
Submission on JdVVNL Petition for True Up for FY 2023-24



TABLE OF CONTENTS

1.	INTRODUCTION	1
2.	GENERAL COMMENTS	1
2.1.	DISCREPANCY IN DATA	1
2.2.	DEMAND FORECASTING AND POWER PLANNING	3
2.3.	POWER PURCHASE COSTS	4
2.4.	INTER-STATE AND INTRA-STATE LOSSES	6
2.5.	NON-FULFILMENT OF TARGETS FOR AGRICULTURAL METERS CONVERSION	6
2.6.	DEVIATION IN SPECIFIC CONSUMPTION OF AGRICULTURAL METERS	7
2.7.	DEFECTIVE AGRICULTURAL METERS:	7
2.8.	O&M EXPENSES	8
2.9.	INTEREST ON SECURITY DEPOSIT	10
2.10.	DEPRECIATION	10
2.11.	COMPENSATION FOR INJURED/ DEATH AND DAMAGE	10
2.12.	COMPENSATION ON STANDARD OF PERFORMANCE VIOLATIONS	11
2.13.	CIRCLE-WISE REBATE PROVIDED TO CONSUMERS	11
2.14.	BAD DEBT	11
2.15.	REVENUE FROM USE OF POLE	11
2.16.	ACHIEVEMENT OF TARGETS UNDER RDSS SCHEME	11
2.17.	INCREASE IN SALES OF RAILWAY TRACTION	12
3.	ISSUES RAISED BY INDEPENDENT AUDITOR	12
3.1.	ABSENCE OF RECORDS OF PROPERTY, PLANT, AND EQUIPMENT	12
3.2.	ABSENCE OF RECORDS OF PENDING LITIGATION	12
3.3.	NON - COMPLIANCE WITH SECTION 177 OF THE COMPANIES ACT, 2013:	13
3.4.	INTERNAL AUDIT SYSTEM	13
4.	COMMENTS ON COMPLIANCE OF COMMISSION'S DIRECTIVES	13
4.1.	REPORTING OF SUBSIDY:	13
4.2.	SMART GRID AND DEMAND SIDE MANAGEMENT CELL:	14
4.3.	EV CHARGING INFRASTRUCTURE:	14
4.4.	FIXED ASSETS REGISTER (FAR):	15
4.5.	VOLTAGE WISE LOSSES:	15
4.6.	MEDIUM-TERM BUSINESS PLAN:	15
4.7.	SKILL DEVELOPMENT AND TRAINING:	16
4.8.	MONETISATION OF DISCOM'S ASSETS:	16
4.9.	DISPOSAL OF RETIRED ASSETS	17

1. INTRODUCTION

Jodhpur Vidyut Vitran Nigam Limited (JdVVNL), hereinafter referred to as the *Petitioner*, has filed a Petition before the Rajasthan Electricity Regulatory Commission, hereinafter referred to as *the Commission*, for approval of the 'True-up for FY24' in accordance with the provisions of the RERC (Terms and Conditions for Determination of Tariff) Regulations, 2019.

RERC 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) **Comments on Compliance of Commission's Directives**

2. GENERAL COMMENTS

2.1. Discrepancy in Data

The Petitioner has submitted various data points in its Petition, annexures and formats. However, the Petitioner has either omitted to report data points at some instances or has reported discrepancies at multiple instances, some of which have been mentioned below. These omissions and discrepancies by the Petitioner undermine this regulatory process. It is therefore requested that the Commission may pass necessary orders to ensure that the Petitioner does not make these omissions or discrepancies in the future.

a. **Discrepancy in Energy Sold:**

As reported by the Petitioner in Table 02 and Table 03 (*see Pages 08 and 17 of the Petition, respectively*), the total approved energy sales for FY 2023-24 were 31,209 MU. It is noted that, as per Table 02, the approved energy sales figures exclude the energy sold to the distribution franchisee. Conversely, the actual energy sales reported by the Petitioner, amounting to 26,607 MU, include the energy sold to the distribution franchisee (*see Form D 2.1 of the Formats*). This inconsistency in the treatment of energy sales has resulted in a misrepresentation of the deviation between approved and actual energy sales.

b. **Discrepancy in Net Revenue Considered Under Sale of Electricity**

The Petitioner, in Table 19 of the Petition (*see Page 32 of the Petition*), has submitted comparison of approved and actual revenue from each consumer category. Two discrepancies are noted in this table:

- i. Under the row titled '*Total Revenue from Sale of Electricity (before addition of revenue from franchisee)*', the Petitioner has reported actual revenue of INR 21,057.76 Cr. However, a summation of the actual revenue across individual consumer categories results in a total of INR 21,065.83 Cr., thereby revealing a shortfall of INR 8.07 Cr. This

discrepancy indicates that the reported total revenue from electricity sales has been understated.

- ii. In the final row titled '*Net Revenue Considered under Sale of Electricity*', the Petitioner has reported net revenue of INR 21,595.33 Cr. However, based on the figures presented, the net revenue, after deducting meter rent, 50% of revenue from theft and malpractice, and applicable charges and surcharges, computes to INR 21,636.63 Cr., indicating a shortfall of INR 41.30 Cr. This suggests an underreporting of net revenue under the head of electricity sales.

Even the Commission has taken note of the discrepancy on net revenue in the Data Gaps Query No. 50 (*see Page 26 of the Data Gaps filed*). Although the Petitioner admitted the error, it failed to rectify the same in its response (*see Page 27 of the Data Gaps filed*). This omission on part of the Petitioner undermines the authority of the Commission, necessitating serious actions against the Petitioner. We, therefore, request the Commission to take note of these discrepancies and direct the Petitioner to give detailed clarification on the same.

c. Energy Sales and Revenue Generated from Electric Vehicle (EV) Category

For FY 2023-24, the actual energy sales reported by the Petitioner were lower than approved sales for the majority of consumer categories. This includes the EV category which had zero sales (*see Table 02 at Page 08 of the Petition*). However, the Petitioner has reported in Table 19 (*see Page 32 of the Petition*) that it generated a revenue of INR 8.22 Cr. from the electric vehicle category.

Additionally, in Form D 2.1 detailing Revenue from Sale of Electricity to Consumers, the Petitioner has reported a sale of 0.10 million units to EV consumer category (*see Cell L81 of the spreadsheet*) and generating INR 13 lakhs revenue from them (*see Cell W81 of the spreadsheet*).

It is requested that the Petitioner be directed to give a detailed clarification for these discrepancies in the figures reported in the Petition and the Formats.

d. Number of Agricultural Defective Meters

In its submission, the Petitioner has reported two different figures for metered agricultural consumers as of 31.03.2024. On Page 08, the total number is stated as 4,63,653, whereas on Page 09, while reporting agricultural consumers, connected load, and energy sold, the number is given as 4,63,526. The Petitioner is requested to clarify the discrepancy of 127 consumers between the two figures.

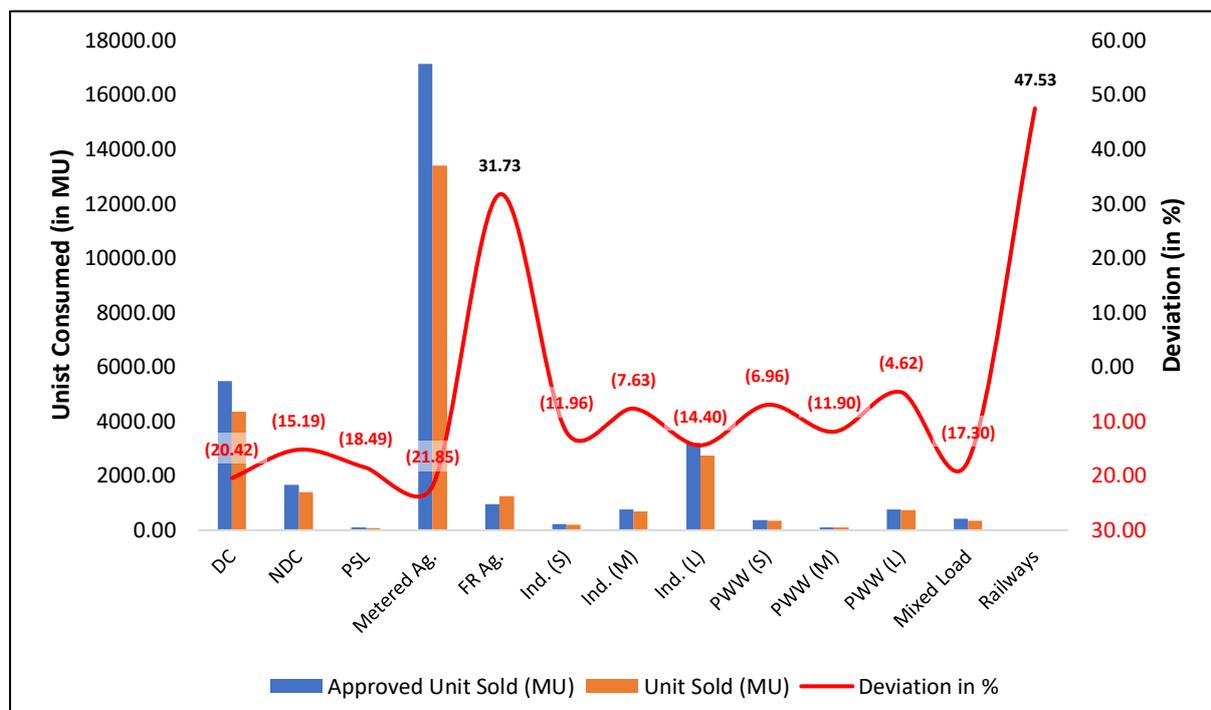
e. Power Purchase Cost from THDC

The Petitioner has reported in Table 04 of the Petition that the approved power purchase cost from THDC was INR 4.13/unit (*see Page 18 of the Petition*). However, in Paragraph 6.4 of the Petition, the Petitioner has reported that approved cost of THDC was INR 3.82/unit. This is a major discrepancy in the information provided by the Petitioner, and we request that the Petitioner clarify the approved tariff of THDC for the tariff period.

2.2. Demand Forecasting and Power Planning

In Table 02 of the Petition, the Petitioner has reported its comparison of approved and actual energy sales for FY 2023-24 (see Page no. 08 of the Petition). The actual energy sold was 26,607 MU against the approved figure of 31,209 MU, meaning thereby that the actual sales were lower by 4,602 MU. Comparative analysis of the approved and actual sales figures reveals that in 12 out of 14 consumer categories, the actual sales have fallen significantly short of the approved projections (see Figure 1). The overall deviation in energy sales stands at 5,470.29 MU, which is approximately 17% lower than the approved sales. Notably, the shortfall is concentrated in a few key consumer categories, namely Agricultural Metered Consumers, Domestic Service, and Large Industrial Services, which collectively account for approximately 5,325 MU of the total deviation. This significant deviation underscores the petitioner's inability to accurately forecast demand and raises concerns about the effectiveness of the current forecasting methodology.

Figure 1: Category-wise Deviation in Approved and Actual Energy Sold



Due to this notable shortfall in actual energy requirement, the Petitioner procured 2,544.48 MU of power from short-term sources at an average rate of ₹7.25/unit, which is nearly 60% higher than the average gross power purchase cost (excluding transmission charges). The procurement of high-cost short-term power in a context of reduced actual demand raises serious concerns regarding the accuracy of demand estimation and load forecasting, which are fundamental to effective and prudent power planning.

Furthermore, the higher projections for power requirement may have necessitated Rajasthan Urja Vikas and IT Services Limited, responsible for overseeing power procurement, to enter into long-term power purchase agreements, resulting in unnecessary tie-up of long-term power procurement capacity. The costs themselves manifest in form of excess contracted

capacity and corresponding fixed cost obligations, thereby increasing the financial burden on the distribution licensee and, ultimately, on consumers. These inaccuracies in demand forecasting undermines procurement efficiency and violates the principle of prudent utility planning.

Therefore, we submit that the Petitioner be directed by the Commission to clarify the deviation. Additionally, the Petitioner requested to give a detailed response towards the steps being taken by it for improving its power projections.

2.3. Power Purchase Costs

The Petitioner has reported actual power purchase expenses, including transmission charges, of INR 19,704.24 Cr. against the approved expenses of 17,704 Cr. (*see Table 04 at Page 17-19 of the Petition*). This is a deviation of nearly INR 2,000.24 Cr. (~11.30% increase from the approved cost). The Petitioner has attributed this deviation to MoP's direction for blending 10% imported coal and higher than approved per unit cost (*see Page 19 of the Petition*). We submit that the reasonings provided by the Petitioner do not completely justify the deviation in expenses based on the following grounds:

a. Inapplicability of Higher Costs due to Imported Coal

The Petitioner has submitted that the increase in power purchase cost is attributable to the Ministry of Power's directive dated 2022, mandating blending of 10% imported coal to ensure uninterrupted generation during periods of domestic coal shortage. It is, however, pertinent to note that the directive was later amended in January 2023, prior to the commencement of the tariff period, reducing the blending requirement to 6%, and further revised in September 2023 to 4%, with blending being voluntary. In view of the above, the increase in power purchase cost during FY 2023-24 cannot be solely attributed to the Ministry's directive.

We request the Petitioner to submit a detailed clarification on whether any action was initiated to enforce the provisions of existing long-term Power Purchase agreements with generating companies, particularly with reference to pass-through of additional costs arising due to non-fulfilment of their obligations pertaining to coal linkages and stock maintenance.

b. Higher Per Unit Cost Not a Complete Justification

The Petitioner has attributed the deviation in power purchase cost primarily to an increase in the per unit cost of electricity procured from RVUN, Rajwest Power Ltd., THDC, and short-term purchases from power exchanges (*see Page 21 of the Petition*). The Petitioner has reported an increase of INR 0.37/unit from RVUN, INR 0.65/unit from Rajwest Power, and INR 0.39/unit from THDC during the relevant period.

However, upon independent analysis, it is observed that even if the power purchase cost from these three plants is recalculated keeping the quantum of energy procured constant at actual levels (12,720 MU) and the tariff at approved levels (INR 4.5/kWh, INR 4.2/kWh and INR 4.13/kWh for each plant), the corresponding deviation between approved and actual power purchase costs amounts to approximately INR 665 Cr. (*see Table 1*). This constitutes about 33%

of the actual deviation of INR 2,000 Cr. Furthermore, when the cost of short-term power purchase is factored in at actual volumes and rates, it accounts for ~72% of the overall deviation. This indicates that the rise in per unit tariff from select sources, while contributory, does not adequately explain the magnitude of deviation projected by the Petitioner.

Table 1: Deviation in Purchase Costs of Actual Energy Procured

Power Plant	Energy Procured (in MU)	Approved Tariff (INR/unit)	Actual Tariff (INR/unit)	Purchase Cost at Approved Tariff (in Cr.)	Purchase Cost at Actual Tariff (in Cr.)	Deviation in actual costs (in Cr.)
RVUN	14,031.7	4.50	4.87	6,314.3	6,833.4	519.2
Rajwest Power	2,172.0	4.20	4.85	912.2	1,053.4	141.2
THDC	116.7	4.13	4.52	48.2	52.7	4.6
Total (less short-term power purchase cost)				7,274.7	7,939.6	664.9
Short Term Power	2,544.9	4.21	7.25	1,071.4	1,845.0	773.6
Total	18,865.2	NA	NA	8,346.1	9,784.6	1,438.5

Source: Author's analysis based on Table 04 of the True-up Petition Filed by the Petitioner

c. Distribution and Transmission Losses Providing a Full Picture

We submit that significantly higher than approved losses are the major ground for the deviation in power purchase expenses. As mentioned earlier in our submissions, the actual sales FY 2023-24 are approximately 17% lower than the approved sales. Despite this marked decline in energy off-take, the actual gross energy requirement reported by the Petitioner stands at 38,762 MU, which is nearly identical to the approved gross energy requirement of 38,762 MU for the same period (*see Table 03 at Page 17 of the Petition*).

This apparent disconnect between declining sales and sustained energy procurement is indicative of substantial losses within the system, which are reported as 23.58% distribution losses and 7.62% transmission losses, a cumulative loss of nearly 30%. This corresponds to an energy loss of approximately 11,082 MU.

When evaluated at the gross power purchase cost of INR 4.58/unit (excluding transmission losses; *see Table 04 at Page 18 of the Petition*), this translates into a financial loss of approximately INR 5,075 Cr., borne by the Petitioner and, by extension passed on to consumers.

These losses significantly exceed normative benchmarks and point to inefficiencies in network management, inadequate energy accounting, and weak enforcement of operational controls. Moreover, they materially contribute to inflated power procurement expenses and undermine the principles of economic efficiency and prudence.

Therefore, we request the Petitioner to submit circle-wise details of loss reduction initiatives undertaken, with a detailed progress report of the initiatives linked to objective outcomes and their implementation timeline. We also request the petitioner to highlight efforts to target high-loss circles.

2.4. Inter-State and Intra-State Losses

In Table 03 of the Petition (*see page 17 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, 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.

The Petitioners have continuously informed the Commission about formation of a committee 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

State	Transmission Loss	FY	Source
<i>Maharashtra</i>	3.27%	2023-24	State Grid Loss Account (<i>see pg. 01</i>)
<i>Gujarat</i>	3.84%	2022-23	GETCO Tariff Order FY25 (<i>see pg. 56</i>)
<i>Madhya Pradesh</i>	2.61%	2023-24	MPERC ARR for FY 2025-26 (<i>see pg. 23</i>)

2.5. Non-fulfilment of Targets for Agricultural Meters Conversion

The Petitioner, in its Petition for Approval of ARR for FY 2023-24, had projected that the number of flat rate consumers by at the beginning of FY 2023-24 would be 30,093 (*see Para 11.22 of the Petitioner's Petition for Approval of ARR for FY 2023-24*). The Commission has considered this number in its Order for Approval of ARR for FY 2023-24 (*see Table 39 of Order dated 31.03.2023*).

However, the Petitioner has reported in this Petition that the number of flat rate consumers at the beginning of FY 2023-24 was 33,774 (*see Page 08 of the Petition*). This is significantly higher than the Petitioner's own projections in its previous Petition. Additionally, the Petitioner has converted only 1,689 flat rate consumers to metered consumers in FY 2023-24, and was left with 32,085 number of flat rate consumers. This is less than 50% of the target of 4,000 conversions directed by the Commission in its order dated 31.02.2023 for approval of Petitioner's ARR for FY 2023-24 (*see Table 39 of Order dated 31.03.2023*).

We therefore submit that the Petitioner explain in detail the deviation from its own projections for number of flat rate consumers at the start of FY 2023-24. The Petitioner must also give detailed explanation for not meeting the target of converting 4,000 flat rate meters in FY 2023-24. We also request that the Commission may direct the Petitioner to furnish details of actionable and measurable steps being taken it to improve the number of conversion of flat rate consumers.

2.6. Deviation in Specific Consumption of Agricultural Meters

The Petitioner has reported that for FY 2023-24, the actual specific consumption of metered consumption is 1,689 kWh/kW/consumer and of flat rate consumers is 1,945 kWh/kW/consumer (*see Page 08 of the Petition*). The actual specific consumption of metered consumers is lower than the approved figure of 1,776 kWh/kW/consumer. On the other hand, specific consumption of flat rate consumers is significantly higher than the approved figure of 1,776 kWh/kW/consumer (*see Table 39 of Order dated 31.03.2023*). Given that agricultural consumption constitutes a significant portion of the Petitioner's sales and is central to subsidy determination, loss estimation, and energy accounting, such deviation warrants closer scrutiny. Therefore, the Petitioner is requested to explain the deviation in these specific consumption.

2.7. Defective Agricultural Meters:

The Petitioner, in its True-up Petition has reported 1,87,563 defective meters out of a total of 4,63,526 agricultural meters (*see Page 09-10 of the Petition*), confirming that a staggering 40.47% of the meters are defective.

The Commission, in its orders dated 01.09.2022, 31.03.2023 and 26.07.2024 had unequivocally directed the Petitioner to ensure all meters remain operational. It had mandated the Petitioner to restrict defective agricultural meters to a maximum of 10% of the total within one year and to replace defective meters within two months of being reported as defective. In its latest order in 2024, the Commission had further emphasised that no leeway would be granted for non-compliance.

The high rate of defective meters effectively leads to a de facto continuation of flat rate billing and raises concerns about fair billing practices for consumers. This situation likely contributes to potential revenue losses for the Petitioner. The Government of Rajasthan has also previously disallowed tariff subsidy receivables due to billing on defective meters based on

flat rates instead of metered rates (see Page 45 and 67 of Tariff Order dated 26.07.2024). Even the Commission has previously disallowed sales assessed towards defective meters due to higher specific consumption assumptions. In 2024, it disallowed rebate on account of defective meters, suggesting the rebate amounting to INR 15.37 Cr. (see Page 29 of the Petition) claimed for this tariff period might potentially be disallowed as well.

Despite these clear and repeated directives from the Commission and loss of revenue, the Petitioner has continued to maintain a high percentage of defective agricultural meters. This clearly indicates a persistent non-compliance with the Commission's orders and demonstrates a lack of effective measures taken by the Petitioner to rectify this critical issue. The Commission's continued tolerance of this high percentage risks undermining the authority of this Commission and the very purpose of metering. We, therefore, strongly urge the Commission to take a more stringent stance on this matter. We reiterate our previous requests and propose the following:

- i. The Commission should demand that the Petitioner provide a detailed and time-bound action plan with specific, measurable targets for reducing the number of defective agricultural meters to below the stipulated 10% threshold.
- ii. This plan should outline the measures to be implemented, resources to be allocated, and timelines for achieving these targets, considering the Commission's directive for replacement within two months.
- iii. Given the prolonged non-compliance, the Commission should consider imposing penalties on the Petitioner for its failure to adhere to the previous directives.
- iv. The Commission should direct the Petitioner to submit monthly circle-wise status reports detailing the total number of agricultural meters, the number of defective meters, the number of meters replaced, and the reasons for any delays in replacement.

2.8. O&M Expenses

The Petitioner has reported its 'Operation and Maintenance Expenses' for FY 2023-24 in Table 05 of its Petition (see Page 23). The net O&M expenses are significantly lower than the amount approved by the Commission. The Petitioner is requested to provide the reasons for this shortfall. Additionally, the Petitioner is requested to explain the issues related to the following heads under the O&M expenses:

a. Employee Expenses:

The Petitioner has reported actual employee expenses of INR 858 Cr., against the approved amount of INR 1,680 Cr. for FY 2023-24. This reflects a substantial underutilisation of nearly 49% of the sanctioned amount.

Further, as per Table 07 of the Petition, the Petitioner has incurred a nominal expenditure of INR 0.06 Cr. towards training and capacity-building of employees (see Page 25 of the Petition). This is concerning, particularly in light of the Commission's consistent position in previous

tariff orders, wherein it has stated 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 FY24.
- 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.

b. Under-utilisation of Insurance Expenses:

In Table 12 of the Petition (*see Page 27 of the Petition*), the Petitioner has provided actual insurance expenses incurred in the year FY 2023-24, specifying the Insurance Expenses are only INR 0.53 Cr. against the approved expenses of INR 25 Cr. This reflects a substantial deviation of over 98% from the approved expenditure under this head. We therefore request the Commission to direct Petitioner to furnish a detailed explanation for this deviation, including details like category-wise breakup of insurance policies proposed and actually procured and reasons for non-utilisation of the approved budget. The Petitioner must also be requested to furnish information on any ex-gratia or compensation payments made by the it during FY 2023–24 that would typically be insured against.

c. Consumer Awareness Expenses

The Petitioner has submitted in Table 23 of the Petition that INR 166 Cr. was approved for Administrative and General Expenses which included expenses for consumer awareness (*see Page 35*). The Petitioner has reported that it spent only INR 100 Cr. against the said head. However, while providing a breakup of 'Administrative and General Expenses' in Paragraph 6.19 of the Petition, the Petitioner has not provided any expense towards consumer awareness programs (*see Page 25 of the Petition*).

Consumers are critical stakeholders in the power sector, and their awareness plays a vital role in the efficient functioning of the Discoms. We request the Petitioner to provide an explanation for zero expenditure on consumer awareness. Furthermore, the Commission, in its order dated 31.03.2023 and 26.07.2024, had directed the Petitioner to conduct a consumer awareness workshop at least once a year at each division. We request the Petitioner to provide the status and relevant details of such workshops.

d. Repairs and Maintenance Expenses

In Table 10 of the Petition, the Petitioner has reported that it incurred expenses to the tune of INR 398 Cr. for 'Repairs and Maintenance' against the approved figure of INR 151 Cr (*see Page 26*). This is an increase of about 263% and is a significant deviation. The Petitioner has explained that the deviations occurred due to expenditure towards repair and maintenance of 'Lines and Cable Networks' and for deploying 'Fault Rectification Teams.

However, this marks the second consecutive year of such significant over-expenditure, raising concerns regarding the Petitioner's planning and forecasting of R&M requirements. The Commission may direct the Petitioner to explain this persistent underestimation and submit a circle-wise breakup of R&M expenses, along with details of the activities undertaken.

Further, the Petitioner should demonstrate how this expenditure has improved system reliability or other key performance indicators. The Commission may also seek confirmation that no capital works have been inappropriately booked under R&M, to ensure regulatory consistency and prudent cost treatment.

2.9. Interest on Security Deposit

The Commission in its earlier order had directed the Petitioner that when the Discoms credits the security deposit interest in July, they should also issue a press release in major newspapers. Simultaneously, they were required to inform each consumer via email and SMS regarding the credit of interest on their security deposit to raise consumer awareness. We request the Petitioner to provide details on the dates and newspapers in which the information on deposit of interest on security was published.

2.10. Depreciation

In Table 18 of the Petition (*see Page 31*), the Petitioner reports depreciation for the tariff period, with actual depreciation of INR 1,126 Cr. against the approved amount of INR 635 Cr. We request the Petitioner to provide the reasons for this significant deviation and a detailed breakdown of asset calculations and depreciation methodology.

2.11. Compensation for Injured/ Death and Damage

The Petitioner, in Table 15 of the Petition, has provided details of 'Other Debits, Rebate Allowed to Consumers and Prior Period Expenses' during FY 2023-24, wherein it has reported that expenses towards compensation for injured/death was borne to the tune of INR 6.60 Cr. (*see Page 28*). We request the Petitioner to provide details of each accident resulting in injury or death, including payment of compensation to employees and outsiders, 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.

2.12. Compensation on Standard of Performance Violations

The Commission, in its orders dated 31.03.2023 (*see Page 268 of the Order dated 31.03.2023*) and 26.07.2024 (*see Page 276 of the Order dated 26.05.2024*), had directed the Petitioner to report all consumer service 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.

2.13. Circle-wise Rebate Provided to Consumers

In Table 15 of the Petition, the Petitioner has reported 'Other Debits and prior period expenses for FY 2023-24', including a waiver of DPS/LPS amounting to approximately INR 26.99 Cr. We request the Petitioner to provide a circle-wise and category-wise breakdown of the beneficiaries and the corresponding waiver amounts. Also, Table 15 specifies that rebates totalling INR 129.31 Cr. were allowed to consumers during tariff period. We request the Petitioner to furnish a detailed, circle-wise breakdown of the beneficiaries and the rebate amounts provided.

2.14. Bad Debt

The Petitioner has reported 'Bad debts written off (including provisions during the year)' amounting to INR 20.75 Cr., despite no approved amount (*see Table 23 Page 36 of the Petition*). 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 of provision for bad debts for the tariff period is significantly high at INR 477.28 Cr. We request the Petitioner to provide explanation for the same.

2.15. Revenue From Use of Pole

The Petitioner, in Table 17 of the Petition (*see Page 30*), has provided details of non-tariff and other tariff income for FY 2023-24, specifying revenue from the use of poles as INR 5.31 Cr. 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.

2.16. Achievement of Targets under RDSS Scheme

The Petitioner has submitted on various occasions that it aimed to achieve 100% feeder metering and DT metering by 2023. We request the Petitioner to provide a detailed explanation for the delay in achieving the said target. Additionally, the Discoms were also supposed to maintain database while implementing the prepaid smart metering projects. We

request the petitioner to furnish details about status of the remotely readable metering at DT level, consumer indexing, integration of feeder level data, and the consumer billing database.

2.17. Increase in Sales of Railway Traction

The Petitioner has not provided any figure for the energy approved to be sold to 'Railway Traction' category, while reporting that 41 MU of actual energy was sold to this category (*see Table 02 at Page 08 of the Petition*). The Petitioner is requested to clarify the omission of approved energy sales to Railway Traction and provide an explanation for the same.

Additionally, we seek clarification regarding the status of the Railway as an open access consumer. We request the Petitioner to provide details on the units purchased by the Railway through open access and those procured from the Petitioner.

3. ISSUES RAISED BY INDEPENDENT AUDITOR

The Petitioner has reported in Para 1.4 of the Petition that it has not submitted the audit report as its accounts were undergoing CAG audit. Instead, the Petitioner has attached Provisional Accounts and Provisional Cost Records, with a promise to submit the audit report at a future date. The Petitioner's ground for non-submission is not a reasonable justification and severely undermines the truing-up process. The Petitioner should be directed to submit a detailed explanation for not submitting the audit report.

In the Petitioner's 24th Annual Report for 2023-2024, the independent auditor has highlighted several 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. The key issues are detailed below:

3.1. ABSENCE OF RECORDS of Property, Plant, and Equipment

The Independent Auditor has highlighted that the Petitioner has not maintained a record of Property, Plant, and Equipment leading to inability of the Auditor to the existence and valuation of assets remain unverifiable. As a result, the impact on the Statement of Profit and Loss, particularly in relation to amortisation, lease rentals, and tax liabilities, cannot be reliably assessed. Additionally, in absence of regular physical verification system of the assets and inventories by the Petitioner, the Auditor could not comment on any discrepancies in physical existence of the assets and inventories, and their book value (*see Paragraph (ii)(a) and (b) of Annexure III to Independent Auditor's Report*).

3.2. Absence of Records of Pending Litigation

The Independent Auditor has observed that the Petitioner has not maintained adequate records necessary for compiling and ascertaining pending litigations. In the absence of such documentation, the completeness and accuracy of disclosures relating to contingent liabilities in the financial statements remain unverifiable.

3.3. Non - Compliance with Section 177 of the Companies Act, 2013:

The Petitioner has not appointed 'Independent Director' in the Audit Committee as required under Section 177 of the Companies Act, 2013, in respect of the Composition of Audit Committee as only one Director has been appointed as Independent Director in the Audit Committee. Thus, the Petitioner has violated the provisions of Section 177 of the Companies Act, 2013 regarding composition of Audit Committee.

3.4. Internal Audit System

The Independent Auditor has reported that the Petitioner lacks an effective internal audit system commensurate with the scale and complexity of its operations. Furthermore, the failure to submit circle-wise audit reports to the Internal Auditor has rendered the internal audit findings incomplete and unreliable.

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, the Petitioner has reported that only the Quarter-II internal audit report has been furnished. No explanation has been provided for the non-submission of Quarter-I and Quarter-III reports. 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 failed to comply with the said directive. While it has created an RE-DSM Cell, the specific roles and responsibilities of the Cell have not been provided in the compliance report. It has also not reported undertaking any baseline study or developed data which would help in formulating Demand Side Management Plan and Smart Grid Plan. Additionally, there is no disclosure of the development of a cost recovery mechanism. The Petitioner has also not provided any details regarding the implementation of energy efficiency programs or Demand Response programs as part of its DSM planning. If a baseline study has been conducted or a cost recovery mechanism been developed by the Petitioner, it is requested that the Petitioner may be directed to submit the same. The Petitioner should also be directed to provide details of the DSM Cell, if established, along with information on 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 also propose necessary investment for upgrading their network for seamless integration of EV infrastructure.

The Petitioner has not provided any details regarding setting up of an EV Cell for overseeing the installation of charging infrastructure. It has submitted that only 11 charging station connections have been released in its jurisdiction.

It is therefore submitted that the Petitioner may be directed to submit the status of constitution of EV Cell. If such a cell has been constituted, the Commission may direct the Petitioner to disclose the roles and responsibilities of the Cell and the steps taken by it to expedite the process of installing EV charging stations. Additionally, the Petitioner should also be directed to update the status of EV charging stations installed in all of its circles.

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 also 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 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 discom 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 submitted that it has not yet appointed the third-party for undertaking voltage-wise losses and hence it has not submitted the Report before the Commission. It is therefore requested that as envisaged in the direction passed in the Tariff Order dated 26.07.2024, the concerned officer may be held responsible and necessary action may be taken against the same for non-compliance of 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. 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 three of its lecture theatres, it has not provided details of the lectures being conducted. Furthermore, while the Petitioner has submitted that it has conducted various training for its 739 engineers and 2,894 technical workmen, it has not provided details of the training conducted. Additionally, the Petitioner has only spent INR 0.06 Cr. on training its employees (*see Table 07 at Page 25 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 that it has developed a thorough Asset Monetisation Policy and notified it on 20.08.2024. As per its policy, the Petitioner is targeting revenue from pole rentals, EV Charging Stations on the freehold lands of the Petitioner, leasing unused infrastructure, asset based advertising and installing solar power plants on its land. It is therefore requested that the Petitioner may be directed to submit detailed steps taken by the

nodal officers or officers-in-charge of each of these modes of asset monetisation since the Policy's notification.

The Petitioner has submitted circle-wise figures for pole rental income from eight of its eleven circles, while reporting nil revenue from the remaining three. In this regard, the Petitioner is requested to clarify the details of these amounts, including if this amount has been collected or is expected to be collected. Further, the Petitioner is also requested to clarify the circle-wise number of poles considered in deriving the reported rental amounts. The Petitioner should also be directed to submit the fortnightly reports submitted to the Director (Technical) by the designated nodal officer responsible for monitoring pole rental revenue.

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.