


**Tamil Nadu Generation and Distribution Corporation Limited
(ACCOUNTS BRANCH)**

From
G.Rajagopal ,M.Com,FICWA,A.C.S.,
Director/Finance/TANGEDCO,
144,Anna Salai,
Chennai-600002.

To 
Thiru.D.Balasundaram,
President,
Tamil Nadu Electricity Consumers
Association,
SIEMA Building,
8/4,Race Course,
Coimbatore-641018 .

Lr.No.CFC/Reg.Cell/TANGEDCO/DFC/EE/Reg.Cell/F.TP 2013-14Reply/D.No 205/2013,
dt 05.05.2013.

Sir,

Sub: TANGEDCO – Tariff Revision petition - Reg

Ref: Your representation dated 02.04.2013 addressed to the
Hon'ble Tamil Nadu Electricity Regulatory Commission.

Copy of your representation cited above addressed to the Hon'ble TNERC has
been received in this office.

In this connection, the following are informed:

Reply to Tamil Nadu Electricity Consumers Association

Query : Appointment of consultant

Reply: The accounts of TANGEDCO are being audited by a firm of qualified
chartered accountants as per the requirements of the companies Act 1956. In
addition to the above, being a government company the functioning of TANGEDCO
is also subject to commercial and expenditure audit by the Accountant General.
Moreover, the Hon'ble TNERC is vetting the tariff petition filed by TANGEDCO by
appointing a reputed consultancy firm. Hence, the necessity to appoint a consultant
to go into the entire operations and finances of TANGEDCO does not arise.

Query : Final Transfer Scheme

Reply: The Board has approved the proposal to seek extension of time by another
six month upto 30th October 2013 for final transfer of assets and liabilities to the
successor entities of erstwhile TNEB and the proposal is under the consideration of
Government of Tamil Nadu. Steps are being taken to complete the audit of annual
accounts for the FY 2012-13 and to place the same before the AGM of TANGEDCO
on or before 30.09.2013 which is the time limit prescribed under the provisions of
the companies Act 1956.

Query : Compliance of Directives

Reply: The status of progress on directives issued by Hon'ble TNERC in tariff order dated 30th March 2012 has been furnished in the tariff petition filed before the Hon'ble TNERC on 19th February 2013. The details of these directives are available on the TNERC website.

Query: Financial Restructuring Plan

Reply: At the time of submission of tariff petition to the Hon'ble TNERC, the FRP process was in its initial stage and hence the impact of the same could not be taken into consideration in the tariff petition. still the given details of the FRP are being worked out and if the same is finalised before the issuance of Tariff Order it will be submitted to the Hon'ble TNERC for its consideration.

Query : Cost Accounting system of TANGEDCO

Reply: Each generation and distribution utilities in India have their own power source owing to their geographical location. Hence, comparing the cost of TANGEDCO with that other utilities may not be itself give the desired results. However, steps are being taken to conduct the cost audit by a qualified cost Accountant as per the requirements of the Companies Act, 1956.

Query Comparison with Other Utilities

Reply: The contention of the stake holder that the cost needs to be compared with other state requires the consideration of the following issues:

1. The different in power generation mix and consumer mix
2. Power purchase expenses considering the diversity in the sources.
3. Geographical diversity in the state considering the key point that TANGEDCO is supplying electricity to wide spread area of Tamil Nadu as compared to other states of India.
4. Differential policies adopted by the State Government in relation to industrial, economic and agricultural sector.

Considering the above parameters the comparison should be made on the common parameters.

Query: Bifurcation of Generation and Distribution Function

Reply: These are the suggestion from the stake holders to the Hon'ble Commission.

Query : Electricity Tax

Reply: TANGEDCO submits that the issue relating to dropping of electricity tax does not come within the purview of tariff revision exercise. It is policy decision to be taken by the Government of Tamil Nadu.

PART 2

Query: Categorization of Consumer Category

Reply: TANGEDCO would like to inform that as per Section 62 of the Electricity Act, 2003, State Commission is vested with the powers to determine tariff for various categories of consumers. The tariff is being fixed after taking into consideration of the consumer's load factor, power factor, voltage, total consumption of electricity etc.,

Query: Cross Subsidy Surcharge

Reply: The Government of Tamil Nadu has issued a government order vide G.O. No. 79 dated :11.07.2012 relating to levy cross subsidy from the consumers who avail supply from the generators other than TANGEDCO and from CPP without availing the quota energy from TANGEDCO during the period when R & C measures are in force. This levy of cross subsidy has been challenged by some of the consumers and the matter is pending in the Hon'ble High court of Madras.

Query: Open Access Consumption to be deducted from recorded consumption to levy demand charges

Reply: TANGEDCO inform that there is no such provision under the Act as well as in the Regulations notified by the Commission.

Query: Levy of Demand Charges

Reply : The demand charges are intended to cover the fixed cost of TANGEDCO including interest, depreciation employee cost, repair and maintenance cost etc., and hence even if there is no power supply the demand charges would be levied. The recovery of fixed charges does not have any relevance to the hours of supply or the quantum of energy supplied.

The Hon'ble APTEL in appeal No:257 of 2012 referred by M/s.SIMA, Coimbatore against the Tariff Order No:1 of 2012 dated:30.03.2012 issued by the Hon'ble TNERC has upheld the order of TNERC with regard to levy of demand charges.

Query: Tariff Rate

Reply: In the tariff petition for the year 2013-14, tariff revision has been proposed only for agriculture and hut services and there is no proposal to revise the tariff for other categories of consumers.

The TNERC has been vested with the powers to revise the tariff for any other category of consumers.

As the Tariff Order in No:1 of 2012 dated:30.03.2012 issued by the Hon'ble TNERC has been upheld by the Hon'ble APTEL in appeal No:257 of 2012 filed by M/s.SIMA,Coimbatore.

Query: Regulatory Asset

Reply :TANGEDCO has proposed for approval for recovery of Regulatory Asset based on the methodology adopted by the Hon'ble TNERC in its tariff order dated 30th March 2012.

PART 3 - Own Generation Issues

Query: Own Generation

Reply: The coal prices in domestic and international market have witnessed hike during the past and accordingly projection have been made in the tariff petition. The details of fuel prices and cost have been submitted in the tariff petition.

PART 4 - Distribution Losses

Query: Agricultural Consumption

Reply : The agricultural consumption submitted in the tariff petition is based on 5% sample meter reading as per the methodology adopted by the Hon'ble TNERC in its last tariff order dated 30th March 2012.

Query: Increase in O&M Expenses

Reply : The employee expenses submitted in the tariff petition for FY 2012-13 is based on the actual expenses incurred. The Hon'ble Commission in its last tariff order had approved the employee cost for TANGEDCO based on the apportioning of expenses between TANGEDCO and TANTRANSCO. The industry norms cannot be compared due to the geographical diversity in the state and for the reasons that electricity is being supplied to wide spread areas within the state of Tamil Nadu.

Query: Cost of Upcoming Plants

Reply: Both the projects are allotted on the basis of EPC contract. The tenders were selected on the basis of international competitive bidding. The foreign components involved in MTPS (Rs.1914 Crores) is much more than the foreign component in NCTPS projects (370.95 Crores) and hence, the cost per MW is higher.

Query: Cross Subsidy Surcharge

Reply : The Government of Tamil Nadu issued the order to levy cross subsidy from the consumers who avail supply from the generators other than TANGEDCO and from CPP without availing quota energy from the TANGEDCO during R & C in force. This levy of cross subsidy was challenged before the High Court Madras and the matter is pending with the High Court.

Query: Cross Subsidy Surcharge calculation.

Reply: The cross subsidy proposed is being calculated on the basis of the formula laid down by the Ministry of Power in National Tariff Policy. As per the formula, the cross subsidy is the difference between the tariff paid by the consumer to the average cost of supply including line loss and wheeling charges.

The tariff includes both energy and demand charges. Hence, the cross subsidy surcharge is being calculated taking into account of demand charges also payable by the consumer.

The Cross subsidy surcharge calculated by the TANGEDCO in its tariff petition filed before the TNERC is in line with the formula provided by the Ministry of Power in National Tariff Policy.

No Provisions were available to omit the demand charges while calculating the cross subsidy surcharge in the Electricity Act 2003 and Rules and Regulation made there under as requested by the petitioner.

Cross Subsidy is worked based on the formula prescribed by the MoP in the National Tariff Policy.

Query: Interest on Borrowings and Return on Equity

Reply: The interest on the loan has been calculated considering the loans allocated to TANGEDCO at the time of segregation of erstwhile TNEB and based on such notified transfer scheme, it is the obligation of TANGEDCO to service such debts and repay them along with the interest. Hence, TANGEDCO has claimed the interest amount on actual basis.

Return on Equity for TANGEDCO for the control period has been calculated based on the average equity for the corresponding year. This has been done in line with the TNERC Regulations. The Normative Rate of Equity has been taken at 14%.

PART 5 - Regulatory Assets

Query: Regulatory Asset

Reply: TANGEDCO has proposed for the approval of Regulatory Asset based on the methodology adopted by the Hon'ble TNERC in tariff order dated 30th March 2012.

PART 6 – Cost to Serve and Cross Subsidy

Query: Cost to Serve and Cross Subsidy

Reply: The cost to serve model with the detailed report has been submitted along with the tariff petition for calculating voltage wise cost of supply and cross subsidy.

PART 7

Query: Negative balance in shareholders fund

Reply: The Commission has ordered to take care of accumulated losses as on 01-11-2010 by way revaluation of asset and Government support and this will be finalized while dealing with issues relating to restructuring of TNEB.

PART 8 - Other Comments on Tariff Petition

Query: FPCA Claim

Reply: The claim for FPCA will be filed once the power situation in the state improves and R&C measures are lifted.

Query: Partial Tariff Revision

Reply: Taking into consideration, the power crises in the State, the petition has been filed with a proposal to revise the tariff only for the LT Agricultural and LT Hut consumers.

Query: Thane Cyclone expenditure

Reply: The expenditure incurred towards restoring the power supply in the districts of Cuddalore on account of "THANE" cyclone have been taken into account in the additional capital expenditure. The petition for additional capitalization was filed in October 2012 before the Hon'ble Commission.

Query: Estimation of Consumption for FY 2013-14

Reply: TANGEDCO would like to submit that the overall growth in sales considered for the FY 2013-14 is around 16% which is worked out based on 9% growth rate and around 7% increase in consumption due to additional availability of power. Based on the above assumption most of the additional power that will be available in FY 2013-14 would go to LT consumers who are covered under load shedding. The domestic consumers are major group of the consumer mix and hence have resulted into an increase of 23% as compared to FY 2012-13.

Query: Compliance to directives

Reply: The status on directives issued by Hon'ble TNERC in tariff order dated 30th March 2012 has been furnished in the tariff petition filed before the Hon'ble TNERC on 19th February 2013. The details of these directives are available on the TNERC website.

Yours faithfully,

K. Sundararajan

Chief Financial Controller/Regulatory Cell
For Director/Finance/TANGEDCO

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