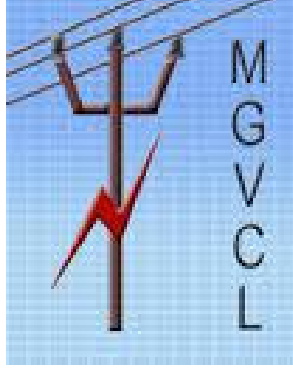


**BEFORE THE GUJARAT ELECTRICITY REGULATORY COMMISSION
GANDHINAGAR**



CASE NO. _____

Filing of Petition for True Up for FY 2019-20

**Under
GERC (Multi Year Tariff) Regulations, 2016 along with other Guidelines and
Directions issued by the GERC from time to time AND under Part VII (Section 61
to Section 64) of the Electricity Act, 2003 read with the relevant Guidelines**

Filed by:-

MadhyaGujarat Vij Company Ltd.

Corp. Office: Sardar Patel Vidyut Bhavan, Race Course, Vadodara – 390007.

**BEFORE THE GUJARAT ELECTRICITY REGULATORY COMMISSION
GANDHINAGAR**



Filing No:

Case No:

IN THE MATTER OF

Filing of the Petition for True Up for FY 2019-20 under GERC (Multi Year Tariff) Regulations, 2016 along with other Guidelines and Directions` issued by the GERC from time to time AND under Part VII (Section 61 to Section 64) of the Electricity Act, 2003 read with the relevant Guidelines

AND

IN THE MATTER OF

Madhya Gujarat Vij Company Limited,
Sardar Patel Vidyut Bhavan,
Race Course,
Vadodara – 390007

PETITIONER

Gujarat Urja Vikas Nigam Limited
Sardar Patel Vidyut Bhavan,
Race Course,
Vadodara - 390 007

CO-PETITIONER

THE PETITIONER ABOVE NAMED RESPECTFULLY SUBMITS



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ABBREVIATIONS

1.	ARR	Aggregate Revenue Requirement
2.	DGVCL	Dakshin Gujarat Vij Company Limited
3.	FPPPA	Fuel and Power Purchase Price Adjustment
4.	FY	Financial Year
5.	GEB	Erstwhile Gujarat Electricity Board
6.	GERC	Gujarat Electricity Regulatory Commission
7.	GERC MYT Regulations, 2016	GERC (Multi Year Tariff) Regulations, 2016
8.	GETCO	Gujarat Energy Transmission Corporation Limited
9.	GoG	Government of Gujarat
10.	GoI	Government of India
11.	GSECL	Gujarat State Electricity Corporation Limited
12.	GUVNL	Gujarat Urja Vikas Nigam Limited
13.	kV	Kilo Volt
14.	kVA	Kilo Volt Ampere
15.	kVAh	Kilo Volt Ampere Hour
16.	kWh	Kilo Watt Hour
17.	MCLR	Marginal Cost of Funds based Lending Rate
18.	MGVCL	Madhya Gujarat Vij Company Limited
19.	MTR	Mid-Term Review
20.	MU	Million Units (Million kWh)
21.	MVA	Mega Volt Ampere
22.	MW	Mega Watt
23.	MYT	Multi Year Tariff
24.	MYT Control Period	FY 2016-17, FY 2017-18, FY 2018-19, FY 2019-20 & FY 2020-21
25.	O&M	Operation & Maintenance
26.	PGVCL	Paschim Gujarat Vij Company Limited
27.	UGVCL	Uttar Gujarat Vij Company Limited



SECTION 1. INTRODUCTION

1.1. PREAMBLE

1.1.1. This section presents the background and reasons for filing this Petition.

1.2. INTRODUCTION

1.2.1 The Government of Gujarat (hereinafter referred to as “GoG”) notified the Gujarat Electricity Industry (Reorganization and Regulation) Act 2003 (herein after called as “Act”) in May 2003 for the reorganization of the entire power sector in the State of Gujarat.

1.2.2 Pursuant to the above, Government of Gujarat in their letter vide GO / 19th August, 2003 had directed GEB to form four Distribution Companies (Discoms) based on geographical location of the circles. Accordingly the four distribution companies had been incorporated with the Registrar of Companies (RoC) on 15th September, 2003. Madhya Gujarat Vij Company Limited (MGVCL) is one of the distribution companies engaged in distribution of electricity in the central zone area of Gujarat.

1.2.3 The Madhya Gujarat Vij Co. Ltd obtained its Certificate of Commencement of Business on the 15th October, 2003. However, the company did not commence its commercial operations during the financial year ending 31st March, 2005. The Company has started its commercial function w.e.f. 1st April, 2005.

1.2.4 The Hon’ble Commission notified the Gujarat Electricity Regulatory Commission (Multi-Year Tariff) Regulations, 2016 (“GERC MYT Regulations, 2016”) on 29th March, 2016 and shall be applicable for determination of tariff in all cases covered under the regulations from 1st April, 2016 onwards till 31st March, 2020.

1.2.5 The Hon’ble Commission issued Order in Case No. 1624 of 2016 dated 31st March, 2017 for Truing up of FY 2015-16, approval of final ARR for FY 2016-17 and approval of Multi-Year ARR for FY 2016-17 to FY 2020-21 and determination of Tariff for FY 2017-18. Subsequently, the Hon’ble Commission issued Order in Case No. 1701 of 2018 dated 31st March, 2018 for Truing up of FY 2016-17 and determination of Tariff for FY 2018-19. The Hon’ble Commission also issued Order in Case No. 1761 of 2018 dated 24th April, 2019 for Truing up of FY 2017-18 and determination of Tariff for FY 2019-20. The Hon’ble Commission has also issued Order in Case No. 1841 of 2019 dated 31st March, 2020 for Truing up of FY 2018-19 and determination of Tariff for FY 2020-21.



1.3. FILING OF TRUE-UP PETITION FOR FY 2019-20

- 1.3.1 The Hon'ble Commission issued Order in Case No. 1624 of 2016 dated 31st March, 2017 for Truing up of FY 2015-16, approval of final ARR for FY 2016-17 and approval of Multi-Year ARR for FY 2016-17 to FY 2020-21 and determination of Tariff for FY 2017-18. Subsequently, the Hon'ble Commission also issued MTR Order in Case No. 1761 of 2018 dated 24th April, 2019 for Truing up of FY 2017-18 and determination of Tariff for FY 2019-20.
- 1.3.2 As the FY 2019-20 is over and annual accounts of MGVCL are also audited, MGVCL is filing its Petition for True-up of FY 2019-20 in accordance with MYT Regulations, 2016, to the Hon'ble Commission for its approval.

SECTION 2. EXECUTIVE SUMMARY

2.1. PREAMBLE

2.1.1. This section highlights the summary of the Petition for True Up for FY 2019-20

2.2. TRUE UP OF FY 2019-20

2.2.1 MGVC L has worked out its actual Aggregate Revenue Requirement (ARR) for FY 2019-20 based on the audited accounts and the principles adopted by the Hon'ble Commission in its previous Orders.

2.2.2 The actual expenses have been compared against those approved for FY 2019-20 in the MTR of ARR for FY 2019-20 to FY 2020-21 Order dated 24th April, 2019. The detailed comparison of various cost components with the values approved by the Hon'ble Commission has been presented in the next Chapter on True up of FY 2019-20. A summary of the actual ARR for Truing-up of FY 2019-20 compared with the approved ARR for FY 2019-20 is presented in the table given below:

TABLE 1 : TRUE UP FOR FY 2019-20

Rs in Crores				
Sr. No.	Particulars	FY 2019-20 (Approved)	FY 2019-20 (Actual)	Deviation
1	Cost of Power Purchase	5,460.22	5,426.12	34.10
2	Operation & Maintenance Expenses	645.91	615.63	30.27
2.1	Employee Cost	549.74	524.32	25.42
2.2	Repair & Maintenance	65.94	61.69	4.25
2.3	Administration & General Charges	83.24	84.27	(1.03)
2.4	Other Expenses Capitalised	(53.02)	(54.64)	1.62
3	Depreciation	263.18	262.37	0.81
4	Interest & Finance Charges	60.28	57.52	2.76
5	Interest on Working Capital	-	-	-
6	Provision for Bad Debts	0.00	16.83	(16.83)
7	Sub-Total [1 to 6]	6,429.59	6,378.47	51.11
8	Return on Equity	149.67	150.61	(0.94)
9	Provision for Tax / Tax Paid	12.11	12.22	(0.11)
10	Total Expenditure (7 to 9)	6,591.37	6,541.30	50.06
11	Less: Non-Tariff Income	130.28	145.68	(15.40)
12	Add: DSM Expenses	-	-	-
13	Aggregate Revenue Requirement (10 - 11)	6,461.09	6,395.62	65.47

2.2.3 In line with the provisions of the GERC MYT Regulations, 2016, MGVCL has computed the gains and losses on account of controllable and uncontrollable parameters and its proposed sharing mechanism.

2.2.4 The cost components have been segregated into controllable and uncontrollable factors as per the methodology outlined in Regulation 22 of the MYT Regulations, 2016. Summary of the difference allocation to controllable & Uncontrollable factors is outlined as per the table below:

TABLE 2 : SUMMARY OF CONTROLLABLE AND UNCONTROLLABLE FACTORS FOR FY 2019-20

Rs in Crores					
Sr. No.	Particulars	FY 2019-20 (Approved)	FY 2019-20 (Actual)	Gain/(Loss) due to Controllable Factors	Gain/(Loss) due to Uncontrollable Factors
1	Cost of Power Purchase	5,460.22	5,426.12	142.16	(108.07)
2	Operation & Maintenance Expenses	645.90	615.63	104.28	(74.02)
2.1	Employee Cost	549.74	524.32	101.06	(75.64)
2.2	Repair & Maintenance	65.94	61.69	4.25	-
2.3	Administration & General Charges	83.24	84.27	(1.03)	-
2.4	Other Expenses Capitalised	(53.02)	(54.64)	-	1.62
3	Depreciation	263.18	262.37	-	0.81
4	Interest & Finance Charges	60.28	57.52	-	2.76
5	Interest on Working Capital	-	-	-	-
6	Provision for Bad Debts	0.00	16.83	(16.83)	-
7	Return on Equity	149.67	150.61	-	(0.94)
8	Provision for Tax / Tax Paid	12.11	12.22	-	(0.11)
9	ARR (1 to 8)	6,591.37	6,541.30	229.62	(179.56)
10	Non - Tariff Income	130.28	145.68	-	(15.40)
11	Total ARR (9-10)	6,461.09	6,395.62	229.62	(164.16)

2.2.1. As per the mechanism specified in the MYT Regulation 2016, MGVCL proposes to pass on a sum of 1/3rd of total gain/(loss) on account of controllable factors i.e. Rs. 76.54 Crores and total gain/(loss) on account of uncontrollable factor i.e. Rs. (164.16) Crores to the consumers. Further, the revenue gap/(surplus) approved by the Hon'ble Commission on True up of FY 2017-18 of Rs. (116.83) Crores is also considered. Adjusting these to the net Aggregate Revenue Requirement, MGVCL has arrived at the Revised Aggregate Revenue Requirement for FY 2019-20 at Rs. 6,431.88 Crores.

2.2.2. This revised Aggregate Revenue Requirement is compared against the revised income under various heads including Revenue from Existing Tariff of Rs. 6,200.93 Crores, Other Consumer related Income of Rs. 124.01 Crores, Agriculture Subsidies of Rs. 62.58 Crores and GUVNL profit allocation of Rs. 12.68 Crores, summing up to a Total Revenue of Rs. 6,400.19 Crores. Accordingly, total Revenue Gap/(Surplus) of MGVCL for FY 2019-20 after treatment of gain/(loss) due to controllable / uncontrollable factors is computed at Rs. 31.69 Crores as shown in the table below:

TABLE 3 : REVENUE GAP FOR FY 2019-20

		Rs in Crores
Sr. No.	Particulars	FY 2019-20 (Actual)
1	Aggregate Revenue Requirement originally approved for FY 2019-20	6,461.09
2	Add: Gap/(Surplus) of FY 2017-18	(116.83)
3	Gain / (Loss) on account of Uncontrollable factor to be passed on to Consumer	(164.16)
4	Gain / (Loss) on account of Controllable factor to be passed on to Consumer (1/3rd of Total Gain / Loss)	76.54
5	Revised ARR for FY 2019-20 (1 + 2 - 3 - 4)	6,431.88
6	Revenue from Sale of Power	6,200.93
7	Other Income (Consumer related)	124.01
8	Total Revenue excluding Subsidy (6 + 7)	6,324.94
9	Agriculture Subsidy	62.58
10	GUVNL Profit / (Loss) Allocation	12.68
11	Total Revenue including Subsidy (8 + 9 + 10)	6,400.19
12	Revised Gap after treating gains/(losses) due to Controllable/ Uncontrollable factors (5 - 11)	31.69



SECTION 3. TRUE UP FOR FY 2019-20

3.1. PREAMBLE

3.1.1. This section outlines the performance of MGVCL for FY 2019-20. In line with the provisions of the MYT Regulations, 2016, MGVCL hereby submits the True-Up Petition comparing the actual performance of MGVCL during FY 2019-20 with the forecast approved by the Hon'ble Commission vide MTR Order dated 24th April, 2019.

3.2. PRINCIPLES FOR TRUE UP FOR FY 2019-20

3.2.1. As per MYT Tariff Regulations, 2016, the Hon'ble Commission is required to undertake the True-Up of the licensees for FY 2019-20 based on the comparison of the actual performance of the past year with the approved estimates for such year. Section 21.1 of the MYT Regulations, 2016 is read as below:

“the Generating Company or Transmission Licensee or SLDC or Distribution Licensee shall be subject to truing up of expenses and revenue during the Control Period in accordance with these Regulations.”

3.2.2. In line with the provisions of MYT Regulations, 2016, MGVCL has filed this Petition for True-Up for the year FY 2019-20. Information provided in the True-Up for FY 2019-20 is on the basis of audited actual performance and considering principles adopted by the Hon'ble Commission in its previous Orders. The actual performance has been compared with the approved numbers as per the MTR Order dated 24th April, 2019.

3.2.3. Accordingly, actual data for revised Aggregate Revenue Requirement, revenue and gap for FY 2019-20 are given in the following paragraphs of this chapter.

3.2.4. For the purpose of True-Up all the expense heads have been categorized into Controllable and Uncontrollable factors. A head-wise comparison has been made between the values approved by the Hon'ble Commission and the actual values for various expenditures for FY 2019-20.

3.3. CATEGORY WISE SALES

3.3.1. The actual category wise sales for FY 2019-20 were 9,754.10 MUs as against the approved sales of 10,446.10 MUs. The table below highlights the comparison of actual category wise sales of MGVCL against that approved by the Hon'ble Commission vide its Tariff Order.

TABLE 4 : CATEGORY-WISE SALES

S.No.	Particulars	Sales (MUs)	
		FY 2019-20 (Approved)	FY 2019-20 (Actual)
A	LT Consumers		
1	RGP	2,800.82	2,720
2	GLP	66.28	73
3	Non-RGP & LTMD	1,628.12	1,604
4	Public Water Works	363.02	314
5	Agriculture	1,408.37	1,213
6	Public Lighting	63.34	62
	LT Total (A)	6,329.96	5,987
B	HT Consumers		
7	Industrial HT	4,116.14	3,767
8	Railway Traction	-	-
	HT Total (B)	4,116.14	3,767
	Grand Total (A + B)	10,446.10	9,754.10

3.4. DISTRIBUTION LOSSES

3.4.1. In FY 2019-20, the actual distribution losses were 9.15% as against the approved level of 11.60%. The table below highlights the comparison of actual distribution losses of MGVC L against that approved by the Hon'ble Commission vide its Tariff Order.

TABLE 5 : DISTRIBUTION LOSSES

Sr. No.	Particulars	FY 2019-20 (Approved)	FY 2019-20 (Actual)
1	Distribution Losses	11.60%	9.15%

3.4.2. The MYT Regulations categorise the Distribution Losses as a controllable factor and accordingly any gain or loss on account of this would be shared with the consumers as per the provisions of the regulations.

3.4.3. MGVC L submits that it has achieved a significant reduction in distribution losses during recent years. The Hon'ble Commission had approved the distribution loss levels for MGVC L at 11.60% for FY 2019-20 and the actual loss achieved were 9.15% for FY 2019-20.

3.4.4. Since MGVC L has losses lower than those approved by the Hon'ble Commission, its effect has been discussed in the section relating to power purchase and the gains and losses has been captured there itself.

3.5. ENERGY REQUIREMENT AND ENERGY BALANCE

3.5.1. The gross energy requirement of MGVC L is as follows given in the table below:

TABLE 6 : ENERGY REQUIREMENT AND ENERGY BALANCE

Energy Balance				
S.No.	Particulars	Unit	FY 2019-20 Approved	FY 2019-20 Actual
1	Energy Sales	MUs	10,446.10	9,754.10
2	Distribution Losses	MUs	1,370.76	983.00
		%	11.60%	9.15%
3	Energy Requirement	MUs	11,816.86	10,737.10
4	Local Power Purchase by Discom	MUs		64.43
5	Transmission Losses	MUs	473.00	413.00
		%	3.85%	3.72%
6	Total Energy to be input to Transmission System	MUs	12,289.86	11,086
7	Pooled Losses in PGCIL System	MUs	232.83	188.91
8	Total Energy Requirement	MUs	12,522.69	11,339.01

3.5.2. The gross energy requirement for sale to the consumers in FY 2019-20 is 11,339.01MUs as compared to 12,522.69 MUs as approved by the Hon'ble Commission.

3.6. POWER PURCHASE COST

3.6.1. The company has been currently allocated share of generation capacities as per the scheme worked out by GUVNL. In order to minimize power purchase cost, GUVNL adopts the Merit Order Despatch principles for despatching power from the generating stations based on the demand and accordingly power gets allocated to MGCVL.

3.6.2. The actual power purchase from GUVNL is different from allocation because the demand from MGCVL is not constant and it varies from time to time.

3.6.3. The total power purchase cost of MGCVL for FY 2019-20 consists of the basic power purchase cost, transmission charges payable to GETCO and PGCIL, SLDC charges and the DISCOM's share of GUVNL cost. Based on the same, the comparison of the approved and the actual cost of power purchase are as shown below:

TABLE 7: NET POWER PURCHASE COST

Rs in Crores			
Sr. No.	Particulars	FY 2019-20 (Approved)	FY 2019-20 (Actual)
A	Cost		
1	Power Purchased from GUVNL		5,404.11
2	Power purchase from Windfarm		4.55
3	Power Purchased from Solar		16.19
4	Unscheduled Interchange Charges/DSM Charges		
5	SLDC Charges		1.90
	Total Cost		5,426.75
B	Income		
1	Sale of Power to GUVNL		
2	Unscheduled Interchange/DSM Income		0.63
	Net Power Purchase Cost	5,460.22	5,426.12

3.6.4. The variation in the approved and the actual power purchase expenses is on account

of various reasons including change in approved cost of power, change in quantum of power purchased allowed, consequent changes in the transmission charges payable and change in cost allocation to GUVNL.

- 3.6.5. The quantum of power purchase depends upon the sales during the year as well as the losses in the system. The actual distribution losses in MGVCL distribution network have been lower than the approved level as also the sales than that approved by the Hon'ble Commission and hence, the quantum of power purchased was lower than the approved quantum of power required.
- 3.6.6. As per the MYT regulations, the Hon'ble Commission has categorised the variation in the price of fuel and/or price of power purchase according to the FPPPA formula approved by the Hon'ble Commission as an uncontrollable factor. Further, the Hon'ble Commission has also identified the variation in the number or mix of consumers or quantity of electricity sold to consumers as an uncontrollable factor. Thus the variation in the above factors affects the power purchase expenses and results into either a loss or gain. Accordingly, any gain or loss on this account is to be entirely passed on to the consumers as per the methodology approved by the Hon'ble Commission.
- 3.6.7. In addition to the above, there is an incidence of lower power purchase cost on account of the lower Distribution losses as compared to the losses approved by the Hon'ble Commission. These gains has resulted in lower power purchase expenses as the quantum of power required to be purchased to meet the same level of demand would be lower hence resulting in the gains as explained below:

TABLE 8 : GAIN/ (LOSS) ON ACCOUNT OF DISTRIBUTION LOSSES FOR FY 2019-20

Gain/(Loss) due to Distribution Losses				
S.No.	Particulars	Unit	FY 2019-20 (with Approved Distribution Losses)	FY 2019-20 (with Actual Distribution Losses)
1	Energy Sales	MUs	9,754.10	9,754.10
2	Distribution Losses	MUs	1,279.95	982.87
		%	11.60%	9.15%
3	Energy Requirement	MUs	11,034.05	10,736.97
4	Saving due to Distribution Losses	MUs		297.08
5	Average Power Purchase Cost	Rs./Unit		4.79
6	Gain/(Loss) due to Dist. Losses			142.16

- 3.6.8. As can be seen from the above, the total gain on account of lower distribution losses as compared to approved is Rs. 142.16Crores. This gain is categorised as on account of controllable factors and the appropriate treatment is given below:

TABLE 9 : GAINS / (LOSS) - POWER PURCHASE EXPENSES

Rs in Crores					
Sr. No.	Particulars	FY 2019-20 (Approved)	FY 2019-20 (Actual)	Gain/(Loss) due to Controllable Factor	Gain/(Loss) due to Uncontrollable Factor
1	Total Power Purchase Cost	5,460.22	5,426.12	142.16	(108.07)

3.6.9. Thus, as can be seen from the above table, the power purchase gain/(loss) due to controllable & uncontrollable factors are Rs. 142.16Crores and Rs. (108.07)Crores respectively which would have to be passed on to the consumers as per the methodology approved by the Hon'ble Commission.

3.7. CAPITAL EXPENDITURE

3.7.1. Capital expenditure incurred by MGVCL in FY 2019-20 was Rs. 388.58Crores. The actual capital expenditure by MGVCL during the FY 2019-20 is higher than that approved by the Hon'ble Commission. The scheme-wise capital expenditure incurred in FY 2019-20 against approved by the Hon'ble Commission is as shown below:

TABLE 10 : CAPITAL EXPENDITURE

Rs in Crores				
	Particulars	FY 2019-20 (Approved)	FY 2019-20 (Actual)	Deviation
A	Distribution Schemes			-
	Normal Development Scheme	30.38	44.42	(14.04)
	Distribution Infra & Shifting Schemes(DISS)	20.00	19.92	0.08
	Electrification of hutments	5.66	5.66	-
	Kutir Jyoti Scheme	2.40	2.40	-
	Others Harijan Basti – Petapara	0.30	0.30	-
	System Improvement		114.16	(114.16)
	Total	58.74	186.86	(128.12)
B	Rural Electrification Schemes			
	TASP(Wells & Petapara)	51.75	51.81	(0.06)
	Special Component plan	1.25	1.25	-
	RE Wells(OA +SPA)	87.15	79.22	7.93
	Dark Zone	13.00	12.18	0.82
	Surya Shakti Kishan Yojana		2.99	(2.99)
	PM Kusum Comp-B		-	-
	PM Kusum Comp-C		-	-
	Total	153.15	147.45	5.70
C	Central Government Scheme - Plan			
	Integrated Power Development Scheme (IPDS)	22.50	17.88	4.62
	Din Dayal Upadhyay Gramin Jyoti Yojana (DDUGJY)	15.60	16.90	(1.30)
	R-APDRP(Scada)-A	2.00	-	2.00
	R-APDRP(Scada)-B	-	-	-
	PSDF	14.00	-	14.00
	RAPDRP (Part B)	-	-	-
	Total	54.10	34.78	19.32
D	Other New Schemes			
	Sagar Khedu	1.50	1.50	-
	Energy Conservation(HVDS)	5.00	4.70	0.30
	Vehicle	1.14	0.14	1.00
	Sardar Krushi Jyoti Yojna	3.66	5.97	(2.31)
	Misc Civil + Electrical Works	3.20	6.50	
	Furniture		0.68	
	Total	14.50	19.49	(4.99)
	Capital Expenditure Total	280.49	388.58	(108.09)

3.7.2. Scheme wise deviation in capital expenditure is explained as under:

- **Normal Development:** Under the head Normal Development Scheme, generally expenses are incurred to meet with the Supply Obligation which is mainly based on the numbers of applications received. Therefore, during the FY 2019-20, company had to incur Rs. 326 Crore against approved Rs. 330.29 Crore.
- **System Improvement:** Under the head System Improvement, MGVCL carries out renovation/replacement of old Distribution line, bifurcation of feeder, installation/augmentation of Distribution Transformer etc. System Improvement is carried out on requirement basis with the objective to improve reliability of power supply and also to reduce distribution loss. Company incurred Rs. 100 Crore against approved Rs. 116.09 Crore.
- **RE Scheme:** Under the head RE Schemes, Company releases Agriculture Category connections. Following the directive of Hon'ble Commission, Company has maximised the targets for releasing the Connections of Agriculture category. Accordingly, during FY 2019-20 Company released more than 85000 Agriculture connections during the year at the cost of Rs. 836.64 Crore against approved Rs. 650 Crore.

Following the policy framed by State Government, Company has started releasing connection in the Dark Zone area too from the year 2013-14.
- **SCADA/DMS:** The objective of reducing Aggregate Technical and Commercial (AT&C) losses in the project areas can be achieved by plugging pilferage points, supply of quality power, faster identification of faults & early restoration of power, proper metering, strategic placement of capacitor banks & switches and proper planning & designing of distribution networks. The real time monitoring & control of the distribution system through state-of-the art SCADA/DMS system encompassing all distribution substations & 11 KV network would help in achieving this objective of R-APDRP. For deriving maximum benefits it is essential that necessary upgradation of distribution S/S & 11kV network shall be carried out to meet the SCADA/DMS requirements. SCADA is to be implemented through SCADA Implementation Agency (SIA).
- **High Voltage Distribution System (HVDS):** Company is having large nos. of Low Tension category consumers. To eliminate low voltage distribution and to have better voltage profile as well as for reduction in Technical loss and associated commercial loss company has proposed to shift over on High Voltage Distribution System by erecting small capacity Transformer matching with the connected load of individual consumer or very small group of consumers in phased manner. During the year company has incurred Rs. 63.98 Crore as against approved Rs. 100 Crore.
- **Coastal Area Scheme:** MGVCL covers largest costal area of the state. Majority of the Distribution network of the Company is "Overhead" type. "Overhead" network is highly susceptible to environmental changes in general and

particularly in coastal area. To provide better quality power supply in the coastal belt, Company undertakes various activities like renovation of Distribution network, Distribution Transformer review, providing Aerial Bunch Conductor, conversion of LT Distribution network into High Voltage Distribution System etc. Scope of work is planned depending on time to time requirement and exigency of work. Accordingly, Company has spent Rs. 42.25 Crore during FY 2019-20 against approved Rs. 30 Crore.

- **Underground Network:** Government of India has notified “Integrated Power Development System”. One of the main components of the scheme is to convert existing Overhead System to Underground System. Therefore, the earlier proposed “Underground” schemes has been now implemented in the limited area like Pilgrim places etc. and accordingly Company spent Rs. 1.7 Crore under the scheme during FY 2019-20.
- **Integrated Power Development Scheme (IPDS):** Scheme is applicable in the town/ urban areas having population 5000 and more as per Census 2011. Scheme involves strengthening of Sub-transmission and Distribution network in urban areas including provisioning of solar panels on Govt. buildings including Net-metering, Metering of feeders / distribution transformers / consumers in urban areas and, IT enablement of distribution sector and strengthening of distribution network, etc.

Under the scheme, Company spent Rs.74.96 Crore during FY 2019-20.

- **DeenDayalUpadhyay Gram JyotiYojna (DDUGJY):** Scheme is applicable in the Rural areas of the Company. Scheme involves strengthening and augmentation of sub-transmission & distribution to ensure reliable and quality power supply in rural areas, Conversion of existing LV network to HV network, improving consumer level metering system, installation of meter at distribution transformers for proper energy accounting, identifying high loss pockets etc.

Under the scheme, Company spent Rs.128.75 Crore during FY 2019-20

- **SardarKrushiJyotiYojna (SKJY):** Under the head SardarKrushiJyotiYojna (SKJY), MGVCL carries out replacement, strengthening, renovation etc. of Agriculture Dominant Distribution network under the financial assistance from the State Government. Main objective of the scheme is to improve reliability of power supply and also to reduce distribution loss. Company incurred Rs. 34.61 Crore.

3.8. FUNDING OF CAPITALISATION

- 3.8.1. The funding of actual capitalisation is done through various sources categorised under four headings namely: Consumer Contribution, Grants, Equity and Debt. The detailed breakup of funding of capitalised asset during FY 2019-20 is mentioned in the table below.

TABLE 11 : FUNDING OF CAPITALISATION

Rs in Crores				
Sr. No.	Particulars	FY 2019-20 (Approved)	FY 2019-20 (Actual)	Deviation
1	Capitalization	280.49	410.10	(129.61)
2	Less : Consumer Contribution	30.38	94.71	(64.33)
3	Grants	22.68	20.20	2.48
4	Balance CAPEX	227.43	295.19	(67.76)
5	Debt @ 70%	159.20	206.64	(47.44)
6	Equity @ 30%	68.23	88.56	(20.33)

3.9. FIXED COST FOR FY 2019-20

3.9.1. The fixed cost of MGVCL for FY 2019-20 has been determined in accordance with the MYT Regulations, 2016. As outlined under the regulations, the fixed cost for MGVCL has been determined under the following major heads:

- Operation and Maintenance Expenses
- Depreciation
- Interest and Finance Charges
- Interest on Working Capital
- Income Tax
- Return on Equity

3.9.2. Net Annual Revenue Requirement of MGVCL has been computed after netting off expenses capitalised and Non-Tariff Income.

3.9.3. For the purpose of True-Up, all the heads mentioned above have been categorized into Controllable or Uncontrollable in line with provisions of MYT Regulations, 2016. A head wise comparison of cost has been made between the values approved by the Hon'ble Commission vide MTR Order dated 24th April, 2019 and the actual expenses of MGVCL in FY 2019-20.

3.10. OPERATION & MAINTENANCE EXPENSES

3.10.1. Operations and Maintenance (O&M) Expenses of MGVCL consists of the following elements:

- Employee Expenses
- Repairs and Maintenance Expenses
- Administrative and General Expenses

3.10.2. Employee expenses comprise of salaries, dearness allowance, bonus, terminal benefits in the form of pension & gratuity, leave encashment and staff welfare expenses.

3.10.3. Repairs and Maintenance expenses are incurred towards the day to day upkeep of the distribution network and form an integral part of the efforts towards reliable and

quality power supply as also in the reduction of losses in the distribution system.

3.10.4. Administration & General expenses mainly comprise of rents, telephone and other communication expenses, professional charges, conveyance and travelling allowances, etc.

3.10.5. MGVCL is also required to include the expenses of the following items of the ARR into O&M expenses by the Hon'ble Commission:

- Other Debits
- Extraordinary Items
- Net Prior Period Expenses/(Income)
- Other Expenses Capitalised

3.10.6. After the combination of all the above parameters for FY 2019-20, MGVCL's actual O&M expenses were Rs.615.63 Crores which is inclusive of Employee cost of Rs. 524.32Crores, Repair & Maintenance Charges of Rs. 61.69 Crores and Administration & General Expenses of Rs. 84.27Crores along with other debits, extraordinary items and net prior period expense/ (income) as nil and other expenses capitalized against the approved O&M expense which is Rs.(54.64)Crores.

TABLE 12 : OPERATION & MAINTENANCE EXPENSES

Rs in Crores

Sr. No.	Particulars	FY 2019-20 (Approved)	FY 2019-20 (Actual)	Deviation
1	Employee Cost	549.74	524.32	25.42
2	Repair & Maintenance	65.94	61.69	4.25
3	Administration & General Charges	83.24	84.27	(1.03)
4	Other Debits	-	-	-
5	Extraordinary Items	-	-	-
6	Net Prior Period Expenses / (Income)	-	-	-
7	Other Expenses Capitalised	(53.02)	(54.64)	1.62
8	Operation & Maintenance Expenses	645.90	615.63	30.27

3.10.7. Comparison of actual O&M charges during FY 2019-20 with the value approved by the Hon'ble Commission reflects net gain/(loss) of Rs. 104.28Crores on account of controllable factors and gain/(loss) of Rs.(74.02) Crores on account of uncontrollable factors to MGVCL.

TABLE 13 : TREATMENT OF OPERATION & MAINTENANCE EXPENSES

Rs in Crores

Sr. No.	Particulars	FY 2019-20 (Approved)	FY 2019-20 (Actual)	Gain/(Loss) due to Controllable Factor	Gain/(Loss) due to Uncontrollable Factor
1	Employee Expenses	549.74	524.32	101.06	(75.64)
2	Repair & Maintenance Cost	65.94	61.69	4.25	-
3	Administration & General Charges	83.24	84.27	(1.03)	-
4	Other Debits	-	-	-	-
5	Extraordinary Items	-	-	-	-
6	Net Prior Period Expenses / (Income)	-	-	-	-
7	Other Expenses Capitalised	(53.02)	(54.64)	-	1.62
8	Total O&M Expenses	645.90	615.63	104.28	(74.02)

Employee Cost

3.10.8. The employee cost incurred by the company is purely on the basis of the guidelines issued by competent authorities like the state government. The actual employee cost for FY 2019-20 were Rs. 524.32 Crores which excludes the provision made towards 7th Pay Commission of Rs. 37.07 Crore but includes Rs. 44.04 Crore of Re-measurement of defined benefit plans. The Hon'ble Commission in the MTR Order dated 24th April, 2019 and True up Order of FY 2018-19 dated 31st March, 2020 had not approved the provision made for respective years towards impact of 7th Pay Commission considering that actual payment is not made and had ruled that as and when the actual expenses are incurred, the Hon'ble Commission would consider such claims, which would be accounted for during the true up of annual account of the respective year as uncontrollable factor.

3.10.9. It is to note that employee cost as per 7th Pay Commission was paid to the employees of MGVCL during FY 2019-20. The Hon'ble Commission has allowed partial impact of 7th Pay Commission while approving employee cost projection for FY 2019-20 in its MTR Order in Case No. 1761 of 2018 dated 24th April, 2019. The relevant part of the same is reproduced here below:

"5.12.1 Operation and Maintenance (O&M) Expenses

...

The Commission noted that there is a revision in the Pay Scale of employees of the Petitioner on account of 7th Pay Commission. It is also noted by the Commission that only a part of the employees availed the revised salary and that too for a part of the year during FY 2017-18. On a query from the Commission, the Petitioner vide e-mail dated 14th March, 2019 confirmed that during FY 2017-18, out of 6140 employees, 5508 employees opted and 632 employees did not opt the revised salary. It is clarified by the Petitioner that the revised salary was paid from 1st August, 2017. It is also clarified that no arrears was paid to the employees during FY 2017-18 on account of revision of salary.

In view of above, the Commission has considered eight months actual paid out amount due to revision in salary annualised for twelve months plus the pre-revised annual

salary for FY 2017-18 to escalate @ 5.72% Y-o-Y to arrive at employee expenses for FY 2019-20 and FY 2020-21. The Commission shall consider actual employee expenses as uncontrollable to the extent of actual pay out on account of revision in salaries and allowances while truing up of FY 2019-20 and FY 2020-21.

...”

3.10.10. It is clear from the above that actual pay out on account of revision in salaries and allowances will be allowed as uncontrollable. It is also to note that provisions made from FY 2016-17 to FY 2019-20 are not approved by the Hon’ble Commission. To work out actual pay out on account of 7th Pay Commission impact, 7th Pay Commission provision as on 31st March, 2020 is reduced from various provisions made for 7th Pay Commission (which was not allowed by the Hon’ble Commission) is reduced to work out uncontrollable employee expense during FY 2019-20. The working of the same is as shown below:

Table 14 : Calculation of uncontrollable Employee Cost during FY 2019-20

Sr. No.	Particulars	Amount
	7th Pay Provision not considered while approval of Employee Cost by the Hon'ble Commission	
1	FY 2016-17	67.86
2	FY 2017-18	73.37
3	FY 2018-19	35.59
4	FY 2019-20	37.07
A	Total (1 to 4)	213.89
B	7th Pay Provision as on 31st March, 2020	138.25
C	Actual Pay out on account of revision in salaries (A - B)	75.64

3.10.11. Accordingly, MGVCL has estimated a gain/ (loss) of Rs. 101.06 Crores on account of controllable employee cost and Rs. (75.64) Crores of actual payment towards 7th Pay Commission towards the uncontrollable employee cost.

3.10.12. The summary of the comparison of the actual employee expenses for FY 2019-20 vis-à-vis the expenses approved by the Hon’ble Commission is given in the table below:

TABLE 15 : EMPLOYEE COST FOR FY 2019-20

Sr. No.	Particulars	Rs in Crores			
		FY 2019-20 (Approved)	FY 2019-20 (Actual)	Gain/(Loss) due to Controllable Factor	Gain/(Loss) due to Uncontrollable Factor
1	Employee Cost	549.74	524.32	101.06	(75.64)

Repair & Maintenance Cost

3.10.13. Repair and Maintenance expenditure is dependent on various factors. The assets of MGVCL are old and require regular maintenance to ensure uninterrupted operations. MGVCL has been trying its best to ensure uninterrupted operations of the system and accordingly has been undertaking necessary expenditure for R&M activities. The

MYT Regulations, 2016 provides for R&M expenditure as a controllable expenditure. The actual R&M cost for FY 2019-20 is Rs.61.69 Crores. Accordingly, on the basis of comparison of actual R&M expenditure of MGVCL with the values approved by the Hon'ble Commission, there is a gain/(loss) of Rs. 4.25 Crores as indicated in the table below:

TABLE 16 : REPAIR & MAINTENANCE COST FOR FY 2019-20

Rs in Crores					
Sr. No.	Particulars	FY 2019-20 (Approved)	FY 2019-20 (Actual)	Gain/(Loss) due to Controllable Factor	Gain/(Loss) due to Uncontrollable Factor
1	Repair & Maintenance Cost	65.94	61.69	4.25	

Administration & General Expenses

3.10.14. The actual A&G expense for FY 2019-20 were Rs.84.27 Crores. As per the provisions of the MYT Regulations, 2016, A&G expenses are categorised as controllable expenses and accordingly, the comparison of value approved by the Hon'ble Commission with the actual A&G expenses of MGVCL shows a gain/(loss) of Rs. (1.03) Crores as highlighted in the table below:

TABLE 17 : ADMINISTRATION & GENERAL EXPENSES FOR FY 2019-20

Rs in Crores					
Sr. No.	Particulars	FY 2019-20 (Approved)	FY 2019-20 (Actual)	Gain/(Loss) due to Controllable Factor	Gain/(Loss) due to Uncontrollable Factor
1	Administration & General Charges	83.24	84.27	(1.03)	

Other Expenses Capitalised

3.10.15. The Other expenses including expenses capitalised, etc. are beyond the control of MGVCL and therefore are considered as uncontrollable.

TABLE 18: OTHER EXPENSES CAPITALISED

Rs in Crores					
Sr. No.	Particulars	FY 2019-20 (Approved)	FY 2019-20 (Actual)	Gain/(Loss) due to Controllable Factor	Gain/(Loss) due to Uncontrollable Factor
1	Other Expenses Capitalised	(53.02)	(54.64)		1.62

3.10.16. The comparison of actual O&M expenses by MGVCL during FY 2019-20 with the value approved by the Hon'ble Commission shows a net gain/(loss) on account of controllable factors of Rs. 104.28 Crores and gain/(loss) of Rs. (74.02) Crores on account of uncontrollable factors to MGVCL.

3.11. DEPRECIATION

3.11.1. MGVCL had been charging depreciation on fixed assets of the Company, on the useful

life of the assets at rates prescribed under Schedule XIV to the Companies Act, 1956. The Company being engaged in electricity distribution business is covered under the Electricity Act, 2003 and provisions of the Electricity Act supersede the provisions of the Companies Act, 2013.

3.11.2. In case of Depreciation, the MYT Regulations, 2016 provides that-

“Depreciation shall be computed annually based on the straight line method at the rates specified in the Annexure I to these Regulations:

Provided that the remaining depreciable value as on 31st March of the year closing after a period of 12 years from date of commercial operation shall be spread over the balance useful life of the assets:

Provided further that for a Generating Company or a Transmission Licensee or SLDC or a Distribution Licensee formed as a result of a Transfer Scheme, the depreciation on assets transferred under the Transfer Scheme shall be charged as per rates specified in these Regulations for a period of 12 years from the date of Transfer Scheme, and thereafter depreciation will be spread over the balance useful life of the assets”

3.11.3. Accordingly, MGVCL has calculated the Depreciation for FY 2019-20 in accordance with the provisions of the MYT Regulations, 2016 and the aforementioned directives of the Hon’ble Commission.

3.11.4. The actual and approved depreciation for FY 2019-20 is as shown below:

TABLE 19 : FIXED ASSET AND DEPRECIATION FOR FY 2019-20

Rs in Crores				
Sr. No.	Particulars	FY 2019-20 (Approved)	FY 2019-20 (Actual)	Deviation
1	Gross Block in Beginning of the year	5,406.34	5,428.57	
2	Additions during the Year (Net)	280.49	410.10	
3	Closing GFA	5,686.83	5,838.67	
4	Average GFA	5,546.59	5,633.62	
5	Depreciation for the Year	263.18	262.37	0.81
6	Average Rate of Depreciation	4.74%	4.66%	

3.11.5. The actual depreciation for FY 2019-20 as against the value approved by the Hon’ble Commission results into a uncontrollable gain/(loss) of Rs.0.81Crores as indicated below:

TABLE 20 : TREATMENT OF DEPRECIATION

Rs in Crores					
Sr. No.	Particulars	FY 2019-20 (Approved)	FY 2019-20 (Actual)	Gain/(Loss) due to Controllable Factor	Gain/(Loss) due to Uncontrollable Factor
1	Depreciation	263.18	262.37	-	0.81

3.12. INTEREST & FINANCIAL CHARGES

3.12.1. For assessing actual Interest charges on Loans in FY 2019-20, MGVCL has considered

the opening balance of loans for FY 2019-20 same as the closing loan approved by the Hon'ble Commission for FY 2018-19 in the True up Order dated 31st March, 2020. The loan addition in FY 2019-20 is computed at Rs. 217.34Crores which consists of loans for funding the capital expenditure and the balance for funding the past liabilities.

- 3.12.2. In line with the approach adopted by the Hon'ble Commission and as prescribed by MYT Regulations, 2016 repayment during the year has been considered equal to the depreciation for the financial year.
- 3.12.3. Based on the provisions of the MYT Regulations, 2016, the weighted average rate of interest during the year for Truing up of FY 2019-20 is **4.96% as against 9.32%** as approved by the Hon'ble Commission.
- 3.12.4. MGVCL has also claimed interest on security deposits of Rs. 55.71 Crore paid to the consumers during FY 2019-20.
- 3.12.5. MGVCL submits that it has been allocated some guarantees of Govt. of Gujarat, for which it is required to pay the guarantee charges. These are the legacy loans which have come from the erstwhile GEB. These charges are, thus, beyond control of MGVCL and hence are required to be considered in the total financial cost.
- 3.12.6. The total Interest & Financial charges for FY 2019-20 computed by MGVCL as against that approved by the Hon'ble Commission is as shown below:

TABLE 21 : INTEREST & FINANCE CHARGES

Rs in Crores

Sr. No.	Particulars	FY 2019-20 (Approved)	FY 2019-20 (Actual)	Deviation
1	Opening Loans	55.27	43.23	
2	Loan Additions during the Year	159.20	206.64	
3	Repayment during the Year	214.47	249.87	
4	Closing Loans	-	-	
5	Average Loans	27.63	21.62	
6	Interest on Loan	2.57	1.07	
7	Interest in Security Deposit	56.79	55.71	
8	Guarantee Charges	0.91	0.74	
9	Total Interest & Financial Charges	60.28	57.52	
10	Weighted Average Rate of Interest	9.32%	4.96%	

- 3.12.7. The MYT Regulations, 2016 categorise the interest and finance charges as uncontrollable expenses. Any changes on account of changes in applicable interest rates should be considered as uncontrollable. Accordingly, MGVCL has considered deviation in the actual vis-à-vis the approved expenses towards interest and finance charges as uncontrollable. The same has been provided in the table given below:

TABLE 22 : TREATMENT OF INTEREST & FINANCE CHARGES

Rs in Crores

Sr. No.	Particulars	FY 2019-20 (Approved)	FY 2019-20 (Actual)	Gain/(Loss) due to Controllable Factor	Gain/(Loss) due to Uncontrollable Factor
1	Interest & Finance Charges	60.28	57.52		2.76

3.13. INTEREST ON WORKING CAPITAL

3.13.1. The interest on working capital has been calculated on the basis of the provisions of the MYT Regulations, 2016.

3.13.2. In line with the First Amendment to the MYT Regulations, 2016 dated 2nd December, 2016, the rate of interest considered is the weighted average of the 1-year MCLR of the State Bank of India during the year plus 250 basis points. This rate works out to 10.66%. Also, as per these Regulations, one month of receivables are to be considered for calculation of interest on working capital. Also amount held as security deposit from consumers under clause (a) and clause (b) of sub-section (1) of Section 47 of the Electricity Act 2003 except the security deposit held in the form of Bank Guarantees is to be deducted from it. Since the interest on working capital for FY 2019-20 incurred by MGVCL is nil, MGVCL has not claimed interest on working capital for FY 2019-20 as shown below:

TABLE 23 : INTEREST ON WORKING CAPITAL

Rs in Crores

Sr. No.	Particulars	FY 2019-20 (Approved)	FY 2019-20 (Actual)	Deviation
1	O & M expenses	53.83	51.30	
2	Maintenance Spares	54.06	54.29	
3	Receivables	527.57	532.29	
4	Amount held as security deposit from cor	908.68	938.20	
5	Total Working Capital	(271.22)	(300.32)	
6	Rate of Interest on Working Capital	10.65%	10.66%	
7	Interest on Working Capital	-	-	-

3.14. PROVISION FOR BAD DEBTS

3.14.1. The actual bad debts written off in FY 2019-20 are shown in the following table:

TABLE 24: BAD & DOUBTFUL DEBTS WRITTEN OFF

Rs in Crores

Sr. No.	Particulars	FY 2019-20 (Approved)	FY 2019-20 (Actual)	Deviation
1	Provision for Bad and Doubtful Debts	0.00	16.83	(16.83)

3.14.2. A comparison of the actual value with the figure approved by the Hon'ble Commission for FY 2019-20 shows a gain/(loss) of Rs. (16.83) Crore on account of controllable factors as shown in the table below:

TABLE 25 : TREATMENT OF BAD & DOUBTFUL DEBTS

Rs in Crores

Sr. No.	Particulars	FY 2019-20 (Approved)	FY 2019-20 (Actual)	Gain/(Loss) due to Controllable Factor	Gain/(Loss) due to Uncontrollable Factor
1	Provision for Bad Debts	0.00	16.83	(16.83)	

3.15. RETURN ON EQUITY

3.15.1. As per the MYT Regulations, 2016, a return @ 14% on the equity base is considered as reasonable and allowed by the Hon'ble Commission. Accordingly, MGVCL has computed the Return on Equity considering a rate of return at 14%.

3.15.2. For assessing actual return on equity for FY 2019-20, MGVCL has considered the opening balance of equity of FY 2019-20 as the closing balance of equity of FY 2018-19 approved by the Hon'ble Commission in the True up Order dated 31st March, 2020 and additions during the year as already discussed in the above paragraphs have been considered. The return on equity for FY 2019-20 is as shown below:

TABLE 26 : RETURN ON EQUITY

Rs in Crores

Sr. No.	Particulars	FY 2019-20 (Approved)	FY 2019-20 (Actual)	Deviation
1	Opening Equity Capital	1,034.95	1,031.50	3.45
2	Equity Additions during the Year	68.23	88.56	(20.33)
3	Closing Equity	1,103.18	1,120.06	(16.88)
				-
4	Average Equity	1,069.07	1,075.78	(6.71)
5	Rate of Return on the Equity	14%	14%	-
6	Return on Equity	149.67	150.61	(0.94)

3.15.3. A comparison of the actual Return on Equity for FY 2019-20 with the amount approved by the Hon'ble Commission shows a net uncontrollable gain/ (loss) as indicated below.

TABLE 27 : TREATMENT OF RETURN ON EQUITY

Rs in Crores

Sr. No.	Particulars	FY 2019-20 (Approved)	FY 2019-20 (Actual)	Gain/(Loss) due to Controllable Factor	Gain/(Loss) due to Uncontrollable Factor
1	Return on Equity	149.67	150.61		(0.94)

3.16. INCOME TAX

3.16.1. The actual tax paid in FY 2019-20 was Rs. 12.22 Crores as against Rs. 12.11 Crores approved by the Hon'ble Commission as shown below:

TABLE 28 : INCOME TAX

Rs in Crores				
Sr. No.	Particulars	FY 2019-20 (Approved)	FY 2019-20 (Actual)	Deviation
1	Income Tax	12.11	12.22	(0.11)

3.16.2. It is submitted that Income Tax being a statutory expense, any variation on this account is uncontrollable. Accordingly, MGVCL requests the Hon'ble Commission to consider the same as an uncontrollable loss and allow the entire expenditure towards income tax without any deduction.

3.16.3. A comparison of actual taxes for FY 2019-20 with the amount approved by the Hon'ble Commission shows an uncontrollable gain/(loss) of Rs. (0.11)Crores as indicated in the table below:

TABLE 29 : TREATMENT OF INCOME TAX

Rs in Crores					
Sr. No.	Particulars	FY 2019-20 (Approved)	FY 2019-20 (Actual)	Gain/(Loss) due to Controllable Factor	Gain/(Loss) due to Uncontrollable Factor
1	Provision for Tax / Tax Paid	12.11	12.22		(0.11)

3.17. NON-TARIFF INCOME FOR FY 2019-20

3.17.1. The actual value of Non-Tariff Income of MGVCL is Rs. 145.68 Crores as against Rs. 130.28 Crores approved by the Hon'ble Commission results in a uncontrollable gain/(loss) of Rs. (15.40) Crores.

TABLE 30 : TREATMENT OF NON-TARIFF INCOME

Rs in Crores					
Sr. No.	Particulars	FY 2019-20 (Approved)	FY 2019-20 (Actual)	Gain/(Loss) due to Controllable Factor	Gain/(Loss) due to Uncontrollable Factor
1	Total Non-Tariff Income	130.28	145.68		(15.40)

3.18. AGGREGATE REVENUE REQUIREMENT FOR FY 2019-20

3.18.1. Based on above, the table below summarises the actual Aggregate Revenue Requirement of MGVCL for FY 2019-20 as against the value approved by the Hon'ble Commission.

TABLE 31 : AGGREGATE REVENUE REQUIREMENT FOR FY 2019-20

Rs in Crores				
Sr. No.	Particulars	FY 2019-20 (Approved)	FY 2019-20 (Actual)	Deviation
1	Cost of Power Purchase	5,460.22	5,426.12	34.10
2	Operation & Maintenance Expenses	645.91	615.63	30.27
2.1	Employee Cost	549.74	524.32	25.42
2.2	Repair & Maintenance	65.94	61.69	4.25
2.3	Administration & General Charges	83.24	84.27	(1.03)
2.4	Other Expenses Capitalised	(53.02)	(54.64)	1.62
3	Depreciation	263.18	262.37	0.81
4	Interest & Finance Charges	60.28	57.52	2.76
5	Interest on Working Capital	-	-	-
6	Provision for Bad Debts	0.00	16.83	(16.83)
7	Sub-Total [1 to 6]	6,429.59	6,378.47	51.11
8	Return on Equity	149.67	150.61	(0.94)
9	Provision for Tax / Tax Paid	12.11	12.22	(0.11)
10	Total Expenditure (7 to 9)	6,591.37	6,541.30	50.06
11	Less: Non-Tariff Income	130.28	145.68	(15.40)
12	Add: DSM Expenses	-	-	-
13	Aggregate Revenue Requirement (10 - 11)	6,461.09	6,395.62	65.47

3.19. SHARING OF GAINS & LOSSES

3.19.1. MYT Regulations, 2016 specifies the Mechanism for treatment of Gains and Losses on account of Uncontrollable and Controllable expenses. The methodology approved by the Hon'ble Commission for sharing of such gains/ losses is as follows.

Mechanism for sharing of gains or losses on account of Un-controllable factors

"23.1 The approved aggregate gain or loss to the Generating Company or Transmission Licensee or SLDC or Distribution Licensee on account of uncontrollable factors shall be passed through as an adjustment in the tariff of the Generating Company or Transmission Licensee or SLDC or Distribution Licensee over such period as may be specified in the Order of the Commission passed under these Regulations.

23.2 The Generating Company or Transmission Licensee or SLDC or Distribution Licensee shall submit such details of the variation between expenses incurred and revenue earned and the figures approved by the Commission, in the prescribed format to the Commission, along with the detailed computations and supporting documents

as may be required for verification by the Commission.

23.3 Nothing contained in this Regulation 23 shall apply in respect of any gain or loss arising out of variations in the price of fuel and power purchase, which shall be dealt with as specified by the Commission from time to time.”

Mechanism for sharing of gains or losses on account of controllable factors

“24.1 The approved aggregate gain to the Generating Company or Transmission Licensee or SLDC or Distribution Licensee on account of controllable factors shall be dealt with in the following manner:

(a) One-third of the amount of such gain shall be passed on as a rebate in tariffs over such period as may be stipulated in the Order of the Commission under Regulation 21.6;

(b) The balance amount, which will amount to two-thirds of such gain, may be utilised at the discretion of the Generating Company or Transmission Licensee or SLDC or Distribution Licensee.

24.2 The approved aggregate loss to the Generating Company or Transmission Licensee or SLDC or Distribution Licensee on account of controllable factors shall be dealt with in the following manner:

(a) One-third of the amount of such loss may be passed on as an additional charge in tariffs over such period as may be stipulated in the Order of the Commission under Regulation 21.6; and

(b) The balance amount of loss, which will amount to two-thirds of such loss, shall be absorbed by the Generating Company or Transmission Licensee or SLDC or Distribution Licensee.”

3.19.2. As indicated above, MGVCL has identified all the expenditure heads under controllable and uncontrollable categories. The gain/ (loss) for MGVCL arising as a result of True Up for FY 2019-20 may be suitably passed through in the Tariff as per mechanism specified by the Hon’ble Commission.

3.20. SHARING OF GAIN/ (LOSS) FOR FY 2019-20

3.20.1. Based on the methodology prescribed in the MYT Regulations, 2016, MGVCL has classified various heads of expenses as Controllable & Uncontrollable. The head wise losses/gains have been dealt in the above sections. During FY 2019-20, MGVCL has incurred a net gain/(loss) of Rs. 229.62 Crores on account of controllable factors while the net gain/(loss) attributable to uncontrollable factors for FY 2019-20 is Rs. (164.16) Crores.

3.20.2. The following Table summarizes net gain/ (loss) to MGVCL during FY 2019-20 on account of controllable & uncontrollable factors.

TABLE 32 : NET GAIN/ (LOSS) FOR FY 2019-20

Sr. No.	Particulars	FY 2019-20 (Approved)	FY 2019-20 (Actual)	Rs in Crores	
				Gain/(Loss) due to Controllable Factors	Gain/(Loss) due to Uncontrollable Factors
1	Cost of Power Purchase	5,460.22	5,426.12	142.16	(108.07)
2	Operation & Maintenance Expenses	645.90	615.63	104.28	(74.02)
2.1	Employee Cost	549.74	524.32	101.06	(75.64)
2.2	Repair & Maintenance	65.94	61.69	4.25	-
2.3	Administration & General Charges	83.24	84.27	(1.03)	-
2.4	Other Expenses Capitalised	(53.02)	(54.64)	-	1.62
3	Depreciation	263.18	262.37	-	0.81
4	Interest & Finance Charges	60.28	57.52	-	2.76
5	Interest on Working Capital	-	-	-	-
6	Provision for Bad Debts	0.00	16.83	(16.83)	-
7	Return on Equity	149.67	150.61	-	(0.94)
8	Provision for Tax / Tax Paid	12.11	12.22	-	(0.11)
9	ARR (1 to 8)	6,591.37	6,541.30	229.62	(179.56)
10	Non - Tariff Income	130.28	145.68	-	(15.40)
11	Total ARR (9-10)	6,461.09	6,395.62	229.62	(164.16)

3.21. REVENUE FOR FY 2019-20

3.21.1. During the FY 2019-20, MGVCL's actual revenue amounted to Rs. 6,387.52Crores. The break-up is as follows:

TABLE 33 : REVENUE FOR FY 2019-20

Sr. No.	Particulars	Rs in Crores	
		FY 2019-20 (Approved)	FY 2019-20 (Actual)
1	Revenue from Sale of Power	4,462.00	6,200.93
2	Revenue from FPPPA	1,682.00	
3	Other Income (Consumer related)	109.00	124.01
4	Total Revenue excluding subsidy (1 + 2 + 3)	6,253.00	6,324.94
5	Agriculture Subsidy	78.00	62.58
6	Total Revenue including subsidy (4 + 5)	6,331.00	6,387.52

3.22. REVENUE GAP/SURPLUS FOR FY 2019-20

3.22.1. The Hon'ble Commission in its MYT Order dated 24th April, 2019 has approved Aggregate Revenue Requirement of Rs. 6,461.09 Crores for FY 2019-20. The Hon'ble Commission had also added Revenue gap/(surplus) of Rs. (116.83) Crores due to Truing up of FY 2017-18 in the Aggregate Revenue Requirement.

- 3.22.2. As per the mechanism specified in the MYT Regulation 2016, MGVC L proposes to pass on a sum of 1/3rd of total gain/(loss) on account of controllable factors i.e. Rs. 76.54Crores and total gain/(loss) on account of uncontrollable factor i.e. Rs. (164.16) Crores to the consumers. Adjusting these to the net Aggregate Revenue Requirement, MGVC L has arrived at the Revised Aggregate Revenue Requirement for FY 2019-20 at Rs. 6,431.88Crores.
- 3.22.3. This revised Aggregate Revenue Requirement is compared against the revised income under various heads including Revenue with Existing Tariff of Rs.6,200.93Crores, Other Consumer related Income of Rs. 124.01Crores, Agriculture Subsidies of Rs.62.58Crores and GUVNL profit allocation of Rs. 12.68 Crore, summing up to a Total Revenue of Rs.6,400.19Crores. Accordingly, total Revenue Gap / (Surplus) of MGVC L for FY 2019-20 after treatment of gain/(loss) due to controllable / uncontrollable factors is computed at Rs.31.69Crores as shown in the table below:

TABLE 34 : REVENUE GAP/ (SURPLUS) FOR FY 2019-20

Rs in Crores		
Sr. No.	Particulars	FY 2019-20 (Actual)
1	Aggregate Revenue Requirement originally approved for FY 2019-20	6,461.09
2	Add: Gap/(Surplus) of FY 2017-18	(116.83)
3	Gain / (Loss) on account of Uncontrollable factor to be passed on to Consumer	(164.16)
4	Gain / (Loss) on account of Controllable factor to be passed on to Consumer (1/3rd of Total Gain / Loss)	76.54
5	Revised ARR for FY 2019-20 (1 + 2 - 3 - 4)	6,431.88
6	Revenue from Sale of Power	6,200.93
7	Other Income (Consumer related)	124.01
8	Total Revenue excluding Subsidy (6 + 7)	6,324.94
9	Agriculture Subsidy	62.58
10	GUVNL Profit / (Loss) Allocation	12.68
11	Total Revenue including Subsidy (8 + 9 + 10)	6,400.19
12	Revised Gap after treating gains/(losses) due to Controllable/ Uncontrollable factors (5 - 11)	31.69

- 3.22.4. The Hon'ble Commission is requested to approve above mentioned gap/(surplus) and allow MGVC L to recover the same in FY 2021-22.

SECTION 4. COMPLIANCE OF DIRECTIVES

4.1. PREAMBLE

4.1.1. In the Tariff Orders, the Hon'ble Commission has specified following directives to MGVC L dated 31st March, 2020, to which, MGVC L is submitting the Compliance, which is as follows:

4.2. COMPLIANCE OF DIRECTIVES

Directive issued vide Tariff Order dated 31.03.2020:

Earlier Directives

4.2.1. **Directive 1: category wise Cost of service report:**

Hon'ble GERC has directed to the staff of commission and the petitioner to up load the cost of service report o the website and seek comments from the consumers by 1st July, 2020.

Compliance:

MGVCL has uploaded Cost of Service report for FY 2018-19 on website (www.mgvcl.com).

4.2.2. **Directive 2: Losses on JGY feeders:**

Hon'ble GERC has directed to continue the efforts for reduction I losses of the selected JGY feeders submit quarterly report about actions taken in this regards to the Commission.

Compliance:

Focused approach for each Pocket of MGVC L having high losses is adopted. Loss reduction point of view, following activities are carried out in field:

Theoretical losses reduction by bifurcating maximum feeders, rerouting HT/LT lines, Provided Link lines, DTC review by shifting transformers to load centers and augmenting / de-augmenting transformers as per load requirements.

Observations/ Findings:

After carrying out feeder detailed study by Sr Engineers of MGVC L, common observations found are:

1. Scattered area with sparse consumers
2. Long LT PDC bare conductors
3. Residential usage of hardly single fan or one / two bulbs
4. Wide usage of 2 HP motors for drinking water as well as irrigation majority by making arrangements of direct hooking from LT bare lines.
5. There are numbers of sections of LT lines, wherein only few consumers (less than 5) are connected. Since LT line is laid with bare conductor of size 34mm2having ampacity of



146 amp, there is ample spare capacity to use large numbers of un-authorized 2HP motors by direct hooking.

6. Even where meters are provided, mindset is more to have another service line directly hooked from LT bare conductor and also not to make payment of metered units.

Issues:

MGVCL till time has carried out huge exercises viz.

1. HVDS – It is carried out at many locations - Implementation of HVDS is permanent and effective solution to the above problem, but again, considering huge length of 12515 Km of LT lines of these high loss JGY feeders, it is time consuming exercise.
2. Providing LT AB cable. However, from the experience gained so far, it is learnt that at numbers of incidences, tampering with insulation of AB cable are observed on these feeders.
3. Continuous installation checking where numbers of problems faced viz.
 - a. Attack of Mob, every time taking help of local police is not possible and also very costly affair.
 - b. Non-payment of Theft Bills
 - c. Difficult to catch connections after initial 10-15 minutes as having scattered area, and sparsity, by the time team reaches interior part, because of communication, direct hooking gets cleared.

Phase wise planning and Execution:

First Phase:

Thus, it is compelling situation for the MGVCL to evolve some alternative solution, which mitigate the rampant direct theft from bare LT line.

For safety, reliability and curbing direct theft, MGVCL created Special Task Force (STF) to cover high loss feeder with departmental teams of lines staff under close guidance and monitoring of Engineers.

In first stage, following activities are taken on hand with STF/ MSTF (Mini-Special Task Force):

- Transformer Load Balancing
- Rectifying LT Distribution Box for safety and reliability
- Shifting Consumer meter outside with clear visibility of Service Line
- Making each connection pilfer proof by providing SMC and sealing the same
- Replacing Old/ Faulty meter
- Carrying out complete maintenance at Transformer level till consumer end by pole plumbing, tightening loose wires/ cables/ conductors etc.
- Providing single phase LT Ab cable,
- Replacing old / deteriorated service line.
- Providing Service Line Box on Poles.
- providing connections at tail end of transformers with PVC cable of appropriate size.

Second Phase:

In second phase, MGVCL in consultation with GUVNL R&D department is continuously



involved in developing permanent technical solution to menace of rampant power theft by direct hooking viz Distribution at 1.1 KV instead of 230/ 440 volts, using Watch Dog Transformers, Maintenance free Earthing, Use of HT AB EB, etc.

For Urban Area

1. Head Strong Pockets
2. Very Difficult to even carry out routine works as well as Installation Checking
3. Even if connections are detected under irregularity, difficult to recover the theft amount and ultimately increase in arrears.

In Urban areas, feeder wise, transformer wise following works carried out:

Old Electromechanical meters replaced by static, replacing old and deteriorated service wires, provided new service boxes and Pole mounted boxes for making pilfer proof installations. DTR energy accounting by providing 100% DTR meter at transformer level etc. All above activities are carried out by departmental staffs by creating task forces.

Maintenance Taskforces

After thorough analysis feeder wise, weak pockets/ feeders are identified and after planning for required work, material maintenance task force is diverted to such pockets. 100% rectification right from load balancing of transformer, three phase distribution of LT line, Service line works through pole mount boxes with egg/ reel/ GI and providing MMB/ seal to meters. This has resulted in not only reliability, safety of the network but also reduction of losses. Panigate feeder is an example of such maintenance works. Since past many years, P2 feeder was having losses more than 15 % because of rampant theft, head strong consumers. After continual 8-9 months work by maintenance Task Force, losses on this feeder has reduced below 15%.

Details of Loss Reduction activities carried out are shown as Annex-I

130 Nos. of Jyotigram feeders having high losses were identified for loss reduction. Out of these, as on August-2020, Losses on three feeders are found having increasing trend. The main reasons observed behind the increase are as under:

- 1) The pockets on these feeders having rampant theft could not be attended for installation checking initially due to lock down and then after, not providing mass installation checking drive because of COVID guidelines.
- 2) Loss reduction activities for technical reduction viz. feeder bifurcation and DTC review are pending on these feeders.
- 3) Commercial loss reduction activities have now started on these feeders and by end of this quarter reductions are expected.

4.2.3. Directive 3: Replacement of Defective Meters:

The Commission directed to conduct a study to understand nature of fault and take up the issues with the manufacturers of such meters for mitigation.

Compliance:

For various types of faults with meters, our laboratories are directed to carry out analysis and take up the same with meter manufactures. Following type of faults are observed by laboratories and are taken with Meter Manufacturers:

1. RTC Fail
2. No Display
3. Loose Terminal block
4. "Cover open" in Display before installation at site
5. Non working push button
6. Display corrupt
7. Body damage

4.2.4. Directive 5: Scheme for Installation of solar pump for agriculture consumers.

The commission directed to submit outcome of pilot namely SuryashaktiKisanYojna.

Compliance:

In order to achieve multiple objectives of addressing the energy requirement of farmers and to promote de-centralized renewable energy generation, the State Government decided to utilize solar resources available in the State for benefits of the farmers and accordingly notified the Scheme namely

SuryashaktiKisanYojna (SKY) to be implemented on pilot basis. The outcome of pilot project implemented in MGVCL is as under:

Data of feeders commissioned by MGVCL as on 31.03.20 is as under:-

No. of Feeders	No. of SKYConsumers	Total Contracted load of SKY Consumer in HP	Total SPV Capacity in MW-AC
15	680	9093	11.059

Out of total 680 SKY consumers billing was done during the year 19-20 from which 423 Nos of farmers are coming on recoverable side and amount of recovery to be done from farmers is Rs 173.92 Lacs while remaining 257 Nos of farmers are coming on payable side and amount payable i.e amount given to farmers is Rs 43.91 Lacs. The feeder wise status of recoverable and payable consumer is enclosed herewith.

Fresh Directives:

4.2.5. Directive 1: MGVCL is directed to carry out a study to implement Time of Day Demand Charges i.e. Demand charges leviable during Peak Demand Period and that

leviable during off peak period. MGVCL is directed to submit the study report by 1st September, 2020

Compliance:

On behalf of all four DISCOMs, GUVNL has appointed consultant M/s Meghraj Capital Advisors Pvt Ltd, Mumbai to study implementation of ToD demand charges i.e demand charges leviable during peak Demand period and that leviable during off peak demand period.

4.2.6. **Directive 2:**

MGVCL is directed to carry out a study to implement Time of Day Charges for new Residential Roof Top Solar Consumer. MGVCL is directed to submit the study report by 1st September, 2020

Compliance:

On behalf of all four DISCOMs, GUVNL has appointed consultant M/s Meghraj Capital Advisors Pvt Ltd, Mumbai to study implementation of ToD energy charge for new Residential Roof Top Solar Consumer.

4.2.7. **Directive 3:**

The Commission by this order has taken various steps viz. reduction in energy charge for LT and HT Lift Irrigation category enhancement of Night Time Rebate for utilization of electricity by HT category consumers and enhancement of rebate for supply at EHV level. While carrying out the said rationalization, it was expected to achieve some goals which in turn shall benefit the society at large in terms of conservation of energy, betterment of environment, optimization of power purchase cost and reduction in T & D losses. To analyze whether such goals are met or not, the DISCOMs are directed to keep the record of number of consumers, their consumption during day and night period etc. and report to the Commission on completion of FY 2020-21.

Compliance:

As directed, the compliance will be submitted on completion of FY 2020-21.

4.2.8. **Directive 4:**

MGVCL is directed to start Mobile Bill Collection Van facility for the consumers of rural area.

Compliance:

MGVCL has issued necessary operational guidelines to streamline process and to have uniformity in all Circle Offices for deployment of Mobile Van. As a Pilot Project, MGVCL is starting five Mobile Van (one for each circle) for deployment in sub division/division having poor collection efficiency. In case of Baroda City circle, the collection Van is already started from 23.10.2020. In other four circles, tendering process of hiring Mobile van is completed and the facility of Mobile van is expected to start in current



Month i.e. Nov-2020.



SECTION 5. PRAYER

MGVCL respectfully prays to the Hon'ble Commission;

1. To admit this Petition seeking True up of FY 2019-20.
2. To approve the True up for FY 2019-20 and allow sharing of gains/losses with the Consumers as per sharing mechanism prescribed in the GERC MYT Regulations, 2016.
3. To grant any other relief as the Hon'ble Commission may consider appropriate.
4. The Petitioner craves leave of the Hon'ble Commission to allow further submissions, addition and alteration to this Petition as may be necessary from time to time.
5. Pass any other Order as the Hon'ble Commission may deem fit and appropriate under the circumstances of the case and in the interest of justice.

Declaration that the subject matter of the Petition has not been raise by the Petitioner before any other competent forum, and that no other competent forum is currently seized of the matter or has passed any Orders in relation thereto.

Signature of the Petitioner

Place: Vadodara

(Mr. _____)

Date: __ November, 2020

Chief Engineer (Tech and R&C)



BEFORE THE GUJARAT ELECTRICITY REGULATORY COMMISSION

GANDHINAGAR

Filing No:

Case No:

IN THE MATTER OF Filing of the Petition for True Up of FY 2019-20 under GERC (Multi Year Tariff) Regulations, 2016 along with other Guidelines and Directions` issued by the GERC from time to time AND under Part VII (Section 61 to Section 64) of the Electricity Act, 2003 read with the relevant Guidelines

AND

IN THE MATTER OF Madhya Gujarat Vij Company Limited,
Sardar Patel Vidyut Bhavan,
Race Course,
Vadodara – 390007

PETITIONER

Gujarat Urja Vikas Nigam Limited
Sardar Patel Vidyut Bhavan,
Race Course,
Vadodara - 390 007

CO-PETITIONER

THE PETITIONER ABOVE NAMED RESPECTFULLY SUBMITS

Affidavit verifying the Petition



I, Mr. _____, son of _____, aged 55 years, residing at _____ - 390007 do

solemnly affirm and say as follows:

- I. _____ I am the Chief Engineer (Tech and R&C) of the Madhya Gujarat Vij Company Limited (MGVCL), the Petitioner in the above matter and am duly authorized by the _____ said the Petitioner to make this affidavit.
- II. _____ The Statements made in the Petition application herein above are true to my _____ knowledge and belief, which I believe them to be true.

Solemnly affirmed at Vadodara on this ___ November, 2020 that the contents of the above affidavit are true to my knowledge, no part of it is false and nothing material has been concealed there from.

(Mr. _____)

Chief Engineer (Tech and R&C)

Identified before me

Place: Vadodara

Date: ___ November, 2020



SECTION 6. ANNEXURE 2: TARIFF FILING FORMATS