

Date: May 3, 2011

Subject : Detailed Vetting Report of BEST's FAC submissions for QII-FY11

Reference :

- a) FAC submission ESO/DGMES/1856/2011 dated 5 April 2011 from July 2010 to September 2010, received from AGM(ES) of BEST
- b) Letter No. ESO/DGM(ES)/1772/2011 of 24 March 2011 from AGM(ES) of BEST

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)

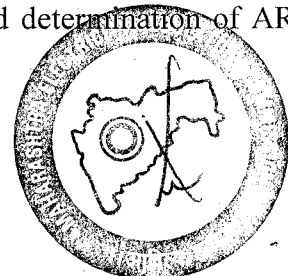
BEST had submitted its FAC submission for the months July 2010 to September 2010 referred as item (a) above, under Regulation 82.6 of the MERC (Terms and Conditions of Tariff) Regulations, 2005 giving details of the Power purchases and sales for the period July 2010 to September 2010, along with the 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 for the months July and August 2010 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 15th June 2009), is Rs 2.32/kWH, and for September 2010, as per the Tariff Order for FY 2010-11 (in the matter of approval of Truing Up for FY 2008-09, Annual Performance Review for FY 2009-10 and determination of ARR and Tariff for FY 2010-11 – Case 95 of 2009, issued on 12th September 2010), is Rs 3.01 /kWH

BEST has submitted that it has incurred additional variable costs towards power procurement as Rs. 17.10 Crores in July 2010, Rs. 37.64 Crores in August 2010 and Rs (8.36) Crores in September 2010. With the additional cost incurred, spread out on the MUs sold the in the resp. months, the variable cost for power purchase in July 2010 is Rs 2.73/kWH, for August 2010 it is Rs 3.23/kWH and for September 2010 it is Rs. 2.80/kWH. The change in variable costs for the said months, accordingly is for July 2010 Rs. 0.417/kWH, for August 2010 it is Rs 0.918/kWH and for September 2010 it is Rs. (0.2062)/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	JULY-10	AUG-10	SEP-10
(A)	(B)	(C)	(D)	(E)	(F)
1.0	Adjustment for (over-recovery)/under-recovery ('B')				
1.1	Incremental cost allowed to be recovered in Month j-4	Rs Lakh	180.70	(355.86)	2179.83
			APR-10	MAY-10	JUN-10
1.2	Incremental cost in Month j-4 actually recovered in j-2		1506.39	2126.51	2210.69
			JUL-10	AUG-10	SEP-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	(1325.70)	(2482.37)	(30.86)
2.0	Carried forward adjustment for (over-recovery)/under-recovery attributable to application of ceiling limit	Rs Lakh	372.86	0.00	0.00
3.0	Adjustment factor for (over-recovery)/under-recovery (1.3+2.0)	Rs Lakh	(952.84)	(2482.37)	(30.86)

4. Excess Distribution Loss

In the Tariff Orders applicable, the Commission had approved allowable Distribution loss at 10% for the months July, August 2010 and 9.5 % for September 2010. The Commission has approved the submission made by BEST (referred as item (b) under Reference above), to allow calculation of excess Distribution Loss on the basis of Cumulative loss incurred upto the specific month, on lines similar to those followed by MSEDCL. There is no excess Distribution Loss for July, August, September 2010



5. The total FAC allowed to be recovered / (refunded) by BEST from its consumer is. Rs. 7.5763 Crores for July 2010, Rs. 12.8118 Crores for August 2010 and Rs. (8.6709) Crores (Refund) for September 2010. That is, BEST is allowed to charge to consumers the FAC in July 2010 at paise 21.14 per kWh, in August 2010 at paise 34.57 /kWh and refund to consumers in September 2010 at paise (23.56)/kWh.

At the end of September 2010, Rs. NIL are carried forward for recovery in future.

Table: Summary of FAC (A) and FAC_{kWh}

Sr. No.	Parameter	Unit	Jul-10	Aug-10	Sep-10
(A)	(B)	(C)	(D)	(E)	(F)
1.0	Calculation of FAC (A)				
1.1	Apportionment of change in variable cost of power purchase to License Area (C)	Rs Lakh	1710.46	3763.55	(836.23)
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	(952.84)	(2482.37)	(30.86)
1.4	FAC (A) = C + I + B	Rs Lakh	757.63	1281.18	(867.09)
2.0	Calculation of FAC_{kWh}				
2.1	Sale within License Area	MU	358.30	370.61	368.06
2.2	Excess T&D Loss	MU	0.00	0.00	4.01
2.3	FAC Charge (FAC _{kWh}) without considering cap on monthly FAC Charge	Paise/kWh	21.14	34.57	(23.56)
2.4	Cap on monthly FAC Charge	Paise/kWh	59.6	59.6	51.8
2.5	FAC Charge (FAC_{kWh}) considering cap on monthly FAC Charge	Paise/kWh	21.14	34.57	(23.56)
3.0	FAC (A)				
3.1	FAC (A) considering cap on Monthly FAC Charge	Rs Lakh	757.63	1281.18	(867.09)
3.2	FAC (A) disallowed corresponding to excess T&D loss	Rs Lakh	0.00	0.00	0
3.3	Carried forward FAC (A) for recovery during future period	Rs Lakh	0.00	0.00	0

