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# Submission on JVVNL Petition for True Up for FY 2023-24

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## TABLE OF CONTENTS

|           |   |           |
|-----------|---|-----------|
| <b>1.</b> | <b>INTRODUCTION.....</b>  | <b>1</b>  |
| <b>2.</b> | <b>GENERAL COMMENTS ON TRUE-UP PETITION FOR 2023-24 .....</b>   | <b>1</b>  |
| 2.1.      | INTEREST ON REGULATORY ASSETS.....  | 1         |
| 2.2.      | DISCREPANCIES IN TEMPORARY CONNECTIONS DATA .....   | 1         |
| 2.3.      | DISCREPANCIES IN DATA REPORTED IN FORM 2.1 FOR FY 23.....   | 2         |
| 2.4.      | AGRICULTURE DEFECTIVE METERS .....  | 3         |
| 2.5.      | DISTRIBUTION LOSS .....   | 3         |
| 2.6.      | RDSS SCHEME.....  | 3         |
| 2.7.      | CIRCLE-WISE AND CATEGORY-WISE DATA ON VIGILANCE ACTIVITIES .....  | 4         |
| 2.8.      | INTER-STATE AND INTRA-STATE LOSSES.....   | 4         |
| 2.9.      | POWER PROCUREMENT COST .....  | 5         |
|           | <i>a. Power Procurement Planning .....</i>  | <i>5</i>  |
|           | <i>b. Impact of Imported Coal on Power Purchase Cost .....</i>  | <i>6</i>  |
| 2.10.     | O&M EXPENSES .....  | 6         |
| 2.11.     | CONSUMER AWARENESS EXPENSES.....  | 7         |
| 2.12.     | SIGNIFICANT DEVIATIONS IN R&M EXPENSES.....   | 7         |
| 2.13.     | INSURANCE EXPENSES .....  | 7         |
| 2.14.     | INTEREST AND FINANCIAL CHARGES .....  | 8         |
|           | <i>a. Increase in Interest on Short term Borrowings / Interest on Working Capital (including LPS) .....</i> | <i>8</i>  |
|           | <i>b. Unclaimed Interest on Unfunded Gaps .....</i>   | <i>8</i>  |
| 2.15.     | DEPRECIATION .....  | 8         |
| 2.16.     | COMPENSATION FOR INJURED/ DEATH OF EMPLOYEES AND OUTSIDERS.....   | 8         |
| 2.17.     | COMPENSATION ON STANDARD OF PERFORMANCE VIOLATIONS .....  | 8         |
| 2.18.     | CIRCLE-WISE DETAILS OF REBATE PROVIDED TO CONSUMERS.....  | 9         |
| 2.19.     | BAD DEBT .....  | 9         |
| 2.20.     | NON-TARIFF INCOME AND OTHER TARIFF INCOME.....  | 9         |
| 2.21.     | REVENUE DEFICIT.....  | 9         |
| <b>3.</b> | <b>ISSUES RAISED BY INDEPENDENT AUDITOR .....</b>   | <b>10</b> |
| 3.1.      | ABSENCE OF RECORDS OF LEASE HOLD LANDS AND FREE HOLD LANDS.....   | 10        |
| 3.2.      | INCOMPLETE CWIP RECORDS .....   | 10        |
| 3.3.      | UNRECONCILED CONSUMER CREDIT BALANCES UNDER TRADE RECEIVABLES.....  | 10        |
| 3.4.      | NOT CONDUCTED INTERNAL AUDIT FOR FY 2023-24 .....   | 10        |
| 3.5.      | DEFICIENCIES IN INTERNAL FINANCIAL CONTROLS OVER SUBSIDIARY RECORDS AND LIABILITIES.....                    | 10        |
| <b>4.</b> | <b>COMMENTS ON COMPLIANCE OF COMMISSION'S DIRECTIVES.....</b>   | <b>11</b> |
| 4.1.      | REPORTING OF SUBSIDY.....   | 11        |
| 4.2.      | SMART GRID AND DEMAND SIDE MANAGEMENT CELL .....  | 11        |
| 4.3.      | EV CHARGING INFRASTRUCTURE .....  | 12        |
| 4.4.      | FIXED ASSETS REGISTER (FAR).....  | 12        |
| 4.5.      | VOLTAGE WISE LOSSES.....  | 13        |
| 4.6.      | MEDIUM-TERM BUSINESS PLAN.....  | 13        |
| 4.7.      | SKILL DEVELOPMENT AND TRAINING .....  | 13        |
| 4.8.      | MONETISATION OF DISCOM'S ASSETS.....  | 14        |
| 4.9.      | DISPOSAL OF RETIRED ASSETS .....  | 14        |
| 4.10.     | ADOPTION OF CIRCLES BY MD: REDUCTION OF LOSSES .....  | 14        |
| <b>5.</b> | <b>ANNEXURE - I.....</b>  | <b>16</b> |

## 1. INTRODUCTION

Jaipur Vidyut Vitran Nigam Limited (JVVNL), hereinafter referred to as the *Petitioner*, has filed a Petition before the Rajasthan Electricity Regulatory Commission, hereinafter referred to as *Commission*, for approval of the 'True-up for FY 2023-24' in accordance with the provisions of the RERC (Terms and Conditions for Determination of Tariff) Regulations, 2019.

The Commission has made the Petition available on its website for public objections and suggestions. This submission is being made in response to the Petition filed by the Petitioner, as published on the Commission's website. We respectfully request the Commission to consider this submission for inclusion in the official record. The comments and suggestions are organised under the following sections:

- a) General Comments
- b) Issues Raised by Independent Auditor
- c) Status of Compliance of Commission's Directives

## 2. GENERAL COMMENTS ON TRUE-UP PETITION FOR 2023-24

### 2.1. Interest on Regulatory Assets

The Petitioner in 'Summary of ARR for FY 2023-24' (see Table 1 at pg. 07 of the Petition) has provided a combined amount in for actual 'Interest on Working Capital, Interest on Free Loan and Interest on Bonds' and 'Interest on Regulatory Assets'. We do not see any rationale behind combining both heads of different natures and request the petitioner to provide a detailed break-up of each category.

### 2.2. Discrepancies in Temporary Connections Data

In Paragraph 3.9 (see pg. 09), the Petitioner has provided details of temporary connections for FY 2023-24, indicating that the units sold to SIP and LIP consumers are 0.00. We request the Petitioner to clarify whether no energy was sold to these categories, despite the connected loads being 50 kW and 2250 kW for SIP and LIP consumers, respectively.

Table 1: Details of Temporary Connections for FY 2023-24

| S. No. | Category     | No. of consumers | Connected Load | Units Sold (in Lacs) | Realisation (in Lacs) |
|--------|--------------|------------------|----------------|----------------------|-----------------------|
| 1      | DS           | 4,280            | 2,893          | 2.07                 | 32.25                 |
| 2      | NDS          | 35,226           | 72,628         | 41.17                | 723.39                |
| 3      | SIP          | 4                | 50             | 0.00                 | 0.002                 |
| 4      | LIP          | 2                | 2,250          | 0.00                 | 0.000                 |
| 5      | ML           | 1                | 630            | 0.15                 | 3.37                  |
| 6      | <b>Total</b> | 39,513           | 78,451         | 43.38                | 759.02                |

Source: True-up Petition of JVVNL

### 2.3. Discrepancies in data reported in Form 2.1 for FY 23

We would like to highlight that the discrepancy in sanctioned connected load and the capacity utilisation of the load of different consumers categories from the petition documents. We estimated average load factor of consumers for respective categories and sub-categories based on revenue data provided by JVVNL in Form 2.1 for FY 2023-24. The formula used for estimation of load factor is,

$$L_F = \frac{E_s}{L_C \times 24 \times 365}$$

where,

$L_F$  is load factor for a consumer category

$E_s$  is total energy sold to the consumer category

$L_C$  is the Connected Load for the consumer category

In Annexure - I we provide data for selected categories where we observed discrepancies. The observations are highlighted here:

- Relatively higher capacity utilisation is observed for BPL consumers. This may be explained by<sup>1</sup>
  - a) The sanctioned load on record for BPL consumers is not updated for past years, and hence the connected load on record may be lower than actual, leading to higher load factor.
  - b) Other billing and metering issues leading to increase in energy sold on record in comparison to actual.
- Very high load factors are observed for domestic sub-categories GD3 and GD4. We are unable to deduce any rationale for the same, and it may be attributed to energy accounting issues. The Petitioner is requested to explain the same.
- Similarly, higher load factors are observed for NDS Type 3 and Type 4. The Petitioner is requested to explain the same.
- Load factor of 50703.95% is observed for Agriculture fixed supply and 254.54% for PSL supply (Panchayat and Municipal areas having population 1 lakh and above). This not possible, and they are likely because of energy accounting issues. The Petitioner is requested to explain the same.

The Petitioner is requested to provide clarifications and correct data for the discrepancies highlighted above. Furthermore, if the incorrect or inaccurate recording of data is on account of the Petitioner not updating the data on connected load of consumers, then the Commission is requested to take suitable action against the Petitioner.

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<sup>1</sup> It may be noted that both issues would not impose any financial burden on the consumers because of the existing subsidy regime and hence they are unlikely to be highlighted by the consumers. However, this may lead to appropriate of losses by discom and over-spending by public exchequer against accrued subsidies.

#### **2.4. Agriculture Defective Meters**

In Paragraph 3.10 of the petition, the Petitioner provided data on the metered agriculture consumers - connected load (HP), and energy sold (MU) with a bifurcation of operational and defective meters for FY 2023-24.

The Petitioner submitted that 31,795 consumers out of the total 636,539 agricultural consumers have defective meters. The conversion from the flat rate to the metered category for agricultural consumers is long overdue and still pending. Even after metering, having defective meters amounts to de facto return to flat rates despite incurring expenses to install meters.

We would like to highlight that Petitioner did not provide the revenue realised from the defective meters.

We, therefore, request the Petitioner to provide the following:

- i Circle-wise data on defective meters and the corresponding revenue realisation.
- ii Monthly status reports detailing the total number of meters, the number of defective meters at the end of each month, and the number of meters repaired during the month.
- iii Circle-wise data on the number of meters defective for more than two months.
- iv Clarification on the defective meters and measures being implemented to rectify this issue.

#### **2.5. Distribution Loss**

In Paragraph 4.1 of the petition, the Petitioner has stated that it has achieved distribution losses of 15.77%, against the approved target of 15% set by the Commission. We request the Petitioner to clarify the reasons for not achieving the approved target.

Additionally, in the data gap reply, the Petitioner has indicated that distribution loss targets have been assigned on a circle-wise basis. We request the Petitioner to provide the circle-wise distribution loss targets for FY 2023–24, along with the actual distribution losses achieved for each circle.

#### **2.6. RDSS Scheme**

The petition mentions the target for feeder segregation under RDSS scheme is of 10,463 Circuit kilometres (Ckm) by end of FY 2025. This includes target for bifurcation of 33kV feeders under RDSS scheme is 1,342 Ckm and 11 kV feeders is 9,192 Ckm. The associated works are under progress.

Additionally, under the RDSS scheme, there is a mandate to install Smart Meters on 100% of Feeders, totalling 5,799, and Distribution Transformers (DT), totalling 1,11,346 DT meters, by December 2023.

We request the Petitioner to kindly specify for the following:

- i Total infrastructure network in Ckm under the Petitioner and among the total network how much is considered as target under the RDSS scheme. Analysis of actual network infrastructure improvements under the RDSS scheme.
- ii Year-wise targets of each circle and its current progress in achieving the installation targets for Smart Meters on Feeders and DTs.

## 2.7. Circle-wise and Category-wise Data on Vigilance Activities

The Petitioner submitted a summary of the vigilance activities carried out in FY 2023-24 (see pg. 16 of the Petition). We acknowledge this submission, but we would like to highlight that JVVNL's data lacks the depth and transparency as compared to submissions made by AVVNL for FY 2023-24, which includes comprehensive details such as the total number of checks conducted (see Figure 1):

Figure 1: AVVNL's detailed submission on vigilance drives

Table 9: Special Vigilance Drives during FY 2023-24

| Total No. of Checking | Theft            |                      | Malpractice/Misuse/Others |                      | Total Assessment (Rs. Cr) |
|-----------------------|------------------|----------------------|---------------------------|----------------------|---------------------------|
|                       | No. of Instances | Assessment (Rs. Cr.) | No. of Instances          | Assessment (Rs. Cr.) |                           |
| 137,640               | 19,791           | 38.19                | 8,102                     | 11.72                | 49.92                     |

Source: AVVNL's True-up Petition for FY 2023-24

To enhance transparency and accountability, we request the Petitioner to provide circle-wise quarterly data on vigilance activities, including targets for the number of checks and the actual number of checks conducted. Additionally, we request the Petitioner to provide category-wise data on vigilance activities, detailing the number of visits conducted per category.

## 2.8. Inter-State and Intra-State Losses

In Table 3 of the Petition (see pg. 16 of the Petition), the Petitioner has provided a cumulative figure for inter-state and intra-state transmission losses. However, it is important to note that the Commission, through its orders dated 24.11.2021, 01.09.2022, 31.03.2023, and 26.07.2024, has repeatedly directed the Discoms, including JVVNL, to maintain separate accounts for inter-state and intra-state transmission losses and to provide this bifurcation in future true-up petitions. The Commission has also warned that any further failure to comply with these directives would result in adverse action. Despite these clear directives, there has been persistent non-compliance with Commission's orders.

Therefore, we request the Commission to take serious note of this continued non-compliance and strictly direct the Petitioner to provide a clear breakdown of inter-state and intra-state transmission losses. We further urge the Commission to impose appropriate penalties for repeated violations.

Last year, the Petitioner informed the Commission about the formation of a committee comprising officials from JVVNL, RUVNL, and RVPNL to address this issue. In this context, we request the Petitioner to provide an update on the status of the committee and the recommendations it has made to comply with the Commission's directive.

Furthermore, we would like to highlight that the transmission losses claimed by the Discom are exceptionally high when compared with losses from states with comparable geography and load profiles (see Table 2). We request the Commission to scrutinise this issue, seek clarification on the high transmission losses, and direct the Petitioner to provide details on the measures taken to mitigate them.

Table 2: Transmission Losses in states with comparable geography and load profiles

| S. No. | State          | Transmission Loss | FY      | Source                                     |
|--------|----------------|-------------------|---------|--|
| 1      | Maharashtra    | 3.27%             | 2023-24 | State Grid Loss Account (see pg. 01)       |
| 2      | Gujarat        | 3.84%             | 2022-23 | GETCO Final Tariff Order FY25 (see pg. 56) |
| 3      | Madhya Pradesh | 2.61%             | 2023-24 | ARR for FY2025-26 MPERC (see pg. 23)       |

We further submit that the Commission reject the high losses claimed by the Petitioner and recompute the overall energy balance computations, to reflect the normative losses.

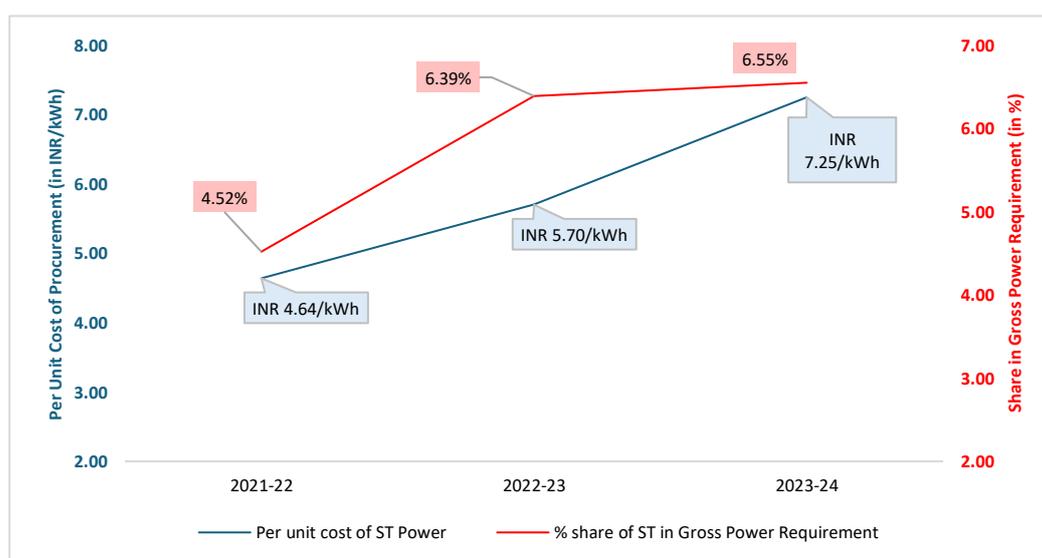
## 2.9. Power Procurement Cost

### a. Power Procurement Planning

In Table 4 of the Petition, the Petitioner has presented the details of power purchase costs incurred during FY 2023–24. It is concerning that the Petitioner has purchased around 2,800 MU from the short-term market. This volume constitutes roughly 6.55% of the gross power requirement and is significantly higher than the 178 MU approved under short-term procurement. The tariff for these short-term purchases averaged INR 7.25/kWh, which is approximately 58% higher than the gross per unit power purchase cost of INR 4.59/kWh.

A review of the previous two years' performance reveals a consistent and growing reliance on the costlier short-term market (see Figure 2). This trend, both in terms of increasing quantum and rising cost differential, points to persistent shortcomings in demand estimation and procurement planning. The financial implications are also evident. The Petitioner was expected to generate a revenue of INR 1,924 Cr. in FY 2022-23 and an expenditure of INR 75 Cr. from sale and purchase of power from the short-term market respectively. However, it has instead *cumulatively spent approximately INR 3,452 Cr.* on purchases from short-term market in these two years.

Figure 2: Year-wise per unit cost of ST power and share of ST power in gross power requirement



Source: Petitioner's True-up Petitions for the past three financial years (FY 2021-22 to FY 2023-24)

In contrast, a reverse trend is observable in procurement from cheaper sources such as non-conventional energy sources (NCES). Over the past three financial years, the deviation between approved and actual procurement from NCES has widened, from a shortfall of approximately 29% in

FY 2021-22 to nearly 43% in FY 2023-24. In addition, during FY 2023-24, the Petitioner procured around 1,600 MU less than the approved quantity from cost-effective, long-term contracted sources such as NTPC, NPCIL, and Adani Power.

These procurement patterns collectively suggest a failure to optimise the power portfolio in line with prudent utility planning which undermines both cost efficiency and regulatory discipline. Such inaccuracies in demand forecasting not only compromise the reliability and affordability of supply but also impose avoidable financial strain on the Petitioner and, ultimately, on consumers.

In view of the above, it is respectfully submitted that the Petitioner be directed to furnish a detailed explanation for the deviation from approved short-term market purchases and its increasing reliance on high-cost short-term procurement. The Petitioner may also be required to account for the persistent shortfall in procurement from approved non-conventional and other lower-cost sources. The Petitioner may also be directed to clarify if it has invoked any of its contractual rights over power generating companies for deviating from their yearly agreed and approved commitments in the past three years. Furthermore, the Commission may consider directing the Petitioner to outline the corrective measures being taken to strengthen its demand forecasting and procurement planning processes, so as to ensure better alignment with cost-effective, long-term contracted power in future planning cycles.

#### **b. Impact of Imported Coal on Power Purchase Cost**

The Petitioner has attributed the increase in power purchase expenses to the Ministry of Power's (MoP) directive requiring the use of 10% imported coal. However, this mandate was revised multiple times. In 2022, generating companies were initially required to blend 10% imported coal, which was later made voluntary for genscos facing a domestic coal shortfall. In January 2023, the mandate was further reduced to 6%, and on September 1<sup>st</sup>, 2023, it was lowered to 4%. In such a case where the share of blended coal was reduced regularly, we request the Petitioner to clarify whether it had enforced any contractual provisions to hold suppliers accountable for delivering power as per the agreed terms and conditions. Additionally, we request details of any penalties imposed during the year on state generation company (RVUN) and other generating stations due to shortfall in power supplied resulting from inadequate coal stocks.

#### **2.10. O&M Expenses**

The Petitioner, in Table 5 of the Petition (*see pg. 22*), outlines the O&M expenses for FY 2023-24, revealing that the actual expenditure on employee costs is significantly lower than the amount approved by the Commission. The Petitioner is requested to provide the reasons for this shortfall.

Additionally, in Table 7 of the Petition (*see pg. 24*), the Petitioner details Employee Expenses for FY 2023-24, reporting training expenses of INR 0.18 Cr, an increase from the previous year's INR 0.03 Cr. The Commission has repeatedly stated in previous orders that the Discoms can claim necessary training expenditures through the Investment Plan/ARR and has expressed its willingness to consider additional spending on employee training. Accordingly, we request the Petitioner to provide:

- i A detailed breakdown of training activities undertaken during FY 2023-24.
- ii The total number of employees trained, categorised by employee type.

- iii Specifics of the training programs conducted.
- iv Clarification on whether expenses incurred on contractual employees under various contracts are included within the overall employee expenses.

Furthermore, under the RERC (Investment Approval) Regulations, 2006, Distribution Licensees are permitted to allocate up to 1% of their Investment Plan expenditure for institutional strengthening. We request the Petitioner to confirm whether any activities have been undertaken under this provision and provide details of the corresponding expenditure.

### **2.11. Consumer Awareness Expenses**

The Petitioner, in Table 9 of the Petition (*see pg. 25*), provides a breakdown of A&G expenses for FY 2023-24, specifying consumer awareness expenses as INR 16.50 Cr. We appreciate the Petitioner for providing the circle-wise expenses incurred. At the same time, the Petitioner has failed to provide any details how these funds were spent. A comprehensive breakdown and impact analysis will help in understanding how effectively the allocated funds have been utilised in enhancing consumer awareness. This includes specifying the type of activities, such as workshops, campaigns, advertisements, and community outreach programs, along with the cost incurred for each.

Consumers are one of the most important stakeholders of the power sector and their awareness is an important for healthy functioning of the Discoms. We submit, the Petitioner take this issue seriously and provide a detailed month-wise and circle-wise list of activities undertaken for consumer awareness along with associated costs. It will also provide insights into the effectiveness of different awareness initiatives, enabling better planning and resource allocation for future consumer awareness programs. Additionally, we request details of any impact analysis conducted to assess the improvement in consumer awareness.

### **2.12. Significant Deviations in R&M Expenses**

In Table 10 of the Petition (*see pg. 26*), the Petitioner has reported actual Repair & Maintenance (R&M) expenses of INR 419 Cr., which is significantly higher than the approved INR 212 Cr., exceeding it by INR 207 Cr. The Petitioner has given the breakup that these expenses were majorly incurred for the repair and maintenance of plant & machinery and for lines & cable network during FY 2023-24.

This marks the second consecutive year in which actual expenses have significantly exceeded the approved amount. Therefore, we seek clarification from the Petitioner explaining reasons for their inability to plan R&M for the distribution network and forecast required expenses prudently. Additionally, we request a circle-wise breakdown of the expenses incurred for R&M, along with details on how these activities have improved reliability or other key performance metrics.

### **2.13. Insurance Expenses**

The Petitioner, in Table 12 of the Petition (*see pg. 27*), shared Insurance Expenses FY 2023-24, specifying actual insurance expenses as INR 1.64 Cr. against the approved insurance expenses of INR 35 Cr. We request the Petitioner to provide detailed explanation for significant reduction in insurance expenses despite the fixed assets and net worth remaining the same.

## **2.14. Interest and Financial Charges**

### **a. Increase in Interest on Short term Borrowings / Interest on Working Capital (including LPS)**

The Petitioner, in Table 13 of the Petition (*see pg. 27*), has provided interest and finance charges for FY 2023-24. As per the Petitioner, '*Interest on Short-term Borrowings/Interest on Working Capital*' increased significantly from the approved INR 213 Cr. to INR 2,362 Cr. The Petitioner is requested to provide the reason for such a steep increase in the interest costs of short-term borrowings.

### **b. Unclaimed Interest on Unfunded Gaps**

The Commission, in the ARR for this tariff year, had approved INR 1,918 Cr. as '*Interest on unfunded gaps*'. But the Petitioner has claimed no actual interest. We request the Petitioner to explain why the approved interest on unfunded gaps (regulatory assets) was not claimed.

## **2.15. Depreciation**

In Table 14 of the Petition (*see pg. 38*), the Petitioner reports depreciation for FY 2023-24, with actual depreciation of INR 1,194 Cr. compared to the approved amount of INR 882 Cr. We request the Petitioner to provide the reasons for this significant deviation and a detailed breakdown of asset calculations and depreciation methodology.

## **2.16. Compensation for Injured/ Death of Employees and Outsiders**

The Petitioner, in Table 15 of the Petition (*see pg. 30*), has provided details of other debits and prior period expenses during FY 2023-24, wherein it specifies compensation for injured/death of employee and compensation for injured/death of outsiders as INR 0.66 Cr. and INR 6.66 Cr., respectively. We request the Petitioner to provide details of each accident resulting in injury or death of employees and outsiders, including the cause of the accident and the relevant circle. This should include detailed accident reports, electrical inspector reports, and action taken reports. Furthermore, we request the Petitioner to provide data on the compensation paid for loss/damage of property during FY 2023-24.

Additionally, the Petitioner has reported a loss of INR 14.47 Cr. on the sale of scrap/fixed assets, as shown in Table 15. We request the Petitioner to provide circle-wise details of the loss incurred on these fixed assets.

Furthermore, the Petitioner has also reported losses of fixed assets due to theft of INR 2.06 Cr. We request the Petitioner to furnish details of such theft incidents, along with the measures undertaken to mitigate and prevent such occurrences in the future. The Petitioner may further be directed to adopt an SOP for disposal of retired assets to prevent such losses (*see sub-section 4.9 of this Submission for a detailed submission*).

## **2.17. Compensation on Standard of Performance Violations**

The Commission, in its orders dated 31.03.2023 and 26.07.2024, had directed the Petitioner to report all parameters based on smart meters wherever installed and to immediately pay direct compensation for any violations. Additionally, for other consumers, the Discoms have been mandated to develop a system for the automatic adjustment of compensation in electricity bills and to report this in the formats submitted to the Commission, as well as in the next ARR.

In this regard, we request the Petitioner to provide detailed, circle-wise information on direct compensation disbursed for violations of the standard of performance. This should include the total number of consumers who have received compensation, and the overall amount disbursed.

### 2.18. Circle-Wise Details of Rebate Provided to Consumers

In Paragraph 6.32 of the Petition (*see pg. 30–31*), the Petitioner has reported rebates granted to consumers for FY 2023-24, including a waiver of DPS/LPS amounting to INR 64.09 Cr. We request the Petitioner to provide a circle-wise and category-wise breakdown of the beneficiaries and the corresponding waiver amounts.

Additionally, the Petitioner has mentioned prompt payment incentives amounting to INR 2.19 Cr. We request the Petitioner to furnish a circle-wise and category-wise breakdown of the prompt payment incentives granted.

### 2.19. Bad Debt

The Petitioner, in Table 16 of the Petition (*see pg. 31*), has reported ‘*bad debts written off (including provisions during the year)*’ amounting to INR 199 Cr., despite no approved amount (*see Table 3*). We request the Petitioner to provide details on the nature of these bad debts and the reasons for their write-off. Additionally, the opening balance for the bad debts is significantly higher, yet no approval has been sought for it. We request the Petitioner to provide explanation for the same.

Table 3: Bad Debts in FY 2023-24

| S. No. | Particulars                                    | Actuals (in Cr.) |
|--------|--|------------------|
| 1      | Opening balance of Provision of Bad Debts      | 1,899.85         |
| 2      | Add: Additional Provision made during the year | 198.98           |
| 3      | Less: Actual debts written off during the year | 163.13           |
| 4      | Closing Balance of Provision of Bad Debts      | 1,935.70         |

Source: Petitioner’s true-up Petition for FY 2023-24

### 2.20. Non-Tariff Income and Other Tariff Income

The Petitioner, in Paragraph 6.38 of the Petition (*see pg. 32*), has provided details of non-tariff and other tariff income for FY 2023-24, specifying revenue from the use of poles as INR 19.41 Cr. In this regard, we request the Petitioner to furnish circle-wise data on both realised and unrealised non-tariff income from pole rents, along with details on the number of poles utilised.

### 2.21. Revenue Deficit

The Petitioner has submitted in Paragraph 10.1 and Table 23 (*see pg. 36*) the details of ‘*Revenue Surplus/Deficit for FY 2023-24*’, where the revenue gap stands at INR 1,373 Cr. as against the revenue surplus of INR 4 Cr. approved by the Commission. This has been a pattern for the last decade, that the Petitioner projects a revenue surplus during the ARR and ends up in deficit during the true up. We submit the commission takes serious note of this glaring issue, and recommend appropriate action, including constituting a committee to examine the root-cause of the issue.

### **3. ISSUES RAISED BY INDEPENDENT AUDITOR**

In the Petitioner's 24<sup>th</sup> Annual Report for 2023-2024, the independent auditor has highlighted several critical issues concerning the company's financial statements and operations, along with instances of non-compliance. We wish to bring these concerns to the Commission's attention and request that the Commission direct the Petitioner to take appropriate corrective actions to resolve these issues and ensure compliance with applicable regulatory frameworks and laws. The key issues are detailed below:

#### **3.1. Absence of Records of Lease Hold Lands and Free Hold Lands**

The Petitioner lacks records for certain leasehold and freehold lands and has not updated the Property, Plant, and Equipment Register for the year. Due to missing details, the value and existence of these assets cannot be verified. Consequently, its impact on the Statement of Profit and Loss, including amortisation, lease rent, and taxes, remains unascertainable.

Moreover, the Petitioner does not maintain a Property, Plant, and Equipment (PPE) Register. As a result, the amounts related to losses due to theft, profit or loss on the sale of assets, and assets transferred to the "Assets Not in Use" category could not be verified.

#### **3.2. Incomplete CWIP Records**

The independent auditor observed that the Petitioner has not maintained detailed, day-to-day, scheme/work order-wise records in respect of Capital Work-in-Progress (CWIP). As a result, the auditor was unable to verify the opening balance of CWIP, additions during the year, transfers to Property, Plant and Equipment, and the closing balance of CWIP. Consequently, the impact of this limitation on the financial statements could not be determined.

#### **3.3. Unreconciled Consumer Credit Balances under Trade Receivables**

The independent auditor observed that the Petitioner has neither identified the reasons for consumer credit balances under Trade Receivables in the books of account nor reconciled these balances with the consumer-wise credit balances recorded in the Management Information System (MIS). In the absence of relevant details, the quantification of any understatement or overstatement of Trade Receivables, Other Current Liabilities, and Revenue is not ascertainable.

#### **3.4. Not Conducted Internal Audit for FY 2023-24**

Although the Petitioner has an internal audit mechanism in place, no internal audit was conducted during the financial year 2023–24. This lack of review may impact the assessment of internal controls and compliance.

#### **3.5. Deficiencies in Internal Financial Controls over Subsidiary Records and Liabilities**

The auditor observed that JVVNL's internal financial controls related to the maintenance of subsidiary records, timely adjustment of advances to suppliers, and provisioning for liabilities are not operating effectively. In several instances, subsidiary records are either inadequately maintained or updated

only at year-end, rather than when goods or services are received. These material weaknesses may lead to potential misstatements in the recognition of expenses, assets, and liabilities.

Additionally, the Petitioner's internal controls for reducing distribution losses are ineffective. A significant discrepancy between the units of energy purchased and sold highlights deficiencies in billing and theft prevention controls. This material weakness could negatively impact the Petitioner's revenue and overall financial position.

#### **4. COMMENTS ON COMPLIANCE OF COMMISSION'S DIRECTIVES**

The Petitioner has submitted the status of compliance with the Commission's directives in its petition; however, multiple instances of non-compliance remain unaddressed. We submit the following comments on the Commission's directives and request the Petitioner to take necessary actions to ensure full compliance.

##### **4.1. Reporting of Subsidy**

The Ministry of Power's (Second Amendment) Electricity Rules, 2023 require the Commission to take action against concerned officers of a licensee for non-compliance if '*subsidy accounting and raising bills for subsidy is not found in accordance with the Act or Rules or Regulations*'. The Commission therefore, vide its Tariff Order dated 26.07.2024, had directed the Discoms to furnish a quarterly report indicating demand for subsidy raised by them, energy consumed by the subsidised category, consumer category-wise per unit subsidy declared by the state government, actual subsidy received in accordance with Section 65 of the Electricity Act, gap in subsidy due and paid as well as other relevant details. The Commission had also directed the Discoms to appoint a nodal officer, who on their behalf are to send a quarterly report within 30 days from the end date of the quarter, detailing reasons for non-receipt of subsidy and action taken accordingly.

However, in the compliance status submitted by the Petitioner, it has not been clarified that the report for each quarter had been filed within 30 days from the end date of the quarter. Therefore, we request the Petitioner to provide details of the quarterly submission of these reports and any punitive action taken against Discom officials, if any, in cases of non-compliance.

##### **4.2. Smart Grid and Demand Side Management Cell**

In their submissions in the Tariff Petition filed in the previous year, the Discoms submitted that they have participated in Smart Grid Projects under Integrated Power Development Scheme (IDPS) and National Smart Grid Mission (NSGM) schemes, and that they request the Commission to frame smart grid regulations with focus on smart metering works. Therefore, the Commission, vide its Order dated 26.07.2024, had directed the Discoms to constitute Smart Grid and Demand Side Management Cell(s) with well-defined roles and responsibilities. The Commission had also directed them to conduct baseline study and develop data to formulate Demand Side Management and Smart Grid Plan/Programme. With the approval of the Commission, the Discoms were to act upon said plans. The Commission had also directed them to develop cost recovery mechanism.

However, the Petitioner has not complied with the aforementioned directive. While it has identified certain Demand Side Management (DSM) measures for implementation, it has not established a

dedicated DSM Cell with clearly defined roles and responsibilities. Furthermore, there is no indication that a baseline study has been undertaken or that any relevant data has been developed to support the formulation of a comprehensive DSM Plan or Smart Grid Plan.

Additionally, the Petitioner has not disclosed the development of a cost recovery mechanism. If such a baseline study has been conducted or a cost recovery mechanism has been formulated, it is respectfully submitted that the Petitioner be directed to furnish the relevant documentation. The Petitioner should also be directed to provide complete details regarding the establishment of the DSM Cell, if any, along with information pertaining to its activities.

#### **4.3. EV Charging Infrastructure**

The Commission had directed, vide its order dated 21.12.2020, that the Discoms must create an EV Cell for monitoring EV charging stations and defined various crucial functions for the Cell. Subsequently, the Commission, in the Tariff Order passed on 26.07.2024, had directed the Discoms to expedite the setting up of EV charging stations and propose necessary investment for upgrading their network for seamless integration of EV infrastructure.

The Petitioner has not provided any information regarding the establishment of an Electric Vehicle (EV) Cell to oversee the installation of charging infrastructure. It has only stated that survey work has been completed for 30 units, and that 50 units are sanctioned for implementation up to FY 2025-26.

In view of the above, it is respectfully submitted that the Petitioner may be directed to clarify the status of the constitution of the EV Cell. If such a Cell has been established, the Commission may kindly direct the Petitioner to disclose its roles and responsibilities, as well as the steps undertaken to expedite the installation of EV charging stations.

#### **4.4. Fixed Assets Register (FAR)**

In the Tariff Order dated 26.07.2024, the Commission had directed the Discoms to go through the Report submitted by M/s. RFSDL and take necessary actions '*including those materials in the report to update their process and make asset register as per the requirement of the Regulations*'. The report recommends that the Discoms develop a comprehensive financial management and accounting manual. Additionally, the report recommends capacity building exercises for the staff of Discoms, gather their feedback and refine the manual. The report also recommends appointing a third-party for physical verification and appoint a field-team for cross-verification.

The Petitioner has not clarified if it has submitted the FAR for FY 2023-24. It has further stated that it is still in process of complying with some aspects of the report submitted by M/s. RFSDL, without giving detailed status of compliance. If the manual for management and accounting has been prepared by the Petitioner, it must be directed to submit the same before the Commission. Additionally, it should also clarify if it has undertaken any capacity building exercises for its staff towards the same and if it has received any feedback from them. Furthermore, it should give the details of third-party appointed for the purpose of physical verification.

The Commission should also direct the Petitioner to disclose detailed steps it has taken towards implementing IT/ERP system for streamlining tasks, improving efficiency and enhancing data accuracy.

#### **4.5. Voltage Wise Losses**

The Commission had directed vide its Orders dated 01.09.2022, 31.03.2023 and 26.07.2024 that the Discoms to undertake sample study of voltage-wise losses for at least two Nos. 33/11KV urban and two Nos. 33/11 KV rural substations by an independent third-party and associated lines representing proper sample for each circle. It had further directed that the losses of entire circle should be extrapolated based on the sample study and final report be submitted before the Commission within four months of the Order.

However, the Petitioner has failed to provide details regarding the appointment of a third party for undertaking the assessment of voltage-wise losses and has not submitted the corresponding report to the Commission.

In light of this non-compliance, it is respectfully submitted that, as per the directive issued in the Tariff Order dated 26.07.2024, the concerned officer may be held accountable, and appropriate action may be initiated for failure to comply with the Commission's directions.

#### **4.6. Medium-Term Business Plan**

The Commission had directed the Discoms to prepare a 'Medium-Term Business Plan' covering likely impact of influx of renewable energy, distributed generation and prosumers, electric vehicles, smart metering and other related trends of power sector. It had also suggested incorporating optimisation of capacity charges where a resource adequacy study would capture all types of sources, including BESS and PSPs.

However, the Petitioner has not submitted any such plan in stipulated time. It has also not clarified the steps taken by it towards preparation of 'Medium-Term Business Plan' and a resource adequacy study. It is therefore submitted before this Commission that the Petitioner may be directed to submit the steps it has taken towards preparation of 'Medium-Term Business Plan' and a resource adequacy study. If the plan or the report has been prepared, the Petitioner may kindly be directed to submit the same.

#### **4.7. Skill Development and Training**

The Commission had directed the Discoms to create their own skill development and training centre. Further, Discoms were directed to incur at least 1% of total capex on the skill development and training of staff including training on safety and intimate the same to the Commission along with next Tariff petition.

While the Petitioner has submitted that training is conducted regularly at the circle or division level training session and sub-divisional level safety training session. Additionally, the Petitioner has only spent INR 0.18 Cr. on training its employees (*see Table 07 at Page 24 of the Petition*), as against the mandate of at least 1% of its total capex on the skill development and safety training of staff.

It is therefore requested that the Commission direct the Petitioner to submit details of skill development and training programs conducted to date, including specific information on safety training. Additionally, we request the Commission to direct the Petitioner to provide a detailed training schedule.

#### **4.8. Monetisation of Discom's Assets**

In its Order dated 24.11.2021, the Commission directed Discoms to implement asset monetisation strategies under the personal supervision of their Managing Directors, including quarterly reporting of circle-wise actions and revenue. The Order also called for optimisation of pole rents and monetisation of vacant lands, buildings, and advertisement space. Further, in its Order dated 01.09.2022, the Commission mandated submission of circle-wise data on poles and cables along with income generated. In cases showing zero income from poles, an affidavit was to be filed by the concerned Assistant Engineer. The Commission has observed data manipulation, including underreporting of pole numbers, and accordingly directed CMDs/MDs to report within 30 days on reasons for non-compliance and action taken against responsible officials.

The Petitioner has submitted circle-wise data regarding pole rental income for its twenty circles. However, it has reported nil revenue for the Kotputli, Bhiwadi, Tonk, Dudu, Deeg, Karauli, and Gangapur City circles for FY 2023-24. Additionally, zero pole utilisation has been reported in the Kotputli, Bhiwadi, Dudu, Deeg, and Gangapur City circles during the same financial year.

Considering the above, the Petitioner may be directed to submit affidavits from the concerned Assistant Engineers of the respective circles where zero revenue has been reported. Furthermore, the Petitioner is requested to provide the total number of poles available in each circle.

#### **4.9. Disposal of Retired Assets**

It is observed that a substantial number of the Petitioner's assets have been retired due to planned or unplanned reasons, such as end-of-life or damage, and are presently lying as scrap across various premises. These retired assets impose additional security obligations on the engineering staff, occupy valuable storage space, and pose safety and theft risks. Accordingly, the Petitioner may be directed to dispose of such assets in a timely and orderly fashion. The Petitioner may be issued directions to ensure prompt reporting of such assets as they are created and develop circle-wise Standard Operating Procedures (SOPs) for timely disposal of these retired assets, mandating their disposal within six months of their retirement.

#### **4.10. Adoption of Circles by MD: Reduction of Losses**

In its Order dated 26.07.2024, the Commission directed Discoms that MDs shall continue to furnish information of losses and revenue realised in three (3) circles with the highest losses adopted by the MD/Director, indicating interventions made and outcome in terms of reduction of losses, and with next year ARR they will give a snapshot of losses of FY 2020-21 to FY 2023-24 (till filing).

In compliance with the directive, the Managing Director of JVVNL adopted the *Bharatpur, Dholpur, and Dausa* circles for targeted loss reduction. While the Petitioner has submitted distribution loss data in Form D 7.1, the reported AT&C losses for these circles remain higher than the Jaipur Discom's

average of 20.99%. Specifically, the AT&C loss in *Dausa* is significantly high at 36.75%. Similarly, the AT&C losses in *Baran and Sawai Madhopur* are 34.43% and 48.60%, respectively.

In view of the above, we respectfully request the Commission to direct the Petitioner to undertake similar loss reduction initiatives in the *Baran and Sawai Madhopur* circles. Furthermore, the Petitioner may be directed to submit a detailed clarification explaining the continued high losses in the *Bharatpur, Dholpur, and Dausa* circles despite being adopted for focused interventions.

## 5. ANNEXURE - I

Table 4: Consumer Category-wise Load Factor

| S. No.     | Electricity Consumer Category   | Connected Load (Lc) | Energy Sold (MU) (Es) | Load Factor (Lf) |
|------------|---|---------------------|-----------------------|------------------|
| <b>1</b>   | <b>DOMESTIC</b>   | <b>62,06,808</b>    | <b>6,488.22</b>       | 11.93%           |
| <b>1.1</b> | <b>Domestic - LT</b>  | <b>60,47,238</b>    | <b>6,363.67</b>       | 12.01%           |
|            | I. BPL  | 1,06,775            | 290                   | 31%              |
|            | II. Small Domestic  | 13,45,134           | 620                   | 5.26%            |
|            | III. General Domestic   | 45,95,329           | 5,454.27              | 13.55%           |
|            | a) Consumption up to 50 unit per month                                    | 16,03,545           | 155                   | 1.10%            |
|            | b) Consumption above 50 but up to 150 unit per month                      | 14,64,387           | 1,644                 | 12.81%           |
|            | c) Consumption above 150 but up to 300 unit per month                     | 8,77,096            | 1,372                 | 17.86%           |
|            | d) Consumption above 300 but up to 500 unit per month                     | 3,82,142            | 955                   | 28.53%           |
|            | e) Consumption above 500 unit per month                                   | 2,68,160            | 1,327                 | 56.49%           |
| <b>1.2</b> | <b>Domestic - HT</b>  | <b>1,59,571</b>     | <b>125</b>            | 8.94%            |
| <b>2</b>   | <b>Non-Domestic</b>   | <b>25,39,288</b>    | <b>2,570.05</b>       | 11.55%           |
| <b>2.1</b> | <b>Non-Domestic - LT</b>  | <b>16,55,731</b>    | <b>1,706.25</b>       | 11.76%           |
|            | I. Sanctioned connected load up to 5 K.W.                                 | <b>6,27,605</b>     | <b>620.52</b>         | 11.29%           |
|            | a) Consumption up to 100 unit per month                                   | 4,28,723            | 116                   | 3.09%            |
|            | b) Consumption above 100 but up to 200 unit per month                     | 95,382              | 111                   | 13.28%           |
|            | c) Consumption above 200 but up to 500 unit per month                     | 73,144              | 185                   | 28.87%           |
|            | d) Consumption above 500 unit per month                                   | 30,356              | 209                   | 78.59%           |
|            | II. Sanctioned connected load above 5 K.W.                                | <b>10,28,125</b>    | <b>1,085.73</b>       | 12.05%           |
|            | a) Consumption up to 100 unit per month                                   | 1,93,242            | 7                     | 0.41%            |
|            | b) Consumption above 100 but up to 200 unit per month                     | 92,470              | 14                    | 1.73%            |
|            | c) Consumption above 200 but up to 500 unit per month                     | 1,87,427            | 66                    | 4.02%            |
|            | d) Consumption above 500 unit per month                                   | 5,54,987            | 999                   | 20.54%           |
| <b>2.2</b> | <b>Non-Domestic - HT</b>  | <b>8,83,557</b>     | <b>864</b>            | 11.16%           |
| <b>3</b>   | <b>P.S.L.</b>   | <b>79,862</b>       | <b>152.99</b>         | 21.87%           |
| <b>3.1</b> | <b>Panchayat &amp; Municipal areas having population less than 1 lakh</b> | 79,459              | 144                   | 20.69%           |
| <b>3.2</b> | <b>Panchayat &amp; Municipal areas having population 1 lakh and above</b> | 403                 | 9                     | 254.94%          |
| <b>4</b>   | <b>AGR(M)</b>   | <b>51,13,854</b>    | <b>11,084.67</b>      | 24.74%           |
| <b>4.1</b> | <b>Total General (Block Supply)</b>                                       | 48,05,974           | 10,676                | 25.36%           |
| <b>4.2</b> | <b>Total Others &amp; More than block supply</b>                          | 3,07,880            | 409                   | 15.16%           |
| <b>5</b>   | <b>AGR(F)</b>   | <b>6</b>            | <b>26.65</b>          | 50703.95%        |
| <b>5.1</b> | <b>General (Block Supply)</b>   | 6                   | 27                    | 51369.86%        |
| <b>5.2</b> | <b>Others &amp; more than block supply</b>                                | -                   | 0                     |                  |

Source: Author's analysis based Petitioner's Submissions