

PUBLIC NOTICE

Objections / suggestions on REL-Distribution Business' (REL-D) Annual Performance Review (APR) Petition for FY 2007-08 under MYT framework, truing up for FY 2006-07 and determination of ARR and tariff for FY 2008-09 (MERC Case No. 66 of 2007)

1. THE RELIANCE ENERGY LIMITED's Distribution Business (REL-D) has filed the petition for approval of Annual Performance Review (APR) for FY 2007-08 under MYT framework, truing up for FY 2006-07 and determination of ARR and tariff for FY 2008-09 before the Maharashtra Electricity Regulatory Commission (MERC) under the Electricity Act, 2003. The Commission has admitted the Petition on January 11, 2008 and directed REL to publish a Public Notice under Section 64(2) of the Act.
2. The salient Features of the Petition are provided below:

Table 1: Aggregate Revenue Requirement of REL Distribution (Rs. Crore)

Sl.	Particulars	Previous Year (FY 2006-07)		Current Year (FY 2007-08)		Ensuing Year (FY 2008-09)	
		MERC Order	Audited	MERC Order	Revised Estimate	MERC Order	Projections
1	Power Purchase Expenses						
1.1	From REL-G	707.00	829.13	786	800.45	-	822.80
1.2	From TPC-G	1218.22	1317.24	1706	1743.22	-	1562.67
1.3	From RPS	85.10	-	126	-	-	179.42
1.4	From Bilateral Sources/Traders	221.07	26.76	42	218.48	-	334.41
1.5	From Imbalance Pool	-	19.97	-	81.22	-	-
2	Standby Charges Payable (+ SLDC Budget of Rs. 1.55 crore for FY 08 & FY 09)	202.60	101.30	220.21	221.76	-	221.77
3	Transmission Charges Payable	170.70	109.02	189.55	189.55	-	201.71
4	Operation & Maintenance Expenses	295.38	424.28	427.96	528.70	450.90	555.36
4.1	<i>Employee Expenses</i>	162.33	224.70	192.56	275.39	202.87	288.11
4.2	<i>Administration & General Expenses</i>	63.10	96.25	91.01	103.03	95.89	108.70
4.3	<i>Repair & Maintenance Expenses</i>	69.95	103.33	144.39	150.28	152.14	158.55
5	Depreciation, including advance against depreciation	72.84	64.66	82.88	69.48	82.40	76.26
6	Interest & other Finance Charges	63.00	84.07	64.87	120.89	44.30	146.89
6.1	<i>Interest on Long – term loan capital</i>	45.13	63.17	44.69	84.33	44.30	105.45
6.2	<i>Interest on Working Capital and on consumer security deposits</i>	17.87	20.90	20.18	36.56	-	41.44
6.3	<i>Other Finance Charges</i>	-	-	-	-	-	-
7	Bad debts written off	4.72	6.49	7.17	9.48	-	9.48
8	Income Tax	11.39	79.67	65.24	91.93	-	103.63
9	Contribution to contingency reserves	9.92	9.62	11.39	11.74	11.47	13.81
10	Adjustment for profit/loss on account of controllable/uncontrollable factors	-	-	-	-	-	-
11	Total Expenditure	3061.69	3072.22	3729.33	4086.89	1039.97	4228.20
12	Return on Equity Capital	153.28	157.03	160.99	178.53	162.35	201.25
13	Less: Non Tariff Income	51.81	54.73	51.81	59.03	51.81	59.05
14	Less: Distributable Surplus from Previous Year	260.29	-	-	-	-	-
15	Aggregate Revenue Requirement	2902.87	3174.52	3838.52	4206.38	1150.51	4370.40

Table 2: Revenue at Existing Tariffs (Rs. Crore)

Sl.	Particulars	Previous Year (FY 2006-07)		Current Year (FY 2007-08)		Ensuing Year (FY 2008-09)
		MERC Order	Audited	MERC Order	Revised Estimate	Projected
1	Revenue	2902.87	2943.01	3826.75	4112.32	4250.67

Table 3: Truing up for FY 2006-07 (Rs. Crore)

Sl.	Particulars	Approved	Audited/Actual	Deviation (Audited/Actual - Approved)	Uncontrollable
1	Power Purchase Expenses	2,433.73	2,294.40	(139.33)	(139.33)
2	Operation & Maintenance Expenses	295.38	424.28	128.89	128.89
2.1	<i>Employee Expenses</i>	162.33	224.70	62.37	62.37
2.2	<i>Administration & General Expenses</i>	63.10	96.25	33.15	33.15
2.3	<i>Repair & Maintenance Expenses</i>	69.95	103.33	33.37	33.37
3	Depreciation, including advance against depreciation	72.84	64.66	(8.18)	(8.17)
4	Interest on Long-term Loan Capital	45.13	63.17	18.04	18.04
5	Interest on Working Capital and on consumer security deposits	17.87	20.90	3.03	3.03
6	Bad Debts Written off	4.72	6.49	1.77	1.77
7	Other Expenses (pls prepare details)	-	-	-	-
8	Income Tax	11.39	79.67	68.28	68.28
9	Transmission Charges paid to Transmission Licensee	170.70	109.02	(61.68)	(61.68)
10	Contribution to contingency reserves	9.92	9.62	(0.30)	(0.30)
	Total Expenditure	3,061.69	3,072.22	10.53	10.54
B	Return on Equity	153.28	157.03	3.75	
C	Less: Other Income	51.81	54.73	2.92	
D	Aggregate Revenue Requirement	3163.16	3174.52	11.36	
E	Less: Revenue from sale of electricity	2,902.87	2,943.01	40.14	40.14
F	Less: Distributable surplus from previous year	260.29	-	(260.29)	
G	Gap	(0)	232	232	

Table 4: Truing up for FY 2007-08 (Rs. Crore)

Sl.	Particulars	Approved	Estimated	Deviation (Estimated - Approved)	Uncontrollable
1	Power Purchase Expenses	2,880.00	3,065.13	184.86	184.86
2	Operation & Maintenance Expenses	427.96	528.70	100.74	100.74
2.1	<i>Employee Expenses</i>	192.56	275.39	82.83	82.83
2.2	<i>Administration & General Expenses</i>	91.01	103.03	12.02	12.02
2.3	<i>Repair & Maintenance Expenses</i>	144.39	150.28	5.89	5.89
3	Depreciation, including advance against depreciation	82.88	69.48	(13.40)	(13.40)

Sl.	Particulars	Approved	Estimated	Deviation (Estimated - Approved)	Uncontrollable
4	Interest on Long-term Loan Capital	44.69	84.33	39.64	39.64
5	Interest on Working Capital and on consumer security deposits	20.18	36.56	16.38	16.38
6	Bad Debts Written off	7.17	9.48	2.31	2.31
7	Other Expenses (pls prepare details)	-	-	-	-
8	Income Tax	65.24	91.93	26.69	26.69
9	Transmission Charges paid to Transmission Licensee	189.55	189.55	-	-
10	Contribution to contingency reserves	11.39	11.74	0.35	0.35
	Total Expenditure	3,729.33	4,086.89	357.56	357.56
B	Return on Equity	160.99	178.53	17.53	
C	Less: Other Income	51.81	59.03	7.22	
D	Aggregate Revenue Requirement	3838.51	4206.39	367.87	
E	Less: Revenue from sale of electricity	3,826.75	4,112.32	285.57	285.57
E	Gap	12	94	82	

Table 5: Energy Balance Statement

Particulars	UOM	FY 2006-07	FY 2007-08	FY 2008-09
Total Sales	MU	7453	7865	8246
Sales Adjustment	MU	-	-	-
Net Sales	MU	7453	7865	8246
Distribution Loss	%	12.10%	11.85%	11.85%
Energy Input to the Distribution System	MU	8479	8922	9355
Intra State Transmission System Losses	%	1.90%	4.85%	4.85%
Energy Input	MU	8643	9375	9832
DTPS generation (Net)	MU	4118	3969	3701
TPC - Generation	MU	4365	4830	4881
RPO	MU	-	-	492
Bilateral	MU	61	473	758
Imbalance Pool	MU	28	103	-
SLDC Settlement	MU	70	-	-

Table 6: Summary of Power Purchase for FY 2006-07

Particulars	Purchase in MU		Purchase (Rs. Crore)	
	MERC	Actual	MERC	Actual
REL-G	3856	4118	707.00	829.13
TPC	3982	4365	1218.22	1317.24

Particulars	Purchase in MU		Purchase (Rs. Crore)	
RPO	258	-	85.10	-
Bilateral Contracts	501	61	221.07	26.76
UI	-	28	-	19.97
SLDC Settlement	-	70	-	-
Total	8597	8643	2231.40	2193.10

Note: SLDC settlement statements for FY 07 received only post the completion of the FY 07. Hence, the additional cost for these MU's is provided in FY 08. 70 MU are considered for the purpose of Distribution Loss calculation.

Table 7: Summary of Power Purchase for FY 2007-08 & FY 2008-09

	FY 08				FY 09	
	Purchase in MU		Purchase (Rs. Crore)		MU	Rs. Crore
	MERC	Estimated	MERC	Estimated	Projected	
REL-G	3742	3969	786	800.45	3701	822.80
TPC-G	4803	4830	1706	1743.22	4881	1562.67
RPO	360	-	126	-	492	179.42
Bilateral Contracts	103	473	46	218.48	758	334.41
UI		103	-	81.22	-	-
Total	9009	9375	2664	2843.36	9832	2899.30
Correction	145	-	-	-	-	-
Total	9154	9375	2664	2843.36	9832	2899.30

Table 8: Trajectory of Operational Parameters

Sl.	Particulars	Distribution Losses (%)			Collection Efficiency (%)		
		FY 2006-07	FY 2007-08	FY 2008-09	FY 2006-07	FY 2007-08	FY 2008-09
		Actual	Estimated	Projected	Actual	Estimated	Projected
1	REL-D	12.10%	11.85%	11.85%	99%	95%	99%

Table 9: REL-D's Capital Expenditure Plan (Wire + Retail) (Rs. Crore)

Sl.	Name of Project	Estimated Cost	Expenditure incurred till FY 2006-07	Expenditure Planned & Capitalisation Projected			
				FY 2007-08		FY 2008-09	
				Expenditure	Capitalisation	Expenditure	Capitalisation
1	Ongoing Projects	1773	970	147	117	119	125
2	New Projects	512	--	425	323	350	381
	<i>Total</i>	2285	970	572	440	469	506

Table 10: Aggregate Revenue Gap of REL Distribution for FY 2007-08 and FY 2008-09 (Rs. Crore)

Sl.	Particulars	FY 2007-08	FY 2008-09
1	Annual Revenue Requirement	4206	4370
2	Revenue from Existing tariff	4112	4250
3	Revenue gap	94	120
4	True up amount for FY 2006-07 (after considering gains and losses due to controllable / uncontrollable factors)		232
5	Deferred recovery as per MERC Order dated April 24, 2007		138
6	Carrying cost on (4) and (5) upto FY 09		44
7	Cumulative Revenue gap (3+4+5+6)		534
8	Net Revenue requirement for FY 09 as per tariff proposed (including recovery of 1/3 rd of Regulatory Asset of Rs. 534 crore)		4428

3. Tariff Proposal of REL-D

Table 11: Existing v/s Proposed Tariff

	Existing Tariff				Proposed Tariff					Increase on existing charge
	Energy Charge (Rs/Unit)	Reliability Charge (Rs/Unit)	Fixed Charge (Rs /Consumer /month)	Demand Charge (Rs/ KVA /month)	Energy Charge (Rs/Unit)	Reliability Charge (Rs/Unit)	Fixed Charge (Rs /Consumer /month)	Demand Charge (Rs/ KVA /month)	Regulatory Asset Recovery Charge @ 4.19% of existing charge (Rs / Unit)	
LT Category										
Below Poverty Line	0.40	-	3.00	-	0.40	-	3.00	-	-	-
LT1 (Residential)										
0 - 100 units	1.40	0.29	30.00	na	1.40	0.29	30.00	Na	0.08	4.19%
101 - 300 units	3.50	0.29	50.00	na	3.50	0.29	50.00	Na	0.18	4.19%
301 - 500 units	5.60	0.74	50.00	na	5.60	0.74	50.00	na	0.27	4.19%
>= 501 units	6.10	1.09	100.00	na	6.10	1.09	100.00	na	0.31	4.19%
Three Phase Consumers*	Na	na	100.00	na	na	na	100.00	na		
LT2 (Commercial)										
0 - 300 units	4.75	0.29	200.00	na	4.75	0.29	200.00	na	0.26	4.19%
301 - 1000 units	6.50	0.74	200.00	na	6.50	0.74	200.00	na	0.32	4.19%
>= 1001 units	7.40	1.09	200.00	na	7.40	1.09	200.00	na	0.36	4.19%
Three Phase Consumers*	Na			na	na			na		
LT3 (upto 26.5 HP)										
LT3 (upto 26.5 HP)	4.80	0.74	200.00	na	4.80	0.74	200.00	na	0.24	4.19%
LT4 (above 26.5 HP)										
LT4 (above 26.5 HP)	3.90	1.09	na	300.00	3.90	1.09	na	300.00	0.25	4.19%
ToD	0.60				0.60					
LT5 - Agriculture										
LT5 - Agriculture	0.80	0.29	15.00	na	0.80	0.29	15.00	na	0.05	4.19%
LT6 - Street Light										
LT6 - Street Light	5.90	0.74	na	300.00	5.90	0.74	na	300.00	0.31	4.19%
LT7 - Temporary - Others										
LT7 - Temporary - Others	10.50	1.09	200.00	na	10.50	1.09	200.00	na	0.49	4.19%
LT7 - Temporary - Religious										
LT7 - Temporary - Religious	1.40	1.09	200.00	na	1.40	1.09	200.00	na	-	4.19%
LT8 - Advt & Hoardings										
LT8 - Advt & Hoardings	13.55	1.09	200.00	na	13.55	1.09	200.00	na	0.64	4.19%
LT9 - Multiplex & Shopping Malls										
LT9 - Multiplex & Shopping Malls	7.40	1.09		300.00	7.40	1.09		300.00	0.40	4.19%
HT Category										
HT1 - Housing	3.15	0.74	na	300.00	3.15	0.74	na	300.00	0.19	4.19%
HT2 - Industrial	4.40	1.09	na	300.00	4.40	1.09	na	300.00	0.26	4.19%
ToD	0.60				0.60					

4. Copies of the following documents can be obtained on written request from the offices of REL mentioned below:

- a. Summary of the proposals (free of cost, in Marathi or English)
- b. Detailed Petition documents along with CD (in English) (on payment of Rs. 150/- by DD/ Cheque/ Cash drawn on "Reliance Energy Limited"
- c. Detailed Petition documents (in English) (on payment of Rs. 100/-).
- d. CD of detailed Petition document (in English) (on payment of Rs. 50/-).

Office:

Office	Address	Tele / Fax No.
Registered/ Head Office	Reliance Energy Limited, Reliance Energy Center, Santacruz (East), Mumbai – 400 055	30099999 / 30099775
South Division	RNA Corporate Park, Old Kalamandir, Near Collector's Office, Bandra (East), Mumbai – 400 051	30096999 / 30096263
East Division	Near Sahakar Cinema, Tilak Nagar Road No.3, Chembur, Mumbai – 400089	25240505 / 25221720
South Central Division	Plot No. E-4 (i) & (ii) MIDC Area, Marol, Andheri (East), Mumbai – 400 093	28220505 / 28260176
North Division	Jn. of Shankar Lane & S V Road, Kandivali (West), Mumbai – 400 067	28640505 / 28070013
Central Division	Western Express Highway, Dindoshi, Goregaon (East), Mumbai – 400 097.	28420505 / 28408183

4. The Commission has directed REL-D to invite comments/suggestions from the public on the above Petition through this Notice. Suggestions/comments may be sent to the Secretary, Maharashtra Electricity Regulatory Commission, 13th Floor, Centre No.1, World Trade Centre, Cuffe Parade, Mumbai-400005 [Fax: 22163976 E-Mail: mercindia@mercindia.org.in] by February 4, 2008, along with proof of service on the Company Secretary , Reliance Energy Limited.
5. Every person who intends to file objections and comments/suggestions can submit the same in English or in Marathi, in four copies, and should carry the full name, postal address and e-mail address, if any, of the sender. It should be indicated whether the objection is being filed on behalf of any organization of category of consumers. It should also be mentioned if the sender wants to be heard in person, in which case opportunity would be given by the Commission at the Public Hearing to be held

Rangasharda Natya Mandir, Bandra Reclamation, Bandra (West), Mumbai 400 050, on February 9, 2008, at 11:00 Hrs, for which no separate notice will be given.

6. REL-D shall reply to each of the objections and objections/comments/suggestions received within three days of the receipt of the same but not later than February 7, 2008 for all the objections and comments/suggestions received till February 4, 2008. Stakeholders can submit their rejoinders on replies provided by REL-D either during the public hearing or latest by February 15, 2008.
7. The detailed Petition document and the summary are available on REL's website www.rel.co.in and the executive summary is also available on the web site of the Commission www.mercindia.org.in in downloadable format (free of cost).

Signature
(Ramesh Shenoy)
Company Secretary
Reliance Energy Limited.