

**Subject :**                   **Detailed Vetting Report of BEST's FAC submissions for Q1FY11**

**1. Background :**

In terms of the MERC's Conditions of Tariff Regulations, 2005, a Distribution Licensee is required to obtain post facto approval of the Commission on quarterly basis for the FAC charges. After due vetting by the submissions, the utility is permitted to bill the FAC charge to its consumer upto a cap of 10% of its average variable component of tariff.

BEST is a Power Distribution Utility based in Mumbai and it does not own or operate any power generating stations. The entire power requirement for distribution to its consumers is procured by BEST through,

- a) Purchases from Tata Power company Ltd. (TPC-G)
- b) Renewable energy procurement (RPS)
- c) Bilateral contracts and decrements to the imbalance pool
- d) Unscheduled Interchanges (Interstate UI)

BEST had submitted a Petition under affidavit before the Commission on January 6, 2011, under Regulation 82.6 of the MERC (Terms and Conditions of Tariff) Regulations, 2005 giving details of the Power purchases and sales for the period April 2010 to June 2010, along with the copies of all the supplementary statements, bills etc.

The Commission has assessed FAC charge of BEST for the said period based on the FAC formula approved in the Tariff Regulations. The methodology adopted for vetting the FAC computations is as follows:

The FAC claim made by BEST is for charging difference in averaged out "change in the variable cost of power" every month, arising out of the difference between the "rate approved by the Commission" in the tariff order applicable for the concerned period and the "rate actually paid by the Utility". The submissions prepared on the above basis have been scrutinized and vetted with due consideration to excessive Distribution loss, if any.

**2. Change in variable cost of power purchase:**

The variable cost of power procurement approved by the Commission as per the Tariff Order for FY 2009-10 (in the matter of "Approval of Truing Up for FY 2007-08, Annual Performance Review for FY 2008-09 and determination of ARR and Tariff for FY 2009-10" - Case 118 of 2008 issued on 15<sup>th</sup> June 2009), is Rs 2.32/kWH.



BEST has submitted that it has incurred additional variable costs towards power procurement as Rs. 5.6723 Crores in May 2010, Rs. 1.3543 Crores in May 2010 and Rs 13.5168 Crores in June 2010. With the additional cost incurred, spread out on the MUs sold the in the resp. months, the variable cost for power purchase in April 2010 Rs 2.44/kWH, for May 2010 Rs 2.34/kWH and for June 2010 Rs. 2.63/kWH. The change in variable costs for the said months, accordingly is for April 2010 Rs. 0.1260/kWH, for May 2010 it is Rs 0.0287/kWH and for June 2010 it is Rs. 0.3149/kWH. This is approved.

### 3. Adjustment for over recovery / under recovery

**BEST has submitted the details regarding under recovery / over recovery of the variable charges for the said months as given below :**

Table

Sr. No.	Parameter	Unit	Apr-10	May-10	Jun-10
(A)	(B)	(C)	(D)	(E)	(F)
<b>1.0</b>	<b>Adjustment for (over-recovery)/under-recovery ('B')</b>				
1.1	Incremental cost allowed to be recovered in Month j-4	Rs Lakh	1812.69	1865.80	2196.78
			Jan-10	Feb-10	Mar-10
1.2	Incremental cost in Month j-4 actually recovered in j-2		2199.23	2357.09	971.86
			Apr-10	May-10	Jun-10
1.2.1	Prior Period adjustments of FAC arising out of amendment cases	Rs Lakh	0.00	0.00	0.00
1.3	(Over-recovery)/under-recovery (1.1-1.2)	Rs Lakh	-386.53	-491.29	1224.92
<b>2.0</b>	<b>Carried forward adjustment for (over-recovery)/under-recovery attributable to application of ceiling limit</b>	Rs Lakh	0.00	0.00	0.00
<b>3.0</b>	<b>Adjustment factor for (over-recovery)/under-recovery (1.3+2.0)</b>	Rs Lakh	-386.53	-491.29	1224.92

### 4. Excess Distribution Loss

As per the Tariff Orders applicable, the Commission had considered allowable Distribution loss at 10% for the said months April, May and June 2010. The distribution loss in excess of the above limits specified by the Commission which was incurred in the month June 2010, has been disallowed by the Commission.

Accordingly an amount of Rs 0.2391 Crores has been disallowed by the Commission from the total FAC incurred.

5. The total FAC allowed to be recovered / (refunded) by BEST from its consumer is. 1.8070 Crores for April 2010, Rs. (3.5586) Crores for May 2010 and Rs. 2.17983 Crores for June 2010. That is, BEST is allowed to charge to consumers the FAC in April 2010 at paise 4.57 per kWh, refund to consumers in May 2010 at paise (8.7) /kWH and in June 2010 at paise 69.68/kWH.



It is noted that the sudden rise in FAC to be charged by BEST in June 2010 is due to less recovery in the past months.

At the end of June 2010, an amount of Rs 3.7286 Crores is allowed to be carried forward for recovery in future.

**Table: Summary of FAC (A) and FAC<sub>kWh</sub>**

Sr. No.	Parameter	Unit	Apr-10	May-10	Jun-10
(A)	(B)	(C)	(D)	(E)	(F)
<b>1.0</b>	<b>Calculation of FAC (A)</b>				
1.1	Apportionment of change in variable cost of power purchase to License Area (C)	Rs Lakh	567.23	135.43	1351.68
1.2	Working Capital Interest (I)	Rs Lakh	0.00	0.00	0.00
1.3	Adjustment for (Over Recovery)/Under Recovery (B)	Rs Lakh	-386.53	-491.29	1224.92
<b>1.4</b>	<b>FAC (A) = C + I + B</b>	Rs Lakh	180.70	-355.86	2576.60
<b>2.0</b>	<b>Calculation of FAC<sub>kWh</sub></b>				
2.1	Sale within License Area	MU	395.61	410.47	365.74
2.2	Excess T&D Loss	MU	0.00	0.00	4.01
2.3	FAC Charge (FAC <sub>kWh</sub> ) without considering cap on monthly FAC Charge	Paise/kWh	4.57	-8.67	69.68
2.4	Cap on monthly FAC Charge	Paise/kWh	59.6	59.6	59.6
<b>2.5</b>	<b>FAC Charge (FAC<sub>kWh</sub>) considering cap on monthly FAC Charge</b>	Paise/kWh	4.6	-8.7	59.6
<b>3.0</b>	<b>FAC (A)</b>				
3.1	FAC (A) considering cap on Monthly FAC Charge	Rs Lakh	180.70	-355.86	2179.83
3.2	FAC (A) disallowed corresponding to excess T&D loss	Rs Lakh	0.00	0.00	23.91
3.3	Carried forward FAC (A) for recovery during future period	Rs Lakh	0.00	0.00	372.86

