr. No.	Particulars	FY 2025-26	FY 2026-27	FY 2027-28	FY 2028-29	FY 2029-30
	PFI Proposal	0.00	0.00	0.00	0.00	0.00
	Disallowance	(1,103)	(1,150)	(1,199)	(1,251)	(1,305)
4	**Total Disallowances proposed by PFI**	**(11,957)**	**(10,826)**	**(11,668)**	**(11,204)**	**(10,704)**

79) Further, treatment of LPSC as stipulated in our comments related to True-Up of FY 2022-23 and FY 2023-24 may also be considered for 5th Control Period for FY 2025-26 to FY 2029-30.

80) PFI would like to submit that MSEDCL has provided many detailed and logically correct Tariff Design proposals which may be considered appropriately by Hon'ble MERC. Specifically, the proposal of MSEDCL related to introduction for LT consumers above 20 kW for 5th Control Period for FY 2025-26 to FY 2029-30 may be considered because it will ensure improvement in Power factor and Power system as a whole in the State of Maharashtra.

81) Further, it is noted by PFI that MSEDCL has provided Energy Storage trajectory and have considered impact of PM Surya Ghar Yojana in forecasting Sales which is in compliance with various MoP Rules. It is requested that Hon'ble MERC determine Cost reflective Tariff for the 5th Control Period for FY 2025-26 to FY 2029-30 in compliance to MoP Rules *Electricity (Amendment) Rules, 2024* dtd. 10/01/2024 and inefficiencies of the DISCOM should not be socialized in ARR but borne by Govt. of Maharashtra through Subsidy to MSEDCL.

PRAYERS BEFORE HON'BLE MERC FOR ARR OF 5TH CONTROL PERIOD:-

1) To consider the comments / suggestions of Power Foundation of India (PFI) on ARR for 5th Control Period for FY 2025-26 to FY 2029-30 for MSEDCL.

2) To consider the losses for the Control Period based on the targets set under RDSS as approved by Ministry of Power, GoI, in its letter dtd. 30/05/2023.

3) To consider the Surplus Power and Revenue from sale of such Surplus Power as worked out by PFI considering actual ISTS and InSTS losses of FY 2023-24 and y-o-y reduction on the same by 0.01% and Surplus Power rate at Rs 4.59/kWh with marginal escalation of 2% which the weighted average rate of block wise rate of Day ahead market of IEX.

4) To direct MSEDCL to submit action plan for 100% metering of Distribution Transformers in FY 2025-26. The approval of such action plan by Hon'ble MERC should be 100% metering of Distribution Transformers within the target date of maximum two years. Equivalent Power Purchase Cost without Carrying Cost to be allowed during True-up of FY 2025-26 only when 100% Distribution Transformers are metered. If not done so, then inefficiencies of MSEDCL should not be allowed to pass through to the end consumers and the Govt. of Maharashtra should bear the same in the form of subsidy.

5) To disallow RoE of MSEDCL for the Control Period from FY 2025-26 to FY 2029-30 in line with the approach adopted by other SERCs based on the consistent non performing operational and Financial parameters of MSEDCL. Based on the performance of MSEDCL, appropriate RoE to be allowed during True-Up of relevant FY of this control period.

6) To have prudence check while approving Power Procurement Plan of MSEDCL for this Control Period.

7) To not consider the expenses claimed against bad and doubtful debts for the Control Period in line with the approach adopted by other SERCs which do

not allow provision of Bad Debts in ARR. The said claim is allowed only during True-Up based on actual bad debt written off after prudence check.

8) **To consider the disallowances for the Control Period as submitted by PFI in Summary of Disallowances Section.**

9) **To consider the additional submissions, if any, made by PFI for MSEDCL ARR for the Control Period for FY 2025-26 to FY 2029-30.**

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