

**BEFORE THE ORISSA ELECTRICITY REGULATORY COMMISSION,  
Bhubaneswar**

Filing No. ....

Case No. ....

**IN THE MATTER OF:**

Petition under Section 94 of the Electricity Act, 2003 and Section 10(1) of the Orissa Electricity Reform Act, 1995 and inter alia, Regulation No. 70 of the Orissa Electricity Regulatory Commission (Conduct of Business) Regulations, 2004 framed under Section 181 of the Electricity Act, 2003

And

The Order dated February 26, 2005 passed in Case No. 146 of 2004 (Approval of Annual Revenue Requirement for FY 2004-05 and Determination of Bulk Supply Tariff and Transmission Charges for FY 2004-05) by the Hon'ble Commission

And

The Order dated March 22, 2005 passed in Case No. 147 of 2004 (Approval of Annual Revenue Requirement for FY 2005-06 and Determination of Bulk Supply Tariff and Transmission Charges for FY 2005-06)

**AND**

**IN THE MATTER OF:**

M/s. Southern Electricity Supply Company of Orissa Limited,  
Berhampur

- Petitioner

M/s. Grid Corporation of Orissa Limited,  
Janpath, Bhubaneswar

- Respondent

**THE HUMBLE PETITIONER ABOVE NAMED MOST RESPECTFULLY SHOWETH:**

The Petitioner, Southern Electricity Supply Company of Orissa Limited (SOUTHCO), is a Company registered under the provisions of the Companies Act, 1956 and is, inter alia, a Distribution and Retail Supply Licensee in the State of Orissa.

Respondent No. 1 ("GRIDCO") is a Transmission and Bulk Supply Licensee in the State of Orissa from whom NESCO sources its power requirement.

GRIDCO filed a Petition before this Hon'ble Commission being Case No. 146 of 2004 for approval of its Annual Revenue Requirement (ARR) and Proposal for revision of Bulk Supply Tariff for FY 2004-05 on November 25, 2004. The Hon'ble Commission has passed its Order on the ARR and Bulk supply Tariff Petition filed by GRIDCO for FY 2004-05 on February 26, 2005 (BST Order for FY 2004-05).

GRIDCO filed a Petition before the Hon'ble Commission being Case No. 147 of 2004 for approval of its Annual Revenue Requirement (ARR) and Proposal for revision of Transmission and Bulk Supply Tariff for FY 2005-06 on November 29, 2004. The Hon'ble Commission has passed its Order on the ARR and Bulk supply Tariff Petition filed by GRIDCO for FY 2005-06 on March 22, 2005 (BST Order for FY 2005-06).

SOUTHCO, by the present application, seeks a review/modification of the said Order as set out hereinbelow:

**1. Treatment of adjustment of Revenue Surplus against past losses of GRIDCO**

The Hon'ble Commission has allowed to adjust surplus of Rs 217.35 Crore for FY 2004-05 and Rs 15.72 Crore in FY 2005-06 in GRIDCO's revenue requirement against past losses of GRIDCO by ruling the following in paragraph 6.33.3:

*"...However, the surplus in GRIDCO revenue should be utilised to wipe out the past losses appearing in the books of account as indicated earlier."*

As regards the quantum of past loss, the Hon'ble Commission has observed in its BST Order for FY 2005-06 that

*"6.33.1 GRIDCO had applied for pass through of Rs.1372.32 crore of accumulated losses from the year 1996-97 to 2003-04, as a part of revenue requirement of the licensee for 2004-05. To the extent, it could not be dealt in the ARR of 2004-05, GRIDCO requested that the same may be allowed in the revenue requirement for 2005-06."*

*6.33.2 The Commission while approving the tariff for 2004-05 had directed to address this issue in tariff order of 2005-06. The balance sheet of GRIDCO as on 31.03.04 indicates accumulated loss of 1376.70 crore & the accumulated depreciation of Rs.624.99 crore. This depreciation seems to have been calculated applying post-94 rate on the value of assets which needs to be re-cast in compliance with the orders of the Hon'ble High Court of Orissa at pre-92 rate. But both the figures of accumulated depreciation and commercial loss as on 31.03.2004 will undergo change."*

The Hon'ble Commission has further observed, in paragraph 6.33.2, as follows:

*"The Commission allowed the interest payable by GRIDCO due to securitisation of power purchase of Rs.2063.00 crore on account of conversion of current liability (power purchase liability) to long-term liability."*

It is also pertinent to note that GRIDCO has been allowed to securitise and restructure the accumulated liabilities. The Hon'ble Commission has allowed GRIDCO for servicing of all such securitised liabilities by allowing interest and repayment of such securitised liabilities as part of Annual Revenue Requirement as and when they would become due. Allowing GRIDCO to adjust its surplus in revenue against past losses may amount to passing of the burden twice to the DISCOMs and consequently to consumers to the extent liabilities arising of such past losses have been securitised. Considering the need for cash in the Sector for its revival at this stage, such surpluses should be ploughed back in Sector rather than being utilised towards accelerated prepayment of past losses of only specific generators or lenders.

Considering the above it is being respectfully submitted to the Hon'ble Commission that GRIDCO should be asked to file a separate Petition for approval of quantum of Regulatory Asset to be amortised through tariff on the lines of the procedures adopted for the treatment of past losses through Regulatory Asset for DISCOMs. The Commission may please assess the prudence of expenses and determine the quantum of Regulatory Asset to be amortised through tariff after factoring in the servicing allowed towards restructured/securitised liabilities attributable to such past losses. The Commission may also please specify the period for amortising Regulatory Asset after turnaround of the Sector. Such treatment may be uniform for all the participants in the Sector.

Further out of Rs. 1372.32 Crore of accumulated losses for the period from FY 1996-97 to FY 2003-04 claimed as pass through by GRIDCO, Rs 1192 Crore relate to total losses for the period prior to March 31, 1999, i.e., period prior to privatisation. The Reform Process did not envisage any recovery of past losses through the tariffs for the period prior to privatisation.

It is also relevant to note that the National Electricity policy, vide clause 5.4.3 states that *"For achieving efficiency gains proper restructuring of distribution utilities is essential. Adequate*

transition financing support would also be necessary for these utilities. Such support should be arranged linked to attainment of predetermined efficiency improvements and reduction in cash losses and putting in place appropriate governance structure for insulating the service providers from extraneous interference while at the same time ensuring transparency and accountability. **For ensuring financial viability and sustainability, State Governments would need to restructure the liabilities of the State Electricity Boards to ensure that the successor companies are not burdened with past liabilities.** The Central Government would also assist the States, which develop a clear roadmap for turnaround, in arranging transition financing from various sources which shall be linked to predetermined improvements and efficiency gains aimed at attaining financial viability and also putting in place appropriate governance structures.

It is relevant to note that in other States where the electricity sector has been reformed, the State Government has been giving significant support either in the form of subsidy support or in other ways such as waiver of past dues, etc. to enable the sector to become viable. The following Table shows the extent of support given by other State Governments to the electricity sector:

(Rs Crore)

Liabilities supported by State Govt	Andhra Pradesh	Uttar Pradesh	Delhi	Karnataka
Contingent liability taken over	419	600		214
Other liability retained				793
Loan converted to equity	734	3,000		
Loan written off		12,000		Adjusted in setoff
Cash Subsidy	3,837		3450	6,750
Loan Subsidy	3,546	200		
Settlement of Govt Dept's dues		2,000		
Investment in new projects		2,200		

However, in the State of Orissa, neither transition financing nor any form of subvention has been made available to the DISCOMs, rather they are being loaded with liabilities of a pre privatisation period that should have been taken over by the State Government. It is being respectfully submitted to the Commission that the adjustment of past losses prior to privatisation in case of GRIDCO shall be kept in abeyance and such amount be made available to power sector in Orissa to support its turnaround.

## 2. Revenue from Export of Power Outside State

### FY 2003-04

In the BST Order for FY 2003-04 dated June 28, 2003, the Hon`ble Commission had observed under Clause 5.9.1 that “GRIDCO`S overall financial burden of power purchase could be reduced if export potential under a normal monsoon year is exploited properly.” Further, the Hon`ble Commission had noted under Clause 5.9.3 that “The Commission feels that there is ample opportunity for trading of surplus power of GRIDCO and thereby earning additional revenue so as to reduce the power purchase cost of the licensee”.

As is evident from the BST Order for FY 2004-05, GRIDCO has been able to earn additional Rs. 102 Crore through additional export of power due to good monsoon and less drawal of energy by DISCOMs. The details of power purchase by GRIDCO, power sold to Licensees and additional revenue from power exports are given in following Table:

GRIDCO FY 2003-04		Approved	Audited	Excess/ (Deficit)
Power Purchase	MU	14819	15237*	418
Power Purchase Cost	Rs Cr	1649	1595	
Energy sale to DISCOMs	MU	12057	11929	(128)
Power Exports & CPP Sales	MU	2313	2648	335
Surplus available for Export without additional cost	MU			463
Additional Revenue from Power Exports @ 220 p/u	Rs Cr			102

\* - Adjustments for UI sales of 660 MU, is excluded in the above table

It is evident from the above table that there was a surplus to the tune of Rs 102 Crore on account of export of power alone. Besides, GRIDCO did not incur any additional costs towards procuring such power. It is being respectfully submitted to the Commission that such surplus amount should be adjusted against Annual Revenue Requirement of GRIDCO and consequently BST should be reduced. Such reduction in BST would help accelerating turn around of the power sector of Orissa.

### FY 2004-05

Similarly for FY 2004-05, the Hon`ble Commission was pleased to rule at paragraph 6.26.2 in its BST Order for FY 2004-05 that “The Commission scrutinised the proposal of GRIDCO and approves 4301.65 MU for export after meeting the state demand. The total revenue from export @220 p/u (reported by GRIDCO) works out to Rs.946.36 crore which is rounded up to Rs.946

crore.” However, it is learnt that GRIDCO had entered into Agreement with PTC for export of power average rate of Rs.2.65 per unit with effect from January 2005. Since the BST Order had been issued on February 26, 2005, the revenue from export of power should have been considered based on contractual Agreement for export of power with PTC for last quarter of the Financial Year. The Hon’ble Commission has mentioned in the BST Order for FY 2004-05 that the rate of Rs. 2.20 per unit was considered based on reported figures of GRIDCO. As the Order was issued on February 26, 2005, GRIDCO should have reported its contractual arrangement with PTC for proper estimate of its revenue. Since the new information has come to surface, it is being respectfully submitted that such additional revenue of Rs 50 Crore as calculated in the following Table should be accounted while determining surplus/gap for GRIDCO and consequently BST should be revised.

<b>FY 2004-05</b>	<b>Unit</b>	<b>Approved by the Commission</b>	<b>Proposed by DISCOMs</b>
Export of power	MU	4302	4386*
Rate for export of power	Paise/Unit	220	220 (9 months) and 265 (3 months)***
Revenue from Export of power	Rs Crore	946	995.97
Impact on Revenue Gap/(Surplus)	Rs Crore		49.79

\*Adjustment for 84 MU being allowed as excess transmission loss on power export

\*\* 3700 MU (April to Dec 04) & 686 MU (Jan to Mar 05)

#### **FY 2005-06**

In the BST Order for FY 2005-06, the Hon’ble Commission was pleased to rule under Clause 6.24.2 that “Revenue from Export of Power: GRIDCO had proposed revenue earning of Rs.726.00 crore by way of export of 3300 MU to outside state at an average rate of 220 paise per unit. The Commission scrutinised the proposal of GRIDCO and approves 2808.28 MU for export after meeting the state demand. The total revenue from export @234.575 p/u (average of actual export rate for the period from 4/04 to 2/05) works out to Rs.658.75 crore.”

It is learnt from the recently concluded bidding for trading of power that GRIDCO has been able to obtain the following rate of sale from PTC:

<b>Month-Year</b>	<b>Trading during Peak Time</b>		<b>Trading Round the Clock</b>	
	<b>Capacity (MW)</b>	<b>Rate (Rs/Unit)</b>	<b>Capacity (MW)</b>	<b>Rate (Rs/Unit)</b>
Apr-2005	200	3.61	200	3.205
May-2005	200	3.61	200	3.205
Jun-2005	200	3.61	200	3.205
Jul-2005			600	3.005
Aug-2005			600	3.005

Month-Year	Trading during Peak Time		Trading Round the Clock	
	Capacity (MW)	Rate (Rs/Unit)	Capacity (MW)	Rate (Rs/Unit)
Sep-2005			600	3.005

Even if Rs. 3.005 per unit (minimum of above rates) is being considered as the rate for export of power as against that of Rs. 2.34575 per unit considered by the Commission, this would translate to an additional revenue of Rs. 185.13 Crore for GRIDCO. Such revenue is attributable to availability of additional power whose cost has already been accounted while determining Annual Revenue Requirement of GRIDCO and BST to be charged to DISCOMs. With the new information coming to surface upon conclusion of bidding for trading of power having a substantial impact on the Annual Revenue Requirement for GRIDCO, it is being respectfully submitted to the Commission that the revenue gap/(surplus) determined under the BST Order for FY 2005-06 may be adjusted and BST may consequently be reduced.

### 3. Non recognition of revenue from UI Charges

In the BST Order for FY 2004-05, the Hon`ble Commission was pleased to rule under Clause 6.24.2 that “*UI charges are dependent on several unknown risk factors like the behaviour of grid constituents, demand (peak and off peak) of the state, hydrology condition, line availability, etc. for which GRIDCO did not consider the revenue from UI charges for 2004-05. GRIDCO has projected nil figure towards the UI charges. The Commission directs that any revenue earning by GRIDCO on account of UI charges during 2004-05 should be accounted for in the ARR of subsequent years.*”

From the BST Filings of of GRIDCO for FY 2004-05, it is learnt that GRIDCO has earned Rs. 170 Crore as revenue from UI charges. On the lines of the direction as given above by the Commission in BST Order for FY 2004-05, the same should have been considered while determining revenue gap/(surplus) for FY 2004-05. However, the determination of ARR and revenue gap/(surplus) has overlooked the above receipt and there is an error apparent in this regard. Accordingly, it is being respectfully submitted to the Commission that the revenue gap/(surplus) for FY 2004-05 should be adjusted to account for revenue of Rs. 170 Crore from UI charges and consequent reduction should be passed on in BST.

As per the Hon`ble Commission’s own observation in the BST Order for FY 2005-06, the revenue earned from UI charges in FY 2004-05 should have been considered while determining Annual Revenue Requirement for FY 2005-06 based on actual information available for the period from April 2004 to February 2005. It is being respectfully submitted to the Commission that the revenue gap/(surplus) for FY 2005-06 may be adjusted to account for such revenue and consequent reduction should be passed on in BST.

However, in the BST Order for FY 2005-06, the Hon`ble Commission was pleased to rule under Clause 6.24.5 that *“The Commission directs that any revenue earning by GRIDCO on account of UI charges during 2005-06 should be accounted for and adjusted against the past liabilities of GRIDCO.”*

It is being respectfully submitted to the Hon`ble Commission that the revenue earned from UI charges should be considered while determining Revenue gap/(surplus) of GRIDCO and determination of BST. Such revenue surplus should not be adjusted against past losses for one of the Licensees in isolation before Sector as a whole is able to meet its Annual Revenue Requirement. Rather, treatment of past losses prior to privatisation should be common across all players of the Sector. Uniform treatment across all participants of the Sector would aid improving viability of the Orissa power sector.

#### **4. Power Purchase Costs for Upper Indravati Hydro Electric Project (UIHEP)**

In the BST Order for FY 2004-05, the Hon`ble Commission was pleased to rule under Clause 6.8.5 that *“Due to favourable monsoon and high reservoir levels, UIHEP has been able to generate excess energy to the extent of 736.10 MU over and above the design energy. This may be considered as secondary energy and as per CERC Regulations, it may be priced at the same rate as applicable to the primary energy and the total cost comes to 46.28 crore.”*

In the BST Order for FY 2005-06, the Hon`ble Commission was pleased to rule under Clause 6.8.9 that *“In the event of favourable monsoon and high reservoir levels, if UIHEP will generate excess energy over and above the design energy, the extra energy may be considered as secondary energy and as per CERC Regulations, it may be priced at the same rate as applicable to the primary energy. The Commission directs the same principle to be followed during 2004-05 and 2005-06 for pricing the secondary energy so generated. This order of the Commission supersedes the order at para 6.8.5 dated 26.02.2005 in Case No.146/2004 in the matter of BST application of GRIDCO, wherein the secondary energy charges were to be calculated @ 62.86 paise/unit but the same stands revised to 46.38 paise/unit for the year 2004-05 and 2005-06.”*

With the revision in Secondary Energy Charge to 46.38 paise/Unit for FY 2004-05, the purchase cost of Secondary Energy from UIHEP has reduced to Rs. 34.14 Crore as against Rs. 46.28 Crore provided under the Annual Revenue Requirement of FY 2004-05. This reduction in secondary energy rate from 62.86 paise/unit to 46.38 paise/unit has not been considered while determining the ARR of GRIDCO and hence there is an error apparent in this regard. Accordingly, it is being respectfully submitted to the Commission that the impact of change in ruling be factored in Annual Revenue Requirement for FY 2005-06 and the same may be reduced by Rs. 12.14 Crore. It is further being submitted that such reduction be passed on as a reduction in BST for FY 2005-06.



## **5. Availability of Power from Upper Indravati Hydro Electric Project (UIHEP)**

In the BST Order for FY 2005-06, the Hon'ble Commission was pleased to rule that *"In case of UIHEP, the design energy is 1962.00 MU. After deduction of auxiliary consumption and transformation loss, energy sent out to GRIDCO comes to 1942.38 MU. ... As far as UIHEP is concerned the Commission approves the energy availability at 1942.38 MU."*

It is relevant to examine the provisions of Central Electricity Regulatory Commission (Terms and Conditions of Tariff) Regulations, 2004 which defines the following terms in connection with tariff determination for Hydro Power Generating Stations:

*"(xiii) 'Design Energy' means the quantum of energy which could be generated in a 90% dependable year with 95% installed capacity of the generating station;*

*(xx) 'Primary Energy' means the quantum of energy generated up to the design energy on per year basis at the generating station;*

*(xxvi) 'Secondary Energy' means the quantum of energy generated in excess of the design energy on per year basis at the generating station;"*

As per the definition, Design Energy and Primary Energy represents a conservative estimate of generation which could be generated in atleast 9 out of 10 years (90% dependable year) even with 95% installed capacity of the Generating Station. This does not necessarily represent the estimate of generation with a normal monsoon in the State. It would be prudent to estimate the generation of primary energy as well as secondary energy considering the past trend of generation over 5 to 10 years, water levels of reservoirs and expected inflow based on the prediction of monsoon by Meteorological Department to arrive at a most likely estimate of generation. Estimating the generation of Secondary Energy would allow making a provision for payment of Secondary Energy charges to Generating Station. Any variation in actual generation vis-à-vis estimate of generation, being an uncontrollable element, may be considered as pass through element in Annual Revenue Requirement for subsequent years

In the BST Order for FY 2004-05, the Hon'ble Commission was pleased to consider the generation of 2742.13 MU for UIHEP including 1942.38 MU of Primary Energy and 799.75 MU of Secondary Energy based on actual power generation till December 2004, reservoir levels, CERC norms and projection of generation for the balance period of Financial Year.

Even if the generation from UIHEP for FY 2005-06 were considered at the level of generation for FY 2004-05, i.e. at 2742.13 MU instead of 1942.38 MU, the additional power available for exports would be 799.75 MU. Taking into consideration the prevailing rate of power exports at the rate of Rs 3 per unit, the Annual Revenue Requirement would reduce by Rs. 203 Crore. .

Considering the magnitude of impact on Annual Revenue Requirement of GRIDCO and consequently BST, it is being respectfully submitted that the Commission may reconsider generation from UIHEP based on the past trends of actual generation, reservoir levels and prediction of monsoon by Meteorological Department to determine Annual Revenue Requirement for FY 2005-06.

## 6. Employee Cost

In the BST Order for FY 2005-06, the Hon'ble Commission was pleased to rule under Clause 6.21.1.10 that *“As such, for the present, the Commission allows terminal benefits of Rs.117.54 crore for 2004-05 subject to verification as discussed in para 6.21.1.8 above.”*

An analysis of the past trends from FY 1999-00 to FY 2003-04 reveals that while GRIDCO proposed and claimed liability towards terminal benefits in its earlier ARR applications in the range of Rs.40 Crore to Rs.50 Crore and the Hon'ble Commission approved the same in the range of Rs. 25 Crore to Rs. 33 Crore. The summary of terminal benefits as proposed by GRIDCO, as approved by the Commission and as booked by GRIDCO in its audited accounts are given in following table:

Terminal Benefits		FY 00	FY01	FY 02	FY 03	FY 04	FY 05	FY 06
Proposed	Rs Crore	39	27	39	50	50	118	118
Approved	Rs Crore	12	25	28	31	34	118	41
Audited	Rs Crore	40	41	81	87	131	NA	NA

From the above Table it is apparent that the Hon'ble Commission has allowed total liability of Rs 130 Crore towards meeting requirement of terminal benefits over the period from FY 1999-00 to FY 2003-04 as against the total claim of Rs 205 Crore. As per the Audited Accounts, GRIDCO has provided Rs 380 Crore towards liability of terminal benefits.

The Hon'ble Commission also noted under Clause 6.21.1.7 in the BST Order for FY 2004-05 that *“In a reply to Commission's query regarding huge provision towards terminal benefits, GRIDCO stated that the same was due to the creation of corpus fund to meet the pension and gratuity liabilities of 5702 retired employees. The amount comes to Rs.117.54 crore. Provision towards terminal benefits is based on the report of actuary upto 31.03.2004 appointed by GRIDCO.”*

Considering actual liability provided over the period from FY 1999-00 to FY 2003-04, it appears that valuation of terminal benefits were understated as on March 31, 1999 and the revenue surplus for FY 2004-05 is being utilised to create the corpus for liabilities prior to privatisation period. It

is being respectfully submitted that the Hon'ble Commission may reconsider its decision to provide for such liabilities prior to pre-privatisation period through the Annual Revenue Requirement for FY 2004-05, as this is in gross violation of the implementation of the Reform Process.

### 7. Combined impact of above suggestions:

Based on the above suggestions, the Hon'ble Commission may consider reduction in BST rate by considering the reduction in Annual Revenue Requirements in the following Table:

Rs Crore

Sr.No.	Description	2003-04	2004-05	2005-06
1	Revenue surplus of FY 2004-05 retained in the power sector instead of adjusting against past losses of GRIDCO by adopting uniform treatment for all sector participants in FY 2005-06		217	
2	Revenue surplus of FY 2005-06 retained in the power sector instead of adjusting against past losses of GRIDCO by adopting uniform treatment for all sector participants in FY 2005-06			16
3	Benefit of additional revenue through additional export of power due to good monsoon and less drawal of energy by DISCOMs for FY 2003-04 adjusted against revenue requirement of GRIDCO	102		
4	Additional revenue from export of power for FY 2004-05 after accounting for higher realisation		50	
5	Additional revenue from export of power for FY 2005-06 after accounting for higher realisation		185	
6	Revenue from UI Charges for FY 2003-04	170		
7	Reduction in power purchase costs from UIHEP for FY 2004-05 considering reduction in Secondary Energy Charge		12	
8	Reduction in ARR for FY 2005-06 considering availability of power from UIHEP at the level of generation during FY 2004-05			203

Sr.No.	Description	2003-04	2004-05	2005-06
9	Excess in ARR of FY 2004-05 allowed to be adjusted against Terminal Benefits for the period prior to April 1, 1999( Rs 118-Rs 41 Crore)		77	
10	Possible reduction in GRIDCO's ARR Requirement (subtotal of Sr. No. 1 to 10)	272	541	219

\* The proceeds on account of UI for FY2004-05 has not been included in the above on account as the audit figures of the same is not available. The petitioner prays that benefits arising out of such transactions be accounted for as additional income

### **8. Prayers:**

In view of above submissions, the Petitioner therefore prays that

1. GRIDCO may be asked to file a Petition for approval of quantum of Regulatory Asset for the past losses to be amortised through tariff on the lines of the procedures adopted for the treatment of past losses for DISCOMs. The Commission may please assess the prudence of expense and determine the quantum of Regulatory Asset to be amortised through tariff after factoring in the servicing allowed towards restructured/securitised liabilities attributable to such past losses. The Commission may also please specify the period for amortising Regulatory Asset after turnaround of the Sector. Such treatment may be uniform for all participants in the Sector.
2. The adjustment of past losses of GRIDCO prior to privatisation be kept in abeyance and such amount be made available to power sector in Orissa to support its turnaround.
3. The additional revenue accrued in FY 2003-04 towards export of power and the revenue from export of power for FY 2004-05 and FY 2005-06 may be considered at the realistic rate for export of power for determining revenue gap/(surplus) under the BST Order for FY 2005-06 and BST may consequently be reduced.
4. The revenue earned from UI charges may be considered while determining Revenue gap/(surplus) of GRIDCO and determination of BST. Such revenue surplus may not be adjusted against past losses for one of the Licensees in isolation before the sector, as a whole is able to meet its Annual Revenue Requirement. Rather, treatment of past losses prior to privatisation should be common across all players of the Sector. Uniform treatment across all participants of the Sector would aid improving viability of the Orissa power sector.

5. The impact of change in ruling for rate of purchase of Secondary Energy from UIHEP shall be factored in Annual Revenue Requirement of GRIDCO for FY 2005-06. It is further being submitted that such reduction be passed on as a reduction in BST for FY 2005-06.
6. The Commission may reconsider generation from UIHEP based on the past trend of actual generation, reservoir levels and prediction of monsoon by Meteorological Department to determine Annual Revenue Requirement of GRIDCO for FY 2005-06.
7. The Hon'ble Commission may reconsider its decision to provide for liabilities prior to pre-privatisation period through the Annual Revenue Requirement of GRIDCO for FY 2004-05, as this is in gross violation of the implementation of the Reform Process.

**COMPANY SECRETARY**  
**SOUTHCO**