

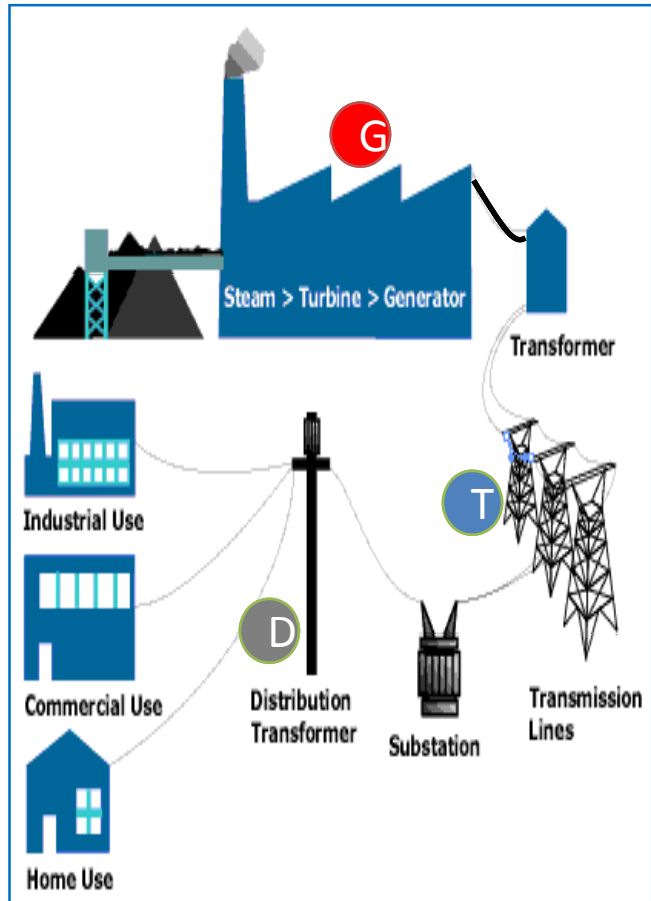
BSES - Delhi Electricity Distribution Company

Facts you should know

1

Cost Components of Distribution company (Discom)

Explaining Electricity Value Chain (G → T → D)



Generation Cost

- Fixed Cost
- Fuel Cost

Transmission Cost

- Charges
- Losses

Distribution Cost

- O&M Cost
- Financial Cost

Customer tariff is
aggregation of
G+T+D costs

Electricity Value Chain (G → T → D)



Generation (G)

Central :

- ❖ NTPC
- ❖ NHPC
- ❖ DVC
- ❖ NPCIL (Nuclear)

State :

- ❖ IPGCL,
- ❖ Pragati
- ❖ Bawana

Transmission (T)

Central :

- ❖ Power Grid (PGCIL)

State :

- ❖ Delhi Transco (DTL)

Distribution (D)

Private :

- ❖ BRPL
- ❖ BRPL
- ❖ TPDDL

Serve ~93% of Delhi

Govt :

- ❖ MES
- ❖ NDMC

Serve remaining 7%

- ❑ Both “G” & “T” still held with Govt.
- ❑ Month on month all increases in “G” & “T” are passed on to discoms

- ❑ Only “D” segment is privatized.
- ❑ Discoms responsible for management of procurement & Supply of Power.

Power Procurement Costs & Retail Tariffs both are fixed by Regulators (CERC/ DERC) & not decided by Discoms..

Precarious state of BSES Discoms

“Cost Components” of Distribution company (Discom)

1) Financial Cost (Incl. Return)

- Depreciation
- Interest
- Tax

2) O&M Cost

- Repairs & Maintenance cost
- Employees cost
- Administrative cost

3) Power Purchase cost

- Generation cost
- Transmission cost

10
Financial & other Costs

10
O&M Cost

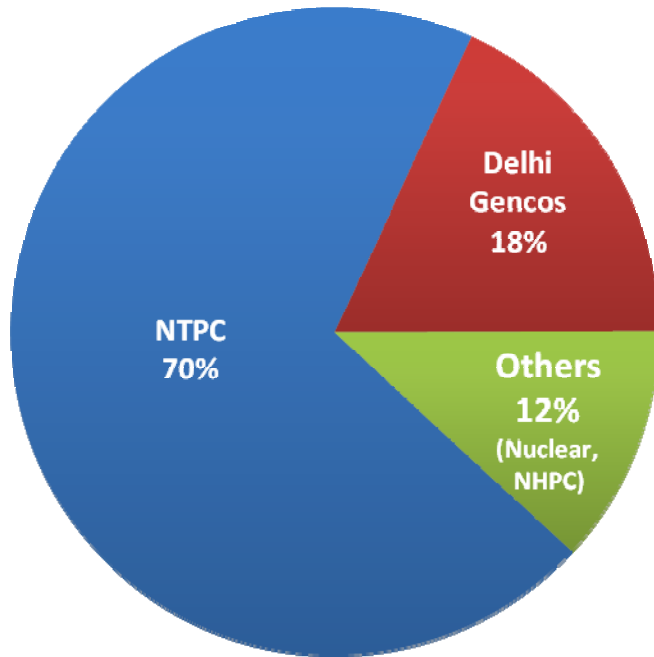
80
Power Cost

Desired Ratio



Uncontrollable costs (*Power Purchase & Financial*) have gone up drastically, whereas costs under Discom’s control are competitive as per industry benchmarks..

From where Delhi Sources its Power

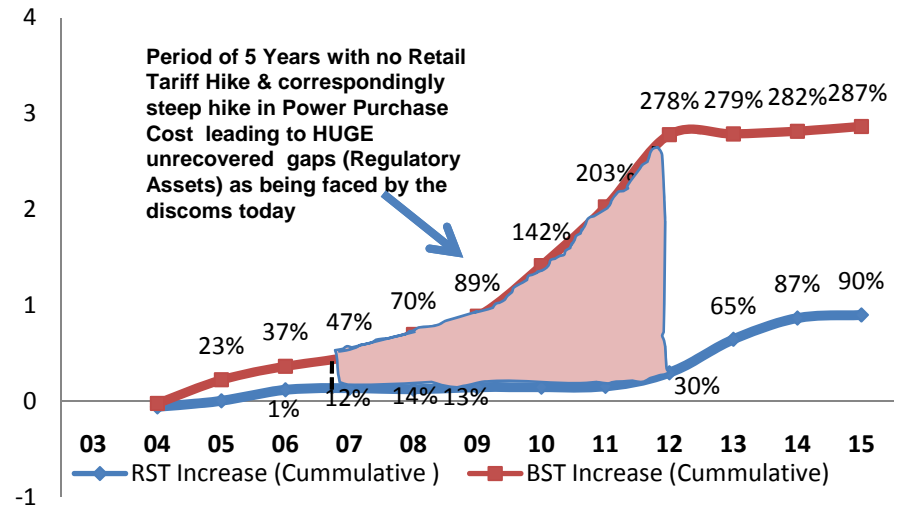
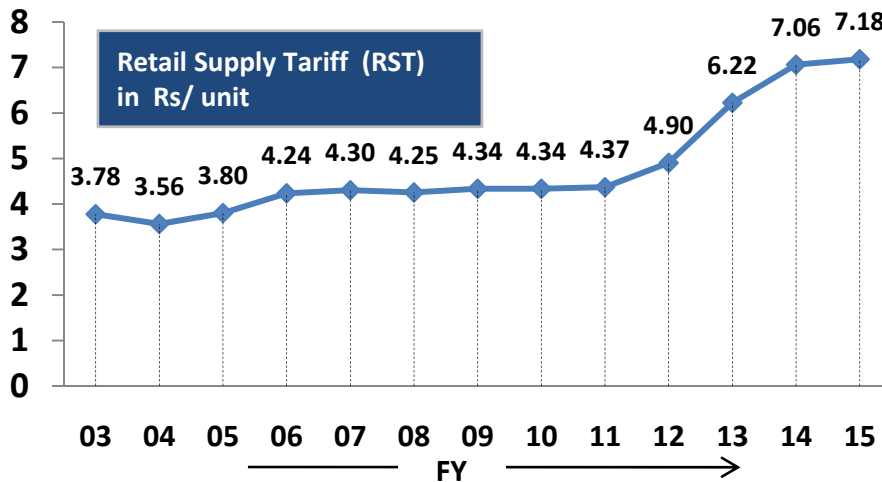
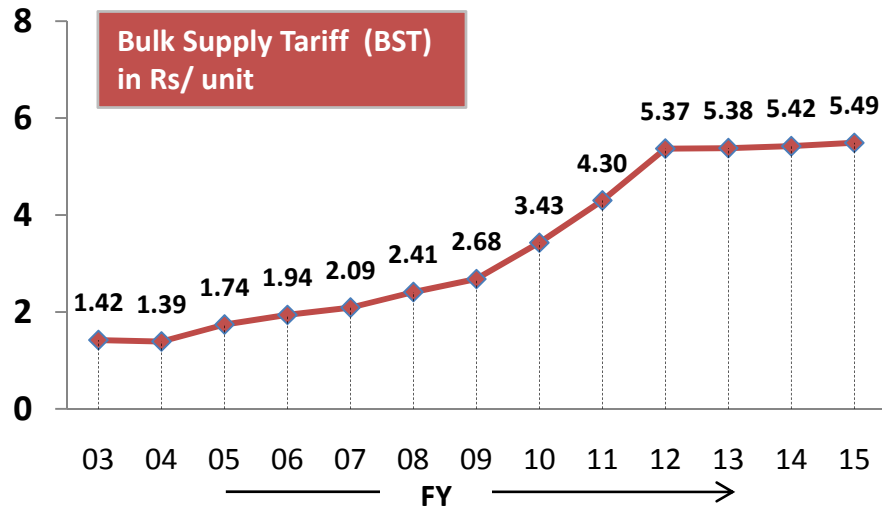


- Entire power is sourced from Govt. plants
- It is under long term PPA* – Approved by Govt.
- Rates are CERC/ DERC approved
- Any cost increase in Generation is fully passed on to Discoms (allowed by CERC / DERC)

* PPA: Power Purchase Agreement

Discoms have **“Absolutely No control”** over Bulk Power Cost, which is ~80% cost

BST & RST Trend



- ❑ Power Cost increase : ~300%
- ❑ Corresponding Retail Tariff hike : ~90%
- ❑ No consumer tariff hike for 05 years (FY07 to FY12); whereas power cost kept increasing exponentially.

RST increase in last 4 years is a relief but not sufficient



Note : The trends are on combined basis for both BSES discoms

Delhi's Power Purchase Cost is highest

(In Rs/ unit)

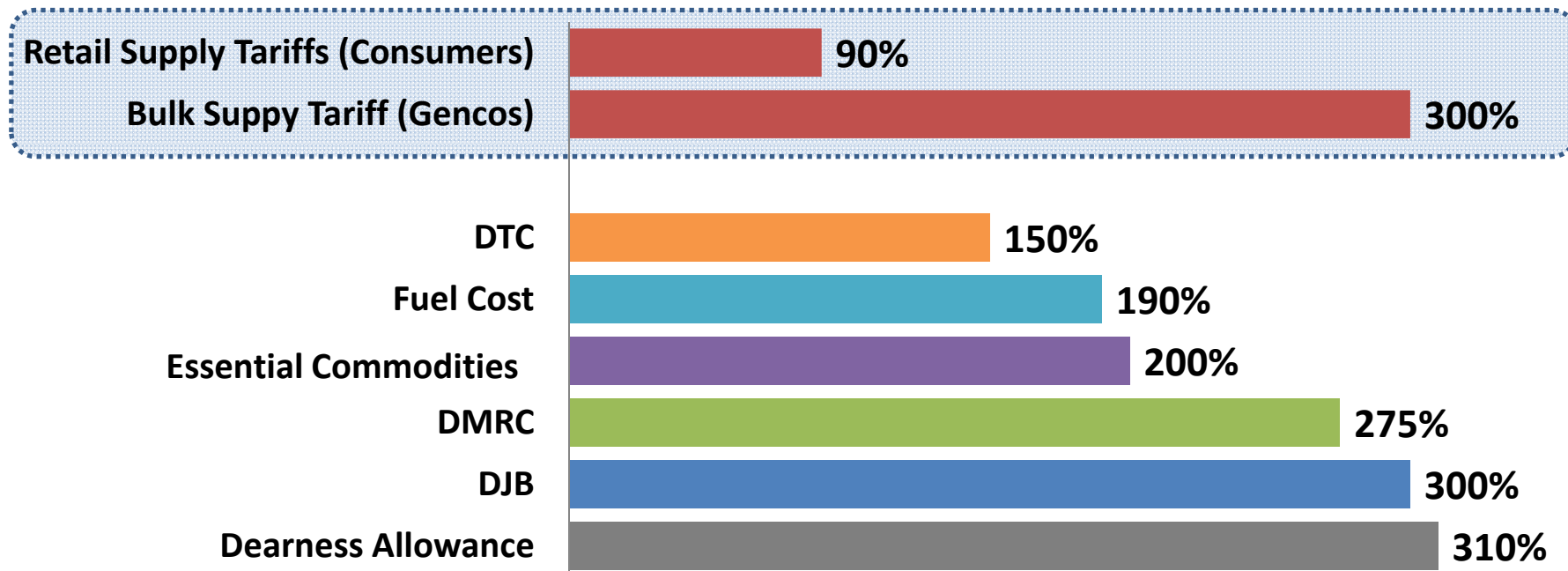
States	Overall Purchase Cost	State Genco's Cost
Haryana	4.18	3.89
Tamilnadu	4.09	3.44
UP	3.82	3.03
Karnataka	3.73	2.42
Gujarat	3.72	3.21
MP	3.06	2.45
Punjab	3.05	3.94
Kerela	3.00	1.09
Uttrakhand	2.94	1.23
Orissa	2.88	2.65
Himachal Pradesh	2.57	3.89
National Average	3.49	2.93
Delhi	5.49	5.00

- ❑ Delhi's Bulk power rate is **60% higher** than National Avg. (Rs 5.49 Vs Rs 3.49)
- ❑ Delhi's State Generation cost is **70% higher** than avg. cost of other state generators (Rs 5.00 Vs Rs 2.93)
- ❑ Delhi does not have access to Central un-allocated pool.

Need to align Delhi's procurement cost with Rest of India

Power Tariff Vs Essential Commodities/Services

Retail prices of Electricity Unrealistically Suppressed



While power purchase cost has kept pace with general inflation, but retail electricity prices unrealistically suppressed.

Delhi's Retail Tariff is one of the lowest

Segment: Residential

City / State		Tariff *
Delhi		5.23
Metros	Kolkata	6.46
	Mumbai	5.65
	Bangalore	5.58
Neighbouring States	Rajasthan	6.04
	Punjab	6.24

(*for 3kW, 400 unit per month, w/o subsidy)

❑ In Delhi, Energy charges per unit for low end residential customer is **lowest as compared to many other states.**

❑ For other customer categories also tariffs are considerably less than other major Indian cities..

Delhi enjoys lower tariff for base domestic consumers in the country



DERCs unrealistic approach
in Tariff determination

DERCs unrealistic approach in Tariff determination

- DERC assumptions unrealistic since FY07
- Huge swing observed during final True up against initially determined tariff

FY	Est. Revenue at Tariff determination	Actual Revenue during final True-up	Swing
Upto FY07	0	(563)	(563)
FY08	361	(75)	(436)
FY09	241	184	(57)
FY10	661	(1450)	(2111)
FY11	<i>ARR Disallowed</i>	(2317)	(2317)
FY12	(1163)	(2553)	(1390)
FY13	251	(987)	(1238)
TOTAL (Surplus/Gap)	352	(7761)	(8116)
Carrying Cost upto FY13	0	(2087)	(2087)
Total RA	352	(9847)	(10203)

Delayed cost recognition led to Regulatory Asset creation

Regulatory Asset build up & its impact

- Current tariff don't cover current costs
- Actual Regulatory Asset (RA) created is to the tune of Rs. 22,680 Cr.
- Only Rs.10,000 Cr. is recognised by DERC till date

Particulars	Amount (in Cr.)
RA recognised by DERC upto FY 12-13	9,811
ATE Judgments yet to be implemented	5,824
Revenue Gap during FY 13-14	4,030
Carrying cost for RA upto FY 14-15	3,015
Total revenue gap upto FY 2015-16	22,680

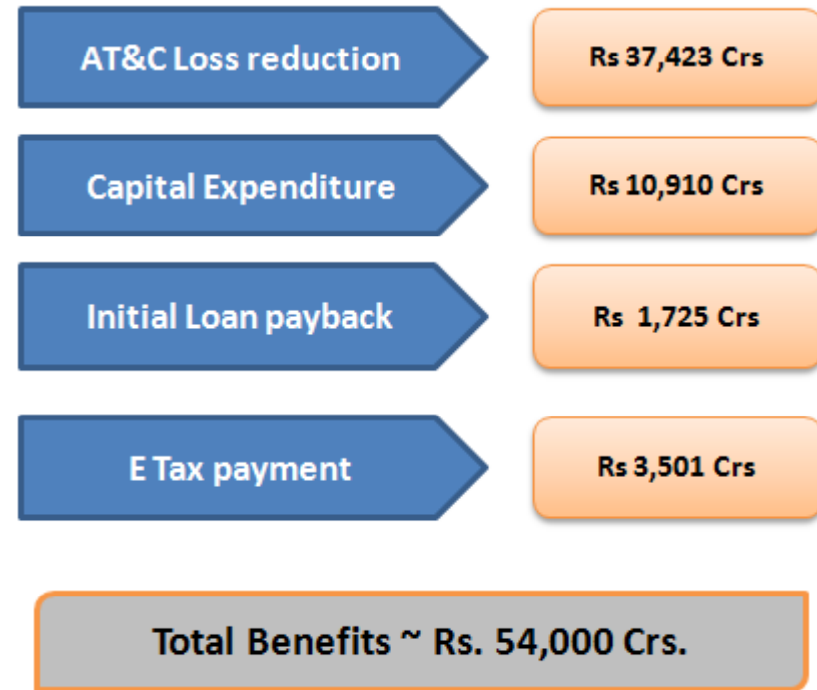
Not able to raise funds for funding current gaps & Capex



Benefits to stakeholders

Huge Savings to Government

- **Huge Savings to Delhi Government**
 - Rs.54,000 crores till date
 - Rs.7,000 Cr annually hereafter which is ~20% of Delhi govt. budget
- **Hence, more money available for**
 - Roads & Infrastructure
 - Streetlights
 - Schools & Hospitals
 - Metro & Buses



Above figures are estimated basis for all three private Discoms

Huge savings to GoNCTD to continue

Stakeholder Perspective



BSES



CUSTOMER	EMPLOYEE	BSES	DELHI GOVERNMENT	Promoter
Reliable Supply Quality with lesser tariff compared to other states ✓	Continuity & Rights protection ✓	Extreme Financial Stress (Negative Net worth) ⊘	~54,000 Crs of “De-facto” savings ✓	No Dividends in last 12 Years ⊘
World Class Customer Service ✓	Seamless growth opportunities with exposure to new technologies ✓	For same service, private discoms not getting govt. support ⊘	More money available for other infrastructure avenues ✓	Burden of BSES balance sheet is drag with ZERO return against the designated 16% return ⊘

All reaped the benefit of privatization, except the Discoms & Promoters

BSES



Despite “Spectacular Turnaround”, in absence
of “Adequate Tariff”

Discoms are facing Financial Crisis

THANK YOU