

## CHAPTER – 9

### **DIRECTIVES OF TARIFF ORDER FOR FY 2008-09 AND 2009-10**

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#### **DIRECTIVES FOR APGCL :**

9.1 The petitioners are directed to :

9.1.1 **File Audited Financial Statements** for FY 2007-08 and FY 2008-09 along with all the relevant annexures, schedules and notes to Accounts.

9.1.2 **File the CAG supplementary audit report** from FY2006-07 onwards.

9.1.3 **File Fixed Assets Registers** duly authenticated incorporating Gross Fixed Assets (GFA) at the beginning of the relevant financial year, addition, dispositions / sale proceeds, if any, made during the relevant financial year and the written down value of the assets at the end of the relevant financial year.

Further, to maintain proper and detailed fixed assets Registers at field offices to work out depreciation expenses the Commission directs them to submit a report to the Commission citing clearly as to how they are maintaining fixed assets registers for the various assets.

9.1.4 **File Physical Verification Report of Fixed Assets** by a competent and reliable authority as at the end of each financial year beginning with FY 2005-06 and onwards

9.1.5 To increase the Authorized Share Capital and to convert the Share deposit into issued, subscribed and paid up Capital. The Commission further directs to submit the necessary resolutions, forms, papers, documents and receipts of fees paid to Registrar of Companies.

9.1.6 **Capital Work-in-progress:-** To submit the detail analysis of amount locked up in **Capital Work-in-progress year wise beginning from FY 2005-06 to 2008-09** and the conversion of CWIP into Fixed Assets duly reconciling with the Assets Register within two months from date of issue of Tariff Order 2008-10. The utilities shall submit in detail the cost and time of completion of each project and reason for delay (if any).

9.1.7 **Statement of Interest analysis:-** To submit a Statement of Interest analysis with opening balance, interest accrued during the relevant financial year, interest paid

during the financial year, interest waived during the year, interest capitalized during the Financial year and the Closing balance duly reconciling with:-

1. Statement of the Lender/ Third parties
2. Repayment Schedule
3. Interest agreement
4. Detail analysis of Interest capitalized and to be capitalized.

9.1.8 **Capitalization of works:-** Adhere the following requirements, considering the importance of capitalization of works (i.e., **Capital Investment**), before accepting inclusion of the value of a Capitalised work in the related Fixed Asset, to be fulfilled:-

1. A Physical Completion Certificate (PCC) to the effect that the work in question has been fully executed physically and the assets created are put to use to be issued by the concerned engineer not below the rank of Supdt. Engineer;
2. The PCC shall be accompanied by a Financial Completion Certificate (FCC) to the effect that assets created have been duly entered in the Fixed assets Register by transfer from Capital-Work-in-progress Register to concerned Fixed Asset Register. The FCC shall have to be issued by the concerned Finance Officer not below the rank of Senior Accounts Officer;
3. The above-mentioned certificates have to be submitted to the Commission within 60 days of the completion of the work.

9.1.9 **Timely completion of Projects/Schemes:-** Take all possible measures to ensure that the projects/ schemes taken up are completed on schedule. In this regard, the Commission clarifies that it will not allow any interest during construction for delays exceeding one month and three months in respect of completion of projects/ schemes with the completion schedules of up to one year and more than one year respectively, unless the Commission's prior approval for extension in the completion schedules is obtained.

9.1.9.1 Normative availability for thermal and capacity index for Hydro should be achieved by the power stations for recovery of full fixed charge at any cost. **Although the PLF has increased marginally, attempt should be made to achieve at least 65% in the coming two years.** All efforts

should be made to enhance gas allocation from the gas supplier apart from delivering the committed quantity of gas by them.

9.1.9.2 Performance guarantee test of all future units scheduled to be commissioned in 2009-10 and 2010-11 are required to be completed within 60 days from the date of commercial generation of the units.

9.1.9.3 Ideal man/MW ratio for thermal as well as hydro, based on norms followed by profit earning central/state sector power generating utilities are to be evolved and standardized.

9.1.10 **Investment Plan:-** The APGCL shall submit a 3-year Rolling Capital Investment Plan outlining the major schemes proposed for each Financial Year. The capital investment plans should be internally consistent and reconcilable with other relevant proposals and supporting information presented in the submission such as demand projections, network reliability and design criteria.

A Capital Investment Scheme means any non-recurring capital expenditure programme for the acquisition, construction or improvement of a permanent facility in a particular sector (i.e. Generation, Transmission, Distribution, General, etc.).

The Scheme shall be planned considering a 3-5 year investment horizon for Generation and transmission related investments, and a 1-3 year horizon for Distribution-related investments.

9.1.10.1 For those Capital Investment Schemes exceeding Rs. 10 crores, the APGCL should submit Feasibility Reports for the Commission's In-Principle Approval with a broad Cost-Benefit Analysis. These capital investment proposals should constitute a least cost plan.

9.1.10.2 The Feasibility Reports (FRs) must clearly outline the scope and objectives of the proposed Scheme and explain how the Scheme meets the evaluation criteria mentioned herein.

9.1.10.3 The FRs must be accompanied by such information, particulars and documents to support the details contained in the plan including technical reports, design criteria, supplier/contractor quotations, term sheets of financing agencies etc., as may be required to enable assessment of the nature involved in ex-ante, in-principle clearance.

9.1.10.4 The milestones such as Zero Date (letter of award) and commercial date of synchronization of all future projects are required to be flagged so as to enable the investment projects to come to the stream. The pre-feasibility report, coal and gas linkages, survey, DPR preparation are to be properly scheduled by the APGCL well ahead in time for achieving the capacity addition targets as envisaged. The future projects can also be posed for soft loan assistance through the Government.

9.1.11 The Commission will take up the issue of approval of ARR for FY 2010-11 onwards under Multi Year Tariff regime only on the receipt of the audited and vetted documents as stated above. The Commission further directs and reiterates that the above financial statements along with annexures be submitted as soon as it is audited by the Statutory Auditors and duly vetted by CAG.

## **DIRECTIVES FOR AEGCL :**

9.2 The petitioners are directed to :

9.2.1 **File Audited Financial Statements** for FY 2007-08 and FY 2008-09 along with all the relevant annexures, schedules and notes to Accounts.

9.2.2 **File the CAG supplementary audit report** from FY2006-07 onwards.

9.2.3 **File Fixed Assets Registers** duly authenticated incorporating Gross Fixed Assets (GFA) at the beginning of the relevant financial year, addition, dispositions / sale proceeds, if any, made during the relevant financial year and the written down value of the assets at the end of the relevant financial year.

Further, to maintain proper and detailed fixed assets Registers at field offices to work out depreciation expenses the Commission directs them to submit a report to the Commission citing clearly as to how they are maintaining fixed assets registers for the various assets.

9.2.4 **File Physical Verification Report of Fixed Assets** by a competent and reliable authority as at the end of each financial year beginning with FY 2005-06 and onwards

9.2.5 To increase the Authorized Share Capital and to convert the Share deposit into issued, subscribed and paid up Capital. The Commission further directs to submit the necessary resolutions, forms, papers, documents and receipts of fees paid to Registrar of Companies.

- 9.2.6 **Capital Work-in-progress:-** To submit the detail analysis of amount locked up in **Capital Work-in-progress year wise beginning from FY 2005-06 to FY 2008-09** and the conversion of CWIP into Fixed Assets duly reconciling with the Assets Register within two months from date of issue of Tariff Order 2008-10. The utilities shall submit in detail the cost and time of completion of each project and reason for delay (if any).
- 9.2.7 **Statement of Interest analysis:-** To submit a Statement of Interest analysis with opening balance, interest accrued during the relevant financial year, interest paid during the Financial year, interest waived during, interest capitalized the Financial year and the Closing balance duly reconciling with:-
1. Statement of the Lender/ Third parties
  2. Repayment Schedule
  3. Interest agreement
  4. Detail analysis of Interest capitalized and to be capitalized.
- 9.2.8 **Capitalization of works:-** Adhere the following requirements, considering the importance of capitalization of works (i.e., **Capital Investment**), before accepting inclusion of the value of a Capitalised work in the related Fixed Asset, to be fulfilled:-
1. A physical Completion Certificate (PCC) to the effect that the work in question has been fully executed physically and the assets created are put to use to be issued by the concerned engineer not below the rank of Supdt. Engineer;
  2. The PCC shall be accompanied by a Financial Completion Certificate (FCC) to the effect that assets created have been duly entered in the Fixed assets Register by transfer from Capital-Work-in-progress Register to concerned Fixed Asset Register. The FCC shall have to be issued by the concerned Finance Officer not below the rank of Senior Accounts Officer;
  3. The above-mentioned certificates have to be submitted to the Commission within 60 days of the completion of the work.
- 9.2.9 **Timely completion of Projects/Schemes:-** Take all possible measures to ensure that the projects/ schemes taken up are completed on schedule. In this regard, the Commission clarifies that it will not allow any interest during construction for delays exceeding one month and three months in respect of completion of

projects/ schemes with the completion schedules of up to one year and more than one year, respectively, unless the Commission's prior approval for extension in the completion schedules is obtained.

- 9.2.10 **Norms for O&M Expenses:-** As per clause 84.3 of AERC (Terms and Conditions for Determination of Tariff) Regulations, 2006, the norms for O&M expenses shall be fixed on the basis of circuit kilometers of transmission lines, transmission capacity and no. of bays in substations. Due to non-availability of required data, the O&M budget for AEGCL is set based on the Commission's assessment of estimates submitted by licensee which may not give the true figures. The audited figures of O&M expenses against the circuit kilometers of transmission line, transformer capacity and number of bays of substations are not yet submitted by AEGCL. AEGCL is directed to furnish the above data within 2 months of issue of the order so that exercise for norms of O&M expenses may be taken up by the Commission accordingly.
- 9.2.11 **Contribution to Pension Trust by GoA:-** AEGCL has informed that Government of Assam is yet to release its contribution amounting to Rs. 121.57 crores to the Pension Trust of ASEB employees for the past services for the FY 2005-06 to 2007-08 even though budget provision was made for the same in FY 2008-09. The Commission is of the view that the ASEB / AEGCL should pursue the matter with the Government of Assam for releasing the amount at the earliest.
- 9.2.12 **Notification of GPF Fund:-** It was stated by AEGCL that utilities are in the process of creation of a GPF fund amounting to Rs. 385 crores separately from the Pension Trust Fund and providing for funding through a mechanism to be notified by the Government of Assam. The Commission is of the view that ASEB / AEGCL should pursue the matter with the Government of Assam for early issue of necessary notification regarding funding of GPF Fund by Government of Assam.
- 9.2.13 **Transmission Loss:-** The AEGCL has filed transmission loss for FY 2008-09 and FY 2009-10 as 5.82% and 5.81%. The Commission after examining the detail energy flow from different sources allowed a transmission loss of 5.82% and 5.50% for FY 2008-09 and 2009-10 respectively. The Commission feels that in view of huge investment made in the transmission infrastructure of AEGCL, the transmission losses should be around 4%. Action should be taken up by AEGCL to bring down the transmission loss to 4% level in FY 2010-11.

The Commission directs the AEGCL to submit voltage wise transmission loss figures for the last three years along with the estimation for 2009-10 and 2010-11.

- 9.2.14 The Commission will take up the issue of approval of ARR for FY 2010-11 onwards under Multi Year Tariff regime only on the receipt of the audited and vetted documents as stated above. The Commission further directs and reiterates that the above financial statements along with annexures be submitted as soon as it is audited by the Statutory Auditors and duly vetted by CAG.

### **DIRECTIVES FOR DISCOMS :**

9.3 The petitioners are directed to :

9.3.1 **File Audited Financial Statements** for FY 2007-08 and FY 2008-09 along with all the relevant annexures, schedules and notes to Accounts.

9.3.2 **File the CAG supplementary audit report** from FY2006-07 onwards.

9.3.3 **File Fixed Assets Registers** duly authenticated incorporating Gross Fixed Assets (GFA) at the beginning of the relevant financial year, addition, dispositions / sale proceeds, if any, made during the relevant financial year and the written down value of the assets at the end of the relevant financial year.

Further, to maintain proper and detailed fixed assets Registers at field offices to work out depreciation expenses the Commission directs them to submit a report to the Commission citing clearly as to how they are maintaining fixed assets registers for the various assets.

9.3.4 **File Physical Verification Report of Fixed Assets** by a competent and reliable authority as at the end of each financial year beginning with FY 2005-06 and onwards

9.3.5 To increase the Authorized Share Capital and to convert the Share deposit into issued, subscribed and paid up Capital. The Commission further directs to submit the necessary resolutions, forms, papers, documents and receipts of fees paid to Registrar of Companies.

9.3.6 **Capital Work-in-progress:-** To submit the detail analysis of amount locked up in **Capital Work-in-progress year wise beginning from FY 2005-06 to FY 2007-08** and the conversion of CWIP into Fixed Assets duly reconciling with the

Assets Register within two months from date of issue of Tariff Order 2008-10. The utilities shall submit in detail the cost and time of completion of each project and reason for delay (if any).

9.3.7 **Statement of Interest analysis:-** To submit a Statement of Interest analysis with opening balance, interest accrued during the relevant financial year, interest paid during the Financial year, interest waived during, interest capitalized the Financial year and the Closing balance duly reconciling with:-

1. Statement of the Lender/ Third parties
2. Repayment Schedule
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4. Detail analysis of Interest capitalized and to be capitalized.

9.3.8 **Capitalization of works:-** Adhere the following requirements, considering the importance of capitalization of works (i.e., **Capital Investment**), before accepting inclusion of the value of a Capitalised work in the related Fixed Asset, to be fulfilled:-

1. A physical Completion Certificate (PCC) to the effect that the work in question has been fully executed physically and the assets created are put to use to be issued by the concerned engineer not below the rank of Supdt. Engineer;
2. The PCC shall be accompanied by a Financial Completion Certificate (FCC) to the effect that assets created have been duly entered in the Fixed assets Register by transfer from Capital-Work-in-progress Register to concerned Fixed Asset Register. The FCC shall have to be issued by the concerned Finance Officer not below the rank of Senior Accounts Officer;
3. The above-mentioned certificates have to be submitted to the Commission within 60 days of the completion of the work.

9.3.9 **Physical and financial status of APDRP Schemes :-** Physical and financial progress reports of APDRP works in respect of each circle with all details such as new S/S, R&M of S/S, 33 KV new line, 11 KV new line, LT new line, R&M of 33 KV line, R&M of 11KV line, LT line conversion, new DTR and R&M of DTR, Revenue performance and Metering are required to be submitted to the Commission within 60 days of the order so that Commission can take a view of the status of progress.

Discoms are to submit quarterly progress report of APDRP works with effect from 3<sup>rd</sup> quarter of FY 2009-10 regularly.

- 9.3.10 **Timely completion of Projects/Schemes:-** Take all possible measures to ensure that the projects/ schemes taken up are completed on schedule. In this regard, the Commission clarifies that it will not allow any interest during construction for delays exceeding one month and three months in respect of completion of projects/ schemes with the completion schedules of up to one year and more than one year, respectively, unless the Commission's prior approval for extension in the completion schedules is obtained.
- 9.3.11 **Interest on Security Deposits:-** The Discoms are directed to furnish the up to date position of interest on security deposits refunded to the consumers as per Regulation within one month of issue of the order.
- 9.3.12 **Investment Plan:-** The Licensees shall submit a 3-year Rolling Capital Investment Plan outlining the major schemes proposed for each Financial Year. The capital investment plans should be internally consistent and reconcilable with other relevant proposals and supporting information presented in the submission such as demand projections, network reliability and design criteria.

A Capital Investment Scheme means any non-recurring capital expenditure programme for the acquisition, construction or improvement of a permanent facility in a particular sector (i.e. Generation, Transmission, Distribution, General, etc.).

The Scheme shall be planned considering a 3-5 year investment horizon for Generation and transmission related investments, and a 1-3 year horizon for Distribution-related investments.

For those Capital Investment Schemes exceeding Rs. 10 crores, the Licensee should submit Feasibility Reports for the Commission's In-Principle Approval with a broad Cost-Benefit Analysis. These capital investment proposals should constitute a least cost plan.

The Feasibility Reports (FRs) must clearly outline the scope and objectives of the proposed Scheme and explain how the Scheme meets the evaluation criteria mentioned herein.

The FRs must be accompanied by such information, particulars and documents to support the details contained in the plan including technical reports, design

criteria, supplier/contractor quotations, term sheets of financing agencies etc., as may be required to enable assessment of the nature involved in ex-ante, in-principle clearance.

9.3.13 **Details of Bad Debts:-** The Discoms are directed to submit the details of Bad Debts written off in FY 2007-08 onwards within one month of issue of this Order.

9.3.14 **Energy Audit / Estimation:-** The Commission directs the Discoms to carry out the energy audit /estimation study with voltage wise break-up of distribution losses into technical loss and commercial loss. Further the Discoms should intimate the Commission within 3 months from the date of issue of the tariff order in regard to the progress on the study to be undertaken in terms of the finalised scope of work, whether the study is being undertaken departmentally or help of some experts in the field is being availed, the methodology being adopted for undertaking the study etc. etc.

9.3.15 **Consumer education and awareness:-** The Commission directs the Discoms to establish and earmark funds for consumer education and awareness. The details about the scope of activities to be taken up under this initiative may be submitted to the Commission within 3 months from the date of issue of the Tariff Order.

9.3.16 **Power Purchase Cost:-** The power purchase expense is the single largest component in the ARR of a distribution company. Hence it is imperative that this element of cost is estimated with utmost care based on the most efficient way of procuring power from the generating sources and other sources based on bilateral contracts and long/short term arrangements.

Emergency purchases to meet acute shortages at cost other than approved by the Commission shall have to be submitted to the Commission with all justifications for approval.

Any variation, during any half year of a financial year, in the quantum or cost of power procured and any procurement from sources other than that mentioned in the “Station Wise Power Purchase Cost for 2008-09 and 2009-10 approved by the Commission in excess of 5% of the quantum or cost, as the case may be, of power procurement for such half year as approved by the Commission in the power procurement plan of ASEB trader shall be done only with the prior approval of the Commission.

Under sub-section 86(b) of the Act, the Commission is required to regulate electricity purchase and procurement process of distribution licensees including

the price at which electricity shall be procured from the generating companies or licensees or from other sources through agreements for purchase of power for distribution and supply within the state. The Commission further underlines the requirement of seeking prior approval of the Commission before entering into bilateral contracts by the ASEB/Discoms in all future transactions. This particular stipulation was also enumerated under Sl. No. 8.25, page 58 of Tariff Order for 2005-06.

- 9.3.17 In the Tariff Order 2006-07 LAEDCL was directed to take action for supplying power to areas not from MeSEB Network but from LAEDCL Network. It is noted with concern that till date no action has so far been taken by LAEDCL to address this issue.
- 9.3.18 **Power from Co-generation and Renewable sources:-** The utilities / Discoms should make all efforts to procure more power from co-generation and renewable sources may be through competitive bidding process to promote renewable generation.
- 9.3.19 **Circle-wise Trajectory for Loss Reduction:-** Discom is directed to fix-up circle-wise trajectory for loss reduction and prepare a detailed action plan for reduction of Distribution and AT&C losses during 2009-10. The action plan for reduction of losses during 2009-10 should be submitted to the Commission within 2 months from the date of this order.
- 9.3.20 **Database on TOD consumption:-** The Commission intended to extend the benefit of TOD tariff to other HT category consumers. At present under HT group, Domestic, Commercial, Public Water Works, HT Small Industries and HT Irrigation are not covered under TOD tariff. The Utilities have built up some database and made available to the Commission the pattern of consumption during different periods of day by different categories under TOD tariff. But the volumes of data in sample forms are not sufficient. The Commission directs that the Load Research Cell under Discoms will collect more data of such consumers and submit to the Commission for making a database on TOD consumption. The data submitted by utilities should be both in hard and soft copy forms.
- 9.3.21 **Information on Solar Water Heating System:-**The Commission directed the Load Research Cell of Discoms in Tariff Order 2007-08 to collect information regarding use of solar water heating systems in their respective areas and the total amount of rebate allowed and submit reports of the same along with the next tariff petitions. However, no data is made available to the Commission by any of the Discoms. The

Commission directs the Discoms to comply the directions given in the Tariff Order for FY 2007-08 in this regard and submit the required information within one month of issue of this Tariff Order.

- 9.3.22 The Commission will take up the issue of approval of ARR for FY 2010-11 onwards under Multi Year Tariff regime only on the receipt of the audited and vetted documents as stated above. The Commission further directs and reiterates that the above financial statements along with annexures be submitted as soon as it is audited by the Statutory Auditors and duly vetted by CAG.

**DIRECTIVES FOR ALL THE UTILITIES :**

- 9.4 The Commission directs the utilities to henceforth report the status of compliance of all the directives on a quarterly basis to the Commission.

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